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Introduction

The U.S. General Accounting Office (GAO) is a nonpartisan agency within the legislative branch of the government. GAO conducts audits, surveys, investigations, and evaluations of federal programs. This work is either self-initiated or done at the request of congressional committees or members. GAO's findings and recommendations are published as reports to congressional members or delivered as oral testimony to congressional committees. 761 reports are included in the abstracts volume of this publication. Restricted and classified products as well as correspondence are not included in the abstracts.

Abstracts of Reports and Testimony: Fiscal Year 1996 and Indexes for Reports and Testimony: Fiscal Year 1996 is a two-volume publication. The first volume contains full abstracts of reports and testimony listed alphabetically by division or staff office, and the second volume contains several indexes to assist you in locating a particular report or testimony by subject matter, issue category, title, or GAO witness. How to use the two volumes is described more fully below. This publication is also available in electronic form on the Internet from GAO's World Wide Web site, (<http://www.gao.gov>).

General Information About GAO Reports and Testimony

Abstracts of Reports and Testimony: Fiscal Year 1996

GAO report numbers contain the following information: the division or staff office acronym, the last two digits of the fiscal year, and the sequentially assigned report number, e.g., GGD-96-1. Testimonies are shown with a "T" in front of the division or staff office acronym; e.g., T-NSIAD-96-114.

This volume contains the full abstracts of reports and testimony issued October 1, 1995, through September 30, 1996, as originally abstracted in GAO's monthly list of reports and testimony. The abstracts are arranged sequentially by report number for each division and staff office. The abstract entry also includes publication date, publication length, and the complete title followed by the full abstract.

In fiscal year 1996, GAO had six program and technical divisions and several offices that issued reports. Some reports were issued jointly by two or more divisions; in those cases, the report number includes the acronym for each division, e.g., AIMD/GGD-96-152.

The following is a list of division and office acronyms and names:

Acronym	Division/Office Name
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AIMD	Accounting and Information Management Division
GGD	General Government Division
HEHS	Health, Education and Human Services Division
NSIAD	National Security and International Affairs Division
OCG	Office of the Comptroller General
OGC	Office of the General Counsel

OIMC	Office of Information Management and Communications
OP	Office of Policy
OPA	Office of Public Affairs
OSI	Office of Special Investigations
PEMD	Program Evaluation and Methodology Division
RCED	Resources, Community and Economic Development Division

Indexes for Abstracts of Reports and Testimony: Fiscal Year 1996

The Indexes for Abstracts of Reports and Testimony are designed to lead you to a report or testimony from a variety of access points. There are four indexes to help you in your search.

- **Category Index** groups items by the broad subject headings used in GAO's monthly list. The entries of the category index are grouped according to subject matter under one of the following 26 subheadings:

- Agriculture and Food
- Budget and Spending
- Business, Industry, and Consumers
- Civil Rights
- Economic Development
- Education
- Employment
- Energy
- Environmental Protection
- Financial Institutions
- Financial Management
- Government Operations
- Health
- Housing
- Income Security
- Information Management
- International Affairs
- Justice and Law Enforcement
- National Defense
- Natural Resources
- Science, Space, and Technology
- Social Services
- Special Publications
- Tax Policy and Administration
- Transportation
- Veterans Affairs

While there may be instances where reports or testimony logically fit under two or more categories, we have tried to place them under the most obvious categories.

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- **Subject Index** has generic subject area headings including terms from GAO's Thesaurus as well as geographic locations, weapon system names, and funds. Reports and testimonies are listed alphabetically by title, followed by the report or testimony number.
 - **Title Index** lists all reports and testimonies alphabetically in natural word order, along with the date of the publication and the report or testimony number.
 - **Witness Index** consists of an alphabetical list of GAO officials who have testified before congressional committees and the testimony numbers.

Each index reference will lead you to an abstract that will give you enough information to decide whether the report or testimony will provide the information you want.

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Subject Index

AIMD

AIMD-96-4, Jan. 8, 1996 (18 pages). Financial Management: Implementation of the Cash Management Improvement Act.

The Cash Management Improvement Act seeks to promote equity in the exchange of funds between the federal government and the states. This legislation was enacted in response to allegations that states either drew cash advances well before federal funds were needed to make payments or used their own funds to satisfy federal program needs and were not reimbursed promptly by federal agencies. GAO found that the act has heightened awareness of cash management at both the state and federal levels. The Treasury Department, federal agencies, and the states have made substantial progress in implementing the act. By revising the act's regulations to streamline the process and by emphasizing the results of single audits as a way to oversee state activities and enforce the act's requirements, the Treasury's Financial Management Service should be able to improve the act's effectiveness and help alleviate any concerns about administrative burden.

AIMD-96-5, Feb. 9, 1996 (16 pages). Federal Reserve Banks: Internal Control, Accounting, and Auditing Issues.

GAO's work at the Federal Reserve Bank of Dallas, its three branches, and the Federal Reserve Automation Services has found internal control issues significant enough to warrant management's attention. These issues

include how (1) the accounting records of the Dallas Federal Reserve Bank and its branches are reconciled, reviewed, maintained, and reported on; (2) accountability over assets is maintained; and (3) automated systems are used by the Dallas Federal Reserve Bank and its branches. GAO also identified an opportunity for the Federal Reserve to improve the consistency and the efficiency of its note-accounting procedures. The Board has contracted with a public accounting firm for annual audits of the Federal Reserve Banks' combined financial statements for each of the next five years. The firm is also required to audit each of the individual Federal Reserve Banks once during this period. GAO concurs in this audit strategy. The auditor, however, faces significant challenges arising from (1) the lack of independent parties to confirm the ownership and the original cost of U.S. Treasury securities, which results from the Federal Reserve Banks' unique role as Treasury's fiscal agent; (2) the impossibility of confirming amounts held by hundreds of millions of note holders; and (3) the notes' unusual characteristics (for example, they never mature or expire and can be destroyed by events not under the control of the Federal Reserve Banks).

AIMD-96-6, Feb. 16, 1996 (226 pages). Public Pensions: Summary of Federal Pension Plan Data.

This report—one in a series of three reports on the status of public pension plan funding—provides summary data on federal government pension plans. The other two reports in the series address state and local government

pension plans. GAO focuses on federally sponsored defined benefit and defined contribution plans.

AIMD-96-7, Mar. 27, 1996 (50 pages). CFO Act Financial Audits: Increased Attention Must Be Given to Preparing Navy's Financial Reports.

After performing a broad-based review of the Navy's financial management operations, GAO concludes that the Navy has made little progress in improving its general funds financial management and reporting since passage of the Chief Financial Officers Act in 1990. Top military officials must make achievement of the act's objectives a higher priority. Preparing reliable financial statements is critical to (1) safeguarding and effectively managing the public's substantial investment in Navy operations; (2) providing the Navy, the Defense Department (DOD), and Congress with a clear understanding of the Navy's financial condition so that they can control costs while maintaining military readiness; and (3) ensuring the reliability of agencywide consolidated financial statements that DOD must prepare beginning with fiscal year 1996. The Navy, including the Marine Corps, accounts for about one-third of DOD's gross budget authority, controls nearly half of DOD's assets, and employs one-third of all DOD personnel. This report focuses on the challenges that the Navy and the Defense Finance and Accounting Service (DFAS) face to strengthen the Navy's financial management and reporting and to adequately plan for preparing auditable financial statements for the Navy within the required time frame. It also recom-

mends ways to improve the Navy's and DFAS' financial management and reporting processes and internal controls.

AIMD-96-14, Jan. 16, 1996 (13 pages). Deficit Reduction: Better Targeting Can Reduce Spending and Improve Programs and Services.

Targeting is a promising approach to deficit reduction that can help reduce spending as well as improve federal programs and services. When resources are poorly targeted, the federal government spends more money than needed to reach its intended population and achieve program goals. Moreover, in a climate of large budget deficits, the inefficiencies resulting from poorly targeted programs and services has sometimes called into question the legitimacy of continuing these programs or maintaining them at current levels. This report summarizes previous GAO work that proposed "better targeting" as a strategy for downsizing government. In past reports, GAO has identified instances in which individuals, organizations, and jurisdictions have received program funds, service benefits, or tax subsidies. This report presents examples illustrating better targeting in a wide range of federal programs.

AIMD-96-15, Dec. 22, 1995 (13 pages). Financial Management: General Computer Controls at the Senate Computer Center.

Computer controls at the Senate Computer Center failed to adequately protect sensitive data, such as that related to payroll and personnel, from unauthorized disclosure and modification. Specifically, GAO found weaknesses in the Center's ability to (1) restrict access to sensitive data, programs, and other computer resources; (2) monitor the activity of users and programmers; (3) control changes to software; (4) segregate data processing duties; and (5)

provide for continued processing in the event of emergencies or service interruption. In addition, the Senate lacked a comprehensive strategic plan for securing Senate computer resource that included the Center, the Office of Telecommunications, and system users. The lack of such a plan could lead to security problems as the Senate moves from a centralized mainframe processing to a decentralized network distributed throughout the Senate.

AIMD-96-18, Nov. 16, 1995 (10 pages). Review of Rural Telephone Bank 1995 Loan Interest Rate Calculation.

GAO is required to review each year the interest rate charged to borrowers, referred to as the cost of money rate, as set by the Rural Telephone Bank for the preceding fiscal year. The Rural Telephone Bank now calculates the following two rates: (1) the interest rate used for advances made during fiscal year 1995 on loans approved before fiscal year 1992 (referred to as loans from the liquidating account); and (2) the interest rate used for advances made during fiscal year 1995 on loans approved during or after fiscal year 1992 (referred to as loans from the financing account). The Rural Telephone Bank's fiscal year 1995 cost of money rates were pegged at 6.04 percent and 6.88 percent for advances from the liquidating account and the financing account, respectively. GAO found these rate determinations to be in accordance with the law.

AIMD-96-19R, Jan. 23, 1996 (9 pages). White House Travel.

In a 1994 report (GAO/GGD-94-132), GAO used 29 criteria to evaluate financial management and procurement operations at the White House Travel Office. GAO reported that the Travel Office had developed policies and implemented procedures consistent with 20 of the criteria and had

begun, or agreed to take, action on the remaining nine. This report follows up on the status of financial reforms at the Travel Office. GAO found that as of August 1995, the Travel Office had implemented all but three of the criteria. For those three, the Travel Office had not (1) billed customers within its stated 15-day requirement, (2) paid vendors within its stated 45-day requirement, and (3) done bank reconciliation regularly.

AIMD-96-22, Feb. 26, 1996 (74 pages). Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1994 and 1993.

GAO reviewed the financial audit prepared by the Education Department's Office of Inspector General (OIG) on the Federal Family Education Loan Program's financial statements for fiscal years 1994 and 1993. The OIG was unable to express an opinion on the financial statements as a whole because student loan data on which the Education Department had based its costs to be incurred on outstanding guaranteed loans were unreliable. In addition, the OIG continued to report material weaknesses in internal controls related to the program's liabilities for loan guarantees and related program costs, effectively monitoring payments to guaranty agencies and lenders, and ensuring accurate financial reporting. Although internal control weaknesses persisted during fiscal year 1994, the Education Department has been trying to correct these shortcomings. GAO reviewed the OIG's work and concurs in its findings.

AIMD-96-23, Dec. 15, 1995 (27 pages). Budget Issues: Privatization/Divestiture Practices in Other Nations.

A variety of divestiture proposals are now being considered in the United States, including selling the Naval Petroleum Reserves, four Power

Marketing Administrations, and the Helium Program. Because the U.S. government has limited experience with asset divestiture, GAO examined the experiences of other governments for lessons that might prove useful for the United States. For this study, GAO reviewed the divestiture experiences of the following five countries: Canada, France, Mexico, New Zealand, and the United Kingdom and major industries that have been fully or partially privatized such as agriculture, mining and construction, manufacturing, transportation and public utilities, finance, insurance, and real estate, and services. This report discusses (1) the privatization process, (2) the valuation and preparation of the assets for sale, and (3) the use and display of the sale proceeds for budgetary purposes.

AIMD-96-24, Dec. 28, 1995 (3 pages). American Battle Monuments Commission.

The American Battle Monuments Commission is authorized to build a memorial on federal land in Washington, D.C. to honor those who served in World War II. This report presents the results of GAO's audit of the Commission's memorial fund, which consists of surcharge proceeds from the sale of World War II commemorative coins, investment interest, and private contributions. GAO found that the Commission had yet to establish a separate account in the U.S. Treasury for the memorial fund, as required by law. A separate account would strengthen the fund's accountability by reducing the risk from commingling memorial fund revenue with other Commission money. GAO also found that the computer controls needed strengthening to ensure that access to computer programs and sensitive data is restricted to prevent unauthorized changes and disclosures.

AIMD-96-27, Feb. 9, 1996 (21 pages). Denver Airport: Operating Results and Financial Risks.

After reviewing available financial data and analyzing the risks associated with the financial condition of the new Denver International Airport, GAO has found no evidence that the airport will be unable to meet its financial obligations, including payments to bondholders. This report (1) analyzes the limited data available on actual results after the airport opened for operations in February 1995 and (2) identifies risks that could affect the airport's future financial condition. GAO also reviews estimated cash flow and the airport's cash reserves.

AIMD-96-28, Feb. 27, 1996 (6 pages). Embedded Computers: B-1B Computers Must Be Upgraded to Support Conventional Requirements.

The Air Force plans to upgrade the computer and software systems aboard the B-1B bomber, which the Pentagon envisions as the "backbone" of its new bomber fleet. The goal is to transform the B-1B from a nuclear weapons carrier to a conventional weapons carrier. The 1970s vintage computer systems found on the B-1B are operating at near capacity and, without upgrades, cannot support additional weapons and capabilities, such as cluster bombs, a global positioning system for better navigation and guidance, and more-accurate and higher-range weapons. This report discusses recent decisions by the Air Force to upgrade the B-1B's embedded computer systems, particularly in view of concerns GAO raised about the simple memory upgrade.

AIMD-96-29, Feb. 29, 1996 (18 pages). Weather Forecasting: NWS Has Not Demonstrated That New Processing System Will Improve Mission Effectiveness.

This report focuses on the National Weather Service's (NWS) Advanced Weather Interactive Processing System, which is designed to help local weather forecasters obtain meteorological data from state-of-the-art weather observing systems and national weather models, analyze trends, and disseminate forecasts and warnings to the public. This \$525 million system is to be the centerpiece of NWS' massive \$4.5 billion modernization and restructuring program. GAO discusses whether NWS' process for developing the system has shown that all proposed system capabilities will contribute to promised modernization outcomes—better forecasts, fewer weather offices, and reduced staffing. GAO summarized this report in testimony before Congress; see: Weather Forecasting: New Processing System Faces Uncertainties and Risks, by Jack L. Brock, Jr., Director of Information Resources Management Issues, before the Subcommittee on Energy and the Environment, House Committee on Science. GAO/T-AIMD-96-47, Feb. 29 (6 pages).

AIMD-96-33, Apr. 9, 1996 (14 pages). Telecommunications Network: NASA Could Better Manage Its Planned Consolidation.

NASA has yet to finalize its strategy for consolidating the management and the operations of its wide-area telecommunications network, although it has made some important decisions. NASA plans to begin consolidating its networks immediately at the Marshall Space Flight Center and procuring services from commercial providers in fiscal year 1998. NASA's decision to consolidate its networks offers the potential for savings. Nevertheless, in adopting its current strategy, NASA neither considered alternatives suggested by officials at centers other than Marshall nor tried to do a complete review of its networking needs to

determine how best to satisfy them independently of its ongoing networking activities.

AIMD-96-39, Apr. 5, 1996 (20 pages). Medical ADP Systems: Defense Achieves Worldwide Deployment of Composite Health Care System.

As the backbone of the military's medical operations, the Composite Health Care System—an automated medical system developed by the Defense Department (DOD) at a cost of \$2.8 billion—will provide doctors and nurses with almost instant access to patient information, from medical history to current treatment and vital statistics. DOD should be able to significantly improve operations at its medical facilities while reducing costs. Improved appointment scheduling will increase patients' access to health care, while better access to patient information will save medical personnel time. If DOD is to realize the system's full potential, however, physicians and other health care providers must be able to access the system at all times. Although DOD's backup and recovery plan provides for recovery from disruptions in computer service because of power outages, it does not effectively address major disruptions requiring the repair or the replacement of equipment damaged by a natural disaster. Health care providers have become dependent on the patient data in the system, so any major disruption could result in injury or even death. DOD could greatly reduce this risk by developing a more effective backup and recovery plan for its equipment.

AIMD-96-41, Feb. 16, 1996 (23 pages). Budget Issues: Compliance Report Required by the Budget Enforcement Act of 1990.

As required by the Budget Enforcement Act of 1990, this compliance report covers budget sequestration reports issued by the Office of Management and Budget (OMB) and the

Congressional Budget Office (CBO). In GAO's opinion, the OMB and CBO reports substantially complied with the act. GAO does raise some implementation issues that are not, in GAO's judgment, compliance issues. They relate to (1) a change in OMB's methodology for calculating inflation for discretionary spending limits, (2) OMB's reestimate of enacted emergency legislation, and (3) differences in OMB and CBO spending estimates of appropriation acts and direct spending legislation.

AIMD-96-42, Apr. 22, 1996 (53 pages). District of Columbia: Information on Health Care Costs.

Recent studies on the District of Columbia's health care system have concluded that the city's health care problems are aggravated by such social factors as high rates of poverty, crime, substance abuse, and unemployment. These factors account for the sizable numbers of persons who do not seek preventive health care and cannot pay for medical treatment, the inappropriate use of D.C. General Hospital for primary care, and the many trauma care patients at area hospitals. To help Congress evaluate various restructuring proposals being considered for the District, this report discusses the District's health care budget and the composition of the District's health care system, including the number of Medicaid recipients and uninsured and the distribution of hospitals and clinics.

AIMD-96-52, Apr. 16, 1996 (48 pages). Financial Audit: U.S. Government Printing Office's Financial Statements for Fiscal Year 1995.

GAO is required to audit the U.S. Government Printing Office's (GPO) financial statements at least once every three years. GAO contracted with the independent public accounting firm Arthur Andersen to audit GPO's financial statements for fiscal year 1995. GAO concurs in Arthur

Andersen's opinion that the statements present fairly, in all material respects, GPO's financial position and the results of its operations and cash flows. GPO maintained effective internal controls over financial reporting, and Arthur Andersen found no instances of noncompliance with laws and regulations that would be reportable under generally accepted auditing standards. The firm did identify several deficiencies in GPO's internal controls and operations, ranging from computer security weaknesses to a failure to regularly reconcile subsidiary ledgers for accounts receivable and payable.

AIMD-96-54, Apr. 10, 1996 (27 pages). Defense Business Operations Fund: DOD Is Experiencing Difficulty in Managing the Fund's Cash.

Serious cash management problems at the Defense Business Operations Fund (DBOF), which disburses about \$75 billion annually, jeopardize the goal of enhancing military readiness through business operations efficiencies. DBOF managers lack accurate information on cash balances and, to cover cash shortages, have relied on advance billing for work yet to be performed. At the end of fiscal year 1995, the Defense Department had \$2.6 billion in outstanding advance billings; the Navy accounted for nearly \$2 billion of that amount. At the same time, DBOF had about \$1 billion in outstanding accounts receivable that were more than 120 days old and was unable to collect more than \$200 million for completed work because the billing documents did not specify the activities to bill. If these problems are not resolved, DOD may require excessive amounts of cash to pay for ongoing Fund operations, and opportunities for violations of the Antideficiency Act may increase.

AIMD-96-55, Mar. 19, 1996 (13 pages). Budget Issues: Privatization Practices in Argentina.

This report, part of GAO's ongoing work related to privatization practices in other nations, focuses on the divestiture experiences of Argentina. In a December 1995 report (GAO/AIMD-96-23), GAO examined the divestiture experiences of Canada, France, Mexico, New Zealand, and the United Kingdom. For Argentina, GAO focused on policies and procedures for the divestiture of entities, as it did in its reviews of the above countries. GAO also examined the policies and procedures used to award concessions—the process by which the government gives a private firm the right to operate a government entity. Between 1990 and 1993, more than half of the privatizations in Argentina occurred through the awarding of concessions. Specifically, this report discusses (1) the privatization process in Argentina, (2) the valuation and the preparation of assets for sale, and (3) the use of sale proceeds.

AIMD-96-57, May 9, 1996 (15 pages). Customs Service Modernization: Strategic Information Management Must Be Improved for National Automation Program to Succeed.

The U.S. Customs Service is very aware that its ability to effectively conduct business in the future depends heavily on successfully modernizing its import process and automated systems. To its credit, Customs is redesigning its import process. It is also developing a new automated import system—the Automated Commercial Environment—to support this new process. Customs' efforts, however, are at risk for failure because the agency is not effectively applying best practices to overcome the serious risks arising from such an ambitious systems modernization. For example, contrary to best practices, Customs chose hardware, software, and telecommunications for its systems before it redesigned its key business processes. Moreover, Customs has not been applying specific criteria to assess projects and

analyze project costs and benefits. Finally, Customs has not established clear accountability for ensuring that the requirements of the National Customs Automation Program are successfully implemented.

AIMD-96-59, Apr. 16, 1996 (21 pages). USDA Telecommunications: More Effort Needed to Address Telephone Abuse and Fraud.

Because of a lack of adequate controls over telephone use, the Agriculture Department (USDA), which spends about \$50 million annually on commercial telecommunications services, is putting itself at risk for fraud and abuse. GAO reviewed bills for all collect calls over a four-month period at USDA offices in the Washington, D.C., area and found that USDA had accepted more than 600 inappropriate collect calls—about half of all collect calls accepted and paid for by the agency during this time—from prisoners. USDA has been aware of collect-calling abuse since 1994 but has not taken adequate steps to stop it. USDA does not generally review telephone bills. As a result, the agency cannot be certain whether international long-distance calls originating from its Washington, D.C., offices—which total tens of thousands of dollars each month—are authorized. GAO found several instances in which persons had placed unauthorized calls to sex and party lines abroad. Moreover, because of weaknesses in a USDA contractor's voice mail equipment, hackers were able to break into USDA's telephone system and make \$40,000 to \$50,000 worth of international long-distance calls. USDA eventually paid the bill, even though the contractor admitted responsibility. USDA has tried to correct some of its telecommunications management weaknesses, including automating its current paper-based billing system so that telephone bills can be verified cost effectively. However, USDA has

yet to respond in writing to GAO's recommendations on resolving these problems.

AIMD-96-61, Mar. 29, 1996 (35 pages). Financial Audit: Panama Canal Commission's 1995 and 1994 Financial Statements.

This report presents the results of GAO's audits of the Panama Canal Commission's financial statements for fiscal years 1995 and 1994. In GAO's opinion, the Commission's financial statements present fairly, in all material respects, its financial position for those fiscal years, and the results of its operations, changes in capital, and cash flows in conformity with generally accepted accounting principles. GAO believes that although improvements are needed in internal controls governing the review of the classification of obligations for consultant services under congressional spending limitations, internal controls reasonably ensured that losses, noncompliance, or misstatements material to the financial statements would be prevented or detected. GAO did find an Antideficiency Act violation related to noncompliance with a congressional spending limitation. But the noncompliance was not material to the financial statements, and management has instituted internal controls that should prevent future noncompliance. **AIMD-96-63**, May 3, 1996 (24 pages). Financial Management: BIA's Tribal Trust Fund Account Reconciliation Results. The Bureau of Indian Affairs (BIA) has spent more than five years and \$21 million in a massive effort to locate supporting documentation and reconcile trust fund accounts, but tribal accounts could not be fully reconciled or audited due to missing records and the lack of an audit trail in BIA's systems. Because BIA does not know the universe of transactions or leases, it does not know the total

amount of receipts and disbursements that should have been recorded. Indian tribes have raised questions about the adequacy and reliability of the reconciliation results. If follow-up meetings with the tribes do not resolve these concerns, the settlement process that GAO has recommended could be used as a framework for resolving disagreements on account balances. In addition, due to cost considerations and the potential lack of supporting documentation, reconciliations for individual Indian accounts were never done, and no alternative procedures were developed to verify these account balances. Because any attempt to reconcile these accounts would be costly and the results would be limited, these accounts should be included in the settlement process.

AIMD-96-64, Sept. 30, 1996 (75 pages). Information Technology Investment: Agencies Can Improve Performance, Reduce Costs, and Minimize Risks.

The management of information technology projects has long been a significant problem for federal agencies. The government obligated more than \$23.5 billion toward information technology products and services in fiscal year 1994—about five percent of the government's total discretionary spending. Yet the impact of this spending on agency operations and service delivery has been mixed at best. Federal computer systems often cost millions more than expected, take longer to complete than anticipated, and fail to significantly improve the speed and quality of federal programs—or reduce their cost. Some private and public sector organizations, however, have significantly improved performance by managing their information technology resources within an overall framework that aligns technology with business needs and priorities. This report compares the information technology investment management

practices of leading organizations with those of five agencies—NASA, the National Oceanic and Atmospheric Administration, the Environmental Protection Agency, the Coast Guard, and the Internal Revenue Service.

AIMD-96-65, July 8, 1996 (26 pages). CFO Act Financial Audits: Navy Plant Property Accounting and Reporting Is Unreliable.

In March 1996, GAO reported that the Navy's fiscal year 1994 consolidated financial reports on general fund operations—which included \$78 billion for the Navy's plant property—were substantially inaccurate because of at least \$225 billion in errors, including upwards of \$25.6 billion in errors involving the Navy's plant property account balances. (See GAO/ AIMD-96-7.) GAO made more than a dozen recommendations to avoid the mistakes made in preparing the Navy's fiscal years 1994 consolidated financial reports on general fund operations. This report describes in greater detail the factors contributing to inaccurate reporting of the Navy's plant property account balance. The report also recommends additional measures to ensure that the Navy has reliable information with which to effectively manage and control the billions of dollars the government has invested in Navy plant property.

AIMD-96-67, Mar. 29, 1996 (32 pages). Financial Audit: Independent Counsel Expenditures for the Six Months Ended September 30, 1995.

GAO audited the statements of expenditures by eight independent counsel offices—Arlin M. Adams/ Larry D. Thompson; David M. Barrett; Joseph E. diGenova; Robert B. Fiske, Jr.; Daniel S. Pearson; Donald C. Smaltz; Kenneth W. Starr; and Lawrence E. Walsh—for the six months ended September 30, 1995. Independent counsels may be appointed when the Attorney General

determines that reasonable grounds exist to warrant further investigation of high-ranking government officials for alleged crimes. The Justice Department is responsible for paying all costs relating to establishment and operation of independent counsel offices. GAO found the statements to be reliable in all material respects. GAO's consideration of internal controls disclosed no material weaknesses. Further, GAO's audit disclosed no reportable noncompliance with the laws and regulations GAO tested.

AIMD-96-70, July 23, 1996 (17 pages). Information Management: Energy Lacks Data to Support Its Information System Streamlining Effort.

In the past, GAO reported that the Energy Department (DOE) had spent considerable sums to develop and operate duplicate information systems that supported its environmental management and other programs. This report discusses problems that could impair DOE's ability to eliminate duplicate information systems as it streamlines its information systems. DOE has developed a baseline inventory of data on specific systems used by the Department and its contractors. However, the inventory is substantially incomplete and lacks enough information describing the systems' functional capabilities. As a result, the inventory will not be adequate to help eliminate duplicate information systems as part of the streamlining effort. The data deficiencies exist largely because DOE has allowed its contractors wide latitude in developing and implementing software inventory procedures and standards and has not required them to follow its software management guidance. As a result, these contractors do not consistently develop and maintain information on their systems and use varying methods to classify systems according to their functions and capabilities.

AIMD-96-72, June 11, 1996 (31 pages). Prescription Drugs and Medicaid: Automated Review Systems Can Help Promote Safety, Save Money.

Inappropriate use of prescription drugs can lead to drug-induced illness, hospitalization, and even death. Inappropriate drug use can also prove expensive for the Medicaid program. As a result, Congress mandated that states establish utilization review programs—called prospective reviews—to review Medicaid prescriptions before drugs are dispensed. Automated prospective drug utilization review systems are proving a low-cost way for states to help both doctors and pharmacies safeguard Medicaid recipients from potentially harmful medical reactions. Although the main emphasis of these systems—appropriately—has been safety, both safety benefits and dollar savings accrue from their use. Because results vary on the basis of how such systems are administered, it is important that states share their experiences. Absent any analysis of data from the Iowa demonstration project or any concerted effort by the Health Care Financing Administration to collect and share other states' experiences, states have had only limited access to both safety and cost data—information that is critical to informed decisionmaking and to maximizing the effectiveness and efficiency of automated prospective drug utilization review systems.

AIMD-96-74, May 13, 1996 (15 pages). Weather Forecasting: Recommendations to Address New Weather Processing System Development Risks.

GAO testified in February 1996 on the National Weather Service's (NWS) Advanced Weather Interactive Processing System, the cornerstone of NWS' \$4.5 billion modernization program. (See GAO/T-AIMD-96-47.) This report discusses the recommen-

dations GAO made during its testimony before Congress. These recommendations, if fully implemented, will strengthen NWS' ability to achieve a fair return on its investment in the system.

AIMD-96-78, Aug. 15, 1996 (32 pages). NASA Chief Information Officer: Opportunities to Strengthen Information Resources Management.

NASA established a chief information officer position in 1995, before enactment of the Information Technology Management Reform Act, which requires all federal agencies to appoint chief information officers. Chief information officers are to provide advice and assistance to senior management and program officials on acquisition and management of information resources. They are also responsible for establishing procedures to improve planning and control of agency investments in information technology. This report (1) reviews NASA's approach to establishing its chief information officer position, (2) evaluates chief information officer initiatives to date to improve information resources management, and (3) identifies opportunities for NASA to strengthen its chief information officer position and improve its information resources management program.

AIMD-96-79, May 31, 1996 (173 pages). Budget Issues: Inventory of Accounts With Spending Authority and Permanent Appropriations, 1996.

This report updates GAO's 1987 inventory of accounts with spending authority and permanent appropriations, commonly known as "backdoor authority." GAO provides information on such accounts and analyzes the changes in the number and dollar amounts of accounts with backdoor authority. It also provides information on each reported account's status under the Balanced Budget and Emergency Deficit Control Act—that

is, whether it is subject to or exempt from sequestration or subject to any special rules or limitations.

AIMD-96-81, Aug. 29, 1996 (34 pages). Defense Transportation: Migration Systems Selected Without Adequate Analysis.

A migration system is an automated information system that replaces several systems that performed similar functions. Defense transportation systems support common-user transportation needs in the armed forces. As part of its Corporate Information Management initiative, the Defense Department (DOD) plans to migrate from an inventory of about 130 defense transportation systems. DOD has little assurance, however, that its transportation migration system choices are cost-effective. In April 1994, DOD developed a structured approach to identify, select, and implement these systems. In its haste to meet a March 1997 deadline, however, DOD selected transportation migration systems without fully analyzing the alternatives, such as acquiring new systems or contracting for services. In making a quarter of its transportation migration system selections, DOD relied on incomplete and unverified data. Moreover, DOD did not assess how making significant changes to transportation operations—through reengineering and outsourcing—would affect its migration systems. The upshot is that DOD has no guarantee that it will reap the savings anticipated from migration.

AIMD-96-82, June 11, 1996 (22 pages). Financial Management: DOD Needs to Lower the Disbursement Prevalidation Threshold.

Because of continuing problems with disbursements, the Defense Department (DOD) is now required to match disbursements above a certain amount with the appropriate obligation in its accounting records before making the disbursement—a process

known as disbursement prevalidation. GAO found that prevalidation allowed DOD to spot errors and prevent problem disbursements from being recorded in its accounting records. However, unless the \$5 million threshold is lowered at the Defense Finance and Accounting Service's center in Columbus, Ohio, and the \$1 million threshold is lowered at the other payment centers, tens of billions of dollars in transactions will continue to bypass this important control. Until a detailed plan is developed to ensure that all payments are properly prevalidated before taxpayer dollars are disbursed, the full benefits of prevalidations will not be realized. More importantly, even at its best, prevalidation will not solve the military's disbursement problems, as evidenced by nearly \$22 billion worth of new problem disbursements that surfaced between October 1995 and January 1996. Prevalidation seeks to impose quality near the end of the disbursement process. As a result, it does not address the root problems inherent in poor systems and processes, as well as failure to use basic internal controls. DOD needs to (1) overcome weaknesses in control procedures that enable problem disbursements to occur and (2) improve its contract pay, disbursing, and accounting processes and systems.

AIMD-96-84, May 22, 1996 (44 pages). Information Security: Computer Attacks at Department of Defense Pose Increasing Risks.

Unknown and unauthorized persons are increasingly attacking and gaining access to highly sensitive information in the Defense Department's (DOD) computer systems. Although the exact number of attacks cannot be precisely determined, recent data suggest that DOD may have experienced as many as 250,000 attacks last year. These attacks are often successful, and the number of attacks is doubling each year as Internet use increases and

hackers become more sophisticated. At a minimum, these attacks are a multimillion dollar nuisance to the Pentagon. At worst, they pose a serious threat to national security. Attackers have seized control of entire DOD systems, some of which control critical functions, such as weapons system research and development, logistics, and finance. Attackers have also stolen, modified, and destroyed data and software. The potential for catastrophic damage is great. DOD is taking steps to address this growing problem but faces major challenges in controlling unauthorized access to its computer systems. DOD is now trying to react to successful attacks as it learns of them, but it has no uniform policy for assessing risks, protecting its systems, responding to incidents, or assessing damage. Training of users and system and network administrators is haphazard and constrained by limited resources. Technical solutions, such as firewalls, smart cards, and network monitoring systems, should help, but their success depends on whether DOD implements them in tandem with better policy and personnel measures. GAO summarized this report in testimony before Congress; see: Information Security: Computer Attacks at Department of Defense Pose Increasing Risks, by Jack L. Brock, Jr., Director of Defense Information and Financial Management Systems, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-AIMD-96-92, May 22 (seven pages).

AIMD-96-86, July 26, 1996 (42 pages). Consumer Health Informatics: Emerging Issues.

Technology has increased the amount of health information available to the public, allowing consumers to become better educated and more involved in their own health care. Government and private health care organizations rely on a variety of technologies to

disseminate health information on preventive care, illness and injury management, treatment options, post-treatment care, and other topics. This report discusses consumer health informatics—the use of computers and telecommunications to help consumers obtain information, analyze their health care needs, and make decisions about their own health. GAO provides information on (1) the demand for health information and the expanding capabilities of technology; (2) users' and developers' views on potential systems advantages and issues surrounding systems development and use; (3) government involvement—federal, state, and local—in developing these technologies; and (4) the status of related efforts by the Department of Health and Human Services. As part of this review, GAO surveyed consumer health informatics experts and presents their views on issues that need to be addressed when developing consumer health information systems. GAO summarized this report in testimony before Congress; see: Consumer Health Informatics: Emerging Issues, by Patricia T. Taylor, Director of Information Resources Management Issues, before the Subcommittee on Human Services and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-AIMD-96-134, July 26 (13 pages).

AIMD-96-89, July 15, 1996 (79 pages). Financial Audit: Federal Deposit Insurance Corporation's 1995 and 1994 Financial Statements.

GAO audited the 1995 and 1994 financial statements for three funds administered by the Federal Deposit Insurance Corporation (FDIC), the Bank Insurance Fund (BIF), the Savings Association Insurance Fund (SAIF), and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund. GAO found that the financial statements of each fund, taken as a whole, were reliable in all

material respects. Although some internal controls should be improved, FDIC management fairly stated that its internal controls effectively safeguarded assets from material loss, ensured compliance with laws and regulations, and ensured that there were no material misstatements in the financial statements of the three funds. There was no reportable noncompliance with laws and regulations. FDIC has addressed several internal control weaknesses GAO identified in its 1994 audits. However, FDIC has not fully addressed GAO's concerns regarding weaknesses in documentation maintained to support asset recovery estimates. GAO's 1995 audits found continued weaknesses in (1) controls over FDIC's process for estimating recoveries from failed institution assets, (2) FDIC's time and attendance reporting process, and (3) FDIC's electronic data processing controls. This report also discusses the recent development of a significant premium rate differential between insured institutions of BIF and SAIF as a result of BIF attaining its designated capitalization level. GAO discusses the impact this premium rate differential may have on the thrift industry's ability to finance obligations arising from the thrift crisis of the 1980s and on future deposit insurance premium rates.

AIMD-96-90, June 19, 1996 (34 pages). Software Capability Evaluation: VA's Software Development Process Is Immature.

GAO reviewed the development of computer software at the Veterans Benefits Administration (VBA) and at the Department of Veterans Affairs' Austin Automation Center. Neither VBA nor the Austin Automation Center had satisfied any of the key process areas required for a level 2 capability, as described by the Software Engineering Institute's five-level software capability model. Under a level 2 capability, basic project management processes are estab-

lished to track cost, schedule, and functionality. Moreover, the necessary process discipline is in place to repeat earlier successes on projects with similar applications. The upshot is that the Department of Veterans Affairs (VA) has little assurance that (1) investments in new software development will achieve their objectives or (2) software will be delivered consistent with cost and schedule estimates. GAO recommends that VA delay any major investment in software development beyond what is needed to sustain critical day-to-day operations until the repeatable level of process maturity is achieved. VA should also obtain expert advice on how to improve the ability of VBA and the Austin Automation Center to develop high-quality software, develop a strategy to reach the repeatable level of process maturity, implement that strategy quickly, and ensure that any future contracts for software development require that the contractor have a software development capability of at least level 2.

AIMD-96-94, Aug. 16, 1996 (28 pages). Navy Financial Management: Improved Management of Operating Materials and Supplies Could Yield Significant Savings.

In March 1996, GAO reported that the Navy's fiscal year 1994 consolidated financial statements did not include \$14 billion worth of operating materials and supplies, \$5.7 billion of which are located on vessels and at 17 distribution sites throughout the Atlantic and Pacific fleets. (See consumables that were bought from the Defense Business Operations Fund (DBOF), a revolving fund that finances the purchase of inventory items for the military. This report provides a detailed assessment of the Navy's financial reporting on, and management of, operating materials and supplies that are not part of DBOF inventories. GAO discusses (1) the adequacy of the Navy's accountability and visibility over its \$5.7

billion in operating materials and supplies on board vessels and at distribution sites, (2) the Navy's management of excess items of this type, and (3) the accuracy of operating unit records for operating materials and supplies that GAO tested.

AIMD-96-95, May 31, 1996 (61 pages). Telecommunications: FTS 2000 Cost Comparison.

This report identifies agencies that are using the Federal Telecommunications System (FTS 2000) and compares telecommunications costs of agencies that use FTS 2000 with those of agencies that do not. GAO focuses on four FTS 2000 services: switched voice and dedicated transmission, which constitute the bulk of FTS 2000 use, and packet switched and compressed video transmission. As of March 1996, 139 agencies and other government entities were using telecommunications services provided under the FTS 2000 contracts. GAO's comparison of telecommunications costs incurred by a sample of agencies that use non-FTS 2000 networks with what FTS 2000 would cost produced mixed results, with some costs comparable, some less, and others more.

AIMD-96-97, July 5, 1996 (13 pages). Financial Audit: Capitol Preservation Fund for Years Ended September 30, 1995 and 1994.

The Capitol Preservation Commission was established in 1988 to help preserve and make improvements to the United States Capitol. Operations of the Commission are paid for out of the Capitol Preservation Fund, which is sustained through charitable contributions and the sale of commemorative coins. GAO audited the Fund's financial statements for the fiscal years ending September 30, 1995 and 1994 and found that they were reliable in all material respects. In addition, there was no material weakness in the Fund's internal

control structure and its operations for those years, and the Fund complied with laws and regulations.

AIMD-96-98, AIMD-96-98A, Sept. 24, 1996 (313 pages). The Accounting Profession: Major Issues: Progress and Concerns.

Public confidence in the fairness of financial reporting is critical to the effective functioning of the securities markets. Federal securities laws require public companies to disclose information that accurately describes the financial condition of a company. These laws also require that financial statements filed with the Securities and Exchange Commission (SEC) by public companies be audited by independent public accountants. During the past 20 years, costly, well-publicized, and unexpected business failures—such as the savings and loan crisis and the resulting government bailouts—have raised questions about what the public expects from an independent audit of public companies and how well the audit function meets those expectations. More recently, the globalization of business, the increasing complexities of business transactions, and advances in information technology have challenged the relevance and usefulness of traditional financial reporting and the auditor's role in serving the public interest. These issues, along with major litigation involving independent auditors, prompted many studies of financial reporting and auditing during the past two decades, resulting in hundreds of recommendations to the accounting profession. This report (1) identifies recommendations made from 1972 through 1995, and actions taken, to strengthen accounting and auditing standards and the performance of independent audits of publicly owned companies required by federal securities laws and (2) identifies unresolved issues and determines their impact on the performance of independent auditors, the setting of effective accounting and

auditing standards, and the scope of business reporting and audit services. GAO found that although the accounting profession has made changes to improve financial reporting and auditing of public companies, several major issues remain unresolved. These issues include auditor independence, auditor responsibility for detecting fraud and reporting on internal controls, public participation in standard setting, the timeliness and relevance of accounting standards, and maintaining the independence of the Financial Accounting Standards Board.

AIMD-96-99, Sept. 30, 1996 (25 pages). DOD Accounting Systems: Efforts to Improve System for Navy Need Overall Structure.

The Defense Finance and Accounting Service (DFAS) is seeking to reduce the number of Navy accounting systems and to enhance a Navy-wide system to account for general fund operations. GAO found that enhancements to DFAS' Standard Accounting and Reporting System were not guided by a target systems architecture—a critical step in any systems development effort. As a result, DFAS attempts to upgrade the system and correct its shortcomings have not been adequately planned in conjunction with Navy, the system's primary user, to minimize technical and economic risks. As a result, the likelihood has increased that the large investment already made and planned for this project will not provide the Navy with a reliable, fully integrated general accounting system.

AIMD-96-101, July 11, 1996 (70 pages). Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements.

As in earlier years, GAO found it impossible to provide an affirmative opinion on IRS' principal financial statements for 1995, internal controls, and IRS' compliance with laws and

regulations. The following financial management problems prevented GAO from rendering an opinion: (1) the amounts of total revenue (\$1.4 trillion) and tax refunds (\$122 billion) cannot be verified or reconciled to accounting records maintained for individual taxpayers in the aggregate; (2) the amounts reported for taxes collected (social security, income, and excise taxes, for example) cannot be substantiated; (3) the reliability of reported estimates of \$113 billion for valid accounts receivable and \$46 billion for collectible accounts receivable cannot be determined; (4) a significant portion of the agency's reported \$3 billion in nonpayroll operating expenses cannot be verified; (5) the amounts IRS reported as appropriations available for expenditure for operations cannot be reconciled fully with Treasury's central accounting records showing these amounts, and hundreds of millions of dollars in differences have been found.

AIMD-96-105, June 17, 1996 (70 pages). Telecommunications: Costs Reported by Federal Organizations for Fiscal Year 1995.

In a May 1996 report (GAO/AIMD-96-95), GAO identified agencies that are using the Federal Telecommunications System (FTS) 2000 and compared telecommunications costs between agencies that used FTS 2000 and those that did not. This report provides additional information on governmentwide telecommunications costs. GAO surveyed 42 federal agencies and totaled their fiscal year 1995 telecommunications costs, broken out by the following five categories: FTS 2000 services, non-FTS 2000 long-distance services, local telecommunications services, wireless services, and telecommunications support contract services. GAO also discusses reported local access costs generally associated with FTS 2000 telephone calls and the government's

reported fiscal year 1995 costs for the Purchase of Telecommunications and Services.

AIMD-96-106, June 7, 1996 (29 pages). Tax Systems Modernization: Actions Underway But IRS Has Not Yet Corrected Management and Technical Weaknesses.

GAO reported last year that the government's \$8 billion tax systems modernization effort was plagued by pervasive management and technical weaknesses. Although the Internal Revenue Service (IRS) has taken steps to overcome these shortcomings, none of these actions, either individually or collectively, fully satisfy GAO's recommendations, and it is unclear when these actions will result in disciplined systems development. The upshot is that IRS continues to spend hundreds of millions of dollars on tax systems modernization even though fundamental weaknesses jeopardize that investment. IRS now plans to used a prime contractor and increase its use of software development contractors to develop tax systems modernization. However, its plans and schedules in this area are poorly defined and cannot be fully understood or assessed. Moreover, as the experience with Cyberfile and the Document Processing System projects makes clear, IRS does not have the mature processes needed to acquire software and manage contractors effectively.

AIMD-96-109, Sept. 6, 1996 (43 pages). Defense IRM: Critical Risks Facing New Materiel Management Strategy.

The Pentagon is attempting to modernize materiel management business operations by developing a standard suite of nine separate materiel management systems that will comprise the Materiel Management Standard System. At the end of 1995, the Defense Department (DOD) concluded that this effort would cost

much more than the \$5.3 billion originally estimated. DOD abandoned its plan to deploy all nine systems as an integrated suite across all inventory controls points and now plans to introduce each system individually as it is developed at a selected site. DOD has also embarked on an accelerated deployment schedule to deliver these systems between now and 1999. GAO cautions that DOD is embarking on the new strategy before taking steps needed to ensure that the additional hundreds of millions of dollars to be spent on materiel management systems, as well as the appropriated funds already being invested, yield positive results. Moreover, DOD is proceeding with deployments under the new strategy without allocating the time needed to thoroughly test the new systems. This greatly increases the risk that DOD will experience problems arising from shifting testing to system users and curtailing normal levels of testing. The upshot is that DOD will likely incur substantial additional costs to operate legacy systems and to correct deficiencies that surface because of delayed testing.

AIMD-96-110, Sept. 24, 1996 (48 pages). Information Security: Opportunities for Improved OMB Oversight of Agency Practices.

Recent audits and self-assessments at 15 major agencies reveal that weak information security is a widespread problem in the federal government. Billions of dollars worth of assets are at risk of theft, misuse, or loss, and vast amounts of sensitive information—including personal data on American citizens—are vulnerable to unauthorized disclosure. Weaknesses, such as poor controls over access to data and inadequate disaster recovery plans, diminish the reliability of the enormous amounts of electronically maintained information essential to delivering federal services, measuring the success of federal programs, and monitoring agency performance. An

underlying cause is that agencies have not introduced information security programs that establish appropriate policies and routinely monitor their effectiveness. The Office of Management and Budget's (OMB) oversight efforts have been uneven, and OMB did not actively attempt to identify and overcome basic security program weaknesses that are likely to be at the root of these problems. OMB can improve its oversight by taking advantage of the increasing amount of audit information that is now routinely available as a result of agency financial statement audits required under the Chief Financial Officers Act. In addition, the recently established Chief Information Officers' Council, which OMB will chair, can serve as a vehicle for strategically addressing information security governmentwide. However, OMB also needs to develop better sources of information and staff expertise for overseeing the overall design and effectiveness of agency information security programs.

AIMD-96-113, July 1, 1996 (149 pages). Compendium of Budget Accounts: Fiscal Year 1997.

Each year, the President submits a budget to Congress. The President's budget is not a single object or device but an analysis and compilation of separate presentations of hundreds of budget accounts, covering all fiscal activities of the federal government, including "off-budget" accounts, such as the Social Security trust funds and the Postal Service fund. The budget comprises a wealth of information in a daunting array of schedules, tables, graphs, and narrative summaries. The comprehensiveness of the President's budget is its principal strength, but its sheer size and complexity can be overwhelming for many readers. For example, the President's fiscal year 1997 budget spanned six volumes and contained more than 2,100 pages. GAO developed this compendium of accounts to give readers a convenient

way to sort through the fiscal structure of the federal government and to determine the level of budgetary resources—used, estimated, or requested by fiscal year—for individual accounts.

AIMD-96-123, July 2, 1996 (48 pages). Financial Audit: Resolution Trust Corporation's 1995 and 1994 Financial Statements.

GAO audited the Resolution Trust Corporation's (RTC) financial statements for 1995 and 1994 and the related statements of revenues, expenses, accumulated deficit, and cash flows for those years. GAO found that RTC's financial statements were reliable in all material respects. Although internal controls could be improved, RTC management fairly stated that its internal controls effectively safeguarded assets from material loss, ensured material compliance with laws and regulations, and ensured that no material misstatements appeared in the financial statements. GAO found no reportable noncompliance with laws and regulations. Because RTC's mission of resolving hundreds of insolvent thrifts is coming to an end, GAO also presents a historical perspective of the savings and loan crisis, including its financial implications.

AIMD-96-130, Aug. 30, 1996 (40 pages). Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis.

Congress has traditionally limited the size of the federal debt by establishing ceilings on the amount of Treasury securities than can be outstanding. During the past 50 years, Congress has enacted about 60 temporary and permanent increases in the debt ceiling. On August 10, 1993, Congress raised the debt ceiling to \$4.9 trillion. This limit was reached in the fall of 1995, but was not raised until the following March, when it was set at \$5.5 trillion. The intervening period, when the Secretary of the Treasury

announced a debt issuance suspension period, became known as the 1995-1996 debt ceiling crisis. Treasury took several measures during the period to raise funds to meet federal obligations without exceeding the debt ceiling. This report (1) discusses the chronology of these actions and (2) provides a financial and legal analysis of them.

AIMD-96-140, Aug. 26, 1996 (33 pages). Tax Systems Modernization: Cyberfile Project Was Poorly Planned and Managed.

The Internal Revenue Service's (IRS) Cyberfile project was intended to enable taxpayers to prepare and electronically send their tax returns via their personal computers. IRS' selection of the Commerce Department's National Technical Information Service (NTIS) to develop Cyberfile was not based on sound analysis that considered various alternatives and assessed NTIS' ability to develop and operate an electronic filing system. NTIS had promised IRS that it could develop Cyberfile in less than six months and have it up and running by February 1996. To meet these self-imposed deadlines, however, NTIS hastily initiated the project. Development and acquisition were undisciplined, and Cyberfile was poorly managed and overseen. The end result was that Cyberfile was not delivered on time, and IRS, after advancing more than \$17 million to NTIS, has suspended Cyberfile's development and is reevaluating the project. IRS and NTIS did not follow all applicable procurement laws in developing Cyberfile, and NTIS actually circumvented procurement laws in implementing Cyberfile. Moreover, Cyberfile obligations and costs were not accounted for properly. Finally, adequate financial program management controls were not implemented to ensure that Cyberfile was acquired cost effectively. GAO summarized this report and discussed other tax systems

modernization issues in testimony before Congress; see: *Tax Systems Modernization: Actions Underway, But Management and Technical Weaknesses Not Yet Corrected*, by Dr. Rona B. Stillman, Chief Scientist, Computers and Telecommunications Issues, before the Senate Committee on Governmental Affairs. GAO/T-AIMD-96-165, Sept. 10 (21 pages).

AIMD-96-145, Sept. 19, 1996 (117 pages). Power Marketing Administrations: Cost Recovery, Financing, and Comparison to Nonfederal Utilities.

In recent years, Congress has weighed the pros and cons of privatizing the federal power marketing administrations (PMA), which transmit and sell electric power generated at federal hydropower facilities. This report provides information on three of these PMAs—the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. GAO answers the following three questions: Have all power-related costs incurred through September 1995 been recovered through the PMA's electricity rates? Is the financing for power-related capital projects subsidized by the federal government and, if so, to what extent? How do PMAs differ from nonfederal utilities and what is the impact of these differences on power production costs? GAO summarized this report in testimony before Congress; see: *Power Marketing Administrations: Cost Recovery, Financing, and Comparison to Nonfederal Utilities*, by Linda M. Calbom, Director of Civil Audits, before the Subcommittee on Water and Power Resources, House Committee on Resources. GAO/T-AIMD-96-169, Sept. 19 (15 pages).

AIMD-96-146, Sept. 30, 1996 (52 pages). Federal Reserve Banks: Inaccurate Reporting of Currency at the Los Angeles Branch.

The October, November, and December 1995 monthly currency activity reports of the Los Angeles Federal Reserve Bank were prepared and reported incorrectly. The reported receipts from currency deposited in the Los Angeles Bank by depository institutions were not taken from the Bank's cash inventory records but rather "forced" to ensure that the currency activity report agreed with the daily balance sheet for the last day of the month. For example, the December 1995 report had a forced amount of more than \$3.7 billion for receipts from circulation to ensure that the ending balance for cash on hand would equal \$6.7 billion as reported in the daily balance sheet at the end of December. These problems in currency reporting are linked to limitations in the design of the underlying cash inventory system. The Los Angeles Bank's inability to precisely summarize currency activity from its cash inventory records raises serious questions about the integrity of its accounting and internal controls and may signal problems in the other Federal Reserve Banks that use this same system. Considering the large sums of cash that the Los Angeles Bank deals with and the problems identified in GAO's limited audit work, more detailed reviews of the Los Angeles Bank's operations are warranted.

AIMD-96-147, Sept. 24, 1996 (14 pages). Financial Audit: Congressional Award Foundation's 1995 and 1994 Financial Statements.

The Congressional Award Foundation is a non-profit group formed in 1979 to promote achievement among youth in public service, personal development, and physical fitness. GAO reviewed the Foundation's 1995 and 1994 financial statements and found them to be reliable in all material respects. Internal controls effectively safeguarded assets from material loss, ensured compliance with laws and regulations, and ensured that no

material misstatements appeared in the financial statements. GAO also found no reportable noncompliance with laws and regulations. GAO notes that although the Foundation's authority to run the Congressional Award Program under the Congressional Award Act expired in October 1995, the Foundation has continued to operate since then.

AIMD-96-150, Sept. 20, 1996 (6 pages). Inspectors General: A Comparison of Certain Activities of the Postal IG and Other IGs.

This report compares certain activities of the Postal Inspector General (IG) with the activities of IGs in other federal agencies. It is important to note that the Postal IG differs from other IGs by serving in a dual capacity: It performs audits and other reviews as well as serves at the Chief Postal Inspector responsible for the enforcement of postal laws throughout the United States. GAO compares the Postal IG with four other IGs—Justice, Treasury, Agriculture, and Labor—with respect to audit activities over their agencies' law enforcement operations and the results of peer reviews over their audit operations. GAO also compares the Postal IG's policies and procedures to Office of Management and Budget guidance on the resolution of audit recommendations.

AIMD-96-163, Sept. 30, 1996 (8 pages). Financial Audit: Review of the Audit of SEMATECH's Financial Statements for 1995.

GAO is required to review the annual audits of the financial statements of SEMATECH, Inc., a consortium of semiconductor manufacturers and the Defense Department, and to comment on the statements' accuracy and completeness. This report—GAO's eighth in response to the legislative requirement—presents the results of

GAO's review of the audit done by Price Waterhouse of SEMATECH's financial statements for 1995.

AIMD-96-166, Sept. 30, 1996 (26 pages). Financial Audit: Independent Counsel Expenditures for the Six Months Ended March 31, 1996.

This report presents the results of GAO's audits of expenditures reported by six offices of independent counsel for the six months ended March 31, 1996. GAO found that the statements of expenditures for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova/Michael F. Zeldin, Daniel S. Pearson, Donald C. Smaltz, and Kenneth W. Starr were reliable in all material respects. GAO's review of internal controls disclosed no material weaknesses. Further, GAO found no reportable noncompliance with laws and regulations.

AIMD/GGD-96-87, Mar. 7, 1996 (18 pages). Budget Issues: Selected GAO Work on Federal Financial Support of Business.

The federal government provides financial benefits to businesses as a way to fulfill a wide range of public policy goals. These benefits are spread throughout the budget, including programs in international affairs, energy, natural resources and environment, agriculture, and transportation. In those cases in which programs are poorly designed, including those benefiting businesses, the federal government may spend more money or lose more revenue than necessary to reach its intended audience and achieve program goals. This document summarizes earlier GAO work on spending programs and tax benefits available to businesses. GAO presents many examples of federal programs from GAO work published since 1992 in which GAO identified efficiency or effectiveness concerns. GAO also discusses program design and implementation.

AIMD/GGD-96-152, Sept. 9, 1996 (29 pages). Internal Revenue Service: Business Operations Need Continued Improvement.

The Internal Revenue Service (IRS) has experienced major problems in (1) fulfilling its business vision—reducing the volume of paper returns, better serving customers, and improving compliance; (2) overcoming management and technical weaknesses in its tax systems modernization effort; and (3) strengthening the reliability of its financial management and systems used to account for hundreds of billions of dollars and to measure IRS' performance. This report discusses pivotal actions that IRS should take to fully implement earlier GAO recommendations and improve its management practices. GAO summarized this report in testimony before Congress; see: IRS Operations: Critical Need to Continue Improving Core Business Practices, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-AIMD/GGD-96-188, Sept. 10 (13 pages).

GGD/AIMD-96-50, Dec. 29, 1995 (42 pages). Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization.

This report describes the changes that have resulted from OMB 2000—a major reorganization and process change at the Office of Management and Budget (OMB) that was announced in 1994 as part of the National Performance Review. The main goal of OMB 2000 was to integrate OMB's budget analysis, management review, and policy development roles under a new structure to improve the decisionmaking process and oversight of executive branch operations. GAO describes (1) the changes in OMB's organizational structure, responsibilities, and staffing as a result of OMB 2000; (2) changes to OMB's three

statutory offices; (3) changes in the attention OMB gave to management issues in the budget formulation process before and after OMB 2000; and (4) the way OMB planned to evaluate OMB 2000.

RCED/AIMD-96-9FS, Oct. 13, 1995 (54 pages). Federal Electric Power: Operating and Financial Status of DOE's Power Marketing Administrations.

This fact sheet provides information on the Energy Department's (DOE) five power marketing administrations (PMA). The first section of the report—operating information—describes facilities used by the PMAs to sell power and the customers served by the PMAs. The second section—financial information—discusses the manner in which the PMAs finance their operations, the revenues and expenses associated with their operations, and the manner in which they repay their debts. The final section—competitive issues—describes potential effect of these markets on the PMAs.

Testimony

T-AIMD-96-1, Nov. 14, 1995 (28 pages). Financial Management: Challenges Facing DOD in Meeting the Goals of the Chief Financial Officers Act, by Gene L. Dodaro, Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.
The Defense Department (DOD) needs accurate financial information and appropriate internal controls to effectively manage its vast resources—more than \$1 trillion in assets, 3 million in military and civilian personnel, and a budget of more than \$250 billion for fiscal year 1995. Unfortunately, DOD suffers from serious and pervasive financial management problems, ranging from

the inability to account for billions of dollars in disbursements to a breakdown in an ability to protect assets from waste, fraud, and abuse. No military service or other major DOD component has been able to withstand the scrutiny of an independent financial statement audit. Although DOD recognizes the problem, it faces serious challenges in implementing its "blueprint" for reform. GAO continues to believe that DOD should establish an independent, outside board of experts to provide counsel, oversight, and perspective to DOD's reform efforts. Such experts could provide valuable advice and expertise in three challenging areas: systems development, personnel needs assessment, and organizational structure.

T-AIMD-96-2, Oct. 17, 1995 (6 pages). Weather Forecasting: Radars Far Superior to Predecessors, but Location and Availability Questions Remain, by Jack L. Brock, Director, Defense Information and Financial Management Systems, before the Energy and Environment Subcommittee, House Committee on Science.

The National Weather Service is deploying new Doppler radars known as Next Generation Weather Radars (NEXRAD) to provide greatly improved and more timely weather forecasts. Simply stated, NEXRADs have replaced weather event "near-sightedness" with "20/20 vision" and have given NWS the ability to save lives and money through precise warnings of severe weather. However, these radars must be up and running at least 96 percent of the time to be effective—an availability rate that many do not meet.

T-AIMD-96-10, Dec. 14, 1995 (31 pages). Financial Management: Continued Momentum Essential to Achieve CFO Act Goals, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs.

This testimony discusses the steady progress being made to improve financial management in the federal government through implementation of the Chief Financial Officers Act of 1990. This landmark legislation was enacted five years ago, but a great deal more perseverance will be required to sustain the current momentum and successfully overcome decades of serious neglect in fundamental financial management operations and reporting methods. The Comptroller General focuses on the following four implementation challenges: (1) Successfully implementing the expanded requirements for audited financial statements to improve the reliability of data for decision-making and strengthen the efficiency of financial operations and controls. (2) Continuing to build stronger financial management organizations by upgrading skill levels, enhancing training, and ensuring that Chief Financial Officers have all the necessary authority to achieve change. (3) Devising and applying more effective solutions to overcome difficult problems plaguing agencies' financial systems. (4) Designing comprehensive accountability reports to allow more thorough and objective assessments of agencies' performance and financial contributions, as well as to enhance the budget preparation and deliberation process. The Comptroller General also comments on amendments to the Single Audit Act being considered by Congress.

T-AIMD-96-12, Nov. 16, 1995 (9 pages). Medicare Transaction System: Strengthened Management and Sound Development Approach Critical to Success, by Frank W. Reilly, Director, Information Resources Management/Health, Education, and Human Services, and Christopher W. Hoenig, Director, Information Resources Management/Policies and Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Govern-

ment Reform and Oversight, and Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

The Health Care Financing Administration (HCFA) is developing a critical new claims-processing system, the Medicare Transaction System (MTS), to replace the nine systems now used by Medicare. MTS' goal is to better protect program funds from waste, fraud, and abuse; allow better oversight of Medicare contractor operations; improve service to beneficiaries and providers; and cut administrative expenses. The weaknesses in HCFA's development of MTS stem from a lack of a disciplined management process that has as its hallmark managing information systems and technology as investments. Not managing MTS in this way has led to system design and development proceeding despite (1) difficulties in defining requirements, (2) a compressed schedule containing significant overlap of system-development phases, and (3) a lack of reliable information on costs and benefits. These risks in the development of MTS can be substantially reduced if HCFA adopts some of the "best practices" that have proven effective in other organizations: managing systems as investment, changing information management practices, creating line manager ownership, better managing resources, and measuring performance.

T-AIMD-96-25, Dec. 7, 1995 (14 pages). Managing Technology Change: Challenges and Opportunities for the United States Senate, by Christopher W. Hoenig, Director, Information Resources Management/Policies and Issues, before the Senate Committee on Rules and Administration.

The United States Senate, as it increases its use of information technology, is in an excellent position to profit from the experiences of organizations that have used comput-

ers and automation to improve their operations. This testimony, which draws on many years of GAO work on information resources management issues, makes three main points. First, although the Senate is a unique institution, it is similar enough to private and public sector organizations to make learning from their experiences useful. Second, information technology offers many opportunities for the Senate and the entire legislative branch to improve its services to constituents, its accessibility to the public, its legislative processes and decisionmaking, and its committee and public operations. Legislatures around the world are using information technology to improve these same areas. Third, GAO's analysis of successful public and private organizations underscores the need for key management practices that can spell the difference between success and failure in using information technology to improve performance. The key is to develop the organizational strategy and support needed to harness the power of information technology and avoid the costly mistakes that others have made.

T-AIMD-96-46, Feb. 26, 1996 (18 pages). Information Technology: Best Practices Can Improve Performance and Produce Results, by Christopher W. Hoenig, Director, Information Resources Management Policies and Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses how best practices applied by leading organizations can help improve information management technology in the federal government. GAO focuses on four key lessons learned from its ongoing evaluation of strategic information management issues in federal agencies. First, better data are needed on the government's information technol-

ogy investments. Although federal information technology obligations now total at least \$25 billion annually, what the government is getting in return for these expenditures is unclear. Second, information technology is characterized by high risk and high return. Real opportunities exist to boost organizational performance, but the risk of failure is ever present and must be vigorously managed to ensure success. Third, repeatable success requires sound management processes that are applied with relentless discipline. Sustainable and effective management practices are crucial to successful information technology projects. Fourth, the challenge is implementation. Most leading organizations have taken three to five years to fully integrate the practices into improved management processes. A consensus has emerged among federal government officials on what the problems are and what can be done to solve them. Now agency heads must implement more-effective information technology management processes and reinforce accountability to produce tangible results.

T-AIMD-96-47, Feb. 29, 1996 (6 pages). Weather Forecasting: New Processing System Faces Uncertainties and Risks, by Jack L. Brock, Director, Information Resources Management/Resources, Community, and Economic Development, before the Energy and Environment Subcommittee, House Committee on Science.

This report focuses on the National Weather Service's (NWS) Advanced Weather Interactive Processing System, which is designed to help local weather forecasters obtain meteorological data from state-of-the-art weather observing systems and national weather models, analyze trends, and disseminate forecasts and warnings to the public. This \$525 million system is to be the centerpiece of NWS' massive \$4.5 billion modernization and restructuring program. GAO discusses whether NWS' process

for developing the system has shown that all proposed system capabilities will contribute to promised modernization outcomes—better forecasts, fewer weather offices, and reduced staffing.

T-AIMD-96-48, Feb. 29, 1996 (7 pages). Financial Audit: Expenditures by Independent Counsels, by David L. Clark, Jr., Director, Audit Oversight and Liaison, before the Crime Subcommittee, House Committee on the Judiciary.

This testimony focuses on GAO's financial audits of independent counsel expenditures. GAO discusses (1) independent counsels' financial reporting and auditing requirements, (2) expenditures for independent counsel operations for the 10-year period ended March 1995, and (3) independent counsels' compliance with financial laws and regulations.

T-AIMD-96-56, Mar. 6, 1996 (12 pages). IRS Operations: Significant Challenges in Financial Management and Systems Modernization, by Gene L. Dodaro, Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses the results of GAO's fiscal year 1994 financial audit of the Internal Revenue Service (IRS)—GAO's most recently completed audit—and GAO's reports on IRS' Tax System Modernization effort. Last year, GAO issued two reports (GAO/AIMD-95-156, July 1995, and GAO/AIMD-95-141, Aug. 1995) on IRS' guardianship of federal revenues and its ability to function efficiently in an increasingly high technology environment. These reports highlight several serious technical and managerial problems that IRS must address to make progress in both of these areas, discusses steps being taken by IRS to

strengthen its operations, and makes recommendations for additional improvements.

T-AIMD-96-60, Mar. 8, 1996 (15 pages). Governmentwide Travel Management: Federal Agencies Have Opportunities for Streamlining and Improving Their Travel Practices, by Christopher W. Hoenig, Director, Information Resources Management/Policies and Issues, before the Oversight of Government Management and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

Federal executives operating in the current environment of change and downsizing face the difficult challenge of cutting costs while maintaining, if not improving, operations. One area with great potential for reengineering is governmentwide travel management. In fiscal year 1994, the federal government reported travel obligations for individuals of about \$7.6 billion—about \$5 billion for the Defense Department and about \$2.6 billion for civilian agencies. GAO testified that federal agencies, by emulating the practices of private organizations, could save millions of dollars by streamlining the administrative procedures that now cost the government hundreds of millions of dollars to process travel vouchers for federal workers. The General Services Administration, as the government's lead manager of travel policy, should spearhead efforts to oversee the various travel improvement efforts that are planned or under way.

T-AIMD-96-66, Mar. 13, 1996 (11 pages). Budget Issues: Deficit Reduction and the Long Term, by Paul L. Posner, Director, Budget Issues, before the House Committee on Budget.

GAO has long argued that deficit reduction is crucial to America's future economic health. The surest way to increase the resources avail-

able for investment is to boost national savings by reducing the deficit. Today, the relationship of the deficit to the nation's long-term economic interest is more broadly recognized. Both Congress and the President have put forth plans to reverse earlier fiscal trends and balance the budget. The debate is no longer about whether to balance the budget, but rather when and how. This testimony describes GAO's simulations of the economic impact of different fiscal policies over the long term and discusses several matters relating to deficit reduction, particularly the important benefits to be gained from shifting to a new fiscal policy; the importance of how the deficit is reduced, including both the composition of federal spending and the need to address the drivers of the deficit; and the experiences of other industrialized nations.

T-AIMD-96-75, Mar. 26, 1996 (26 pages). Tax Systems Modernization: Management and Technical Weaknesses Must Be Overcome To Achieve Success, by Gene L. Dodaro, Assistant Comptroller General, before the Senate Committee on Governmental Affairs.

The Internal Revenue Service (IRS) has spent more than \$2.5 billion on Tax Systems Modernization through fiscal year 1995. In addition, it plans to spend up to \$8 billion on this effort through 2001. Tax Systems Modernization is central to IRS' vision of a paper-free work environment in which taxpayer account updates are rapid and taxpayer information is readily available to IRS employees responding to taxpayer inquiries. Over the years, GAO has reported that IRS' effort to modernize tax processing is jeopardized by persistent and pervasive management and technical weaknesses. IRS attempts to correct these problems have so far met with little success. This testimony focuses on (1) IRS' efforts to correct management and technical weaknesses that have impeded Tax Systems Modern-

ization and (2) analogous technical weaknesses in the recent Cyberfile project, which will allow taxpayers to file their returns electronically from personal computers, suggesting that IRS continues to risk millions of dollars in undisciplined systems development.

T-AIMD-96-77, Mar. 29, 1996 (7 pages). Single Audit: Refinements Can Improve Usefulness, by Gene L. Dodaro, Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

The Single Audit Act of 1984 is an important means by which Congress, federal oversight officials, and program managers can obtain information on whether recipients of federal assistance properly account for the money they receive, maintain adequate internal controls of those funds, and comply with program requirements. The single audit, which is widely accepted today, has helped foster basic financial management improvements and has strengthened accountability at state and local governments and nonprofit groups receiving federal aid. Twelve years' worth of experience with the act has shown that refinements can be made to improve the usefulness of single audits while reducing the burden on state and local governments and nonprofit groups. Proposed amendments, which GAO strongly supports, address the need for refinements. This testimony provides some perspective on the act, highlights GAO's most recent assessment of the act's implementation, and discusses specific amendments now being considered.

T-AIMD-96-80, Apr. 23, 1996 (16 pages). Budget and Financial Management: Progress and Agenda for the Future, by Charles A. Bowsher, Comptroller General of the United States, before the Government

Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

A solid framework for improving the government's financial management has been established during the past six years. This framework consists of (1) the original Chief Financial Officers Act of 1990 and its expansion through the Government Management Reform Act of 1994; (2) the Federal Accounting Standards Advisory Board, created in 1990; and (3) measures to improve the budget process, such as the enactment of credit reform. The next step is to improve the federal budget process to take advantage of accurate and reliable financial information as the basis for sound budget and policy decisions. The Comptroller General urges reform in the following three areas: the budget process, accountability for costs and performance, and the use of improved reports to better inform policy and budget decisions. Improved financial management and reports are essential to improving the government's ability to account for taxpayer dollars. Continuing fiscal pressures will place a premium on the proper stewardship of increasingly scarce public resources. Recent efforts to improve federal financial reporting will, if properly implemented, redress long-standing weaknesses.

T-AIMD-96-92, May 22, 1996 (7 pages). Information Security: Computer Attacks at Department of Defense Pose Increasing Risks, by Jack L. Brock, Director, Defense Information and Financial Management Systems, before the Government Information and Regulation Subcommittee, Senate Committee on Governmental Affairs.

Unknown and unauthorized persons are increasingly attacking and gaining access to highly sensitive information in the Defense Department's (DOD)

computer systems. Although the exact number of attacks cannot be precisely determined, recent data suggest that DOD may have experienced as many as 250,000 attacks last year. These attacks are often successful, and the number of attacks is doubling each year as Internet use increases and hackers become more sophisticated. At a minimum, these attacks are a multimillion dollar nuisance to the Pentagon. At worst, they pose a serious threat to national security. Attackers have seized control of entire DOD systems, some of which control critical functions, such as weapons system research and development, logistics, and finance. Attackers have also stolen, modified, and destroyed data and software. The potential for catastrophic damage is great. DOD is taking steps to address this growing problem but faces major challenges in controlling unauthorized access to its computer systems. DOD is now trying to react to successful attacks as it learns of them, but it has no uniform policy for assessing risks, protecting its systems, responding to incidents, or assessing damage. Training of users and system and network administrators is haphazard and constrained by limited resources. Technical solutions, such as firewalls, smart cards, and network monitoring systems, should help, but their success depends on whether DOD implements them in tandem with better policy and personnel measures.

T-AIMD-96-96, June 6, 1996 (17 pages). Financial Audit: Actions Needed to Improve IRS Financial Management, by Gregory M. Holloway, Director, Governmentwide Audits, before the Senate Committee on Governmental Affairs.

This testimony discusses GAO's financial audits of the Internal Revenue Service (IRS). As part of a pilot program under the Chief Financial Officers Act of 1990, IRS began preparing annual financial statements explaining the results of its opera-

tions. GAO's audits span fiscal years 1992-95. Implementation of the act has (1) led IRS top managers to have a greater understanding of IRS' serious and pervasive accounting and reporting problems, (2) yielded information on the magnitude of IRS' tax receivables collection problems, and (3) underscored the need for stronger controls over such areas as payroll operations. The act has also provided the impetus behind efforts to improve IRS operations and address the major problems cited by GAO financial audits. However, GAO has been unable to express an opinion on the reliability of IRS' financial statements for any of the four fiscal years—from 1992 through 1995. This testimony describes in detail the fundamental, persistent problems that remain uncorrected and will prevent GAO from expressing an opinion on IRS' future financial statements.

T-AIMD-96-103, June 19, 1996 (17 pages). Veterans Benefits Modernization: Management and Technical Weaknesses Must Be Overcome If Modernization Is To Succeed, by Gene L. Dodaro, Assistant Comptroller General, before the Compensation, Pension, Insurance and Memorial Affairs Subcommittee, House Committee on Veterans' Affairs.

If the Veterans Benefits Administration is to reduce operating costs and improve critical service to nearly 27 million veterans and their dependents, it needs to streamline its business processes and take more advantage of information technology. However, VBA is experiencing many of the classic management and technical problems that have prevented federal agencies from reaping the benefits of substantial investment in information technology. This testimony discusses the steps VBA needs to take in the following three areas to improve its chances for success: (1) creating a credible business strategy and supporting an information resources management plan; (2) developing a

better investment strategy for choosing and managing its portfolio of information technology projects in a more disciplined, businesslike way; and (3) strengthening its technical ability to develop software applications that are critical to its efforts to control costs and improve service to veterans.

T-AIMD-96-104, June 11, 1996 (14 pages). Financial Management: Interior's Efforts to Reconcile Indian Trust Fund Accounts and Implement Management Improvements, by Linda Calbom, Director, Civil Audits, before the Senate Committee on Indian Affairs.

Although the Interior Department has brought to a close its project to reconcile the Indian trust funds, tribal accounts were never fully reconciled because of missing records and the lack of an audit trail in Interior's automated accounting systems. In addition, the 1996 report package that Interior provided to each tribe on the reconciliation results did not explain or describe the many changes in reconciliation scope and methodologies or the procedures that had been planned but were not implemented. As a result, the limitations of the reconciliation were not evident. Also, because of cost considerations and the potential for missing records, individual Indian trust fund accounts were not included in the reconciliation project. Indian tribes have raised concerns about the scope and the results of the reconciliation process. The vast majority of tribes have yet to decide whether to accept or dispute their account balances. If Interior cannot resolve the tribes' concerns, a legislated settlement process could be used to settle disputes over account balances. Interior has taken steps during the past three years to correct these long-standing problems with the accuracy of the Indian trust fund accounts, but these efforts will take years to complete. Moreover, the existing trust fund management and

accounting systems cannot ensure accurate trust fund accounting and asset management. The appointment of a Special Trustee for American Indians was an important step in establishing high-level leadership at Interior for Indian trust fund management.

T-AIMD-96-108, June 5, 1996 (8 pages). Information Security: Computer Hacker Information Available on the Internet, by Jack L. Brock, Director, Defense Information and Financial Management Systems, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

GAO concludes that any marginally computer-literate person can access the Internet itself to quickly obtain basic information on the tools and techniques needed to become a computer hacker. Concerns about unauthorized access to sensitive information in computer systems are well-founded. The Pentagon has already experienced thousands of computer attacks originating from network connections, many of which have resulted in considerable disruption and damage. Other federal agencies and the private sector will undoubtedly be at increasing risk of attack as their reliance on the Internet increases, as the number of worldwide Internet users multiplies, and as information on hacker tools and techniques becomes even more readily available.

T-AIMD-96-111, June 18, 1996 (15 pages). Financial Management: Interior's Management of the Indian Trust Funds, by Linda Calbom, Director, Civil Audits, before the Task Force on Indian Trust Fund Management, House Committee on Resources.

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because of missing records and the lack of an audit trail in Interior's automated accounting systems. In addition, the 1996 report package that Interior provided to each tribe on the reconciliation results did not explain or describe the many changes in reconciliation scope and methodologies or the procedures that had been planned but were not implemented. As a result, the limitations of the reconciliation were not evident. Also, because of cost considerations and the potential for missing records, individual Indian trust fund accounts were not included in the reconciliation project. Indian tribes have raised concerns about the scope and the results of the reconciliation process. The vast majority of tribes have yet to decide whether to accept or dispute their account balances. If Interior cannot resolve the tribes' concerns, a legislated settlement process could be used to settle disputes over account balances. Interior has taken steps during the past three years to correct these long-standing problems with the accuracy of the Indian trust fund accounts, but these efforts will take years to complete. Moreover, the existing trust fund management and accounting systems cannot ensure accurate trust fund accounting and asset management. The appointment of a Special Trustee for American Indians was an important step in establishing high-level leadership at Interior for Indian trust fund management.

T-AIMD-96-126, July 9, 1996 (37 pages). District Government: Information on Its Fiscal Condition and the Authority's First Year of Operations, by Gregory M. Holloway, Director, Governmentwide Audits, before the District of Columbia Subcommittee, House Committee on Appropriations.

This testimony focuses on the District of Columbia's financial condition and the efforts of the D.C. Financial Responsibility and Management Assistance Authority to resolve the

financial and management problems confronting the District. GAO discusses the (1) financial and budget trends in the District's revenue flows and expense patterns, comparing and contrasting the District's historical experience through fiscal year 1995 with its enacted and proposed budgets for fiscal years 1996 and 1997; (2) District's current cash position; and (3) experiences of the New York City and the Philadelphia control boards and the Authority. GAO also provides background information and its preliminary thoughts on the District's financial management system.

T-AIMD-96-127, July 9, 1996 (6 pages). Governmentwide Travel Management: Views on the Proposed Travel Reform and Savings Act, by Jack L. Brock, Director, Information Resource Management/General Government Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

Travel is one of the many government functions that, through the adoption of best private sector practices and aggressive streamlining, can yield substantial savings to taxpayers. The proposed Travel Reform and Savings Act takes a major step toward adopting the best practices of other organizations. Not only will the legislation improve service to government travelers, it will also help reduce travel costs. This testimony highlights the legislation's key provisions, summarizes earlier GAO work and discusses how it relates to the legislation, and provides GAO's views on the legislation and raises concern about a provision found in the Senate version.

T-AIMD-96-129, July 11, 1996 (20 pages). Budget Process: Evolution and Challenges, by Susan J. Irving, Associate Director, Budget Issues, before the House Committee on Budget.

Everyone involved in the budget process shares some frustration with it. The public finds the process confusing. Executive branch agencies complain that it is burdensome and time-consuming. Members of Congress say that it is too lengthy, with its many votes on authorizations, the budget resolution, reconciliation, appropriations, and the debt limit. And, too often, the results are not what was expected or hoped for. This testimony discusses how the budget process evolved into what it is today and the challenges Congress faces in the near term. GAO also discusses some broad objectives and policy criteria that could be used to analyze the design of or changes to any budget process.

T-AIMD-96-132, July 17, 1996 (13 pages). Information Management Reform: Effective Implementation Is Essential for Improving Federal Performance, by Christopher W. Hoenig, Director, Information Resources Management Policies and Issues, before the Oversight of Government Management and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

On the whole, the federal government's track record in delivering high value information technology solutions at acceptable cost is not good. Federal agencies lack adequate processes and reliable data to manage investments in information technology. The Information Technology Management Reform Act (ITMRA) of 1996 requires significant changes in the way that government agencies manage and acquire information technology. The act emphasizes senior executive involvement in information management decisions, the establishment of Chief Information Officers as members of executive management teams, investment control and capital planning, process reengineering, and the use of performance measures to ensure account-

ability for spending on information technology. Once agencies begin to implement ITMRA, Congress should have a much clearer understanding of how information technology expenditures can benefit agencies' performance. Governmentwide, success rates should be higher for information technology projects completed within reasonable time frames, at acceptable costs, and with positive net rates of return on investment.

T-AIMD-96-133, July 19, 1996 (21 pages). District Government: Information on Its Fiscal Condition, by Gregory M. Holloway, Director, Governmentwide Audits, before the District of Columbia Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses the results of GAO's review of the financial condition of the District of Columbia. It compares and contrasts the District's historical experience through fiscal year 1995 with its enacted and proposed budgets for fiscal years 1996 and 1997. Also discussed is the District's current cash position. GAO focused specifically on the District's cash position at the end of fiscal year 1995, as adjusted through March 31, 1996. GAO also reviewed what actions New York City (beginning in June 1975) and Philadelphia (beginning in June 1991) and their respective control boards took to respond to their cash shortages.

T-AIMD-96-134, July 26, 1996 (14 pages). Consumer Health Informatics: Emerging Issues, by Patricia T. Taylor, Director, Information Resources Management/ Health, Education, and Human Services, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Technology has increased the amount of health information available to the public, allowing consumers to become

better educated and more involved in their own health care. Government and private health care organizations rely on a variety of technologies to disseminate health information on preventive care, illness and injury management, treatment options, post-treatment care, and other topics. This report discusses consumer health informatics—the use of computers and telecommunications to help consumers obtain information, analyze their health care needs, and make decisions about their own health. GAO provides information on (1) the demand for health information and the expanding capabilities of technology; (2) users' and developers' views on potential systems advantages and issues surrounding systems development and use; (3) government involvement—federal, state, and local—in developing these technologies; and (4) the status of related efforts by the Department of Health and Human Services. As part of this review, GAO surveyed consumer health informatics experts and presents their views on issues that need to be addressed when developing consumer health information systems.

T-AIMD-96-136, July 24, 1996 (12 pages). Budget Process: Issues in Biennial Budget Proposals, by Susan J. Irving, Associate Director, Budget Issues, before the Financial Management and Accountability Subcommittee, Senate Committee on Governmental Affairs.

GAO believes that multiyear fiscal policy agreements and multiyear authorizations make a great deal of sense, but they do not require changing the appropriations decision cycle from annual to biennial. Although biennial appropriations could save time for agencies, they would also result in a shift in congressional control and oversight. Proposals to change the process should be viewed partly in the context of their effect on the relative balance of power in this

debate. Budgeting always involves forecasting, which is by nature uncertain. The longer the period of the forecast, the greater the uncertainty. Increased difficulty in forecasting was one of the main reasons states gave for changing from biennial to annual cycles. Dramatic changes in program design or agency structure, such as those Congress is considering in many areas, will make budget forecasting harder. Moving from an annual to a biennial appropriations cycle at the same time may not be wise because of potential program changes that could, in turn, create a need for budgeting changes in the second year of a biennium. If this happens, biennial budgeting would exist only in theory. Biennial appropriations would be neither the end of congressional control nor the solution to many budget problems. The questions for Congress are (1) how does it wish to exercise its constitutional authority over appropriations? and (2) in what forum will it conduct its oversight responsibilities?

T-AIMD-96-165, Sept. 10, 1996 (21 pages). Tax Systems Modernization: Actions Underway But Management and Technical Weaknesses Not Yet Corrected, by Rona B. Stillman, Chief Scientist, Computers and Telecommunications, before the Senate Committee on Governmental Affairs.

The Internal Revenue Service's (IRS) Cyberfile project was intended to enable taxpayers to prepare and electronically send their tax returns via their personal computers. IRS' selection of the Commerce Department's National Technical Information Service (NTIS) to develop Cyberfile was not based on sound analysis that considered various alternatives and assessed NTIS' ability to develop and operate an electronic filing system. NTIS had promised IRS that it could develop Cyberfile in less than six months and have it up and running by February 1996. To meet these self-imposed deadlines, how-

ever, NTIS hastily initiated the project. Development and acquisition were undisciplined, and Cyberfile was poorly managed and overseen. The end result was that Cyberfile was not delivered on time, and IRS, after advancing more than \$17 million to NTIS, has suspended Cyberfile's development and is reevaluating the project. IRS and NTIS did not follow all applicable procurement laws in developing Cyberfile, and NTIS actually circumvented procurement laws in implementing Cyberfile. Moreover, Cyberfile obligations and costs were not accounted for properly. Finally, adequate financial program management controls were not implemented to ensure that Cyberfile was acquired cost effectively.

T-AIMD-96-168, Sept. 10, 1996 (7 pages). Information Management: Technical Review of the White House Data Base, by Jack L. Brock, Director, Information Resources Management/General Government Issues, before the National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee, House Committee on Government Reform and Oversight.

Developed in 1994, the White House data base replaced several existing data bases with a single system that was supposed to be easier to use and provide a greater level of service to users. Among other things, the data base is used to prepare invitation lists for White House events and to provide information used to write thank you notes, Christmas cards, and correspondence. Information in the data base ranges from names, addresses, telephone numbers, social security numbers, and contributor information to individual relationships with the First Family and political affiliations. According to the White House, the data base contains personal information on about 200,000 persons. In developing its data base, the White House acquired well-established,

commercially available products and created a system that users seem generally satisfied with. However, the design of the data base limits system performance. Further, the system, while having in place some internal controls, needs additional controls to ensure the integrity and accuracy of the data.

T-AIMD-96-169, Sept. 19, 1996 (14 pages). Power Marketing Administrations: Cost Recovery, Financing, and Comparison to Nonfederal Utilities, by Linda Calbom, Director, Civil Audits, before the Water and Power Resources Subcommittee, House Committee on Resources.

In recent years, Congress has weighed the pros and cons of privatizing the federal power marketing administrations (PMA), which transmit and sell electric power generated at federal hydropower facilities. This report provides information on three of these PMAs—the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. GAO answers the following three questions: Have all power-related costs incurred through September 1995 been recovered through the PMA's electricity rates? Is the financing for power-related capital projects subsidized by the federal government and, if so, to what extent? How do PMAs differ from nonfederal utilities and what is the impact of these differences on power production costs?

T-AIMD-96-170, Sept. 19, 1996 (16 pages). IRS Financial Audits: Status of Efforts to Resolve Financial Management Weaknesses, by Gene L. Dodaro, Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses the Internal Revenue Service's (IRS) efforts to prepare reliable financial statements, as required by the expanded Chief Financial Officers Act of 1990, and to make fundamental management improvements. GAO focuses on (1) IRS efforts to implement GAO's recommendations and develop a detailed plan with explicit, measurable goals, and set a timetable for actions to correct its financial management weaknesses; (2) IRS' progress in addressing the major problems that have prevented GAO from expressing an opinion on the agency's financial statements; (3) the impact that IRS' problems in developing Tax Systems Modernization have on improving financial information; and (4) the significant adverse effect that delays in resolving financial management weaknesses could have on preparing and auditing Treasury's agencywide financial statements and the financial statements for the entire government.

T-AIMD/GGD-96-188, Sept. 10, 1996 (13 pages). IRS Operations: Critical Need to Continue Improving Core Business Practices, by Gene L. Dodaro, Assistant Comptroller General, before the Senate Committee on Governmental Affairs.

The Internal Revenue Service (IRS) has experienced major problems in (1) fulfilling its business vision—reducing the volume of paper returns, better serving customers, and improving compliance; (2) overcoming management and technical weaknesses in its tax systems modernization effort; and (3) strengthening the reliability of its financial management and systems used to account for hundreds of billions of dollars and to measure IRS' performance. This report discusses pivotal actions that IRS should take to fully implement earlier GAO recommendations and improve its management practices.

T-GGD/AIMD-96-68, Feb. 7, 1996 (7 pages). OMB 2000: Changes Resulting From the Reorganization of the Office of Management and Budget, by L. Nye Stevens, Director, Federal Management and Workforce Issues, and Paul L. Posner, Director, Budget Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses changes at the Office of Management and Budget (OMB) resulting from a 1994 reorganization—commonly known as OMB 2000. The main goal of OMB 2000 was to integrate the agency's budget analysis, management review, and policy development roles under a new organizational structure. In doing so, OMB sought to improve its decisionmaking process and its oversight of executive branch operations. This testimony focuses on three issues: (1) changes in OMB's structure, responsibilities, and staffing, including changes to the statutory offices; (2) changes in OMB's attention to management issues in the budget process; and (3) the way OMB planned to evaluate OMB 2000.

T-GGD/AIMD-96-88, Mar. 14, 1996 (22 pages). Status of Tax Systems Modernization, Tax Delinquencies, and the Potential for Return-Free Filing, by Lynda D. Willis, Director, Tax Policy and Administration Issues, and Rona B. Stillman, Chief Scientist, Computers and Telecommunications, before the Treasury-Postal Service and General Government Subcommittee, House Committee on Appropriations.

Regarding the Internal Revenue Service's (IRS) Tax Systems Modernization effort, GAO is concerned about various weaknesses involving the electronic-filing strategy, software development, and other factors that jeopardize the success of this multi-million-dollar project. Until these deficiencies are corrected, IRS' ability

to successfully complete Tax Systems Modernization seems doubtful. In addition to more-effective use of technology, increased filing options could benefit both taxpayers and IRS. For example, if certain obstacles can be overcome, return-free filing can ease the burden for taxpayers while reducing the amount of paper IRS must process. In tax collection, IRS has made little progress in solving its accounts receivable problems. IRS continues to grapple with (1) inaccurate and unreliable information, (2) antiquated computers and a rigid collection process, (3) unintended problems with safeguards against potential taxpayer abuses, (4) a lack of accountability in its organizational structure, and (5) staffing imbalances. As a result, IRS cannot be sure how much money the government is owed or how much of the debt is collectible.

T-GGD/AIMD-96-115, May 7, 1996 (41 pages). Library of Congress: Opportunities to Improve General and Financial Management, by J. William Gadsby, Director, Government Business Operations Issues; Robert Gramling, Director, Corporate Audits and Standards; Joyce C. Doria, Partner, Booz-Allen & Hamilton, Inc.; and Paul E. Lohneis, Partner, Price Waterhouse, before the Joint Committee on the Library.

In response to allegations about the way in which the Library of Congress handled the thefts of rare materials, as well as longstanding problems related to human resources and financial management, GAO was asked to assess management at the Library. Because of the tight timeframe involved in this assignment, GAO contracted with Booz-Allen Hamilton, Inc. to conduct a general management review of the Library and with Price Waterhouse LLP to audit the Library's fiscal year 1995 financial statements. This testimony is based on the reports prepared by Booz-Allen Hamilton and Price Waterhouse and includes executive summaries of their reports.

GAO discusses four main themes; the Library of Congress' mission, operation, resources, and financial condition.

T-GGD/AIMD-96-170, July 29, 1996 (18 pages). *Managing IRS: IRS Needs to Continue Improving Operations and Service*, by Lynda D. Willis, Director, Tax Policy and Administration Issues, before the National Commission on Restructuring the Internal Revenue Service.

This testimony was intended to assist the National Commission restructure the Internal Revenue Service (IRS). GAO makes the following points: (1) One of the IRS' biggest problems has been the inefficient way in which its processes most tax returns. IRS needs to reduce the volume of paper returns. (2) IRS' strategy for improving customer service appears promising. However, the agency needs to develop a plan to overcome significant technical, managerial, and other obstacles to achieving its customer service vision. (3) Longstanding problems continue to undermine the effectiveness of IRS' collection problems. Significant changes are needed in the way IRS does business. (4) Although IRS has made some progress in resolving issues that have prevented GAO from expressing an opinion on the reliability of IRS' financial statements, serious management problems remain uncorrected. (5) IRS needs to improve its ability to make sound investment decisions in information technology. IRS' reengineering efforts could generate new business requirements that are not addressed by tax systems modernization or that make some of those projects obsolete.

T-RCED/AIMD-96-91, Feb. 28, 1996 (11 pages). *Nuclear Nonproliferation: Concerns With the U.S. International Nuclear Materials Tracking System*, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Senate Committee on Governmental Affairs.

A proposed agreement between the United States and the European Atomic Energy Community would impose controls on the export of some nuclear materials, nuclear reactors, and their major components between the United States and 15 western European nations. Keeping track of the growing volume of nuclear material is especially important because of the breakup of the Soviet Union and increases in both domestic and international terrorism. GAO testified that the Energy Department's (DOE) nuclear-materials tracking system, which serves as the primary source of information for the United States to track U.S. nuclear materials transported to foreign countries, has significant limitations. Moreover, recent information suggests that DOE's replacement tracking system faces a high probability of failure because it has not been completely developed and tested.

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AIMD/GGD-96-87, Mar. 7, 1996 (18 pages). Budget Issues: Selected GAO Work on Federal Financial Support of Business.

The federal government provides financial benefits to businesses as a way to fulfill a wide range of public policy goals. These benefits are spread throughout the budget, including programs in international affairs, energy, natural resources and environment, agriculture, and transportation. In those cases in which programs are poorly designed, including those benefiting businesses, the federal government may spend more money or lose more revenue than necessary to reach its intended audience and achieve program goals. This document summarizes earlier GAO work on spending programs and tax benefits available to businesses. GAO presents many examples of federal programs from GAO work published since 1992 in which GAO identified efficiency or effectiveness concerns. GAO also discusses program design and implementation.

AIMD/GGD-96-152, Sept. 9, 1996 (29 pages). Internal Revenue Service: Business Operations Need Continued Improvement.

The Internal Revenue Service (IRS) has experienced major problems in (1) fulfilling its business vision—reducing the volume of paper returns, better serving customers, and improving compliance; (2) overcoming management and technical weaknesses in its tax systems modernization effort; and (3) strengthening the reliability of its financial management and systems used to account for hundreds of billions of dollars and to measure IRS' performance. This report discusses pivotal actions that IRS should take to fully implement earlier GAO recommendations and improve its management practices. GAO summarized this report in

testimony before Congress; see: IRS Operations: Critical Need to Continue Improving Core Business Practices, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-AIMD/GGD-96-188, Sept. 10 (13 pages).

GGD-96-1, Oct. 24, 1995 (58 pages). Export Finance: Comparative Analysis of U.S. and European Union Export Credit Agencies.

GAO reviewed the types of export-financing assistance that national governments provide to exporters and banks in the United States, particularly through the U.S. Export-Import Bank (Eximbank), and in the five largest exporting countries of the European Union—France, Germany, Italy, the Netherlands, and the United Kingdom. The distinguishing characteristic of this type of financing is that it is generally tied to the export of foods and services from the countries providing the export financing assistance. Congress is debating the level of resources that the Eximbank should receive to support U.S. exporters. Some believe that the Eximbank plays an important role by correcting market failures and helping U.S. exporters compete on a level playing field against their foreign counterparts. Critics argue that the Eximbank distorts capital markets and provides unwarranted taxpayers subsidies to U.S. exporters. This report (1) identifies the magnitude of export financing that the United States and the five European Union countries provides, (2) describes the types of export-financing delivery systems used in these countries, (3) highlights key differences in and the trade-offs among U.S. and European Union members state programs, and (4) summarizes the status of international efforts to limit the use of government-supported export financing.

GGD-96-2, Oct. 10, 1995 (18 pages). Personnel Practices: Career Appointments of Legislative, White House, and Political Appointees.

Governmentwide, from October 1984 through June 1994, 1,090 former political and congressional/judicial branch employees received career appointments. Of these, 552 persons received noncompetitive appointments under the Ramspeck Act, and 502 persons converted from Schedule C and noncareer Senior Executive Service (SES) positions to competitive appointments. Another 36 persons received White House Service appointments. Of the 1,090 appointments, 42 were to the SES level. The rest were to jobs equivalent to a GS-15 grade or lower. Ramspeck Act appointments followed a cyclical trend during the 10-year period, increasing significantly following federal elections. GAO found that the cycle is associated with turnover in congressional members and the resulting involuntary separation of congressional staffers. The pattern of Schedule C and noncareer SES conversions and White House service appointments is less clear. Cabinet-level departments accounted for most appointments.

GGD-96-3, Oct. 10, 1995 (29 pages). Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service.

The Internal Revenue Service (IRS) is undergoing a major effort to modernize its information systems and restructure its organization. This effort involves several components, one of which IRS calls its "customer service vision," which seeks to improve IRS interactions with taxpayers and fold parts of IRS' field structure into 23 customer service centers. These centers would work primarily by telephone to provide taxpayer service, distribute forms, collect unpaid taxes, and adjust taxpayer accounts. The would absorb current

IRS telephone operations and try to convert much of IRS' written correspondence work to the telephone. This report review IRS' progress toward its customer service vision. GAO discusses (1) IRS' goals for customer service and its plans to achieve them, (2) the gap between current performance and these goals, (3) its progress to date, (4) current management concerns, and (5) several important challenges that IRS faces. GAO believes that this report will be useful as a baseline for assessing IRS' progress in coming years.

GGD-96-4, Oct. 25, 1995 (25 pages). Community Policing: Information on the "COPS on the Beat" Grant Programs.

This report reviews aspects of the Community Oriented Policing Servicing Program—"COPS on the Beat." Under the community policing approach to law enforcement, citizens, police department, and other agencies work together to identify crime problems and come up with solutions. Community policing began to emerge during the late 1970s, and the Justice Department has supported community policing efforts through various grants for about 15 years. GAO describes the grant application, selection, and monitoring process for the program. GAO also compares the crime rates in applicant and nonapplicant jurisdictions, the reasons some of the jurisdictions chose not apply for program grants, and public safety issues identified by a sample of jurisdictions applying for program grants.

GGD-96-5, June 6, 1996 (23 pages). Initial Public Offerings: Guidance Needed on Disclosure of Underwriters' Disciplinary Histories.

Initial public offerings (IPO)—the sale of a company's stock to the public for the first time—are a major source of funding for new companies seeking to raise capital. According to the Securities and Exchange Commission

(SEC), companies raising money through IPOs registered securities worth nearly \$26 billion in 1994. Companies typically use underwriters to help them register the IPOs with SEC and raise equity capital from the investment community. The press has reported instances in which underwriters gave some investors preferential access to the IPO market and companies did not disclose material information to investors, such as the criminal and disciplinary histories of their underwriters. This report discusses (1) the factors that influence underwriters to sell IPO shares to institutional investors or to individuals and (2) disclosure requirements concerning the history of disciplinary actions taken against underwriters. GAO also discusses SEC rules governing the IPO market.

GGD-96-6, Oct. 13, 1995 (54 pages). Tax Administration: Audit Trends and Taxes Assessed on Large Corporations.

This report focuses on the Internal Revenue Service's (IRS) program to audit the tax returns of about 45,000 large corporations. IRS audits of returns filed by these 45,000 corporations plus the 1,700 largest corporations in IRS' Coordinated Examination Program have generated about two-thirds of the additional taxes recommended from all income audits. GAO used IRS data to (1) analyze audit trends for fiscal years 1988 through 1994, (2) compute the assessment rate—the portion of taxes recommended by revenue agents that were eventually assessed, and (3) develop and compare profiles of audited large corporations with those not audited.

GGD-96-8, Nov. 15, 1995 (32 pages). U.S. Postal Service: Postal Ratemaking in Need of Change.

Today, the U.S. Postal Service competes with communications technologies and private carriers for the delivery of services in markets that in

1970 were the sole domain of the Postal Service. Many observers believe that the current ratemaking process takes too long for the Postal Service to respond to today's rapidly changing market conditions. This report discusses (1) whether changes in policies concerning volume discounting and demand pricing should still be considered by Congress, (2) the issues surrounding the current ratemaking process, and (3) proposals for modifying the postal ratemaking process and other changes that merit further consideration by Congress. The proposals that GAO offers—to improve the effectiveness of the postal ratemaking process, ensure financial accountability, and give the Postal Service more flexibility to price and compete in the marketplace—provide the Postal Service, the Postal Rate Commission, and Congress with a variety of options to consider in reforming the ratemaking process.

GGD-96-9, Oct. 19, 1995 (55 pages). Smithsonian Institution: Better Care Needed for National Air and Space Museum Aircraft.

The popular National Air and Space Museum in Washington, D.C., has preserved many historic air and space artifacts, but many planes in the museum's collection need extensive restoration and better storage. The restoration backlog totals 100 years, and plans to add additional aircraft to the collection will exacerbate the problem. Management of the aircraft collection at locations that are not generally seen by the public, such as the Museum's restoration and storage facility in Suitland, Maryland, need improvement. The Museum commits relatively few resources to aircraft restoration, compared to other museum activities and another federally funded air museum. But even if the Museum were to increase its restoration efforts, it would not have enough space to properly display or store the aircraft. If the Museum decides to reduce its collection so

that it can be stored under environmentally controlled conditions, it may wish to deaccession aircraft or obtain second-party restorations by making temporary loans to other museums. Using more second-party restorations would help preserve the Museum's collection, alleviate its storage problems, and help share its collection with the public. The planned extension at Dulles Airport could help ease the Museum's storage problems, but funding is uncertain and the extension may take several years to complete.

GGD-96-11, Feb. 26, 1996 (69 pages). Counterfeit U.S. Currency Abroad: Issues and U.S. Deterrence Efforts.

U.S. currency, reportedly the most widely held in the world, is susceptible to counterfeiting. The Federal Reserve estimates that of the \$380 billion of U.S. currency in circulation, more than 60 percent may be held outside the United States. The widespread use of U.S. currency abroad, together with the outdated security features of the currency, make it particularly vulnerable to international counterfeiters. Widespread counterfeiting of U.S. currency could undermine confidence in the dollar and, if done on a large enough scale, could harm the U.S. economy. This report discusses (1) the nature of counterfeiting of U.S. currency abroad, (2) the extent of that counterfeiting and of concerns about this issue, and (3) the status of U.S. efforts to deter such counterfeiting. GAO summarized this report in testimony before Congress; see: Counterfeit U.S. Currency Abroad: Observations on Counterfeiting and U.S. Deterrence Efforts, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the Subcommittee on General Oversight and Investigations, House Committee on Banking and Financial Services. GAO/T-GGD-96-82, Feb. 27 (21 pages).

GGD-96-12, Oct. 31, 1995 (24 pages).

Tax Administration: Electronic Filing Falling Short of Expectations.

Electronic filing is a cornerstone of the Internal Revenue Service's (IRS) plan to move away from the traditional filing of paper returns. Because electronic filing of tax returns in 1994 was most popular among those using Forms 1040A or 1040EZ—the simplest and least costly to process—IRS is not saving as much as it expected from electronic filing. Meanwhile, it appears that IRS will fall far short of its goal of 80 million tax forms filed electronically by the year 2001. A major impediment to the expansion of electronic filing is its cost to the public. Taxpayers who file an electronic return through a preparer or electronic filing transmitter must pay as much as \$40 for these services. By focusing solely on its goal of 80 million tax forms, IRS may be targeting its limited resources toward groups of taxpayers or types of returns that will boost the number of electronic returns but not necessarily yield the greatest reductions in IRS' paper-processing workload and operating costs. Although a marketing strategy that focuses on reducing paper and costs may generate fewer than 80 million returns, it could have a more significant impact on IRS' overall operations. The contract that IRS awarded in May 1995 may provide cost/benefit data that the agency can use to reassess its strategy. That information may help IRS identify steps to make electronic filing more attractive to those taxpayers and preparers who are now put off by its cost.

GGD-96-14, Dec. 13, 1995 (177 pages). Government Corporations: Profiles of Existing Government Corporations.

Government corporations are generally federally chartered entities created to serve a public function of a predominantly business nature. These entities range from Amtrak to the

Federal Deposit Insurance Corporation to the Export-Import Bank. This report discusses (1) government corporations now in operation and (2) their adherence to 15 federal statutes.

GGD-96-15, Oct. 25, 1995 (17 pages). Government Contractors: Selected Agencies' Efforts to Identify Organizational Conflicts of Interest.

This report reviews federal agencies' implementation of the Office of Management and Budget's 1989 policy letter entitled "Conflict of Interest Policies Applicable to Consultants." It also reviews organizational conflict of interest requirements applicable to advisory and assistance service contractors, including consultants. GAO (1) determines whether selected agencies have complied with requirements to identify and evaluate potential organizational conflicts of interest and (2) identifies ways that agencies might improve their screening for such conflicts. GAO focuses on the Energy Department, the Environmental Protection Agency, and the Navy because they are among the largest users of contracted advisory and assistance services.

GGD-96-17, Mar. 29, 1996 (124 pages). Use of Force: ATF Policy, Training and Review Process Are Comparable to DEA's and FBI's.

In recent years, the Bureau of Alcohol, Tobacco and Firearms (ATF) has come under public criticism and congressional scrutiny, in part due to accusations that ATF agents used excessive force in carrying out their responsibilities. This report discusses (1) ATF's policies on using deadly force; (2) the way in which ATF conveys its policies to its agents; (3) the reasons for and the extent to which ATF uses dynamic entries and the equipment it uses to make them; and (4) ATF's compliance with its procedures for investigating shooting and alleged excessive use-of-force incidents. GAO compares ATF's

policy, training, and review process on the use of force with those at the Drug Enforcement Administration and the FBI. GAO summarized this and the following report in testimony before Congress; see: Alcohol, Tobacco and Firearms: Issues Related to Use of Force, Dealer Licensing, and Data Restrictions, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on Treasury, Postal Service, and General Government, House Committee on Appropriations. GAO/T-GGD-96-104, Apr. 25 (46 pages).

GGD-96-18, Oct. 31, 1995 (28 pages). Private Attorneys: Selected Attorneys' Fee Awards Against Nine Federal Agencies in 1993 and 1994.

This report provides information on the number of cases and amount of plaintiff attorneys' fees awarded more than \$100,000 against federal agencies for cases closed during fiscal years 1993 and 1994. These data include the highest individual fees and hourly rates awarded under federal statutes against the following nine federal agencies: the Departments of Defense, Health and Human Services, Housing and Urban Development, the Interior, Justice, Transportation, and the Treasury; the General Services Administration; and the U.S. Postal Service. GAO also provides attorneys' fee awards data reported in the fiscal year 1993 Equal Access to Justice annual reports and attorneys' fee awards paid from the Judgement Fund during fiscal years 1993 and 1994.

GGD-96-20, Nov. 6, 1995 (64 pages). Federal Job Classification: Comparison of Job Content With Grades Assigned in Selected Occupations.

Over the years, many studies have suggested that women and minorities are paid less than men and nonminorities who work comparable jobs. These observations have raised questions about whether the federal government's classification systems

result in lower grades being assigned to jobs in occupations with large number of females or minorities. GAO examined the relationship between job content and grades assigned using the Fact Evaluation System and found differences in the grading of positions in occupations with high representations of women or minorities. The National Performance Review and other studies suggest that classification systems should be abandoned in favor of more flexible, broad-banded systems. GAO suggests that policymakers closely monitor any new systems to ensure that (1) unintended disparities are identified and corrected and (2) the national policy underlying the existing classification system—that jobs be classified so that pay is equal for substantially equal work—is being satisfactorily achieved.

GGD-96-21, Oct. 6, 1995 (23 pages). Tax Administration: Information on IRS' Taxpayer Compliance Measurement Program.

The Internal Revenue Service (IRS) generally responded to the concerns raised in GAO's 1994 report (GAO/GGD-95-39) that dealt with meeting milestones for starting Taxpayer Compliance Measurement Program (TCMP) audits, testing TCMP database components, developing data collection systems, and analyzing data. Because of uncertainties about its fiscal year 1996 budget, IRS delayed the start of its TCMP audits from October 1 to December 1, 1995. This delay turned out to be fortuitous because IRS had not completed testing all the tax return database or data collection systems for the TCMP. If the tests show that major changes must be made to the database or data collection systems, IRS may not meet its December 1 deadline for starting audits. There is still time for IRS to develop a research plan to enable the agency to analyze final TCMP results more quickly. IRS can begin now to formulate research questions and

could also use preliminary TCMP data as they become available to develop other questions. Further delays must be avoided because the existing TCMP data are old, and, to GAO's knowledge, no other data sources exist that would allow IRS to develop formulas for selecting returns for audit. IRS is trying to develop a system that could be used for selecting returns, but this system will not be up and running for years. TCMP data could also be helpful in the design and administration of alternative tax systems. The value of the data would depend on how much of the current tax system would be retained under the new system.

GGD-96-22, Jan. 25, 1996 (90 pages). Gun Control: Implementation of the Brady Handgun Violence Prevention Act.

The Brady handgun control law imposed a five-day waiting period on handgun sales to allow for background checks. GAO's self-initiated review of the first full year of the Brady bill's implementation discusses (1) how often the five-day waiting period and background checks resulted in denying criminals and other ineligible persons the opportunity to buy handguns from federally licensed dealers; (2) the extent to which such denials resulted in the arrest and the prosecution of convicted felons and other ineligible purchasers who falsely completed the handgun purchase application form; and (3) the effects of the various legal challenges to the Brady bill. Although GAO found that 4.3 percent of purchase applications were denied during the law's first year, these results are not projectable to the universe of denials nationwide because standard and common criteria were not used to make denials.

GGD-96-23, Nov. 28, 1995 (110 pages). Community Reinvestment Act: Challenges Remain to Successfully Implement CRA.

Concerned that banks and thrifts were unresponsive to credit needs in low- and moderate-income areas, Congress enacted the Community Reinvestment Act of 1977 (CRA). CRA requires federal bank and thrift regulatory agencies to encourage institutions to help meet credit needs in all areas of the communities that they serve, consistent with safe and sound operations. CRA also requires the regulators to assess institutions' CRA performance during examination and to consider that performance when evaluating institutions' applications for expansion or relocation of operations. Growing concern about the effectiveness of CRA's implementation and its regulatory burden on institutions led to the recent revision of CRA regulations. This report addresses the following four questions: (1) what were the major problems in implementing CRA, as identified by the affected parties—bankers, regulators, and community groups? (2) to what extent do the regulatory reforms address these problems? (3) what challenges do the regulators face in ensuring the success of the reforms and what actions would help regulators face these challenges? and (4) what initiatives have been taken or proposed to help bankers overcome community lending barriers and enhance lending opportunities, particularly in low- and moderate-income areas?

GGD-96-26, Feb. 7, 1996 (57 pages). Foreign Banks: Assessing Their Role in the U.S. Banking System.

During the past 20 years, the share of U.S. banking assets held by foreign banks has increased significantly. This report examines the role of foreign banks in the United States and reviews U.S. laws and regulations governing their operations. Specifically, GAO evaluates whether these laws and regulations give foreign banks operating in the United States a significant competitive advantage over U.S. banks. GAO also identifies

areas in which U.S. laws and regulations have been adapted to meet the circumstances of foreign banks and examines the competitive impact of these adaptations on U.S. banks.

GGD-96-27, Nov. 14, 1995 (26 pages). Administrative Law Judges: Comparison of SEC and CFTC Programs.

Generally, Administrative Law Judges (ALJ) at the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) serve as hearing officers in cases involving violations of securities and futures laws. In response to press reports that CFTC routinely reversed or scaled back penalties imposed by its ALJs, this report compares the ALJ programs at the two agencies, including case-processing times and the results of appeals of ALJ decisions. GAO also provides information on budgets, staffing, and caseload statistics for both agencies' ALJ operations.

GGD-96-28, Jan. 4, 1996 (48 pages). Money Laundering: Rapid Growth of Casinos Makes Them Vulnerable.

The volume of cash wagered in a growing number of casinos around the country, coupled with uneven enforcement of currency-transaction-reporting requirements for casinos, makes these businesses vulnerable to persons attempting to launder profits from illegal activities. This report discusses (1) the extent of legalized gambling in the United States, especially that taking place in casinos; (2) the currency-transaction-reporting requirements for casinos; (3) whether the same reporting requirements apply to tribal casinos; and (4) the level of enforcement efforts to ensure that casinos comply with currency-transaction-reporting requirements. This report also provides information on new legislation and recent changes to existing federal regulations that will affect currency transaction reporting for casinos.

GGD-96-30, Dec. 20, 1995 (90 pages). U.S. Postal Service: New Focus on Improving Service Quality and Customer Satisfaction.

Above all, Postal Service customers want and expect prompt, reliable mail delivery. When dissatisfied with traditional mail services, customers increasingly turn to alternatives, such as electronic communication or other suppliers. According to the Postal Service, on the basis of current customer satisfaction levels and if customers could use another service at the same price, more than 40 percent of the residential customer market could be vulnerable to competition. This report examines the Postal Service's efforts to measure, report, and improve customer satisfaction. GAO discusses (1) the extent to which the Service distributes customer satisfaction data for use internally and by Congress; (2) whether the Service can improve the distribution of that data; (3) what steps it is taking to use customer satisfaction and other performance data to improve customer satisfaction by improving customer service; and (4) any additional steps it could take to improve customer satisfaction.

GGD-96-32, Dec. 11, 1995 (19 pages). Retention Allowances: Usage and Compliance Vary Among Federal Agencies.

Federal agencies use retention allowances as salary supplements to retain essential workers. As of September 1994, 354 of the 2.1 million civilian employees in the executive branch were receiving retention allowances. The cost of these allowances totaled \$2.8 million annually. Five agencies—the Departments of Defense (DOD), Energy, and Agriculture; the Export-Import Bank; and the Securities and Exchange Commission (SEC)—awarded 94 percent of these retention allowances. GAO found that Eximbank awarded allowances to nearly 22 percent of its employees in

fiscal year (FY) 1994; other agencies gave allowances to 0.3 percent or fewer of their employees. The average allowances at the five agencies during FY 1991 through 1994 was about \$7,800 per employee. Eximbank did not appear to comply with the requirement that it determine that prospective recipients would be likely to leave the agency if they did not receive allowances. The retention allowance plans for DOD, Eximbank, and SEC did not include criteria for determining the amounts of the allowances. Without a documented agencywide rationale, lower-level managers lacked guidance for decisions on individual allowances. Moreover, Office of Personnel Management regulations do not require that allowances be reviewed or recertified in writing when there are significant increases to employees' basic pay during the year.

GGD-96-35, Dec. 26, 1995 (33 pages). *Transforming the Civil Service: Building the Workforce of the Future: Results of a GAO-Sponsored Symposium.*

In April 1995, GAO sponsored a symposium—"Transforming the Civil Service: Building the Workforce of the Future"—that brought together representatives of leading private sector firms, public sectors employers from both the United States and abroad, and distinguished former federal officials to discuss new approaches to managing people. This report distills from their discussions a set of emerging human resource management principles and points out some of the implications should Congress consider applying these ideas to the federal civil service.

GGD-96-43, May 21, 1996 (26 pages). *Tax Policy and Administration: Review of Studies of the Effectiveness of the Research Tax Credit.*

This report evaluates recent studies of the effectiveness of the research tax

credit—in particular those cited in a report done by KPMG Peat Marwick—and discusses whether the studies provided adequate evidence to conclude that each dollar taken of the tax credit stimulates at least one dollar of research spending in the short run, and about two dollars of research spending in the long run. GAO examines the six studies cited in the KPMG report as well as other recent studies of this credit. GAO (1) evaluates the studies for the adequacy of the data and methods used to determine the amount of research spending stimulated per dollar of foregone tax revenue and (2) identifies factors, other than spending per dollar of revenue cost, that determine the credit's value to society.

GGD-96-44, Dec. 22, 1995 (15 pages). *Resolution Trust Corporation: Performing Assets Sold to Acquirers of Minority Thrifts.*

GAO reviewed the Resolution Trust Corporation's (RTC) efforts to sell performing assets to acquirers of failed thrifts under the minority preference resolutions program. GAO found that RTC has established a reasonable process anchored to agency and mortgage securities markets standards. This process allowed for the independent valuation of 1- to 4-family residential mortgage loans that were offered for sale to minority acquirers. RTC contracted with two independent valuation contractors, experienced in mortgage securities markets, to provide separate prices for each loan, which RTC then averaged and offered to the minority acquirer as the final price. By removing itself from the initial phase of the loan pricing process, RTC showed its commitment to establishing a process that was fair to minority acquirers but that, at the same time, sought to maximize total return on the disposition of assets as required by law. Under this program, 11 of the 14 minorities who bought thrifts from RTC purchased 4,063 1- to 4-family

residential mortgage loans. Moreover, to price the loans, the two valuation contractors appeared to have used a reasonable methodology that took into account fluctuations in interest rates, credit risk sensitivity, and the fact that these were RTC loans. Further, officials at Fannie Mae and Freddie Mac found this pricing methodology to be generally consistent with their approaches.

GGD-96-45R, Nov. 9, 1995 (10 pages). *Health Care Task Force.*

This letter provides information on the government-wide costs associated with the President's Task Force on Health Care Reform. GAO has completed collecting information from all 10 federal agencies, including the Executive Office of the President, that were involved in the Task Force. GAO lists by agencies their Task Force-related spending, which totalled \$13.8 million. More than half of the total—\$7.5 million—was attributed to personnel costs. Task Force spending ranged from more than \$9 million at the Department of Health and Human Services to less than \$50,000 at the Education Department. GAO also breaks out the total cost by work phases and functional categories.

GGD-96-48, Dec. 29, 1995 (32 pages). *The 1995 Tax Filing Season: IRS Performance Indicators Provide Incomplete Information About Some Problems.*

This report assesses the Internal Revenue Service's (IRS) performance during the 1995 tax filing season. Although IRS indicators show that the agency met many of the 1995 filing season goals, these indicators do not provide a complete assessment of the filing season. Several problems are not obvious from these indicators: (1) IRS' efforts to combat fraud generated much adverse publicity that might have been avoided had the agency better forewarned taxpayers of potential refund delays; (2) GAO's

tests and IRS data showed that taxpayers continued to have serious problems trying to reach IRS by telephone; and (3) a new document imaging system did not work as well as expected, leading to increased returns processing costs and lower-than-expected productivity.

GGD-96-51, Mar. 11, 1996 (46 pages). U.S. Postal Service: Unresolved Issues in the International Mail Market.

This report provides information on the U.S. Postal Service's participation in the international mail market, which includes letter mail, express, and parcel delivery service. GAO discusses (1) the Postal Service's authority and responsibility for delivering and receiving international mail; (2) the competition for international mail delivery, including Postal Service plans to increase its competitiveness; and (3) legal and regulatory issues arising out of the competition for the delivery of international mail services.

GGD-96-53, Jan. 16, 1996 (16 pages). Tax Administration: Diesel Fuel Excise Tax Change.

The new diesel fuel excise tax appears to be having the desired effect. Preliminary data from the Internal Revenue Service (IRS) show that diesel excise tax collections rose about \$1.2 billion, or 22.5 percent, in 1994 as compared with figures for 1993. This increase does not include additional revenues due to the Omnibus Reconciliation Act of 1993 increase of 4.3 cents per gallon in the tax rate. After adjusting for increased refund and credit amounts, and for a portion of the increase that may be due to economic growth, the Treasury Department estimates that increased compliance alone led to an increase of up to \$700 million. IRS has responded to concerns that stakeholders raised about the dyeing requirements. Although the new diesel taxation approach appears to be raising

significant additional revenue, those who wish to defraud the system continue to have significant incentives to do so. IRS has detected several scams involving refunds of gasoline or diesel fuel excise taxes. IRS does not know how extensive this fraud may be. Evasion problems may persist because the incentives to evade are so great.

GGD-96-55, May 7, 1996 (45 pages). Federal Personnel: Issues on the Need for the Public Health Service's Commissioned Corps.

Public Health Service's Commissioned Corps, whose officers carry out various public health functions. GAO addresses why the Corps exists; Corps officers' duties; the rational for their receiving military-like pay, allowances, and benefits; and any savings that might accrue from not using uniformed personnel to carry out the Corps' duties.

GGD-96-56, Feb. 23, 1996 (154 pages). Mexico's Financial Crisis: Origins, Awareness, Assistance, and Initial Efforts to Recover.

Mexico's devaluation of the peso in December 1994 precipitated a crisis in Mexico's financial institutions and markets that continued into 1995. In response to the crisis, the United States assembled a financial assistance package of nearly \$50 billion in funds from the United States, Canada, the International Monetary Fund (IMF), and the Bank for International Settlements. The multilateral assistance package was intended to enable Mexico to avoid defaulting on its debt obligations, and thereby overcome its short-term liquidity crisis, and to prevent the crisis from spreading to other emerging markets. This report (1) examines the origins of Mexico's financial crisis; (2) assesses the extent to which the U.S. government and the IMF were aware of Mexico's financial problems throughout 1994 and provided advice to Mexico; (3)

describes the U.S. and the international responses to the crisis, including an assessment of the terms and the conditions of the agreements implementing the U.S. portion of the assistance; (4) analyzes the statutory authority for the Secretary of the Treasury's use of the Exchange Stabilization Fund to finance the assistance package; and (5) examines the initial efforts of Mexico to recover from the crisis, including Mexico's access to international capital markets.

GGD-96-59, Jan. 18, 1996 (16 pages). Postal Service: Conditions Leading to Problems in Some Major Purchases.

Congress has raised concerns that five purchases by the Postal Service did not reflect favorably on the Service's procurement policy or the wisdom of exempting the Service from many of the purchasing rules that apply to other federal agencies. The purchasing problems covered by this report focus on seven cases, ranging from ethics violations in an automation contract to the purchase of a site in Queens, New York, that is unusable because of toxic contamination. Given the circumstances of the seven purchases, GAO does not believe that the problems were due to causes that should be addressed through legislation. GAO attributes the problems to poor judgement and decisions to circumvent existing internal controls to meet perceived operational exigencies. Nevertheless, the Postal Service can improve its purchasing organization and methods to help safeguard against such future occurrences, and the Service has taken steps to do so.

GGD-96-61, Mar. 8, 1996 (92 pages). Tax Policy and Administration: 1995 Annual Report on GAO's Tax-Related Work.

This report summarizes GAO's work in the tax area during fiscal year 1995. It discusses actions taken on GAO's recommendations as of the end of

1995, recommendations that GAO made to Congress before and during fiscal year 1995 that have not been acted upon, and assignments for which GAO was given access to tax information under the law. GAO's key recommendations for tax policy and administration relate to the need for improving compliance with the tax laws, assisting taxpayers, enhancing the effectiveness of tax incentives, improving Internal Revenue Service management, and improving the processing of returns and receipts. GAO highlights notable reports and testimony from fiscal year 1995.

GGD-96-62, Aug. 26, 1996 (75 pages). Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective.

Although buyouts of up to \$25,000 helped federal agencies shrink the federal workforce by almost 230,500 employees (10.5 percent) between January 1993 and March 1996, some agencies report that the downsizing has stretched them too thin, causing work backlogs, a loss of institutional memory, and skill imbalances. Such consequences could have been avoided had agencies done adequate strategic and workforce planning, which would have increased the likelihood that employees with needed skills and training were retained. In general, agency officials viewed the buyouts as an effective downsizing tool, allowing them to reach their downsizing goals with minimal use of reductions-in-force. The buyouts also permitted agencies to downsize without disproportionately affecting the representation of women and minorities. The largest share of the buyouts was paid to employees who took regular or early retirements. GAO's analysis of separation trends suggests that some employees may have delayed their departures in order to receive buyouts.

GGD-96-63, May 14, 1996 (33 pages). Federal Downsizing: The Costs and Savings of Buyouts Versus Reductions-in-Force.

To facilitate federal downsizing, Congress is again considering buyouts. GAO found that buyouts will generate more savings than reductions-in-force (RIF) if typical bumping and retreating take place. In cases in which bumping and retreating do not take place, however, RIFs may be yield more savings than buyouts for retirement-eligible employees. If the employee being RIFed is not eligible for a retirement annuity, the projected buyout savings would be 10 percent more than the net RIF savings for this same worker. Projected savings from both buyouts and RIFs could be reduced if vacated positions were refilled and not eliminated or if work previously done by the separated employees is later contracted out. Although the extent of bumping and retreating under a RIF may be hard to determine, it may have a significant effect on the economics of the downsizing strategy used. Economics play an important part in an agency's decision on which downsizing strategy to use, but agency officials also consider noneconomic effects, such as the ability to use buyouts to restructure agency workforces, retain or improve workforce diversity, and avoid lowering productivity and morale.

GGD-96-64, Feb. 26, 1996 (24 pages). Federal Fugitives: More Timely Entry on National Wanted Person File Is Needed.

As a result of earlier work on inter-agency coordination in apprehending federal fugitives, GAO noted that many entries in the FBI's National Crime Information Center's (NCIC) wanted person file had been made long after arrest warrants had been issued. This was contrary to the policies of the agencies that had made the entries and the widespread view

that the timely use of the file aids in the apprehension of fugitives and reduces the risk to law enforcement personnel and the public. GAO did a follow-up review of the entries made in the wanted person file and found that the FBI; the United States Marshals Service; the Bureau of Alcohol, Tobacco, and Firearms (ATF); and the Customs Service had entered many fugitives in the file long after their arrests had been authorized. In response to GAO's finding, the FBI, ATF, and the Customs Service did their own reviews and discovered similar entry time problems. GAO concludes that NCIC and its participating agencies need clear, written policies that call for and define "immediate entry" and set forth any exceptions. Moreover, agencies should periodically monitor entry times and reasons for delays and communicate problems and suggest actions to their field offices. Although GAO did not review entry times for all law enforcement agencies in the Justice and Treasury Departments, GAO believes that the same reasons for timely entry generally would apply to these agencies.

GGD-96-65, Mar. 11, 1996 (69 pages). Border Patrol: Staffing and Enforcement Activities.

The Violent Crime Control and Law Enforcement Act of 1994 increased funding for the Border Patrol to help stem the flow of illegal aliens crossing the southwest border. The legislation authorized increases in the number of Border Patrol agents and support staff to carry out the Immigration and Naturalization Service's (INS) new border enforcement strategy of "prevention through deterrence." Under this strategy, more Border Patrol agents are to be stationed directly on the border to discourage aliens from entering the United States illegally. GAO analyzed the Border Patrol's enforcement activities nationwide. This analysis is intended for use in congressional deliberations

on the number of Border Patrol agents to patrol the southwest border. Further, GAO's analysis provides baseline data on the (1) locations where the Border Patrol carried out its enforcement duties, (2) number of Border Patrol staff at each location, (3) specific enforcement activities carried out at each location, (4) views of INS officials on the contributions of the Border Patrol to INS enforcement activities, and (4) factors that could affect decisions on hiring or relocating agents for assignment to the southwest border.

GGD-96-69, Mar. 20, 1996 (157 pages). Management Reform: Status of Agency Reinvention Lab Efforts.

The National Performance Review (NPR), a major government reform effort under the direction of Vice President Gore, has established "reinvention labs" to test ways for federal agencies to improve their performance and customer service by reengineering work processes and eliminating unnecessary regulations. Lab officials throughout the country indicated that the labs addressed a variety of topics. Although nearly half of those surveyed reported that customer service was their labs' main goal, they often said that the labs' customers were other government organizations, not the public as the Vice President originally suggested. At the time of GAO's survey, about half of the labs were up and running, while the rest were still in the planning stage. About two-thirds of the respondents said that they collected data on their labs' performance, and more than 80 percent said that this information indicated that the labs had improved service, productivity, and employee morale. In GAO's view, the labs' results suggest several promising approaches to improving agency work processes. However, the labs' real value will be realized only when the improvements they initiated, tested, and validated are widely adopted.

GGD-96-70, Mar. 15, 1996 (24 pages). Tax Administration: IRS Can Improve Information Reporting for Original Issue Discount Bonds.

Information reporting is a vital tool for the Internal Revenue Service (IRS) in promoting voluntary compliance with U.S. income tax laws. This reporting, which is done through a series of returns designed to report nonwage income on IRS Forms 1099, is intended to ensure that taxpayers know of and report investment and other income on their tax returns. This report focuses on IRS efforts to ensure that investment income earned from bonds sold at "original issue discount" is reported. Those efforts center on an IRS publication—List of Original Issue Discount Instruments—that furnishes data for use in preparing Form 1099. GAO discusses (1) whether the publication provides a complete list of existing original issue discount bonds, (2) how IRS ensures that the list is complete, and (3) whether the publication's target audience uses the publication in preparing Form 1099.

GGD-96-72, May 13, 1996 (37 pages). Internal Revenue Service: Results of Nonfiler Strategy and Opportunities to Improve Future Efforts.

At the beginning of fiscal year 1993, the Internal Revenue Service (IRS) had an inventory of about 10 million individual and business nonfilers. IRS estimated that unpaid taxes on nonfiled individual income tax returns for 1992 alone totaled more than \$10 billion. Concerned about this noncompliance, IRS began a strategy in fiscal year 1993 to bring nonfilers into the system and keep them there. This report (1) assesses the results of that strategy and (2) discusses opportunities to improve future nonfiler efforts.

GGD-96-74, Mar. 11, 1996 (18 pages). Tax Administration: Making IRS' Telephone Systems Easier to Use Should Help Taxpayers.

Three prototype interactive telephone systems—designed to reduce correspondence between the Internal Revenue Service (IRS) and taxpayers and to make IRS more accessible—suffer from too many menu options and other problems. Resolving these shortcomings is essential if IRS is to achieve its goal of handling 45 percent of taxpayer calls by using interactive phone systems. IRS' telephone-routing system requires taxpayers to remember up to eight menu options, even though the contractor guidelines called for no more than four, and does not allow taxpayers to return to the main menu when they make a mistake or want to resolve other issues. IRS has yet to do a cost-benefit analysis of the use of multiple toll-free numbers, which IRS officials had recommended as a solution to the problem of too many menu options. Providing taxpayers with a written, detailed step-by-step description on how to use the menu options might be another way to make the telephone systems more user friendly. IRS complied with government security requirements when developing its first three interactive telephone systems. However, future interactive systems will allow taxpayers greater access to tax information, and more-secure features, such as a personal identification number, may be needed to protect taxpayer data.

GGD-96-75, Mar. 14, 1996 (52 pages). Manufacturing Extension Programs: Manufacturers' Views About Delivery and Impact of Services.

Manufacturing extension programs help companies modernize or upgrade their operations, often with state and federal funding. The National Institute of Standards and Technology manages federal funding for the program through its Manufacturing Extension Partnership Program (MEP). In the current climate of government downsizing, Congress is reconsidering MEP funding. One issue Congress is evaluating is whether MEP services

have helped businesses improve their performance. GAO did a national survey of manufacturers that had received MEP services in 1993. The survey results, described in a 1995 report (GAO/GGD-95-216BR), indicate that 73 percent of respondents viewed MEP assistance as having a positive effect on their overall business performance. In addition, most respondents found that MEP assistance had had a positive effect on their use of technology in the workplace, the quality of their products, and customer satisfaction. This report further analyzes GAO's national survey results. GAO (1) identifies factors that may have contributed to the positive impact on overall business performance reported by the majority of respondents; (2) determines whether MEP assistance met companies' expectations for specific performance indicators, such as manufacturing time frames and labor productivity; and (3) determines whether companies thought that MEP had actually demonstrated attributes that they valued most, such as MEP staff expertise, timely assistance, and reasonably priced fees.

GGD-96-76, Apr. 3, 1996 (71 pages). Workers' Compensation: Selected Comparisons of Federal and State Laws.

Concerns have been raised that workers' compensation benefits authorized under the Federal Employees' Compensation Act may provide federal workers having job-related injuries with more generous benefits than other federal or state workers' compensation programs. This report compares (1) monetary benefits authorized by the act with those authorized by other workers' compensation laws and (2) other significant benefit provisions of federal and state workers' compensation laws, such as those involving waiting periods, physician choice, and coverage of occupational diseases.

GGD-96-77, Apr. 22, 1996 (26 pages). Anti-Car Theft Act: Implementation Status of Certain Provisions of the 1992 Act.

The Anti-Car Theft Act of 1992 was intended to reduce automobile theft by making it harder to sell stolen cars and parts. This report provides information on the following parts of the act: (1) the national information system on motor vehicle titles, (2) the marking of major component parts of passenger motor vehicles with an identification number, and (3) the national information system on stolen passenger motor vehicles and parts. GAO discusses the status of implementation and issues that may impede the implementation or influence the effectiveness of these provisions.

GGD-96-78, Mar. 29, 1996 (53 pages). Federal Firearms Licensees: Various Factors Have Contributed to the Decline in the Number of Dealers.

The Bureau of Alcohol, Tobacco and Firearms (ATF) issues various federal firearms licenses, including those for manufacturers and importers of firearms. This report focuses on federal firearms dealer licenses, which are granted to dealers and pawnbrokers who sell firearms at wholesale or retail and gunsmiths who repair firearms. Federal firearms dealer licenses account for about 90 percent of all federal firearms licenses. Since 1993, the number of federally licensed firearms dealers has declined significantly. Some groups have raised concerns about the effects of the decline and the factors contributing to it, including the role of ATF. This report discusses (1) the extent and the nature of recent declines in the number of firearms dealers; (2) factors that have affected the recent declines, including whether ATF had a policy to reduce the number of dealers; and (3) the views of pertinent organizations on the advantages and the disadvantages of reducing the number of dealers.

GGD-96-86, Apr. 29, 1996 (43 pages). Concessions Contracting: Governmentwide Rates of Return.

Under concessions agreements with federal agencies, private firms and other entities, such as local governments, supply many of the services and accommodations available to the public on federal property. Concessions services include food operations, vending machines, retail shops, pay telephones, barber and beauty shops, lodgings, marinas, and campgrounds. This report discusses (1) the extent of concessions operations in the federal government; (2) the rate of return to the federal government from these operations and the factors affecting the rate of return; (3) how the rate of return from federal concessions compared with rates earned by other governments; and (4) the extent of agencies' income-generating operations that were not concessions and whether they offered opportunities for the agencies to handle them as concessions. GAO provides detailed information collected from 75 federal agencies, including one Defense Department component—the Department of the Army Corps of Engineers.

GGD-96-89, Apr. 26, 1996 (14 pages). Tax Administration: Alternative Strategies to Obtain Compliance Data.

In October 1995, the Internal Revenue Service (IRS) decided to postpone indefinitely the 1994 Taxpayer Compliance Measurement Program because of budget concerns. In addition, Congress, taxpayer groups, paid preparers, and others exerted considerable pressure to cancel the program because of its cost to and burden on taxpayers. For more than 30 years, this program has been IRS' primary means for gathering comprehensive and reliable taxpayer compliance data. IRS has used the data to identify areas in which tax law needs to be changed to improve voluntary compliance and to estimate the tax gap and its components. This report

determines the effects on IRS' compliance programs of postponing the 1994 Taxpayer Compliance Measurement Program and identifies potential short- and long-term alternatives to the planned Taxpayer Compliance Measurement Program for collecting these data.

GGD-96-91, Apr. 26, 1996 (34 pages). Tax Administration: Audit Trends and Results for Individual Taxpayers.

Compared to the 1960s and 1970s, the audit rate—the annual percentage of individual tax returns that the Internal Revenue Service (IRS) has audited of the total number of tax returns filed—has dropped, falling below one percent in fiscal year 1993. Although IRS believes that its audits promote voluntary taxpayer compliance, no one knows their actual impact, particularly in light of a decreasing audit rate. Data are available, however, on trends in audit rates across the country and on the results of these audits, such as the type of tax returns being audited and the productivity of the audits, measured by additional taxes recommended per return and per direct audit hour. This report discusses (1) the trend in IRS' audit rates for individual returns and (2) the overall results of IRS' most recent audits of individual returns.

GGD-96-94, June 12, 1996 (83 pages). Management Reform: Completion Status of Agency Actions Under the National Performance Review.

The National Performance Review (NPR)—the administration's central management reform effort—issued a report in 1993 containing 384 recommendations intended to make the government "work better and cost less." NPR later identified 1,203 action items needed to implement these recommendations. In a 1995 report, NPR said that nearly one-third, or 380, of the action items had been completed. GAO verified that 294, or 77 percent, of the 380 action items had

been completed. GAO also determined that 66 action items had not been completed but that all but one of them had been partially implemented or some steps had been taken to begin implementation. GAO could not make determinations for 20 of the action items because of a lack of information.

GGD-96-95, Mar. 29, 1996 (5 pages). District's Workforce: Annual Report Required by the District of Columbia Retirement Reform Act.

The federal government makes annual payments to the District of Columbia retirement fund for police officers and firefighters. To encourage the District government to control disability retirement costs, these payments must be reduced when disability retirement rates exceed a certain limit. GAO concludes that no reduction is required in the fiscal year 1997 payment to the fund.

GGD-96-101, May 1, 1996 (96 pages). Health Care Fraud: Information-Sharing Proposals to Improve Enforcement Efforts.

Estimates of health care fraud range from between 3 and 10 percent of all health care expenditures—as much as \$100 billion based on estimated 1995 expenditures. In late 1993, the Attorney General designated health care fraud as a enforcement priority second only to violent crime initiatives. This report discusses (1) the extent of federal and state immunity laws protecting persons who report information on health care fraud and (2) the advantages and disadvantages of establishing a centralized health care fraud database to strengthen information-sharing and support enforcement efforts.

GGD-96-105, May 24, 1996 (65 pages). Money Laundering: A Framework for Understanding U.S. Efforts Overseas.

Money laundering is a global problem that needs to be fought collectively by the international community. This report provides a framework for understanding U.S. efforts overseas to combat international money laundering. GAO describes (1) the approaches used by the United States and European countries to combat money laundering through regulation of financial institutions, (2) U.S. bank regulators' oversight of money-laundering controls at overseas branches of U.S. banks, (3) U.S. law enforcement agencies' efforts to coordinate their overseas anti-money-laundering activities among themselves and with law enforcement agencies in these European countries, and (4) U.S. participation in international agreements to combat money laundering abroad.

GGD-96-106, July 17, 1996 (40 pages). Statistical Agencies: Statutory Requirements Affecting Government Policies and Programs.

GAO was asked to provide a list of legislatively mandated reports that statistical agencies are to produce for Congress on a regular basis and the statutory authority for the reports. The information was requested to assist congressional consideration of proposals to consolidate statistical agencies. This report provides a listing of authorizing statutes establishing the agencies and confidentiality or disclosure provisions for the 11 principal statistical agencies, a listing of these agencies' mandated reporting requirements to Congress, and a listing of the uses of the agencies' statistical products in the administration of federal programs.

GGD-96-107, July 1, 1996 (16 pages). Federal Statistics: Principal Statistical Agencies' Missions and Funding.

Many federal agencies collect and disseminate statistical information. Of the federal agencies that spend at least \$500,000 per year on statistical

activities, 11 collect, analyze, and produce statistics as their primary mission. This report identifies (1) the missions of the principal federal statistical agencies and (2) these agencies' funding and sources of funding for fiscal years 1994 and 1995.

GGD-96-108, May 9, 1996 (7 pages). Concessions Contracting: DOD Military Exchange Services' Rates of Return.

This report provides information on concessions contracting in the Defense Department's (DOD) three military exchange services. Concessions generally are businesses that use government property to deliver services to the public or specific individuals and share the profits with the government. The military exchanges have a dual mission: they provide patrons with articles and services necessary for their health, comfort, and convenience and are a source of funding for DOD morale, welfare, and recreation programs. GAO discusses (1) the extent of centrally managed concessions operations in DOD's military exchange services, (2) the rate of return from centrally managed concessions operations and factors that affected the rate of return, and (3) how the exchange services' rates of return compared to other agencies or governments' rates of return from concessions.

GGD-96-109, June 5, 1996 (66 pages). Tax Research: IRS Has Made Progress but Major Challenges Remain.

The Internal Revenue Service (IRS) is changing its tax compliance philosophy. Although it will continue to use audits to catch tax cheats, IRS is exploring methods other than enforcement to induce compliance, such as assistance and education. This new approach involves researching ways to improve compliance for specific market segments—groups of taxpayers who share characteristics or

behaviors. The agency wants to boost total compliance to 90 percent by 2001 and believes that its new compliance research approach will help meet this goal. Taxpayer compliance in paying taxes owed has remained steady during the past 20 years at about 87 percent, and IRS estimates tax losses from noncompliance at more than \$100 billion. This report (1) reviews the lessons IRS has learned from past compliance efforts in identifying factors most critical to the success of its new compliance research approach and (2) analyzes the status of the new approach and its ability to incorporate these factors.

GGD-96-113, Aug. 7, 1996 (87 pages). U.S. Mint: Commemorative Coins Could Be More Profitable.

From 1982 to 1995, Congress authorized 22 commemorative coin programs and directed that part of the proceeds from four programs be used to reduce the national debt. For 19 commemorative coin programs authorized since 1982—including all 12 programs since 1992—Congress directed that coin prices include surcharges to be paid to sponsoring groups. For the 22 programs, the government earned \$179 million, while the sponsors earned \$310 million on sales revenue of more than \$1.6 billion. In recent years, however, the Mint's commemorative coin program has been plagued by problems: The number of commemorative coins has proliferated and may have saturated the market, coin prices have become higher than customers want to pay, and some coin themes have proven unpopular. In 1994, the Mint lost more than \$4 million on one commemorative coin program, while the sponsor received more than \$9 million. In 1995, the Mint had three commemorative coin programs, all of which lost money for the Mint but generated millions of dollars for the sponsors. In the case of the Mint's two-year program commemorating the 1996 Olympics, the Mint has lost

upwards of \$3 million while the sponsor has received \$18 million so far. Although the Citizens' Commemorative Coin Advisory Committee has made several recommendations to Congress to reform the commemorative coin program, these proposals have yet to be adopted. In particular, the Committee recommended that Congress authorize circulating commemorative coins, which are coins sold at face value with distinctive designs that circulate and are used by the public for legal tender, as well as collected. GAO estimates that this proposal would provide about \$225 million annually in seigniorage—the difference between the face value of the coins and their cost of production—and save about \$16 million in annual interest on the national debt.

GGD-96-114, June 17, 1996 (25 pages). The Federal Judiciary: Reviews of Court Operations Should Adhere to Oversight Standards.

As it seeks to reduce federal expenditures and balance the budget, Congress expects all federal agencies to cut operating costs wherever possible. The effort to keep costs down has focused attention on whether the federal judiciary is operating as efficiently and effectively as possible. This report reviews the internal oversight of administrative operations within the federal judiciary, including those of local courts. Specifically, GAO examines how the Administrative Office of the U.S. Courts assessed the efficiency of local court operations and promoted the use of efficient administrative practices within the judiciary.

GGD-96-118, June 1, 1996 (56 pages). Executive Guide: Effectively Implementing the Government Performance and Results Act.

A consensus has emerged in recent years that the federal government needs to be run in a more businesslike manner. As companies are account-

able to their stockholders, the federal government is accountable to taxpayers—and taxpayers are demanding as never before that the dollars they invest in their government be managed and spent responsibly. The Government Performance and Results Act of 1993 requires federal agencies to set goals and measure performance. To help Congress and federal managers implement the legislation, this guide identifies key steps that agencies need to take along with a series of "best practices" that can help make implementation a success. GAO learned of these practices from organizations that have successfully carried out initiatives similar to those required by the act. Several federal agencies have already put these practices to use, and their efforts are described in case illustrations included in the guide, which is a companion to an earlier GAO document entitled Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115). That publication outlined information management approaches that could help federal agencies improve their overall performance.

GGD-96-119, Aug. 13, 1996 (30 pages). U.S. Postal Service: Improved Oversight Needed to Protect Privacy of Address Changes.

Under its National Change of Address program, the Postal Service collects and widely disseminates change-of-address information reported by postal customers. To do this, the Postal Service uses 24 licensees—primarily mail-advertising and credit information firms—to provide the address-correction service. The Postal Service's oversight of the program has fallen short in the timely prevention and detection of possible breaches of the licensing agreement and potential violations of federal privacy law. GAO identified weaknesses in Postal Service oversight relating to (1) "seeding" files to detect unauthorized

uses of addresses, (2) auditing the performance of software that licensees use to match their mailing lists with National Change of Address program files, (3) reviewing program advertisements that licensees propose to use, and (4) investigating complaints about the program. In GAO's view, use of program data by licensees to create a "new-movers list" would be inconsistent with the limitations imposed by the Privacy Act. The Postal Service did not explain in the acknowledgment form—to be signed by customers of licensees—that program data are not to be used to create or maintain such lists.

GGD-96-120, May 13, 1996 (106 pages). Housing Enterprises: Potential Impacts of Severing Government Sponsorship.

The Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are government-sponsored enterprises with \$1.4 trillion in combined obligations as of the end of 1995. In response to growing concern over the potential risk that these obligations pose to taxpayers and questions about their continued need for government-sponsored status, GAO studied the effects of repealing the charters of Fannie Mae and Freddie Mac, eliminating any federal sponsorship, and allowing them to operate as fully private corporations. This report assesses the effects of privatization on (1) the enterprises; (2) residential mortgage markets in general; and (3) housing finance, homeownership, and housing affordability for low- and moderate-income families and residents of underserved areas. GAO also identifies and discusses other policy options that Congress may want to consider to limit the enterprises' potential risk to taxpayers or increase their social benefits.

GGD-96-122BR, June 13, 1996 (44 pages). Earned Income Credit: Profile

of Tax Year 1994 Credit Recipients. Total Earned Income Credit (EIC) program costs have risen dramatically in recent years as Congress has extended EIC coverage and increased credit rates. From tax year 1990 to tax year 1994, EIC program costs (in 1994 dollars) increased by about 150 percent. During that same period, the number of EIC recipients increased by about 50 percent. Much of the recent growth in the number of taxpayers claiming the EIC can be attributed to the extension of the credit to childless adults beginning in tax year 1994. About 15 million families with children received \$20.5 billion of EIC in tax year 1994; another four million childless adults received an additional \$0.7 billion. The refundable portion of the EIC for tax year 1994 was \$16.7 billion, or 79 percent of the total EIC.

GGD-96-126, June 25, 1996 (35 pages). U.S. Postal Service: Stronger Mail Acceptance Controls Could Help Prevent Revenue Losses.

The Postal Service derived almost half (\$23 billion) of its total mail revenue from bulk business mail in fiscal year 1994. Mailers compute the postage owed on each bulk business mailing. To guard against accepting improperly prepared mailings, Postal Service clerks are supposed to verify the accuracy of bulk business mailings. Because of weak controls for accepting bulk business mail, however, the Postal Service cannot be sure that significant amounts of postal revenue due are received when mailers claim presort/barcode discounts. The Postal Service took steps in 1989 and 1990 to manage its bulk mail acceptance system more effectively. However, the system deteriorated after a 1992 reorganization. With an estimated \$8 billion in discounts allowed in fiscal year 1994, and larger amounts expected as the Postal Service reclassifies its postage rates and moves closer to full automation in 1997, sustained top-level management attention is needed to establish and maintain

adequate controls over bulk business mail acceptance. Recently, the Postal Service launched several initiatives to improve the bulk business mail acceptance system. Although it is too soon to know whether these initiatives will correct the Postal Service's internal control problems, GAO believes that if they are implemented as planned and monitored appropriately, the initiatives can improve bulk mail acceptance operations.

GGD-96-127, Aug. 15, 1996 (58 pages). Tax Policy: Analysis of Certain Potential Effects of Extending Federal Income Taxation to Puerto Rico.

This report discusses some potential consequences of extending the federal income tax to residents of Puerto Rico. GAO provides estimates of (1) the amount of federal income tax that Puerto Ricans would pay if they were treated in the same manner as residents of the 50 states, the amount of the earned income tax credits Puerto Ricans would receive, the percentage of taxpayers who would have positive tax liabilities, and the percentage that would earn the earned income tax credit; (2) the extent to which the Puerto Rican government would have to reduce its own income tax in order to keep the combined income tax (federal and Commonwealth) for individuals the same; (3) how the amount of income taxes paid by the average taxpayer in Puerto Rico compares with the amount of combined federal, state, and local income taxes paid by residents of the 50 states and the District of Columbia; and (4) the amount of revenue that the U.S. Treasury could obtain by repealing the possessions tax credit, which effectively exempts from federal taxation a portion of the income that subsidiaries of U.S. corporations earn in Puerto Rico.

GGD-96-128, June 17, 1996 (154 pages). Federal Reserve System: Current and Future Challenges

Require Systemwide Attention.

The mission, the structure, and especially the finances of the Federal Reserve System, the nation's central bank, make it unique among government entities. Unlike federal agencies funded through congressional appropriations, the Fed is self-funded, deducting its expenses from its revenue and transferring the remainder to the U.S. Treasury. Although the Fed's primary mission is to support a stable economy, not to maximize the amount transferred to the Treasury, deductions from Fed revenues do represent a cost to taxpayers. Because of continuing federal budget constraints, Members of Congress requested GAO to analyze the Fed's finances. This report (1) examines trends in the cost of Fed operations from 1988 to 1994 and its controls over spending and operations, (2) identifies ways to increase the Fed's efficiency without harming its effectiveness, (3) discusses developments that could significantly affect the Fed's mission and finances, and (4) assesses the Fed's strategic management processes and identifies steps that it could take to meet future challenges and ensure the efficiency and the effectiveness of its operations.

GGD-96-129A, Sept. 12, 1996 (39 pages). Postal Service Reform: Issues Relevant to Changing Restrictions on Private Letter Delivery.

For more than 200 years, the U.S. Postal Service and its predecessors have enjoyed a statutorily imposed monopoly restricting the private delivery of letters. The monopoly was intended to enable the postal system to fulfill its mandate of providing uniform rates for at least one class of letter mail and delivery of letter mail to patrons in all areas, however remote. Some large mailers and private carriers want Congress and the Postal Service to allow greater competition for letter mail delivery.

Others have raised concerns about how increased private delivery might affect the Postal Service's ability to sustain mail services traditionally provided by the government, especially since the Postal Service now receives virtually no federal money. This volume: (1) determines the historical and current basis for restricting private delivery of letters, including the Postal Service's efforts to enforce those restrictions; (2) documents changes in private sector letter delivery capacity since 1970; (3) analyzes the possible financial effects on the Postal Service's revenues, costs, and postal rates if restrictions on private letter delivery were to be changed; and (4) provides information on how recently reformed postal administrations abroad provide universal service and restrict private letter delivery. The second volume (GAO/GGD-96-129B) presents a detailed analysis of the restrictions in federal, civil, and criminal law on private letter delivery.

GGD-96-129B, Sept. 12, 1996 (113 pages). Postal Service Reform: Issues Relevant to Changing Restrictions on Private Letter Delivery.

For more than 200 years, the U.S. Postal Service and its predecessors have enjoyed a statutorily imposed monopoly restricting the private delivery of letters. The monopoly was intended to enable the postal system to fulfill its mandate of providing uniform rates for at least one class of letter mail and delivery of letter mail to patrons in all areas, however remote. Some large mailers and private carriers want Congress and the Postal Service to allow greater competition for letter mail delivery. Others have raised concerns about how increased private delivery might affect the Postal Service's ability to sustain mail services traditionally provided by the government, especially since the Postal Service now receives virtually no federal money. The first volume of this report (GAO/

GGD-96-129A): (1) determines the historical and current basis for restricting private delivery of letters, including the Postal Service's efforts to enforce those restrictions; (2) documents changes in private sector letter delivery capacity since 1970; (3) analyzes the possible financial effects on the Postal Service's revenues, costs, and postal rates if restrictions on private letter delivery were to be changed; and (4) provides information on how recently reformed postal administrations abroad provide universal service and restrict private letter delivery. The second volume presents a detailed analysis of the restrictions in federal, civil, and criminal law on private letter delivery.

GGD-96-135, July 29, 1996 (11 pages). Fire-Safe Accommodations: Information on Federal Agencies' Compliance With P.L. 101-391 Lodging Requirements.

Because more than 400 Americans had lost their lives in multistory hotel fires during the preceding five years, in 1990 Congress passed the Hotel and Motel Fire Safety Act (P.L. 101-391), which seeks to save lives and protect property by promoting fire safety in hotels and motels. The legislation requires the Federal Emergency Management Agency to compile a national master list of public accommodations that meet fire safety guidelines. Beginning in fiscal year 1995, federal agencies must ensure that their civilian employees on official travel spend a certain percentage of nights in these "approved" accommodations. Seventy-six of 96 federal agencies responded to GAO's request for information on their compliance with that requirement. Fifty-six agencies reported meeting or exceeding the 65-percent requirement. Six agencies reported that they did not meet that threshold. Fourteen agencies reported that, for various reasons, they did not gather the data needed to determine and report their approved accommodations percent-

age for fiscal year 1995. Twenty agencies did not respond to GAO's request for information.

GGD-96-137, June 21, 1996 (23 pages). Sex Offender Treatment: Research Results Inconclusive About What Works to Reduce Recidivism.

GAO's examination of the research literature found 22 reviews of the effectiveness of treatment programs for sex offenders. The reviews discussed both treatment effectiveness and methodological adequacy. There was no consensus among the reviews as to what treatment works to reduce the recidivism of sex offenders. The cognitive-behavioral approach was most often cited as promising, particularly with child molesters and exhibitionists. Because of methodological limitations in the studies, however, a quantitative estimate of the impact of cognitive-behavioral treatment on recidivism was not attempted in these reviews. Psychotherapy was generally viewed as ineffective except, in some cases, when administered in combination with another treatment approach. Nearly all the reviews reported that definitive conclusions could not be drawn because methodological weaknesses in the research made inferences about what works uncertain. There was no consensus that more and better research was needed to demonstrate the effectiveness of sex offender treatment.

GGD-96-138BR, Aug. 14, 1996 (65 pages). Federal Employees' Compensation Act: Issues Associated With Changing Benefits for Older Beneficiaries.

The Federal Employees' Compensation Act (FECA) now allows beneficiaries who are at or beyond retirement age to receive worker's compensation benefits. Possible changes to the legislation would reduce these benefits. This briefing report provides (1) a profile of beneficiaries on the

long-term FECA rolls, (2) views of proponents and opponents of changing FECA benefits for older beneficiaries, and (3) questions and issues that Congress might consider if crafting benefit changes.

GGD-96-142, Aug. 1, 1996 (28 pages). Statistical Agencies: A Comparison of the U.S. and Canadian Statistical Systems.

Proposals to consolidate the agencies comprising the federal statistical system have sparked congressional interest in the centralized Canadian statistical system. This report provides information on the Canadian statistical system and Statistics Canada, that nation's statistical agency, and compares it with the U.S. statistical system. GAO discusses differences between the two systems in their organizational and budget structures; their legal frameworks that govern privacy concerns, data confidentiality, and the ability to share data; and the positions and the authority of the Chief Statisticians of the United States and Canada.

GGD-96-144, Aug. 5, 1996 (26 pages). Farm Credit System: Analysis and Comment on Possible New Insurance Corporation Powers.

The Farm Credit System is a government-sponsored enterprise created to guarantee a stable supply of credit to American agriculture. The Farm Credit System Insurance Corporation maintains an insurance fund, which ensures the prompt payment of most of the debt obligations of the System's eight banks. The Farm Credit Administration recommended in 1991 that Congress increase the Corporation's powers in three areas. Specifically, the Corporation would be permitted to (1) assess the capital of the 228 System associations that have ownership interests in the banks that fund them, (2) charge supplemental insurance premiums to the banks, and (3) base the premiums it charges

banks on the relative riskiness of each bank. This report describes each of these possible powers, the Farm Credit Administration's reasons for requesting them in 1991, and the major advantages and disadvantages should Congress authorize them. GAO also reviews unimplemented recommendations regarding the Insurance Fund that GAO made in a 1994 report to see whether they are still valid.

GGD-96-145, Aug. 13, 1996 (130 pages). Fair Lending: Federal Oversight and Enforcement Improved but Some Challenges Remain.

Discrimination in the credit markets, particularly in the market for home mortgages, has been a concern for some time. Recently, however, the media have reported instances when minorities were more likely to be denied credit for home mortgages than were white applicants with similar incomes. Although no single report has offered conclusive evidence that discrimination is pervasive, collectively they have heightened concerns. Partly because of these reports, Members of Congress and others have begun to question the effectiveness of federal oversight and enforcement in the fair lending area and the zeal with which the nation's principal fair lending laws have been enforced. This report (1) reviews federal efforts to oversee and enforce the fair lending laws and (2) discusses the challenges federal regulators face in their efforts to detect discrimination and ensure compliance.

GGD-96-147, Aug. 13, 1996 (45 pages). Juvenile Justice: Status of Delinquency Prevention Program and Description of Local Projects.

Title V of the reauthorization of the Juvenile Justice and Delinquency Prevention Act of 1974 established an incentive grants program for local delinquency prevention. The reauthorization also required GAO to study the incentive grant program and

report its findings to Congress. This report determines (1) which states and how many local government units applied for and received title V incentive grants; (2) how much fiscal years 1994 and 1995 grant money had been awarded and how much had been spent as of the end of 1995; (3) what the sources and the amounts of matching funds committed to local delinquency prevention projects were; (4) what title V funds were used for; (5) whether eligibility requirements have affected title V participation; and (6) what funding, other than title V, was provided to support local delinquency prevention activities.

GGD-96-150, Sept. 6, 1996 (24 pages). Violent Crime: Federal Law Enforcement Assistance in Fighting Los Angeles Gang Violence.

This report examines how the FBI and other federal investigative agencies work with local law enforcement to target gangs in the Los Angeles area. GAO describes (1) how and what federal law enforcement assistance was provided to local law enforcement in Los Angeles to fight gang violence, (2) how useful Los Angeles area local law enforcement officials believed federal assistance was in fighting gang violence, and (3) what results Los Angeles area local law enforcement officials believed were achieved from joint efforts to combat gang violence.

GGD-96-154, Sept. 30, 1996 (17 pages). Federal Law Enforcement: Investigative Authority and Personnel at 13 Agencies.

This report provides information on federal law enforcement investigation personnel. GAO focuses on agencies with the largest number of such employees. GAO reviews (1) the types of violations investigated by these agencies; (2) the authorities under which these agencies' personnel investigate suspected federal criminal law violations, execute search war-

arrants, make arrests, and carry firearms; (3) the number of law enforcement investigative personnel in these agencies as of September 30, 1995, and the number of these employees authorized to execute search warrants, make arrests, and carry firearms; and (4) the number of law enforcement investigative personnel at these agencies at the end of fiscal years 1987, 1991, and 1995.

GGD-96-156, July 26, 1996 (21 pages). Preventing Child Sexual Abuse: Research Inconclusive About Effectiveness of Child Education Programs.

A growing number of studies are being done on the effectiveness of child sexual abuse education programs. The most optimistic reviews have concluded that education programs showed some promise for informing children about sexual abuse, as well as teaching them personal safety skills to help them avoid being abused. However, nearly all these reviews reported that definitive conclusions could not be drawn because no study had yet developed measures of whether these programs succeeded in reducing the incidence of child sexual abuse. There was general agreement that more and better research was needed to demonstrate the effectiveness of sexual abuse education programs. GAO issued a related report in June 1996 on the effectiveness of treatment programs for sex offenders (GAO/GGD-96-137).

GGD-96-158, Aug. 16, 1996 (41 pages). Private and Public Prisons: Studies Comparing Operational Costs and/or Quality of Service.

Pointing to the experiences of several states, supporters of prison privatization contend that contractors can run prisons at less cost than the government can, without reducing the quality of service. On the other hand, critics of privatization say that little

valid evidence exists to support the argument that prison privatization is a cost-effective alternative to publicly run facilities. This report (1) identifies studies, completed since 1991, comparing the operational costs and the quality of service of private and public correctional facilities; (2) determines what can be concluded about the operational costs and the quality of service of comparable private and public prisons; (3) assesses whether the reported results are generalizable to correctional systems in other jurisdictions; and (4) identifies lessons learned that could help guide future comparative studies of private and public correctional facilities. GAO's work is basically a form of evaluation synthesis in which it assesses existing studies, particularly with respect to the strength of evidence supporting the reported findings.

GGD-96-163, Sept. 3, 1996 (115 pages). Customs Service: Status of the Implementation of Blue Ribbon Panel Recommendations.

Because of allegations of corruption, harassment, and retaliation; charges of mismanagement; and "old-boy" network concerns in the U.S. Customs Service's Southwest Region, the Commissioner of Customs appointed a "blue ribbon" panel to look into these matters. The panel issued a report in 1991. Customs accepted the findings and recommendations and assembled a comprehensive implementation plan. In 1995, Customs provided GAO with information on the actions it had taken on each recommendation; Customs updated the information in 1996. GAO supplemented that information through interviews with Customs officials. GAO found that most of the recommendations were at least partially implemented. The heads of the offices on which the panel focused—the Office of Investigations and the Office of Internal Affairs—generally believed that the problems cited by the panel

had diminished significantly. The officials said that they had instituted processes to alert their offices of systemic problem areas.

GGD-96-165, Aug. 28, 1996 (18 pages). Tax Administration: Tax Compliance of Nonwage Earners.

Nonwage income, which is derived from such sources as pensions, self-employment, dividends, and capital gains, has grown significantly since 1970, when it accounted for just 16.7 percent of total taxpayer income. For tax year 1992, nonwage income has risen to 23.4 percent of the \$3,665 billion in total taxpayer income. Pension income—at about \$186 billion—was by far the largest and fastest growing source of nonwage income. Internal Revenue Service data show that taxpayers earning most of their income from nonwage sources are more likely to have problems paying their taxes than are wage earners and, as a result, owe more delinquent taxes than do wage earners. IRS' inventory of tax debt for individual taxpayers at the end of 1993 totaled nearly \$80 billion, of which \$58.5 billion was owed by taxpayers with primarily nonwage income. IRS data show that self-employment income was the largest share of nonwage income included in IRS' inventory of tax debts at the end of fiscal year 1993. Options for improving the timely payment of taxes of nonwage income include withholding income taxes on more sources of nonwage income, increasing taxpayer awareness of their tax payment responsibilities, and modifying the estimated tax payment system.

GGD-96-166, Aug. 26, 1996 (88 pages). Consumer Price Index: Cost-of-Living Concepts and the Housing and Medical Care Components.

The Consumer Price Index (CPI) measures the price of a fixed market basket of goods and services, organized into major components, such as

transportation and medical care. The government used the CPI in fiscal year 1995 to adjust for inflation billions of dollars worth of federal spending and tax receipts—affecting program beneficiaries and taxpayers alike. Although it is often referred to as a cost-of-living index, the CPI is not designed for this purpose. A comprehensive cost-of-living index does not exist. In response to congressional concerns that taxpayers could be negatively affected if the estimation problems of the CPI were not well understood, this report (1) discusses whether a change made to the housing component in the early 1980s made the CPI either more or less suitable for use as a cost-of-living measure and (2) identifies the advantages and the disadvantages of changing the current measurement of medical care costs to an approach that would more closely match a cost-of-living measure.

GGD-96-171, Aug. 19, 1996 (57 pages). NASD Telephone Hotline: Enhancements Could Help Investors Be Better Informed About Brokers' Disciplinary Records.

A GAO survey of 500 people who called the toll-free investor hotline set up by the National Association of Securities Dealers (NASD) found that most callers were generally satisfied with the services provided and used the information to make investment decisions, such as whether to use particular stock brokers. However, many callers thought that the hotline did not disclose several important facts, such as whether their brokers had been the subjects of settled cases, pending or settled arbitration, or pending customer complaints. Hotline officials said that they did not convey this information because these cases involved unproven allegations. Most state securities regulators, however, said that they already disclosed this information to investors who request it and that it came from the same source that the hotline used to answer calls. NASD has begun to implement

some of GAO's suggestions to improve the information available on its hotline.

GGD-96-172, Sept. 18, 1996 (17 pages). Earned Income Credit: IRS' 1995 Controls Stopped Some Noncompliance, But Not Without Problems.

The Internal Revenue Service (IRS) took several steps to prevent and detect earned income credit noncompliance in 1995. IRS data suggest that those steps reduced noncompliance. However, there were also some problems. For example, IRS procedures generated a workload that far exceeded the agency's capabilities. Although 3.3 million paper returns were identified with missing or invalid social security numbers, IRS had enough resources to follow up on only about one million. Also, IRS' procedures for deciding which cases warranted follow-up did not ensure that the most productive cases would be selected. IRS was unable to follow through on plans to check for duplicate use of social security numbers. As a result, IRS delayed refunds on about four million earned income credit returns that did not have a problem, mainly to give itself more time to determine whether other returns were filed using the same social security numbers. In the end, IRS released almost all of those refunds, after holding them for several weeks, without checking for duplicate social security numbers. IRS' efforts and the publicity surrounding them may have had a significant deterrent effect, at least in the short term: More than two million fewer claims for the earned income credit were filed in 1995 than IRS had expected. However, IRS data were not sufficient to make an overall assessment of the impact of IRS' initiatives on earned income credit noncompliance.

GGD-96-174, Sept. 11, 1996 (76 pages). Federal Firearms Licensee Data: ATF's Compliance with Statutory Restrictions.

The Bureau of Alcohol, Tobacco and Firearms (ATF) issues various categories of federal firearms licenses, including those for manufacturers, importers, and dealers of firearms. Firearms dealers licenses are granted to dealers and pawnbrokers who sell guns at wholesale or retail and to gunsmiths who repair firearms. This report, the last in a series of GAO reports on ATF, reviews ATF's compliance with legislative restrictions on maintaining federal firearms licensee data. Concerns have been raised that ATF has not been complying with the restrictions on centralizing and consolidating data from federal firearms licensee records. GAO (1) identifies and describes the ATF data systems that contain retail firearms purchaser data and (2) determines whether ATF's Out-of-Business Records System and Multiple Sales System comply with the legislative data restrictions. GAO also assesses ATF's overall legal interpretation of the data restrictions.

GGD-96-175, Sept. 3, 1996 (38 pages). Tax Administration: Income Tax Treatment of Married and Single Individuals.

This report provides information on income tax provisions in the Internal Revenue Service (IRS) Code that potentially create "marriage penalties" or "marriage bonuses" with respect to the tax liability of married couples. A marriage penalty results when two married persons have a greater tax liability than two similar single persons—that is, individuals with the same total income. Conversely, a marriage bonus results when a married couple owes less taxes than two similarly situated single persons. GAO (1) summarizes the current income tax provisions in the IRS Code whose applicability depends upon whether a taxpayer is married or single, (2) identified provisions likely to result in marriage penalties or bonuses, and (3) discusses the feasibility of quantifying the numbers

of taxpayers affected by marriage penalties and bonuses.

GGD-96-176, Aug. 30, 1996 (21 pages). Tax Administration: IRS Is Improving Its Controls for Ensuring That Taxpayers Are Treated Properly.

Allegations of taxpayer abuse prompted Congress to pass the Taxpayer Bill of Rights in 1988. Six years later, GAO issued a report (GAO/GGD-95-14) urging the Internal Revenue Service (IRS) to strengthen its controls for ensuring that taxpayers are treated properly. Although IRS has acted on some of the recommendations GAO made in that report, GAO remains unable to determine the adequacy of IRS' system of controls to identify, address, and prevent instances of abuse. GAO is encouraged by IRS' recent decision to develop a taxpayer complaint tracking system that uses the definition of taxpayer abuse found in GAO's 1994 report for defining elements of taxpayer complaints. In GAO's view, it is critical that IRS sustain this commitment. IRS needs a more-effective complaints tracking system because—even though data systems run by IRS, the Justice Department, and others contain information on the treatment of taxpayers—the data relevant to employee misconduct or taxpayer complaints are not readily distinguishable from other allegations that do not involve taxpayers. Moreover, the systems do not have the same employee identifiers or common data elements, and the data are not captured in a consistent manner that allows for consolidation relative to the number or outcome of taxpayer complaints using the definition IRS is adopting.

GGD-96-177, Sept. 25, 1996 (54 pages). Futures Markets: Heightened Audit Trail Standards Not Met But Progress Continues.

In 1989, the Justice Department, along with the Commodity Future Trading

Commission (CFTC), conducted an undercover investigation at the Chicago Board of Trade and the Chicago Mercantile Exchange. The investigation revealed illegal trading practices designed to enrich participants. In a report that year to Congress (GAO/GGD-89-120), GAO concluded that most of the illegal practices uncovered could have been detected with improved audit trails—the physical records of the price and time of each trade. Congress incorporated the then existing audit trail standards, as well as heightened standards, in the Futures Trading Practices Act of 1992. The act required that CFTC report to Congress within two years on the progress that U.S. futures exchanges had made in meeting the audit trail standards and include recommendations on the appropriateness of extending the October 1995 deadline for meeting the standards or for modifying them. This report discusses the status of exchange compliance with the existing and heightened standards as well as CFTC actions to enforce the act's audit trail provisions.

GGD-96-178, Sept. 13, 1996 (34 pages). Cycle of Sexual Abuse: Research Inconclusive About Whether Child Victims Become Adult Abusers.

Several studies have been done on the cycle of sexual abuse—that is, the likelihood that child victims of sexual abuse will become adult abusers. Most of the studies were retrospective in design. The studies began with a sample of known sex offenders of children and sought to determine whether they were sexually abused during childhood. The chief weakness of these studies is that studying a known group of sexual offenders cannot provide any direct information on the extent to which children who are sexually abused become adult sexual abusers. The two studies GAO reviewed that were prospective in design attempted to overcome this limitation by identifying samples of

sexually victimized children and tracking them into adulthood. These studies also had shortcomings, which made it hard to reach any definitive conclusions about the cycle of sexual abuse. Despite these limitations, the retrospective studies, prospective studies, and research reviews suggest that childhood sexual victimization is quite likely neither a necessary nor a sufficient cause of adult sexual offending. Further research would be needed to determine which experiences magnify the likelihood that sexually victimized children will become adult abusers and, alternatively, what experiences help prevent victimized children from becoming adult abusers.

GGD-96-187, Sept. 30, 1996 (23 pages). Foreign Banks: Implementation of the Foreign Bank Supervision Enhancement Act of 1991.

This report discusses the implementation of the Foreign Bank Supervision Enhancement Act of 1991, which gives the Federal Reserve greater supervisory and regulatory authority over foreign banks operating in the United States. GAO describes (1) the Federal Reserve's process for approving foreign bank applications for entry and expansion into the United States and (2) the examination process, including the coordination among U.S. regulators, and provides statistics on enforcement actions that have been taken since passage of the act.

GGD-96-189BR, Sept. 26, 1996 (130 pages). Customs Service: Drug Interdiction Efforts.

This is the last in a series of GAO reports on the U.S. Customs Service. As one of more than 50 federal agencies involved in the War on Drugs, Customs is responsible for stopping the flow of illegal drugs across the U.S. border. In addition to routine inspections to detect illegal drugs, Customs' drug interdiction program includes national initiatives,

investigations, and other activities unique to specific ports. This report identifies and describes the key elements, personnel and equipment resources, budget and operational costs, enhancements of Operation Hard Line (Customs' current effort to address border violence and drug smuggling), and measures of effectiveness of Customs' national drug interdiction program, as well as its Special Agent-in-Charge offices and selected ports in the Miami and San Diego areas.

GGD/AIMD-96-50, Dec. 29, 1995 (42 pages). Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization.

This report describes the changes that have resulted from OMB 2000—a major reorganization and process change at the Office of Management and Budget (OMB) that was announced in 1994 as part of the National Performance Review. The main goal of OMB 2000 was to integrate OMB's budget analysis, management review, and policy development roles under a new structure to improve the decisionmaking process and oversight of executive branch operations. GAO describes (1) the changes in OMB's organizational structure, responsibilities, and staffing as a result of OMB 2000; (2) changes to OMB's three statutory offices; (3) changes in the attention OMB gave to management issues in the budget formulation process before and after OMB 2000; and (4) the way OMB planned to evaluate OMB 2000.

Testimony

T-AIMD/GGD-96-188, Sept. 10, 1996 (13 pages). IRS Operations: Critical Need to Continue Improving Core Business Practices, by Gene L. Dodaro, Assistant Comptroller General, before the Senate Committee on Governmental Affairs.

The Internal Revenue Service (IRS) has experienced major problems in (1) fulfilling its business vision—reducing the volume of paper returns, better serving customers, and improving compliance; (2) overcoming management and technical weaknesses in its tax systems modernization effort; and (3) strengthening the reliability of its financial management and systems used to account for hundreds of billions of dollars and to measure IRS' performance. This report discusses pivotal actions that IRS should take to fully implement earlier GAO recommendations and improve its management practices.

T-GGD-96-19, Nov. 8, 1995 (20 pages). Federal Courthouse Construction: More Disciplined Approach Would Reduce Costs and Provide for Better Decisionmaking, by J. William Gadsby, Director, Government Business Operations Issues, before the Oversight of Government Management and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

The General Services Administration (GSA), in response to the growing space needs of the federal judiciary, has begun a major courthouse construction initiative that could cost \$10 billion during the next 10 to 15 years. Concerns have been raised in Congress about the huge sums of money involved and that new courthouses may not be needed or are too expensive. This testimony focuses on three areas: (1) the approach for meeting federal courthouse needs, (2) the controls and oversight over courthouse construction design and costs, and (3) the current efforts to improve this multibillion-dollar initiative. GAO found that GSA and the federal judiciary had wide latitude in making choices that significantly affect costs. These choices were made under circumstances in which budgets or designs were often committed to before requirements were established, design guidance was flexible, and

systemic oversight was limited. Some courthouses have ended up with more expensive materials or costly design configurations, while others had, or are to have, more economical features. These differences had a major impact on the cost for courthouse construction.

T-GGD-96-31, Oct. 12, 1995 (6 pages). Civil Service Reform: Changing Times Demand New Approaches, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

Despite both the Civil Service Reform Act of 1978 and other measures taken since then, the service system is still viewed by many as burdensome to managers, unappealing to ambitious recruits, overregulated, and inflexible. GAO's testimony makes three main points. First, ever since the creation of the competitive service in 1898, Congress has periodically updated it in response to changing conditions. The goal of reform today should be a system that not only fulfills current needs but is also flexible enough to respond quickly to changing demands. Second, today's leading private-sector employers—as well as some government entities—are creating personnel system that diverge sharply from the federal government's traditional approach. The new model is more decentralized, focused on mission accomplishment, and designed more to establish guiding principles than to dictate rules and procedures. Third, should Congress adopt this model and create a more decentralized civil service system under which federal agencies have more flexibility to manage their own workers, an effective oversight and accountability mechanism will still be needed to ensure that agencies adhere to civil service principles and meet established goals.

T-GGD-96-33, Oct. 24, 1995 (4 pages). White House Travel Office Review, by Nancy R. Kingsbury, Director of Planning and Reporting, General Government Division, before the House Committee on Government Reform and Oversight.

The operations of the White House Travel Office attracted the attention of Congress and the Media in May 1993, when White House officials dismissed the seven employees of the Office amid charges of financial mismanagement and possible criminal investigations. This testimony discusses the scope of GAO's report on the White House Travel Office (GAO/GGD-94-132, May 1994), the challenges GAO faced as it undertook this assignment, the results of GAO's work, and subsequent events and observations.

T-GGD-96-36, Oct. 25, 1995 (13 pages). CFTC/SEC Enforcement Programs: Status and Potential Impact of a Merger, by James L. Bothwell, Director, Financial Institutions and Markets Issues, before the Capital Markets, Securities and GSEs Subcommittee, House Committee on Banking and Financial Services.

Legislation pending before Congress—H.R. 718, the Markets and Trading Reorganization and Reform Act—would merge the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC). GAO testified that merging CFTC and SEC could yield a number of enforcement benefits, such as enhanced intermarket surveillance, availability of resources, and quality of staff and training. However, regardless of whether the agencies are merged or not, a need would still exist for attorneys and investigators with specialized skills and expertise in future and securities laws and markets. Moreover, effective enforcement of securities laws is only one factor that Congress should consider in evaluating a merger.

T-GGD-96-37, Oct. 25, 1995 (19 pages). Decennial Census: Fundamental Design Decisions Merit Congressional Attention, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

The Census Bureau recently released its design decisions for the 2000 Decennial Census. GAO is encouraged by several of the Bureau's decisions, such as the questionnaire redesign; address list development, with support from the Postal Service; and multiple mail contacts, which GAO urged in past testimonies and reports. GAO is also encouraged that the Bureau has decided to sample households that failed to respond to census questionnaires rather than conducting a 100-percent follow-up as it has in the past. The Bureau estimates that a reengineered census will cost about \$3.9 billion, which is \$900 million less than would be spent if the census was carried out without design changes. However, achieving the \$900 million savings will require aggressive management attention by the Bureau to ensure that the fundamental changes are well executed. Congress now needs to weigh in on the Bureau's decisions and provide the funding that it believes are appropriate. GAO is concerned that the opportunity for a well-planned census will be lost if Congress and the Bureau cannot agree on the fundamental design and budget for the 2000 census in a timely manner.

T-GGD-96-38, Nov. 15, 1995 (29 pages). Federal Law Enforcement: Information on Certain Agencies' Criminal Investigative Personnel and Salary Costs, by Norman J. Rabkin, Director, Administration of Justice Issues, before the Crime Subcommittee, House Committee on the Judiciary.

This testimony discusses the composition and salary costs of federal investigative authorities in federal agencies. GAO provides preliminary information it has obtained on federal agencies with personnel employed in certain occupational series with criminal law investigative responsibilities, the number of these personnel, and their salaries. GAO also provides information it has developed on jurisdictional overlap or duplication of efforts among the agencies.

T-GGD-96-40, Mar. 19, 1996 (11 pages). Asset Forfeiture: Historical Perspective on Asset Forfeiture Issues, by Laurie Ekstrand, Associate Director, Administration of Justice Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

As asset forfeiture programs grew during the 1980s, GAO found that property was not being properly cared for after it was seized, resulting in revenue lost to the government when the items were sold. Much has been accomplished in this area since then, but significant problems remain. In addition, the Justice and Treasury Departments continue to run two similar seized asset management and disposal programs despite legislation requiring them to coordinate and consolidate postseizure administration of certain properties. Further, Treasury is establishing a separate asset-tracking system but plans to continue sharing information with Justice. This testimony provides a historical perspective on the programs at Justice and Treasury, including why GAO flagged the programs as "high risk"; discusses problems that were identified; and discusses efforts to solve the problems.

T-GGD-96-41, Dec. 5, 1995 (15 pages). Natural Disaster Insurance: Federal Government's Interests Insufficiently Protected Given Its Potential Financial Exposure, by Thomas J. McCool, Associate Direc-

tor, Financial Institutions and Markets Issues, before the Water Resources and Environment Subcommittee, House Committee on Transportation and Infrastructure.

Proposed legislation (H.R. 1856) would create a new corporation to provide protection against catastrophic losses from natural disasters for residential and commercial property owners. H.R. 1856 would establish (1) natural disaster mitigation programs to be run by the Federal Emergency Management Administration (FEMA) and (2) a federally chartered entity—the Natural Disaster Insurance Corporation (NDIC)—to insure residential property owners against losses arising from earthquakes, volcanos, and hurricanes and to provide reinsurance to protect insurers and large residential and commercial catastrophic losses arising from these same perils. GAO is concerned this unregulated, privately-owned enterprise not subject to oversight of its risk-taking or solvency, could expose the federal government to significant financial loss.

T-GGD-96-42, Nov. 29, 1995 (12 pages). Federal Employee Redress: An Opportunity for Reform, by Timothy P. Bowling, Associate Director, Federal Management and Workforce Issues, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

The redress system for federal workers seeks to protect these employees against arbitrary agency actions and prohibited personnel practices, such as discrimination or retaliation for whistleblowing. But how well is the redress system working and does it add to or detract from the fair and efficient operation of the federal government? This testimony makes three main points. First, because of the system's complexity and the variety of redress mechanisms

available, it is inefficient, expensive, and time-consuming. Second, because the system strongly protects individual workers' redress rights, it is vulnerable to employees who would take undue advantage of these protections. Its protracted processes and requirements divert managers from more productive activities and inhibit some of them from addressing legitimate performance and conduct problems. Moreover, the demands of the system put pressure on employees and agencies alike to settle cases—regardless of their merits—to avoid potential costs. Third, alternatives to the current system do exist and may be worth further study as Congress considers modifying the federal system. Leading private sector employers told GAO that their managers are held accountable for treating people fairly but are also given the flexibility and discretion to make the tough decision that are an inevitable part of sound management. To the extent that the federal redress system is tilted toward employee protections at the expense of the effective management of the nation's business, it deserves congressional attention.

T-GGD-96-49, Nov. 29, 1995 (3 pages). Status of General Accounting Office Reviews of the Library of Congress, by J. William Gadsby, Director, Government Business Operations Issues, before the Joint Committee on the Library of Congress.

This testimony discusses the status of GAO's reviews at the Library of Congress. It briefly summarizes GAO's August 1991 report (GAO/AFMD-91-13) on the Library's financial management and its response to GAO's recommendations. The testimony also explains the scope and status of GAO's current review, which broadly assesses the Library's management and updates the 1991 financial audit.

T-GGD-96-60, Jan. 25, 1996 (12 pages). U.S. Postal Service: A Look at

Other Countries' Postal Reform Efforts, by Michael E. Motley, Associate Director, Government Business Operations Issues, before the Post Office and Civil Service Subcommittee, Senate Committee on Governmental Affairs, and Postal Service Subcommittee, House Committee on Government Reform and Oversight.

Various parties have called for fundamental changes in the laws and regulations governing the U.S. Postal Service. In the past decade, several other countries have restructured their postal administrations. Although they are still owned by the government, these entities are now subject to less governmental control. GAO reviewed postal reform efforts in eight other nations: Australia, Canada, France, Germany, the Netherlands, New Zealand, Sweden, and the United Kingdom. This testimony discusses the experiences of other postal administrations, focusing on three areas—universal service, the mail monopoly, and rate setting—that will be among the most challenging for Congress to address in any future reform of the Postal Service.

T-GGD-96-79, Mar. 6, 1996 (12 pages). Managing for Results: Achieving GPRA's Objectives Requires Strong Congressional Role, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs and House Committee on Government Reform and Oversight.

The Government Performance and Results Act (GPRA) requires federal agencies to set strategic goals, measure performance, and report to the President and Congress on their accomplishments. The intent of the legislation is to fundamentally shift the focus of federal management and accountability from a preoccupation with staffing and activity levels to a focus on program "outcomes"—the difference that federal programs can make in people's lives, such as a boost

in real wages earned by graduates of an employment program or a reduction in on-the-job injuries. GPRA is being implemented through 71 pilot projects during fiscal years 1994-96 before being introduced governmentwide in the fall of 1997. A growing number of federal agencies are discovering that a focus on outcomes can dramatically improve effectiveness. In the case of the marine safety program, which seeks to prevent marine accidents, the Coast Guard found that although it had traditionally concentrated on inspections, two-thirds or more of all reported casualties had been caused by human error. As a result, the Coast Guard began to work with the towing industry to strengthen the knowledge and the skills of towing industry employees. The result was a significant reduction in the towing industry fatality rate. However, the changes anticipated by GPRA will not come quickly or easily, and strong and sustained congressional attention to implementation of the new law is critical to its success. Some agency officials believe that evidence of real interest on the part of Congress in using performance goals and information would help build support for the act within their agencies.

T-GGD-96-82, Feb. 27, 1996 (14 pages). Counterfeit U.S. Currency Abroad: Observations on Counterfeiting and U.S. Deterrence Efforts, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the General Oversight and Investigations Subcommittee, House Committee on Banking and Financial Services.

U.S. currency, reportedly the most widely held in the world, is susceptible to counterfeiting. The Federal Reserve estimates that of the \$380 billion of U.S. currency in circulation, more than 60 percent may be held outside the United States. The widespread use of U.S. currency abroad, together with the outdated security

features of the currency, make it particularly vulnerable to international counterfeiters. Widespread counterfeiting of U.S. currency could undermine confidence in the dollar and, if done on a large enough scale, could harm the U.S. economy. This report discusses (1) the nature of counterfeiting of U.S. currency abroad, (2) the extent of that counterfeiting and of concerns about this issue, and (3) the status of U.S. efforts to deter such counterfeiting.

T-GGD-96-84, Feb. 28, 1996 (9 pages). Money Laundering: U.S. Efforts to Combat Money Laundering Overseas, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the House Committee on Banking and Financial Services.

Money laundering is a global problem requiring collective international efforts to combat it. This testimony describes U.S. efforts to deter this activity, including (1) regulation by the United States and seven European nations of financial institutions regarding money laundering; (2) U.S. bank regulators' oversight of money-laundering controls at overseas branches of U.S. banks; (3) U.S. law enforcement agencies' efforts to coordinate their overseas anti-money-laundering activities with those of host countries' law enforcement agencies; and (4) U.S. participation in international anti-money-laundering arrangements.

T-GGD-96-90, Mar. 13, 1996 (9 pages). U.S. Postal Service: Challenges in Improving Performance and Meeting Competition, by Michael E. Motley, Associate Director, Government Business Operations Issues, before the Postal Service Subcommittee, House Committee on Government Reform and Oversight.

This testimony focuses on three major areas that continue to challenge the Postal Service in providing prompt,

reliable, and efficient mail services and thus hinder it from becoming more competitive in the marketplace. These are (1) improving labor-management relations, (2) setting competitive rates and providing competitive service, and (3) controlling operating costs.

T-GGD-96-93, Mar. 22, 1996 (13 pages). Government Statistics: Proposal to Form a Federal Statistical Service, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses the creation proposed by H.R. 2521 of a new Federal Statistical Service, which would be formed by consolidating the Census Bureau, the Bureau of Economic Analysis, and the Bureau of Labor Statistics. The new independent agency would be headed by an administrator appointed by the President and confirmed by the Senate. GAO applies five key principles that it has identified as useful to consider when reorganizing or streamlining government agencies.

T-GGD-96-99, Mar. 28, 1996 (18 pages). Tax Administration: IRS' Fiscal Year 1996 and 1997 Budget Issues and the 1996 Filing Season, by Lynda D. Willis, Director, Tax Policy and Administration Issues, before the Oversight Subcommittee, House Committee on Ways and Means.

The Internal Revenue Service's (IRS) 1996 appropriation totaled \$7.3 billion—\$860 million less than what the President had requested and \$160 million less than IRS' fiscal year 1995 appropriation. To cover the resulting labor cost shortfall, IRS reduced travel and overtime costs, cash awards, hours for seasonal staff, and the number of nonpermanent staff. IRS wanted to ensure that it had

enough staff to process returns and issue refunds, so most of the cuts were absorbed by compliance programs. The 1996 filing season seems to be going more smoothly than last year's in some key respects. Most importantly, IRS is delaying fewer refunds this year while it validates social security numbers and earned income credit claims. Also, taxpayers appear to be having an easier time reaching IRS by telephone this year, and more taxpayers are using alternative filing methods. However, concerns still exist. For example, the percentage of calls IRS answers compared with the number it receives is still low. Also, IRS closed many walk-in sites this year. IRS is requesting nearly \$8 billion for fiscal year 1997. The largest increases are for compliance initiatives and Tax Systems Modernization, two areas that have been plagued by problems in the past. GAO doubts whether IRS can make effective use of Tax Systems Modernization development funds at this time.

T-GGD-96-100, Apr. 3, 1996 (12 pages). Tax System: Issues in Tax Compliance Burden, by Natwar M. Gandhi, Associate Director, Tax Policy and Administration Issues, before the National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee, House Committee on Government Reform and Oversight.

Businesses and individuals spend time and money—and sometimes experience frustration—trying to comply with federal, state, and local tax requirements. GAO refers to this experience as the "taxpayer compliance burden." GAO collected information on the federal tax compliance burden from businesses, tax accountants, tax lawyers, representatives of tax associations, and Internal Revenue Service (IRS) staff. Several themes emerged from GAO's analysis. First, the complexity of the Internal Revenue Code, compounded by the

frequency of changes to it, is the driving force behind the compliance burden on companies. Second, a reliable estimate of the overall costs of business tax compliance would be costly and in itself burdensome on companies to obtain. GAO is studying two return-free filing approaches used in other countries to determine whether they reduce the tax compliance burden on individuals. Despite their promise, these approaches may impose burdens on employers, tax preparers, and state tax systems. Moreover, IRS' ability to implement such systems is unclear. Reducing the tax compliance burden on businesses and individuals will be a challenge because of various policy trade-offs, such as revenue impact and taxpayer equity.

T-GGD-96-103, May 8, 1996 (29 pages). Juvenile Justice: Selected Issues Relating to OJJDP's Reauthorization, by Laurie Ekstrand, Associate Director, Administration of Justice Issues, before the Youth Violence Subcommittee, Senate Committee on the Judiciary.

The goal of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) is to provide national leadership in addressing juvenile delinquency and in improving juvenile justice. OJJDP, whose budget totaled \$162 million in fiscal year 1995, administers a range of grants to states, territories, and public and private groups. OJJDP has procedures to plan, solicit, and award grants, as well as to audit and monitor grant projects and communicate the results of the work to practitioners and policymakers. However, some monitoring procedures were not followed. A review of formula grant data between January 1993 and December 1995 showed that on-site visits for program monitoring were generally not done annually, as required. According to OJJDP, the visits did not occur because they are expensive and time consuming. Although almost all

OJJDP grant files indicated plans for monitoring the work, the files contained little evidence to suggest that the monitoring actually occurred. OJJDP indicated that it planned to improve its monitoring records.

T-GGD-96-104, Apr. 25, 1996 (30 pages). Alcohol, Tobacco and Firearms: Issues Related to Use of Force, Dealer Licensing, and Data Restrictions, by Norman J. Rabkin, Director, Administration of Justice Issues, before the Treasury-Postal Service and General Government Subcommittee, House Committee on Appropriations.

In recent years, the Bureau of Alcohol, Tobacco and Firearms (ATF) has come under public criticism and congressional scrutiny, in part due to accusations that ATF agents used excessive force in carrying out their responsibilities. This report discusses (1) ATF's policies on using deadly force; (2) the way in which ATF conveys its policies to its agents; (3) the reasons for and the extent to which ATF uses dynamic entries and the equipment it uses to make them; and (4) ATF's compliance with its procedures for investigating shooting and alleged excessive use-of-force incidents. GAO compares ATF's policy, training, and review process on the use of force with those at the Drug Enforcement Administration and the FBI.

T-GGD-96-110, Apr. 23, 1996 (12 pages). Federal Employee Redress: A System in Need of Reform, by Timothy P. Bowling, Associate Director, Federal Management and Workforce Issues, before the Treasury-Postal Service and General Government Subcommittee, House Committee on Appropriations.

The redress system for federal workers seeks to protect employees against arbitrary agency actions and prohibited personnel practices, such as discrimination or retaliation for

whistle-blowing. But how well is the redress system working, and does it add to or detract from fair and efficient government operations? This testimony makes three main points: First, because of the system's complexity and the various redress mechanisms it affords federal employees, it is inefficient, expensive, and time-consuming. Second, because the system is so strongly protective of the redress rights of workers, it is vulnerable to employees who would take advantage of these protections. Its protracted processes and requirements divert managers from more-productive activities and inhibit some of them from taking legitimate actions in response to performance or conduct problems. Further, the demands of the system put pressure on employees and agencies alike to settle cases—regardless of their merit—to avoid potential costs. Third, alternatives to the current redress system can be found in the private sector and in some parts of the federal government. These alternatives, including a variety of less-formal approaches collectively known as alternative dispute resolution, may be worth further study.

T-GGD-96-112, Apr. 25, 1996 (9 pages). Tax Administration: IRS Tax Debt Collection Practices, by Lynda D. Willis, Director, Tax Policy and Administration Issues, before the Oversight Subcommittee, House Committee on Ways and Means.

The Internal Revenue Service (IRS) confronts major hurdles in collecting tens of billions of dollars in delinquent taxes. As Congress tries to balance the federal budget, these unpaid taxes have become increasingly important as have IRS' collection efforts. GAO testified that IRS could do more to improve its collection practices. Valuable lessons may be gained from IRS' pilot program testing the use of private debt collectors. IRS' improvement efforts are jeopardized by a lack of reliable information on its accounts

receivable and the effectiveness of its collection tools, an aged inventory of receivables, outdated collection processes, and antiquated technology. IRS needs a long-term strategy to guide its efforts to improve delinquent tax collection. The key to any improvement lies in having accurate and reliable information. In addition, the private sector may be able to assist IRS by performing some collection activities.

T-GGD-96-117, May 2, 1996 (14 pages). *Bank Oversight: Fundamental Principles for Modernizing the U.S. Structure*, by James L. Bothwell, Director, Financial Institutions and Markets Issues, before the House Committee on Banking and Financial Services.

This testimony discusses four basic principles that GAO believes Congress should consider in modernizing the structure of U.S. bank regulatory structure. GAO believes that structural reform should provide for (1) consolidated and comprehensive oversight of companies owning federally insured banks and thrifts, with coordinated functional regulation and supervision of individual components; (2) independence from undue political pressures, balanced by appropriate accountability and adequate congressional oversight; (3) consistent rules, consistently applied for similar activities; and (4) enhanced efficiency and reduced regulatory burden. GAO's work on bank oversight in Canada, France, Germany, the United Kingdom, and Japan showed that different ways exist to simplify bank oversight in accordance with the above four principles. GAO urges Congress to reduce the number of federal agencies with primary responsibility for bank oversight, include both the Federal Reserve and the Treasury Department in bank oversight, provide the Federal Deposit Insurance Corporation with the authority to protect deposit insurance funds, and incorporate

mechanisms to ensure consistent oversight and reduce regulatory burden.

T-GGD-96-123, May 9, 1996 (22 pages). *Tax Systems Modernization: Progress in Achieving IRS' Business Vision*, by Lynda D. Willis, Director, Tax Policy and Administration Issues, before the Senate Committee on Governmental Affairs.

The Internal Revenue Service (IRS) has developed a vision for 2001 that calls for organizational, technological, and operational changes affecting the way in which the agency processes tax returns, provides customer service, and ensures compliance. IRS has made progress in modernizing its operations, but the differences between IRS' existing operations and those proposed in its vision are great. IRS has made little progress either in reducing the number of paper returns it processes or in delivering the new systems needed to better process paper. In addition, taxpayers have long had difficulty reaching IRS by telephone. And, when they do reach IRS assistants, they do not always receive the information they need. Although IRS has developed a promising strategy to improve customer service, the agency faces many challenges in implementing it. IRS is seeking to boost compliance to 90 percent by 2001. However, this goal relies on a set of assumptions that have since changed significantly. GAO questions IRS' ability to make sound investment decisions until it reengineers important processes, such as tax return processing. Until clearly defined business requirements drive Tax Systems Modernization projects, there is no guarantee that these projects will successfully improve IRS operations.

T-GGD-96-124, May 23, 1996 (11 pages). *Federal Downsizing: The Status of Agencies' Workforce Reduction Efforts*, by Timothy P. Bowling, Associate Director, Federal Manage-

ment and Workforce Issues, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

The downsizing of the federal workforce is ahead of the schedule set by the Workforce Restructuring Act. At the same time, the administration has called on agencies to restructure their workforces by reducing management positions. These jobs have yet to be reduced to the extent called for by the National Performance Review. With regard to future workforce reductions, GAO found that in terms of absolute numbers—and given historical quit rates—the remaining employment ceilings called for by the act probably could be achieved governmentwide through attrition. Nevertheless, some agencies may be forced to downsize more than others. In such situations, buyouts or reductions-in-force (RIF) may be necessary. GAO found that buyouts offer greater savings than RIFs, except when RIFed employees do not bump and retreat and are eligible to retire.

T-GGD-96-130, June 20, 1996 (17 pages). *Tax Administration: Issues in Classifying Workers as Employees or Independent Contractors*, by Natwar M. Gandhi, Associate Director, Tax Policy and Administration Issues, before the Oversight Subcommittee, House Committee on Ways and Means.

To determine the social security and unemployment taxes they need to pay on employee wages, employers must classify workers as employees or independent contractors. The Internal Revenue Service (IRS) estimates that about 750,000 of the more than 5 million employers (15 percent) misclassified 3.4 million employees as independent contractors in 1984. Factors such as costs and confusion can contribute to misclassification. This testimony highlights the main points raised in GAO work dating back nearly 20 years on the proper

classification of workers.

T-GGD-96-134, June 12, 1996 (7 pages). Housing Enterprises: Potential Impacts of Severing Government Sponsorship, by James L. Bothwell, Director, Financial Institutions and Markets Issues, before the Capital Markets, Securities and GSEs Subcommittee, House Committee on Banking and Financial Services.

Privatizing Fannie Mae and Freddie Mac could have a major impact on these two government-sponsored housing enterprises, American homebuyers and taxpayers, and mortgage markets in general. Privatization could (1) substantially increase the enterprises' costs of operations and lower profits because of greater competition from other financial firms; (2) raise interest rates on mortgages below \$207,000, with as much as \$25 a month in additional payments on a typical mortgage of \$100,000 and relatively higher increases for homebuyers representing higher default risks; (3) boost competition in the mortgage markets, which GAO believes will likely prevent the reappearance of significant regional disparities in mortgage credit; and (4) decrease taxpayers' risk exposure to enterprise obligations. GAO also assesses several more-limited policy options, such as imposing a fee on the enterprises to compensate taxpayers for their risk exposure. Each option entails benefits and risks that need to be carefully considered.

T-GGD-96-141, June 26, 1996 (8 pages). Bank Mutual Funds: Improvements in Risk Disclosure Needed, by James L. Bothwell, Director, Financial Institutions and Markets Issues, before the Capital Markets, Securities and GSEs Subcommittee, House Committee on Banking and Financial Services.

In recent years, sales of mutual funds through banks and savings and loans have soared. According to information

reported to the Federal Deposit Insurance Corporation (FDIC), about 2,800 banks sold more than \$40 billion in mutual fund shares during 1995 alone. Because it is well-known that bank and thrift deposits are federally insured, customers buying investment products from banks and thrifts need to understand the difference between FDIC-insured investments, such as money market deposit accounts, and uninsured investments, such as money market mutual funds. In early 1994, FDIC, the Office of the Comptroller of the Currency, the Federal Reserve, and the Office of Thrift Supervision jointly issued guidelines to banks and thrifts requiring that customers be fully informed of the risks of investing in nondeposit investment products. The guidelines also call for the mutual fund sales areas in financial institutions to be physically separated from the deposit-taking areas. In 1995, GAO reported that many banks and thrifts were not adequately informing potential investors of the risks of investing in mutual funds. GAO based this conclusion on the results of its "secret shopper" visits to 89 banks and thrifts in 12 cities in 1994. GAO also found that more than one-third of the institutions did not clearly separate the mutual fund sales areas from the deposit-taking areas. This testimony focuses on FDIC surveys that reaffirm GAO's findings on banks' and thrifts' inadequate disclosure of the risks associated with investing in mutual funds.

T-GGD-96-151, July 18, 1996 (4 pages). General Services Administration: Observations on GSA's Implementation of the Federal Operations Review Model, by J. William Gadsby, Director, Government Business Operations Issues, before the Public Buildings and Economic Development Subcommittee, House Committee on Transportation and Infrastructure.

GAO was asked to monitor the General Services Administration's

(GSA) implementation of the Federal Operations Review Model (FORM), which GSA developed to help identify the most cost-effective methods of carrying out each of its 16 major mission-support functions or business lines. GAO found no reason to question the view of the GSA Office of Inspector General (IG) that, although GSA's implementation of the preliminary phase generally followed the prescribed FORM process, it contained several weaknesses involving the consistent application of assumptions, the sufficiency of—and in some cases the absence of—relevant data, the appropriateness of cost estimates, and financial calculation errors. Similarly, the IG's observation that the data in initial FORM analysis reports should not be relied upon as the primary basis for making final decisions about privatizing or outsourcing specific business lines seems reasonable—particularly because phase one was to be followed by a more in-depth second analysis.

T-GGD-96-153, July 16, 1996 (17 pages). Future of the Penny: Options for Congressional Consideration, by J. William Gadsby, Director, Government Business Operations Issues, before the Domestic and International Monetary Policy Subcommittee, House Committee on Banking and Financial Services.

In reviewing whether the United States should continue to produce the penny, GAO found that several factors, including government costs, public attitudes, budgetary and operational consequences for the Mint and its contractors, and the fairness of rounding prices to the nearest 5-cent increment, warrant congressional consideration. Among key findings, GAO found that although it costs less than a penny to mint a penny, the government in 1994 lost between \$8 million and \$9 million after costs involved in distributing pennies were taken into account. Public opinion on the penny is mixed: a GAO poll found

that most Americans prefer rounding to using pennies, but a similar number believe that the penny is useful and should be retained.

T-GGD-96-159, July 26, 1996 (6 pages). Federal Reserve System: Current and Future Challenges Require Systemwide Attention, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs.

This testimony discusses GAO's recent report (GAO/GGD-96-128) on the Federal Reserve System, the most comprehensive review that GAO had ever undertaken of the Fed's operations. Fed operating expenses rose 48 percent from 1988 to 1994—double the rate of inflation. About 70 percent of the Fed's operating expenses were for financial services to banks and government agencies, such as check clearing and transfers—services that have no connection with the central bank's monetary policy. Monetary and economic policy activities and the Board of Governors staff accounted for only about 2,300 employees—less than 10 percent of the Fed's total workforce. The Fed's main workload today is neither policymaking nor bank supervision but rather financial services, which include currency processing, massive check-clearing operations, and funds transfer systems. And it is precisely these businesses in which the Fed is facing growing competition from the private sector. In fact, the Fed's market share in the check-clearing business has declined while its expenses have continued to rise.

T-GGD-96-160, July 16, 1996 (8 pages). Civil Service Reform: Redress System Implications of the Omnibus Civil Service Reform Act of 1996, by Timothy P. Bowling, Associate Director, Federal Management and Workforce Issues, before the Civil Service Subcommittee, House Com-

mittee on Government Reform and Oversight.

In commenting on an outline of proposed legislation to reform the redress system for federal employees, GAO noted that the current system—which is designed to protect federal workers against arbitrary agency actions and such prohibited personnel practices as discrimination or retaliation for whistleblowing—has become increasingly complex, with overlapping jurisdiction among four adjudicatory agencies. The current system provides substantially greater employment protection to federal workers than those accorded to private sector employees, and federal employees file workplace discrimination complaints at six times the per capita rate of private sector workers. The pending legislation would eliminate the current ability of federal employees to have two agencies review an appeal rather than one; would bring discrimination complaint processes more in line with the private sector model; and would encourage federal workers to use alternative dispute resolution as a way to avoid the time and expense of employee litigation.

T-GGD-96-169, Sept. 24, 1996 (10 pages). Federal Contracting: Comments on S. 1724, the Freedom From Government Competition Act, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the Senate Committee on Governmental Affairs.

S. 1724, the Freedom From Government Competition Act, would require the government to procure from the private sector the goods and services needed to carry out its missions, with a few specified exceptions. This testimony provides GAO's views on the proposed legislation.

T-GGD-96-173, July 31, 1996 (4 pages). Housing Enterprises: Assess-

ment of OFHEO's Interest Rate Analysis, by James L. Bothwell, Director, Financial Institutions and Markets Issues, before the Capital Markets, Securities and GSEs Subcommittee, House Committee on Banking and Financial Services.

In July 1996, a congressional committee asked the Office of Federal Housing Enterprise Oversight (OFHEO) to analyze the potential effects of a large and rapid increase in interest rates, accompanied by otherwise unfavorable economic conditions, on the financial health of Fannie Mae and Freddie Mac. This testimony reviews OFHEO's analysis and assesses the reasonableness of the approach and the key assumptions that OFHEO used in its analysis.

T-GGD-96-185, Sept. 25, 1996 (23 pages). Regulatory Reform: Implementation of the Regulatory Review Executive Order, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the Financial Management and Accountability Subcommittee, Senate Committee on Governmental Affairs.

Executive Order 12866—"Regulatory Planning and Review"—outlined the administration's regulatory philosophy and principles, described the organization of the federal regulatory system, and initiated a process to review, revise, and—in some cases—eliminate existing regulations. That review process ultimately became part of the administration's overall regulatory reform effort. The order also allocated responsibilities to both federal agencies and the Office of Management and Budget (OMB) in a centralized regulatory review process and recognized OMB's Office of Information and Regulatory Affairs as the repository of expertise on regulatory issues. This testimony discusses (1) implementation of the order's cost-benefit analysis requirements, (2) changes made by the Office of Infor-

mation and Regulatory Affairs to agencies' proposed regulations, and (3) agencies' efforts to eliminate and revise regulations.

T-GGD-96-191, Sept. 11, 1996 (8 pages). Federal Labor Relations: Official Time Used for Union Activities, by Timothy P. Bowling, Associate Director, Federal Management and Workforce Issues, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

Unions represent nearly 1.9 million federal workers, 750,000 of whom work for the Postal Service. In response to congressional interest in the extent to which employees use official time for union activities, GAO found that the four major federal agencies it reviewed—the Postal Service, the Internal Revenues Service, the Department of Veterans Affairs, and the Social Security Administration—neither collect nor report the kinds of data needed to accurately describe the practice across agencies. If federal policymakers are to resolve questions about the extent to which taxpayers subsidize the activities of federal employee unions, better data are needed on (1) the amount and cost of the hours used for union activities, as well as the number of employees using those hours; (2) the types of activities covered by the hours used; and (3) the overall costs of agencies' support for union activities. Recognizing that data gathering can be expensive, GAO believes that policymakers need to balance the costs and benefits of the various options for doing so.

T-GGD-96-192, Sept. 25, 1996 (8 pages). Smithsonian Institution: Care of National Air and Space Museum Aircraft, by J. William Gadsby, Director, Government Business Operations Issues, before the Government Management, Information and

Technology Subcommittee, House Committee on Government Reform and Oversight.

In a 1995 report (GAO/GGD-96-9) on the National Air and Space Museum, GAO examined whether the museum restored enough aircraft to prevent deterioration of its collection. GAO also assessed the rate of aircraft restoration, examined the adequacy of facilities for restoring aircraft, and identified ways to better care for the collection. This testimony is based on that report, which found that the museum committed relatively few resources to restoration compared to other museum activities and the resources committed by the Air Museum in Dayton, Ohio. GAO also found that even if the museum increased its restoration efforts, it would not have enough space with environmental controls to properly store and display the restored aircraft.

T-GGD/AIMD-96-68, Feb. 7, 1996 (7 pages). OMB 2000: Changes Resulting From the Reorganization of the Office of Management and Budget, by L. Nye Stevens, Director, Federal Management and Workforce Issues, and Paul L. Posner, Director, Budget Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses changes at the Office of Management and Budget (OMB) resulting from a 1994 reorganization—commonly known as OMB 2000. The main goal of OMB 2000 was to integrate the agency's budget analysis, management review, and policy development roles under a new organizational structure. In doing so, OMB sought to improve its decisionmaking process and its oversight of executive branch operations. This testimony focuses on three issues: (1) changes in OMB's structure, responsibilities, and staffing,

including changes to the statutory offices; (2) changes in OMB's attention to management issues in the budget process; and (3) the way OMB planned to evaluate OMB 2000.

T-GGD/AIMD-96-88, Mar. 14, 1996 (22 pages). Status of Tax Systems Modernization, Tax Delinquencies, and the Potential for Return-Free Filing, by Lynda D. Willis, Director, Tax Policy and Administration Issues, and Rona B. Stillman, Chief Scientist, Computers and Telecommunications, before the Treasury-Postal Service and General Government Subcommittee, House Committee on Appropriations.

Regarding the Internal Revenue Service's (IRS) Tax Systems Modernization effort, GAO is concerned about various weaknesses involving the electronic-filing strategy, software development, and other factors that jeopardize the success of this multi-million-dollar project. Until these deficiencies are corrected, IRS' ability to successfully complete Tax Systems Modernization seems doubtful. In addition to more-effective use of technology, increased filing options could benefit both taxpayers and IRS. For example, if certain obstacles can be overcome, return-free filing can ease the burden for taxpayers while reducing the amount of paper IRS must process. In tax collection, IRS has made little progress in solving its accounts receivable problems. IRS continues to grapple with (1) inaccurate and unreliable information, (2) antiquated computers and a rigid collection process, (3) unintended problems with safeguards against potential taxpayer abuses, (4) a lack of accountability in its organizational structure, and (5) staffing imbalances. As a result, IRS cannot be sure how much money the government is owed or how much of the debt is collectible.

T-GGD/AIMD-96-115, May 7, 1996 (41 pages). Library of Congress: Opportunities to Improve General and Financial Management, by J. William Gadsby, Director, Government Business Operations Issues; Robert Gramling, Director, Corporate Audits and Standards; Joyce C. Doria, Partner, Booz-Allen & Hamilton, Inc.; and Paul E. Lohneis, Partner, Price Waterhouse, before the Joint Committee on the Library.

In response to allegations about the way in which the Library of Congress handled the thefts of rare materials, as well as longstanding problems related to human resources and financial management, GAO was asked to assess management at the Library. Because of the tight timeframe involved in this assignment, GAO contracted with Booz-Allen Hamilton, Inc. to conduct a general management review of the Library and with Price Waterhouse LLP to audit the Library's fiscal year 1995 financial statements. This testimony is based on the reports prepared by Booz-Allen Hamilton and Price Waterhouse and includes executive summaries of their reports. GAO discusses four main themes; the Library of Congress' mission, operation, resources, and financial condition.

T-GGD/AIMD-96-170, July 29, 1996 (18 pages). Managing IRS: IRS Needs to Continue Improving Operations and Service, by Lynda D. Willis, Director, Tax Policy and Administration Issues, before the National Commission on Restructuring the Internal Revenue Service.

This testimony was intended to assist the National Commission restructure the Internal Revenue Service (IRS). GAO makes the following points: (1) One of the IRS' biggest problems has been the inefficient way in which its processes most tax returns. IRS needs to reduce the volume of paper returns. (2) IRS' strategy for improving customer service appears promising.

However, the agency needs to develop a plan to overcome significant technical, managerial, and other obstacles to achieving its customer service vision. (3) Longstanding problems continue to undermine the effectiveness of IRS' collection problems. Significant changes are needed in the way IRS does business. (4) Although IRS has made some progress in resolving issues that have prevented GAO from expressing an opinion on the reliability of IRS' financial statements, serious management problems remain uncorrected. (5) IRS needs to improve its ability to make sound investment decisions in information technology. IRS' reengineering efforts could generate new business requirements that are not addressed by tax systems modernization or that make some of those projects obsolete.

T-GGD/OGC-96-132, June 11, 1996 (11 pages). Federal Downsizing: Delayed Buyout Policy at DOE Is Unauthorized, by Henry R. Wray, Senior Associate General Counsel, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

The Federal Workforce Restructuring Act authorized federal agencies to offer "buyouts" to employees who retired or resigned from the government before April 1, 1995. The legislation contained an exception that allowed the payment of a buyout to an employee as late as March 31, 1997, if the agency head determined that such a delay was essential to the agency's mission. The General Counsel at the Department of Energy (DOE) concluded in a July 1995 memorandum that the act did not preclude DOE from offering buyouts to employees who had not applied for them before April 1, 1995. He further stated that a determination by the Secretary of Energy to "conditionally approve" delayed buyouts for all DOE employees in broad job categories who applied before April 1, 1995, was permitted to later be amended to

cover employees who had not filed buyout applications before that date. GAO disagrees with the General Counsel's position. GAO believes that the plain language of the act, as well as the fundamental logic and underlying context of the statute, clearly require that determinations to invoke the exception and permit delayed separation must be made in conjunction with approval of the buyouts themselves. In GAO's view, the authority of agencies to approve buyouts ended on March 31, 1995. The legislative history of the act supports this opinion.

T-GGD/RCED-96-186, June 5, 1996 (20 pages). Paperwork Reduction: Burden Reduction Goal Unlikely To Be Met, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, and Peter F. Guerrero, Director, Environmental Protection issues, before the Senate Committee on Small Business.

The paperwork burden that the federal government imposes on the public has increased significantly since 1980. Under the Paperwork Reduction Act of 1995, the Office of Management and Budget (OMB) is required to seek at least a 10-percent reduction in the governmentwide paperwork burden in fiscal year 1996 and to set reduction goals for each agency. This testimony discusses the following issues: (1) what changes in the paperwork burden have occurred governmentwide and at the Internal Revenue Service, the Environmental Protection Agency, and the Occupational Safety and Health Administration; (2) what OMB's responsibility to get goals for reducing the burden is, and whether agencies will achieve the reductions envisioned by the legislation; and (3) what actions each of the three agencies has taken since the act's passage. GAO also discusses measurement issues that Congress should consider as it assesses agencies' progress in reducing the paperwork burden.

T-GGD/RCED-96-214, July 10, 1996 (16 pages). Managing for Results: Key Steps and Challenges in Implementing GPRA in Science Agencies, by L. Nye Stevens, Director, Federal Management and Workforce Issues, and Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the House Committee on Science.

The landmark Government Performance and Results Act (GPRA) requires federal agencies to set goals and measure performance. GAO work has shown that the effectiveness of the Energy Department, NASA, and a host of other agencies has been hampered by unfocused missions and unclear goals. If successfully implemented in civilian science agencies, GPRA should help Congress make the hard science policy and program choices. GPRA will also help agencies better manage their programs and provide the public with greater assurance that tax dollars are being spent wisely. But the changes in management and accountability envisioned under GPRA are not coming quickly or easily, particularly in the science agencies. Successful implementation of GPRA in those agencies may well depend on continued congressional support and interest.

T-RCED/GGD-96-223, July 18, 1996 (10 pages). Federal Lands: Concession Reform is Needed, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the National Parks, Forests, and Lands Subcommittee, House Committee on Resources.

Concession activity on federal lands is a large industry, with civilian agencies managing more than 11,000 concession agreements throughout the federal government during 1994. Concessioners operating under these agreements generated about \$2.2 billion in gross revenue. More than 90 percent of concession agreements and the concession gross revenues were

from concessioners in the six land management agencies. For agreements that were either initiated or extended during fiscal year 1994, concessioners in the land management agencies paid the government an average of about three percent of their gross revenue. In contrast, concessioners in other agencies paid fees of about nine percent of their gross revenues. The key factors affecting the rate of return to the government were whether: (1) the fees were established through competition; (2) the agency was allowed to keep most of the concession fees it generated; and (3) whether an incumbent concessioner had a preferential right in renewing its agreement with the government. Throughout the government, rates of return from concessioners were higher when established through competition. Agencies which had authority to retain fees and which did not grant preferential rights of renewal generally obtained higher rates of return from concessioners.

T-RCED/GGD-96-230, Sept. 18, 1996 (8 pages). Intellectual Property: Patent Examination and Copyright Office Issues, by Allen Li, Associate Director, Energy, Resources, and Science Issues, before the Senate Committee on the Judiciary.

This testimony focuses on intellectual property issues. In the patent examination area, GAO discusses (1) patent pendency—the amount of time that the Patent and Trademark Office (PTO) spends examining an application to determine whether an invention should receive a patent; (2) PTO's resources committed to the patent process, the trademark process, the dissemination of information, and executive direction and administration; and (3) PTO's workload and examination process in comparison with those of other industrialized countries. In the copyright area, GAO discusses (1) the possibility of transferring the Copyright Office from the

Library of Congress to another organization; (2) possible additional revenues that the Copyright Office could charge if it recovered all costs; and (3) the impact on the Library, including the Copyright Office, of revisions to its competitive selection process as a result of the settlement of a class-action discrimination suit.

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HEHS-96-1, Oct. 19, 1995 (18 pages). Federal Pensions: Thrift Savings Plan Has Key Role in Retirement Benefits.

As of September 1994, about 940,000 federal workers covered by the Federal Employees Retirement System (FERS) were voluntarily contributing an average of 5.7 percent of their salaries to the Thrift Savings Plan. Most of the remaining 300,000 workers covered by FERS who were not contributing were in the lower pay ranges. Lower-paid workers who were contributing were doing so at lower rates than higher-paid workers—an average of 4.4 percent of their salaries. However, lower-paid workers may achieve satisfactory retirement income levels even with low contribution rates because Social Security benefits are proportionately greater for them than for higher-paid workers. Higher paid workers need to defer at least five percent of their salaries throughout their careers—if not more—to achieve retirement income of 60 to 80 percent of their preretirement salaries. Educating FERS workers can play a key role in their making wise preretirement investment choices. Although Thrift Savings Plan materials discuss the plan's financial aspects, they do not explicitly discuss how the Thrift Savings Plan can help workers covered by FERS achieve their retirement income goals. The Thrift Savings Plan Board is seeking legislation that would enable employees to invest in a domestic small capitalization fund and an international stock fund. GAO found that these two additions would make the Thrift Savings Plan's investment options more closely resemble those in similar private sector plans.

HEHS-96-2, Oct. 4, 1995 (32 pages). Arizona Medicaid: Competition Among Managed Care Plans Lowers Program Costs.

Many states are converting their traditional fee-for-service Medicaid programs to managed care delivery systems. Arizona's Medicaid program offers valuable insights—especially in fostering competition and monitoring plan performance. Since 1982, Arizona has operated a statewide Medicaid program that mandates enrollment in managed care and pays health plans a capitated fee for each beneficiary served. Although the program had problems in its early years, such as the dismissal of the program administration and the state's takeover of the administration, it has successfully contained health care costs while maintaining beneficiaries access to mainstream medical care. Arizona's recent cost containment record is noteworthy. According to one estimate, Arizona's Medicaid program saved the federal government \$37 million and the state \$15 million in acute care costs during fiscal year 1991 alone. Arizona succeeded in containing costs by developing a competitive Medicaid health care market. Health plans that submit capitation rates higher than their competitors' bids risk not winning Medicaid contracts. Other states considering managed care programs can benefit from Arizona's experience. GAO concludes that key conditions for holding down Medicaid costs without compromising beneficiaries' access to appropriate medicare care include federal from some federal managed care regulations, development and use of market forces, controls to protect beneficiaries from inadequate care, and investment in data collection and analysis capabilities.

HEHS-96-3, Apr. 19, 1996 (76 pages). Private Management of Public Schools: Early Experiences in Four School Districts.

Troubled by childrens' low test scores, as well as their low attendance, promotion, and graduation rates, educators and parents have

searched for ways to improve public education. School districts nationwide are experimenting with a range of reform options, one of which is private management of public schools. GAO reviewed the early experiences of school districts that contracted with private, for-profit companies to manage the public schools. GAO found that private firms hired to manage public schools in four school districts—Baltimore, Maryland; Dade County, Florida; Hartford, Connecticut; and Minneapolis, Minnesota—made changes that resulted in more computers and better attendance, individual instruction, and facility maintenance. However, despite these changes, student scores on standardized tests did not improve substantially.

HEHS-96-4, Nov. 2, 1995 (70 pages). Department of Labor: Senior Community Service Employment Program Delivery Could Be Improved Through Legislative and Administrative Actions.

The Labor Department's Senior Community Service Employment Program finances part-time, minimum-wage community service jobs for about 100,000 poor elderly Americans. GAO found that Labor distributes program funds through noncompetitive grants to 10 national organizations, called national sponsors, and to state agencies. These national sponsors and state agencies, in turn, use the grant funds to finance local employment projects run by community service host agencies, such as libraries, nutrition centers, and parks—that directly employ older Americans. GAO found that the relative distribution of funds to the national sponsors and state agencies along with Labor's method of implementing the hold harmless provisions have resulted in the distribution of funds among and within states that bear little relationship to actual need. GAO also found that, under Labor's regulations, expenditures that GAO

believes to be administrative in nature may be charged to another cost category, allowing grantees to exceed the statutory 15-percent limit on administrative costs. GAO summarized this report in testimony before Congress; see: Senior Community Service Employment: Program Delivery Could Be Improved Through Legislative and Administrative Actions, by Cornelia M. Blanchette, Associate Director for Education and Employment Issues, before the Subcommittee on Early Childhood, Youth and Families, House Committee on Economic and Educational Opportunities. GAO/T-HEHS-96-57, Nov. 2 (15 pages).

HEHS-96-6, Dec. 8, 1995 (23 pages). Financing College Facilities: Factors Limit Connie Lee's Ability to Help More Schools.

The College Construction Loan Insurance Association (Connie Lee) is a for-profit bond insurance holding company that insures municipal bonds issued by schools of higher education (colleges, universities, and teaching hospitals) who have difficulty obtaining insurance because their bonds have relatively low credit ratings—BBB and below. Connie Lee insures bonds issued to finance the construction and renovation of academic buildings. Although federal law generally limits Connie Lee to insuring bonds that are relatively greater credit risks, state law constrains bond insurance companies, including Connie Lee, to insuring 95 percent of their business in bonds rated BBB and above. Industry practice further constrains these companies. Rating firms' guidelines require larger amounts of capital for insuring bonds rated below BBB than for insuring bonds rated BBB and above. Among those schools that Connie Lee is permitted to serve, some, including some historically Black colleges and universities, do not need or want to issue bonds or to insure the bonds that they issue. For

example, some bonds that public schools issue do not require insurance because the bonds have the states' credit rating. These high ratings reduce or eliminate the benefits of insurance. Some schools, both public and private, are fundamentally strong, and do not have to take out loans to finance their construction projects. Yet other schools find the cost to issue bonds of the size of the debt incurred makes using bonds to finance a project impractical. Finally, some schools find other sources of financing, such as the Education Department.

HEHS-96-7, Nov. 24, 1995 (23 pages). Higher Education: Selected Information on Student Financial Aid Received by Legal Immigrants.

According to records at the Education Department, about 390,000 legal immigrant students received Pell grant aid in academic year 1992-93. This was about 10 percent of all students receiving Pell grants. In total, immigrants received \$662 million, or about 11 percent, of Pell grant aid in that year. GAO was unable to determine the total number of legal immigrants who received Stafford loans because citizenship data are not maintained in the Education Department's loan files. Some immigrants who received Pell grants, however, also received Stafford loans totalling \$257 million. About 82 percent of the immigrants who received student aid lived in seven states, led by California and New York. Sixty-one percent attended public colleges, 19 percent attended private colleges, and 21 percent attended for-profit vocational schools. The 100 schools with the most immigrant Pell grant recipients accounted for about half of all such students, and 91 percent of these schools were located in the seven states with the highest concentration of immigrant students.

HEHS-96-8, Oct. 24, 1995 (80 pages). Worker Protection: Federal Contractors and Violations of Labor Law.

Private sector firms receive billions of dollars each year in federal government contracts for goods and services. Although these firms generally profit from their business with the federal government, some also violate federal laws that protect the rights of employees to bargain collectively. Legislation is pending before Congress that would debar firms showing "a clear pattern and practice" of violating the National Labor Relations Act from receiving federal contracts. This report identifies the extent to which violators of the Act include employers who have contracts with the government. More specifically, GAO identifies characteristics associated with these federal contractors and their violations of the act and identifies ways to improve compliance of federal contractors with the act.

HEHS-96-15W, Oct. 1, 1995 (46 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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 month and summarizes key products. Another section lists all documents published during the past year, organized chronologically by subject. Order forms are included.

HEHS-96-16, Mar. 27, 1996 (49 pages). Medicare: Home Health Utilization Expands While Program Controls Deteriorate.

Use of the Medicare home health benefit has increased dramatically,

with spending rising from \$2.7 billion in 1989 to \$12.7 billion in 1994. Costs are projected to reach \$21 billion by the year 2000. In earlier reports (GAO/HRD-81-155 and GAO/HRD-87-9), GAO cited lax controls over the use of the home health benefit and recommended measures to improve Medicare's ability to detect claims that were not medically necessary or did not meet the coverage criteria. Medicare's escalating home health outlays continue to raise concerns about the extent of benefit abuse. This report examines the factors underlying the growth in the use of the home health benefit. GAO discusses (1) changes in the composition of the home health industry, (2) changes in the composition of Medicare home health users, (3) differences in utilization patterns across geographic areas, (4) incentives to overuse services, and (5) the effectiveness of payment controls in preventing payments for services not covered by Medicare.

HEHS-96-17, Oct. 27, 1995 (20 pages). Mammography Services: Initial Impact of New Federal Law Has Been Positive.

The Mammography Quality Standards Act of 1992 imposed uniform standards for mammography in all states, requiring certification and annual inspection of mammography facilities. GAO found that the act has had a positive impact, resulting in higher quality equipment, personnel, and practices. Mammography quality standards are now in place in all states, and these standards do not appear to have hampered access to services. To avoid large-scale closure of facilities, however, the Food and Drug Administration settled on an approach that allowed some delay in meeting the certification requirements. For this and other reasons, such as the availability of outcome data, more time will be needed before

the act's full impact can be determined. GAO is required to assess the effects of the act again in two years and to issue a report in 1997.

HEHS-96-18, Jan. 24, 1996 (24 pages). Fraud and Abuse: Providers Target Medicare Patients in Nursing Facilities.

Nursing home patients are an attractive target for fraudulent and abusive health care providers that bill Medicare for undelivered or unnecessary services. A wide variety of providers, ranging from durable medical equipment suppliers to laboratories to optometrists and doctors, have been involved in fraudulent and abusive Medicare billing schemes. Several features make nursing home patients attractive targets. First, because a nursing facility houses many Medicare beneficiaries under one roof, unscrupulous billers of services can operate their schemes in volume. Second, nursing homes sometimes make patient records available to outsiders, contrary to federal regulations. Third, providers are permitted to bill Medicare directly, without certification from the nursing home or the attending physician that the items are necessary or have been provided as claimed. In addition, Medicare's automated systems do not collect data to flag improbably high charges or levels of services. Finally, even when Medicare spots abusive billings and seeks recovery of unwarranted payments, it often collects little money from wrongdoers, which either go out of business or deplete their resources so that they cannot repay the funds.

HEHS-96-19, Nov. 17, 1995 (40 pages). VA Health Care: Effects of Facility Realignment on Construction Needs Are Unknown.

As part of the fiscal year 1996 budget, the President requested \$524 million for major construction projects at the

Department of Veterans Affairs (VA). These projects include the construction of two new VA medical facilities and major renovations at seven existing facilities. This report discusses how the projects are expected to benefit veterans and the relationships between the proposed projects and VA's recent efforts to realign all of its facilities into a new service network. GAO also discusses the potential effects of funding delays on VA's construction award dates and costs.

HEHS-96-20, Apr. 10, 1996 (44 pages). Medicare: Federal Efforts to Enhance Patient Quality of Care.

In the past decade, Medicare costs have risen on average more than 10 percent per year. Expanding managed care options for Medicare patients has been proposed as a way to contain costs. Concerns have been raised, however, that such changes may undermine the quality of care provided to Medicare beneficiaries. Currently, Medicare reimburses only for care provided in health maintenance organizations and by the fee-for-service sector. This report (1) discusses the present and future strategies of the Health Care Financing Administration, which administers the Medicare program, to ensure that Medicare providers furnish quality health care, in both fee-for-service and health maintenance organization arrangements and (2) provides the views of experts on attributes a quality assurance program should have if more managed care options are made available to Medicare beneficiaries.

HEHS-96-21, Nov. 8, 1995 (24 pages). Medicare Managed Care: Growing Enrollment Adds Urgency to Fixing HMO Payment Problem.

Enrollment of Medicare beneficiaries in health maintenance organizations (HMO) has soared in recent years,

concentrated in some states and locales. This rapid growth in enrollment highlights the urgency of correcting Medicare's excessive payment rates to HMOs—particularly in certain areas. Likewise, enrollment stagnation elsewhere underscores the need to examine the causes of payment rate disparities among states and counties. Medicare's HMO payment method is plagued by three flaws. First, the rigidity of the formula-based fixed payment rate does not allow Medicare to capitalize on the competition among HMOs that, in the private market, leads to lower rates. Second, rate adjustment for differences in beneficiaries' health status are so imprecise that Medicare overpays HMOs that enroll beneficiaries in good health. Third, the reliance on a country's fee-for-service health care costs to establish a payment rate produces rates that vary considerably within market areas. GAO concludes that a sensible approach would be to pursue three promising strategies concurrently—foster price competition among HMOs, improve risk adjusters' accuracy, and allow for adjustments in the current formula to reflect market competition and HMO's local health care costs. The Health Care Financing Administration (HCFA) plans demonstration projects using competitive bidding and improved risk adjustment but results of a full-scale evaluation of these projects are years away. In the interim, HCFA should promptly gather and use valuable design and implementation data as it becomes available. HCFA's legislative authority to carry out these projects does not address managed care options explicitly, which raises questions about HCFA's authority to mandate HMO participation in the projects.

HEHS-96-22, Oct. 30, 1995 (21 pages). VA Student Financial Aid: Opportunity to Reduce Overlap in Approving Education and Training Programs.

Since the 1940's, the Department of Veterans Affairs (VA) and its predecessor agencies have contracted with state approving agencies to assess whether schools and training programs offer classes of sufficient quality to merit VA education assistance benefits. GAO estimates that \$10.5 million of the \$12 million paid to these agencies in 1994 was spent to do assessments that overlapped those of the Department of Education. These assessments involved reviews of academic and vocational schools that were already accredited by Education-approved agencies. State approving agency efforts costing another \$400,000 in 1994 may have overlapped assessments of apprenticeship programs done by the Department of Labor. The continued use of state approving agencies to do assessments that overlap other assessments does not appear to be a good use of scarce federal dollars. GAO suggests restricting state approving agency activity solely to those school and programs not subject to "gatekeeping" by the Department of Education.

HEHS-96-23, Dec. 11, 1995 (53 pages). Department of Education: Efforts by the Office for Civil Rights to Resolve Asian-American Complaints.

As with many other federal agencies responsible for enforcing civil rights and equal employment opportunity laws, in recent years the discrimination complaint workload of the Education Department's Office for Civil Rights has increased, but its staffing has remained level. In the early 1990s, compared with the 1980s, the number of compliance reviews fell and the average time to resolve complaint investigations and complete reviews rose. As a result, concerns have been raised about how effectively the Office for Civil Rights carries out its duties. This report examines the Office's complaint investigations and compliance reviews of discrimination cases involv-

ing Asian-Americans who applied for or were enrolled in postsecondary schools—mainly colleges and universities.

HEHS-96-24, Dec. 21, 1995 (14 pages). VA Health Care: Trends in Malpractice Claims Can Aid in Addressing Quality of Care Problems.

From fiscal year 1990 to fiscal year 1994, malpractice claims against VA medical centers have steadily increased, from 678 to 978, with payments made to claimants totaling more than \$200 million. In 1992, the Department of Veterans Affairs (VA) entered into an agreement with the Armed Forces Institute of Pathology (AFIP) to analyze trends in VA malpractice claims. VA's quality assurance staff, however, are making only limited use of the information being developed by AFIP. Although malpractice claim information is available from the Defense Department, it is not comparable to the malpractice data that VA collects. The main reason for the lack of comparability is the absence of a standard data collection format. Nonetheless, GAO found that DOD information may be useful to VA to draw comparisons in areas in which malpractice claims are being generated, such as incidents related to surgery, diagnosis, and medication.

HEHS-96-26, Nov. 13, 1995 (59 pages). Ryan White Care Act of 1990: Opportunities to Enhance Funding Equity.

GAO's analysis of existing funding formulas demonstrates that federal funding under the Ryan White Care Act can be made more equitable. An important goal of the act was to target emergency funding to areas of greatest need. At the time the law was enacted, high rates of human immunodeficiency virus (HIV) infection were found in fewer areas of the country, service delivery networks were just beginning to form, and these service

delivery systems had to rely primarily on private and volunteer resources. During the past five years, however, the HIV epidemic has become more widespread and less localized. Hence, areas where the AIDS caseload had burgeoned recently need per-case funding levels comparable to those in areas where AIDS was initially concentrated.

HEHS-96-27, Nov. 28, 1995 (29 pages). School Facilities: States' Financial and Technical Support Varies.

Although local governments have traditionally been responsible for the construction, renovation, and maintenance of America's school facilities, most state education agencies have established a state presence in school facilities matters using a variety of approaches. However, states' level of involvement varied: about one-fourth of them had programs that included ongoing funding assistance, a variety of technical assistance and compliance review activities, and data collection on facility condition. 10 states were involved in one or none of the activities. Further, officials reported differing viewpoints and traditions on state involvement in facilities matters. Such variations in approach and philosophy among states illustrate the lack of consensus on the most appropriate and effective state role. Today, state involvement in school facilities remains in flux. Because the physical condition of school buildings has become a concern in school finance equity litigation, experts expect disparities in facilities to be a continuing a pressing issue. States will likely be looked to for ways to lessen these disparities. State governments, however, face pressure from other rapidly rising budget expenditures, such as health care, that compete for the same limited funds.

HEHS-96-28, Nov. 24, 1995 (59 pages). National Health Service Corps: Opportunities to Stretch Scarce Dollars and Improve Provider Placement.

The National Health Service Corps (NHSC) places physicians and other health care providers in underserved areas in exchange for scholarships or loan repayments for medical training. In recent years, funding for NHSC scholarships and loan repayments has soared nearly 10-fold, from about \$8 million in fiscal year 1989 to nearly \$80 million in fiscal year 1994. This report (1) compares the costs and benefits and the NHSC scholarship and loan repayment programs and (2) determines whether NHSC has distributed available providers to as many eligible areas as possible. GAO concludes that the loan repayment programs offers a better long-term investment of limited federal dollars. GAO also found that some areas receive more doctors and other health providers than needed while other areas suffer shortages of requested medical personnel.

HEHS-96-29, Feb. 27, 1996 (50 pages). FHA Hospital Mortgage Insurance Program: Health Care Trends and Portfolio Concentration Could Affect Program Stability.

The Federal Housing Administration's (FHA) Hospital Mortgage Insurance Program insures loans to finance hospital renovation and construction. FHA mortgage insurance protects lenders against losses they might incur if hospitals fail to make their mortgage payments. Although the hospital program had made a positive dollar contribution to the General Insurance Fund as of fiscal year 1994, the accumulation of more than \$4 billion worth of insured projects and the large loan amounts in New York threaten the program's stability. The continued buildup in New York may exacerbate this risk. Further, trends in health care and changes in state and

federal health care policies that reduce hospitals' revenues will affect hospitals participating in the program. Although FHA estimated its loan loss reserve at nearly \$460 million as of September 1994, this is not a reliable measure of program losses because of methodology limitations. The implications of health care trends for program hospitals were not factored into FHA's methodology for estimating potential loan losses. In addition, FHA's approach to determining default and loss rate assumptions was unreliable. FHA did not consider the full loss exposure in estimating reserves for hospitals that it had identified as having high default probabilities. As a result of these flaws, the loan loss reserve estimate could be understated or overstated.

HEHS-96-30, Mar. 19, 1996 (44 pages). FDA Laboratories: Magnitude of Benefits Associated With Consolidation Is Questionable.

Because many of the Food and Drug Administration's (FDA) 18 testing laboratories across the country are old and need repair, FDA plans to replace old labs with five "megalabs" and four special-purpose facilities. GAO found, however, that projected cost savings of about \$91 million may be based on assumptions that inflate the cost of replacing the existing labs. Moreover, current FDA workload data indicate that medium-sized labs—those having about 50 analysts per lab—are more efficient and effective than existing larger labs. In selecting sites for its megalabs, FDA did little analysis of the relative efficiency of alternative sites. FDA placed little emphasis on such factors as proximity to ports of entry and quantity of nearby food and other relevant businesses. Instead, FDA site selections were based mainly on where it thought it would receive congressional funding approval.

HEHS-96-31, Dec. 20, 1995 (22 pages). VA Health Care: How Distance From VA Facilities Affects Veterans' Use of VA Services.

Living within five miles of a VA Hospital or outpatient clinic significant increases the likelihood that a veterans will use VA health care services. Although most veterans live within 25 miles of a VA hospital or outpatient clinic, use of VA facility declines significantly among veterans living more than five miles from a VA facility. Only about 11 percent of veterans live within five miles of a VA Hospital providing acute medical and surgical care and 17 percent within five miles of a VA outpatient clinic. Use of VA health care services does not decline with distance as rapidly among veterans receiving VA compensation or pension payments. Even those veterans with service-connected disability who live more than 100 miles from a VA outpatient clinic are more likely to avail themselves of VA outpatient services than are higher income veterans with nonservice-connected disabilities who live within five miles of a VA outpatient clinic. Other factors that may contribute to differences in the use of VA services include broader eligibility and entitlement to outpatient care for service-connected and low-income veterans, veterans' ages, and differences in available resources.

HEHS-96-33, Nov. 22, 1995 (16 pages). Medicare: Enrollment Growth and Payment Practices for Kidney Dialysis Services.

Medicare is the predominant health care payer for people with end-stage renal disease—permanent and irreversible loss of kidney function. Medicare's cost for this program has increased, mainly because of the substantial increase in new program beneficiaries enrollees. The average annual rate of increase averaged 11.6 percent between 1978 and 1991. In addition to the rise in enrollment, the

mortality rate for new patients decreased. For example, deaths among beneficiaries during the first year in the program fell from 28 percent to 24 percent between 1982 and 1991. Since the program began in 1973, technological advances and greater availability of kidney dialysis machines have meant that persons who were not considered good candidates for kidney dialysis in 1973—those 65 years old or older and those whose kidney failure was caused by diabetes and hypertension—are now routinely placed on dialysis. GAO's review of medical services and supplies provided to all Medicare end-stage renal disease patients in 1991 shows that no separately billable service or supply was provided often enough to make it a good candidate to be considered part of the standard dialysis treatment and thus included in a future composite rate.

HEHS-96-34, Mar. 6, 1996 (96 pages). At-Risk and Delinquent Youth: Multiple Federal Programs Raise Efficiency Questions.

The federal government now runs 131 programs in 16 agencies to benefit delinquent youth. Many of the programs GAO has examined provide a range of services—from counseling to job training to research and evaluation. The services most commonly authorized are substance abuse intervention and training and technical assistance. Many programs also have multiple target groups, ranging from poor youth to abused and neglected youth to school dropouts. The current system of federal programs for at-risk or delinquent youth creates the potential for overlap of services. GAO identifies many instances of two or more programs' offering similar services to the same target groups, raising questions about the overall efficiency of federal efforts to help these youngsters.

HEHS-96-35, Jan. 18, 1996 (51 pages). Health Insurance for Children: State and Private Programs Create New Strategies to Insure Children.

In the mid-1980s, state and private groups began developing health insurance programs to increase health care coverage for children. By 1995, 14 states and upwards of 24 private-sector organizations offered such programs. The number of children enrolled in the six programs GAO visited ranged from 5,000 to more than 10,000. Unlike state Medicaid programs, which operate as open-ended entitlements funded partly by the federal government, these programs operated within fixed and often limited budgets and were funded by various sources, such as dedicated state taxes and private donations. Limited budgets forced five of the six programs to cap enrollment at times and to place eligible children on waiting lists. The programs used several strategies to control costs. Some limited the services covered, while others resorted to patient cost-sharing through premiums and copayments or enrolled children in managed care. Most of the programs operated, at least partially, through nonprofit or private insurers, which allowed the programs to use existing provider payment systems and physician networks and to offer near-market reimbursement rates—features that appealed to insurers and providers. For patients, the programs guaranteed access to a provider network, had simple enrollment procedures, and tried to avoid the appearance of a welfare program. Moreover, children in these programs appeared to gain greater access to health care.

HEHS-96-38, Apr. 30, 1996 (38 pages). Public Pensions: Section 457 Plans Pose Greater Risk Than Other Supplemental Plans.

Millions of state and local government employees are trying to increase their future retirement benefits by deferring some of their wages to supplement pension plans, known as salary reduction arrangements or plans. The amount deferred or contributed to these plans, however, may be at risk. Recent media stories have recounted instances of imprudent investment, improper use of plan funds by sponsors, and possible seizure of plan funds by sponsoring governments' creditors. This report examines the risks of financial loss inherent in such plans and discusses whether the provisions of such plans treat participants comparably.

HEHS-96-39, Dec. 19, 1995 (54 pages). School Finance: Three States' Experiences With Equity in School Funding.

Since the 1960s, the federal government has targeted educational funds to areas with the greatest need. More recently, the federal government has also encouraged states and localities to develop high academic standards for all school-age children. The system used to finance local schools in each state can affect whether students in all districts can realistically achieve such standards. In most states, these systems rely heavily on local property wealth, which can vary greatly from district to district. Since 1989, more than half of the states have been involved in lawsuits alleging that disparate access to education revenues violated the state's responsibility to provide for the education of all students. GAO reviewed the experiences of three states—Tennessee, Texas, and Minnesota—that had recently reformed their finance systems to make them more equitable. For each state, GAO characterizes (1) the reforms to the school finance systems and the legal, budgetary, and political pressures the legislature faced in making the changes and (2) the general impact of the legislative remedy, especially in addressing

disparities in educational funding. This report also presents advice provided by state officials for other states reforming their school finance systems.

HEHS-96-40, Mar. 4, 1996 (36 pages). Job Training Partnership Act: Long-Term Earnings and Employment Outcomes.

The federal government spends billions of dollars annually to support employment training programs, but little is known about their long-term effect on participants' earnings and employment rates. GAO analysis found some positive effects of the Job Training Partnership Act—the cornerstone of the federal employment training effort—in the years immediately following training. However, neither employment rates nor earnings were significantly higher for participants than for nonparticipants five years after training. In some earlier years, adults (but not youth) who received training had earnings or employment rates significantly higher than those of the control group. By the fifth year, each of the four treatment groups had earnings and employment rates that were nominally higher than those of the control group. Because none of the fifth-year differences were statistically significant, however, GAO could not attribute the higher earnings to training provided under the act rather than to chance alone.

HEHS-96-43FS, Nov. 20, 1995 (13 pages). Child Support Enforcement: States and Localities Move to Privatized Services.

Facing budgetary and staffing constraints and increasing federal performance standards, state child support enforcement programs are struggling to serve their ever-increasing caseloads. As states strive to improve their services to the public, many are turning to the private sector to augment their child support enforcement programs. Although states

continue to expand these public and private partnerships, little is known nationally about such efforts. This fact sheet discusses (1) the extent of, rationale for, and perceived advantages and disadvantages of privatizing child support functions; (2) the terms of these contracts; (3) the legal issues surrounding privatization; and (4) what is known about the cost-effectiveness of these efforts.

HEHS-96-44, Nov. 8, 1995 (84 pages). Medicaid Section 1115 Waivers: Flexible Approach to Approving Demonstrations Could Increase Federal Costs.

Several states have been given waivers allowing them to use savings from managed care Medicaid programs to cover additional beneficiaries. GAO found that country to assertions that such waivers would be "budget neutral," most of them could increase federal Medicaid expenditures. Specifically, approved spending limits for demonstration waivers in Oregon, Hawaii, and Florida could boost federal Medicaid outlays. Only Tennessee's 115 waive agreement should cost no more than the continuation of its smaller, prewaiver program and, in fact, should yield savings. Federal Medicaid spending could rise significantly if the administration continues to show a similar flexibility in reviewing state 1115 financing strategies. Five waivers have been approved since Florida's in late 1994, and the large backlog of pending waivers includes three states with large Medicaid programs—New York, Illinois, and Texas. Additional federal dollars are available along with other funding sources identified in state waiver applications. GAO believes that the potential for additional federal funding sources as a hedge against the many uncertainties states face in implementing these ambitious demonstrations—including changing economic conditions, the accuracy of cost-containment assumptions, the availability of anticipated funding

cited in waiver applications, and the lack of reliable cost data on the uninsured.

HEHS-96-45, Nov. 9, 1995 (26 pages). *Pharmacy Benefit Managers: Early Results on Ventures With Drug Manufacturers.*

Some of the largest drug companies have recently merged or formed alliances with some of the largest companies that manage prescription drug benefits for health plans, called pharmacy benefit managers. The ventures gained immediate attention from industry observers not only because of their size but also because of concerns about their effect on competition in markets for drug manufacturers' products and pharmacy benefit managers' services. This report discusses the role of pharmacy benefit managers in the health care industry, the objectives of these ventures, and specific concerns about the effectiveness of these ventures on competition in the markets served by drug companies and pharmacy benefit managers. GAO concludes that some mergers between drug manufacturers and pharmacy benefit managers warrant continued monitoring by the Federal Trade Commission to ensure that the pharmacy benefit managers do not give their manufacturing partners an unfair advantage by including their products on lists of preferred drugs that they cover and excluding those of competing firms.

HEHS-96-48, Feb. 7, 1996 (64 pages). *Veterans' Health Care: Facilities' Resource Allocations Could Be More Equitable.*

The Department of Veterans Affairs (VA) confronts the challenge of equitably allocating more than \$16 billion in health care appropriations across a nationwide network of hospitals, clinics, and nursing homes. The challenge is made greater by the changing demographics of veterans. Although nationally the veteran

population is declining, some veterans have relocated from the Northeast and the Midwest to southern and southwestern states in the past decade, offsetting veteran deaths in these states. VA has tried for years to implement an equitable resource allocation method—one that would link resources to facility workloads and foster efficiency. The need for such a system has become more urgent in recent years because of the demographic shift in veterans and the dramatic changes in health care resulting from increasingly limited resources. The resource allocation system can help VA achieve this goal by forecasting workload changes and providing comparative data on facilities' costs. Nonetheless, VA has not taken steps to overcome several barriers that can prevent it from acting on the data the system produces. If the system is to live up to its potential, several changes must be made, including linking resource allocation to VA's strategic plan, conducting a formal review and evaluation of facility cost variations, evaluating the basis for not allocating funds through resource planning and management, and using resource planning and management to overcome differences in veterans' access to care.

HEHS-96-49, Jan. 30, 1996 (28 pages). *Medicare: Millions Can Be Saved by Screening Claims for Overused Services.*

Medicare contractors routinely pay hundreds of millions of dollars in Medicare claims without first determining if the services provided are necessary. GAO reviewed payments to doctors for six groups of high-volume medical procedures—ranging from eye examinations to chest x-rays—that accounted for nearly \$3 billion in Medicare payments in 1994. GAO also surveyed 17 contractors to determine if they had used medical necessity criteria in their claims processing to screen for these six groups of proce-

dures. For each of the six groups, more than half of the 17 contractors failed to use automated screens to flag claims for unnecessary, inappropriate, or overused treatments. These prepayment screens could have saved millions of taxpayer dollars now wasted on questionable services. Problems with controlling payments for widely overused procedures continue because the Health Care Financing Administration (HCFA) lacks a national strategy to control these payments. HCFA now relies on contractors to focus on procedures where local use exceeds the national average. Although this approach helps reduce local overuse of some procedures, it is not designed to control overuse of a procedure nationwide. GAO summarized this report in testimony before Congress; see: *Medicare: Millions Can Be Saved by Screening Claims for Overused Services*, by Sarah F. Jaggar, Director of Health Financing and Public Health Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-HEHS-96-86, Feb. 8 (16 pages).

HEHS-96-51, Feb. 28, 1996 (62 pages). *PASS Program: SSA Work Incentive for Disabled Beneficiaries Poorly Managed.*

The Social Security Administration (SSA) is poorly managing a small but growing program to encourage disability beneficiaries to seek employment. The "plan for achieving self-support" (PASS) program, established in 1972, is currently small—only about 10,300 persons participated in December 1994—but the number of participants has swelled more than fivefold during the past five years as awareness of the program has increased, and millions more disabled beneficiaries have become eligible to participate. The PASS program is vulnerable to abuse because of vague guidelines, and its impact on employ-

ment is unknown because SSA does not collect basic data on participants and their employment. In addition, SSA top management has not adequately considered the potential problems posed by professional PASS preparers, whose fees—as much as \$800—are often included as PASS expenses. SSA is trying to address some of these internal control weaknesses, but it cannot guarantee today that taxpayer dollars are being well spent.

HEHS-96-52, Feb. 6, 1996 (29 pages). VA Health Care: Exploring Options to Improve Veterans' Access to VA Facilities.

Since its creation in 1930, the Department of Veterans Affairs' (VA) health care system has become one of the nation's largest networks of direct delivery health care providers, with 173 hospitals and 376 outpatient clinics nationwide. But because public and private health insurance programs have also grown, most veterans now have alternatives to VA health care. Many veterans indicate that they use private providers because they live too far from VA hospitals or outpatient clinics. VA has recently encouraged its facilities to improve veterans' access to VA health care. This report discusses (1) characteristics of recent users of VA medical facilities; (2) the geographic accessibility of VA and private medical facilities that provide standard benefits; and (3) options that VA facilities might want to consider to improve the accessibility of VA health care, such as locating new medical facilities closer to where veterans live and contracting with private providers.

HEHS-96-55, Apr. 10, 1996 (63 pages). Social Security: Issues Involving Benefit Equity for Working Women.

When the social security program was established in the 1930s, less than 15 percent of married women held

paying jobs outside the home; today, about 60 percent of married women are paid workers. Despite the movement of women into the labor market, the social security benefit structure has remained essentially unchanged over the years. The fairness of the benefit structure has come under increasing scrutiny, especially as it affects women who have earned benefits in their own right. For example, a two-earner couple will receive lower combined benefits in retirement than an identical one-earner couple. Also, a married woman who works and pays social security taxes might not, because of the dual entitlement limitation, receive higher benefits than if she had never worked and received only a spousal benefit. Several proposals seek to remedy these inequities. These include two broad proposals—"earnings sharing" and a "double-decker" plan—and several more-narrow proposals, such as reducing spousal benefits. None of the measures has been adopted, however, partly because they would either boost program costs or reduce benefits for some beneficiaries. Their enactment could also impose a large administrative burden on the Social Security Administration.

HEHS-96-56, Mar. 14, 1996 (17 pages). Public Pensions: State and Local Government Contributions to Underfunded Plans.

State and local governments with underfunded pension plans risk tough budget choices in the future if they do not make progress toward full funding. Their taxpayers will face a liability for benefits earned by current and former government workers, forcing these governments to choose between reducing future pension benefits or raising taxes. Funding of state and local pension plans has improved significantly since the 1970s. After adjusting for inflation, the amount of the unfunded liability has been cut in half. Still, in 1992, 75 percent of state and local government

pension plans in the Public Pension Coordinating Council survey were underfunded; 38 percent were less than 80 percent funded. Sponsors of slightly more than half of the plans in the survey made contributions on schedule to pay off any unfunded liability. One-third of the pension plans, however, were underfunded in 1992 and were not receiving the actuarially required sponsor contributions. Of all plans with complete data, one-fifth were underfunded and were not receiving full contributions in both 1990 and 1992.

HEHS-96-58W, Nov. 1, 1995 (32 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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 month and summarizes key products. Another section lists all documents published during the past year, organized chronologically by subject. Order forms are included.

HEHS-96-62, Apr. 24, 1996 (84 pages). SSA Disability: Program Redesign Necessary to Encourage Return to Work.

During the past decade, the number of persons receiving benefits from Social Security's Disability and Supplemental Security income programs increased 70 percent because of program changes and economic and demographic factors. These programs, which provide assistance to persons with disabilities until they return to work, if that is possible, provided \$53 billion in cash benefits to 7.2 million people in 1994. Advances in technology, such as standing wheelchairs and synthetic voice systems, and the

medical management of some physical and mental disabilities have allowed some persons to work. Moreover, there has been a greater trend toward inclusion of and participation by people with disabilities in the mainstream of society. Yet both programs have done little to identify recipients who might benefit from rehabilitation and employment assistance and ultimately return to work.

HEHS-96-63, Jan. 18, 1996 (35 pages). Medicare HMOs: Rapid Enrollment Growth Concentrated in Selected States.

Private-sector insurers cite extensive use of health maintenance organizations (HMO) and other managed care approaches as a key factor in slowing the growth of their insurance premiums. As a result, part of the current interest in controlling Medicare costs has centered on ways to increase HMO use among Medicare beneficiaries. This report provides information on trends in the number of (1) Medicare beneficiaries enrolling in HMOs and (2) HMOs enrolling beneficiaries. GAO analyzes this data for factors that might be influencing decisions by HMOs to enroll Medicare beneficiaries and decisions by beneficiaries to enroll in HMOs. GAO found that about 2.8 million Medicare beneficiaries—about seven percent of the total—were enrolled in risk-contract HMOs as of August 1995. This was double the percentage enrolled in 1987. The growth has been particularly rapid during the past four years and has centered on certain states. California and Florida, for example, have more than half of all enrollees.

HEHS-96-64, Dec. 29, 1995 (30 pages). Head Start: Information on Federal Funds Unspent by Program Grantees.

In fiscal year 1995, Head Start—the centerpiece of federal early childhood programs—was appropriated \$3.5

billion to provide a range of service to preschool-aged children from poor families. Today, about 1,400 local agencies, known as grantees, sponsor these programs and serve 752,000 children. Local programs provide education, nutrition, health, and social services to low-income children and opportunities for parental involvement and enrichment. Since 1990, Congress has boosted Head Start funding by 135 percent to enable more children to participate and to improve the quality of services. However, some Head Start grantees, as expected, did not spend all of the funds awarded to them each year and carried this unspent money forward for use in subsequent years. This report discusses (1) the amount of Head Start funding unspent by program grantees at the end of budget years 1992, 1993, and 1994 and the reasons for these unspent funds; (2) the proportion of carryover funds that was added to grantee awards or that offset grantee awards in subsequent years; (3) the proportion of carryover funds that are one or more grantee budget years old; and (4) the grantees' intended use of carryover funds.

HEHS-96-65, Mar. 6, 1996 (42 pages). Medical Device Regulation: Too Early to Assess European System's Value as Model for FDA.

The European Union's (EU) system for regulating medical devices is not only new—it is not yet fully in place. Therefore, it is too early to evaluate its success in ensuring the safety of medical devices and bringing them to market efficiently. Because the major players in the EU system have not had enough time to establish a track record, it will be some time before important questions about the new system can be answered. U.S. government officials who want to consider integrating features of the EU approach into the U.S. device review system will be better able to judge the merits of the EU system after it has been in operation for several years.

The U.S. medical device industry has urged giving private third parties a role in the review of medical devices, and the Food and Drug Administration is exploring this possibility in a pilot project. Ensuring that private reviewers were independent, had the requisite expertise, and had sufficient resources would strengthen the confidence of Congress and the public in the integrity of the device review process. Such assurances would carry even more weight if private review organizations were given the added authority to clear new devices for marketing.

HEHS-96-68, Mar. 15, 1996 (17 pages). Veterans' Health Care: VA's Approaches to Meeting Veterans' Home Health Care Needs.

In fiscal year 1994, the Department of Veterans Affairs (VA) provided home health care to more than 40,000 veterans at a cost of \$64 million to VA and millions more to Medicare. By providing them with home health care, VA allows these veterans to continue living at home and in their communities, rather than receive care in institutions. Veterans may need home health care for various reasons. Some veterans may have chronic health problems, such as heart disease, and require periodic visits, while others may be discharged from VA medical centers following surgery and need dressings changed or medications administered. The number of veterans needing home health care is expected to grow as the veteran population ages and as VA discharges patients from its hospitals to reduce the costs of hospitalization. This report provides information on (1) the characteristics and the services of the home health care programs that VA uses, (2) the available data on program costs, and (3) the way in which VA ensures that veterans receive quality service.

HEHS-96-69W, Dec. 1, 1995 (38 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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 month and summarizes key products. Another section lists all documents published during the past year, organized chronologically by subject. Order forms are included.

HEHS-96-70, Feb. 23, 1996 (23 pages). Social Security: Telephone Access Enhanced at Field Offices Under Demonstration Project.

The Social Security Administration (SSA) runs a nationwide toll-free telephone number and is testing enhanced local office telephone service at selected offices. Beginning in February 1995, SSA began installing new telephone equipment, called automated attendant and voice mail, at 30 of its 800 nationwide field offices that list their phone numbers in local telephone directories. The equipment was installed in different configurations. Telephone access—calls reaching an SSA employee with the caller spending less than two minutes on hold—improved 23 percent under one of the configurations being tested by SSA. In addition, busy signals dropped by more than 55 percent. Staffing, however, did not increase, and many callers reaching SSA did spend some time on hold before reaching an SSA representative. SSA field office staff viewed the installation of voice mail equipment at their desks as having a very positive effect on office efficiency and public service. SSA has not yet completed its two internal evaluations of the demonstration project. GAO con-

cludes that the technology tested in the demonstration projects has the potential to further SSA's public service goals. Public reaction and the effect on operations, however, will need to be considered as SSA weighs the costs and the benefits of this technology.

HEHS-96-71, Apr. 5, 1996 (16 pages). European Union Drug Approval: Overview of New European Medicines Evaluation Agency and Approval Process.

With a population of 370 million, the European Union (EU) represents a consumer base that is one-third larger than that of the United States. Moreover, the EU leads the world in the consumption of pharmaceutical products—nearly \$83 billion worth in 1992. The EU recently changed its drug approval procedures and created a new agency—the European Medicines Evaluation Agency—to approve drugs more quickly and efficiently. Advocates of reforming the Food and Drug Administration (FDA) have suggested that the new European model may provide helpful lessons for improving the timeliness of FDA drug approvals. This report (1) determines how the EU now reviews and approves new drug applications and (2) explains why the European Medicines Evaluation Agency was established, how it operates, and how it is financed. GAO notes that because the EU system has been up and running for only a year, it is too soon to know whether it will enable drug companies to more quickly market their products throughout Europe.

HEHS-96-72, Mar. 8, 1996 (43 pages). Scientific Research: Continued Vigilance Critical to Protecting Human Subjects.

Experiments ranging from the 40-year Tuskegee study, in which treatment was withheld from black men with syphilis, to the recently disclosed Cold War radiation experiments have

revealed breakdowns in the protection of human subjects in government research. Questions have been raised about whether study participants understood what they would be subjected to and had an adequate opportunity to decline to participate. GAO found that better oversight of tens of thousands of research projects funded by the Department of Health and Human Services and drug studies regulated by the Food and Drug Administration appears to have reduced the likelihood of serious abuses of human subjects. The conspicuous activity of local institutional review boards and human subject protection efforts by federal agencies have heightened the research community's awareness of ethical conduct standards, increased compliance with federal regulations, and served as deterrents to abuse of subjects' rights and welfare. However, little data exist that directly measure the effectiveness of human subject protection regulations. At the same time, no practical level of oversight can guarantee that each researcher will protect subjects with complete integrity. Time, resource, and other pressures threaten to reduce the effectiveness of local review board and federal agency oversight. As a result, continued vigilance over human subject research must remain a priority for the research community and the oversight agencies. GAO summarized this report in testimony before Congress; see: Scientific Research: Continued Vigilance Critical to Protecting Human Subjects, by Sarah F. Jaggar, Director of Health Financing and Public Health Issues, before the Senate Committee on Governmental Affairs. GAO/T-HEHS-96-102, Mar. 12 (nine pages).

HEHS-96-73, Dec. 29, 1995 (34 pages). School Facilities: Accessibility for the Disabled Still an Issue.

The requirement that the programs and activities of schools receiving federal financial assistance be acces-

sible to the disabled has been in force for two decades. Yet no comprehensive nationwide study has been done or is planned to evaluate schools' accessibility to the disabled. Meanwhile, passage of the Americans With Disabilities Act—although not changing the accessibility requirements for schools from the earlier law—has underscored the need to improve accessibility. More than half of schools nationwide reported having spent \$1.5 billion during the last three years on accessibility. Only about 20 percent of schools indicated that such spending was not needed. A total of 56 percent of all schools estimated that they will need an additional \$5.2 billion for accessibility in the next three years. Only about 26 percent of schools reported that such spending will not be needed. At the district level, the situation is very complex. Just because one district school is fully accessible does not mean that other district schools are. The law, however, does not require a school district to make each of its buildings or every part of a facility accessible to and usable by persons with disabilities. Lack of funding was cited by many as the main reason for not making schools accessible.

HEHS-96-77, May 13, 1996 (9 pages). DOD Dependents Schools: Cost Issues Associated With the Special Education Program.

Congress created the Department of Defense (DOD) Dependents Schools in 1978 to provide a free public education for dependents of military personnel serving abroad. DOD Dependents Schools are required to provide special education to all eligible students as required by the Individuals With Disabilities Education Act. Members of Congress have raised concern that DOD Dependents Schools are spending excessive amounts to educate special education students who live in areas overseas that lack a school that can meet their needs. This report discusses (1) the

amount of money the schools spend on their special education programs, (2) the number of special education students who live in areas lacking a DOD Dependents School with the resources to meet the students' needs and the cost to meet their needs another way, and (3) the number of special education students who are sent to schools outside the DOD Dependents School system because no DOD Dependents School is nearby to meet their needs and the cost to do so.

HEHS-96-78W, Jan. 1, 1996 (46 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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

HEHS-96-79, Apr. 30, 1996 (14 pages). Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits.

Existing law does not prohibit people from transferring resources to qualify for benefits under the Supplemental Security Income program—the largest cash assistance program for the poor and one of the fastest growing entitlement programs. Between 1990 and 1994, 3,500 Supplemental Security Income recipients transferred assets, including cash, houses, land, and other items, valued at \$74 million. Transfer values ranged as high as \$800,000; most transfers fell between \$10,000 and \$25,000. The total amount

of resources transferred, however, is likely to be larger than GAO's estimate because the Social Security Administration (SSA) is not required to verify the accuracy of resource transfer information, which is self-reported by individuals. Moreover, because the information is self-reported, SSA is unlikely to detect unreported transfers. Without a transfer-of-resource restriction, Supplemental Security Income recipients who transferred assets to qualify for benefits would receive nearly \$8 million in benefits in the 24 months after they transferred resources. Many of these recipients could also have received Medicaid acute-care benefits at an annual value of between \$2,800 and \$5,300 per recipient. GAO estimates that from 1990 through 1995, SSA could have saved \$14.6 million with a transfer-of-income restriction similar to that used for Medicaid. Such a restriction could also boost the public's confidence in the program's integrity.

HEHS-96-80, June 7, 1996 (34 pages). Cocaine Treatment: Early Results From Various Approaches.

Three cognitive/behavioral approaches—relapse prevention, community reinforcement/contingency management, and neurobehavioral therapy—have shown positive results in the treatment of cocaine addiction. Preliminary findings show that clients treated with these therapies remained abstinent and in treatment for long periods. These findings are particularly encouraging because initial treatments used during the early 1980s were not very successful. Although too few studies have been done to draw definite conclusions about the utility of any of these treatments, more research should be completed within the next several years. Research experts agree that continued research and study are needed to enhance and confirm—or deny—these early results.

HEHS-96-82, Mar. 6, 1996 (51 pages). Aging Issues: Related GAO Reports and Activities in Fiscal Year 1995.

This booklet provides a compilation of GAO's fiscal year 1995 products and ongoing work on older Americans. Because the elderly are one of the fastest-growing segments of American society today, Congress faces a host of issues—from health care to social security to pensions—in which the federal government will play an important role. This booklet is divided into three sections, which summarize different types of GAO products relating to older Americans: reports and correspondence, testimony before Congress, and ongoing work. Overall, health, income security, and veterans issues were the areas most frequently addressed by GAO work on older Americans.

HEHS-96-83, Apr. 24, 1996 (25 pages). Health Insurance: Coverage of Autologous Bone Marrow Transplantation for Breast Cancer.

Although many insurers now cover the cost of autologous bone marrow transplantation, a new and expensive treatment for breast cancer, issues surrounding the procedure have put several goals of the U.S. health care systems in conflict: access to the best, most advanced care; cost containment; and research adequate to assess the value of new treatments. Proponents of insurance coverage argue that autologous bone marrow transplantation provides breast cancer patients with a promising, potentially life-saving treatment. Critics say that the proliferation of such unproven treatments is costly and harmful, potentially hindering clinical research to determine whether the treatment is effective. This report discusses (1) the factors that have influenced insurers' decisions on whether to cover the treatment, (2) the status of research on autologous bone marrow transplantation for breast cancer and the

consensus on what is known about its effectiveness, and (3) the consequences of increased use and insurance coverage of the treatment while it is still being evaluated in clinical trials.

HEHS-96-87, July 11, 1996 (51 pages). Social Security Disability: Backlog Reduction Efforts Under Way: Significant Challenges Remain.

The Social Security Administration (SSA) runs the nation's largest programs providing cash benefits to people with severe long-term disabilities. The number of persons receiving either disability insurance or supplemental security income benefits has soared during the past decade. At the same time, SSA has struggled to deal with unprecedented growth in appeals of its disability decisions and the resulting backlog of cases awaiting hearing decisions. Processing delays stemming from a backlog of more than half a million appealed cases have created hardships for disability claimants, who often wait more than a year for final disability decisions. This report discusses (1) factors contributing to the growth in appealed cases, (2) SSA initiatives to reduce the backlog, and (3) steps that need to be taken in the long-term to make the disability appeals process more timely and efficient.

HEHS-96-89W, Feb. 1, 1996 (37 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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

published during the past year, organized chronologically by subject. Order forms are included.

HEHS-96-92, Mar. 28, 1996 (19 pages). Job Corps: Comparison of Federal Program With State Youth Training Initiatives.

State or locally established youth-training programs are offered in most states. Although many have characteristics similar to those of the Job Corps program, state and local youth corps programs most closely resemble the Job Corps program. Two such programs—the California Conservation Corps and the Seaborne Conservation Corps in Galveston, Texas—contain all four features that, taken together, characterize the Job Corps: they serve disadvantaged youth, provide basic education, offer vocational training, and provide services in a residential setting. However, even these two programs differ from the Jobs Corps in the ways that they run their programs. For example, the California program does not specifically target the disadvantaged, and Seaborne's vocational training is geared toward a single industry.

HEHS-96-95, May 30, 1996 (16 pages). Practice Guidelines: Managed Care Plans Customize Guidelines to Meet Local Interests.

Inappropriate use of medical services can be costly and raise quality of care concerns. For example, a 1988 study found that 14 percent of bypass surgeries were performed inappropriately. To narrow the gap between current and optimal practice, some federal agencies and other groups develop clinical practice guidelines on the best practices for effective and appropriate care. Managed care plans, which employ various techniques intended to reduce inappropriate care, are likely sites of guideline use. This report discusses (1) the purposes clinical practice guidelines serve and (2) how health plans make use of

already published guidelines developed by federal agencies and other groups.

HEHS-96-97W, Mar. 1, 1996 (33 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

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

HEHS-96-98W, Mar. 1, 1996 (115 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports: Five-Year Report 1991-96.

This booklet is a comprehensive listing of GAO documents issued from March 1991 through February 1996 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. It is organized chronologically by subject and, when appropriate, some documents may be listed under more than one subject area. Information on how to obtain copies of these documents is included.

HEHS-96-101, Aug. 5, 1996 (36 pages). Unemployment Insurance: Millions in Benefits Overpaid to Military Reservists.

More than one million Americans serve in the national reserves. When these reservists claim unemployment insurance (UI), they must report

reserve income so that state UI programs can reduce benefits accordingly. In the seven states GAO reviewed, however, reservists filing for UI failed to report more than \$7 million in reserve income during fiscal year 1994. This resulted in \$3.6 million in UI benefit overpayments, of which federal trust fund losses were \$1.2 million. GAO found that many UI claimants may be unaware of requirements to report reserve income. Moreover, many claimants are not specifically asked to report reserve income, and the incentives not to report reserve income are increased by the limited ability of states to detect nonreporting.

HEHS-96-103, June 14, 1996 (105 pages). School Facilities: America's Schools Report Differing Conditions.

Schools in unsatisfactory condition can be found in every part of the country. However, a GAO survey of schools nationwide found that schools needing relatively greater repairs were those in inner cities, schools in the West, schools with 50.5 percent or more minority students, and schools with 70 percent or more poor students. More than 14 million children are being taught in school buildings needing significant repairs to restore them to good overall condition. At the same time, GAO found that a new school in excellent shape, conforming to all federal, state, and local mandates, might be located only a few blocks from an operating but deteriorated school building. GAO found the greatest variations at the state level. For example, 62 percent of schools in Georgia compared with 97 percent of schools in Delaware needed repairs to restore them to good overall condition. Virtually all communities, even some of the wealthiest, are wondering how to balance school infrastructure needs with other community priorities.

HEHS-96-105, July 2, 1996 (56 pages). Welfare Waivers Implementation: States Work to Change Welfare Culture, Community Involvement, and Service Delivery.

In the wake of growing dissatisfaction with the welfare system, Congress and the President have been considering welfare reform on a national level. Meanwhile, many states have undertaken far-reaching reforms through waivers of federal provisions governing the program most Americans think of as welfare—Aid to Families With Dependent Children. For example, states have required welfare recipients to work; set limits on lifetime benefits; and denied cash benefits for additional children born to families already receiving welfare. Believing that the findings would be useful to states dealing with the challenge of welfare reform, Congress asked GAO to review some states' early experiences with implementing reforms. This report examines efforts by Florida, Indiana, New Jersey, Virginia, and Wisconsin to implement three key reforms: time-limited benefits, work requirements, and family caps.

HEHS-96-106, Apr. 29, 1996 (64 pages). Job Training: Small Business Participation in Selected Training Programs.

Both government and the private sector spend considerable sums to train the nation's workforce. In 1995, the federal government alone spent about \$20 billion on 163 programs that included some aspect of worker training. GAO found that large employers were about twice as likely to take advantage of several types of training programs as were small employers. Training programs that require employers to comply with detailed administrative or other paperwork requirements present economic barriers. Small employers may find it too costly to devote the time needed to conform to these requirements. In addition, training

programs that focus on workers' general needs rather than on employers' specific skill needs present institutional barriers. Finally, informational barriers may also exist because small employers often know less about the training programs available to them than do larger employers. In GAO's case studies, those programs that focused mainly on employer needs used or actively encouraged consortia, which are organizations of employers, unions, or other interested parties. These consortia provide employment training to employers and, in these particular programs, overcame many of the barriers cited above.

HEHS-96-108, May 7, 1996 (41 pages). Employment Training: Successful Projects Share Common Strategy.

GAO reviewed six successful employment training projects with a variety of characteristics, including diverse geographic locations, client populations, program sizes, and funding sources. Despite these differences, the six training projects shared a common strategy to prepare clients for self sufficiency. This strategy—resulting in placement rates of more than 90 percent for three of the projects GAO visited—incorporated four key features: ensuring commitment to training and landing a job, removing barriers that might hinder a client's ability to finish training and get and keep a job, improving employability skills, and linking occupational skills training with the local labor market. Although the projects implemented them differently, together these features ensure that clients are ready, willing, and able to participate in and benefit from training and employment assistance and become self-sufficient.

HEHS-96-112, May 28, 1996 (13 pages). Veterans' Compensation: Evidence Considered in Persian Gulf War Undiagnosed Illness Claims.

More than 700,000 men and women served in the Middle East during the Persian Gulf War. Some of these veterans began experiencing symptoms, such as fatigue, weight loss, and skin conditions, that could not be diagnosed or associated with a specific illness. Congress passed legislation in 1994 allowing the Department of Veterans Affairs (VA) to pay compensation to veterans for undiagnosed illnesses connected to their service during the Persian Gulf War. As of July 1995, VA had denied nearly 95 percent of the 4,144 claims that it had processed for Persian Gulf veterans claiming such disabilities. In response to congressional concerns about the high denial rate, GAO reviewed the procedures VA used to process Persian Gulf War undiagnosed illness claims. This report discusses (1) the evidence standards that VA has established to process Persian Gulf claims, (2) the evidence in the claim files that VA considered in reaching its decisions, and (3) VA's reporting of the reasons for denial.

HEHS-96-113, July 17, 1996 (42 pages). Readjustment Counseling Service: Vet Centers Address Multiple Client Problems, but Improvement Is Needed.

The Department of Veterans Affairs (VA) operates 205 community-based facilities known as Vet Centers to help veterans make a successful transition from military to civilian life. Vet Center counselors reported visiting with about 138,000 veterans during fiscal year 1995, 84,000 of whom were new to Vet Centers. Most veterans do not establish long-term relationships with Vet Center counselors; however, those who do represent a core group who use services over extended periods for serious psychological problems, such as post-traumatic stress disorder. Other veterans usually visit Vet Center counselors only once or twice for social concerns, such as employment or benefit needs.

HEHS-96-117, July 11, 1996 (22 pages). NIH Extramural Clinical Research: Internal Controls Are Key to Safeguarding Phase III Trials Against Misconduct.

In fiscal year 1995, the National Institutes of Health (NIH) sponsored about \$9 billion in extramural research—research done by groups outside of NIH. About \$1.2 billion was spent on Phase III clinical trials, which usually involve hundreds of human participants to evaluate experimental treatments. In the early 1990s, disclosure that falsified data had been used in a large Phase III trial looking at alternative treatments for breast cancer raised concern that the results of this multimillion dollar trial had been compromised. This report discusses NIH's oversight responsibilities and internal controls used to prevent and detect misconduct in Phase III clinical trial research. GAO also reviews NIH's approach to monitoring performance of its institutes that sponsor clinical trials and efforts to implement agencywide policy on misconduct in research.

HEHS-96-120, July 22, 1996 (48 pages). Medicaid: Waiver Program for Developmentally Disabled Is Promising But Poses Some Risks.

More than 300,000 adults with developmental disabilities—typically mental retardation—receive long-term care paid for by Medicaid or, to a lesser extent, state and local programs. Such long-term care often involves supervision and assistance with everyday activities, such as dressing or managing money. Persons with developmental disabilities receive more than \$13 billion annually in public funding for long-term care, second only to the elderly. Recently, states have begun to significantly expand the use of the Medicaid waiver program, which seeks to provide alternatives to institutional care for persons with developmental disabilities. The waiver program has two

advantages. First, it helps states to control costs by allowing them to limit the number of recipients being served. In contrast, states must serve all eligible persons in the regular Medicaid program. Second, it permits states to meet the needs of many persons with developmental disabilities by offering them a broader range of services in less restrictive settings, such as group or family homes, rather than in an institutional setting. This report examines (1) expanded state use of the waiver program, (2) the growth in long-term care costs for individuals with developmental disabilities, (3) how costs are controlled, and (4) strengths and limitations in states' approaches to ensuring quality in community settings.

HEHS-96-121, July 25, 1996 (64 pages). VA Health Care: Opportunities for Service Delivery Efficiencies Within Existing Resources.

The Department of Veterans Affairs (VA), which operates one of the nation's largest health care systems, faces increasing pressure to contain or reduce spending as part of governmentwide efforts to balance the budget. This report discusses ways VA could operate more efficiently and reduce the resources needed to meet the needs of veterans in what is commonly referred to as the mandatory care category. GAO addresses (1) VA's forecasts of future resource needs, (2) opportunities to run VA's system more efficiently, (3) differences between VA and the private sector in efficiency incentives, and (4) recent VA efforts to reorganize its health care system and create efficiency incentives. GAO concludes that successful implementation of a range of reforms, coupled with reduced demand for services, could save the VA health care system billions of dollars during the next seven years. The success of these efforts, however, depends on intro-

ducing efficiency incentives at VA that have long existed in the private sector.

HEHS-96-122, May 28, 1996 (26 pages). Public Education: Issues Involving Single-Gender Schools and Programs.

A host of legal and educational issues surround proposals for single-sex classes in the public schools. These issues involve the legality of single-gender programs, the effectiveness of such programs in promoting desired educational outcomes, and the desirability of using these programs to achieve such goals as fostering improved academic and social performance among boys and teaching mathematics to girls in a nonthreatening setting. Some public elementary and secondary schools have recently offered single-sex classes or programs in a coeducational setting. However, some of these programs have been terminated or modified to not exclude anyone on the basis of gender because federal or state officials believed that the programs violated federal or state laws. School districts that have such programs could face lawsuits.

HEHS-96-123W, Apr. 1, 1996 (19 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents published during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.

HEHS-96-124, May 17, 1996 (37 pages). Defense Health Care: Medicare Costs and Other Issues May Affect Uniformed Services Treatment Facilities' Future.

Since fiscal year 1994, Congress has appropriated nearly \$1 billion for the Uniformed Services Treatment Facilities (USTF) to deliver health care to what now totals 124,000 beneficiaries. In recent years, Congress has grown concerned about the rising cost to treat USTF members, in part because some members retain dual eligibility and unrestricted access to other government health care services, such as Medicare and Defense Department (DOD) hospitals. Congress directed DOD in 1991 to reform the USTF program by introducing a managed care program. As DOD begins to implement its new nationwide managed care program, known as TRICARE, questions about the program's future persist. This report discusses (1) whether unnecessary costs result from USTF members' use of other federally funded health care sources and (2) other issues that need to be considered as Congress deliberates reauthorization of the USTF program.

HEHS-96-126, Sept. 3, 1996 (96 pages). People With Disabilities: Federal Programs Could Work Together More Efficiently to Promote Employment.

How efficient are federal efforts to help people with disabilities? In 1994, the government provided a range of services to people with disabilities through 130 different programs, 19 federal agencies, and a host of public and private agencies at the state and local levels. Although research groups and independent panels have stressed the need to simplify and streamline programs serving the disabled, creating a new service delivery system may prove difficult. GAO urged caution in 1992 when Congress was considering proposals that would

have made fundamental changes in human service delivery systems at the federal, state, and local levels. GAO also urges caution with regard to programs serving people with disabilities. Although the potential benefits of creating a new system to deliver services more comprehensively to people with disabilities may be great, so are the barriers and the risks of failure. Obstacles preventing officials from reorganizing service agencies, creating new funding and service agreements, and divesting authority from their own agencies are hard to overcome. Mandates alone are unlikely to secure the major time and resource commitments needed from officials—whether they are charged with directing reforms or have responsibility for administering services. In the current fiscal environment, a renewed focus by federal agencies on improving coordination would be a useful step toward improving services and enhancing the customer orientation of their programs.

HEHS-96-128, June 14, 1996 (20 pages). Defense Health Care: New Managed Care Plan Progressing, but Cost and Performance Issues Remain.

The Defense Department's (DOD) health care system, which costs \$15 billion annually, is undergoing sweeping reform. Through TRICARE, its new managed health care program, DOD is trying to improve access to care among its 8.3 million beneficiaries while containing costs. How well DOD implements and operates TRICARE may define and shape military medicine for years to come. Because of TRICARE's complexity, scale, and impact on beneficiaries, GAO reviewed the program, focusing on (1) whether DOD's experiences with early implementation yielded the expected results, (2) how early outcomes may affect costs, and (3) whether DOD has defined and is capturing data needed to manage and assess TRICARE's performance. GAO concludes that despite initial confu-

sion among beneficiaries arising from marketing and education problems, as well as problems with the compatibility of computer systems, early implementation of TRICARE is progressing consistent with congressional and DOD goals. However, the success of DOD's efforts to implement resource-sharing agreements and utilization management is critical to containing health care costs. DOD also needs to gather enrollment and performance data so that it and Congress can assess TRICARE's success in the future.

HEHS-96-129, June 17, 1996 (28 pages). Health Insurance for Children: Private Insurance Coverage Continues to Deteriorate.

Despite larger numbers of parents who work full-time, private health insurance coverage for children is declining. The number of children without health insurance coverage reached 10 million in 1994—the largest number since 1987. In comparison, the number of adults who have lost their health insurance coverage appears to have stabilized during the past two years. Meanwhile, although Medicaid provided health coverage for 16 million children in 1994, more than 60 percent of those children had a working parent. This trend is straining public resources: Taxpayers end up paying either for Medicaid coverage or for hospital subsidies to provide acute care for the uninsured. In response to rising Medicaid costs, state and local governments are considering various program changes, some of which have profound implications for health care coverage for children, such as proposals to remove guaranteed eligibility. Other changes that strengthen the private insurance market may also significantly affect children's future coverage.

HEHS-96-130, May 31, 1996 (44 pages). Davis-Bacon Act: Process Changes Could Raise Confidence That Wage Rates Are Based on Accurate Data.

The Davis-Bacon Act requires employers on federal construction projects to pay workers wages at or above the level determined to be prevailing in a geographic area. Critics say that the act artificially inflates federal construction costs—a charge with serious financial implications given that the federal government will contract about \$42 billion in construction projects during fiscal year 1996, according to Congressional Budget Office estimates. Inaccurate wage determination could lead either to excessive government construction costs or to large numbers of workers receiving wages and fringe benefits that are lower than those required by law. This report (1) identifies the steps used by the Labor Department to collect data and determine and report the prevailing wages to be paid on federally funded construction projects, (2) discusses weaknesses in the determination process that could have resulted in the use of inaccurate or fraudulent data, and (3) assesses the extent to which Labor is addressing weaknesses in its determination process.

HEHS-96-131, Sept. 6, 1996 (32 pages). Medicaid: Oversight of Institutions for the Mentally Retarded Should Be Strengthened.

Medicaid provides more than \$5 billion each year to support state institutions that house and care for the mentally retarded. Despite federal standards, serious quality-of-care problems exist at some institutions. Insufficient staffing, lack of treatments to enhance patients' independence and functional ability, and deficient medical and psychiatric care are some of the shortcomings that have been cited most frequently. In a few cases, these practices have led to

injuries, illness, physical degeneration, and even death for some residents. States, which play a key role in ensuring that these institutions meet federal standards, do not always identify serious deficiencies and sometimes do not take adequate enforcement measures to prevent the recurrence of poor care. Although the Health Care Financing Administration has tried to improve the process for spotting serious deficiencies in these institutions and has sought to make more efficient use of limited federal and state resources, oversight weaknesses persist. Moreover, state surveys may lack independence because states are responsible for surveying their own institutions. This potential conflict of interest raises concern given the decline in direct federal oversight of both care in these facilities and the performance of state surveying agencies.

HEHS-96-133, July 11, 1996 (88 pages). SSA Disability: Return-to-Work Strategies From Other Systems May Improve Federal Programs.

Between 1985 and 1994, the number of working-age people in the Social Security Administration's (SSA) disability insurance and supplemental security income programs rose 59 percent, from 4 million to 6.3 million. Concern about such growth has been compounded by the fact that less than half of one percent of disability insurance beneficiaries ever leave the disability rolls and return to work. A recent GAO report (GAO/HEHS-96-62) urged SSA to place more emphasis on return-to-work efforts. If an additional one percent of the 6.3 million beneficiaries were to leave SSA's disability rolls and return to work, lifetime cash benefits would be reduced by nearly \$3 billion. The magnitude of disability costs in the workplace has spurred companies to develop strategies to return disabled employees to the workplace—an effort that can help businesses reduce costs, such as disability benefit payments and

disability insurance premiums. This report discusses (1) key practices used in the U.S. private sector to return disabled employees to the workplace and (2) examples of how other countries implement return-to-work strategies for disabled persons.

HEHS-96-136, July 31, 1996 (66 pages). Medicaid Managed Care: Serving the Disabled Challenges State Programs.

With its emphasis on primary care, restricted access to specialists, and control of services, managed care is seen as a way to control spiraling Medicaid costs, which totaled \$159 billion in fiscal year 1995. So far, states have extended prepaid care largely to low-income families—about 30 million persons—but to few of the additional six million Medicaid beneficiaries who are mentally or physically disabled. Managed care's emphasis on primary care and control of services is seemingly at odds with the care requirements of disabled beneficiaries, many of whom need extensive services and access to highly specialized providers. However, because more than one-third of all Medicaid payments go for the care of the disabled, policymakers have been exploring the possibility of enrolling disabled persons in managed care plans. These efforts affect three key groups: disabled beneficiaries, who include a small number of very vulnerable persons who may be less able to effectively advocate on their own behalf for access to needed services; prepaid care plans, which are concerned about the degree of financial risk in treating persons with extensive medical needs; and the state and federal governments, which run Medicaid. This report examines the (1) extent to which states are implementing Medicaid prepaid managed care programs for disabled beneficiaries and (2) steps that have been taken to safeguard the interests of all three groups. GAO's review of safeguards focuses on two areas: efforts

to ensure quality of care and strategies for setting rates and sharing financial risk.

HEHS-96-139W, May 1, 1996 (19 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents published during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts, who can answer questions about specific reports.

HEHS-96-140, July 17, 1996 (52 pages). Job Corps: Where Participants Are Recruited, Trained, and Placed in Jobs.

The Job Corps, a national employment training program run by the Labor Department, serves about 66,000 participants at 112 centers in 46 states, the District of Columbia, and Puerto Rico. GAO found that the Job Corps has the capacity to serve 81 percent of program participants in their home states—52,000 of 64,000 participants from states with Job Corps centers could have been assigned to a center in their state of residence. About 59 percent of participants were assigned to centers in their home state; the remaining participants were sent to centers outside their home state and traveled an average of more than four times as far as they would have had they been assigned to the closest center in their state of residence. Regardless of where they were trained, however, about 83 percent of those participants who got jobs were employed in their home state.

HEHS-96-141, May 13, 1996 (38 pages). Defense Health Care: Effects of Mandated Cost Sharing on Uniformed Services Treatment Facilities Likely to Be Minor.

The establishment of uniform benefits and cost sharing for Defense Department (DOD) beneficiaries is a key component of the TRICARE program and is something that GAO and others have long advocated. Such uniformity would, in GAO's view, eliminate inequities and confusion that now exist among beneficiaries of military health plans. Although adopting TRICARE cost shares may cause some minor adverse selection for the Uniformed Services Treatment Facilities (USTF), there should be no lasting negative financial impact on its operations. Moreover, the new cost shares, which are similar to health maintenance organizations, are appropriate for the risks to be borne by the USTFs and will likely make the USTF population more similar to DOD's general beneficiary population. More importantly, there should be a financial impact. DOD's current USTF capitation methodology takes into account and allows for adjusted reimbursement levels for such higher costs that result from changes in the enrollee cost shares and population characteristics.

HEHS-96-142, Aug. 30, 1996 (46 pages). School Finance: Options for Improving Measures of Effort and Equity in Title I.

Disparities in per pupil funding for elementary and secondary education within each state have long been a concern of parents, teachers, state officials, and federal officials. Since the early 1970s, these disparities have prompted poor districts in more than 40 states to challenge the constitutionality of their states' school finance systems. Under Title I's Education Finance Incentive Program, states with high levels of "fiscal effort" for education—that is, high state spend-

ing relative to the state's ability to pay—and equity in per pupil spending would receive additional funds. In June 1994, GAO cited weaknesses in the proposed measures of effort and equity used in the Title I program. (See improved. This report (1) examines the measures now included in Title I's Education Finance Incentive Program to reflect state fiscal effort for education and equity in per pupil spending, (2) proposes several options for improving these measures, (3) describes the characteristics of states with higher levels of effort and equity under both the current definitions and the options GAO developed, and (4) suggests alternative ways the options GAO developed could be used in allocating funds under the Education Finance and Incentive Program.

HEHS-96-143, July 12, 1996 (108 pages). Department of Education: Status of Actions to Improve the Management of Student Financial Aid.

Each year, the Department of Education provides students with billions of dollars in loans and grants for postsecondary education. Concerns have been raised over the years about fraud and abuse in these student aid programs, especially the Federal Family Education Loan Program and the Pell Grant Program. Concerns have also been expressed about the inadequacy of the Department's procedures for gatekeeping—determining which schools can participate in these programs—and program review. In total, a Senate committee, the Department's Office of Inspector General, and GAO have made more than 200 recommendations to the Department. This report discusses the (1) Department's response to these recommendations and whether the Department's actions address the recommendations and (2) reasons the Department gave for not acting on some recommendations.

HEHS-96-145, Aug. 16, 1996 (17 pages). Medicare: Early Resolution of Overcharges for Therapy in Nursing Homes Is Unlikely.

Nursing homes and therapy companies continue to bill Medicare at very high rates for occupational and speech therapy. Moreover, the bills do not specify the amount of time spent with patients or the treatments provided. The weaknesses that GAO reported more than a year ago—the lack of salary guidelines setting limits on Medicare reimbursements for occupational and speech therapist's services and unclear billing for these services—persist. Although the Health Care Financing Administration (HCFA) recognized as early as 1990 that inappropriate charges for occupational speech therapy were a problem, it is still trying to establish salary equivalency guidelines for these services. HCFA proposed guidelines based on a Bureau of Labor Statistics survey of average salaries for hospital therapists, but the industry was not satisfied and did its own survey. HCFA is now analyzing those survey results. The prospect for a quick resolution to the billing problem with therapy services is unlikely. Historically, it has taken HCFA years to reduce high payment rates for supplies or services. Given the typical time involved in meeting federal notification and publication requirements for changing Medicare prices, salary equivalency guidelines may not be implemented until the summer of 1997 at the earliest. GAO urges Congress to consider granting HCFA legislative relief from these requirements.

HEHS-96-148, June 24, 1996 (191 pages). School Facilities: Profiles of School Condition by State.

This report profiles the condition of school facilities in the 50 states and the District of Columbia. Each profile discusses the condition of school buildings and building features, the

adequacy of environmental conditions, the extent to which facilities are meeting the functional requirements of education reform and technology, the range of funding needed to bring schools into good overall condition, and the money needed to address federal mandates for managing and correcting environmental hazards and providing access to programs for the disabled.

HEHS-96-152, Aug. 30, 1996 (25 pages). Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners.

Despite Social Security Administration (SSA) procedures to detect supplemental security income recipients in county and local jails, GAO found that \$5 million had been erroneously paid to prisoners in the jail systems it reviewed. SSA had been unaware of many of these payments and, therefore, had made no attempt to recover them. Various factors contributed to these payments. First, SSA field offices have not been compiling information regularly on prisoners in county and local jails. Second, the supplemental security recipient—or the person or organization designated to receive payments on the recipient's behalf—has not been reporting the incarceration, as required. Third, SSA sometimes falls short in periodically reviewing—either by mail or interview—a recipient's continued financial eligibility for supplemental security income. Under a new SSA initiative, field offices will be required to obtain prisoner information from county and local jails, and SSA plans to monitor field office compliance with this requirement. It is too early to tell, however, whether this initiative will be successful.

HEHS-96-154, Aug. 15, 1996 (76 pages). Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs.

During the past 15 years, tuition at four-year public colleges and universities rose 234 percent. In contrast, median household income rose only 82 percent. This increase in tuition also substantially exceeded the 74-percent increase in the cost of consumer goods—as measured by the Consumer Price Index. The two factors most responsible for the rise in tuition were increases in schools' expenditures and schools' greater dependency on tuition as a source of revenue. Increases in instruction, administration, and research expenditures accounted for much of the increase. The increased spending for instruction was driven largely by increases in faculty salaries, which rose 97 percent during the period. At the same time, the share of schools' revenue provided by tuition rose from 16 percent to 23 percent, as the share of revenue derived from state appropriations fell by 14 percentage points. GAO found wide variation in tuition charges among states in school year 1995-96. These variations are explained partly by states' levels of support. Colleges have tried to deal with students' increasing financial burden in several ways, including holding down tuition increases, making paying for college easier, and streamlining students' progress to graduation to keep their total charges lower. Because some of the efforts are in the early stages of implementation, little has been done to evaluate their effectiveness.

HEHS-96-155, Sept. 3, 1996 (31 pages). Vocational Rehabilitation: VA Continues to Place Few Disabled Veterans in Jobs.

Despite legislation requiring the Department of Veterans Affairs (VA) to find suitable employment for disabled veterans and GAO reports urging VA to implement this requirement, VA continues to place few veterans in jobs. During the past five years, VA rehabilitated about eight percent of the 74,000 veterans eligible

for vocational rehabilitation program services. Moreover, the characteristics of program participants are changing. For example, only about one in four veterans in the vocational rehabilitation program has a serious employment handicap, and this ratio has been steadily declining. Moreover, VA lacks data on the cost of providing rehabilitation services to individual veterans. GAO's review of more than 100 case files, however, showed that VA spent an average of about \$20,000 on each veteran who gained employment and about \$10,000 on each veteran who dropped out of the program. Generally, more than half of the total costs consisted of payments covering veterans' basic living expenses. GAO's analysis of data for the Department of Education's state vocational rehabilitation program shows that, during the past five years, state agencies rehabilitated 37 percent of the 2.6 million persons eligible for vocational rehabilitation services. Moreover, most program participants had severe disabilities. The states spent, on average, about \$3,000 on each client who achieved employment and about \$2,000 on each client who dropped out of the program; the state program does not cover client living expenses.

HEHS-96-157, Aug. 23, 1996 (144 pages). Occupational Safety and Health: Violations of Safety and Health Regulations by Federal Contractors.

The federal government spends roughly \$200 billion annually on contracts for goods and services. Some companies continue to be awarded contracts every year even though they violate federal laws intended to protect worker health and safety. Legislation now pending before Congress would restrict companies that violate the Occupational Safety and Health Act from receiving federal contracts. Another proposal would reward companies for responsible behavior by reducing

taxes and offering preferences to firms that train workers and take other steps to promote the economic security of their employees. This report (1) determines how many companies receiving federal contracts have also been assessed penalties for violating occupational safety and health regulations, (2) describes the characteristics of these contractors and their contracts, (3) describes the kinds of violations for which these contractors were cited, and (4) identifies ways to improve contractor compliance with workplace safety and health requirements.

HEHS-96-159W, June 1, 1996 (23 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents published during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.

HEHS-96-160, Sept. 11, 1996 (148 pages). VA Health Care: Issues Affecting Eligibility Reform Efforts.

The evolution of the Department of Veterans Affairs (VA) during the past 60 years has resulted in a maze of complex eligibility rules. These rules frustrate veterans, who cannot understand what services they can get from VA, and VA physicians and administrative staff, who have to interpret the eligibility provisions. Proposals to simplify and expand eligibility for veterans' health care benefits have been put forth by Congress, the administration, and leading veterans service organizations. This report discusses (1) the

evaluation of the VA health care system and VA eligibility; (2) the problems that VA's current eligibility and health services contracting provisions create for veterans and providers; (3) the extent to which VA provides veterans with health care services for which they are not eligible; (4) legislative proposals to reform VA eligibility and contracting rules and their potential effect on ease of administration, equity to veterans, costs to VA, and clarity of eligibility for veterans' health benefits; and (5) approaches that could be used to limit the budgetary effects of eligibility reforms.

HEHS-96-161, Aug. 19, 1996 (34 pages). Health Insurance Regulation: Varying State Requirements Affect Cost of Insurance.

As concern about the affordability of health coverage has grown, the costs attributed to state regulation of health insurance have come under increasing scrutiny. State health insurance regulation is intended to protect consumers through oversight of health plans' financial solvency, monitoring of insurers' market conduct to prevent abuses, and mandated coverage for particular services. Although these measures do benefit consumers, they result in costs to insurers that are ultimately passed on to consumers in their premiums. These costs may influence an employer to self-fund its health plan—a move that avoids state insurance regulation. This report examines the costs associated with (1) premium taxes and other assessments, (2) mandated health benefits, (3) financial solvency standards, and (4) state health insurance reforms affecting small employers. GAO discusses the impact of these requirements on the costs of insured health plans compared with the cost of self-funded health plans.

HEHS-96-163, Aug. 29, 1996 (25 pages). Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data.

The Supplemental Security Income program, which provides cash benefits to the aged, the blind, and the disabled, could be run more efficiently. More importantly, millions of dollars in overpayments could be prevented or detected quickly if information were available on-line during eligibility assessments. GAO estimates that direct on-line access to state computerized income information could have prevented or quickly detected more than \$131 million in overpayments caused by unreported or underreported income nationwide in one 12-month period. However, in Social Security Administration (SSA) field offices where direct access to computerized state information has been implemented, SSA claims representatives did not use it to detect overpayments. The claims representatives did use it to process claims more efficiently, and SSA's preliminary results have shown that its use has reduced administrative expenses. Establishing on-line access between SSA field offices and state agency databases would require only minimal computer programming in most states; some states would need additional hardware, such as computer lines.

HEHS-96-170, Sept. 27, 1996 (31 pages). SSA Disability Redesign: More Testing Needed to Assess Feasibility of New Claim Manager Position.

To better manage increasing workloads with fewer resources, the Social Security Administration (SSA) in 1993 embarked on a seven-year effort to redesign its disability claims process to make it more customer focused and efficient. Currently, disability claimants often wait nearly a year for a final disability decision.

Further, disability claimants are unhappy with the lack of face-to-face contact with the SSA staff who make disability decisions. A key initiative in SSA's redesign plan is the establishment of the disability claim manager position, which would have total responsibility for adjudicating disability claims and authorizing benefit payments. The idea is to give the claimant access to the person who makes the determination and allow for a dialogue between them. This report discusses (1) SSA's efforts to test and implement the disability claim manager position, (2) the major concerns about the position, and (3) SSA's efforts to staff the position.

HEHS-96-176, Aug. 2, 1996 (28 pages). 401(k) Pension Plans: Many Take Advantage of Opportunity to Ensure Adequate Retirement Income.

Many workers fill the gap between social security and an adequate retirement income with pension benefits, and one in four workers with pension coverage participates in a 401(k) program. GAO found, among other survey results, that workers with higher incomes and college educations tended to contribute more to 401(k) plans than others, and women tend to invest more conservatively than do men. Also, higher-income workers and better-educated workers with 401(k) pension plans tend to contribute a larger proportion of their salaries to their pension accounts and to invest their pension funds in higher-yielding assets than do other 401(k) plan participants. Consequently, although many workers will have enough retirement income, some workers, especially those with less education and lower incomes, risk inadequate retirement incomes.

HEHS-96-178, Sept. 16, 1996 (208 pages). Education and Labor: Information on the Departments' Field Offices.

The federal government's \$66 billion investment in a host of education, employment training, and worker protection programs is administered largely by the Departments of Education and Labor. This report provides information on the more than 1,100 field offices supporting the Departments of Education and Labor. GAO discusses (1) the locations of the field offices; (2) field office functions, staffing, space, and operating costs; and (3) recent changes in field office structure that the Departments have made, or are planning, to improve efficiency.

HEHS-96-180, Sept. 10, 1996 (23 pages). Medigap Insurance: Alternatives for Medicare Beneficiaries to Avoid Medical Underwriting.

Although the Medicare program covers a substantial share of its beneficiaries' health expenses, it does require deductibles and coinsurance that can amount to thousands of dollars a year. Most beneficiaries obtain private insurance to supplement Medicare when they become eligible for the program at age 65. On occasion, beneficiaries decide to change Medigap policies and may then become subject to medical underwriting—that is, the insurer can take into account a person's health status or medical history in deciding whether to sell a policy. GAO found that few beneficiaries decide later to change their policies, and those that do have at least one alternative for changing without being subject to medical underwriting. These alternatives, however, are not guaranteed by federal law, and it is possible that circumstances could change in the future. Federal Medigap law could be amended to furnish such a guarantee to beneficiaries who have been continuously covered by Medigap. Such a change should not have any major effect because it would not alter beneficiary incentives for Medigap coverage.

HEHS-96-183W, July 1, 1996 (19 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents issued during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.

HEHS-96-184, Sept. 17, 1996 (32 pages). Medicaid: States' Efforts to Educate and Enroll Beneficiaries in Managed Care.

With managed care now being increasingly offered as an option for Medicaid recipients, reports of marketing abuses by managed care organizations have grown, prompting several states to restrict direct marketing efforts by managed care organizations. GAO found that some managed care organizations and their agents have engaged in unscrupulous practices to maximize beneficiary enrollment—and thereby boost plan revenues and commissions. These practices include bribing public officials to obtain confidential information on beneficiaries, paying beneficiaries cash and providing other incentives to sign up, deliberately misinforming beneficiaries about access to care, and enrolling ineligible beneficiaries—as many as 4,800 in one state. To avoid these problems, many states have banned or restricted direct-marketing activities by managed care organizations and have retained responsibility for enrolling or disenrolling Medicaid beneficiaries. This report provides detailed information on four states—Minnesota,

Missouri, Ohio, and Washington—with innovative education and enrollment programs.

HEHS-96-195W, Aug. 1, 1996 (19 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disability, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents issued during the past four months, organized chronologically by subject. Order forms are included, as is a list of subject area experts who can answer questions about specific reports.

HEHS-196, Sept. 12, 1996 (28 pages). Social Security Administration: Effective Leadership Needed to Meet Daunting Challenges.

With a staff of 64,000, the Social Security Administration (SSA) runs the nation's largest federal program—social security—as well as the largest cash welfare program—supplemental security income. SSA's expenditures totaled \$363 billion in fiscal year 1995, nearly one-fourth of the \$1.5 trillion federal budget. SSA programs touch the lives of nearly every American, providing benefits to the retired, the disabled, and their dependents and survivors. This report, which is based on July 1995 testimony before Congress (GAO/T-OCG-96-7), discusses SSA's progress in meeting the challenges of managing for results and accountability; funding future retirement benefits; rethinking supplemental security income fraud, waste, and abuse; handling increasing workloads with fewer resources; and establishing effective leadership.

HEHS-96-198, Sept. 3, 1996 (29 pages). VA Health Care: Travis Hospital Construction Project Is Not Justified.

The Department of Veterans Affairs (VA) has requested \$211 million for a hospital construction project at Travis Air Force Base in California. The project would provide additional hospital beds for veterans who were previously served by a VA hospital in Martinez, California, that closed in 1991 because of concerns about earthquake safety. GAO concludes that the additional hospital beds and outpatient clinic VA has proposed for Travis are unnecessary. Today, more than 3,300 hospital beds in northern California are going unused, including beds in VA, Air Force, and community hospitals. In addition, the VA population is expected to drop by about 25 percent between 1995 and 2010. Further, VA has not considered the likely negative effects the additional beds could have on other hospitals in northern California, particularly community hospitals in the Solano County areas surrounding Travis that have occupancy rates of about 40 percent. Several more efficient alternatives are available to VA in the event that demand for hospital care increases. For example, existing clinic's hospital referral patterns could be changed to manage excess capacity in existing VA and Defense Department hospitals. Similarly, VA clinics should be able to purchase care from community hospitals more conveniently and at a lower cost than would be incurred through the construction of additional beds. Legislation to expand VA's contracting authority is pending in Congress. Finally, with the planned closure of the Mather hospital, VA has an opportunity to acquire a fully functional facility for use as either a hospital or an outpatient clinic.

HEHS-96-207, Sept. 11, 1996 (28 pages). Maternity Care: Appropriate Follow-Up Services Critical With Short Hospital Stays.

Although the debate over maternity care has focused on the shortening of the hospital stay after childbirth, the critical issue is whether mothers and newborns are receiving all necessary services. Some services traditionally given in the hospital may be just as effectively delivered in other settings. For example, breast-feeding instruction and metabolic screening tests can be done in a patient's home or at a clinic. Discharging mothers and babies from the hospital in less than 48 hours after birth appears safe in those cases where the policy is selectively and flexibly applied to uncomplicated vaginal deliveries and where proper follow-up services are provided. Some health plans have established comprehensive early discharge programs demonstrating that short stays do not result in adverse outcome. Not all patients, however, will necessarily receive the full range of appropriate services. Evidence exists that women and newborns are being discharged early without much follow-up care. Even when follow-up care is provided, it is not always delivered promptly by trained health professionals. Requiring insurers to either cover hospital stays of 48 hours for vaginal births or cover follow-up care within 72 hours of discharge may be giving the public a false sense of security. Extending hospital stays to 48 hours may provide for greater medical surveillance, but it does not include the period when many neonatal problems usually arise—at three days of age.

HEHS-96-209W, Sept. 1, 1996 (19 pages). Health, Education, Employment, Social Security, Welfare, and Veterans Reports.

This monthly bibliography lists GAO documents on health, education, employment, social security, disabil-

ity, welfare, and veterans issues. One section summarizes reports and testimony issued during the past month. Another section lists the titles of all documents issued during the past four months, organized chronologically by subject. Order forms are included, as is a list of issue area experts who can answer questions about specific reports.

Testimony

T-HEHS-96-5, Oct. 2, 1995 (8 pages). Medicare: Excessive Payments for Medical Supplies Continue Despite Improvements, by Jonathan Ratner, Associate Director, Health Financing Issues, before the Labor, Health and Human Services, Education, and Related Agencies Subcommittee, Senate Committee on Appropriations.

Despite improvements by the Health Care Financing Administration (HCFA) in claims monitoring, problems in payments for medical supplies persist. The inflexibility of Medicare's fee schedule results in payment rates that are higher than wholesale and many retail prices. In addition, in the case of many part A claims, claims processing contractors do not know what they are paying for, and in the case of part B claims, have not had a basis for questioning unreasonably high charges. Neither type of contractor has been able to test claims for possible duplicate payments. For these reasons, Medicare has lost hundreds of millions of dollars in unnecessary payments. By obtaining the legislative authority to modify payment rates in accordance with market condition, requiring providers to itemize claims, and introducing the relevant medical policies before paying for new benefits, HCFA could reduce its dollar losses arising from medical supply payments. Contractors could avoid paying unreasonable charges and making duplicate payments.

T-HEHS-96-7, Nov. 2, 1995 (16 pages). Fraud and Abuse: Medicare Continues to Be Vulnerable to Exploitation by Unscrupulous Providers, by Sarah F. Jaggar, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

The vast majority of Medicare providers try to abide by program rules and strive to meet beneficiaries' needs. Nevertheless, Medicare is overwhelmed in its attempts to keep pace with, much less stay ahead of, those bent on cheating the system. GAO's recent investigations of Medicare fraud and abuse have implicated home health agencies, medical suppliers, pharmacists, rehabilitation therapy companies, and clinical laboratories. They are attracted by the high reimbursement levels for some supplies and services, and the few barriers to entry into this lucrative marketplace. Once engaged in these profitable activities, exploitative providers too often escape detection because of inadequate claims scrutiny, elude pursuit by law enforcement authorities because of the authorities' limited resources and fragmented responsibilities, and face little risk of speedy or appropriate punishment.

T-HEHS-96-14, Oct. 17, 1995 (11 pages). National Service Programs: AmeriCorps*USA—Early Program Resource and Benefit Information, by Linda G. Morra, Director, Education and Employment Issues, before the Oversight and Investigations Subcommittee, House Committee on Economic and Educational Opportunities.

This testimony discusses the major points raised in GAO's recent report on AmeriCorps*USA (GAO/HEHS-95-222, Aug. 1995). GAO found that for program 1994-95, total resources available for AmeriCorps*USA programs included more than the appropriations for the Corporation for National and Community Service. More than one-third of the financial

resources available for AmeriCorps*USA grantee's programs came from sources outside the Corporation, mostly from other federal agencies and from state and local governments. Total resources available per AmeriCorps*USA participant averaged \$26,654, of which about \$17,600 came from the Corporation, \$3,200 from non-Corporation federal sources, and \$4,000 from state and local governments. The remaining amount—roughly \$1,800—came from the private sector. Resources available per participant were lower from programs run by nonfederal organizations than for programs run by federal agencies. Total resources available to AmeriCorps*USA grantees' programs equaled about \$16 per service hour. AmeriCorps*USA grantee programs are authorized to help communities address unmet human, educational, environmental, and public safety needs. At the grantee sites that it visited, GAO found that the projects had been designed to strengthen communities, develop civic responsibility, and expand educational opportunities from program participants and others.

T-HEHS-96-41, Oct. 18, 1995 (16 pages). VA Health Care: Efforts to Increase Sharing With DOD and the Private Sector, by David P. Baine, Director, Health Care Delivery and Quality Issues, before the Hospitals and Health Care Subcommittee, House Committee on Veterans' Affairs.

Health resources sharing, which involves the buying, selling, or bartering of health care services, can be helpful to both parties in the agreement and helps contain health care costs by making better use of medical resources. For example, it is often cheaper for a hospital to buy an infrequently used diagnostic test from another hospital than it is to buy the equipment and provide the service itself. Similarly, a hospital using an expensive piece of equipment only

four hours a day but is staffed to operate the equipment for eight hours could make money by selling its excess capacity to other providers. This testimony discusses the status and future direction of the Veterans Affairs' (VA) health care resources sharing with the Defense Department (DOD) and the private sector. Specifically, GAO focuses on (1) the origin and the evolution of VA's sharing authority, (2) the growth in sharing agreements, and (3) challenges facing VA as it enters into more and more sharing agreements with the private sector.

T-HEHS-96-42, Oct. 17, 1995 (18 pages). OSHA: Potential to Reform Regulatory Enforcement Efforts, by Cornelia M. Blanchette, Associate Director, Education and Employment Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Although the Occupational Safety and Health Administration (OSHA) has accomplished more than may often be acknowledged during its fairly short history, its current approaches to regulating safety and health are in some cases dated and frustrating for both workers and employers. What is needed, according to employer and employee representatives GAO spoke with, is a greater service orientation. This means better communication with business and labor, greater employer and worker accessibility to compliance information, and more cooperation with both business and labor throughout the regulatory process. By developing alternative regulatory strategies that supplement and in some instance substitute for its often confrontational and labor-intensive enforcement approach, OSHA may be able to carry out its statutory responsibilities in a more effective manner. To its credit, OSHA has begun to change its enforcement approach, although it may be too early to assess any effects.

T-HEHS-96-57, Nov. 2, 1995 (9 pages). Senior Community Service Employment: Program Delivery Could Be Improved Through Legislative and Administrative Actions, by Cornelia M. Blanchette, Associate Director, Education and Employment Issues, before the Early Childhood, Youth, and Families Subcommittee, House Committee on Economic and Educational Opportunities.

The Labor Department's Senior Community Service Employment Program finances part-time, minimum-wage community service jobs for about 100,000 poor elderly Americans. GAO found that Labor distributes program funds through noncompetitive grants to 10 national organizations, called national sponsors, and to state agencies. These national sponsors and state agencies, in turn, use the grant funds to finance local employment projects run by community service host agencies, such as libraries, nutrition centers, and parks—that directly employ older Americans. GAO found that the relative distribution of funds to the national sponsors and state agencies along with Labor's method of implementing the hold harmless provisions have resulted in the distribution of funds among and within states that bear little relationship to actual need. GAO also found that, under Labor's regulations, expenditures that GAO believes to be administrative in nature may be charged to another cost category, allowing grantees to exceed the statutory 15-percent limit on administrative costs.

T-HEHS-96-75, Jan. 18, 1996 (14 pages). Medicaid: Spending Pressures Spur States Toward Program Restructuring, by William J. Scanlon, Director, Health Systems Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Several factors, including federal mandates that expand eligibility, medical price inflation, and creative financing schemes, have boosted Medicaid costs. To contain these expenses, 22 states have recently sought waivers from federal regulations that limit their ability to run extensive managed care programs. Some of these states have required the enrollment of their acute care patients—primarily low-income women and children—into managed care programs and have expanded coverage to previously ineligible persons. Arizona, which runs a Medicaid managed care program under a federal waiver obtained more than 10 years ago, has lowered Medicaid spending by millions of dollars. It also leads the states in its development of information systems for collecting medical encounter data essential for assessing quality of care.

T-HEHS-96-85, Feb. 7, 1996 (9 pages). Pharmacy Benefit Managers: Early Results on Ventures With Drug Manufacturers, by John C. Hansen, Assistant Director, Health Financing and Public Health Issues, before the State Senate: Committee on Insurance, California.

Recently, some of the largest drug companies have merged or formed alliances with some of the largest pharmacy benefit managers (PBM). PBMs manage the prescription drug part of health insurance plans covering millions of Americans. These ventures gained attention not only because of their size but because of concerns that the PBMs would automatically give preference to their manufacturer partners' drugs over those made by competitors. The results of GAO's analysis of PBM formularies—a list of preferred prescription drugs by therapeutic class, often with cost designations—indicate that continued oversight of mergers and alliances between pharmaceutical manufacturers and PBMs is warranted to ensure competi-

tion in the marketplace. For example, the changes in Medco's formulary that appear to favor Merck drugs do not necessarily show that Medco automatically gave preference to Merck drugs over those of competitors. However, the formulary changes support the Federal Trade Commission's decision to continue monitoring the Merck/Medco merger and other such ventures.

T-HEHS-96-86, Feb. 8, 1996 (11 pages). Medicare: Millions Can Be Saved by Screening Claims for Overused Services, by Sarah F. Jaggar, Director, Health Financing and Public Health Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Medicare contractors routinely pay hundreds of millions of dollars in Medicare claims without first determining if the services provided are necessary. GAO reviewed payments to doctors for six groups of high-volume medical procedures—ranging from eye examinations to chest x-rays—that accounted for nearly \$3 billion in Medicare payments in 1994. GAO also surveyed 17 contractors to determine if they had used medical necessity criteria in their claims processing to screen for these six groups of procedures. For each of the six groups, more than half of the 17 contractors failed to use automated screens to flag claims for unnecessary, inappropriate, or overused treatments. These prepayment screens could have saved millions of taxpayer dollars now wasted on questionable services. Problems with controlling payments for widely overused procedures continue because the Health Care Financing Administration (HCFA) lacks a national strategy to control these payments. HCFA now relies on contractors to focus on procedures where local use exceeds the national average. Although this approach helps

reduce local overuse of some procedures, it is not designed to control overuse of a procedure nationwide.

T-HEHS-96-88, Feb. 6, 1996 (8 pages). Supplemental Security Income: Noncitizens Have Been a Major Source of Caseload Growth, by Jane L. Ross, Director, Income Security Issues, before the Immigration Subcommittee, Senate Committee on the Judiciary.

Noncitizens are among the fastest growing groups receiving benefits from the Supplemental Security Income Program (SSI), which provides means-tested benefits to eligible blind, elderly, or disabled persons. Noncitizens represent nearly one-third of aged SSI recipients and 5.5 percent of disabled recipients. About two-thirds of noncitizen SSI recipients live in three states—California, New York, and Florida. On the whole, noncitizens are more likely to receive SSI than citizens, but this may be true primarily for refugees and asylum seekers. Adult children of aged immigrants and others who say they are willing to financially support them sometimes do not. Eventually, many of these aged immigrants receive SSI. Also, some translators help noncitizens to fraudulently obtain SSI disability benefits.

T-HEHS-96-94, Feb. 29, 1996 (7 pages). Status of Medicare's Federal Hospital Insurance Trust Fund, by Sarah F. Jaggar, Director, Health Financing and Public Health Issues, before the House Committee on Ways and Means.

This testimony focuses on GAO's ongoing review of the status of Medicare's Federal Hospital Insurance (part A) Trust Fund. GAO discusses (1) when the administration became aware that the trust fund had an operating deficit—that is, cash outlays exceeded cash receipts—of \$36 million for fiscal year 1995 and how

the information was disseminated and (2) what the status is of current projections regarding the trust fund.

T-HEHS-96-99, Mar. 8, 1996 (24 pages). VA Health Care: Opportunities to Increase Efficiency and Reduce Resource Needs, by David P. Baine, Director, Health Care Delivery and Quality Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

With a fiscal year 1995 appropriation of \$16.2 billion, the Department of Veterans Affairs (VA) health care system faces mounting pressure to contain or reduce spending as part of governmentwide efforts to reach a balanced budget. This testimony addresses (1) VA's forecasts of future resource needs, (2) opportunities to run the VA system more efficiently, (3) differences between VA and the private sector in terms of initiatives to become more efficient, and (4) recent VA efforts to reorganize its health care system and create incentives to operate more efficiently.

T-HEHS-96-100, Mar. 7, 1996 (10 pages). Defense Health Care: TRICARE Progressing, but Some Cost and Performance Issues Remain, by Stephen P. Backhus, Associate Director, Health Care Delivery and Quality Issues, before the Military Personnel Subcommittee, House Committee on National Security.

The Defense Department's (DOD) nationwide managed health care program—TRICARE—represents a sweeping reform of the \$15 billion per year military health care system. TRICARE seeks to improve access to care and ensure high-quality, consistent health care benefits for the 1.7 million active-duty service members and some 6.6 million non-active-duty beneficiaries. It also seeks to preserve choice for non-active-duty beneficiaries by allowing them to choose whether to enroll in TRICARE Prime,

which resembles a health maintenance organization; use a preferred provider organization; or use civilian health care providers under a fee-for-service arrangement. Despite initial beneficiary confusion caused by education and marketing problems, early implementation of the program is progressing consistent with congressional and DOD goals. Measures may be necessary now, however, such as gathering cost and access-to-care data, to help Congress and DOD better assess the program's future success. In addition, retirees, who make up half of those eligible for military health care, remain concerned about TRICARE's effect on their access to medical services.

T-HEHS-96-102, Mar. 12, 1996 (9 pages). Scientific Research: Continued Vigilance Critical to Protecting Human Subjects, by Sarah F. Jaggar, Director, Health Financing and Public Health Issues, before the Senate Committee on Governmental Affairs.

Experiments ranging from the 40-year Tuskegee study, in which treatment was withheld from black men with syphilis, to the recently disclosed Cold War radiation experiments have revealed breakdowns in the protection of human subjects in government research. Questions have been raised about whether study participants understood what they would be subjected to and had an adequate opportunity to decline to participate. GAO found that better oversight of tens of thousands of research projects funded by the Department of Health and Human Services and drug studies regulated by the Food and Drug Administration appears to have reduced the likelihood of serious abuses of human subjects. The conspicuous activity of local institutional review boards and human subject protection efforts by federal agencies have heightened the research community's awareness of ethical conduct standards, increased compliance with federal regulations, and

served as deterrents to abuse of subjects' rights and welfare. However, little data exist that directly measure the effectiveness of human subject protection regulations. At the same time, no practical level of oversight can guarantee that each researcher will protect subjects with complete integrity. Time, resource, and other pressures threaten to reduce the effectiveness of local review board and federal agency oversight. As a result, continued vigilance over human subject research must remain a priority for the research community and the oversight agencies.

T-HEHS-96-107, Mar. 20, 1996 (43 pages). VA Health Care: Approaches for Developing Budget-Neutral Eligibility Reform, by David P. Baine, Director, Health Care Delivery and Quality Issues, before the Senate Committee on Veterans' Affairs.

Reforming eligibility for health care benefits offered by the Department of Veterans Affairs (VA) would pose a major challenge even with unlimited resources. But with Congress and VA facing mounting pressure to limit VA health care spending as part of governmentwide efforts to reduce the deficit, this challenge has become even greater. This testimony discusses (1) the problems that VA's current eligibility and contracting provisions create for veterans and providers, (2) the relationship between inappropriate admissions to VA hospitals and VA eligibility provisions, (3) proposals to reform VA eligibility and contracting rules and their potential impact on the deficit, and (4) options to achieving budget-neutral eligibility reform.

T-HEHS-96-114, Mar. 28, 1996 (6 pages). Prescription Drugs and the Elderly: Many Still Receive Potentially Harmful Drugs Despite Recent Improvements, by Sarah F. Jaggar, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

GAO's analysis of 1992 data found that 17.5 percent of nearly 30 million Medicare recipients were still being prescribed drugs that were generally unsuitable for their age group. Although this is an improvement over the almost 25 percent reported for 1987 data, the inappropriate use of prescription drugs remains a major health problem for the elderly. Insufficient coordination of patient drug therapies and weaknesses in communication between providers, pharmacists, and patients have compounded the problem. Inappropriate prescribing practices and the ensuing drug use have caused many elderly persons to suffer harmful effects that, according to the Food and Drug Administration, have resulted in hospitalizations costing \$20 billion annually. The costs are partly covered by Medicare and Medicaid. States, advocacy groups, and physician and pharmacy organizations have, however, taken steps to reduce inappropriate drug use. In addition, managed care, pharmacy benefit management, and other coordinated health care systems have features designed to reduce inappropriate prescription drug use among the elderly.

T-HEHS-96-127, Apr. 18, 1996 (8 pages). Employment Training: Successful Projects Share Common Strategy, by Carlotta Joyner, Director, Education and Employment Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Strong foreign competition has underscored the need for a skilled U.S. labor force. It has also focused attention on the many Americans who are unprepared for employment. The federal government earmarked about \$20 billion in fiscal year 1995 for 163 different training programs. GAO visited six projects that had outstanding results, as indicated by project completion rates, job placement and

retention rates, and wages. The projects GAO visited differed in many ways, but they shared a common strategy that has four key elements: (1) ensuring that clients were committed to training and getting jobs; (2) removing barriers, such as a lack of child care, that might hinder clients' ability to finish training and get and keep jobs; (3) improving clients' employability skills, such as getting to jobs regularly and on time, working well with others, and dressing and behaving appropriately; and (4) linking occupational skills training with the local labor market. The upshot is that clients are ready, willing, and able to benefit from training and employment programs and move toward self-sufficiency.

T-HEHS-96-134, Apr. 24, 1996 (9 pages). VA Health Care: Efforts to Improve Veterans' Access to Primary Care Services, by David P. Baine, Director, Health Care Delivery and Quality Issues, before the Hospitals and Health Care Subcommittee, House Committee on Veterans' Affairs.

The Department of Veterans Affairs (VA) runs one of the nation's largest health care systems, including 173 hospitals and 220 clinics. Last year, VA spent about \$16 million serving 2.6 million veterans. This testimony focuses on VA efforts to increase veterans' access to health care. GAO discusses legal, financial, and equity-of-access issues facing VA managers as they try to establish new "access points"—a VA clinic or a VA funded or reimbursed private clinic, group practice, or individual practitioner that is geographically separate from the parent facility. Access points are intended to provide primary care to all veterans and refer those needing specialized services or inpatient stays to VA hospitals.

T-HEHS-96-138, Apr. 30, 1996 (16 pages). Medicare: Private Payer Strategies Suggest Options to Reduce

Rapid Spending Growth, by Janet L. Shikles, Assistant Comptroller General, before the Health Subcommittee, House Committee on Ways and Means.

Improvements to Medicare's traditional fee-for-service program could yield much-needed savings. With better management, this program, which now serves about 90 percent of beneficiaries, could run more efficiently while continuing to serve well the nation's elderly. This means allowing Medicare to use tools similar to those used by private payers to manage health care costs. Negotiated discounts, competitive bidding, preferred providers, case management utilization reviews—these and other tools allow private payers to use market forces to control health care costs. Most, however, are not authorized for general use by the Health Care Financing Administration (HCFA), which runs Medicare. This results in a publicly financed program that pays higher-than-market rates for some goods and services and sometimes pays without question for improbably high bills. Recent HCFA efforts and pending legislation to address these problems appear promising. In addition, HCFA should test the feasibility of applying management strategies in high-cost high-utilization areas. Finally, Congress needs to give the Department of Health and Human Services the flexibility to make prompt price adjustments.

T-HEHS-96-146, May 21, 1996 (13 pages). National Service Programs: AmeriCorps*USA—First Year Experience and Recent Program Initiatives, by Cornelia M. Blanchette, Associate Director, Education and Employment Issues, before the Senate Committee on Labor and Human Resources.

This testimony presents information on the AmeriCorps*USA program, among the largest national and community service programs since

the Civilian Conservation Corps of the 1930s. GAO discusses the total amount of resources available from to support AmeriCorps*USA during its first year of operation (1995-95), expressed on a per-participant and per-service-hour basis. GAO also discusses the resources available to programs run by nonfederal and federal entities and cites examples of program benefits. In addition, GAO highlights some of the recent legislative, budgetary, and programmatic changes in AmeriCorps*USA since GAO testified before Congress in October 1995.

T-HEHS-96-147, June 5, 1996 (16 pages). Social Security: Disability Programs Lag in Promoting Return to Work, by Jane L. Ross, Director, Income Security Issues, before the Senate Special Committee on Aging.

Each week, the disability insurance and supplemental security income programs make more than \$1 billion in cash payments to persons with disabilities. Although these payments provide a measure of income security, they do little to enhance the work capacities and promote the economic independence of recipients. Societal attitudes have shifted, and current law, such as the Americans With Disabilities Act, promotes economic self-sufficiency among the disabled. A growing number of private companies are exploring ways to return people with disabilities to the workforce. Moreover, medical advances and new technologies provide greater opportunities for people with disabilities to work. This testimony discusses how the structure of the disability insurance and supplemental security income programs impede return to work and how strategies used in other disability systems could help restructure the programs to encourage recipients to return to work.

T-HEHS-96-149, May 23, 1996 (10 pages). Supplemental Security Income: Noncitizen Caseload Continues to Grow, by Jane L. Ross, Director, Income Security Issues, before the Human Resources Subcommittee, House Committee on Ways and Means.

Noncitizens are one of the fastest growing groups of recipients of supplemental security income (SSI) benefits. They represent nearly one-third of aged SSI recipients and about six percent of disabled recipients. Although the growth rate for noncitizen caseloads has slowed, it is still higher than that for citizens, and the proportion of noncitizens relative to other SSI recipients continues to rise. About two-thirds of noncitizens recipients—roughly 520,000—live in three states: California, New York, and Florida. On the whole, noncitizens are more likely to receive SSI than are citizens, but this may be primarily true for refugees and asylees. Adult children of aged immigrants and others who say they are willing to financially support them sometimes do not. Eventually, some of these older immigrants receive SSI. Also, some translators have helped noncitizens to fraudulently obtain SSI disability benefits.

T-HEHS-96-150, June 4, 1996 (20 pages). Social Security: Union Activity at the Social Security Administration, by Jane L. Ross, Director, Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

Union activities at federal agencies can range from representing employees in complaints against management to bargaining over changes in working conditions to negotiating union contracts with management. The government pays its workers' salaries and expenses for the time they are allowed to spend on union activities; it also provides other support, such as supplies and some

travel expenses. The Social Security Administration (SSA), like other federal agencies and some private sector firms, pays for approved time spent by its employees on union activities. To ensure accurate tracking of time spent on union activities and the staff conducting them, SSA has developed and is testing a new time-reporting system for its field offices and teleservice centers. GAO believes that the new time-reporting system should be implemented agencywide, including at headquarters, program service centers, the Office of Hearing and Appeals, and units now using the less reliable manual reporting system. With an improved agencywide system, SSA should have better information on where its resources are being spent.

T-HEHS-96-158, June 6, 1996 (13 pages). Higher Education: Ensuring Quality Education From Proprietary Institutions, by Cornelia M. Blanchette, Associate Director, Education and Employment Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

The Department of Education runs a host of student financial aid programs under title IV of the Higher Education Act of 1965. Under title IV, the federal government made about \$35 billion available in fiscal year 1995 to about seven million students pursuing postsecondary education. This testimony discusses "gatekeeping"—the process of ensuring that only schools providing quality education and training have access to title IV funds. GAO (1) lays out an overview of the regulatory framework for title IV programs and (2) provides its preliminary observations on proprietary schools.

T-HEHS-96-162, June 11, 1996 (17 pages). VA Health Care: Opportunities to Reduce Outpatient Pharmacy Costs, by David P. Baine, Director, Health Care Delivery and Quality

Issues, before the Hospitals and Health Care Subcommittee, House Committee on Veterans' Affairs.

The Department of Veterans Affairs (VA) allows its doctors to prescribe over-the-counter products because concerns have been raised that some veterans may lack the money to buy needed items. VA requires prescriptions as a way to control veterans' access to over-the-counter products in VA pharmacies. In fiscal year 1995, for example, VA pharmacies dispensed analgesics, such as aspirin and acetaminophen, nearly 3 million times. The benefits package that most VA facilities offer for over-the-counter products is more generous than that available from other health plans. VA also provides other features, such as free over-the-counter product mail service and deferred credit for copayments owed, that are not common in other plans. GAO makes several suggestions for reducing the amount of money VA spends to dispense over-the-counter products. First, VA staff could more strictly adhere to statutory eligibility rules. Second, VA could more efficiently dispense over-the-counter products and collect copayments. Third, VA facilities could further reduce the number of over-the-counter products available to veterans on an outpatient basis. Finally, Congress could expand copayment requirements.

T-HEHS-96-166, June 20, 1996 (11 pages). Davis-Bacon Act: Process Changes Could Address Vulnerability to Use of Inaccurate Data in Setting Prevailing Wage Rates, by Carlotta Joyner, Director, Education and Employment Issues, before the Workforce Protections Subcommittee, House Committee on Economic and Educational Opportunities, and Oversight and Investigations Subcommittee, House Committee on Economic and Educational Opportunities.

The Congressional Budget Office estimates that in fiscal year 1996, the

federal government will spend \$42 billion on construction contracts. Given the magnitude of these expenditures, inaccurate wage determinations could lead to excessive government construction costs or to large numbers of workers being paid wages and fringe benefits that are lower than required by law. GAO testified that vulnerabilities exist in the Labor Department's current wage determination process that could result in wage determinations being based on fraudulent or otherwise inaccurate data. GAO urges Labor to improve immediately its process to verify wage data submitted by employers.

T-HEHS-96-172, June 27, 1996 (24 pages). Veterans' Health Care: Challenges for the Future, by David P. Baine, Director, Health Care Delivery and Quality Issues, before the Hospitals and Health Care Subcommittee, House Committee on Veterans' Affairs.

With a budget of \$16.6 billion and a network of hundreds of hospitals, outpatient clinics, and nursing homes, the Department of Veterans Affairs' (VA) health care system provides medical services to more than 26 million veterans. VA is seeking to fundamentally change the way in which it runs its health care delivery and financing systems. It is also seeking authority to significantly expand eligibility for health care benefits and to both buy health care services from and sell health services to the private sector. This testimony discusses (1) changes in the veterans population and the demand for VA health care services; (2) how well the existing VA system, and other public and private health benefits programs, meet the health care needs of veterans; (3) steps that could be taken using existing resources and legislative authority to address veterans' unmet health care needs and increase equity of access; (4) how other countries have addressed the needs of an aging and declining veteran

population; and (5) approaches for preserving VA's direct delivery system, alternatives to preserving the direct delivery system, and combinations of both. both.

T-HEHS-96-205, Sept. 5, 1996 (10 pages). Fraud and Abuse: Providers Excluded From Medicaid Continue to Participate in Federal Health Programs, by Leslie Aronovitz, Associate Director, Health Services Quality and Public Health Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Although the Department of Health and Human Services' (HHS) Office of Inspector General (OIG) has excluded thousands of health care providers from state Medicaid programs because they committed fraud or delivered poor care to beneficiaries, weaknesses in the OIG's process could leave such providers on the rolls of federal health programs for unacceptable periods of time. This puts at risk the health and safety of beneficiaries and compromises the financial integrity of Medicaid, Medicare, and other federal health programs. The weaknesses include (1) lengthy delays in the OIG's decision process, even in cases where a provider has been convicted of fraud or patient abuse and neglect; (2) inconsistencies among OIG field offices regarding which providers will be considered for nationwide exclusion; (3) states not informing the OIG about providers who agree to stop participating in their Medicaid programs even though the provider withdrew because of egregious patient care or abusive billing practices; and (4) how states use information from the OIG to remove excluded providers from state programs. Because of incomplete records in the OIG field offices, GAO could not reach a conclusion as to the magnitude of these problems.

T-HEHS-96-206, Sept. 5, 1996 (13 pages). Blue Cross and Blue Shield: Change in Pharmacy Benefits Affects Federal Enrollees, by Sarah F. Jaggar, Director, Health Services Quality and Public Health Issues, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

Of the 400 health plans available to federal workers, the Blue Cross and Blue Shield plan is the largest, covering nearly 42 percent of the four million federal enrollees. To control drug costs, Blue Cross and Blue Shield recently began requiring federal enrollees to pay 20 percent of the price of prescriptions purchased at participating retail pharmacies. Previously, federal enrollees did not have to pay anything for prescription drugs. Enrollees may continue to receive drugs free of charge, however, if they buy them through the plan's mail order program. Members of Congress and retail pharmacies have raised concerns about the quality of mail order services and the effect of the change on the business of retail pharmacies that serve plan enrollees. To provide pharmacy services to its federal employee health plan, Blue Cross and Blue Shield contracts with two pharmacy benefit managers: PCS health Systems, Inc., which provides retail prescription drug services, and Merck-Medco Managed Care, Inc., which provides mail order drug services. This testimony discusses (1) Blue Cross and Blue Shield's reasons for the benefit change, (2) how it was implemented, (3) the change's effect on retail pharmacies, and (4) the extent to which PCS and Medco have met their contract requirements for services provided to the federal health plan.

T-HEHS-96-210, Sept. 12, 1996 (17 pages). SSA Benefit Statements: Statements Are Well Received by the Public but Difficult to Comprehend, by Diana S. Eisenstat, Associate Director, Income Security Issues,

before the Social Security Subcommittee, House Committee on Ways and Means.

The personal earnings and benefit estimate is a six-page statement produced by the Social Security Administration (SSA) that supplies information about a worker's yearly earnings on record at SSA; eligibility for social security retirement, survivor, and disability benefits; and estimates of these benefits. SSA has tried to improve the statement, and the public has found it to be helpful for retirement planning. However, the statement falls short in clearly communicating the complex information that readers need to understand concerning SSA's programs and benefits. For example, the document's design and organization make it difficult for readers to locate important information. Readers are also confused by several important explanations, such as who in their family is also eligible for benefits and how much these family members might receive. SSA is considering redesigning the statement, but only if this effort reduces printing costs. This approach overlooks hidden costs, such as (1) inquiries from people who do not understand the statement and (2) the possibility that a poorly designed statement can undermine public confidence.

T-HEHS-96-211, Sept. 12, 1996 (7 pages). SSA Disability Reengineering: Project Magnitude and Complexity Impede Implementation, by Diana S. Eisenstat, Associate Director, Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

Given the high cost and lengthy processing times of the Social Security Administration's (SSA) current disability claims process, the agency needs to continue its redesign efforts. SSA's redesign plan is proving to be overly ambitious, however. Some initiatives are also becoming more

complex as SSA expands the work required to complete them. The agency's approach is likely to limit the chances for the project's success and has delayed implementation: testing milestones have slipped and support for the redesign effort has waned. In addition, the increasing length of the overall project and specific initiatives heighten the risk of disruption from turnover among key executives. GAO believes that as SSA proceeds with its redesign project it should focus on key initiatives, starting first with those that will quickly and significantly reduce claims processing time and administrative costs.

T-HEHS-96-212, Sept. 12, 1996 (8 pages). Prescription Drugs: Implications of Drug Labeling and Off-Label Use, by Sarah F. Jaggar, Director, Health Services Quality and Public Health Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Physicians use a drug "off-label" when they prescribe a Food and Drug Administration (FDA)-approved drug for treatments other than those specified on the label. GAO testified that off-label prescribing is prevalent and presents various problems for policy-makers at different times. As it stands now, the problem is that the drug industry believes that labels overly constrain its ability to promote its products. This problem can be solved either by relying on sources in addition to the label to define appropriate promotion or by improving the process for updating the label. These two options are not necessarily mutually exclusive and both have benefits and drawbacks.

T-HEHS-96-215, Sept. 19, 1996 (16 pages). Medicare: Private-Sector and Federal Efforts to Assess Health Care Quality, by William J. Scanlon,

Director, Health Financing and Systems Issues, before the House Older Americans Caucus.

The Health Care Financing Administration (HCFA) now estimates that 4.3 million Medicare beneficiaries are enrolled in health maintenance organizations (HMO). Enrollment is believed to be growing at a rate of 100,000 new members per month. This testimony discusses ways to ensure that quality care is provided to the Medicare beneficiaries joining these HMOs. HCFA, which runs Medicare, finds the potential cost savings associated with managed care attractive. Concerns have been raised, however, that the cost control strategies employed by HMOs could undermine the quality of care. This testimony discusses (1) quality assessment methods used by large corporate purchasers of health insurance from HMOs, (2) quality assessment methods used by HCFA in administering the Medicare HMO program, (3) quality assessment methods HCFA plans for the future, and (4) what both corporate purchasers and HCFA are doing to share information about quality with employees and Medicare beneficiaries.

T-HEHS-96-216, Sept. 19, 1996 (8 pages). Prescription Drug Pricing: Implications for Retail Pharmacies, by Sarah F. Jaggar, Director, Health Services Quality and Public Health Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Congressional hearings during the late 1980s highlighted the fact that the prices that consumers paid for prescription drugs were increasing more rapidly than the rate of inflation. In 1990, Congress tried to control prescription drug expenditures by significantly changing the way that Medicaid pays for outpatient drugs. Vertical integration in the pharmaceutical market later became a concern, particularly mergers between large

drug companies and pharmacy benefit managers. This testimony responds to the following three questions: How and why has the process by which drugs get from manufacturers to patients changed? What have been the consequences for retail pharmacies of changes in this process? What general strategies are retail pharmacies undertaking or proposing to respond to an increasingly competitive environment?

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NSIAD-96-1, Mar. 12, 1996 (41 pages). State Department: Actions Needed to Improve Embassy Management.

The State Department has not acted on recommendations by GAO and Congress to improve the management of its overseas posts. GAO suggested that each diplomatic post establish a proactive management improvement program. Although State has taken steps to improve embassy management controls, these initiatives were inconsistently implemented at embassies GAO visited. As a result, long-standing management deficiencies continue to hinder the efficiency and the effectiveness of many embassies' operations. By contrast, three embassies—those in Ankara, Turkey; Dhaka, Bangladesh; and Tunis, Tunisia—have implemented management practices to improve administrative operations. These practices, which include tracking accounts receivables and automating travel vouchers, have strengthened internal controls, improved compliance with regulations, reduced costs, and led to more efficient and effective operations. In addition, these embassies differed from other posts GAO visited because of the active involvement of senior management and the use of existing reporting mechanisms. These management practices could be replicated at other embassies.

NSIAD-96-2, Dec. 1, 1995 (10 pages). Unmanned Aerial Vehicles: Hunter System Is Not Appropriate for Navy Fleet Use.

The Defense Department (DOD) is proceeding with the development of a variant of the Hunter unmanned aerial vehicle for use on Navy amphibious assault ships despite objections from Navy fleet commanders, who do not want the spy plane on their vessels because of the Hunter's questionable performance record and because of

limited shipboard space. Because the Hunter cannot take off or land vertically, a ship's crew would have to clear the back half of the ship's deck to allow the Hunter to take off and land. Helicopters and jets would have to be moved below deck or to the front of the ship. For Hunter landings, the crew would also have to erect a protective barrier to shield parked aircraft from an out-of-control Hunter. In addition, Hunter's ranger of about 100 miles is considered inadequate in the vast Pacific. Also, when Hunter is viewing land targets, its limited range means that the ship must move closer to shore, increasing the risk from shore patrol attacks, mines, and other threats. GAO concludes that DOD is at risk of investing in a spy plane that may never be used.

NSIAD-96-3, Jan. 29, 1996 (15 pages). Army Inventory: Budget Requests for Spare and Repair Parts Are Not Reliable.

The Army continues to rely on inaccurate data to determine its inventory requirements for spare and repair parts. For 258 items GAO reviewed, the Army overstated the inventory shortfall by nearly \$200 million. If accurate information had been used, the shortfall for these items would have totaled \$23 million rather than the \$211 million reported. Although the Army is aware of many of the processing, policy, data, and system problems, it has not corrected them because the Defense Department (DOD) is developing a system to determine standard requirements for all the services as part of its Corporate Information Management initiative. For that reason, DOD has limited the amount that the services can spend to change their existing systems. Army officials said that the standard system will not be up and running for at least four years. In the interim, the Army's budget requests may not represent its actual funding needs for spare and repair parts. Furthermore, unless the data prob-

lems are resolved now, the inaccurate data will be integrated into the new system.

NSIAD-96-4, Jan. 8, 1996 (12 pages). Army Acquisition: Medium Trucks Passed Key Operational and Technical Tests.

Army trucks—part of the Family of Medium Tactical Vehicles—passed technical and operational tests, paving the way for the Army's August 1995 decision to approve full-rate production. Following contractor modifications to correct vehicle deficiencies found in earlier testing, the Army conducted (1) a limited follow-on technical test to determine whether the trucks could meet contractual reliability and performance requirements and (2) a full operational test to determine whether it could meet its operational reliability and other mission requirements when operated and maintained by soldiers. The trucks exceeded reliability requirements in both tests and met most performance requirements. However, many of the test vehicles had not been produced on the production line or had been retrofitted to correct past deficiencies. Also, the contractor pretested both the technical and operational test vehicles and corrected deficiencies before delivering them to the Army for testing.

NSIAD-96-5, Feb. 21, 1996 (60 pages). Best Management Practices: Reengineering the Air Force's Logistics System Can Yield Substantial Savings.

Redesign of the Air Force's \$33 billion reparable parts inventory could benefit from adopting leading-edge practices used by the commercial airline industry to reduce costs and improve services. However, success hinges on the Air Force's ability to overcome major barriers, such as organizational resistance to change and poor inventory data. Some commercial manufacturers are

providing aircraft parts to their customers on a just-in-time basis, and suppliers are assuming inventory management responsibilities for airlines and manufacturers. One airline has reengineered its entire logistics system in an integrated fashion by examining all aspects of its logistics operations to pinpoint and remove inefficient processes and functions. The Air Force is beginning to test private-sector management practices, such as removing unnecessary inventory layers, repairing parts as they break, and rapidly transporting parts between the end user and the repair facility. GAO also recommends establishing a top-level Defense Department position to champion change, using third-party logistics services more often, building closer partnerships with suppliers, encouraging suppliers to use local distribution centers, centralizing repair functions, and modifying repair facilities to accommodate these new practices.

NSIAD-96-6, Mar. 11, 1996 (68 pages). Intelligence Agencies: Selected Personnel Practices at CIA, NSA, and DIA Compared to Other Agencies.

Intelligence agencies employ thousands of people who, for reasons of national security, are not covered by federal personnel statutory protections. Members of Congress have raised concerns that intelligence agency employees lack the same protections afforded other federal workers. GAO found that the Central Intelligence Agency, the National Security Agency, and the Defense Intelligence Agency have equal employment opportunity practices similar to those of other federal agencies. In contrast, adverse action practices at the intelligence agencies vary by agency and by type of employee. The external appeals procedures at the intelligence agencies differ from the procedures at other federal agencies in that most employ-

ees may not appeal adverse actions to the Merit Systems Protection Board. GAO's review indicated that with the retention of summary removal authorities, these intelligence agencies could follow standard federal practices, including the right to appeal adverse actions to the Merit Systems Protection Board, without undue risk to national security. GAO sees no justification for treating employees at these intelligence agencies differently from employees at other federal agencies except in rare national security cases.

NSIAD-96-7, Oct. 17, 1995 (25 pages). Enhanced Fiber Optic Guided Missile: Need to Define Requirements and Establish Criteria to Assess Performance.

The Army plans to acquire limited quantities of the Enhanced Fiber Optic Missile and field them for a two-year user evaluation. The missile is designed to strike armored combat vehicles and other targets beyond the line of sight at ranges up to 15 kilometers. The Army expects the limited acquisition to cost about \$280 million, but, on the basis of the results of the demonstration and evaluation, a much larger acquisition could occur. This report reviews selected aspects of the Army's plans for acquisition of the missile system.

NSIAD-96-8, Oct. 6, 1995 (23 pages). DOD Procurement: Millions in Contract Payment Errors Not Detected and Resolved Promptly.

The 374 business units—representing 82 large defense contractors and 57 small contractors—that responded to GAO's request for data as of July 1994 reported about \$231.5 million in outstanding overpayments and about \$625.9 million in underpayments. The evidence suggests that contractors reported that they followed up to collect underpayments and usually notified the Defense Department of overpayments. Contractors did not,

however, always return overpayments unless told to do so. The Defense Finance and Accounting Service Center in Columbus, Ohio, cannot readily detect payment discrepancies because of significant errors in its automated payment records. Despite these errors, Center personnel pay contractors' invoices as if the payment data were correct. The Center did not properly pursue recovery after overpayments were reported by contractors or identified through contract reconciliation. The Center's delay in collecting overpayments has been long and costly. For the \$84.2 million in overpayments that it reviewed, GAO estimates that recovery delays cost the government about \$10.6 million in interest. Even after a public accounting firm completed contract reconciliations to identify the amounts owed the government, the Center did not recover overpayments promptly.

NSIAD-96-9, Jan. 26, 1996 (24 pages). Military Equal Opportunity: Problems With Services' Complaint Systems Are Being Addressed by DOD.

Defense Department policy holds that equal opportunity is integral to the unity, readiness, and total defense capability of its forces. Unwarranted discriminatory behavior, including racial discrimination and sexual harassment, is not to be condoned or tolerated. From fiscal year 1989 through 1993, the number of equal opportunity complaints reported by the military services ranged from about 1,300 to more than 3,600—averaging nearly 2,900 per year. During the same period, the active duty military forces declined from about 2.1 million to 1.7 million. This report (1) identifies the military services' processes for handling equal opportunity complaints and (2) discusses whether opportunities exist for improvement. As part of its review, GAO conducted focus group sessions with more than 900 servicemembers to gain an under-

standing of the complaint system and equal opportunity environment from their perspective.

NSIAD-96-10, Oct. 20, 1995 (12 pages). Interagency Contracting: Controls Over Economy Act Orders Being Strengthened.

Because of past abuses of off-loading at federal agencies, the Defense Department (DOD) was required to strengthen its controls over its interagency orders for goods and services. A February 1994 DOD memorandum specified that DOD's interagency orders be (1) as convenient and cheap as other alternatives and (2) approved at a level no lower than senior executive service, general officers, flag officer, or activity commander. In November 1994, the Coast Guard independently developed similar reforms. DOD is still adjusting to these changes. Abundant guidance is available to Air Force, Army, and Navy contracting activities, but a sample of fiscal year 1995 Volpe Center purchases made by the military services revealed that not all files contained the information required by the DOD memorandum. In addition, DOD has not yet implemented a statutorily mandated monitoring system for its interagency purchases. The monitoring system is now scheduled for implementation in October 1995. DOD contracting with the Volpe Center has been on the downswing since fiscal year 1992. Although it is difficult to pinpoint the exact causes for the downward trend, more recent declines appear to be due to DOD's implementation of the restrictions on interagency orders. Likewise, a recent decline in Coast Guard purchases at the Volpe Center appears to be related to the Coast Guard reforms.

NSIAD-96-11, Mar. 29, 1996 (19 pages). DOD Research: Acquiring Research by Nontraditional Means.

With considerable support from Congress, the Defense Department (DOD) has made acquisition reform one of its top priorities as it tries to reduce the cost of maintaining technological superiority in an era of tighter military budgets. Acquisition reform has generally focused on measures affecting DOD procurements. However, DOD is also investigating new approaches in its science and technology efforts, including using cooperative agreements and other transaction instruments to enter into research projects with commercial firms and consortia. DOD has cited the use of cooperative agreements and other transaction instruments as a way to (1) reduce barriers to integrating the defense and civilian sectors of the industrial base, (2) promote new relationships and practices within the defense industry, and (3) allow the government to leverage for defense purposes the private sectors' financial investments in research and development of commercial products and processes. This report discusses DOD's use of these instruments to further these three objectives. GAO also discusses issues concerning the selection and the structure of the instruments.

NSIAD-96-12, Dec. 21, 1995 (40 pages). Foreign Investment: Implementation of Exxon-Florio and Related Amendments.

In 1988, Congress enacted the Exxon-Florio legislation authorizing the President to suspend or prohibit foreign acquisitions, mergers, or takeovers of U.S. companies when there is credible evidence that a foreign controlling interest might threaten national security and when other legislation cannot provide adequate protection. The President delegated authority to review foreign investment transactions to an interagency group—the Committee on Foreign Investment in the United States. This report examines (1) the characteristics of foreign investments

and the extent to which these investments are reported to the Committee and (2) the factors that the Committee considers in deciding whether foreign investment would result in foreign companies' control of U.S. companies, whether the acquiring company is controlled by a foreign government, and whether there are associated national security risks. GAO analyzed these issues for a sample of 16 cases that the Committee reviewed in 1992 and 1993.

NSIAD-96-13, Oct. 27, 1995 (25 pages). Earth Science Information Network: Relationship of Consortium to Federal Agencies.

The Consortium for International Earth Science Information Network was established in 1989 as a private, nonprofit organization chartered by the state of Michigan. It is structured as a consortium of university and nongovernmental research organizations. The Consortium's mission is to provide access to, and enhance the use of, information on human interactions in the environment by scientist and policy makers. In addition to discussing the Consortium's mission, this report provides information on (1) the Consortium's past and prospective funding, (2) the way in which NASA will oversee the Consortium's work on the human dimensions of global change, and (3) the similarity of activities between the Consortium and the National Science Foundation's Centers for the Human Dimensions of Global Change, and (4) the Consortium's building requirements.

NSIAD-96-14, Oct. 18, 1995 (49 pages). Peace Operations: Effect of Training, Equipment, and Other Factors on Unit Capability.

Since the end of the Cold War, the U.S. military has become increasingly involved in peace operations, ranging from military observer duties to humanitarian and disaster relief work. This report examines (1) how the

services incorporate peace operations into their training programs, (2) what effect peace operations have on maintaining combat readiness, and (3) whether the services have the weapon systems and equipment they need for these operations.

NSIAD-96-15BR, Feb. 29, 1996 (43 pages). Cambodia: Limited Progress on Free Elections, Human Rights, and Mine Clearing.

The signing of the Paris Peace Accords in 1991 ended years of devastating civil war and started Cambodia on the road to building a democratic civil society. The United Nations Transitional Authority in Cambodia, established to carry out the accords, supervised the withdrawal of Vietnamese forces from Cambodia, repatriated more than 360,000 refugees, improved human rights conditions, and conducted free and fair national elections in 1993. The Authority concluded its mission in late 1993 with the formation of a duly elected government in Cambodia. This briefing report provides information on Cambodia's progress since 1993. GAO discusses (1) Cambodia's prospects for holding free and fair national elections by 1998; (2) its progress in meeting international human and political rights standards; and (3) its progress in clearing millions of land mines left over from decades of war.

NSIAD-96-16, Dec. 15, 1995 (13 pages). Former Soviet Union: An Update on Coordination of U.S. Assistance and Economic Cooperation Programs.

A February 1995 GAO report indicated (GAO/NSIAD-95-10) that the executive branch lacked an effective coordination mechanism for U.S. bilateral programs designed to help the newly independent states of the former Soviet Union transform their centrally controlled economies into market-based economies and to establish

more democratic governments. Specifically, GAO found that the State Department Coordinator's authority was weak and that the U.S. Agency for International Development and other agencies were often embroiled in disputes about implementation of their programs. Since then, the Coordinator's role has been expanded to include oversight of all U.S. government bilateral programs in the former Soviet Union, and his authority to review budgets and direct the inter-agency process for program development and implementation has been strengthened. Even so, the Coordinator has been unable to effectively oversee the anticrime program for the former Soviet Union. Interagency cooperation in implementing aid programs for the former Soviet Union has improved, with fewer disagreements on program content.

NSIAD-96-17, Nov. 17, 1995 (37 pages). Military Equal Opportunity: Certain Trends in Racial and Gender Data May Warrant Further Analysis.

Pentagon policy holds that discrimination based on race, national origin, gender, or other factors is counterproductive to combat readiness and mission accomplishment and contrary to good order and discipline. GAO reviewed Military Equal Opportunity Assessments prepared by the military services and examined active-duty personnel data to determine whether racial or gender disparities existed in selection rates. GAO examined accessions, assignments considered career enhancing, and promotions for fiscal years 1989 through 1993. In measuring promotion rates among women, American Indians, Asians, blacks, and Hispanics compared with those for whites, GAO found that blacks in the military were statistically less likely than whites to be promoted. In contrast, women had a greater-than-expected likelihood of promotion.

NSIAD-96-18, Jan. 8, 1996 (9 pages). Foreign Assistance: Controls Over U.S. Funds Provided for the Benefit of the Palestinian Authority.

A series of letters allegedly prepared by the Palestinian Authority's Finance Minister and the Director General of the Palestine Economic Council for Development and Reconstruction (PECDAR) indicates that \$138 million from unidentified sources was "diverted" in late 1994 to finance several covert transactions. These transactions include purchasing land and building apartments in Jerusalem, funding a Palestinian journal, and providing financial support to groups inside Israel that are sympathetic to the Palestinian cause. In response to Congressional concerns that U.S. assistance may have been involved in these transactions, this report discusses (1) the financial controls established by the World Bank and the U.S. Agency for International Development to monitor the use of U.S. funds provided to the Palestinian Authority, PECDAR, or the Palestine Liberation Organization officials for budget support purposes and (2) what controls the U.S. Agency for International Development established over project funds provided to other U.S. government agencies, private contractors, nongovernmental organizations, private voluntary organizations, and the United Nations for the benefit of the Palestinian Authority.

NSIAD-96-19BR, Oct. 10, 1995 (41 pages). Defense Contractors: Pay, Benefits, and Restructuring During Defense Downsizing.

In the midst of defense downsizing, salary, bonuses, and other compensation paid to the five highest paid executives at the top 10 defense contractors ranged from \$230,000 in 1989 to nearly \$18 million in 1993. Many of these executives also exercised stock options, with one individual receiving \$26 million in 1993. In 1989, the average compensation paid

by different defense contractors to salaried employees ranged from \$35,900 to \$48,700. By 1994, the figures had risen to \$48,100 and \$55,000, respectively. In 1989, the average annual compensation for hourly employees ranged from \$24,700 to \$32,200; in 1994 these figures ranged from \$30,200 to \$39,500. In response to decreases in Defense Department procurement, these companies have adopted various restructuring strategies, including mergers with competitors, divesting units no longer considered to be part of their core businesses, consolidation of production facilities, and commercialization of military technologies. Assistance provided to separated workers included termination pay based upon salary level and length of service; outplacement services, such as job counseling and assistance with resume writing; and extension of employee health, dental, and insurance benefits for a time after separation. Nine out of the 10 companies GAO surveyed provided incentives to encourage voluntary separation.

NSIAD-96-20, Oct. 19, 1995 (34 pages). Personnel Security: Pass and Security Clearance Data for the Executive Office of the President.

Because of reported delays of more than a year in issuing access passes at the White House, Members of Congress have expressed concern about the White House's management of the access pass and security clearance processes. GAO found that persons starting work at the White House during 1993 received final approval for permanent White House access passes an average of 346 days from their start date, but the average approval time fell to 98 days for staff brought on board in 1994. According to White House officials, the White House has not historically tracked time interval data on the access pass process. As a result, GAO could not compare the information it analyzed to prior experience. White House and

congressional action have introduced changes to improve the access and security clearance processes. For the time intervals and offices GAO reviewed, with few exceptions, the time intervals declined and the procedures were adhered to. However, controls could be strengthened in several areas, including the renewal of temporary passes, the revoking of passes after separation, and the granting of security clearances.

NSIAD-96-21, Feb. 6, 1996 (29 pages). DOD Procurement: Use and Administration of DOD's Voluntary Disclosure Program.

Forty-eight of the top 100 military contractors have disclosed procurement fraud as part of a Defense Department (DOD) program encouraging voluntary reporting of such incidents. But the total number of disclosures has been small and the dollar amounts recovered have been modest—less than \$100,000 in 63 percent of the cases. Moreover, under DOD's Voluntary Disclosure Program, cases took an average of 2.8 years to close, with about 25 percent taking more than four years. Less-than-full cooperation from contractors and low priority given by DOD and other investigative agencies to managing cases expeditiously may be problems in some cases.

NSIAD-96-23, Nov. 28, 1995 (12 pages). Foreign Assistance: PLO's Ability to Help Support Palestinian Authority Is Not Clear.

This is an unclassified version of a GAO report issued in June 1995 on the Palestine Liberation Organization's (PLO) finances. That report (1) assessed the PLO's ability to help finance the Palestinian Authority's operations in the West Bank and Gaza Strip, (2) reviewed 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. GAO was unable to independently verify the PLO's current financial condition because the PLO was unwilling to provide GAO with requested accounting records and supporting documentation. GAO did, however, obtain unclassified and classified data on the PLO's finances. Most of the information supplied by the State Department is included in this report. With minor exceptions, none of the material GAO obtained from the Central Intelligence Agency could be declassified.

NSIAD-96-25, Nov. 29, 1995 (16 pages). Battlefield Automation: Army's Digital Battlefield Plan Lacks Specific Measurable Goals.

One of the Army's top priorities is a program to digitize the battlefield by creating a vast network of computers, sensors, and communications that would provide a common picture of the battlefield from soldier to commander simultaneously. The Army's plan, which is estimated to cost \$4 billion, contains many risks and lacks specific, measurable goals for the series of large-scale experiments that are to be done. The Army plans to conduct a series of experiments from 1995 to 1997, including a brigade-level experiment in 1997 at a cost of \$258 million, without having had a successful battalion-level experiment. In fact, a battalion-level experiment in 1994 failed to meet Army expectations. Specific, measurable goals are needed to evaluate the achievements of each experiment, and they should be met before proceeding to the next experiment. Otherwise, the Army risks additional investments costing \$397 million for digital systems needed to conduct increasingly larger scale experiments through fiscal year 1999. On the basis of Army estimates, the investment required to digitize a 10 division Army could run as high as \$4 billion. Also, because Congress has

directed the Army to include the Marine Corps in its plan, Defense Department funding for the Marine Corps must be identified and ensured to solidify its participation and success.

NSIAD-96-26, Nov. 27, 1995 (19 pages). Federally Funded R&D Centers: Use of Fee by the MITRE Corporation.

The Defense Department (DOD) spent \$1.25 billion in 1995 for research, development, engineering, and analytical services from the 10 federally funded research and development centers it sponsors. The MITRE Corporation is one of the largest centers, with 1995 DOD funding of \$374 million. Congress has raised concerns about whether government agencies effectively manage the centers they sponsor. Among the concerns is whether the contract fees provided to the centers—in addition to reimbursement of incurred costs—are adequately justified. This report reviews (1) the manner in which MITRE spends its DOD management fee, (2) the adequacy of federal guidance on how fees may be used, (3) opportunities to reduce management fees at MITRE, (4) ways to strengthen DOD management oversight of MITRE's use of fees, and (5) DOD's efforts to improve the fee management process for its centers.

NSIAD-96-27, Dec. 26, 1995 (19 pages). Defense Research and Development: Fiscal Year 1993 Trustee and Adviser Costs at Federally Funded Centers.

This report provides information on the stipends and expenses of the boards of trustees and other management advisory personnel who served in fiscal year (FY) 1993 at DOD's Federally Funded Research and Development Centers. Specifically, GAO discusses (1) the extent to which the centers used federal funds to pay

these costs; (2) the range and highest daily stipends paid to individual trustees and other management advisory personnel; (3) the center advisers' costs and, where applicable, the Defense Science Board's limits on paying for such expenditures; (4) the total and average daily center costs for their trustees and advisory personnel; and (5) individual stipends and total expenditures for each of the 186 center trustees and other management advisory personnel in 1993.

NSIAD-96-29, Mar. 4, 1996 (67 pages). Closing Maintenance Depots: Savings, Workload, and Redistribution Issues.

The Defense Department (DOD) spends \$15 billion annually to maintain aircraft, ships, tracked and wheeled vehicles, and other equipment. However, it believes that it can reduce maintenance costs by better matching its depots' workload capacity with current maintenance requirements. Accordingly, as part of the ongoing base closures and realignments, DOD is closing 15 of its major maintenance depots and is transferring their workloads to other depots or the private sector. This report (1) assesses the reliability of DOD's depot closure cost and savings estimates, (2) provides information on the policies and the programs used to provide employment and training to employees at depots being closed, (3) determines if the military can increase savings by using competitions between DOD depots or between depots and the private sector when redistributing the workloads of closed depots, and (4) determines if the military services adequately consider other services' depots when they use methods other than competition to redistribute the workloads.

NSIAD-96-30, Jan. 22, 1996 (40 pages). Navy Maintenance: Assessment of the Public-Private Competition Program for Aviation Maintenance.

GAO reviewed the Navy's plans and procedures for public-private competitions of aviation depot-level maintenance workloads. Various factors limited the amount of past depot-level work available for competitive awards, including the time and costs for performing competitions. Although actual savings were difficult to quantify, GAO found that the Navy's competition programs generally reduced operating costs and in many cases streamlined production processes. The Navy ended its aviation maintenance competition program in 1993, and the Defense Department terminated the program in 1994 despite continued congressional support for it. However, as DOD begins to implement recommendation by the Commission on Roles and Missions leading to the possible privatization of most depot maintenance, use of competitive procedures for distribution of workloads between the public and private sectors should prove cost-effective.

NSIAD-96-31, Dec. 15, 1995 (26 pages). Depot Maintenance: The Navy's Decision to Stop F/A-18 Repairs at Ogden Air Logistics Center.

GAO reviewed the Navy's analysis to support its decision to move F/A-18 depot maintenance work from the Air Force Ogden Air Logistics Center in Ogden, Utah, to the North Island Naval Aviation Depot in San Diego, California. This report addresses (1) GAO's review of the Navy's analysis and adjustments for cost and performance comparability used to justify the decision to move its F/A-18 repair activities from Ogden to North Island, (2) GAO's independent analysis using more current data than that available at the time of the Navy's decision, and (3) GAO's analysis of the adequacy of guidance regarding the conduct of merit-based analyses.

NSIAD-96-32, Mar. 29, 1996 (19 pages). Environmental Cleanup: Progress in Resolving Long-Standing Issues at the Rocky Mountain Arsenal.

The Rocky Mountain Arsenal, located on 17,000 acres northeast of Denver, is one of the Defense Department's most contaminated installations. The Army manufactured chemical weapons, such as napalm bombs and mustard gas, and conventional munitions at the Arsenal until the 1960s, and it destroyed weapons there through the early 1980s. In addition, from 1952 to 1987 the Army leased part of the Arsenal to the Shell Oil Company, which produced herbicides and pesticides. This report provides information on (1) the status of cleanup efforts at the Arsenal, (2) completion plans for the cleanup, and (3) the cost-sharing arrangement between the Army and Shell.

NSIAD-96-33, Mar. 5, 1996 (52 pages). Depot Maintenance: Opportunities to Privatize Repair of Military Engines.

In recent years, Congress has expressed continuing interest in the Pentagon's management of its \$15 billion depot maintenance program. One area of particular interest has been the allocation of depot maintenance workload between the public and private sectors, including various privatization initiatives. This report addresses the depot maintenance workload mix for an essential military commodity—gas turbine engines. GAO discusses (1) the rationale supporting the continued need for DOD to be able to repair engines at its own maintenance depots, (2) opportunities to privatize additional engine workloads, and (3) the impact that excess capacity within DOD's depot system has on the cost-effectiveness of decisions to privatize additional workloads.

NSIAD-96-34, Dec. 15, 1995 (75 pages). Foreign Assistance: Private Voluntary Organizations' Contributions and Limitations.

In response to budget constraints and concerns about effectiveness, major donors, including the United States, are reassessing their foreign aid programs and strategies. The method of delivery is one of the primary areas being reexamined. Although most U.S. foreign aid is still delivered on a government-to-government basis, the current administration had pledged to boost the percentage of U.S. assistance being channeled through nongovernmental organizations during the next five years. Some congressional proposals have recommended that U.S. development aid be channeled through nongovernmental organizations, including private voluntary organizations. Support for a greater private voluntary organization role in delivery assistance seems to stem from general disappointment with the results of more than 40 years of government-to-government assistance and a perception that private groups are better able to identify development needs and deliver help. This report analyzes (1) private voluntary organizations' role in delivery U.S. foreign assistance and potential issues and implications of increasing their role in delivery aid, including accountability issues; (2) 26 private voluntary organization projects and whether they were achieving their objectives; and (3) the extent to which U.S. private voluntary organizations are dependent on U.S. government funding.

NSIAD-96-36, Apr. 23, 1996 (35 pages). Overseas Real Estate: Millions of Dollars Could Be Generated by Selling Unneeded Real Estate.

The State Departments owns more than \$10 billion in real estate at 200 locations overseas. GAO reviewed State's efforts to identify and sell excess or underused real estate and to

use the proceeds for other high-priority real property needs. GAO reported in 1995 (GAO/NSIAD-95-73) on the potential budget savings from selling expensive property in Tokyo and on the problems in State's management of properties abroad. This report (1) identifies real estate at other locations that could possibly be sold to provide money to meet other real estate needs, (2) describes problems that State has had in deciding which properties to dispose of, and (3) explains how State uses the proceeds from the properties it does sell.

NSIAD-96-37, Dec. 15, 1995 (125 pages). Former Soviet Union: Information on U.S. Bilateral Program Funding.

Hampered at the outset by a lack of coordination, U.S. aid to the former Soviet Union is now better managed and is achieving promising, although mixed, results in a variety of projects ranging from the promotion of economic reforms to the disposal of nuclear weapons. This report provides information on U.S. bilateral programs with the newly independent states of the former Soviet Union from fiscal year 1990 through December 1994 to help them make the transition to democratic societies with market economies. GAO discusses (1) the amount of funds obligated and spent; (2) the amount of credits provided, including subsidy costs; and (3) the appropriation source and budget function for these funds. This information is categorized by agency, recipient country, and programmatic sector. GAO summarized this and the following report in testimony before Congress; see: *Former Soviet Union: Assessment of U.S. Bilateral Programs*, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the House Committee on International Relations. GAO/T-NSIAD-96-78, Dec. 15 (13 pages).

NSIAD-96-38, Mar. 6, 1996 (12 pages). Peace Operations: U.S. Costs in Support of Haiti, Former Yugoslavia, Somalia, and Rwanda.

The United States paid more than \$6.6 billion to support United Nations peacekeeping operations in Haiti, the former Yugoslavia, Rwanda, and Somalia between fiscal years 1992 and 1995. Slightly more than half of these costs were incurred by the Defense Department, which sent troops and equipment to support the missions in these countries. The State Department's costs were about \$1.8 billion, while costs for the U.S. Agency for International Development—the lead agency responsible for providing humanitarian assistance, including food donated by the Agriculture Department—were about \$1.3 billion. The Departments of Justice, Commerce, the Treasury, Transportation, and Health and Human Services reported costs totaling about \$91 million to support peace operations.

NSIAD-96-40, Feb. 29, 1996 (78 pages). Promoting Democracy: Progress Report on U.S. Democratic Development Assistance to Russia.

U.S.-funded democracy projects have demonstrated support for, and contributed to, Russia's democracy movement. Those assisted include prodemocracy political activities and political parties, proreform trade unions, court systems, legal academies, government officials, and the media. The democracy projects that GAO reviewed, however, had mixed results in meeting their stated objectives. Russian reformers and others generally viewed U.S. democracy assistance as valuable, but in only three of the six areas GAO reviewed had projects contributed significantly to political, legal, or social changes. Media projects generally succeeded in increasing the quality and the self-sufficiency of nongovernment media organizations, but the weak economy continues to threaten the

sustainability of an independent press. U.S. efforts to develop a democratic trade union movement and improve Russia's electoral system also contributed to systemic changes, although more needs to be done. Projects relating to political party development, rule of law, and civil-military relations had limited impact. Russian economic and political conditions were the most important factors determining project impact. Implementation problems accounted for the limited results derived from the rule-of-law project.

NSIAD-96-41, Dec. 12, 1995 (45 pages). Military Sealift Command: Weak Controls and Management of Contractor-Operated Ships.

The Military Sealift Command, whose fleet consists of a mix of government and privately owned vessels, lacks adequate controls to detect and deter abuses by contractor-operated ships. These shortcomings include inadequate verification of crew repairs, review of invoices, and supervision of overhaul work. The Military Sealift Command does not verify that it has received the goods or services it is paying for, in part because there is a disconnect between headquarters reviewers and field-level personnel, whose main concern is the operation but not the cost of the ships' repair. The Military Sealift Command also cannot be certain that contractual requirements are being met. It has no guidelines for systematically establishing personnel requirements, such as those involving citizenship and security. Neither does it regularly compare contractual requirements with contractors' performance in obtaining security clearances and trustworthiness evaluations for crew members. Finally, the Military Sealift Command lacks a formal system to identify and implement best practices to improve contractor performance and reduce costs.

NSIAD-96-42, Nov. 6, 1995 (25 pages). Retention Bonuses: More Direction and Oversight Needed.

The Selective Reenlistment Bonus Program was created 30 years ago to help the military retain highly skilled service members. However, GAO found that in 1994, the Defense Department (DOD) paid about \$64 million in retention bonuses to individuals who worked in job categories in which positions were filled or who had been paid incentives to leave. Military officials defended their management of the retention and separation incentive programs, asserting that each is targeted at different segments of the force, that retention and separation incentives went to personnel in different grades and year groups, and that payment of separation incentives did not mean that they were satisfied with manning levels. GAO believes that if a skill is experiencing shortages that warrant the payment of retention incentives, it is not prudent to pay incentives to others with those same skills to leave the service. The Office of the Secretary of Defense is not providing adequate direction and oversight of the programs.

NSIAD-96-43, Nov. 20, 1995 (26 pages). Strategic Airlift: Improvements in C-5 Mission Capability Can Help Meet Airlift Requirements.

Although the Defense Department (DOD) is counting on the C-5 to deliver nearly half of the cargo carried by military aircraft in the event of war, a shortage of spare parts and a poor strategy to modernize the aircraft have resulted in readiness rates that are considerably below expectations. The manufacturer contends that improving the C-5 spare parts process, particularly by scheduling repairs of spare parts on the basis of their impact on mission capability, could substantially improve the C-5's mission capable rate. The rate could also be improved if the Air Force did a

readiness evaluation similar to the one recently completed for the B-1B aircraft. That evaluation found that the B-1B's mission capable rate could increase if support for spare parts was improved. The Air Force has not prioritized proposed C-5 modifications according to which one would contribute most to improving mission capability. As a result, decisionmakers cannot fully assess the impact that proposed improvements could have on overall aircraft mission capability or total airlift capability. If peacetime C-5 mission capable rates could achieve the Air Force's goal of 75 percent, DOD could gain an additional 1.3 million ton miles per day of C-5 wartime capability—the equivalent of 10 C-17s. As a result, DOD could come close to meeting military airlift requirements.

NSIAD-96-44, Nov. 8, 1995 (19 pages). Military Training: Cost-Effective Development of Simulations Presents Significant Challenges.

Since 1988, the Pentagon has been grappling with how to provide simulations that realistically portray joint warfare operations for training. To help meet this training need, the Defense Department (DOD) developed the Aggregate Level Simulation Protocol, a technique that allows multiple service and agency models to communicate with each other. Although the Protocol is a technological advancement, the existing warfare capabilities of the individual models is limited and the problem of providing a valid joint training environment persists. Because of these limitations and the cost and complexity of the Protocol, DOD is developing a new system—the Joint Simulation System—that is scheduled to be fully operational by 2003. Until that system is up and running, DOD plans to continue improving the Protocol. This report discusses (1) how well DOD is progressing with its development of

the Joint Simulation System and (2) whether DOD's decisions to improve the Protocol are cost effective.

NSIAD-96-45, June 28, 1996 (36 pages). Combat Air Power: Assessment of Joint Close Support Requirements and Capabilities Is Needed.

During the next six years, the military plans to spend more than \$10 billion on aircraft and other weapons to bolster its already formidable close support capabilities. This effort, however, comes at a time of shrinking defense budgets, defense downsizing, and increasing questions about the affordability of defense modernization. This report (1) discusses the overall capabilities of the military services to provide close support and the extent to which those capabilities continue to be modernized and enhanced and (2) evaluates the processes that the Defense Department uses to assess mission needs, capabilities, and modernization proposals for the close support mission.

NSIAD-96-46, Nov. 13, 1995 (24 pages). Defense Acquisition Organizations: Changes in Cost and Size of Civilian Workforce.

In 1994, Defense Department (DOD) acquisition organizations, including the Defense Contract Audit Agency, employed about 464,000 persons—398,000 civilian and 66,000 military. In addition to acquisition duties, the acquisition organizations have other significant responsibilities, such as logistics, maintenance, and supply. The workforce includes "white collar" jobs, such as engineering, accounting, and computer specialists, as well as "blue collar" jobs, such as machine tool operators, pipefitters, and shipyard workers. The civilian workforce in DOD's acquisition organizations increased with the defense buildup of the early 1980s and decreased following the reductions that began in the mid-1980s. However,

this decline occurred without a commensurate decline in civilian payroll costs, due in part to the significant decline in blue collar workers. DOD officials attributed the rise in civilian payroll costs to several factors, such as the advent of locality pay and changes in grade structure. Against the backdrop of the civilian workforce decline in DOD's acquisition organizations, defense contract awards for services have risen about \$10 billion since 1980. About \$4 billion of this increase was for engineering and architectural and computer services. Even with the decline in both the defense procurement budget and the civilian workforce since 1990, the number of acquisition organizations remains relatively constant. GAO notes that each acquisition organization employs persons in similar jobs, such as personnel and budgeting, and opportunities may exist to improve efficiencies in these areas.

NSIAD-96-47, Feb. 13, 1996 (53 pages). Marine Corps: Improving Amphibious Capability Would Require Larger Share of Budget Than Previously Provided.

The Navy and the Marine Corps estimate that it will cost about \$58 billion during the next 25 years to modernize the amphibious force, which suffers from reduced vehicle lift capability and other operational limitations. This could be a major challenge for the Navy, which risks a \$16-billion gap between its projected shipbuilding budget and the cost estimate to build all ships planned between 2002 and 2005. The Navy and the Marine Corps plan to spend a much larger share of their procurement funds to buy upgraded equipment for amphibious operations than has been the case for most of the past 40 years. The Navy and the Marine Corps will need to earmark beyond 2001 a large share of available procurement dollars for amphibious equipment to avoid delays in the

modernization effort. Amphibious programs are competing with other major weapons programs, such as the DDG-51 destroyer, the Army's Apache helicopter, and the Air Force's F-22 fighter aircraft.

NSIAD-96-48, Apr. 17, 1996 (27 pages). C-17 Aircraft: Cost of Spare Parts Higher Than Justified.

GAO reviewed the pricing of spare parts for the C-17 aircraft and found that the Air Force paid higher prices for these items than was justified. GAO focused on a limited number of spare parts that experienced significant price increases when McDonnell Douglas decided to manufacture the parts at its St. Louis plant rather than buy them from outside vendors. For 33 selected spare parts formerly procured under subcontracts, the costs were from four to 56 times higher after McDonnell Douglas moved the work in-house. For example, McDonnell Douglas paid an outside vendor \$389 to machine a door hook that it later machined in-house at an estimated cost of \$8,842. Costs for some spare parts were higher than justified because McDonnell Douglas used outdated pricing data that overstated its proposed prices. In developing the proposed costs of spare parts, McDonnell Douglas used outdated labor variance factors, which resulted in prices being overstated by 34 percent for 37 parts. Also, the profits awarded on some orders under contract-2109 appeared to be higher than warranted.

NSIAD-96-49, Feb. 27, 1996 (15 pages). Navy Aviation: AV-8B Harrier Remanufacture Strategy Is Not the Most Cost-Effective Option.

The Navy could save millions per aircraft by buying new AV-8B Harrier fighters equipped with night attack and radar capabilities instead of disassembling and retrofitting older Harriers with the desired technology.

The Navy estimates that each remanufactured AV-8B aircraft could cost as much as \$29.5 million. Such aircraft are made up largely of used and refurbished components. GAO calculates that the Marines can buy new radar model AV-8Bs for about \$23.6 million per aircraft. Because the program is conducted under an annual contract, the Navy can change its procurement strategy and begin immediate negotiations to buy new radar models rather than continuing to rebuild the aircraft. The first aircraft rebuilt at the Naval Aviation Depot in Cherry Point, North Carolina, took almost twice as long to disassemble as planned. Delays have also arisen from the inability of McDonnell Douglas and depot vendors to provide components promptly. In addition, the radars to be used in the Harriers are not going to be available as originally planned.

NSIAD-96-53, June 28, 1996 (20 pages). Acquisition Reform: Military-Commercial Pilot Program Offers Benefits but Faces Challenges.

Faced with substantial funding cuts for defense procurement, the Pentagon has made acquisition reform a top priority. The challenge for the Defense Department (DOD) is to maintain technological superiority and ensure a strong national industrial base while reducing acquisition costs. The need to reform the military's acquisition system is well known; however, acquisition reform has been an elusive goal. DOD has on several occasions tried to introduce a commercial-style procurement system that would take advantage of commercial products and processes and, whenever possible, eliminate contracting, technical, and accounting requirements that are unique to the military. According to DOD, acquisition reform could cut costs by as much as 30 percent. This report discusses a pilot program, known as "Military Products From Commercial Lines," set up by the Air Force with one of its contractors.

GAO evaluates the pilot program to determine (1) its potential for producing the benefits sought through reform and (2) any barriers to achieving these benefits.

NSIAD-96-54, Apr. 24, 1996 (52 pages). Federally Funded R&D Centers: Information on the Size and Scope of DOD-Sponsored Centers.

Federally funded research and development (R&D) centers were first established during World War II to meet the military's specialized research needs that could not be met by government workers because of limits placed on salaries and hiring. Today, eight agencies, including the Defense Department (DOD), fund 39 centers that are run by universities, nonprofit groups, and industrial firms under long-term contracts. This updates GAO's 1988 report (GAO/NSIAD-88-116FS) on DOD's 11 centers. GAO describes the (1) funding and staff size of the centers; (2) extent of subcontracted work at the centers; (3) structure of the parent organizations; (4) missions, core competencies, and capabilities of the centers; (5) sponsors' criteria for defining core work; and (6) sponsors' oversight mechanisms and responsibilities.

NSIAD-96-56, Feb. 6, 1996 (7 pages). Reserve Officers' Training Corps: Questions Related to Organizational Restructuring.

Because of questions about readiness, housing, and costs, the Army has not approved the proposal to close the Reserve Officers' Training Corps (ROTC) regional headquarters at Fort Knox, Kentucky. As a result, the regional headquarters at Fort Knox remains open and the summer camp run at Fort Knox is expected to remain in place through fiscal year 1996 and possibly 1997. Still unresolved are questions about the (1) impact of the ROTC program on training and readiness of combat units stationed at some bases that house

and support ROTC summer camp programs; (2) adequacy and condition of housing at bases being considered for consolidation of the ROTC program, on both a short- and long-term basis; and (3) costs to address the housing program.

NSIAD-96-59, Dec. 27, 1995 (13 pages). Army and Marine Corps M198 Howitzer: Maintenance Problems Are Not Severe Enough to Accelerate Replacement System.

Marine Corps and Army users of the M198 155-millimeter towed howitzer want to replace the 15,600-pound cannon with a light-weight weapon to ease the burden on crews and to improve air and ground mobility. The Marines have found it hard to tow the M198 over soft terrain, and only their heavy-lift helicopter can move the weapon by air. This report discusses whether the Marine Corps' and Army's reported maintenance problems with the M198 justify accelerating the development of a replacement weapon. GAO also provides information on the Marine Corps' and the Army's planned development of a new, light-weight 155-mm howitzer.

NSIAD-96-60, Feb. 22, 1996 (57 pages). Defense Transportation: Streamlining of the U.S. Transportation Command Is Needed.

The military often pays as much as three times as much as commercial carriers would charge to ship cargo because of a fragmented and inefficient organizational structure and outdated management practices at the U.S. Transportation Command. This situation has led to confusing billing practices and expensive staff overhead. For example, a military customer might pay the U.S. Transportation Command \$3,800 to ship a load of cargo from California to Korea, while a commercial carrier would have charged only \$1,250 for the shipment. Much of today's military cargo moves intermodally, by air, land, and sea

transport. Under the U.S. Transportation Command's unwieldy organizational structure, customers receive bills from each command for each mode of transportation, rather than a single bill covering the entire shipment. In addition to confusing customers, separate billing systems increase personnel and costs. Salaries and wages alone for the command in fiscal year 1994 topped \$1 billion.

NSIAD-96-61, Apr. 2, 1996 (40 pages). Foreign Investment: Foreign Laws and Policies Addressing National Security Concerns.

Japan, France, Germany, and the United Kingdom have the authority to block investments for national security reasons, as does the United States. In recent years, however, these five countries have rarely invoked this authority. Some of these countries have established processes for reviewing foreign investment for national security concerns. U.S. defense industry officials said that they had not pursued defense-related direct investment in Japan, France, Germany, or the United Kingdom because of economic factors, such as the size of the defense markets in these nations, as well as informal barriers, such as domestic company ownership structures. Most countries offer investment incentives, but U.S. defense industry officials did not cite them as a major inducement to invest. U.S. defense industry officials said that they were pursuing access to overseas defense markets through strategies other than foreign direct investment. For example, U.S. defense firms either licensed technology to Japanese companies or made direct sales to Japan. In the three European countries, U.S. companies formed partnerships to compete for projects.

NSIAD-96-63, Mar. 14, 1996 (13 pages). Army National Guard: Validate Requirements for Combat Forces and Size Those Forces Accordingly.

Although the Army National Guard has come down in size since the end of the Cold War, the Guard's combat strength still exceeds what the Defense Department needs to fight two major regional wars—the basic goal of U.S. military strategy today. GAO recommends that the Army validate the size and the structure of all the Guard's combat forces and develop a plan to bring the size and the structure of these forces in line with validated requirements. Depending on the study's conclusions, the Army should consider converting some Guard combat forces to support roles. To the extent that Guard forces exceed validated requirements, the Army should consider eliminating them.

NSIAD-96-64, Feb. 20, 1996 (72 pages). Defense Industrial Security: Weaknesses in U.S. Security Arrangements With Foreign-Owned Defense Contractors.

This unclassified version of a 1995 GAO report discusses security arrangements—known as voting trusts, proxy arrangements, and special security agreements—used to protect sensitive information when foreign-owned defense contractors work on classified Defense Department projects. GAO concludes that the Pentagon needs to strengthen controls to prevent the export of military secrets when foreign-owned defense contractors work on such highly sensitive weapons programs as the B-2 bomber and the F-22 fighter. Agreements at most of the 14 companies GAO reviewed permitted some risk of foreign control, influence, and unauthorized access to classified data and technology.

NSIAD-96-65, Apr. 12, 1996 (34 pages). Military Exports: Offset Demands Continue to Grow.

This report examines offset requirements associated with military exports. Offsets are the range of

industrial and commercial compensation packages offered to foreign governments and companies as inducements to purchase military goods. They include coproduction, technology transfer, training, investment, marketing assistance, and commodity trading. Since the mid-1980s, U.S. firms have entered into offset agreements valued at more than \$84 billion. GAO discusses the (1) ways in which the offset goals and strategies of major buying countries have changed, (2) offset requirements of these countries and the kinds of activities being undertaken to satisfy their requirements, and (3) effects of offsets and the steps that the U.S. government has taken on this matter. GAO focuses on 10 buying countries from the Middle East, Asia, and Europe.

NSIAD-96-67, Apr. 8, 1996 (26 pages). Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified.

Savings from military base closures and realignments should be substantial. The Pentagon's accounting systems, however, do not provide Congress with an accurate picture of actual savings. The Defense Department (DOD) is counting on significant savings to pay for a host of initiatives—from force modernization to child care support. DOD will have difficulty funding these programs should the savings fall short of expectations. This report examines cost and savings estimates for past base closures and realignments. GAO discusses (1) the extent to which the Defense Department (DOD) is achieving actual savings from the base closures and realignments and (2) the adequacy of DOD's process for developing the cost and savings estimates reported in its annual budget submissions.

NSIAD-96-68, June 20, 1996 (11 pages). Electronic Warfare: Navy's New Radar Warning Receiver Needs More Testing.

The Navy plans to begin low-rate production of new radar warning receivers despite serious flaws in two earlier versions and performance problems that surfaced during testing of the latest version. The receivers developed under the ALR-67(V)3 radar receiver program are designed to sense the signals from hostile radars, provide an audio warning to the pilot, and display the warning information on a video screen in the cockpit. GAO concludes that the Navy risks acquiring a deficient system that may require expensive changes if the receivers are to effectively alert pilots to radar-controlled enemy weapons.

NSIAD-96-69BR, Feb. 1, 1996 (28 pages). Military Aircraft Safety: Significant Improvements Since 1975.

Despite a series of recent crashes, the safety record of military aircraft has improved significantly during the past 20 years. Accidents dropped from 309 in 1975 to 76 last year, while fatalities declined from 285 to 85 during the same period. Human error was reported as a contributing factor in 73 percent of these flight mishaps. This report discusses (1) historical trends in aircraft accidents involving deaths or extensive aircraft damage, (2) investigations performed to determine the causes, and (3) examples of actions taken to reduce the number of aviation accidents.

NSIAD-96-70, Mar. 19, 1996 (20 pages). Defense Logistics: Requirement Determinations for Aviation Spare Parts Need to Be Improved.

The Air Force and the Navy budgeted \$132 million more than needed for aviation spare parts because of questionable policies governing the determination of requirements and the accountability for depot maintenance

assets. The Air Force, in preparing its fiscal year 1996 budget for aviation parts, did not consider \$72 million worth of on-hand assets. In computing its fiscal year 1997 requirements for aviation parts, the Navy counted \$60 million in depot maintenance requirements twice. GAO found that the Air Force and the Navy had made other errors in computing their requirements because of poor management oversight and internal controls. The Air Force and the Navy used unsupported or incorrect maintenance replacement rates, demand rates, planned program requirements, repair costs, lead times, due-out quantities, and asset quantities on hand and on order. These inaccuracies totaled \$35 million for the items in GAO's sample alone and resulted in some requirements' being overstated by \$25 million and others' being understated by \$10 million.

NSIAD-96-71, May 23, 1996 (20 pages). Tactical Intelligence: Accelerated Joint STARS Ground Station Acquisition Strategy Is Risky.

The Army and the Air Force are jointly developing the Joint Surveillance Target Attack Radar System (Joint STARS), which is designed to locate and track wheeled and track vehicles beyond the ground line of sight during either day or night and under most weather conditions. The Army is responsible for the development, test, production, and fielding of Joint STARS ground station modules. GAO found that the Army's strategy to accelerate production of the Common Ground Station—the next version of the ground station modules—unnecessarily risks millions of dollars on an unproven system. GAO believes that buying more systems than are needed for operational testing and evaluation significantly raises the risks of procuring a costly and ineffective system. The Army has accelerated the program and moved the first fielding date for the Common Ground Station from fiscal year 2002 to fiscal year

1998. However, the Army lacks analyses showing an urgent need to field the added capabilities of the Common Ground Station four years earlier than planned or showing that the expected benefits of accelerated procurement, prior to successful completion of operational testing and evaluation, outweigh the risks.

NSIAD-96-72, May 13, 1996 (60 pages). U.S. Combat Air Power: Reassessing Plans to Modernize Interdiction Capabilities Could Save Billions.

In view of continuing concerns over future defense spending and the military's services' ample ability to intercept enemy missiles and aircraft, GAO questions the Pentagon's decision to upgrade warplanes and other weapons systems at a cost of more than \$200 billion during the next 20 years. GAO recommends that the Defense Department routinely review modernization proposals according to how they will enhance the overall ability of the U.S. military to intercept enemy targets. Proposals that add redundancy, such as the B-1B and Apache modifications and the purchase of F/A-18E/Fs, attack helicopters, and precision-guided missiles, should be examined in the context of the additional interdiction capability they offer. This analysis could serve as the basis for deciding funding priorities, the sufficiency of investment, and the future force structure.

NSIAD-96-73, Mar. 26, 1996 (64 pages). Space Shuttle: Need to Sustain Launch Risk Assessment Process Improvements.

The 1986 explosion aboard the space shuttle Challenger underscored the risks inherent in human space flight. The Presidential Commission investigating the accident found that it had been caused by poor rocket motor design, but the Commission also cited as a contributing factor shortcomings in NASA's processes for identifying,

assessing, and managing risk. This report reviews the steps that NASA has taken to improve the free flow of information in launch decisions and the progress NASA has made in adopting quantitative methods for assessing risk.

NSIAD-96-75, Apr. 26, 1996 (24 pages). Peace Operations: Reservists Have Volunteered When Needed.

U.S. participation in peace operations, such as those in Haiti and the former Yugoslavia, has increased dramatically since the end of the Cold War in 1989. At the same time, fewer active duty forces are available today as a result of defense downsizing, and the Defense Department (DOD) depends on the reserves to play a greater role in peace operations. Although authority to order reservists involuntarily to active duty has been available for recent operations in Haiti and Bosnia, DOD will likely have to rely on volunteers to meet some of its future needs. This report discusses (1) whether qualified volunteers have been accessible for recent peace operations, (2) differences among the services in how much they rely on volunteers, (3) factors that affect the availability of volunteers, and (4) any steps being taken by DOD to ensure that volunteers are accessible.

NSIAD-96-77, May 2, 1996 (28 pages). Satellite Control Capabilities: National Policy Could Help Consolidation and Cost Savings.

Satellite control relies on ground antennas to track satellites and collect satellite health and status data by telemetry as well as to command satellites to perform various functions. GAO has been reviewing space programs and activities within the Defense Department and intelligence community. This report discusses the potential for consolidating satellite control functions within the government.

NSIAD-96-79BR, Feb. 15, 1996 (65 pages). United Nations: U.S. Participation in the Fourth World Conference on Women.

This briefing report focuses on the Fourth World Conference on Women, sponsored by the United Nations (UN). GAO discusses (1) the cost of U.S. participation in the conference and the parallel, independently convened nongovernmental organizations' forum, (2) the UN process for accrediting nongovernmental organizations, and (2) the handling of conference travel visas by the Chinese. A summary of GAO's discussions with 28 U.S. nongovernmental organizations about their views on the accreditation process, the adequacy of accommodations, and physical access to conference and forum facilities is included.

NSIAD-96-80, Apr. 10, 1996 (8 pages). Defense Contractor Restructuring: First Application of Cost and Savings Regulations.

The National Defense Authorization Act for Fiscal Year 1995 restricts Defense Department (DOD) payments to contractors for costs associated with business combinations. Specifically, the law prohibits payment of restructuring costs, such as those associated with closing facilities and eliminating jobs, until a senior DOD official certifies that projected savings from the restructuring are based on audited data and should reduce DOD's overall costs. This report discusses whether the certification process (1) was carried out in accordance with the interim regulations and (2) reduced DOD's contract prices. GAO focuses on the United Defense, Limited Partnership business combination of FMC Corporation's Defense Systems Group and Harsco Corporation's BMY-Combat Systems Division—two manufacturers of tracked combat vehicle for the Army. This business combination is particu-

larly significant because restructuring at United Defense could be a model for future DOD restructuring efforts.

NSIAD-96-82, May 6, 1996 (20 pages). Air Force Aircraft: Consolidating Fighter Squadrons Could Reduce Costs.

The Air Force decided in 1992 to reconfigure its fighter force into smaller squadrons. This decision was made at a time when the Defense Department was seeking to reduce military operating and infrastructure costs. GAO found that the organizational structure of the Air Force's fighter force is not cost-effective. By operating F-15s and F-16s in smaller squadrons, the Air Force boosts the number of squadrons above the number that would have been used in the traditional 24-aircraft configuration. This reconfiguration has increased operating costs and slowed reductions in infrastructure costs. Although the Air Force considers smaller fighter squadrons to be beneficial, it has not undertaken any studies to support its decision. The Air Force's arguments for using smaller squadrons do not justify the additional expense. GAO evaluated a range of options for consolidating squadrons that could cut operating costs by as much as \$745 million during fiscal years 1997-2002. In addition, consolidating squadrons could result in base closures, reducing infrastructure costs by about \$50 million per base closure per year.

NSIAD-96-83, Mar. 1, 1996 (37 pages). Drug Control: U.S. Heroin Program Encounters Many Obstacles in Southeast Asia.

Although heroin is not the primary illegal narcotic used in the United States, production, trafficking, and consumption of this drug are growing. Worldwide production of opium has nearly doubled since the late 1980s, and heroin overdoses have increased by 50 percent. Heroin programs in

Southeast Asia—except for Burma—have had some success, but U.S. efforts have failed to reduce the flow of heroin from the region because producers and traffickers shift transportation routes and growing areas to countries with inadequate law enforcement or political will. In 1994, Burma accounted for about 87 percent of the opium cultivated in Southeast Asia and about 94 percent of the opium production in the region. If the flow of heroin from Southeast Asia is to be stopped, opium production in Burma must be addressed. This report discusses why doing this will be difficult. In particular, GAO focuses on the effectiveness of the United Nations Drug Control Program in Burma.

NSIAD-96-84, Feb. 16, 1996 (22 pages). Military Personnel Reassignments: Services Are Exploring Opportunities to Reduce Relocation Costs.

In fiscal year 1995, the military spent nearly \$3 billion to move 850,000 service members and their families. GAO has found that few opportunities exist to reduce the costs of permanent change-of-station moves. Overseas commitments and other laws also require the military to move many service members each year. Despite these constraints, the military is trying to cut annual costs by reducing the number of permanent change-of-station moves. To further reduce costs, the services are encouraging consecutive assignments in some geographic areas and increasing tour lengths where possible. Finally, the Defense Department can further decrease its overseas military requirements by hiring overseas contractors. The number of relocations, but not their costs, decreased in proportion to the defense downsizing from fiscal year 1987 through fiscal year 1995. The main reasons that permanent change-of-station moves did not decrease were inflation, changes in some entitlements, and an increase in the number of service members with

dependents. According to military officials, the frequency of permanent change-of-station moves is only a minor contributor to readiness problems in military units. Other factors, especially the increase in deployments for operations other than war, have a greater impact on readiness.

NSIAD-96-86, Mar. 27, 1996 (20 pages). Air Force Maintenance: Two Level Maintenance Program Assessment.

The Air Force's Two Level Maintenance program, which seeks to save money by reducing maintenance staffing, equipment, and base-level support without sacrificing force readiness, is not fully achieving its intended benefits. The estimated costs to implement the program have increased, and the expected net savings have decreased—from \$385 million to \$258 million. In addition, not all program costs have been included in the cost-savings analyses. Under the program, the turnaround time to repair avionics items generally have met Air Force standards. For engines, however, the turnaround times have exceeded the standard by as many as 87 days. The use of the program to support troops during wartime will add to the airlift burden. Because the deployed forces will not have in-country intermediate maintenance capability, the forces will have to depend on airlift for spare and repair parts. However, the theater commander, not the Air Force, controls airlift priorities. As a result, the theater commander could decide that the need for combat power in the early stages of a conflict outweighed the return of unserviceable items to depot repair facilities and the movement of items from the depots to the battlefield.

NSIAD-96-87, Mar. 15, 1996 (13 pages). Army Aviation Testing: Need to Reassess Consolidation Plan.

The Army decided in 1995 to move Army aviation testing from Edwards Air Force Base, California, to Fort Rucker, Alabama. The Army also decided to retain Yuma Proving Ground. This decision represented a shift from earlier Army studies, which had recommended consolidating all Army aviation testing at Yuma. GAO's analysis confirmed the Army's position that a dual-site consolidation involving Fort Rucker and Yuma provided the greatest short-term savings to the Army and offered significant long-term savings. A single-site consolidation at Yuma also offers significant long-term savings and, according to Army officials, a better environment for future testing. On the other hand, the Defense Department (DOD) has raised questions about whether either option would be the best choice from a DOD-wide perspective. However, the services and DOD have not agreed on how best to downsize and consolidate testing, even though Congress has encouraged them to do so. Given this situation, DOD has an opportunity to explore options with a longer-term DOD-wide perspective. This will require strong commitment and leadership on the part of top DOD officials.

NSIAD-96-88, June 28, 1996 (44 pages). Weapons Acquisition: Warranty Law Should Be Repealed.

Requiring the use of warranties in weapon system acquisitions is impractical and provides the government with few benefits. GAO estimates that the military spends about \$271 million each year on weapon system warranties, which return only about five cents for every dollar spent. Congress expected warranties to improve weapon system reliability by providing a mechanism to hold contractors liable for poor performance. In practice, however, warranties have proved an expensive way for the Defense Department (DOD) to resolve product failures with contractors. The

government has traditionally self-insured because its large resources make protection against catastrophic loss unnecessary. Further, it is often the sole buyer for a product and cannot share the insurance costs with other buyers. Because a contractor cannot allocate the cost of insuring against the risk of failure among multiple buyers, DOD ends up bearing the entire estimated cost. Moreover, DOD program officials said that warranties do not motivate contractors to improve the quality of their products. GAO believes that the warranty law should be repealed and the decision to obtain a warranty should be left to the program manager.

NSIAD-96-92, May 6, 1996 (31 pages). NATO Enlargement: NATO and U.S. Actions Taken to Facilitate Enlargement.

In January 1994, the North Atlantic Treaty Organization (NATO) committed itself to expanding its membership to include the newly democratic states of the former Communist bloc. According to the State Department, the United States has been the driving force behind NATO's enlargement. This report discusses (1) actions taken or planned to enlarge NATO, (2) the extent of current and planned U.S. bilateral assistance programs to enhance the military operations and capabilities of aspiring NATO members, and (3) the potential costs of enlargement to NATO and the new members.

NSIAD-96-93, Mar. 29, 1996 (22 pages). DOD Training: Opportunities Exist to Reduce the Training Infrastructure.

One source of funds to pay for the acceleration of the Defense Department's (DOD) modernization is to reduce infrastructure. This report summarizes the status of DOD's efforts to reduce its formal training infrastructure—a small but important

part of the total infrastructure. DOD defines its training infrastructure to include billeting, mess facilities, classrooms, equipment, software packages, and instructors. This report determines (1) the size of the active forces' formal training infrastructure and (2) actions to reduce or streamline it.

NSIAD-96-94, June 24, 1996 (80 pages). Canada, Australia, and New Zealand: Potential Ability of Agricultural State Trading Enterprises to Distort Trade.

The agricultural agreements of the Uruguay Round of the General Agreements on Tariffs and Trade (GATT) seek to establish a fair and market-oriented agricultural trading system. Through progressive reductions in governmental support and export subsidies, conversion of quotas to tariffs, lowering of barriers to import access, and other reforms, member nations hope to reduce distortions in world agricultural markets. Some member states are using state trading enterprises (STE) to regulate imports and exports. STEs are authorized to engage in trade and are owned, sanctioned, or otherwise supported by the government. Although STEs are legitimate trading entities and are subject to GATT regulations, some U.S. agricultural producers are concerned that STEs, through their monopoly powers and government support, may be able to distort worldwide trade in their respective commodities. This report reviews state trading enterprises in Canada, Australia, and New Zealand. GAO focuses on the activities of the Canadian Wheat Board, the Australian Wheat Board, and the New Zealand Dairy Board. GAO discusses whether the boards are capable of distorting world markets in their respective commodities.

NSIAD-96-96, Mar. 28, 1996 (9 pages). DOD Bulk Fuel: Services' Fuel Requirements Could Be Reduced and Funds Used for Other Purposes.

For fiscal year 1996, bulk fuels requests by the Army, the Navy, and the Air Force totaled \$4.12 billion. The three services planned to spend \$107 million of this amount, or 2.6 percent, on fuel from commercial sources. The rest was used to buy fuel from the Defense Fuel Supply Center, which buys fuel from commercial sources and sells it to the military services. On the basis of historical usage data, the Center estimates that the services' fuel purchases in fiscal year 1996 would total \$3.57 billion, or about \$440 million less than the amount the services had requested in their budgets. This estimate is lower than the estimate made when the services submitted their budget requests in January 1995. At the time, the Center projected that the services would buy \$3.68 billion worth of fuel in fiscal year 1996, or about \$330 million less than the amount requested. Because the services' bulk fuel budgets are still overstated by about \$440 million—\$440 million less than the \$100 million congressional reduction—GAO suggests that Congress rescind the \$340 million and apply it to other unfunded needs.

NSIAD-96-97, July 11, 1996 (49 pages). Earth Observing System: Concerns Over NASA's Basic Research Funding Strategy.

NASA plans to launch the first spacecraft of the Earth Observing System (EOS) in 1998. The overall goal of EOS is to understand the total earth system—air, water, land, and life and their interactions—and the effects of natural and human-induced changes on the environment. EOS has three main components: a constellation of satellites that will collect climate data, a data system designed to operate the satellites and process and distribute data, and teams of scien-

tists who will develop algorithms for converting sensor data into useful information and conduct research using the data. This report (1) discusses NASA's strategy for developing an EOS-related basic research community, focusing on the number of currently funded EOS science investigations, and (2) summarizes researchers' views on whether changes to EOS during the last few years have impeded their ability to carry out their interdisciplinary earth science investigations. GAO also discusses the Earth System Science Pathfinder program and its potential impact on funding availability for future EOS investigations.

NSIAD-96-98, June 18, 1996 (101 pages). Navy Aviation: F/A-18E/F will Provide Marginal Operational Improvement at High Cost.

With a projected total cost of \$63 billion, the Navy's program to modernize its fleet of F-18 tactical aircraft ranks among the most costly of military aviation projects. Yet the planned F/A-18E/F will deliver only marginal operational improvements over the current F/A-18C/D model. The operational deficiencies in the F/A-18C/Ds that the Navy cited as a justification for developing the F/A-18E/F either have failed to materialize or can be corrected with nonstructural changes to the C/D. Furthermore, E/F operational capabilities will be only slightly better than those of the C/D model. Given the expense and the marginal improvements in operational capabilities that the F/A-18E/F would provide, GAO recommends that the Pentagon reconsider the decision to produce the F/A-18E/F aircraft and, instead, consider procuring additional F/A-18C/Ds. The number of F/A-18C/Ds that the Navy would ultimately need to buy will depend on when the next generation strike fighter becomes operational and the number of those planes the Navy decides to purchase.

NSIAD-96-99, May 9, 1996 (11 pages). Passports and Visas: Status of Efforts to Reduce Fraud.

Technical problems and the failure of overseas consular staff to comply with internal management controls have hampered State Department efforts to modernize its visa and passport operations and make them less vulnerable to fraud. After initial delays, State has made steady progress in installing its machine-readable system—the primary initiative for eliminating visa fraud—and provided all visa-issuing posts with automated access to its global database containing the names of persons ineligible for visas. Operational problems, however, have diminished the effectiveness of these efforts. Meanwhile, State's modernization program to reduce passport fraud is behind schedule. State originally planned to install a new wide-area network, develop a system to print a digitalized passport photograph, and install a system to verify the multiple issuance of passports by December 1995. However, only the installation of the wide-area network, upon which the other two projects depend, has been completed. Full implementation also depends on modernizing the passport production system, which according to State depends on funding availability.

NSIAD-96-100, Apr. 10, 1996 (13 pages). M1 Tanks: Status of Proposed Overhaul Program.

Concerns have been raised in Congress about the absence of a procurement program to modernize the M1 tank fleet beyond the current upgrade of existing tanks and to counter new tank threats. This report discusses whether the (1) current readiness level of the M1 tank is adequate to meet its war-fighting requirements, (2) operating condition of the tanks at the National Training Center is adequate to meet training requirements, and (3) change in repair parts

funding harmed unit maintenance. GAO also reports on the status of the Army's proposed M1 tank overhaul program.

NSIAD-96-102, Apr. 15, 1996 (10 pages). Acquisition Management: Fiscal Year 1995 Waivers of Acquisition Workforce Requirements.

The Defense Acquisition Workforce Improvement Act was intended to professionalize the Defense Department's (DOD) acquisition workforce by setting requirements for education, training, and experience that were to take effect during a three-year period beginning in October 1991. The act allows DOD officials to waive qualification requirements because of unusual circumstances or an individual's qualifications. During fiscal year 1995, the military services and DOD agencies granted 233 waivers for 231 persons not meeting the training, education, tenure, or experience requirements, compared with fiscal year 1994, when 63 waivers were granted. Of the waivers granted, 83 percent were for persons not meeting the tenure requirements—they had not served the required three-year term in critical acquisition positions because of retirement, promotion, reassignment, or downsizing. Fiscal year 1995 was the first time that tenure waivers outnumbered all other types of waivers. One-third of the 39 waivers that were not related to tenure requirements were for membership in the acquisition corps. By comparison, 19 persons received waivers for corps membership in fiscal year 1994. Waivers for acquisition experience decreased by 58 percent. Only one waiver was granted for the required Program Management Course and no fulfillment waivers were granted.

NSIAD-96-103, Mar. 29, 1996 (40 pages). Chemical and Biological Defense: Emphasis Remains Insufficient to Resolve Continuing Problems.

U.S. troops remain highly vulnerable to attack from biological and chemical agents because the Defense Department (DOD) has yet to address many shortcomings identified during the Persian Gulf War, including inadequate training, a lack of decontamination kits and other equipment, and a shortage of vaccine stocks. Problems in chemical and biological defense are likely to continue unless DOD designates this area a higher priority. This report discusses (1) DOD's actions to address chemical and biological warfare problems identified during the Persian Gulf War and (2) the current preparedness of U.S. ground forces to operate in a contaminated environment.

NSIAD-96-104, Mar. 13, 1996 (51 pages). Navy Mine Warfare: Budget Realignment Can Help Improve Countermeasures Capabilities.

Operation Desert Storm revealed major weaknesses in the Navy's ability to detect and disarm enemy mines. The Navy possessed only limited capability at the time to conduct mine countermeasures at various water depths. In addition, two Navy warships struck Iraqi mines in open waters in the Persian Gulf, causing \$21.6 million worth of damage. By contrast, one of the mines was believed to cost \$10,000 and the other \$1,500. This report examines the steps the Navy is taking to ensure a viable, effective naval force that will be ready to conduct countermeasures in two nearly simultaneous regional wars. GAO evaluates the (1) status of the Navy's research and development projects, (2) readiness of the Navy's on-hand mine countermeasure assets, and (3) match between the Navy's planned and on-hand mine countermeasures assets and its mine countermeasures requirements.

NSIAD-96-105, Apr. 8, 1996 (23 pages). Military Readiness: A Clear Policy Is Needed to Guide Management of Frequently Deployed Units.

This report addresses concerns raised by Congress that the length of time that military personnel are spending away from home on deployments—commonly called personnel tempo—has increased and is stressing portions of the military community and harming readiness. GAO discusses (1) U.S. forces' frequency of deployments in recent years; (2) the effect of increased personnel tempo on the readiness of U.S. forces; and (3) Defense Department efforts to mitigate the impact of high personnel tempo, including measures to create systems for measuring personnel tempo.

NSIAD-96-106, Apr. 18, 1996 (11 pages). Acquisition Reform: Efforts to Reduce the Cost to Manage and Oversee DOD Contracts.

The Defense Department (DOD) contracted with the management consulting firm of Coopers and Lybrand to study the impact of the military's acquisition regulations and oversight requirements on its contracts. Coopers and Lybrand's 1994 report cited more than 120 regulatory and statutory "cost drivers" that increased the prices that DOD paid for goods and services by 18 percent. In response, DOD established a working group to address the issue of cost drivers. The working group is tracking many reforms initiated by DOD to reduce the cost of managing and overseeing DOD contracts. Although DOD expects substantial savings from these reforms, the actual savings may be significantly less than the 18-percent cost premium noted by Coopers and Lybrand. In December 1995, contractors participating in DOD's Reducing Oversight Costs Reinvention Laboratory noted that current measures would yield savings of only about one percent. DOD said that the one-percent cost savings was based on "work in progress" and that it would be inappropriate to use these results to draw conclusions about DOD's ability to reduce the cost

premium. DOD fully expects the savings from laboratory activities to exceed the level reported in December 1995.

NSIAD-96-107, June 7, 1996 (25 pages). Navy Ship Propulsion: Viability of New Engine Program in Question.

Although the Navy has spent more than four years and nearly \$225 million in a joint venture with the British and French to develop a new gas turbine ship propulsion system, the effort has encountered serious problems in development. Navy officials have raised many questions about the new engine, including the practicality of using it in the DDG-51 destroyer. They also have concerns about whether the new engine will provide a viable and timely return on the large investment to develop it. GAO urges the Pentagon to reassess the need for this program. As the Navy restructures the engine development program, it must decide how and if it will use the \$5.4 million test facility that it built in Philadelphia. The Navy now plans to conduct almost all of its engine testing at a test site in the United Kingdom. The Navy must also decide whether to test the engine at sea in a pilot ship. The cost to do so is estimated as high as \$12.5 million.

NSIAD-96-108, Apr. 23, 1996 (23 pages). Military Bases: Opportunities for Savings in Installation Support Costs Are Being Missed.

The Defense Department (DOD) has long recognized that support costs for military bases located near to one another could be reduced if the military services relied more on each other for base support—known as interservicing. However, the services have not taken advantage of opportunities to achieve significant savings through greater use of interservicing. Differing service traditions and cultures as well as concern about loss of control over support assets often

cause military commanders to resist interservicing. Other factors, such as differences in service standards and resource constraints, also affect commanders' willingness to embrace interservicing. Although these factors have hampered interservicing of base support functions on a limited scale, military officials suggest that they could prove to be even greater impediments to interservicing on a larger scale, such as having one base commander responsible for providing all base support to collocated bases of two or more services.

NSIAD-96-110, May 13, 1996 (27 pages). U.S. Information Agency: Issues Related to Reinvention Planning in the Office of Cuba Broadcasting.

This report examines the operations of the Office of Cuba Broadcasting and Radio Marti, which are part of the U.S. Information Agency (USIA). GAO provides information on (1) the Office of Cuba Broadcasting's reinvention plan, (2) the role and use of the Office's research analysts, (3) the reasons for the resignation of Mr. Richard Lobo as Director of the Office, and (4) any progress that has been made in monitoring Radio Marti's compliance with Voice of America broadcast standards. GAO also discusses key events and time frames concerning USIA's Office of Inspector General investigation into allegations of management reprisals in the Office of Cuba Broadcasting.

NSIAD-96-111BR, Mar. 4, 1996 (23 pages). Military Readiness: Data and Trends for January 1990 to March 1995.

This is an unclassified version of an earlier classified GAO report on military readiness. GAO analyzed military readiness data found in the Defense Department's Status of Resources and Training System to determine if the information showed significant changes in readiness since

1990—a year of peak readiness. This report provides readiness information for all four military services. Specifically, GAO (1) summarizes the reported overall readiness status of all military units from January 1990 to March 1995, (2) assesses the readiness trends of selected units from each service for the same period and discusses any readiness problems experienced, and (3) explains significant changes in reported readiness of selected units.

NSIAD-96-112, Aug. 6, 1996 (41 pages). Federally Funded R&D Centers: Issues Relating to the Management of DOD-Sponsored Centers.

Federally funded research and development (R&D) centers were first established during World War II to meet the military's specialized research needs that could not be met by government workers because of limits placed on salaries and hiring. Today, eight agencies, including the Defense Department (DOD), fund 39 centers that are run by universities, nonprofit groups, and industrial firms under long-term contracts. GAO believes that the following four issues merit attention as Congress and DOD work to resolve concerns regarding the centers: (1) whether DOD limits its centers to performing appropriate work, (2) whether DOD adequately safeguards the objectivity of its centers, (3) whether DOD effectively oversees its centers, and (4) whether DOD adequately considers cost-effective alternatives to using the centers. GAO also discusses recent steps DOD has taken to improve management of the centers.

NSIAD-96-113, Apr. 24, 1996 (6 pages). DOD Infrastructure: DOD Is Opening Unneeded Finance and Accounting Offices.

In a September 1995 report (GAO/NSIAD-95-127), GAO evaluated the Defense Department's (DOD) justifi-

cation and its cost analysis for consolidating more than 300 defense accounting centers into five large existing finance centers and 20 new sites called operating locations. GAO challenged the need for the 20 operating locations because (1) DOD's analysis showed that finance and accounting operations could be consolidated into as few as six; (2) some planned sites, particularly those located on closed or realigned military bases, would cost \$173 million to renovate; and (3) DOD, in arriving at its decision, had not considered additional operating efficiencies expected from business process reengineering initiatives. DOD generally agreed with GAO's findings. This report raises an issue that, in GAO's view, warrants immediate attention: DOD is opening new finance and accounting centers even though its recent analysis shows that they are not needed.

NSIAD-96-115, May 17, 1996 (36 pages). Contingency Operations: DOD's Reported Costs Contain Significant Inaccuracies.

Since fiscal year 1992, the Pentagon has reported more than \$7 billion in incremental costs for its participation in contingency operations, ranging from peacekeeping missions in Haiti and the former Yugoslavia to deployments to the Middle East during the Persian Gulf War. Accurate reporting of these costs is crucial to effective congressional oversight of appropriated funds. GAO found inaccuracies in the Defense Department's (DOD) costs for contingency operations, representing about seven percent of the \$4.1 billion in costs reported in fiscal years 1994 and 1995. In GAO's judgment, this variance in reported costs is indicative of a material weakness in the accounting systems. DOD guidance on reporting incremental costs is vague and incomplete, and weaknesses plague DOD's accounting system.

NSIAD-96-119, Apr. 17, 1996 (42 pages). Drug Control: U.S. Interdiction Efforts in the Caribbean Decline.

Budget reductions and a lack of resources among island nations have hampered efforts to intercept drug traffickers in the Caribbean—the transit route for nearly one-third of the cocaine now entering the United States. As a result, cocaine seizures in the Caribbean fell from a peak of 70,000 kilograms in 1992 to 37,000 kilograms in 1995. In recent years, drug traffickers in the Caribbean have increasingly relied on ships rather than planes to transport drugs. Traffickers are also using sophisticated technologies, such as global positioning systems, to counter U.S. efforts to monitor their activities. Although most Caribbean nations have cooperated in fighting drug trafficking, a lack of finances and effective law enforcement operations have stymied their efforts. Corruption has also been a concern. U.S. budget cuts have undermined the ability of the Defense Department and law enforcement agencies to track and intercept drug traffickers. Funding for drug interdiction declined from \$1 billion in fiscal year 1992 to \$569 million in fiscal year 1995. The executive branch has yet to develop a regional plan to implement the U.S. cocaine strategy in the transit zone, fully staff interagency organizations, or resolve issues on intelligence sharing. GAO summarized this report in testimony before Congress; see: Drug Control: Observations on U.S. Interdiction in the Caribbean, by Jess T. Ford, Associate Director for International Relations and Trade Issues, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-96-171, May 23 (12 pages).

NSIAD-96-120BR, Mar. 14, 1996 (34 pages). Bosnia: Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate.

The Defense Department's (DOD) cost to send almost 27,000 troops to Bosnia as part of peacekeeping operations is uncertain at this time but could well exceed DOD's estimate. Army costs, which are estimated at two-thirds of total operation costs, are likely to exceed DOD projections, while Air Force costs are likely to be less than estimated. DOD estimated deployment transportation costs at nearly \$73 million, but through the end of January 1996, DOD had spent about \$157 million on deployment transportation. DOD estimated the cost of contractor support at \$192 million; through February 1996, however, the Army had spent more than \$247 million on contractor services, and Army officials said that contractor costs could go as high as \$500 million. Several major cost areas remain uncertain. They involve the operating tempo of the forces in Bosnia, the cost of redeploying the implementation force, and the expense of reconstituting equipment used in the operation.

NSIAD-96-121BR, Mar. 15, 1996 (36 pages). Contingency Operations: Defense Cost and Funding Issues.

The Defense Department (DOD) participated in contingency operations in several places during fiscal year 1995, including Haiti, Southwest Asia, and the former Yugoslavia. To help cover the incremental costs of these operations, Congress provided DOD with a supplemental appropriation. This report provides information on (1) the extent to which the supplemental appropriation fully covered DOD's incremental costs and the impact that funding shortages or overages may have had on the services and (2) the accuracy of the methods used to estimate incremental

costs compared with actual costs and ways to improve the method of estimating costs.

NSIAD-96-124, Aug. 29, 1996 (108 pages). State Department: Options for Addressing Possible Budget Reductions.

The State Department received appropriations of \$2.695 billion for fiscal year 1995 and \$2.671 billion for fiscal year 1996 to conduct foreign affairs. Although State has cut its staff and implemented cost reduction measures, it has been reluctant or unable to significantly reduce its overseas presence and the scope of its activities or to significantly change its business practices. Budgetary constraints make it highly unlikely that State will receive a level of funding that would allow it to maintain its current level of activities. The greatest opportunity to reduce costs is by closing, or reducing the size of, overseas posts, which cost about \$1.9 billion annually—or nearly 70 percent of State's budget. State maintains a diplomatic presence in more than 250 locations overseas, including countries where the United States has limited interests. This structure has not changed significantly since the end of the Cold War. State could also reduce support costs by several hundred million dollars by accelerating changes to its business practices. State now spends nearly \$1.8 billion on communications, real estate, and other support services for domestic and overseas operations. Prompt disposal of unneeded overseas real estate is just one example of how State could reduce its support costs.

NSIAD-96-125, Mar. 29, 1996 (6 pages). Military Airlift: Observations on the Civil Reserve Air Fleet Program.

This report provides information on the Civil Reserve Air Fleet Program, which augments military airlift during emergencies. According to Air Mobil-

ity Command documents, fleet aircraft played a vital role in Operations Desert Storm and Desert Shield by providing 62 percent of the Air Force's passenger airlift capability and 27 percent of its cargo airlift capability. GAO discusses the (1) extent to which participation by commercial carriers in the program meets wartime requirements, (2) Defense Department's efforts to ensure future carrier participation, and (3) recent review of the program that was directed by the C-17 Defense Acquisition Board.

NSIAD-96-126, July 26, 1996 (22 pages). C-17 Aircraft: RM&A Evaluation Less Demanding Than Initially Planned.

The Air Force reported that the C-17 transport aircraft met or exceeded 10 of the 11 contract specification requirements during its reliability, maintainability, and availability (RM&A) evaluation. However, the evaluation was less demanding than the one called for in a draft 1992 plan. The reduced rigor stemmed primarily from changes in the number of aircraft sorties, average sortie length, and total flying hours. The evaluation was also less demanding because it had fewer airdrops and landings at small, austere airfields than originally planned and flew cargo loads that were significantly lighter than projected in the contract specifications. The RM&A evaluation was not a statistically valid test for determining C-17 wartime utilization rates and did not prove what a mature C-17 fleet would do during 45 days of wartime surge operations. It simply demonstrated that a high utilization rate could be achieved during a 48-hour period. Finally, in awarding the incentive fee, the Air Force credited the C-17 aircraft with meeting the full mission capable rate goal. During the RM&A evaluation, however, the aircraft was restricted from performing formation personnel airdrop under realistic conditions and was rated not

functionally effective for aeromedical evacuation. As a result, the \$5.91 million incentive fee was \$750,000 higher than justified.

NSIAD-96-128, Apr. 10, 1996 (13 pages). Combat Air Power: Funding Priority for Suppression of Enemy Air Defenses May Be Too Low.

Although the Pentagon acknowledges that its strategy for airborne suppression of enemy air defenses (SEAD) is critical to military air operations, recent budget decisions may undermine SEAD capability. The Defense Department (DOD) is abandoning deployed SEAD capabilities that have significant military value and has dropped plans to improve SEAD's ability to meet new threats. Despite the potential harm to war-fighting capability, DOD has chosen to (1) retire the F-4G without a comparable replacement, (2) retire the EF-111 and use the less suitable EA-6B for Air Force missions, and (3) curtail funding for other SEAD programs. DOD now recognizes that the decline in SEAD capabilities may increase the vulnerability of friendly aircraft, frustrate the accomplishment of U.S. military objectives, and prolong future wars. Nevertheless, DOD has chosen to support less urgent and more prospective combat air power programs, such as the F-22 aircraft. GAO is concerned that DOD's decisions could undermine U.S. war-fighting capabilities and may have to be corrected later, at much greater expense and effort.

NSIAD-96-129, June 21, 1996 (92 pages). Defense Ammunition: Significant Problems Left Unattended Will Get Worse.

The Defense Department (DOD) has poorly managed its huge stockpile of ammunition—a legacy of the Cold War and Operation Desert Storm. Of an \$80-billion inventory, an estimated \$31 billion worth of conventional ammunition, explosives, and missiles

were surplus. Much of this was old and unusable. For some types of ammunition, the military had more than 50 times its stated needs. The massive quantities of ammunition that were returned to the stockpile as a result of closed military bases in Europe and the end of the Persian Gulf War—combined with decreases in budgets, staff, and storage space—have severely taxed the military's ability to manage the ammunition inventory. Managers have difficulty (1) identifying ammunition beyond what is needed for the military's stated requirements, (2) sharing excess ammunition with military services that may need it, and (3) disposing of excess ammunition that it no longer makes sense to retain. In addition, ammunition inspections and tests have fallen so far behind that the military cannot guarantee the usability or readiness of the stockpile.

NSIAD-96-131, Apr. 4, 1996 (45 pages). Defense Infrastructure: Budget Estimates for 1996-2001 Offer Little Savings for Modernization.

The Pentagon is counting on large savings from streamlining infrastructure to pay for new weapons systems, but GAO found that substantial net savings from infrastructure improvements, such as base closures and military purchasing reforms, are unlikely during the next five years. In defining "infrastructure," the Defense Department (DOD) has excluded most intelligence; space; and command, control, and communications programs. These programs will cost about \$25 billion in fiscal year 1996. If DOD's objective is to examine all possible infrastructure for savings, it should include these programs. Moreover, some infrastructure costs are hidden in accounts that are supposedly devoted to operations and maintenance and to quality-of-life programs for military personnel. Unless the Pentagon is willing to consider these areas, military overhead will likely remain relatively

constant—at 60 percent of DOD's budget—through 2001. This report identifies options to consolidate and reengineer infrastructure that would yield savings of nearly \$12 billion in future years.

NSIAD-96-133, May 31, 1996 (17 pages). Ammunition Industrial Base: Information on DOD's Assessment of Requirements.

This report reviews the production facilities available to support the military's ammunition requirements and the status of the ammunition stockpile. GAO focuses on the Defense Department's assessment of the industrial base's ability to supply ammunition to meet requirements for peacetime and two major regional conflicts and to replenish the ammunition stockpile following those conflicts.

NSIAD-96-134, June 21, 1996 (20 pages). Environmental Compliance: Continued Need for Guidance in Programming Defense Construction Projects.

Since GAO last reported on this subject in 1993 (GAO/NSIAD-94-22), the military services have tried to improve the manner in which they program and prioritize environmental compliance construction projects. However, Defense Department (DOD) policy still does not specify how the military services should report costs for environmental compliance construction projects and how they should decide which appropriation account should provide the funds. Consequently, the military services and the Defense Logistics Agency continue to differ in how they classify and prioritize projects and how they determine their source of funding. These inconsistencies and lack of guidance inhibit congressional oversight and DOD program management. DOD's estimates for fiscal year 1997 environmental compliance construction requirements fell from

\$257 million in February 1995 to \$84 million in April 1996. Because of the lack of a uniform approach to categorizing these projects, GAO cannot determine the precise reasons for this drop in funding.

NSIAD-96-135, July 17, 1996 (38 pages). Space Station: Cost Control Difficulties Continue.

The international space station, a joint venture involving NASA, Japan, Canada, the European Space Agency, and Russia, will be a permanently orbiting laboratory used to conduct scientific research under weightless conditions. NASA estimates its share of the costs to build the space station at \$17.4 billion. The space station is now scheduled to be completed by 2002. As of April 1996, the prime contract for the space station was nearly \$90 million over cost and about \$88 million behind schedule. Overall, the prime contract is 45-percent complete and these variances are within planned funding levels. However, many cost threats remain, and financial reserves needed for unexpected contingencies remain limited during the next several years. If available resources prove inadequate, program managers either will be forced to exceed the annual funding limitation or will have to defer or rephase other activities, potentially delaying the space station's schedule and increasing its overall cost. NASA has tried to ensure that the prime development contractors and its major subcontractors implement effective performance measurement systems for managing their contractors, but a complete performance measurement system is still not in place. Also, NASA has made slower progress implementing effective performance measurement systems on its contractors for developing ground-based and on-orbit capabilities for using and operating the space station. GAO summarized this report in testimony before Congress; see: Space Station: Cost Control Difficul-

ties Continue, by Thomas J. Schulz, Associate Director for Defense Acquisitions Issues, before the Subcommittee on Science, Technology, and Space, Senate Committee on Commerce, Science, and Transportation. GAO/T-NSIAD-96-210, July 24 (six pages).

NSIAD-96-136, July 9, 1996 (16 pages). Ballistic Missile Defense: Issues Concerning Acquisition of THAAD Prototype System.

The Ballistic Missile Defense Organization and the Army plan to acquire a Theater High Altitude Area Defense (THAAD) User Operational Evaluation System—an early prototype version of the final THAAD system. The Army now plans to buy 40 interceptors well before testing ensures the User Operational Evaluation System's capabilities, even though the THAAD program has already experienced significant cost, schedule, and technical performance problems. As a result, the Defense Department risks acquiring a system that might not be worth deploying in an emergency. GAO also found that (1) the contractor's cost estimate for the interceptors has more than doubled since 1992 and is likely to increase further and (2) test schedule slippage, increase delivery lead times, and funding limitations have delayed the availability of the interceptors by about two years. Furthermore, airborne deployment of the User Operational Evaluation System may be difficult because it must compete with other military hardware for scarce airlift resources.

NSIAD-96-138, Aug. 6, 1996 (18 pages). Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency.

The National Performance Review recommended in 1993 that agencies increase their use of government commercial credit cards—called purchase cards—for small purchases

to cut the red tape normally associated with federal procurement. Since then, legislation has eliminated some requirements for purchases of \$2,500 or less, called micropurchases. Agencies have found that they can carry out their missions at lower cost by having staff use the purchase cards for simple purchases. Further, agency studies have shown that card use reduces labor and payment-processing costs. In fact, a 1994 interagency study showed that costs had often been cut by more than half; other studies have identified millions in potential savings from card use. Since the cards first became available governmentwide, their use has skyrocketed. Even so, significant room for growth exists: the average purchase card transaction was \$375 in fiscal year 1995, well below the micropurchase threshold. Despite the growth in purchase card use, GAO found no evidence of increased abuses. In fact, the electronic data stored on all purchase card transactions permits close monitoring of card use. Officials at most agencies GAO reviewed believe that the Federal Acquisition Regulation, which governs federal procurement, should more clearly address card use. Also, although agencies want to learn from one another's experiences, no mechanism exists for them to communicate with one another and to share their improvements.

NSIAD-96-139, June 28, 1996 (80 pages). Acquisition Reform: Regulatory Implementation of the Federal Acquisition Streamlining Act of 1994.

The Federal Acquisition Streamlining Act of 1994 contained more than 200 sections changing the laws governing how agencies acquire nearly \$200 billion worth of goods and services annually. The act sets deadlines for publishing proposed and final implementing regulations, prescribes a minimum 60-day period for public review and comment on proposed regulations, and requires the drafters

of such regulations to make every effort to ensure that regulations are concise and understandable. This report (1) determines whether all regulations necessary to implement the act were published in accordance with the act's requirements and (2) describes the efforts made to make the regulations concise and understandable.

NSIAD-96-140, July 10, 1996 (19 pages). Defense Research and Development: Federal Centers' 1993 Compensation in Relation to Federal Levels.

This report provides information on the professional staff, managers, and executives of the Defense Department's Federally Funded Research and Development Centers. GAO reviews fiscal year 1993 costs for salaries, other cash compensation, and benefits to determine total compensation for the centers and identifies the federal levels that contained the average compensation paid by the centers to their personnel.

NSIAD-96-141, June 4, 1996 (49 pages). Operation and Maintenance Funding: Trends in Army and Air Force Use of Funds for Combat Forces and Infrastructure.

The Secretary of Defense contends that the Defense Department (DOD) must increase its procurement funding if it is to have a modern future force. The Secretary wants to reform the acquisition process and streamline infrastructure to pay, in part, for force modernization. DOD now expects decreases in its operation and maintenance account and increases in its procurement account beginning in fiscal year 1998. This report reviews how the Army and the Air Force obligated their annual operation and maintenance account funds and compares their obligations to what was requested in the President's budgets. GAO determines what part of total obligations was used for infra-

structure activities as opposed to combat force. The Navy is not included in this review because, at the headquarters level, it does not maintain the level of budget request and obligation data that GAO needed for its analysis.

NSIAD-96-143BR, Apr. 22, 1996 (40 pages). Civilian Downsizing: Unit Readiness Not Adversely Affected, but Future Reductions a Concern.

The Defense Department (DOD) began its downsizing effort in fiscal year 1988. Since then, DOD has reduced its civilian workforce by about 25 percent, or 284,000 jobs. By the time it finishes its downsizing in fiscal year 2001, DOD will have cut nearly 730,000 jobs, or 35 percent below its strength level in 1987. Civilian downsizing has not harmed military readiness at the installations GAO visited. However, Army installation officials raised concerns about the effects of civilian downsizing on civilian services, such as public works and repair and maintenance. Civilian downsizing has affected the amount of time it takes to repair noncritical equipment, and both Army and Air Force officials said that civilian downsizing had reduced recreational and family services. Officials at all installations were concerned about the effect of downsizing on civilian workforce morale because of limited career and promotion opportunities, job insecurity, and longer working hours. GAO found that the military services lacked a long-term road map to guide civilian reduction decisions to meet future mission requirements. Although the services are developing comprehensive mission strategies to better determine future civilian workforce requirements, most of the civilian reductions will have been completed by the time these strategies are in place.

NSIAD-96-144, June 28, 1996 (22 pages). Precision-Guided Munitions: Acquisition Plans for the Joint Air-to-Surface Standoff Missile.

The Air Force and the Navy are developing the joint air-to-surface standoff missile to attack—day or night—high-value, well-defended targets while allowing the launch aircraft to remain outside the range of enemy defenses. This report discusses (1) the Air Force's plan to use a new acquisition process that balances capability and affordability requirements for acquiring the missile, (2) schedule and cost risks because of the immaturity of essential technology and the complexity of integrating the missile with multiple aircraft, (3) the Air Force's plan to acquire 35 pilot production missiles early in development that may not be needed, and (4) the need to strengthen the Navy's commitment to the program.

NSIAD-96-145, Aug. 16, 1996 (8 pages). Environmental Cleanup: Cash Management Practices at Rocky Mountain Arsenal.

The Rocky Mountain Arsenal, located on 17,000 acres northeast of Denver, is one of the Defense Department's most contaminated installations. The military manufactured chemical weapons there for decades, and the Army leased part of the arsenal to the Shell Oil Company, which produced herbicides and pesticides. A cost-sharing arrangement between the Army and Shell does not provide for timely or efficient collection of what is expected to exceed \$500 million in cleanup costs from Shell. When the government does not collect receivables in a timely manner, it loses the opportunity to invest these funds until needed. Since the 1989 settlement agreement with Shell, weak cash management practices have cost the government more than a million dollars. GAO noted three weaknesses in cash management practices at the arsenal. First, the Army bills Shell

quarterly, rather than monthly, as is the usual business practice. Second, the payment cycle allows 90 days—rather than the 60 days called for in the settlement agreement—to document cost claims, prepare a quarterly statement, and pay the amount due. Third, the Army and Shell exchange payments through the mail rather than electronically, which further delays access to the funds. Nine of the 10 checks GAO reviewed, including one for \$12 million, were deposited after the due date.

NSIAD-96-147, July 5, 1996 (30 pages). Haiti: U.S. Assistance for the Electoral Process.

This report reviews U.S. efforts to foster democratic elections and greater respect for human rights in Haiti. GAO discusses (1) how the elections in Haiti were conducted, (2) the nature and the extent of U.S. support for these elections, and (3) whether election assistance funds for Haiti were properly controlled and spent. GAO also assesses Haiti's progress in investigating allegations of politically motivated killings.

NSIAD-96-149, Aug. 6, 1996 (44 pages). Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993.

Land sales for the first three rounds of military base closure totaled nearly \$180 million as of March 1996. There were only two sales in the 1993 round, for a total of \$1.5 million. Although private parties are not precluded from buying surplus properties at the closed military bases, they rarely have a chance to bid on the properties because communities are requesting the properties under public benefit transfers, economic development conveyances, and noncompetitive negotiated sale authorities. Communities are planning industrial and office complexes, parks and recreational facilities, residential housing, and prisons on this land. Developing and

implementing reuse and disposal plans, however, can be a lengthy process. Readily marketable properties may decline in value as they sit idle and may require resources from the services' budgets for protection and maintenance. GAO recommends that the Defense Department (DOD), to preserve the facilities' value while reducing protection and maintenance costs, (1) set time limits on negotiations before offering properties for public sale and (2) when practical, rent unoccupied surplus housing and other facilities as a way to preserve properties pending final disposal. To help communities successfully transform closed bases into new opportunities, federal agencies have provided more than \$780 million in direct assistance to areas affected by the 1988, 1991, and 1993 realignment and closure rounds. DOD now reports that for the 60 bases GAO reviewed, about 21 percent of the 88,000 DOD civilian jobs lost have been replaced.

NSIAD-96-150, July 23, 1996 (81 pages). Chemical Weapons Stockpile: Emergency Preparedness in Alabama Is Hampered by Management Weaknesses.

Eight years after the inception of the Army's Chemical Stockpile Emergency Preparedness Program, communities near the Anniston Army Depot in Alabama are not prepared to respond to a chemical stockpile emergency because they lack critical items, including communication warning systems and protective equipment for emergency workers. Alabama and six counties have yet to spend \$30.5 million—about two-thirds of the \$46 million earmarked for improvements in emergency preparedness. This lack of progress is the result of management weaknesses at the federal level and inadequate action by state and local agencies. The situation in Alabama may not be unique, however. GAO has found that local communities near the eight chemical weapons storage sites in the

United States are not fully prepared to respond to a chemical emergency, financial management is weak, and costs are mounting.

NSIAD-96-153, June 10, 1996 (13 pages). Basic Training: Services Using a Variety of Approaches to Gender Integration.

The military services are using various approaches to integrate men and women during basic training. These approaches range from using the same program to instruct both sexes and integrating some training units to using different programs of instruction and providing separate training. The costs associated with gender integration have been low. In fact, the Army is the only service that has incurred expenses to accommodate gender-integrated basic training, spending about \$67,000 to modify barracks. No staffing or curriculum changes have been made to accommodate integrated basic training. Studies of the impact of gender-integrated units have been done for the Navy and the Army. A 1993 study done for the Navy reported no impact on objective performance measures and improvement in teamwork measures for both men and women training in gender-integrated units. A recent Army study found that the performance of women improved in gender-integrated training units while the performance of men was not degraded. Although the Army introduced limited gender-integrated basic training in the late 1970s and early 1980s, the Army has no records from that period to compare with its current program.

NSIAD-96-155, Aug. 2, 1996 (32 pages). Environmental Protection: Status of Defense Initiatives for Cleanup, Compliance, and Technology.

The Defense Department (DOD) manages thousands of military installations throughout the United States and overseas. Its operations are

subject to the same environmental, safety, and health laws as is private industry, as well as additional regulations governing federal facilities. The day-to-day operations of a typical military installation mirror those of a small city. As a result, these installations face many of the same environmental problems confronting the industrial and commercial sectors. DOD has organized its \$5 billion environmental program into five areas: cleanup, compliance, conservation, pollution prevention, and technology. This report discusses three of these areas: (1) cleanup (remediation), which involves investigating and cleaning up contamination from hazardous substances and waste on land used by DOD; (2) compliance with federal, state, and local environmental laws and regulations; and (3) technology research and development.

NSIAD-96-156, July 12, 1996 (32 pages). Inventory Management: Adopting Best Practices Could Enhance Navy Efforts to Achieve Efficiencies and Savings.

This report is part of a series comparing the Defense Department's (DOD) logistics practices with those of the private sector. Although DOD has introduced some innovative practices, many opportunities exist for improving the logistics system. This report focuses on the Navy's logistics system for aircraft parts. GAO (1) examines the current performance of the Navy's logistics system, (2) reviews the Navy's efforts to improve its logistics system and reduce costs, and (3) examines leading best practices used by the airline industry that could potentially help the Navy bolster the efficiency and effectiveness of its logistics operations.

NSIAD-96-157, June 21, 1996 (6 pages). Operational Support Airlift: Analysis of Joint Staff Estimate of Military Wartime Requirements.

Operational support aircraft are used to meet short notice, generally smaller cargo and passenger requirements that cannot be met by regularly scheduled tactical resupply aircraft. A study by the Joint Chiefs of Staff found that the joint wartime requirement for operational support aircraft is 391 planes, or about 100 less than the fleet in existence at the time of the study. In response to a congressional request that GAO determine if the requirement for 391 aircraft was excessive, this report (1) recalculates the Joint Staff's estimate using the same computerized model and (2) determines how changes in the flight frequency assumptions affected the calculation of aircraft requirements.

NSIAD-96-158, July 15, 1996 (15 pages). Military Bases: Potential Reductions to the Fiscal Year 1997 Base Closure Budget.

A review of the Defense Department's (DOD) Base Realignment and Closure (BRAC) accounts indicates that Congress has little assurance that appropriated BRAC funds will be used as requested in DOD budget submissions. BRAC expenditures vary substantially from budget submissions. In past budget submissions, environmental costs have been understated while costs for other BRAC subaccounts, such as military construction and operation and maintenance, have been overstated. The DOD fiscal year 1997 budget request can be reduced by about \$148 million (about 6 percent) because funds from prior year appropriations will be available to fund future expenditures. Additional reductions are possible because mandated annual DOD Inspector General (IG) audits of BRAC construction projects identify projects that can be eliminated or reduced in scope. If the fiscal year 1997 IG audit identifies reductions in the projects proportionate to the reductions identified in 1996 and 1995, the amount would be about \$60 million.

NSIAD-96-159, July 9, 1996 (22 pages). Intermodal Freight Transportation: Projects and Planning Issues.

The Intermodal Surface Transportation Efficiency Act set aside \$155 billion to improve the nation's surface transportation system during a six-year period ending in fiscal year 1997. Although the act mainly authorized highway construction and improvements, it also encouraged intermodal connections as a way to enhance the transportation infrastructure. Intermodal connections link the various transportation modes—highways, rail, air, and maritime facilities. Economists and transportation planners believe that productivity and efficiency gains can be achieved by improving intermodal connections. This report reviews (1) the Transportation Department's efforts to track how states used funds made available by the act to facilitate intermodal transportation and the nature and extent of funds used by states for intermodal freight projects, (2) how some local and regional areas that handle a large volume of freight have considered intermodal freight transportation issues as part of their planning process, and (3) the impediments some areas face in improving freight transportation. GAO also provides information on intermodal freight transportation trends.

NSIAD-96-160, Aug. 8, 1996 (45 pages). U.S. Combat Air Power: Aging Refueling Aircraft Are Costly to Maintain and Operate.

The military's KC-135 tanker fleet used for air refueling is now 30 to 40 years old, and these aircraft are taking longer and costing more to maintain and operate. Moreover, the Air Force could spend more than \$6 billion on modifications and structural repairs to keep the KC-135 fleet operational. Despite increasing demands on the tanker fleet, the Air Force has deferred a replacement program and is relying on reserve personnel to relieve

pressure on active duty tanker crews. The reserve forces have been able to assume more of the tanker workload because many crew members have volunteered extra time, thus exceeding the reserves' legal training requirement of 38 days per year. In fact, many have served more than 100 days a year in training and flying sorties.

NSIAD-96-161, July 15, 1996 (23 pages). Defense Depot Maintenance: Commission on Roles and Mission's Privatization Assumptions Are Questionable.

GAO questions the assumption made by the Commission on Roles and Missions that privatizing all Defense Department (DOD) depot maintenance activities would save 20 percent and not harm readiness or sustainability. The Commission's assumptions are based on conditions that do not now exist for many depot workloads. The extent to which DOD's long-term privatization plans and market forces will effectively create more favorable conditions for outsourcing is uncertain. The Commission assumed that a highly competitive and capable market exists or would develop for most depot workloads. However, most of the depot workloads contracted to the private sector are awarded noncompetitively—mostly to the original equipment manufacturer. Moreover, several factors would likely limit private sector competition for many workloads now in the public depots. Without highly competitive and capable private sector markets, the cost and readiness risks of privatizing depot maintenance workloads may prove unacceptable. Furthermore, the Commission's privatization savings do not reflect the cost impact of excess capacity in the public depots. The Commission also assumed that public-private competitions would be used in the absence of private sector competition and would be limited to only a few cases. GAO found that public-private depot

maintenance competitions have resulted in savings and benefits and can provide a cost-effective way to make depot workload allocation decisions for some workloads. The beneficial use of such competitions could have significantly more applicability than the Commission assumed.

NSIAD-96-162, Aug. 26, 1996 (36 pages). Best Practices: Commercial Quality Assurance Practices Offer Improvements for DOD.

The Defense Department (DOD) spends about \$1.5 billion extra per year on military-unique quality assurance requirements for major acquisitions. It spends billions more on cost and schedule overruns to correct problems caused by poor quality practices. To help improve DOD's quality assurance program, GAO reviewed world-class commercial organizations to determine what practices they had adopted to more efficiently produce quality products. This report describes (1) the problems DOD has had historically in improving quality assurance practices, (2) some private sector practices that could benefit DOD, and (3) a current plan for improving quality assurance activities.

NSIAD-96-163, June 12, 1996 (29 pages). Drug Control: Counternarcotics Efforts in Mexico.

Hampered by declining U.S. funding, staff cutbacks, and corruption among key Mexican institutions, drug interdiction efforts in Mexico have failed to stem the flow of illegal drugs reaching the United States. Mexico remains the primary transit route for cocaine, heroin, marijuana, and methamphetamine smuggled into this country. U.S. narcotics activities in Mexico and the transit zone have declined since 1992. U.S. funding for counternarcotics efforts in the transit zone and Mexico fell from \$1 billion in fiscal year 1992 to \$570 million in fiscal year 1995. Moreover, since 1992,

direct U.S. assistance to Mexico has been negligible because of Mexico's 1993 policy of refusing most U.S. counternarcotics assistance. Staffing reductions in the State Department's Narcotics Affairs Section at the U.S. Embassy in Mexico City have limited monitoring of earlier U.S. assistance, mainly helicopters and spare parts. Since GAO's June 1995 testimony before Congress (GAO/T-NSIAD-95-182), the U.S. embassy has elevated drug control issues in importance and has developed a drug control operating plan with measurable goals; the Mexican government has indicated a willingness to develop a mutual counternarcotics assistance program and has taken action on important law enforcement and money laundering legislation; and the United States and Mexico have created a framework for greater cooperation and are expected to develop a joint counternarcotics strategy by the end of the year. Following through on these efforts is critical to combatting drug trafficking in Mexico. GAO summarized this report in testimony before Congress; see: Drug Control: Observations on Counternarcotics Efforts in Mexico, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the Subcommittee on National Security, International Relations and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-96-182, June 12 (10 pages).

NSIAD-96-165, May 21, 1996 (20 pages). Defense Depot Maintenance: DOD's Policy Report Leaves Future Role of Depot System Uncertain.

The National Defense Authorization Act for Fiscal Year 1996 requires GAO to analyze the Defense Department's (DOD) report entitled Policy Regarding Performance of Depot-Level Maintenance and Repair, which was submitted to Congress in April 1996. GAO focuses on (1) the likely future role of the defense depots, (2) the adequacy of the depot maintenance

policy's content, and (3) the inconsistency of DOD's policy with current statutes and congressional direction on the use of public-private competitions.

NSIAD-96-166, May 21, 1996 (23 pages). Defense Depot Maintenance: More Comprehensive and Consistent Workload Data Needed for Decisionmakers.

The National Defense Authorization Act for Fiscal Year 1996 requires GAO to analyze the Defense Department's (DOD) report entitled Depot Maintenance and Repair Workload, which was submitted to Congress in April 1996. GAO focuses on DOD's analysis of (1) the need for and effect of the 60/40 legislative requirement concerning the allocation of depot maintenance workloads between the public and private sectors, (2) historical public and private sector depot maintenance workload allocations, and (3) projected public and private depot maintenance workload allocations.

NSIAD-96-169, July 9, 1996 (15 pages). Physically Demanding Jobs: Services Have Little Data on Ability of Personnel to Perform.

This report reviews the use and development of gender-neutral occupational performance standards in the military. GAO (1) discusses the military services' approaches to implementing gender-neutral performance standards and screening service members to ensure that they can meet the physical demands of their jobs, (2) discusses how the military services identified the extent to which service members had problems in accomplishing the physical demands of their jobs, and (3) evaluated the Air Force's implementation of its strength aptitude testing program.

NSIAD-96-170, June 21, 1996 (19 pages). Bottom-Up Review: Analysis of DOD War Game to Test Key Assumptions.

This report, an unclassified version of an earlier classified GAO report, reviews the objectives, methodology, and results of the Pentagon's war game Nimble Dancer, which assessed the ability of the U.S. armed forces to fight and win two nearly simultaneous major regional conflicts. GAO also discusses the assumptions and data used in Nimble Dancer relating to several areas, such as readiness, threat, and force availability. GAO provides its observations on the objectives, methodology, and results of the exercise. It also provides details on specific areas of interest.

NSIAD-96-172, Sept. 5, 1996 (29 pages). Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices.

As of March 1996, the Defense Department (DOD) had set aside \$3.4 billion for environmental cleanup at bases being closed under the base realignment and closure process. However, as more bases are closed and more cleanup efforts are undertaken, program costs are likely to rise significantly. Available DOD data suggest that program costs are likely to exceed \$11 billion. The key reasons for the high cost of closing base cleanups are (1) the large number of contaminated sites and difficulties arising from the types of contamination, (2) requirements of federal and state laws and regulations, (3) lack of cost-effective cleanup technology for some contaminants, and (4) intended property reuse. Options for reducing cleanup costs at closing bases include deferring or extending cleanup actions, modifying existing laws and regulations, adopting more-effective cleanup technologies, and sharing costs with the ultimate user of the

property. All of these options, however, have the potential for adversely impacting the goals of the program.

NSIAD-96-173, June 28, 1996 (10 pages). Wartime Medical Care: Personnel Requirements Still Not Resolved.

Since 1994, the Defense Department (DOD) and the military services have produced several estimates of wartime medical personnel requirements. The National Defense Authorization Act of 1996 requires GAO to study the reasonableness of the models each military service uses to determine appropriate wartime medical personnel force levels. DOD recently embarked on, but has yet to complete, another major wartime medical requirements study. This study is expected to modify the data contained in the service models and is intended to produce a unified DOD position on medical requirements. This report addresses the service models' results, their methodologies, and their inclusion of active duty and reserve medical personnel. A separate report will examine DOD's updated wartime medical requirements study and, to the extent needed, address any remaining issues associated with the service models.

NSIAD-96-174, May 31, 1996 (8 pages). Defense Infrastructure: Costs Projected to Increase Between 1997 and 2001.

GAO analyzed the infrastructure portion of the Defense Department's (DOD) 1997 Future Years Defense Program, which covers fiscal years 1997-2001, and found that infrastructure costs are projected to rise from \$146 billion in 1997 to \$155 billion in 2001. Although the infrastructure portion of DOD's budget is projected to decrease from 60 percent in 1997 to 57 percent in 2001, this is primarily because the total military budget is expected to increase at a faster rate than the infrastructure portion. The

installation support portion of DOD's infrastructure budget is projected to decline between 1997 and 2001, but all other categories of infrastructure are projected to increase. The combination of operation and maintenance and military personnel appropriations fund about 80 percent of infrastructure activities that can be clearly identified in the Future Years Defense Program. The upshot is that DOD must look to these two appropriations if it plans to spend less on infrastructure activities.

NSIAD-96-175, Sept. 27, 1996 (16 pages). Electronic Warfare: Additional Buys of Sensor System Should Be Delayed Pending Satisfactory Testing.

The Army is spending \$1.55 billion to develop the Intelligence Electronic Warfare Common Sensor system, which is an antenna-like device to be mounted on the backs of tanks and other vehicles. The system's purpose is to intercept enemy communications signals, locate the source of those signals, and jam them electronically. It is also expected to be able to locate enemy radars. The Army has prematurely committed to the low-rate initial production of this unproven system and plans an additional low-rate initial production that is not justified. Also, the Army plans to approve additional production of the system and enter full-rate production without showing that it can meet minimum acceptable performance requirements. Unless this acquisition strategy is changed, the Army risks procuring an unsatisfactory system that may require later redesigns and retrofits. Because the Defense Department has indicated an unwillingness to take corrective actions that GAO believes are necessary, Congress should take steps to ensure that these problems are addressed.

NSIAD-96-176, Aug. 2, 1996 (15 pages). NASA Personnel: Challenges to Achieving Workforce Reductions.

By the end of fiscal year 1996, NASA will be about halfway to its goal of reducing its workforce from 25,000 full-time-equivalent employees to about 17,500. NASA's success is due mainly to the use of buyouts to encourage employees to voluntarily resign or retire from the government. About two-thirds of the 4,000 people who left NASA in 1994 and 1995 took buyouts. Voluntary attrition should meet NASA's downsizing goals through fiscal year 1998, but the agency doubts whether attrition would provide sufficient personnel losses by fiscal year 1999. Thus, NASA intends to start planning for a reduction-in-force during fiscal year 1998 if not enough NASA employees are retiring or resigning voluntarily. NASA's ability to reach its goal of 17,500 employees is subject to major uncertainties, including the shifting of program management from headquarters to field centers and the award of a single prime contract for managing the space shuttle at Kennedy Space Center. Because of questions about NASA's ability to achieve major personnel reductions to meet likely future budgets, Congress may want to consider requiring NASA to submit a workforce-restructuring plan for achieving its fiscal year 2000 goal.

NSIAD-96-177, Sept. 20, 1996 (96 pages). Combat Air Power: Joint Mission Assessments Needed Before Making Program and Budget Decisions.

The Defense Department (DOD) plans to spend more than \$300 billion during the next 15 to 20 years to modernize its combat air power capabilities, but it lacks sufficient information from a joint perspective to prioritize programs, objectively weigh the merits of new programs, and decide whether current programs should receive continued funding. Hundreds of billions of dollars more will likely be needed for programs, such as the Joint Strike Fighter, that are still on the drawing board. Serious concerns

have been raised about the affordability of these plans. At the same time, the air defenses of potential adversaries in the post-Cold War era have not been substantially improved and pose little threat to the advanced capabilities of U.S. forces. GAO concludes that the Pentagon is proceeding with some major investments without clear evidence that the programs are justified. The air power components of the four services now focus on a strategy of fighting two major regional conflicts versus a global war. In spite of congressional direction to manage the military from a joint perspective rather than on a service-by-service basis, in many areas the services are undertaking duplicative programs or are advocating programs to fulfill a need that may not exist. Because DOD does not routinely develop information on joint mission needs and aggregate capabilities, it has few assurances that decisions to buy, modify, or retire air power systems are sound.

NSIAD-96-178, Aug. 22, 1996 (23 pages). School of the Americas: U.S. Military Training for Latin American Countries.

The U.S. Army School of the Americas has been training military students from Latin America for the past 50 years. This report provides information on (1) how the Latin American political, military, and economic environments in which the school operates have changed in recent years; (2) who the School's attendees are and how they are chosen; (3) how the School's curriculum has evolved; and (4) who provides the instruction. GAO also provides information on a recent U.S. Army study covering the School and a Defense Department initiative to strengthen civilian institutions involved in defense and security in Latin America.

NSIAD-96-179, Sept. 23, 1996 (72 pages). U.S. Information Agency: Options for Addressing Possible Budget Reductions.

The U.S. Information Agency (USIA) received \$1.407 billion in fiscal year 1995 and \$1.077 billion in fiscal year 1996 for the conduct of public diplomacy. Fiscal year 1996 funding is about \$200 million less than requested. Bipartisan efforts to balance the budget could result in further decreases by the year 2000. This report examines USIA's cost-cutting efforts and identifies options that could enable USIA to adjust to reduced budgets.

NSIAD-96-183, July 9, 1996 (29 pages). Defense Budget: Trends in Active Military Personnel Compensation Accounts for 1990-97.

The Defense Department's (DOD) budget request for fiscal year 1997 includes nearly \$70 billion for pay and allowances for military personnel. This amount represents about 30 percent of DOD's total budget request. DOD projects that during the next five years, pay and allowances will remain about 30 percent of its total budget. This report (1) identifies the various pay categories included in the accounts, (2) describes the trends of those pay categories, and (3) determines how changes in the budget compared with changes in service force levels. GAO also discusses the reasons for some of the service trends and differences among the services.

NSIAD-96-184BR, June 27, 1996 (24 pages). Contingency Operations: Update on DOD's Fiscal Year 1995 Cost and Funding.

During fiscal year 1995, the Defense Department (DOD) participated in contingency operations around the globe, including Haiti, Southwest Asia, and the former Yugoslavia. To help cover the incremental costs of these operations, Congress provided

DOD with a supplemental appropriation. In an earlier report (GAO/NSIAD-96-121BR), GAO found that although DOD ended fiscal year 1995 with supplemental funding of \$12 million above its reported incremental costs, some of the military services and defense agencies had reported costs that exceeded their supplemental appropriations while other services had reported costs below their supplemental appropriations. GAO also indicated that costs surged in September 1995. This briefing report provides information on (1) how the services that reported costs in excess of supplemental funding covered their shortfalls and (2) why the surge occurred.

NSIAD-96-186, Sept. 19, 1996 (111 pages). Textile Trade: Operations of the Committee for the Implementation of Textile Agreements.

This report examines the role of the U.S. Committee for the Implementation of Textile Agreements in administering the U.S. textile program in light of the 1994 Uruguay Round Agreement on Textiles and Clothing. The Agreement calls for the phaseouts of quotas under the prior Multifiber Arrangement. GAO (1) identifies the Committee's authority, functions, resource, and costs under the Multifiber Arrangement and the Agreement; (2) determines the Committee's decision-making process for imposing quotas, including the level of openness in its process; (3) reviews the Committee's use of data to make quota decisions; and (4) evaluates the Committee's use in 1995 of transitional safeguards provided by the Agreement. GAO also examines the European Union, Canadian, and Japanese use of quotas under the Multifiber Arrangement and the Agreement. In addition, GAO describes the safeguard process administered by the U.S. International Trade Commission.

NSIAD-96-187, Sept. 9, 1996 (33 pages). NASA Infrastructure: Challenges to Achieving Reductions and Efficiencies.

Despite some progress in reducing its infrastructure, NASA faces formidable challenges to successfully reaching its budget goals through fiscal year 2000. Ultimately, if NASA cannot find enough infrastructure cost reductions to meet these goals, the agency will likely have to once again adjust its programs—stretching out, reducing the scope, terminating current efforts, and postponing new initiatives. Even with NASA management's commitment to meeting goals without making such changes, the environment confronting the agency will not allow it to readily overcome the many obstacles it faces. GAO believes that NASA should submit a plan to Congress on how it will meet the fiscal year 2000 infrastructure targets. On the basis of that plan and any further progress by NASA, Congress could consider establishing an independent process to facilitate closure and consolidation of NASA facilities. GAO summarized this report in testimony before Congress; see: *NASA Facilities: Challenges to Achieving Reductions and Efficiencies*, by Thomas J. Schulz, Associate Director for Defense Acquisitions Issues, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-96-238, Sept. 11 (6 pages).

NSIAD-96-188, July 31, 1996 (25 pages). Defense Management: Information on Selected Aspects of DOD's Jet Fuel Program.

Under its bulk fuel program, the Defense Logistics Agency buys jet fuel from commercial suppliers and transports it via trucks, pipelines, barges, and railroads to military installations for use by military aircraft. The into-plane program involves individual contracts between

the Defense Fuel Supply Center and fixed-base operators who provide jet fuel at contractually set prices. These prices are generally less than commercial prices charged at civilian airports. This report discusses (1) the pricing policies, rules, and regulations used for both fuel programs and whether the cost factors used for each are consistent with applicable policies; (2) whether bulk fuel usage and into-plane sales have changed in recent years and GAO's assessment of the reasons for any changes; and (3) the significance and validity of questions and complaints raised by into-plane contractors and the National Air Transportation Association about the effect on their businesses of Defense Department changes in the pricing of into-plane jet fuel.

NSIAD-96-190, Sept. 11, 1996 (19 pages). Battlefield Automation: Army Land Warrior Program Acquisition Strategy May Be Too Ambitious.

The Army is attempting to automate several battlefield functions through the creation of a vast network of computers, sensors, and communications systems that would provide a simultaneous picture of the battlefield from soldier to commander. Included in this effort is the Army's Land Warrior soldier system, which is estimated to cost upwards of \$1.4 billion. Under the Land Warrior Soldier program, the Army is developing a computer/radio, software, integrated headgear (including an imaging display), weapon subsystem, and protective clothing and equipment that will outfit the individual soldier. This report (1) determines the status of various technology and human factor problems associated with system development, (2) evaluates the acquisition strategy for the Land Warrior system, and (3) assesses plans to integrate the system with the "digital battlefield."

NSIAD-96-191, Sept. 5, 1996 (9 pages). Defense Restructuring Costs: Projected and Actual Savings From Martin Marietta Acquisition of GE Aerospace.

The Pentagon is restricted from paying restructuring costs associated with defense contractor mergers. Restructuring costs cover a wide range of expenses, including personnel relocations, severance pay, early retirement incentives, equipment relocations, and plant closings. The law prohibits the payment of restructuring costs until a senior Defense Department official certifies in writing that projected savings from the restructuring are based on audited data and should reduce overall costs to DOD. This report discusses the 17 restructuring projects proposed for payment by Martin Marietta Corporation as a result of its acquisition of General Electric's aerospace business segments. DOD has certified eight of the 17 projects. GAO reviewed in detail the first five projects certified; the other three projects are similar. GAO discusses whether the (1) certification for the five projects was carried out in accordance with the regulations, (2) savings were in line with the original estimates, and (3) restructuring lowered DOD contract prices.

NSIAD-96-192, Sept. 30, 1996 (88 pages). Air Force Bombers: Options to Retire or Restructure the Force Would Reduce Planned Spending.

Although bombers currently in the force were initially intended to fight a nuclear war, the Defense Department (DOD) has since the end of the Cold War placed greater emphasis on the role of bombers in conventional conflicts. In recent years, Congress has raised concerns about the size and capabilities of the planned bomber force and the long-term affordability of DOD's plans to maintain and modernize airpower assets, including the bomber force. This report as-

sesses (1) the basis for DOD's bomber force requirements, including recent DOD and Air Force studies supporting the planned force structure; (2) the Air Force's progress in implementing the conventional concepts of operations for using bombers; and (3) the cost to keep bombers in the force and bolster their conventional capabilities. GAO also evaluates the potential cost savings and effects on military capability of four alternatives for reducing bomber costs, including retiring or reducing the B-1B force, and reviews information on the procurement of additional B-2s.

NSIAD-96-193BR, Sept. 4, 1996 (64 pages). 1997 Defense Budget: Potential Reductions and Rescissions to DOD's Procurement and RDT&E Programs.

GAO examined the Defense Department's (DOD) fiscal year 1997 budget request and prior years' appropriations for selected procurement and research, development, test, and evaluation (RDT&E) programs. GAO identified opportunities to reduce fiscal year 1997 procurement and RDT&E requests by \$3.2 billion and to rescind prior years' procurement and RDT&E appropriations by nearly \$455 million. These reductions can be made because schedules slipped, requirements changed, and issues affecting program funding have emerged since the budget request was developed. The potential rescissions include \$35.6 million in excess prior years' appropriations for which obligational authority expires on September 30, 1996. DOD has requested congressional approval to reprogram some of these excess funds in its fiscal year 1996 omnibus reprogramming request and has considered using some of these excess funds to pay for operations in Bosnia.

NSIAD-96-194, Aug. 2, 1996 (19 pages). Military Readiness: Data and Trends for April 1995 to March 1996.

This updates GAO's March 1996 report on military readiness (GAO/NSIAD-96-111BR) and discusses significant changes. From April 1995 through March 1996, readiness of the 87 military units covered by the earlier report was at levels consistent with service goals in 80 percent of the units. This represents a 12-percent improvement. Readiness reductions were caused mainly by shortages of available personnel, particularly those trained to do highly skilled military jobs. Of the 31 Army and five Air Force units GAO reviewed that participated in the Bosnia operation, five Army units and one Air Force unit reported readiness reductions. The Army units had sent elements or key personnel to Bosnia, thus reducing resources available to the parent units. The Air Force unit has historically suffered from personnel shortages. The Bosnia operation did not affect the readiness of either Navy or Marine Corps units because they were either already in the theater or had planned a forward presence deployment to the area.

NSIAD-96-198, Aug. 28, 1996 (21 pages). Mine Detection: Army Detector's Ability to Find Low-Metal Mines Not Clearly Demonstrated.

Land mines, especially those with little metal content, have been used extensively by the warring factions in the former Yugoslavia, and up to seven million mines are believed to be in the region. Before the deployment of U.S. troops in the area, U.N. forces were involved in 174 land mine incidents in Bosnia, which included 204 casualties and 20 deaths. The ability of the Army's AN/PSS-12 portable mine detector to locate low-metal mines has not been clearly demonstrated. The AN/PSS-12 performed poorly against low-metal targets in operational tests. The AN-PSS-12's testing history suggests that the detector may have only limited application in Bosnia, where most of the buried mines are of the low-metal

variety. Although the Army claims that the AN-PSS-12 has performed well in Bosnia, other sources raise questions about the detector's abilities there. The Air Force recently cautioned its explosive ordnance technicians in Bosnia that the AN/PSS-12 is not sensitive enough to detect the low-metal mines that they may encounter. In addition, an Army report on U.S. operations in Somalia says that the detector could not find low-metal mines. In Bosnia, U.S. troops have been able to pick routes that avoid minefields or they use heavy equipment, such as vehicles equipped with rollers, to clear paths. The resulting infrequent reliance on the AN/PSS-12 helps explain why its shortcomings in testing may not have been borne out in Bosnia.

NSIAD-96-199, Sept. 26, 1996 (19 pages). Army Acquisition: Javelin Is Not Ready for Multiyear Procurement.

The Army is purchasing a new \$4 billion man portable, antiaarmor weapon system, known as the Javelin, to replace its aging Dragon system. Javelin is a joint Army and Marine Corps program expected to strengthen the infantry's ability to counter advanced armor threats. In 1997, the Army plans to award a three-year production contract and begin full-rate production. This report discusses whether (1) the system meets criteria established for multiyear production contracts, (2) the Army has adequately tested the Javelin to determine its suitability for full-rate production, and (3) the Army is using sound economic judgment in purchasing command launch units during limited production.

NSIAD-96-201, Sept. 18, 1996 (28 pages). Army Depot Maintenance: Privatization Without Further Downsizing Increases Costly Excess Capacity.

This report focuses on the Army's plans to reallocate depot maintenance workloads from depots recommended for closure or realignment by the 1995 Commission on Defense Base Realignment and Closure. GAO reviewed the Army's plans to consolidate workloads at remaining military depots and emerging plans to privatize workloads in place or at other private sector facilities to determine the (1) impact on excess depot capacity and operating costs at the remaining defense depots, (2) cost-effectiveness of planned privatization options, and (3) compliance with statutory requirements.

NSIAD-96-202, Sept. 18, 1996 (18 pages). Navy Depot Maintenance: Cost and Savings Issues Related to Privatizing-in-Place at the Louisville, Kentucky, Depot.

The Defense Department (DOD) is planning to reallocate depot maintenance workloads from depots recommended for closure or realignment by the 1995 Commission on Defense Base Realignment and Closure. DOD is considering privatization-in-place for several of these depots. The Navy notified Congress that it intends to award contracts for the Louisville, Kentucky, workload using other than competitive procedures. As a result, this report focuses on the Navy's plans to privatize in place its depot workload at Louisville, Kentucky.

NSIAD-96-203, Sept. 13, 1996 (46 pages). Military Family Housing: Opportunities Exist to Reduce Costs and Mitigate Inequities.

The Defense Department (DOD) spends about \$8 billion annually to house members of the armed forces and their families, either by paying a cash allowance to enable members to live in private-sector housing or by assigning families to government-owned or -leased quarters. DOD policy states that private housing in the neighborhoods around military

installation will be relied on as the main source of housing and that government quarters may be programmed when the communities cannot meet the military's need for acceptable and affordable family housing. Also, government housing is provided for a small number of personnel who live on an installation for reasons of military necessity. This report discusses whether (1) DOD's policy of relying mainly on private housing to meet military family housing requirements is cost-effective, (2) the military services are complying with this policy, and (3) DOD's family housing policies result in equitable treatment for all military families.

NSIAD-96-204BR, July 25, 1996 (36 pages). Bosnia: Costs Are Exceeding DOD's Estimate.

The costs of deploying U.S. troops in and around Bosnia as part of international peacekeeping operations spanning fiscal years 1996 and 1997 could exceed the Defense Department's (DOD) initial estimate of \$3 billion by more than \$450 million, and further increases are possible. DOD has so far deployed about 22,000 troops to Bosnia and surrounding countries in an effort to end years of hostilities in the former Yugoslavia. DOD's costs for fiscal year 1997 will likely exceed the current estimates and depend heavily on upcoming decisions on force requirements and redeployment.

NSIAD-96-206, July 16, 1996 (14 pages). NASA Budget: Carryover Balances for Selected Programs.

In response to concerns raised in an oversight hearing, GAO reviewed the extent of carryover balances for the Mission to Planet Earth and other NASA programs. Carryover balances consist of unobligated funds and uncotted obligations. Unobligated balances represent the portion of its budget authority that NASA has not

obligated. Uncosted obligations represent the portion of its authority that NASA has obligated for goods and services but for which it has not yet incurred costs. Carryover balances in NASA's Human Space Flight and Science, Aeronautics, and Technology programs totaled \$3.6 billion by the end of fiscal year 1995—an amount equal to almost one-third of the budget authority provided for these programs in fiscal year 1995 that will be used to cover costs that will accrue in fiscal year 1996 or beyond. Individual programs carried over varying amounts, ranging from the equivalent of one month to 16 months of fiscal year 1995's new budget authority. The Mission to Planet Earth carried \$695 million, or more than six months, of budget authority into fiscal year 1996. GAO summarized this report in testimony before Congress; see: NASA Budget: Carryover Balances in Selected Programs, by Thomas J. Schulz, Associate Director for Defense Acquisitions Issues, before the Subcommittee on Space and Aeronautics, House Committee on Science. GAO/T-NSIAD-96-207, July 18 (four pages).

NSIAD-96-212, Sept. 26, 1996 (93 pages). World Bank: U.S. Interests Supported, but Oversight Needed to Help Ensure Improved Performance.

With the end of the Cold War, some political and economic analysts have questioned the underlying rationale for U.S. participation in multilateral institutions, such as the World Bank. The recent rapid increase in private investment in developing countries—more than a threefold increase since 1988—has raised questions about whether the Bank works to enhance or inhibit this trend. Weaknesses in project effectiveness have raised questions about the Bank's ability to spur economic development. Finally, the Bank has had difficulty demonstrating the impact of reforms intended to improve its effectiveness. This report examines whether contin-

ued participation in the Bank is in the U.S. interest. GAO assesses (1) the Bank's role in enhancing the flow of international private investment capital into developing countries, (2) the extent to which Bank projects achieve their development objectives, (3) the Banks' progress in reforming its operations to improve effectiveness, and (4) the extent to which the Bank supports U.S. foreign policy goals.

NSIAD-96-220, Sept. 18, 1996 (22 pages). 1997 DOD Budget: Potential Reductions to Operation and Maintenance Program.

This report evaluates the military services' and the Defense Department's (DOD) fiscal year 1997 operation and maintenance and budget requests, which total \$79 billion. GAO's objective was to determine whether the operation and maintenance accounts should be funded in the amounts requested. GAO reviewed operation and maintenance activities managed by the Army, the Navy, the Air Force, and DOD. GAO also reviewed operation and maintenance activities managed by U.S. Army, Europe; U.S. Force Command; Air Combat Command; and the Atlantic and Pacific Fleets. These activities were selected for review because (1) operation and maintenance funding levels are increasing, (2) ongoing and issued reports by GAO and DOD audit agencies disclosed programmatic issues with operation and maintenance implications, or (3) congressional committees expressed interest.

NSIAD-96-221BR, Sept. 13, 1996 (39 pages). Defense Acquisition Infrastructure: Changes in RDT&E Laboratories and Centers.

In fiscal year 1994, the Pentagon spent more than \$22 billion—about eight percent of its total budget for fiscal year 1994—through 55 military service research, development,

engineering, test, and evaluation (RDT&E) laboratories and centers worldwide. These facilities employ a workforce of nearly 115,000 personnel—95,000 civilian and 20,000 military. This report reviews the Defense Department's (DOD) RDT&E infrastructure. GAO (1) discusses previous studies on DOD's laboratory infrastructure to determine what steps DOD has taken to implement earlier recommendations and (2) analyzes data on RDT&E infrastructure funding, workforce composition, and operating costs. GAO also provides preliminary observations on lessons learned from successful consolidations that may apply to the federal laboratory infrastructure.

NSIAD-96-222, Sept. 27, 1996 (35 pages). Weapons of Mass Destruction: Status of the Cooperative Threat Reduction Program.

Since 1992, the Defense Department's cooperative threat reduction program has sought to help the four newly independent states of Belarus, Kazakhstan, Russia, and Ukraine control and reduce threats posed by weapons of mass destruction inherited from the former Soviet Union. This report evaluates (1) the draft 1996 multiyear cooperative threat reduction program in terms of its scope, depiction of project status and cost estimates, description of changes that occurred after the 1995 multiyear program plan, and release to Congress and (2) the progress, estimated costs, and potential impacts of the program's efforts to help control nuclear weapons and materials, eliminate strategic delivery vehicles, and destroy chemical weapons.

NSIAD-96-224, Sept. 25, 1996 (18 pages). Wartime Medical Care: DOD Is Addressing Capability Shortfalls, but Challenges Remain.

Operation Desert Storm revealed many weaknesses in the medical capabilities of U.S. armed forces.

Later studies by GAO and the Defense Department (DOD) Inspector General found shortcomings in DOD's ability to deliver adequate and timely medical support during wartime. This report examines whether efforts by DOD and the military services to reassess and improve their medical capabilities have been properly focused and coordinated to produce the most effective wartime medical system. GAO reviews DOD's development, management, and implementation of its Medical Readiness Strategic Plan and the military service's medical reengineering efforts. GAO also examines DOD's ongoing project to identify future wartime medical system requirements.

NSIAD-96-225, Aug. 30, 1996 (16 pages). Foreign Missile Threats: Analytic Soundness of Certain National Intelligence Estimates.

This report evaluates national intelligence estimates prepared by the U.S. intelligence community on the threat to the United States posed by foreign missile systems. The main judgment of national intelligence estimate 95-19 (Emerging Missile Threats to North American During the Next 15 Year)—"No country, other than the major declared nuclear powers, will develop or otherwise acquire a ballistic missile in the next 15 years that could threaten the contiguous 48 states or Canada"—was worded with clear certainty. GAO believes that this level of certainty is overstated. The estimate also had other shortcomings. It did not (1) quantify the certainty level of nearly all of its key judgments, (2) identify explicitly its critical assumptions, and (3) develop alternative futures. However, the estimate did acknowledge dissenting views from several agencies and also noted what information the U.S. intelligence community does not know that bears upon the foreign missile threat. The 1993 national intelligence estimates met more of the standards than 95-19 did. National intelligence estimate 95-

19 worded its judgments on foreign missile threats very differently than did the 1993 national intelligence estimate, even though the judgments in all three national intelligence estimates were not inconsistent with each other. That is, although the judgments were not synonymous, upon careful reading, they did not contradict each other.

NSIAD-96-226, Sept. 19, 1996 (49 pages). Defense Budget: Trends in Reserve Components' Military Personnel Compensation Accounts for 1990-97.

The Defense Department's (DOD) budget request for fiscal year 1997 includes almost \$70 billion for pay and allowances for active and reserve military personnel, which represents about 30 percent of DOD's total budget request. DOD estimates that in 2001, pay and allowances will continue to represent about 30 percent of the total budget. Because the military personnel accounts represent such a large share of the Pentagon's budget, this report discusses (1) the various pay categories included in the accounts, (2) the trends of those pay categories, and (3) how changes in the budget compared with changes in service force levels. GAO also discusses the reasons for some of the service trends and differences among the services and includes explanations.

NSIAD-96-232, Sept. 24, 1996 (25 pages). Contract Pricing: Pricing of F-16 Mid-Life Update Program Contracts.

The F-16 aircraft mid-life update program is intended to develop and install upgrades to the F-16 fighter aircraft owned by Belgium, Denmark, and the Netherlands, thereby improving the planes' performance. This report discusses (1) if the rates and factors used to price two selected prime contracts were the same as those used to price contemporaneous

U.S. government contracts, (2) how Air Force negotiation officials used the Defense Contract Audit Agency's recommendation in negotiating the prime contract prices, and (3) if the materials and subcontract costs included in the prime contract prices were fair and reasonable. GAO also reviewed the pricing of two selected subcontracts.

NSIAD-96-241BR, Sept. 24, 1996 (23 pages). Foreign Assistance: Status of USAID's Reforms.

The U.S. Agency for International Development (USAID) has begun to undertake reforms affecting the entire agency, including organization, management, and program operations. USAID's missions have largely reorganized their activities around the agency's strategic objectives and are reporting in a results-based format. According to USAID officials, however, the fiscal year 1998 budget cycle will be the first test of the degree to which results are taken into account in making resource allocation decisions. Further, personnel reforms are not as far along as other reforms and may reflect long-standing difficulties that USAID has had in this area. Parallel to, and in support of, USAID's broad reform effort is development of an integrated new management system with worldwide access that is intended to consolidate a host of existing systems. USAID officials recognize that they face the challenge of institutionalizing the gains that the agency has made to ensure the long-term sustainability of reforms. To accomplish this, USAID needs to be able to show that it is managing resources with greater efficiency and transparency and show that it is achieving measurable results.

NSIAD/RCED-96-76BR, Mar. 27, 1996 (22 pages). Terrorism and Drug Trafficking: Threats and Roles of Explosives and Narcotics Detection Technology.

Even though conventional X-ray screening falls short in its ability to reveal concealed narcotics and explosives, the Federal Aviation Administration (FAA) and the U.S. Customs Service have lagged in introducing advanced technologies to detect drugs and explosives smuggled aboard commercial aircraft. The intelligence community believes that the threat of terrorism within the United States has grown and that commercial aircraft are likely to remain targets. According to the FBI, terrorist attacks could come from groups that are hard to infiltrate and control. In January 1995, a plot to attack U.S. flights in Asia was discovered. Narcotics trafficking is a continuing problem. Although cocaine has been the main threat since 1985, heroin is a growing concern. Trafficking is most active today along the southwest border of the United States. To counter these threats, FAA recently certified an advanced automated explosive detection system, but has not required its deployment. The cost of buying and installing the equipment at the 75 busiest domestic airports could be as high as \$2.2 billion, according to preliminary FAA estimates. Customs has one truck X-ray system at the southwest border to detect narcotics and plans to spend \$38 million to acquire others. Its plans for seaports and the use of mobile systems have not been clearly defined. Other countries, including the United Kingdom and France, are already using advanced technologies to detect explosives and narcotics.

NSIAD/RCED-96-89, Mar. 8, 1996 (45 pages). Nuclear Nonproliferation: Status of U.S. Efforts to Improve Nuclear Material Controls in Newly Independent States.

Over the years, the Soviet Union produced about 1,200 metric tons of highly enriched uranium and plutonium. U.S. efforts to help the newly independent states of the former Soviet Union better protect their

stocks of this deadly material—which are vulnerable to theft and diversion because of antiquated security systems—got off to a slow start but are now gaining momentum. Many independent states lack modern equipment to detect unauthorized removal of highly enriched uranium and plutonium from nuclear facilities. Seizures of nuclear material in Russia and Europe have heightened concerns about a possible black market for this material. The Defense Department (DOD) has obligated \$59 million and spent about \$4 million during fiscal years 1991-95 for security improvements in Russia, Ukraine, Kazakhstan, and Belarus. Initially the program moved slowly because Russian officials had refused access to their facilities, and DOD projects at facilities in Ukraine, Kazakhstan, and Belarus were just getting under way. The program gained momentum in January 1995 when U.S. and Russian officials agreed to upgrade nuclear materials controls at five high-priority facilities. The Energy Department plans to request \$400 million over seven years to improve controls at nuclear facilities in the newly independent states. However, the expanded program faces uncertainties involving its overall costs and U.S. ability to verify that the assistance is being used as intended. GAO summarized this report in testimony before Congress; see; Nuclear Nonproliferation: U.S. Efforts to Help Newly Independent States Improve Their Nuclear Materials Controls, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Government Affairs. GAO/T-NSIAD-96-119, Mar. 13 (six pages).

NSIAD/RCED-96-252, Sept. 4, 1996 (28 pages). Terrorism and Drug Trafficking: Technologies for Detecting Explosives and Narcotics.

Aviation security and drug interdiction depend on a complex and costly mix of intelligence, procedures, and technologies. Since 1978, federal agencies have spent about \$246 million for research and development on explosives detection technologies and nearly \$100 million on narcotics detection technologies. Most of this spending has taken place since 1990, in response to congressional directives, and have been for technologies to screen checked baggage, trucks, and containers. Difficult trade-offs must be made when considering whether to use detection technologies for a given application—chief among them the extent to which intelligence-gathering and procedures can substitute for expensive technology. Some technologies are very effective and could be deployed today, but they are expensive, slow the flow of commerce, and raise issues of worker safety. Other technologies are more widely used but are less reliable, while still others are in the development stage and may not be available for years. Some countries have already deployed advanced explosive and narcotics detection equipment, and the United States may be able to learn from their experiences. The Federal Aviation Administration estimates that use of the best available procedures and technologies to beef up aviation security could cost as much as \$6 billion during the next 10 years—the equivalent of a \$1.30 surcharge on a one-way ticket.

Testimony

T-NSIAD-96-78, Dec. 15, 1995 (13 pages). Former Soviet Union: Assessment of U.S. Bilateral Programs, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the House Committee on International Relations.

Hampered at the outset by a lack of coordination, U.S. aid to the former Soviet Union is now better managed and is achieving promising, although

mixed, results in a variety of projects ranging from the promotion of economic reforms to the disposal of nuclear weapons. This report provides information on U.S. bilateral programs with the newly independent states of the former Soviet Union from fiscal year 1990 through December 1994 to help them make the transition to democratic societies with market economies. GAO discusses (1) the amount of funds obligated and spent; (2) the amount of credits provided, including subsidy costs; and (3) the appropriation source and budget function for these funds. This information is categorized by agency, recipient country, and programmatic sector.

T-NSIAD-96-85, Dec. 29, 1995 (7 pages). Travel of Government Officials on Government Aircraft, by Mark E. Gebicke, Director, Military Operations and Capabilities Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses two recent GAO reports (GAO/NSIAD-95-144, July 1995, and GAO/NSIAD-95-168BR, June 1995) on (1) the White House staff's use of military helicopters and (2) government aircraft used to fly senior-level military and civilian officials. This testimony highlights the key findings from these reports and then discusses each finding in detail.

T-NSIAD-96-114, Feb. 28, 1996 (5 pages). Economic Espionage: Information on Threat From U.S. Allies, by David E. Cooper, Associate Director, Defense Acquisitions Issues, before the Senate Select Committee on Intelligence.

U.S. intelligence agencies report a continuing espionage threat from some close U.S. allies who actively seek classified and technical information from the United States through unauthorized means. Often these countries seek U.S. defense technolo-

gies that they can incorporate into domestically produced systems. In this way, the countries can obtain cutting-edge weapons systems without the expense of research and development. The cutting-edge technologies not only provide superior weapons systems for a country's use, but also make these products more marketable for export. This testimony provides examples of several countries involved in economic espionage against the United States.

T-NSIAD-96-116, Mar. 6, 1996 (8 pages). Earth Observing System: Cost and Research Issues, by Brad Hathaway, Associate Director, Defense Management Issues, before the House Committee on Science.

This testimony focuses on NASA's Earth Observing System, which will use a network of satellites to collect and distribute climate data. Teams of scientists will convert the data into useful information and conduct research using it. GAO discusses (1) its previous work on the investment that will be required over the life of the system and (2) its ongoing work on NASA's strategy for maximizing the scientific return on that investment by ensuring that an adequate research community will be available to analyze the large amount of data expected to be generated by the system.

T-NSIAD-96-117, Mar. 5, 1996 (12 pages). Federally Funded R&D Centers: Observations on DOD Actions To Improve Management, by David E. Cooper, Associate Director, Defense Acquisition Issues, before the House Committee on National Security.

The Defense Department (DOD) established an internal advisory group to review, and recommend improvements to, DOD's management of its federally funded research and development centers. Its work resulted in an action plan, which was provided to

Congress in May 1995. In February 1996, DOD updated the status of its action plan. This testimony focuses on the following key issues presented in the plan and discussed in the status update: (1) developing guidelines to ensure that management fees provided to the centers are based on need and detailed justification; (2) defining core work appropriate for the centers; (3) establishing criteria for the acceptance of work outside the core by the centers' parent corporation; and (4) creating an independent advisory committee to review DOD's management, use, and oversight of its centers.

T-NSIAD-96-122, Mar. 13, 1996 (15 pages). International Trade: Implementation Issues Concerning the World Trade Organization, by Jayetta Z. Hecker, Associate Director, International Relations and Trade Issues, before the Trade Subcommittee, House Committee on Ways and Means.

This testimony provides preliminary observations on the implementation of the Uruguay Round agreements and on the operations of the new World Trade Organization. GAO discusses the implementation of the agreements, specific issues that are of particular concern to U.S. decisionmakers, and future World Trade Organization endeavors.

T-NSIAD-96-123, Mar. 12, 1996 (9 pages). Chemical and Biological Defense: Emphasis Remains Insufficient to Resolve Continuing Problems, by Mark E. Gebicke, Director, Military Operations and Capabilities Issues, before the Military Research and Development Subcommittee, House Committee on National Security.

U.S. troops remain highly vulnerable to attack from biological and chemical agents because the Defense Department has yet to address many shortcomings identified during the Persian Gulf War, including inadequate

training, a lack of decontamination kits and other equipment, and a shortage of vaccine stocks. Problems in chemical and biological defense are likely to continue unless the Pentagon designates this area a higher priority. The Defense Department has spent less than one percent of its budget on chemical and biological warfare defense, and from 1992 to 1995, funding in real terms fell by 30 percent.

T-NSIAD-96-130, Mar. 21, 1996 (10 pages). DOD Reserve Components: Issues Pertaining to Readiness, by Richard Davis, Director, National Security Analysis, before the Readiness Subcommittee, Senate Committee on Armed Services.

This testimony makes three main points. First, the Army National Guard has considerable excess combat forces at the same time that the Army has a substantial need for combat support units. Second, the readiness of some Army National Guard combat brigades for early deployment to support the defense strategy is highly uncertain. As a result, GAO questions whether the roles and the missions of the Army Guard need to be modified. Third, the Army National Guard has forces assigned to the continental air defense. This dedicated force is not needed today. Considerable money could be available for other critical needs if the dedicated forces were eliminated and the mission was assigned to existing forces.

T-NSIAD-96-137, Mar. 28, 1996 (8 pages). C-17 Aircraft: Comments on Air Force Request for Approval of Multiyear Procurement Authority, by Louis J. Rodrigues, Director, Defense Acquisitions Issues, before the Seapower Subcommittee, Senate Committee on Armed Services.

This testimony discusses the proposed multiyear procurement of the C-17 aircraft. This is a particularly critical decision because this proposal

would require legislation authorizing a seven-year multiyear contract. The short time frame for congressional action—McDonnell's offer expires on June 1, 1996—also places an unusual burden on decisionmakers. In GAO's view, the proposed C-17 multiyear contract presents the Air Force with the opportunity for savings, but the amounts involved are substantially less than the \$896 million that has been publicized. Further, these potential savings are not without both costs and risk. GAO believes that Congress should allow the government to have until the fiscal year 1999 authorization and appropriation cycle to assess the contractor's ability to produce the aircraft at the required rate. If the contractor's performance is inadequate, the government could revert to an annual buy contract without renegotiating the not-to-exceed option prices for the remaining lots. Also, the Defense Department should ensure that the contractor is ready to move to the higher production rate.

T-NSIAD-96-146, Apr. 16, 1996 (21 pages). Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix, by David R. Warren, Director, Defense Management Issues, before the Military Readiness Subcommittee, House Committee on National Security.

The Pentagon's policy of shifting depot maintenance workloads to the private sector is unlikely to generate expected savings and could worsen excess capacity problems at underused repair facilities. Meanwhile, the Defense Department (DOD) could save \$182 million annually by closing rather than privatizing-in-place the Sacramento and San Antonio Air Logistics Centers. This testimony is a preliminary analysis of DOD's March 1996 report, mandated by Congress, on the military's comprehensive depot maintenance policy. GAO also addresses the allocation of the depot maintenance workload between the

public and the private sectors, including ongoing privatization initiatives, such as privatization-in-place. GAO discusses (1) DOD's depot maintenance management model in the post-Cold War era, (2) the extent to which DOD's proposed depot maintenance policy is consistent with congressional direction and guidance, (3) the savings that DOD is anticipating from privatization of depot maintenance activities, and (4) the cost-effectiveness of privatization-in-place as an alternative to closing depots.

T-NSIAD-96-148, Apr. 17, 1996 (21 pages). Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix, by David R. Warren, Director, Defense Management Issues, before the Readiness Subcommittee, Senate Committee on Armed Services.

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T-NSIAD-96-151, Apr. 24, 1996 (21 pages). Energy Department Trade Missions: Authority, Results, and Management Issues, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

The Energy Department (DOE) conducts trade missions to help develop energy markets abroad. DOE has reported the results of these trips on the basis of the value of the business agreements signed. The agency cited nearly \$20 billion in potential and finalized agreements signed during the Energy Secretary's four trade missions and follow-up trips, and it later reported more than \$2 billion in finalized deals. In reviewing the finalized deals, GAO found that in some cases, U.S. exports appeared to be substantially less than 50 percent of the projects' total estimated exports. Company representatives that participated in the missions generally supported the Secretary's efforts and the resulting intangible benefits, such as greater credibility, access, and acceleration of projects. Several company officials said that their business agreements would have been completed without DOE involvement. In addition, several management weaknesses plague the DOE trade mission program. DOE process for acquiring aircraft; recovering expenses from, and approving travel for, nonfederal travelers; and documenting U.S. embassy expenses was weak. New procedures have been introduced to correct these shortcomings, but they have yet to be fully tested in practice.

T-NSIAD-96-154, May 1, 1996 (9 pages). Chemical and Biological Defense: Emphasis Remains Insufficient to Resolve Continuing Problems, by Mark E. Gebicke, Director, Military Operations and Capabilities Issues,

before the Presidential Advisory Committee on Gulf War Veterans' Illnesses.

U.S. troops remain highly vulnerable to attack from biological and chemical agents because the Defense Department (DOD) has yet to address many shortcomings identified during the Persian Gulf War, including inadequate training, a lack of decontamination kits and other equipment, and a shortage of vaccine stocks. DOD has spent less than one percent of its budget on chemical and biological warfare defense, and during 1992-1995, funding in real terms fell by 30 percent. Problems in chemical and biological defense are likely to continue unless DOD designates this area a higher priority.

T-NSIAD-96-168, May 16, 1996 (7 pages). Defense Communications: White House Communications Agency Activities and Funding, by Henry L. Hinton, Jr., Assistant Comptroller General, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

Lax oversight of the White House Communications Agency, which provides the President with worldwide communications support, has resulted in budgeting problems and questionable procurements, including the acquisition of nonstandard, redundant telephone and computer equipment that did not interface and was costly to maintain. This testimony discusses (1) GAO's 1994 effort to assess activities and funding of the agency and (2) events that led to the separate review and reports by the Defense Department (DOD) Inspector General. In GAO's view, the Inspector General's work disclosed serious management issues that warrant the attention of top management at both the White House and the Pentagon. The Inspector General's staff told GAO that the Defense Information

Systems Agency and the White House Communications Agency have taken steps to overcome these shortcomings. Because these long-standing problems cannot be solved immediately and areas of disagreement continue, GAO urges continued congressional monitoring.

T-NSIAD-96-171, May 23, 1996 (10 pages). Drug Control: Observations on U.S. Interdiction in the Caribbean, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

Budget reductions and a lack of resources among island nations have hampered efforts to intercept drug traffickers in the Caribbean—the transit route for nearly one-third of the cocaine now entering the United States. As a result, cocaine seizures in the Caribbean fell from a peak of 70,000 kilograms in 1992 to 37,000 kilograms in 1995. In recent years, drug traffickers in the Caribbean have increasingly relied on ships rather than planes to transport drugs. Traffickers are also using sophisticated technologies, such as global positioning systems, to counter U.S. efforts to monitor their activities. Although most Caribbean nations have cooperated in fighting drug trafficking, a lack of finances and effective law enforcement operations have stymied their efforts. Corruption has also been a concern. U.S. budget cuts have undermined the ability of the Defense Department and law enforcement agencies to track and intercept drug traffickers. Funding for drug interdiction declined from \$1 billion in fiscal year 1992 to \$569 million in fiscal year 1995. The executive branch has yet to develop a regional plan to implement the U.S. cocaine strategy in the transit zone,

fully staff interagency organizations, or resolve issues on intelligence sharing.

T-NSIAD-96-182, June 12, 1996 (8 pages). Drug Control: Observations on Counternarcotics Efforts in Mexico, by Benjamin F. Nelson, Director, International Relations and Trade Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

Hampered by declining U.S. funding, staff cutbacks, and corruption among key Mexican institutions, drug interdiction efforts in Mexico have failed to stem the flow of illegal drugs reaching the United States. Mexico remains the primary transit route for cocaine, heroin, marijuana, and methamphetamine smuggled into this country. U.S. narcotics activities in Mexico and the transit zone have declined since 1992. U.S. funding for counternarcotics efforts in the transit zone and Mexico fell from \$1 billion in fiscal year 1992 to \$570 million in fiscal year 1995. Moreover, since 1992, direct U.S. assistance to Mexico has been negligible because of Mexico's 1993 policy of refusing most U.S. counternarcotics assistance. Staffing reductions in the State Department's Narcotics Affairs Section at the U.S. Embassy in Mexico City have limited monitoring of earlier U.S. assistance, mainly helicopters and spare parts. Since GAO's June 1995 testimony before Congress (GAO/T-NSIAD-95-182), the U.S. embassy has elevated drug control issues in importance and has developed a drug control operating plan with measurable goals; the Mexican government has indicated a willingness to develop a mutual counternarcotics assistance program and has taken action on important law enforcement and money laundering legislation; and the United States and Mexico have created a framework for greater cooperation and are expected to develop a joint counternarcotics

strategy by the end of the year. Following through on these efforts is critical to combatting drug trafficking in Mexico.

T-NSIAD-96-195, June 27, 1996 (6 pages). State Department: Millions of Dollars Could Be Generated by Selling Unneeded Overseas Real Estate, by Benjamin F. Nelson, Director, International Relations and Trade Issues, before the International Operations and Human Rights Subcommittee, House Committee on International Relations.

The State Department owns millions of dollars worth of overseas properties that are unneeded or too expensive to maintain. Proper management of State's overseas property could generate considerable revenue for higher priority uses. GAO recommends that State convene an independent panel to review and suggest the sale of excess property. In GAO's view, such a panel could help reduce the current property inventory and ensure proper management in the future. Further, to expeditiously resolve disagreements between the Office of Foreign Buildings Operations (FBO) and the embassies, GAO recommends that State prepare annual reports identifying all excess properties whose sale FBO and the embassies cannot agree on. GAO also suggests that State improve its accounting and reporting on the use of sales proceeds.

T-NSIAD-96-196, June 27, 1996 (17 pages). Combat Air Power: Joint Mission Assessments Needed Before Making Program and Budget Decisions, by Richard Davis, Director, National Security Analysis, before the Military Research and Development Subcommittee, House Committee on National Security, and Military Procurement Subcommittee, House Committee on National Security.

Despite shrinking defense budgets and the diminished threat posed since the collapse of the Soviet Union, the Defense Department (DOD) continues to add new planes to its fleet of combat aircraft without having assessed its existing capabilities or the areas that would benefit most from improvements in air power. DOD needs to seek the greatest value in its investment given the projections for future defense spending. The question is whether, in the post-Cold War era, the United States needs, or can afford, the current levels of overlap in air power capabilities. DOD requires better information to decide how to prioritize competing programs, whether programmed investments should continue to be funded, and whether new investments should be made.

T-NSIAD-96-207, July 18, 1996 (18 pages). NASA Budget: Carryover Balances in Selected Programs, by Thomas J. Schulz, Associate Director, Defense Acquisitions Issues, before the Space and Aeronautics Subcommittee, House Committee on Science.

In response to concerns raised in an oversight hearing, GAO reviewed the extent of carryover balances for the Mission to Planet Earth and other NASA programs. Carryover balances consist of unobligated funds and uncotted obligations. Unobligated balances represent the portion of its budget authority that NASA has not obligated. Uncotted obligations represent the portion of its authority that NASA has obligated for goods and services but for which it has not yet incurred costs. Carryover balances in NASA's Human Space Flight and Science, Aeronautics, and Technology programs totaled \$3.6 billion by the end of fiscal year 1995—an amount equal to almost one-third of the budget authority provided for these programs in fiscal year 1995 that will be used to cover costs that will accrue in fiscal year 1996 or beyond. Individual programs carried over varying

amounts, ranging from the equivalent of one month to 16 months of fiscal year 1995's new budget authority. The Mission to Planet Earth carried \$695 million, or more than six months, of budget authority into fiscal year 1996.

T-NSIAD-96-208, July 30, 1996 (8 pages). DOD Bulk Fuel: Budgeting for Bulk Fuel and Other Operation and Maintenance Activities, by Sharon Cekala, Associate Director, Military Operations and Capabilities Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

The bulk fuel issues discussed in this testimony may be symptomatic of a larger issue involving how the military services estimate requirements for operation and maintenance activities. Past GAO work has shown that the Defense Department repeatedly estimates that it needs more money than it obligates for some operation and maintenance activities. This testimony, which draws on the findings of a March 1996 report (GAO/NSIAD-96-96), addresses (1) the military services' use of operation and maintenance funds and their latitude in obligating the money, (2) specific overestimating of funds needed for bulk fuel, and (3) bulk fuel as one example of the services' overestimating their needs for some activities within the operation and maintenance account.

T-NSIAD-96-210, July 24, 1996 (4 pages). Space Station: Cost Control Difficulties Continue, by Thomas J. Schulz, Associate Director, Defense Acquisitions Issues, before the Science, Technology, and Space Subcommittee, Senate Committee on Commerce, Science and Transportation.

The international space station, a joint venture involving NASA, Japan, Canada, the European Space Agency, and Russia, will be a permanently

orbiting laboratory used to conduct scientific research under weightless conditions. NASA estimates its share of the costs to build the space station at \$17.4 billion. The space station is now scheduled to be completed by 2002. As of April 1996, the prime contract for the space station was nearly \$90 million over cost and about \$88 million behind schedule. Overall, the prime contract is 45-percent complete and these variances are within planned funding levels. However, many cost threats remain, and financial reserves needed for unexpected contingencies remain limited during the next several years. If available resources prove inadequate, program managers either will be forced to exceed the annual funding limitation or will have to defer or rephase other activities, potentially delaying the space station's schedule and increasing its overall cost. NASA has tried to ensure that the prime development contractors and its major subcontractors implement effective performance measurement systems for managing their contractors, but a complete performance measurement system is still not in place. Also, NASA has made slower progress implementing effective performance measurement systems on its contractors for developing ground-based and on-orbit capabilities for using and operating the space station.

T-NSIAD-96-213, July 25, 1996 (11 pages). U.S. Export Assistance Centers: Customer Service Enhanced, But Potential to Improve Operations Exists, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the Procurement, Exports, and Business Opportunities Subcommittee, House Committee on Small Business.

This testimony discusses efforts by the Department of Commerce, the U.S. Export-Import Bank, and the Small Business Administration to create a nationwide network of "one-

stop shops," called U.S. Export Assistance Centers. These shops are intended to provide exporters with information on all U.S. government export promotion and export finance services, help exporters identify which federal programs may be of greatest assistance, and help exporters contact those federal programs. GAO discusses the benefits realized at the first four pilot centers, located in Baltimore, Chicago, Los Angeles, and Miami, as well as opportunities to improve their operations.

T-NSIAD-96-214, July 29, 1996 (11 pages). International Trade: Challenges and Opportunities for U.S. Businesses in China, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the House Committee on Banking and Financial Services.

After 15 years of economic reform, the Chinese economy has become one of the fastest-growing in the world. However, although China has moved toward a quasi-market system, significant trade barriers persist. This testimony discusses (1) China as a potential market for U.S. businesses, highlighting sectors in which economic expansion will require foreign expertise and equipment; (2) challenges U.S. businesses face in gaining market access to China, as well as the concerns of some firms now operating there; and (3) World Bank efforts to help Chinese commercial standards meet international norms, with special emphasis on the importance of reforming China's banking and financial services sector.

T-NSIAD-96-217, July 31, 1996 (20 pages). International Relations: Food Security in Africa, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the African Affairs Subcommittee, Senate Committee on Foreign Relations.

Food security exists when people have physical and economic access to enough food so that their dietary needs are met and they can lead productive and healthy lives. Food security includes several dimensions, including availability (when enough supplies of food of appropriate quality are consistently available to all persons); access (when households have adequate resources to buy foods that are part of a nutritious diet); and utilization (the proper biological uses of food through adequate diet, water, sanitation, and health care). This testimony discusses (1) the current status and future outlook for world food security in general, (2) Africa's food security dilemma in particular, (3) U.S. food aid and food aid programs, and (4) the World Food Summit scheduled for November 1996.

T-NSIAD-96-238, Sept. 11, 1996 (5 pages). NASA Facilities: Challenges to Achieving Reductions and Efficiencies, by Thomas J. Schulz, Associate Director, Defense Acquisitions Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

Despite some progress in reducing its infrastructure, NASA faces formidable challenges to successfully reaching its budget goals through fiscal year 2000. Ultimately, if NASA cannot find enough infrastructure cost reductions to meet these goals, the agency will likely have to once again adjust its programs—stretching out, reducing the scope, terminating current efforts, and postponing new initiatives. Even with NASA management's commitment to meeting goals without making such changes, the environment confronting the agency will not allow it to readily overcome the many obstacles it faces. GAO believes that NASA should submit a plan to Congress on how it will meet the fiscal year 2000 infrastructure targets. On the basis of that plan and any further

progress by NASA, Congress could consider establishing an independent process to facilitate closure and consolidation of NASA facilities.

T-NSIAD-96-239, Sept. 12, 1996 (8 pages). Drug Control: Observations on Counternarcotics Activities in Mexico, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the Coast Guard and Maritime Transportation Subcommittee, House Committee on Transportation and Infrastructure, and Senate International Narcotics Control Caucus.

This testimony, which is based on a June 1996 report (GAO/NSIAD-96-163), focuses on counternarcotics efforts in Mexico. GAO discusses (1) the nature of the drug trafficking threat from Mexico, (2) Mexican efforts to counter drug-trafficking activities, (3) U.S. strategy and programs intended to stem the flow of illegal drugs through Mexico, and (4) recent initiatives by the United States and Mexico to beef up counternarcotics activities.

T-NSIAD-96-240, Sept. 19, 1996 (11 pages). Drug Control: U.S. Heroin Control Efforts in Southeast Asia, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the National Security, International Affairs, and Criminal Justice Subcommittee, House Committee on Government Reform and Oversight.

Heroin use poses a growing threat to the United States. In recent years, the number of heroin users in this country has increased, the purity level of heroin on the street is significantly higher, and the number of heroin-related hospital emergency room episodes has soared. The majority of heroin used in the United States originates in Southeast Asia, most of which is produced in Burma. Although the U.S. heroin strategy calls for a regional approach focused on South-

east Asia, stemming the flow of heroin will be difficult because of a lack of a meaningful U.S. program in Burma, the lack of Burmese government commitment to drug control efforts, and ineffective U.N. drug control efforts within Burma. The United States increasingly relies on international organizations, such as the United Nations, in countries such as Burma where the United States faces significant obstacles in providing traditional bilateral counternarcotics assistance. The United States has supported U.N. drug control projects in Burma, but these efforts have been unsuccessful in reducing opium production because of the small scope of the projects, lack of support from the Burmese government, and inadequate planning.

T-NSIAD-96-243, Sept. 27, 1996 (19 pages). World Trade Organization: Status of Issues to Be Considered at Singapore Ministerial Meeting, by JayEtta Z. Hecker, Associate Director, International Relations and Trade Issues, before the Trade Subcommittee, House Committee on Ways and Means.

The World Trade Organization (WTO) is a multilateral organization that serves as a forum for international trade negotiations and oversees the administration of the Uruguay Round Agreements. This testimony provides an overview of the issues to be raised at the upcoming Singapore ministerial meeting. GAO also discusses the status of (1) general implementation issues, (2) issues related to WTO agreement on textiles and clothing, (3) implementation of the agriculture agreements, (4) ongoing negotiations involving trade in services and market access, (5) new issues that may be taken up by the WTO in Singapore, and (5) new member accessions to the WTO.

T-NSIAD-96-245, Sept. 30, 1996 (5 pages). Nuclear Weapons: Russia's Request for the Export of U.S. Com-

puters for Stockpile Maintenance, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Military Procurement Subcommittee, House Committee on National Security.

This statement for the record provides information on proposed exports of U.S. high performance computers to Russian nuclear laboratories. GAO discusses the policies affecting cooperation between the United States and Russia on nuclear warhead safety and security under a Comprehensive Test Ban Treaty and Russian officials' requests for access to U.S. high performance computer exports to conduct work under this treaty.

T-NSIAD/RCED-96-118, Mar. 13, 1996 (4 pages). Nuclear Nonproliferation: U.S. Efforts to Help Newly Independent States Improve Their Nuclear Material Controls, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

Over the years, the Soviet Union produced about 1,200 metric tons of highly enriched uranium and plutonium. U.S. efforts to help the newly independent states of the former Soviet Union better protect their stocks of this deadly material—which are vulnerable to theft and diversion because of antiquated security systems—got off to a slow start but are now gaining momentum. Many independent states lack modern equipment to detect unauthorized removal of highly enriched uranium and plutonium from nuclear facilities. Seizures of nuclear material in Russia and Europe have heightened concerns about a possible black market for this material. The Defense Department (DOD) has obligated \$59 million and spent about \$4 million during fiscal years 1991-95 for security improvements in Russia, Ukraine, Kazakhstan, and Belarus. Initially, the program

moved slowly because Russian officials had refused access to their facilities, and DOD projects at facilities in Ukraine, Kazakhstan, and Belarus were just getting under way. The program gained momentum in January 1995 when U.S. and Russian officials agreed to upgrade nuclear materials controls at five high-priority facilities. The Energy Department plans to request \$400 million over seven years to improve controls at nuclear facilities in the newly independent states. However, the expanded program faces uncertainties involving its overall costs and U.S. ability to verify that the assistance is being used as intended.

T-RCED/NSIAD-96-127, Mar. 21, 1996 (17 pages). Environmental Protection: Issues Facing the Energy and Defense Environmental Management Programs, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Military Procurement Subcommittee, House Committee on National Security, and Military Readiness Subcommittee, House Committee on National Security.

The Energy Department (DOE) has tried in recent years to make its nuclear weapons complex cleanup more cost effective. Similarly, cleanup costs have been an issue at the Defense Department (DOD), but the cleanup effort is part of a larger attempt to control the cost of environmental compliance now, while minimizing contamination and related costs in the future. At DOD, environmental compliance activities have overtaken cleanup as the major annual cost. With regard to DOE's cleanup effort, this testimony discusses (1) how the administration of basic laws governing cleanup of the weapons complex affects costs, (2) how to cut DOE's costs, (3) which issues Congress should consider regarding DOE privatization of its cleanup, and (4) how excess carryover balances could be used to

fund DOE's cleanup. GAO discusses (1) DOD's use of relative risk as a major factor in ranking individual cleanup sites and (2) how DOD priorities, plans, and budgets for its environmental compliance program.

T-RCED/NSIAD-96-237, Aug. 1, 1996 (13 pages). Aviation Security: Immediate Action Needed to Improve Security, by Keith O. Fultz, Assistant Comptroller General, before the Senate Committee on Commerce, Science and Transportation.

The 1988 terrorist bombing of Pan Am flight 103, which killed 270 people, and the more recent, but as yet unexplained, explosion aboard TWA flight 800 have shaken the public's confidence in the safety and the security of air travel. GAO testified that the threat of terrorism against the United States has increased and that aviation is and will remain an attractive target for terrorists. Although the Federal Aviation Administration (FAA) has mandated additional security procedures as the threat of terrorism has changed, domestic and international aviation systems remain vulnerable. For example, conventional X-ray screening of checked baggage has limitations and offers little protection against moderately sophisticated bombs. Explosive detection devices are commercially available for checked and carry-on luggage and could improve security, but all the devices have shortcomings. Some of the devices are already in use in foreign countries. Other devices are in various stages of development. A mix of technology and procedures will likely be needed to improve security. FAA estimates that the cost of introducing new technology and other methods to counteract terrorism, such as targeting for additional security checks those passengers who meet profiles associated with terrorist groups, could cost as much as \$6 billion over 10 years. To improve security, Congress, FAA, the intelli-

gence agencies, and the aviation industry must agree on the steps to take to counter terrorism and how to pay for the new security measures.

T-RCED/NSIAD-96-251, Sept. 11, 1996 (14 pages). Aviation Security: Urgent Issues Need to Be Addressed, by Keith O. Fultz, Assistant Comptroller General, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

The 1988 terrorist bombing of Pan Am flight 103, which killed 270 people, and the more recent, and as yet unexplained, explosion aboard TWA flight 800 have shaken public confidence in the safety and security of air travel. The threat of terrorism against the United States has increased, and aviation remains an attractive target for terrorists. This testimony focuses on measures that need to be taken to protect the flying public from terrorists and how technology can improve aviation security. GAO discusses (1) the aviation security system and its vulnerabilities, (2) the availability and limitations of explosives detection technology and other methods to counter the threat, and (3) efforts under way to bolster aviation security. GAO also discusses the September 1996 recommendations from the Presidential Commission on Aviation Security and Terrorism.

T-RCED/NSIAD-96-262, Sept. 19, 1996 (17 pages). Aviation Security: Technology's Role in Addressing Vulnerabilities, by Keith O. Fultz, Assistant Comptroller General, before the House Committee on Science.

The 1988 terrorist bombing of Pan Am Flight 103, which killed 270 people, and the more recent, and as yet unexplained, explosion aboard TWA flight 800 have shaken public confidence in the safety and security of air travel. The threat of terrorism against the United States has increased, and aviation remains an attractive target for terrorists. This testimony focuses

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OCG

OCG-96-5, June 28, 1996 (239 pages). Addressing the Deficit: Updating the Budgetary Implications of Selected GAO Work.

This report is part of GAO's continuing effort to help Congress identify options to reduce the deficit. It updates GAO's previous work in this area and systematically identifies the budgetary implications of selected program reforms discussed in GAO's work but not yet implemented or enacted. In this year's report, GAO updates 96 of the 120 spending reduction and revenue gain options that appeared in last year's report (GAO/OCG-95-2). Under the Budget Enforcement Act, the spending and revenue options included in this report may be used either to reduce the deficit or to free up funds for other programs. GAO analyzes the following three options: reassess objectives (reconsider whether to terminate or change the services and the programs provided), redefine beneficiaries (reconsider a program's intended population), and improve efficiency (reconsider how a program or a service should be delivered).

Testimony

T-OCG-96-1, Feb. 29, 1996 (9 pages). Fiscal Year 1997 Budget Estimates for the U.S. General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Legislative Subcommittee, House Committee on Appropriations.

During the past year, GAO again demonstrated its worth to Congress and the taxpayer. Agency officials testified nearly 250 times before congressional committees on issues ranging from budget savings, to waste, fraud, and abuse, to reengineering the federal government. During fiscal year 1995, GAO recommendations produced more than \$15 billion in measurable financial benefits, as well as

many improvements to government operations. GAO's current staff of 3,700 employees—down from 5,325 in 1992—is the agency's lowest staffing level since before World War II. GAO is meeting the challenge of doing a good job even better—and doing it faster, at less cost, and with fewer people. The agency is constantly seeking to improve productivity, take advantage of modern technology, and improve employee skills and expertise. Concerns have been raised, however, about GAO's lack of enough technical expertise to successfully conduct a consolidated audit of the executive branch—an important requirement of the Chief Financial Officers' Act.

T-OCG-96-2, Apr. 30, 1996 (21 pages). Congressional Oversight: The General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform and Oversight.

In 1996, GAO celebrates 75 years of service to Congress. This testimony discusses the important role GAO has played over the years as the "nation's watchdog"—the agency responsible for providing Congress with objective and credible audits and evaluations of executive branch programs and management. Since 1992, GAO has reduced its workforce by one-third to about 3,500 employees—its lowest level since before World War II. Still, GAO, with its cadre of highly skilled professionals, remains a highly productive and effective source of information for Congress. The Comptroller General highlights GAO's success in meeting its mission responsibilities in the midst of downsizing, as well as recent steps GAO has taken to continue to improve its service to Congress.

T-OCG-96-4, May 23, 1996 (5 pages). GAO's Downsizing Efforts, by John H. Luke, Deputy Assistant Comptroller General for Human Resources, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

This testimony discusses GAO's downsizing efforts, including its reduction in force (RIF). It addresses (1) GAO's strategic planning process to restructure GAO's workforce, (2) the development and implementation of GAO's new RIF rules, and (3) differences between GAO's RIF rules and appeal rights and those for the executive branch. It also discusses the impact of the downsizing on veterans at GAO.

T-OCG-96-6, June 14, 1996 (16 pages). Fiscal Year 1997 Budget Estimates for the U.S. General Accounting Office, by Charles A. Bowsher, Comptroller General of the United States, before the Legislative Branch Subcommittee, Senate Committee on Appropriations.

During the past year, GAO again demonstrated its worth to Congress and the taxpayer. Agency officials testified nearly 250 times before congressional committees on issues ranging from budget savings, to waste, fraud, and abuse, to proposals for reengineering the federal government. During fiscal year 1995 alone, GAO identified financial benefits totaling nearly \$16 billion—a return of more than \$35 for every dollar appropriated for GAO. GAO's current staff of 3,700 employees—down from 5,325 in 1992—is the agency's lowest staffing level since before World War II. GAO is meeting the challenge of doing a good job even better—and doing it faster, at less cost, and with fewer people. The agency is constantly seeking to improve productivity, take advantage of modern technology, and upgrade employee skills and expertise. Concerns have been raised, however, that a lack of technical

expertise could hamper GAO's ability to successfully carry out its responsibilities under the Chief Financial Officers Act and to support congressional efforts to reform the federal government's financial management systems.

T-OCG-96-7, July 25, 1996 (18 pages).

Social Security Administration:

Effective Leadership Needed to Meet Daunting Challenges, by Charles A. Bowsher, Comptroller General of the United States, before the Social Security Subcommittee, House Committee on Ways and Means.

With a staff of 64,000, the Social Security Administration (SSA) runs the largest federal program—Social Security—as well as the largest cash welfare program—Supplemental Security Income. The agency's expenditures totaled \$363 billion in fiscal year 1995, almost one-fourth of the \$1.5 trillion federal budget. This testimony discusses the difficult challenges facing SSA in the coming decades: taking part in the debate over future financing of Social Security; encouraging disability recipients to return to work; reducing fraud and abuse; and managing workforce and technology investments so that it can meet the needs of America's retired, disabled, and poor.

OGC

OGC-96-1, Oct. 11, 1995 (3 pages). Impoundments: Deferral of Fiscal Year 1995 Economic Support Fund Budget Authority.

On September 8, 1995, the President submitted to Congress his sixth special impoundment message for fiscal year 1995. The message report one revised deferral of budget authority affecting the budget of the Economic Support Fund and International Fund for Ireland. GAO reviewed the deferral and found it to be in accordance with the Impoundment Control Act.

OGC-96-2, Nov. 21, 1995 (1 page). Impoundments: Comments on Three Proposed Deferrals of Fiscal Year 1996 Budget Authority.

On October 19, 1995, the President submitted to Congress his first special impoundment message for fiscal year 1996. The message reports three deferrals of budget authority affecting the Economic Support Fund and International Fund for Ireland, the Social Security Administration, and the United States Emergency Refugee and Migration Assistance Fund. GAO reviewed the deferrals and found them to be in accordance with the Impoundment Control Act.

OGC-96-3, Jan. 18, 1996 (5 pages). Impoundments: Historical Information and Statistics on Proposed and Enacted Rescissions, Fiscal Years 1974-1995.

To keep Congress abreast of the amount and frequency of proposed and enacted rescissions, GAO has updated its previous compilation of historical data on rescissions proposed by the executive branch and rescissions enacted by Congress through the close of the fiscal year. These statistics were prepared in

accordance with the same scope and methodology GAO used to compile its previous tables.

OGC-96-5, Apr. 16, 1996 (6 pages). Impoundments: Comments on Proposed Deferrals of Fiscal Year 1996 Budget Authority.

On February 21, 1996, the President submitted to Congress his second special impoundment message for fiscal year 1996. The message reports three rescissions of budget authority. On February 23, 1996, the President submitted to Congress his third special impoundment message for fiscal year 1996. The message reports one revised deferral and three deferrals of budget authority as well as four proposed rescissions of budget authority. Also, on March 5, 1996, the President submitted to Congress his fourth special impoundment message for fiscal year 1996. The message reports one revised deferral and two proposed rescissions of budget authority. GAO reviewed the deferrals and rescissions in the three special messages and found them to be in accordance with the Impoundment Control Act.

OGC-96-7, Apr. 29, 1996 (3 pages). Impoundments: Comments on Proposed Rescissions of Fiscal Year 1996 Budget Authority.

On March 13, 1996, the President submitted to Congress his fifth special impoundment message for fiscal year 1996. The message reports five rescissions of budget authority affecting military construction. GAO reviewed the proposed rescissions and found them to be in accordance with the Impoundment Control Act.

OGC-96-10, June 10, 1996 (4 pages). Impoundments: Comments on Proposed Rescissions of Fiscal Year 1996 Budget Authority.

On April 12, 1996, the President submitted to Congress his sixth special impoundment message for fiscal year 1996, which reports 10 proposed rescissions of budget authority affecting programs at the Defense Department. GAO reviewed the proposed rescissions and found them to be in accordance with the Impoundment Control Act.

OGC-96-19, June 18, 1996 (3 pages). Impoundments: Revised Deferral of Fiscal Year 1996 Budget Authority.

On May 14, 1996, the President submitted to Congress his seventh special impoundment message for fiscal year 1996, which reports one revised deferral of budget authority affecting foreign military financing funds. GAO reviewed the revised deferral and found it to be in accordance with the Impoundment Control Act.

OGC-96-25, July 26, 1996 (2 pages). Impoundments: Proposed Deferral of Funds for SSA Administrative Expenses.

On June 24, 1996, the President submitted to Congress his eighth special impoundment message for fiscal year 1996, which affects administrative expenses at the Social Security Administration. GAO reviewed the revised deferral of budget authority in that message and found it to be in accordance with the Impoundment Control Act.

Testimony

T-GGD/OGC-96-132, June 11, 1996 (11 pages). Federal Downsizing: Delayed Buyout Policy at DOE Is Unauthorized, by Henry R. Wray, Senior Associate General Counsel, before the Civil Service Subcommittee, House Committee on Government Reform and Oversight.

The Federal Workforce Restructuring Act authorized federal agencies to offer "buyouts" to employees who retired or resigned from the government before April 1, 1995. The legislation contained an exception that allowed the payment of a buyout to an employee as late as March 31, 1997, if the agency head determined that such a delay was essential to the agency's mission. The General Counsel at the Department of Energy (DOE) concluded in a July 1995 memorandum that the act did not preclude DOE from offering buyouts to employees who had not applied for them before April 1, 1995. He further stated that a determination by the Secretary of Energy to "conditionally approve" delayed buyouts for all DOE employees in broad job categories who applied before April 1, 1995, was permitted to later be amended to cover employees who had not filed buyout applications before that date. GAO disagrees with the General Counsel's position. GAO believes that the plain language of the act, as well as the fundamental logic and underlying context of the statute, clearly require that determinations to invoke the exception and permit delayed separation must be made in conjunction with approval of the buyouts themselves. In GAO's view, the authority of agencies to approve buyouts ended on March 31, 1995. The legislative history of the act supports this opinion.

T-OGC-96-18, May 15, 1996 (18 pages). H.R. 3078, The Federal Agency Anti-Lobbying Act, by Robert Murphy, General Counsel, before the House Committee on Government Reform and Oversight.

H.R. 3078 would prohibit federal agencies from using appropriated funds to lobby. GAO recommended a similar restriction 12 years ago and believes that the need remains for permanent government-wide legislation. This testimony (1) explains GAO's role in investigating alleged

violations of the lobbying restrictions found in 13 regular appropriation acts, (2) discusses H.R. 3078's ban on lobbying by federal agencies in light of its statutory model—section 303 of recent Interior Department appropriation acts—and GAO's decisions and interpretations interpreting and applying section 303, and (3) examines H.R. 3078's potential effect on GAO's workload.

OIMC

OIMC/OPA-96-1A,OIMC/OPA-96-

1B, Feb. 1, 1996 (595 pages). Abstracts of Reports and Testimonies: Fiscal Year 1995.

A two-volume set, this reference publication provides an overview of the agency's work during fiscal year 1995. The first volume summarizes more than 1,000 "blue books" and other publications issued between October 1994 and September 1995. The second volume contains indexes that allow the reader to locate quickly documents that are of interest.

OP

OP-96-1, Jan. 16, 1996 (179 pages).

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

Each year, GAO's work contributes to many legislative and executive branch actions that yield significant financial savings and other improvements in government operations. Some, but not all, are identified through GAO's system for periodically following up to determine the status of actions taken on the recommendations made in GAO reports. About three out of four recommendations made during the past five years have been implemented. This report highlights the impact of GAO's work on various issue areas and summarizes key open recommendations. It also includes a set of computer diskettes with details on all open recommendations. The diskettes have several menu options to help users find information easily.

OPA

OIMC/OPA-96-1A,OIMC/OPA-96-1B, Feb. 1, 1996 (595 pages). Abstracts of Reports and Testimonies: Fiscal Year 1995.

A two-volume set, this reference publication provides an overview of the agency's work during fiscal year 1995. The first volume summarizes more than 1,000 "blue books" and other publications issued between October 1994 and September 1995. The second volume contains indexes that allow the reader to locate quickly documents that are of interest.

OSI

OSI-96-2, Sept. 30, 1996 (19 pages). Department of Energy: Unethical Conduct at DOE's Yucca Mountain Project.

Congress created the Office of Civilian Radioactive Waste Management within the Department of Energy (DOE) to manage the disposal of highly radioactive waste generated at civilian nuclear power plants. The centerpiece of the disposal program is the Yucca Mountain Site Characterization Project, whose purpose is to determine whether the Yucca Mountain site in Nevada is suitable for permanent disposal of highly radioactive waste. Allegations have been raised about conflicts of interest at the Yucca Mountain Project. A similar issue surfaced in 1987 involving the Office's top management and the award of the project's management contract. This report examines whether DOE properly implemented or adequately enforced federal standards of ethical conduct and DOE ethics regulations at the project.

OSI-96-3, Apr. 3, 1996 (29 pages). Small Business Administration: SBA Monitoring Problems Identified in Case Studies of 12 SBICs and SSBICs.

The Small Business Investment Companies (SBIC) and Specialized Small Business Investment Companies (SSBIC) that GAO reviewed engaged in such improper practices as loans to associates, including officers and directors of the licensees; loans for prohibited real estate purchases; and loans to ineligible persons. In addition, the SBICs and SSBICs seldom took timely measures to correct violations after being notified by the Small Business Administration (SBA), nor did SBA ensure that the violations it had identified during examinations had been corrected promptly. Therefore, the same or similar violations were identified during later examinations. Such

mismanagement or misconduct may have led to the liquidations or the bankruptcy of some of the SBICs and SSBICs, with the government picking up the tab. Estimated losses for three of the five companies that have gone into liquidation or bankruptcy have exceeded \$4 million. SBA now examines the performance of SBICs and SSBICs more often, has expanded the comprehensiveness of those examination, and has recently changed its licensing procedures so that new SBICs are more experienced and capitalized. However, GAO has found that SBA had not responded in a timely manner to serious regulatory violations identified during examinations.

OSI-96-6, May 16, 1996 (26 pages). Defense Procurement: E-Systems' Reporting of Alleged Wrongdoing to Army's Fraud Division.

After the defense contractor E-Systems, Inc., pleaded guilty in 1990 to federal violations involving Army contracts, the Army entered into a three-year administrative settlement agreement with the company. Among other things, the agreement required E-Systems to report all hotline allegations to the Army's Procurement Fraud Division. This report answers the following questions: Did federal law, regulations, or the agreement require E-Systems to disclose suspected violations of procurement law? How many, and what types of hotline complaints were lodged against E-Systems' Greenville Division? Did E-Systems employees, contrary to federal law, alter or reinvestigate hotline complaints and investigation results to avoid disclosing information to the federal government; and what were the details behind three cases brought to the attention of Congress? Why didn't the Army debar E-Systems from doing business with the government, given the serious accusations contained in a May 1994 Army "show cause" letter? What were the

government's losses as a result of E-Systems' actions in the three previously mentioned hotline cases?

Testimony

T-OSI-96-1, Dec. 13, 1995 (5 pages). Small Business Administration: Case Studies Illustrate 8(a) Program and Contractor Abuse, by Donald J. Wheeler, Acting Director, Office of Special Investigations, before the House Committee on Small Business.

This testimony discusses program and contractor abuses involving two of the top 25 contractors participating in the Small Business Administration's (SBA) 8(a) business development programs, , which is intended to promote the development of small business owned by socially and economically disadvantaged persons. GAO's investigation uncovered program abuse and ineffective SBA oversight of the two firms—I-NET, Inc., of Bethesda, Maryland, and TAMSCO of Calverton, Maryland. During the application process, both firms provided information that gave rise to questions about their eligibility to participate in the 8(a) program, but SBA did not fully resolve those questions before admitting the firms to the program. Further, one firm misrepresented its qualification to enter and stay in the program. SBA did not, however, suspend the firm's contracts or remove it from the program after it learned about the misrepresentations. With regard to the second firm, GAO questioned the practices of the contracting agency—the Coast Guard. In a contract with the second firm, Coast Guard officials changed the contract's original classification code to one for which the firm qualified and altered the contract's minimum value to direct a contract to the firm, avoiding federal competition requirements.

PEMD

PEMD-96-1, Oct. 20, 1995 (37 pages). FDA Drug Approval: Review Time Has Decreased in Recent Years.

New drugs marketed in the United States must be approved first by the Food and Drug Administration (FDA). FDA grants its approval after it has determined from data submitted by a drug's sponsor that the drug is safe and effective and that the manufacturer can guarantee its quality. GAO found a considerable reduction in approval time for new drug applications between 1987 and 1992. It took an average of 33 months for new drug applications submitted in 1987 to be approved but only 19 months on average to approve new drug applications submitted in 1992. The priority that FDA assigns to a new drug application and the experience of its sponsors significantly affect the likelihood of a quick decision. FDA assigns priority status to drugs that are expected to provide therapeutic benefit to consumers beyond that of drugs already marketed. Priority status and sponsor experience are also the two factors that predict the likelihood of drug approval. Finally, the limited data available on review time for FDA and its counterpart in the United Kingdom paint a more ambiguous picture than presented in many recent reports. In fact, the latest data published by the regulatory agency in the United Kingdom show that it does not have faster approval times than FDA.

PEMD-96-2, Oct. 30, 1995 (82 pages). Medical Devices: FDA Review Time.

The Food and Drug Administration (FDA) regulates the manufacture and marketing of medical devices in the United States. Some critics have argued that FDA's review of medical devices is excessively lengthy and can impose inordinate delays in the introduction of new devices into the market. GAO found that FDA review

times and trends for medical device applications varied widely between October 1988 through May 1995. For 510(k) applications submitted, the review time remained stable from 1989 to 1991, then rose sharply in 1992 and 1993, before dropping in 1994. For 1994, the median was 152 days. The mean time to a decision was higher—166 days—and this mean will continue to grow as the remaining open cases (13 percent) are completed. The review time trend for original premarket approvals was less clear, in part because a large proportion of applications had yet to be completed. Not all the time that elapsed between an application's submission and its final determination was spent under FDA's review process. In many cases, FDA had to wait for additional information.

PEMD-96-3, June 27, 1996 (48 pages). Chemical Accident Safety: EPA's Responsibilities for Preparedness, Response, and Prevention.

More than a decade ago, a chemical spill in Bhopal, India, killed or injured thousands and displaced many more from their homes and businesses. The magnitude of this event, along with the potential for similar accidents in the United States, resulted in legislation that gave the Environmental Protection Agency (EPA) a central role in implementing chemical accident safety policy. GAO found that EPA had vigorous programs for accident preparedness and response. Recent legislation, however, has shifted the agency's primary focus to preventing chemical accidents. Through risk management planning, EPA has undertaken several efforts to further the prevention of accidents, including collaboration with industry and professional associations. EPA has developed a large repository of information on accident prevention. A major barrier to preventing accidents, though, remains the relative lack of involvement of community residents and some industry sectors. To maxi-

mize the potential for accident prevention, information that facilitates prevention must be made available and used by industry and communities.

PEMD-96-4, Apr. 2, 1996 (14 pages). Medicaid Long-Term Care: State Use of Assessment Instruments in Care Planning.

GAO examined how publicly funded programs assess the need for home and community-based long-term care for the elderly with disabilities. This care is provided to persons living at home who, because of a chronic condition or illness, cannot care for themselves. Services range from skilled nursing to assistance with day-to-day activities, such as bathing and housekeeping. Under the Medicaid program, 49 states have obtained waivers to provide home and community-based services to low-income elderly persons who would otherwise need institutional care paid for by Medicaid. These states are responsible for developing a care plan tailored to a client's specific needs. A well-designed assessment instrument helps identify all appropriate needs—increasing the likelihood that important aspects of the client's situation will not be overlooked in care planning. Standardized administration of the assessment instrument increases the likelihood that the needs of all clients will be determined in the same way. This report provides information on the (1) comprehensiveness of assessment instruments, (2) uniformity of their administration, and (3) training for staff who do the assessments.

PEMD-96-5, Sept. 27, 1996 (24 pages). Long-Term Care: Some States Apply Criminal Background Checks to Home Care Workers.

Persons needing assistance with daily activities generally prefer home- and community-based services to nursing homes, and increasing numbers of

elderly and disabled persons are turning to paid home care workers for such services. Home care workers have frequent, unsupervised access to potentially vulnerable people and their property. This report examines the federal and state provisions that protect vulnerable elderly and disabled persons from home care workers with histories of crime and patient abuse. GAO describes (1) federal or state requirements for licensure, registration, or certification that apply to home care workers and organizations; (2) the extent to which states have used the federally mandated registry for nursing home aides or a similar mechanism to identify home care workers with past involvement in abuse, neglect, or misappropriation of property; and (3) the extent to which states have required criminal background checks of home care workers.

PEMD-96-7, May 14, 1996 (107 pages). Cholesterol Treatment: A Review of the Clinical Trials Evidence.

Clinical trials and other scientific studies have consistently shown that cholesterol-lowering treatment benefits middle-aged white men with high cholesterol levels and a history of heart disease. Medical research also shows that men with moderate-to-high cholesterol levels and no history of heart disease have lower rates of nonfatal heart attacks but no statistically significant reductions in death rates as a result of cholesterol-lowering treatment. Clinical trials generally have not evaluated the value of cholesterol-lowering treatment for several important groups, including women, the elderly, and minorities. Thus, they provide little or no evidence of benefits or possible risks for these groups. Two recent trials using a new drug class—the statins—show greater reductions in heart problems with their greater reductions in cholesterol and no increase in fatalities from coronary heart disease. One trial studied men and women with

coronary heart disease and found a significant reduction in total fatalities; the other, which studied only men who did not have coronary heart disease, showed encouraging but not statistically significant reductions in fatalities from coronary heart disease.

PEMD-96-10, July 2, 1996 (26 pages). Operation Desert Storm: Operation Desert Storm Air War.

The 43-day air campaign during Operation Desert Storm was the first large use of U.S. air power since Vietnam. The Air Campaign employed nearly every type of fixed-wing aircraft in the U.S. inventory, flying about 40,000 air-to-ground and 50,000 support sorties. About 1,600 U.S. combat aircraft were deployed by the end of the war. By historical standards, the intensity of the air campaign was substantial: The U.S. bomb tonnage dropped per day equaled 85 percent of that dropped by the United States on Germany and Japan during World War II. The air campaign incurred minimal casualties and resulted in the liberation of Kuwait and the collapse of Iraqi forces. However, GAO's analysis of the air campaign revealed several issues that should be addressed before the next military campaign. For example, pilots found that infrared, electro-optical, and laser systems were all seriously affected by clouds, rain, fog, smoke, and even high humidity. Pilots said that they were sometimes unable to tell whether a presumed target was a tank or a truck or whether it had already been destroyed. Meanwhile, the Pentagon and defense contractors have made overstated and misleading claims about the weapons used during the air campaign, particularly the F-117 stealth fighter, the Tomahawk cruise missile, and laser-guided bombs. GAO questions the military's increased reliance on precision guided munitions given their limited effectiveness during the Persian Gulf War.

PEMD-96-16, Sept. 19, 1996 (46 pages). CDC's National Immunization Survey: Methodological Problems Limit Survey's Utility.

Children should receive most of their immunizations before they reach 19 months old. To monitor the extent to which this goal is met nationwide, the Centers for Disease Control and Prevention (CDC) has, since 1991, administered a supplement to the National Health Interview Survey. In 1994, CDC decided to centralize the collection of immunization coverage data for preschoolers in each state and some urban areas. That year, CDC initiated the National Immunization Survey, which was designed to produce current and comparable immunization coverage estimates for children aged 19 to 35 months in each state and 28 urban areas receiving CDC funds. Unlike the National Health Interview Survey, which is a face-to-face household survey, the National Immunization Survey is conducted by telephone. Although national, antigen-specific immunization rates are generally high, some areas remain at continued risk of disease outbreaks (sometimes called "pockets of need") because they have concentrations of children who have not received timely vaccinations. This report assesses (1) the cost of the National Immunization Survey, (2) the methods used by CDC to conduct the survey, and (3) the utility of the survey in identifying "pockets" of children in need of more timely immunization.

Testimony

T-PEMD-96-6, Feb. 21, 1996 (17 pages). FDA Review and Approval Times, by Mary R. Hamilton, Director, Program Evaluation in Human Service Areas, before the Senate Committee on Labor and Human Resources.

New drug applications are moving more quickly through the Food and Drug Administration's (FDA) review

and approval process, and the amount of time to obtain an application is about the same in this country and in the United Kingdom. GAO found that FDA review times for medical device applications varied widely from one year to the next. For all types of applications, the median review time rose dramatically in the early 1990s and then began to decrease. Whether the downturn will continue will become clear as data for additional years become available. Some aspects of new systems introduced by the European Union in 1995 for drug and medical device review are quite different from FDA's approach to medical product review, and there is great optimism within the European community about their prospects. It is too soon to know, however, whether the European Union's approach will result in more-efficient reviews while guaranteeing product safety.

T-PEMD-96-9, May 2, 1996 (13 pages). FDA Review Times, by Mary R. Hamilton, Director, Program Evaluation in Human Services Areas, before the Health and Environment Subcommittee, House Committee on Commerce.

New drug applications are moving more quickly through the Food and Drug Administration's (FDA) review and approval process. It now takes about the same amount of time to receive approval in the United States as it does in the United Kingdom. FDA review times for medical device applications vary widely from one year to the next. For all types of applications, the median review time rose dramatically in the early 1990s and then began to fall. Whether this downturn will continue will become clear as data for additional years become available. Some aspects of the new drug and medical device review systems introduced by the European Union (EU) in 1995 differ significantly from FDA's approach to medical product review, and there is great optimism in the EU about their

prospects. However, it is still too early to tell whether the EU approach will result in more efficient reviews while ensuring product safety.

RCED

NSIAD/RCED-96-76BR, Mar. 27, 1996 (22 pages). Terrorism and Drug Trafficking: Threats and Roles of Explosives and Narcotics Detection Technology.

Even though conventional X-ray screening falls short in its ability to reveal concealed narcotics and explosives, the Federal Aviation Administration (FAA) and the U.S. Customs Service have lagged in introducing advanced technologies to detect drugs and explosives smuggled aboard commercial aircraft. The intelligence community believes that the threat of terrorism within the United States has grown and that commercial aircraft are likely to remain targets. According to the FBI, terrorist attacks could come from groups that are hard to infiltrate and control. In January 1995, a plot to attack U.S. flights in Asia was discovered. Narcotics trafficking is a continuing problem. Although cocaine has been the main threat since 1985, heroin is a growing concern. Trafficking is most active today along the southwest border of the United States. To counter these threats, FAA recently certified an advanced automated explosive detection system, but has not required its deployment. The cost of buying and installing the equipment at the 75 busiest domestic airports could be as high as \$2.2 billion, according to preliminary FAA estimates. Customs has one truck X-ray system at the southwest border to detect narcotics and plans to spend \$38 million to acquire others. Its plans for seaports and the use of mobile systems have not been clearly defined. Other countries, including the United Kingdom and France, are already using advanced technologies to detect explosives and narcotics.

NSIAD/RCED-96-89, Mar. 8, 1996 (45 pages). Nuclear Nonproliferation: Status of U.S. Efforts to Improve Nuclear Material Controls in Newly Independent States.

Over the years, the Soviet Union produced about 1,200 metric tons of highly enriched uranium and plutonium. U.S. efforts to help the newly independent states of the former Soviet Union better protect their stocks of this deadly material—which are vulnerable to theft and diversion because of antiquated security systems—got off to a slow start but are now gaining momentum. Many independent states lack modern equipment to detect unauthorized removal of highly enriched uranium and plutonium from nuclear facilities. Seizures of nuclear material in Russia and Europe have heightened concerns about a possible black market for this material. The Defense Department (DOD) has obligated \$59 million and spent about \$4 million during fiscal years 1991-95 for security improvements in Russia, Ukraine, Kazakhstan, and Belarus. Initially the program moved slowly because Russian officials had refused access to their facilities, and DOD projects at facilities in Ukraine, Kazakhstan, and Belarus were just getting under way. The program gained momentum in January 1995 when U.S. and Russian officials agreed to upgrade nuclear materials controls at five high-priority facilities. The Energy Department plans to request \$400 million over seven years to improve controls at nuclear facilities in the newly independent states. However, the expanded program faces uncertainties involving its overall costs and U.S. ability to verify that the assistance is being used as intended. GAO summarized this report in testimony before Congress; see; Nuclear Nonproliferation: U.S. Efforts to Help Newly Independent States Improve Their Nuclear Materials Controls, by Harold J. Johnson, Associate Director for International Relations and Trade

Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Government Affairs. GAO/T-NSIAD-96-119, Mar. 13 (six pages).

NSIAD/RCED-96-252, Sept. 4, 1996 (28 pages). Terrorism and Drug Trafficking: Technologies for Detecting Explosives and Narcotics.

Aviation security and drug interdiction depend on a complex and costly mix of intelligence, procedures, and technologies. Since 1978, federal agencies have spent about \$246 million for research and development on explosives detection technologies and nearly \$100 million on narcotics detection technologies. Most of this spending has taken place since 1990, in response to congressional directives, and have been for technologies to screen checked baggage, trucks, and containers. Difficult trade-offs must be made when considering whether to use detection technologies for a given application—chief among them the extent to which intelligence-gathering and procedures can substitute for expensive technology. Some technologies are very effective and could be deployed today, but they are expensive, slow the flow of commerce, and raise issues of worker safety. Other technologies are more widely used but are less reliable, while still others are in the development stage and may not be available for years. Some countries have already deployed advanced explosive and narcotics detection equipment, and the United States may be able to learn from their experiences. The Federal Aviation Administration estimates that use of the best available procedures and technologies to beef up aviation security could cost as much as \$6 billion during the next 10 years—the equivalent of a \$1.30 surcharge on a one-way ticket.

RCED-96-1, Nov. 17, 1995 (33 pages). Animas-La Plata Project: Status and Legislative Framework.

The Interior Department's Animas-La Plata Project was designed to store water and divert it to arid regions in southwestern Colorado and northwestern New Mexico, mainly by channelling water from the Animas River to the La Plata River basin. Before beginning construction of the project, the Interior Department is required to determine whether the project would jeopardize the continued existence of any endangered species. This report provides information on the history and status of the Animas-La Plata project, the legislative framework provided for the project by the 1988 Colorado Ute Indian Water Rights Settlement Act and the Endangered Species Act, the consultation between the Bureau of Reclamation and the Fish and Wildlife Service under the Endangered Species Act, and the project's relationship to another congressionally authorized project—the Navajo Indian Irrigation Project.

RCED-96-2, Oct. 18, 1995 (44 pages). Homeownership: Mixed Results and High Costs Raise Concerns About HUD's Mortgage Assignment Program.

During the 19-year period that ended in September 1993, the Department of Housing and Urban Development (HUD) incurred losses totalling \$12.8 billion as a result of foreclosures on homes that the Federal Housing Administration (FHA) had insured. As an alternative to foreclosure on such properties, HUD operates a mortgage assignment program. For borrowers accepted into the program, FHA pays the mortgage debt, takes assignment of the mortgage from the lenders, and develops a new repayment plan for the borrower under which monthly mortgage payments can be reduced or suspended for up to 36 months. HUD collects mortgage payments from the borrowers while allowing them to live in their homes. The number of FHA borrowers participating in the program has tripled during the past six years, reaching 71,500 at the end of

fiscal year (FY) 1994. Their unpaid principal balances total \$3.7 billion. GAO found that the program has helped borrowers avoid immediate foreclosure, but it has not been fully successful in helping borrowers avoid foreclosure and retain their homes on a long-term basis. GAO estimates that 52 percent of the nearly 68,000 borrowers who have entered the program since FY 1989 will eventually lose their homes through foreclosure. Moreover, program losses have exceeded those that would have been incurred had loans gone immediately to foreclosure without assignment. Options to reduce program losses include reducing the three-year relief period provided to borrowers, setting a time limit on eliminating delinquencies, and accepting only those borrowers into the program who can afford to pay at least half of their mortgage payments.

RCED-96-3, Oct. 30, 1995 (15 pages). Animal Damage Control Program: Efforts to Protect Livestock from Predators.

Efforts to protect livestock from predators, mainly coyotes, constitute the major activity of the Agriculture Department's Animal Damage Control Program. In 1994, more than 100,000 predators were killed by the program's field personnel. GAO found that Agriculture field personnel in California, Nevada, Texas, and Wyoming used lethal methods in essentially all instances to control livestock predators. Agriculture's written policies and procedures call for field personnel to give preference to the use of nonlethal methods when practical and effective. However, according to program officials, this aspect of written guidance does not apply to the control of livestock predators. These officials said that in controlling livestock predators, nonlethal methods, such as fencing and the use of herders and guard dogs, are more appropriately used by

ranchers, have limited effectiveness, and are impractical for field personnel to use.

RCED-96-4, Nov. 7, 1995 (39 pages). Nuclear Safety: Concerns with Nuclear Facilities and Other Sources of Radiation in the Former Soviet Union.

Although safety problems with nuclear reactors in the former Soviet Union and eastern Europe have received widespread attention, many other nuclear facilities and other sources of radiation in the former Soviet Union also pose safety, health, and environmental threats. For example, a 1993 accident at a plutonium processing plant in Russia highlighted safety problems associated with these types of facilities. This report provides information on (1) nuclear facilities (other than civil nuclear power reactors), nuclear-powered vessels, and other sources of radiation in the former Soviet Union; (2) the views of U.S. and international experts on the safety of these facilities and other sources of radiation; and (3) U.S. and international efforts to address nuclear safety and environmental problems with these facilities and other sources of radiation.

RCED-96-5, Oct. 24, 1995 (60 pages). Restoring the Everglades: Public Participation in Federal Efforts.

In central and southern Florida, where national parks and wildlife refuges abut farmland, urban areas, and Indian reservations, the boundaries between public and private lands and between federal, state, local, and tribal jurisdictions overlay the ecological boundaries created by the flow of water. During the last half century, engineering projects have altered the quantity and timing of the water's flow, agricultural runoff has altered water quality, and urbanization has fragmented the region's ecosystem. As a result, South Florida—including the Everglades and Florida Bay—is

showing signs of ecological distress. Federal agencies began an effort in 1993 to coordinate environmental restoration in South Florida. In addition, the Administration has identified South Florida as a site for testing a new approach to ensuring a healthy environment and managing the nation's lands and natural resources. This approach, which recognizes the interrelationships between natural systems and healthy, sustainable economies, cuts across the boundaries of ownership and jurisdiction. Central to this new approach is the need for federal and nonfederal stakeholders to collaborate and build consensus on solutions to problems of mutual concern. This report (1) identifies the processes used by federal agencies to involve nonfederal stakeholders in environmental restoration efforts in South Florida and (2) the lessons learned about federal and nonfederal collaboration and consensus-building in South Florida that may be applicable elsewhere.

RCED-96-6, Nov. 28, 1995 (70 pages). Highway Funding: Alternatives for Distributing Federal Funds.

Under the federal-aid highway program, billions of dollars are distributed to the states each year for the construction and repair of highways and related activities. The Intermodal Surface Transportation Efficiency Act of 1991 authorized about \$120 billion for this program for fiscal years 1992 through 1997. This report discusses (1) the way the formula works and the relevancy of the data used for the formula and (2) the major funding objectives implicit in the formula and the implications of alternative formula factors for achieving them.

RCED-96-7W, Dec. 1, 1995 (210 pages). Energy and Science: Five-Year Bibliography 1990-1994.

GAO's Energy and Science Issue Area examines the activities of a variety of entities, from the Nuclear Regulatory Commission to the Tennessee Valley Authority to the National Science Foundation. This work generally examines the role and continued need for a federal presence in these areas, exposing incidences of waste and mismanagement and promoting a smaller, more efficient, and cost-effective government. Organized into four main sections—"Management and Missions of Energy and Science Agencies," "Consequences and Implications of the Nuclear Age," "Competition and Security in Energy Supplies," and "Federal Role and Investment in Science and Technology"—this five-year bibliography lists GAO documents on science and energy topics issued from 1990 through 1994. The documents are listed chronologically, with the most recent reports first. A subject index is included.

RCED-96-8, Jan. 11, 1996 (16 pages). Certification of New Airlines: Department of Transportation Has Taken Action to Improve Its Certification Process.

The Department of Transportation's certification process has added 90 new carriers to the airline industry during the past 5-1/2 years. These new carriers have increased competition among airlines and have reduced fares. However, about half of the applicants that applied to operate new airlines did not complete the process, mainly because they lacked the financial resources. In some cases, the Federal Aviation Administration spent considerable resources on costly certification activities. Although the Department of Transportation has taken steps to improve its certification process and reduce the amount of money spent on unsuccessful applications, it is too soon to know how successful these measures will be. The fees that applicants pay for certification allow the government to

recoup only a small portion—less than one percent—of its costs for those applicants that complete the process. Although the government recoups some of its certification costs through ticket and fuel taxes, these funds are collected only from applicants that successfully begin and sustain their operations. Requiring applicants to pay a greater share of the certification costs could generate revenue to help defray these expenses—a particularly important outcome during this period of declining federal budgets.

RCED-96-10, Oct. 3, 1995 (47 pages). Nuclear Regulation: Weaknesses in NRC's Inspection Program at a South Texas Nuclear Power Plant.

In February 1993, the operator of the South Texas Project Electric Generating Station—a nuclear power plant—shut down its two reactors because of continuing malfunctions with a portion of the reactors' emergency equipment. The plant, located near Houston, Texas, was shut down for more than a year to correct these and other problems. The plant had a long history of problems in its design, construction, and operation. This report (1) discusses the circumstances surrounding the plant shutdown and the seriousness of the incident, (2) determines whether the Nuclear Regulatory Commission (NRC) was aware of problems at the plant before the shutdown, and (3) identifies factors that may have prevented NRC from having complete and timely information about the contractor's performance.

RCED-96-11, Nov. 16, 1995 (26 pages). Rural Housing Programs: Opportunities Exist for Cost Savings and Management Improvement.

The Agriculture Department's Rural Housing and Community Development Service provides about \$2.85 billion each year for rural housing loans. As of June 1995, the Service

had an outstanding single-family and multifamily housing loan portfolio of about \$30 billion, which represented a significant federal investment in affordable housing for the rural poor. The largest portion of the loan portfolio is for single-family direct and guaranteed mortgage loans that are made to families or individuals who are without adequate housing and who are unable to obtain loans from private lenders at reasonable costs. Rural multifamily rental housing loans, made to finance apartment-style housing or to buy and rehabilitate existing rental units, make up the rest of the portfolio. This report provides information on the Service's single- and multifamily housing loans programs and discusses suggestions made by GAO and others that could yield cost savings or management improvement in these programs.

RCED-96-13, Dec. 29, 1995 (34 pages). Superfund: EPA Has Identified Limited Alternatives to Incineration for Cleaning Up PCB And Dioxin Contamination.

One of the most contentious issues facing the Environmental Protection Agency (EPA) is the use of incineration to clean up Superfund sites contaminated by polychlorinated biphenyls (PCB) or dioxin. Increasingly, community groups are protesting the use of incineration as a treatment remedy. Many people fear that the incinerators will emit hazardous substances that could pose a health risk for neighboring communities. Although EPA encourages the development of innovative technologies to dispose of hazardous wastes, it has not identified any technologies it believes to be as effective as incineration for most PCB- or dioxin-contaminated sites. Several innovative technologies, however, have the potential for future applications in treating complex sites contaminated with PCBs and dioxin. Accordingly, GAO agrees with EPA's recent proposal to revisit its decisions on remedies at

some sites that could benefit from significant technological advancements.

RCED-96-15, June 21, 1996 (60 pages). Forest Service Reforestation Funding: Financial Sources, Uses, and Condition of Knutson-Vandenberg Fund.

The Forest Service is responsible for reforesting areas harvested for timber or destroyed by natural causes in national forests. The Forest Service, which manages 191 million acres of forests, rangelands, and grasslands, obligated about \$163 million for reforestation during fiscal year 1994. More than 70 percent of the money for reforestation comes from the Knudson-Vandenberg Trust Fund. Although the Fund had a reported balance of about \$338 million as of September 1995, not enough money will be available to pay for all the planned projects, whose cost is now estimated at \$942 million. The shortfall has occurred because during the 1990s the Forest Service transferred \$420 million from the Fund to pay for emergency firefighting. However, the Agriculture Department has yet to restore these funds, and the Forest Service continues to run the program as if the transfers had never occurred. In addition, the Forest Service lacks reliable financial management information and effective controls to ensure compliance with the Knutson-Vandenberg Act's prohibition against spending more trust funds on an individual sale area than had been collected from that area.

RCED-96-16, Dec. 15, 1995 (38 pages). Pesticides: The Phaseout of Methyl Bromide in the United States.

Methyl bromide had been used in agriculture since the 1930s, mainly as a fumigant to control pests in the soil before planting seeds, to protect stored crops, and to treat commodities being shipped abroad. World scientists participating in the United

Nations Environment Programme concluded that emissions from methyl bromide use contribute significantly to ozone depletion and should be controlled. In response, the Environmental Protection Agency (EPA) issued regulations that freeze the production and importation of methyl bromide at 1991 levels until 2002, at which time the pesticide can no longer be produced into the United States for domestic use. However, a phaseout of the substance could harm U.S. agriculture and trade unless adequate—that is, environmentally acceptable, effective, and economical—alternatives are found before the ban takes effect in five years. More progress in identifying alternative is being made for some uses of methyl bromide than for others. If adequate alternatives are not ready by the time the ban takes effect, exemptions from the ban may be needed for some domestic uses until alternatives can be developed. EPA now lacks the authority, however, to grant exemptions for the continued production and/or importation of methyl bromide for domestic uses.

RCED-96-18, Nov. 3, 1995 (18 pages). Fruit Juice Adulteration: Detection Is Difficult, and Enhanced Efforts Would Be Costly.

Nationwide, school districts serve more than 56 million gallons of fruit juice each year. Unscrupulous processors can gain an economic advantage over legitimate competitors by adding water, sugar, and other ingredients to fruit juice and labeling the product as pure. However, the extent to which adulteration takes place is uncertain and difficult to detect. Inspections of juice plants are not designed to spot adulteration, and current laboratory tests have limitations. Estimates of the problem's extent vary widely for orange and apple juice, the two most frequently consumed juices. Government and industry officials believe that the adulteration rate for apple juice is insignificant, but estimates of

the adulteration rate for orange juice ranges as high as 20 percent. Since the mid-1980s, the Justice Department has prosecuted seven cases of juice adulteration. These prosecutions resulted in six convictions and one acquittal. On the basis of these convictions, the Agriculture Department has taken action against three companies that remain in business and against 21 individuals to prevent them from selling juice to the school meal programs. Government and industry officials have identified two main options for enhancing the detection of adulterated juice sold to schools—conducting in-plant inspections and instituting either systematic or risk-based juice-testing programs. Although both methods could enhance detection of adulterated juices, they would be costly.

RCED-96-19, Jan. 24, 1996 (34 pages). Federal Research: Preliminary Information on the Small Business Technology Transfer Program.

The nation's research institutions—its universities, federal laboratories, and nonprofit research organizations—account for about a quarter of all the scientists and engineers in the United States. To help move new knowledge from research institutions to industry, Congress authorized the Small Business Technology Transfer Pilot Program for three years, beginning in fiscal year 1994. Federal agencies rated the quality and commercial potential of winning proposals favorably in the program's first year. Technical experts, however, were cautious about the commercial potential, possibly because of the newness of the program. Agencies have taken steps to avoid potential conflicts of interest that might arise because of the close connection between federal agencies and research and development centers. In addition, the Departments of Defense and Energy, which accounted for almost all of the awards involving such centers, have taken steps to

prevent the centers from using privileged information in preparing program proposals. Agency officials expressed differing views on the Technology Transfer Program's effect on the Small Business Innovation Research Program and other agency research and development, although none of them suggested any negative effects, such as competition between the two programs for quality proposals. The similarity of the two programs, however, raised questions about the need for a new program.

RCED-96-23, Mar. 20, 1996 (21 pages). Water Pollution: Many Violations Have Not Received Appropriate Enforcement Attention.

The quality of the nation's waters has improved since the Clean Water Act was revised in 1972. The act bans facilities from discharging pollutants in amounts exceeding those authorized in their discharge permits. But GAO's analysis of the Environmental Protection Agency's (EPA) compliance data for fiscal years 1992-94 shows that major facilities often violated their permits. For fiscal year 1994, for example, about one in six of the nation's 7,000 major regulated facilities significantly violated the discharge limits in their permits. However, EPA believes that the actual number of major violations of discharge permits may be nearly twice as high as the compliance data suggest. In addition, violations that EPA has not identified may be as serious from an environmental perspective as those that it has identified. EPA does not identify all significant violations of discharge limits because its criterion for screening violations has not remained consistent with the types of discharge limits used in permits. In September 1995, EPA expanded its criterion for identifying cases of significant noncompliance and, hence, for assigning enforcement priorities.

RCED-96-24, Jan. 3, 1996 (48 pages). Motor Vehicle Safety: Comprehensive State Programs Offer Best Opportunity for Increasing Use of Safety Belts.

In late 1994, the National Highway Traffic Safety Administration (NHTSA) did a special nationwide survey on the use of safety belts. This survey found the rate of safety belt use to be 58 percent. NHTSA's survey suggests that although the use of safety belts has increased substantially from the 11 percent reported in 1982, considerable progress is still needed if the Department of Transportation is to meet its current goal of 75-percent use of safety belts by 1997. The four states—California, Hawaii, North Carolina, and Washington—that have achieved rates of more than 80-percent use of safety belts have comprehensive programs, including strong laws mandating use of safety belts, visible and aggressive enforcement of these laws, and vigorous programs to educate the public. An effective federal strategy to boost the use of safety belts would be to encourage the states to establish comprehensive programs that include all the elements that increase safety belt use—primary enforcement laws with aggressive enforcement, requirements that all occupants of vehicles that have belts installed use them, fines that discourage noncompliance, and public education. Current law does not require the occupants of cars' back seats or any occupant of a light truck or a van to use safety belts. Neither does the law specify primary and secondary enforcement. Given the increased number of light trucks being sold and the low rate of seat belt use in these vehicles, measures are needed to boost the rate of seat belt use by the occupants of light trucks.

RCED-96-30, Feb. 23, 1996 (15 pages). Federal Land Management: Information on Efforts to Inventory Abandoned Hard Rock Mines.

Thousands of hard rock mines lie abandoned on federal lands. Many of these mines present physical safety hazards, and a smaller number cause environmental problems through, for example, acid drainage that carries toxic concentrations of heavy metals. Many of these abandoned mines are found on federal lands in the West managed by the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, or the Forest Service. This report focuses on these agencies because they manage 623 million acres, or 95 percent, of the federal lands in the United States. GAO discusses the (1) approximate number of abandoned hard rock mines on federally managed lands, (2) types of hazards these mines pose, and (3) approximate cost to reclaim these mines.

RCED-96-31FS, Dec. 8, 1995 (28 pages). Federal Research: Information on Fees for Selected Federally Funded Research and Development Centers.

Federally Funded Research and Development Centers first came into existence during World War II to meet special research needs that federal and private-sector facilities were unable to meet. Currently, 39 centers are sponsored by eight federal agencies—the Energy Department (DOE) sponsors 18, the Defense Department (DOD) sponsors 11, and NASA sponsors one. In 1992, a congressional committee reported on variations in the fees paid by sponsoring federal agencies for management of the centers, the formulas used to calculate the fees, and the justifications for paying the fees provided by the sponsoring agencies. The committee also indicated that because there were no governmentwide guidelines for setting the fees, evaluating their reasonableness was difficult. This report provides information on federal policies and practices governing the fees paid by DOE, DOD, and NASA for managing the centers.

RCED-96-36, Dec. 27, 1995 (8 pages). Energy Downsizing: Criteria for Community Assistance Needed.

Since the end of the Cold War, the Energy Department (DOE) has been downsizing and realigning its facilities. As part of this effort, DOE closed its Pinellas plant, located in Largo, Florida, which had manufactured components for nuclear weapons. In 1995, DOE transferred to facility to the Pinellas County Industry Council to help alleviate the economic impact of the closing on neighboring communities. DOE also provided funding to help mitigate the effects of the closing. GAO examined the criteria DOE used to identify and evaluate the economic effects of closing the Pinellas plant and found that DOE's policy guidance supports economic development to minimize the impact on displaced workers and affected communities of closing the Department's former defense nuclear weapons facilities. However, DOE has not established specific criteria for identifying and evaluating the impact of the closings; nor has it established criteria for deciding what types and amounts of assistance are appropriate to offset that impact. Such criteria are important because DOE's downsizing will likely continue to years and will cost millions of dollars.

RCED-96-37, Dec. 15, 1995 (47 pages). Uranium Mill Tailings: Cleanup Continues, but Future Costs Are Uncertain.

For decades, uranium processing for the nation's nuclear weapons and energy programs continued to radioactive contamination at 50 ore processing sites and thousands of nearby areas. The Energy Department (DOE) now expects to spend more than \$2.4 billion during the next 20 years to clean up surface and groundwater contamination at the sites. Various factors could affect the future federal costs and ultimate completion dates of the cleanups. These factors include

whether (1) DOE will keep option part of one disposal site to dispose of tailings unearthed during future work on roads and utilities and (2) the affected states will contribute their 10-percent share of the groundwater cleanup expenses. Depending on what happens, these factors could add millions of dollars and years of work to the cleanup effort.

RCED-96-39, Dec. 28, 1995 (13 pages). Department of Energy: Property Management Has Improved at DOE's Rocky Flats Site.

As of October 1995, the Energy Department (DOE) estimated that only \$4.5 million worth of property was missing or could not be physically located at its Rocky Flats facility in Colorado. This amount is considerably lower than the \$29.3 million cited in GAO's 1994 report (GAO/RCED-94-77) primarily because DOE authorized the contractor to write off about \$20.8 million in missing or "unlocated" property from the property records. Generally, GAO found that DOE had improved property management at Rocky Flats. For instance, DOE has acquired a new property-tracking system more suited to property management. However, a major problem highlighted in GAO's 1994 report has yet to be addressed: A large percentage of the data in the site's property-tracking system are inaccurate.

RCED-96-40, Mar. 13, 1996 (44 pages). Land Ownership: Information on the Acreage, Management, and Use of Federal and Other Lands.

Data from the four primary agencies managing federal lands—the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service—show that the total acreage under their control decreased from about 700 million acres to 622.8 million acres between 1964 and 1994. Nearly 44 percent of the 622.8 million acres

were managed primarily for conservation and had some limitations on their use. As of September 1994, the federal government had obtained rights-of-use for about 3 million acres of nonfederal land. The federal government held about 52.3 million acres in trust for Indians in 1995. Thirteen western states owned a total of about 142 million acres. Three nonprofit organizations—the Nature Conservancy, The Conservation Fund, and The Trust for Public Land—transferred about 3.2 million acres to other public and private groups between 1964 and 1994. GAO summarized this report in testimony before Congress; see: *Federal Lands: Information on the Acreage, Management, and Use of Federal and Other Lands*, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on National Parks, Forests, and Lands, House Committee on Resources. GAO/T-RCED-96-104, Mar. 21 (7 pages).

RCED-96-41, Jan. 31, 1996 (18 pages). Environmental Management: An Integrated Approach Could Reduce Pollution and Increase Regulatory Efficiency.

The nation's environmental programs have traditionally sought to control the amount of pollution released to a specific medium—air, water, or land. Although these programs have produced environmental benefits, concerns have been raised that the medium-specific approach encourages “end-of-the-pipe” pollution controls to treat, store, or dispose of waste, rather than encouraging pollution prevention. Massachusetts, New York, and New Jersey have experimented with multimedia, or integrated, approaches to environmental management as alternatives to the traditional medium-specific approach. Although the three states have not fully assessed the effectiveness of integrating environmental management, this approach shows potential for reducing pollution and increasing regulatory

efficiency. Industry representatives also report positive results from this approach. Nonetheless, drawbacks exist. For example, performing integrated inspections and promoting pollution prevention require inspectors to have more expertise. Each of the three states has found it difficult to fund its multimedia activities through the Environmental Protection Agency's (EPA) grants for medium-specific programs. Although EPA has worked with these states to resolve the funding problems, the extensive negotiations that were required could discourage other states from adopting multimedia initiatives. A new grant program proposed by EPA holds the potential for resolving such funding and reporting issues.

RCED-96-42, Jan. 23, 1996 (31 pages). Water Pollution: Differences Among the States in Issuing Permits Limiting the Discharge of Pollutants.

The Environmental Protection Agency (EPA) has issued national guidance and regulations to help the states establish standards to protect water quality and issue permits to facilities to limit the discharge of pollutants. Although the Clean Water Act requires all states to adopt water quality standards, EPA authorizes qualified states to issue permits. Currently, 40 states have obtained such authority; in the remaining 10 states, EPA regional offices issue the permits. In issuing the permits, the states and EPA may impose limits on the discharges of specific pollutants, require the facilities to monitor the levels of pollutants they discharge, or determine that no controls are warranted. This report (1) determines whether differences exist in whether and how the states and EPA control pollutants in the discharge permits they issue, (2) identifies the causes of any differences, and (3) provides information on EPA's oversight of the states' water quality standards and policies.

RCED-96-47, Jan. 11, 1996 (41 pages). Measuring Performance: The Advanced Technology Program and Private-Sector Funding.

The Advanced Technology Program, which is run by the National Institute of Standards and Technology, seeks to provide support on a cost-sharing basis for industrial research and development projects—projects that have a significant potential for stimulating economic growth and improving the competitiveness of U.S. industry. Federal funding for the program has soared, from \$68 million in fiscal year 1993 to \$341 million in fiscal year 1995. Recent budget proposals, however, have sought to eliminate funding for the program in fiscal year 1996. GAO's survey of program applicants found that the program funds both projects that would have been funded in its absence and projects that would not have been funded. In addition, the program achieves other goals, such as aiding the formation of joint ventures and helping companies achieve research milestones faster. These results should be considered together when assessing the program's impact.

RCED-96-49, Jan. 22, 1996 (21 pages). Agricultural Marketing: U.S. Cotton Market Before and After Import Assessments.

The cotton check-off program, which has collected assessments on domestic cotton since 1967, is intended to strengthen cotton's competitive position relative to synthetic fibers and maintain and expand domestic and foreign markets for U.S. cotton. The program's promotion efforts have probably contributed to cotton's growth in the U.S. market. In addition, the U.S. consumption of cotton and the import share of the U.S. cotton market continued to increase following the imposition of the assessment on imported textiles and apparel. The value of this assessment—about one-half cent for a man's cotton shirt—is

unlikely to slow consumer demand for cotton. Furthermore, this assessment is in accord with U.S. international trade agreements. Although the Agriculture Department has created an administrative framework for assessing imported cotton, two major issues raised by importers have yet to be resolved. The first of these issues—double payments on assessments—may be addressed by current efforts to identify foreign mills that use large amounts of U.S. cotton. The second issue, however, is harder to resolve—the extent of the Cotton Board's oversight over Cotton Incorporated. Although steps are being taken to address this matter, such efforts do not deal with importers' lack of representation on Cotton Incorporated's board of directors.

RCED-96-50, Apr. 12, 1996 (42 pages). Mortgage Financing: FHA Has Achieved Its Home Mortgage Capital Reserve Target.

Borrowers with mortgage loans insured by the Federal Housing Administration (FHA) pay insurance premiums, which are deposited into the Department of Housing and Urban Development's Mutual Mortgage Insurance Fund. FHA-insured Fund mortgages were valued at about \$305 billion as of September 1994. Although the Fund has traditionally been self-sufficient, it began to suffer substantial losses during the 1980s, mainly because foreclosures on single-family homes supported by the Fund were high in areas experiencing difficult times economically. To help place the Fund on a financially sound basis, legislative reforms, such as requiring FHA borrowers to pay more in premiums, were made in November 1990. This report (1) estimates, under different economic scenarios, the Fund's economic net worth as of the end of fiscal year 1994; (2) assesses the Fund's progress in achieving the legislatively mandated capital reserve ratio that expresses economic net worth as a percentage of insurance-in-

force; and (3) compares GAO's estimate of the Fund's economic net worth with the estimate prepared for FHA by Price Waterhouse.

RCED-96-52, Apr. 22, 1996 (9 pages). Property Disposition: HUD's Illinois State Office Incurred Unnecessary Management Expenses.

Although the Department of Housing and Urban Development (HUD) cannot control all the costs associated with buying and selling foreclosed single-family properties, it can avoid or minimize some of the costs of managing them. GAO reviewed HUD's Single-Family Property Disposition Program in the Illinois State Office and found that the Illinois State Office had spent thousands of dollars unnecessarily on water and sewer services, as well as for tax penalties, lost properties, and increased costs to recover properties from the new owners. Nationwide, HUD could be wasting large amounts of money. GAO supports efforts by the Illinois State Office to better track unpaid taxes, which would help avoid future tax liens and lost properties.

RCED-96-54, Feb. 12, 1996 (14 pages). Food Stamp Program: Achieving Cost Neutrality in Minnesota's Family Investment Program.

In 1994, Minnesota began a five-year federally authorized welfare reform project known as the Minnesota Family Investment Program. Aimed at simplifying the welfare system, the project consolidates the food assistance and the cash benefits provided by three programs—Aid to Families With Dependent Children, the Food Stamp Program, and Minnesota's Family General Assistance Program—into a single monthly payment. The Food Stamp Act of 1977 requires that the federal government spend no more for this project's food assistance component in any fiscal year than it would have spent for the Food Stamp Program. That is, the project must be

cost neutral. To ensure cost neutrality, the act requires the Agriculture Department and the state of Minnesota to agree upon methodologies for estimating what the costs of the Food Stamp Program for both benefits and administration would have been had there been no project. This report (1) describes the methodologies that Minnesota agreed to use for estimating Food Stamp Program costs that would have been incurred if the project had not been implemented; (2) determines if Minnesota implemented these methodologies; (3) assesses the reasonableness of these methodologies, as implemented, for estimating the cost of the Food Stamp Program for fiscal year 1994; and (4) compares the payments that would have been paid to Minnesota using the agreed-upon methodologies with the actual payments in fiscal year 1994.

RCED-96-56, Jan. 26, 1996 (22 pages). Nuclear Waste: Management and Technical Problems Continue to Delay Characterizing Hanford's Tank Waste.

Delays in determining the specific nature of radioactive waste stored in underground tanks at the Energy Department's (DOE) Hanford site could drive up costs beyond the current \$36 billion and jeopardize the development of effective treatment processes and facilities. Some of the Hanford tanks have leaked, and others hold potentially flammable waste. Characterization, the first major step in cleaning up tank wastes, involves determining the contents of the tanks through sampling and other means. Westinghouse Hanford Company, DOE's contractor, has yet to characterize any of the 177 Hanford tanks sufficiently to declare them ready for remediation. In addition, DOE did not meet its commitment to the Defense Nuclear Facilities Safety Board to characterize the 54 tanks with known safety problems by October 1995. Although many factors have contributed to the delays, two stand out.

First, despite more than 10 years of effort, DOE and Westinghouse have had difficulty resolving such basic questions as how to take reliable top-to-bottom samples from the tanks and how to reconcile conflicting information about a tank's contents. Second, DOE and Westinghouse have not had effective management systems for detecting and addressing problems with the characterization program. In some cases, managers were unaware of technical and safety problems; in others, they know about problems for a long time before taking action.

RCED-96-57, Apr. 12, 1996 (44 pages). DOE Management: DOE Needs to Improve Its Analysis of Carryover Balances.

In recent years, Congress has reduced the Energy Department's (DOE) budget request for new obligational authority and has recommended that DOE use balances remaining from prior years' obligational authority that are carried over into the new fiscal year. DOE had \$12 billion in such "carryover balances" from prior years as it began fiscal year 1995. In fiscal year 1995, DOE used nearly \$1 billion in carryover balances to supplement its \$18 billion in new obligational authority. Although DOE needs some carryover balances to pay for commitments made in prior years that have not yet been completed, the agency's large and persistent carryover balances have raised concerns within DOE and Congress that the agency is carrying balances that exceed the minimum needed to support its programs. This report discusses whether (1) DOE has an effective approach to identify the carryover balances that exceed its programs' requirements and may be available to reduce its budget request and (2) opportunities exist to develop a better approach for analyzing these carryover balances.

RCED-96-58R, Dec. 28, 1995 (11 pages). Unsubstantiated DOE Travel Payments.

Since the Secretary of Energy took office, she has taken more than 100 domestic and foreign trips. Because of concerns about the extent of her trips as well as their expense, GAO reviewed the Energy Department's (DOE) expenditures for selected foreign trips. GAO found that DOE lacked written procedures at the time of these trips that specified either the types of records to be kept or the process to follow in obtaining support for foreign travel from U.S. embassies. During GAO's audit of the Secretary's trip to India, DOE officials could not provide records to substantiate about \$80,000 of DOE's total cost of \$730,000. In addition, DOE inappropriately shifted the source of funding for some security travel costs from one appropriation account to another during fiscal year 1995. DOE has taken several steps, including efforts to substantiate all travel payments, and Congress has clarified which appropriation DOE is to use for security travel costs. GAO summarized this report in testimony before Congress; see: Energy Management: Some Unsubstantiated Payments for the Secretary's Foreign Travel, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Commerce. GAO/T-RCED-96-59, Jan. 4 (7 pages).

RCED-96-61, Feb. 29, 1996 (49 pages). Commercial Trucking: Safety and Infrastructure Issues Under the North American Free Trade Agreement.

According to the North American Free Trade Agreement (NAFTA), the U.S.-Mexican border was to be opened in December 1995 for increased commercial truck traffic within the border states in each country—four in the United States (Arizona, California,

New Mexico, and Texas). Before then, the 11,000 trucks crossing daily from Mexico into the United States were limited to commercial zones along the border. GAO found that Mexico and the United States had made progress in developing compatible trucking regulations. Compatibility is essential because existing differences in the two nations' trucking regulations, operating practices, and enforcement efforts could affect highway safety and harm the infrastructure. Compatibility in some trucking regulations, such as those on vehicle size and weight, may never be reached; therefore, the host country's regulations must be complied with, and enforcement is the key for ensuring compliance. The four U.S. border states' readiness for enforcement varies widely. Texas faces the greatest enforcement burden but has relatively limited resources—enforcement personnel and facilities—to cope with increasing truck traffic from Mexico. In addition to the northbound traffic entering the four U.S. border states, southbound and east-west traffic will add to their enforcement burden.

RCED-96-63, Mar. 21, 1996 (26 pages). Air Pollution: Limited New Data on Inspection and Maintenance Program's Effectiveness.

The Environmental Protection Agency (EPA) issued a new rule in November 1992 requiring 83 of the most seriously polluted areas in 23 states to implement more-stringent programs to test for and reduce vehicle emissions. EPA data collected before November 1992 suggested that test-and-repair networks, in which inspector/mechanics in the testing stations were allowed to make repairs, were less effective in controlling emissions than were test-only networks. Consequently, EPA decreased by 50 percent the number of credits assigned to test-and-repair networks. Test-only networks continued to receive full credit. Some states and other inter-

ested parties questioned the adequacy of the supporting data behind the 50-percent decrease. This report discusses (1) the results of any audits, surveys, or studies done since November 1992 that have a bearing on this decrease and (2) the status of EPA efforts to provide states greater flexibility in designing more-stringent testing programs.

RCED-96-67, May 3, 1996 (27 pages). Public Housing: HUD Takes Over the Housing Authority of New Orleans.

Operating more than 13,000 housing units and providing homes to nearly 25,000 people, the Housing Authority of New Orleans is one of the largest public housing authorities in the country. For nearly two decades, however, New Orleans has been one of the nation's poorest performing housing authorities. Moreover, its performance has improved only marginally in recent years, despite federal grants, hands-on management assistance from professional property managers, and the personal involvement of the Secretary of the Department of Housing and Urban Development (HUD). This report discusses the (1) major operational problems at the Housing Authority of New Orleans, (2) underlying causes of these problems, and (3) steps HUD has taken to improve the performance of the Housing Authority of New Orleans and what success these measures have had.

RCED-96-68, Mar. 12, 1996 (49 pages). Telecommunications: Initiatives Taken by Three States to Promote Increased Access and Investment.

Advances in telecommunications can improve the public's access to various services regardless of where they live. For example, two-way communications can enable high-school students to participate in advanced science courses offered by other high school districts and patients at rural clinics

to be diagnosed by medical specialists at distant urban hospitals. Some states have already taken steps to make these services more widely available. This report focuses on (1) how three states—Iowa, Nebraska, and North Carolina—have encouraged private investment in improving their telecommunications infrastructure, (2) how they have provided for increased and more-affordable access to advanced telecommunications services, and (3) what lessons their experiences could hold for others.

RCED-96-70FS, Mar. 20, 1996 (25 pages). Superfund: How States Establish and Apply Environmental Standards When Cleaning Up Sites.

One issue being raised as part of the debate over Superfund reauthorization is whether to revise or eliminate the requirement that hazardous waste site cleanups comply with federal and state standards protecting public health and the environment. Among these standards are numeric limits on the concentrations of toxic chemicals in the environment. Those responsible for cleaning up Superfund sites have raised concerns that complying with these standards can result in more-extensive and costlier cleanups than necessary to safeguard public health. This report discusses whether states, (1) when setting numeric standards, based them on estimates of the human health risks posed by exposure to contaminants and (2) when using such standards, provided the flexibility to adjust the level of cleanup prescribed by the standards to take into account the conditions and risks found at individual hazardous waste sites. GAO also discusses the degree of correspondence between the state and federal standards governing the cleanup of groundwater that could be a source of drinking water.

RCED-96-71, Apr. 16, 1996 (42 pages). Superfund: Outlook for and Experience With Natural Resource Damage Settlements.

Under the law, parties responsible for the release of hazardous substances are liable for any resulting injury to natural resources, such as wildlife and groundwater. Federal agencies, state governments, and tribal authorities have been designated natural resource trustees and are authorized to make claims against responsible parties for natural resource damages. As of April 1995, relatively few claims had been settled and their amount was small compared with the cost of cleaning up sites, but some recent claims have been quite sizable. These large claims have heightened concern over the potential for future claims. This report (1) provides information on the potential for future federal natural resource damage claims, (2) determines total funds that federal agencies have collected from natural resource damage settlements and how these funds have been used, and (3) describes the procedures that federal agencies use to set the amount of damage claims.

RCED-96-72, Mar. 20, 1996 (35 pages). Nuclear Waste: Nevada's Use of Nuclear Waste Grant Funds.

The law prohibits Nevada from using its nuclear waste grant funds for lobbying, litigation, and certain multistate activities. Yet GAO found that Nevada had used this money to advance, on a national stage, its opposition to a repository at Yucca Mountain. In one case, a videotape produced by a contractor was intended to influence legislation pending before Congress. In another case, Nevada's use of grant funds to underwrite a multistate tour in 1993 was inappropriate because the main goal of the tour appeared to be to generate public opposition in other states to the repository project. Until 1992, the Energy Department (DOE) reviewed and approved the state's applications for grant funds and required the state to give DOE periodic progress and financial reports. Since then, DOE's role in overseeing the state's grant has

diminished. The agency makes direct grant payments to the state, and Nevada must certify that the money was spent in accordance with the law. DOE has recovered about \$75,000 of the more than \$1 million that GAO previously reported as improperly spent. DOE has decided that \$670,000 worth of expenditures was either allowable or that it would not try to recover the funds. DOE has no records of whether it ever decided to recover the remaining \$309,000 in expenditures that GAO questioned.

RCED-96-75, Mar. 27, 1996 (10 pages). Superfund: Number of Potentially Responsible Parties at Superfund Sites Is Difficult to Determine.

Parties responsible for contaminating Superfund sites are liable for the costs of cleaning them up. De minimus parties—those who have contributed only a small amount of low-toxicity waste at a location—can incur legal expenses that may exceed their share of a site's cleanup costs. In addition, parties associated with municipal codisposal landfills—landfills that have received both municipal solid waste and industrial hazardous materials—can incur high legal expenses when disputes over allocating costs arise at these sites. Congress is now considering proposals that would provide relief from liability for site cleanup costs for de minimus parties and parties associated with municipal codisposal landfills. GAO found that determining with any degree of certainty the number of both types of parties is difficult because the Environmental Protection Agency's data on the number of parties at many sites are incomplete. On the basis of the limited information in EPA's database, GAO estimates that as many as 25,000 de minimus parties can be found at 175 nonfederal Superfund sites and that as many as 40,000 potentially responsible parties can be found at 245 nonfederal

codisposal landfill sites. Because EPA's data are incomplete, GAO's estimates are likely to be understated.

RCED-96-79, Apr. 19, 1996 (81 pages). Airline Deregulation: Changes in Airfares, Service, and Safety at Small, Medium-Sized, and Large Communities.

The Airline Deregulation Act of 1978 phased out the federal government's control over airfares and services, relying instead on competitive market forces to determine the price, the quantity, and the quality of domestic air service. In an earlier report (GAO/RCED-91-13), GAO indicated that between 1979—the earliest year for which reliable data on fares are available—and 1988, the average fare per passenger mile, adjusted for inflation, fell by nine percent at small-community airports, 10 percent at medium-sized-community airports, and five percent at large-community airports. The largest decreases were at airports in the Southwest, regardless of the community's size. This report (1) updates GAO's analysis of airfare trends and (2) compares changes in the quantity, the quality, and the safety of air service since deregulation at airports serving small, medium-sized, and large communities. GAO summarized this report in testimony before Congress; see: Domestic Aviation: Changes in Airfares, Service, and Safety Since Airline Deregulation, by John H. Anderson, Jr., Director of Transportation and Telecommunications Issues, before the Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-96-126, Apr. 25 (17 pages).

RCED-96-80, Mar. 29, 1996 (29 pages). Emergency Disaster Farm Loans: Government's Financial Risk Could Be Reduced.

During the past seven years, the Farm Service Agency, under its emergency disaster farm loan program, has

forgiven more than \$6 billion in unpaid principal and interest. More losses can be expected because 80 percent of the \$3 billion in outstanding loan principal is held by borrowers who are delinquent or have had difficulty repaying emergency or other farm program loans. Although emergency loans are inherently risky, several lending policies have added to the risk. For example, borrowers who have received debt forgiveness on past loans are not prohibited from obtaining new emergency loans. In addition, borrowers with minimal projected cash flows are eligible to obtain loans—as long as their expected incomes equal their expected expenses, they qualify, and no cushion is required for unforeseen problems. Besides having weak lending policies, the agency does not consistently implement lending policies designed to safeguard federal financial interests. For example, the agency does not always verify the accuracy of information in loan applications. Although crop insurance was generally available, few recipients of emergency loans took out coverage to protect their crops against the risk of natural disaster. Instead, they relied on the federal government for assistance.

RCED-96-81, Mar. 27, 1996 (18 pages). Food Safety: New Initiatives Would Fundamentally Alter the Existing System.

In response to continuing outbreaks of food poisoning, Congress and federal agencies are considering new approaches to ensuring food safety. This report discusses the federal food safety system, particularly the current responsibilities, budgets, staffing, and workloads of the federal agencies involved and the changes in these areas since 1989, when GAO issued a two-volume report on this subject (GAO/RCED-91-19A and 19B). The Food and Drug Administration (FDA) and the Food Safety and Inspection Service (FSIS), the lead agencies

responsible for food safety, now rely heavily on physical inspections to prevent unsafe food from leaving processing plants. Current proposals, however, would shift the government's oversight role. Private industry would become responsible for identifying and controlling potential hazards before they affected food products, while the government would assess the effectiveness of each plant's safety system. Such systems, known as Hazard Analysis and Critical Control Point systems, are intended to identify the critical points in food processing and establish controls to prevent adulteration caused by microbes, chemicals, or physical hazards. Under the FDA and FSIS initiatives, such systems are to be up and running by 1997. Because of FDA's resources constraints and FSIS' regulatory restrictions, however, the agencies are unlikely to inspect plants on the basis of the risk they pose—even though this was recommended by the National Academy of Sciences.

RCED-96-83, Apr. 22, 1996 (36 pages). Marine Safety: Coast Guard Should Address Alternatives as It Proceeds With VTS 2000.

Currently, the U.S. Coast Guard and private entities operate radar-based vessel traffic service (VTS) in several U.S. ports. A VTS system employs remote surveillance sensors, such as radar or closed-circuit television, that relay information on maritime traffic conditions to VTS personnel, who pass it on to mariners and the maritime industry by radio. The purpose of these systems is to improve the safe and efficient movement of ships around ports and to protect the environment. The Coast Guard is considering installing VTS systems in as many as 17 ports. The federal government will spend as much as \$310 million to build the proposed expansion, known as VTS 2000, and about \$42 million annually to operate it. The report answers the following four questions: What is the status of

the Coast Guard's development of VTS 2000? At ports being considered for VTS 2000, to what extent do major stakeholders support acquiring and funding it? If major stakeholders do not support VTS 2000, to what extent are they interested in acquiring and funding other VTS systems? What other issues could affect the establishment of VTS systems that are privately funded? GAO summarized this report in testimony before Congress; see: *Marine Safety: Current Status of the VTS 2000 Program and Key Stakeholders' Views on It*, by Gerald L. Dillingham, Associate Director for Transportation and Telecommunications Issues, before the Subcommittee on Coast Guard and Maritime Transportation, House Committee on Transportation and Infrastructure. GAO/T-RCED-96-129, Apr. 25 (10 pages).

RCED-96-84, Apr. 22, 1996 (23 pages). U.S. Forest Service: Fee System for Rights-of-Way Program Needs Revision.

The Forest Service needs to update its fees to reflect fair market value for rights-of-way used by operators of oil and gas pipelines, power lines, and communications lines. In most cases, nonfederal landowners charge higher fees for similar rights-of-way. To determine fees on the basis of fair market value, the Forest Service has several options, some of which have advantages and disadvantages. The initial cost of developing a new fee system could be substantial because of the need to do appraisals and collect the market data to establish fair market value. These costs could be mitigated, and in some instance negated, with administrative improvements to the program. Given the tight budgets at federal land management agencies today, one option appears to be particularly advantageous: obtaining site-specific appraisals that are paid for by the users of rights-of-way. However, implementing this option

would require several changes to the program to make it more market-like and efficient to run.

RCED-96-90, May 17, 1996 (26 pages). National Park Service: Information on Special Account Funds at Selected Park Units.

The national park system, which is run by the Park Service, manages nearly 370 units, including parks, monuments, and historic sites. In addition to annual appropriations, individual parks are allowed to keep money from in-park activities and accept other benefits from park support groups or concessioners. The funds going to the parks from these activities are not always subject to the annual congressional appropriations process. This report discusses (1) the sources and amounts of special account funds available throughout the Park Service system and, for a sample of parks, the amount of special account funds that were available to each of them and (2) whether the expenditures of funds in special accounts were consistent with the purposes for which those accounts were established.

RCED-96-92, Mar. 28, 1996 (91 pages). Agricultural Research: Information on Research System and USDA's Priority Setting.

For more than a century, U.S. agricultural research, education, and extension activities have been major catalysts in creating a vigorous agricultural economy and a plentiful, low-cost supply of food and fiber. Although each has its own purpose—research, to discover solutions to food and agriculture problems; education, to formally teach future farmers and others in the food and agricultural sector; and extension, to disseminate the results of agricultural research and other information to the public—the functions are closely linked. The Agriculture Department (USDA) spent more than \$2 billion in fiscal year

1994 to support its agricultural research, education, and extension system. This report (1) provides an overview of the system, (2) provides the views of users of agricultural research on the extent to which USDA and the land grant universities are meeting their research needs and on the effectiveness with which research results are being disseminated, and (3) assesses USDA processes for planning and establishing research priorities.

RCED-96-96, May 8, 1996 (29 pages). Food Safety: Information on Foodborne Illnesses.

Because most cases of foodborne illness go unreported, existing data may underestimate the extent of the problem. However, the best estimates indicate that millions of Americans become sick and thousands die each year because of contaminated food. Moreover, public health officials believe that the risk of foodborne illnesses has been on the rise during the past 20 years. The precise cost of foodborne illnesses is unknown, but recent estimates place the cost as high as \$22 billion annually. According to Department of Agriculture estimates, the cost of medical treatment and lost productivity related to foodborne illnesses from seven of the most harmful bacteria approached \$10 billion in 1993. Public health and safety officials believe that current data on foodborne illnesses do not provide a complete picture of the risk level and do not sufficiently describe the sources of contamination and the populations at greatest risk. In 1995, federal and state agencies began to collect more uniform and comprehensive data across the country. Because of budget constraints, federal officials are concerned that they may not be able to continue this effort long enough to collect meaningful trend data. GAO summarized this report in testimony before Congress; see: Food Safety: Reducing the Threat of Foodborne Illness, by Robert A.

Robinson, Director of Food and Agriculture Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-RCED-96-185, May 23 (nine pages).

RCED-96-103, Apr. 3, 1996 (27 pages). Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies.

The Appalachian Regional Commission, the Commerce Department's Economic Development Administration, and the Tennessee Valley Authority are three of the federal agencies whose programs provide economic development assistance to local communities. Recent congressional debate has centered on the impact of the economic development aid provided by these three agencies and the "performance ratios" they calculate—a comparison of the total dollars invested or planned for an economic development project with the dollars contributed by the agency itself. The performance ratio is seen as a measure of the extent to which other federal, state, local, or private sector investment is attracted to a project as a result of the agency's investment. This report (1) reviews studies that evaluate the impact of economic development of these three agencies' programs and (2) determines how the performance ratios used by the three agencies were calculated.

RCED-96-108, May 23, 1996 (16 pages). Public Timber: Federal and State Programs Differ Significantly in Pacific Northwest.

The Bureau of Land Management and the Forest Service manage 12.5 million acres of timberland in Oregon and Washington. This acreage accounts for nearly 38 percent of the available timberland in those states. In recent years, the volume of timber

sold and harvested from these federal timberlands has fallen because of increased efforts to protect habitat for threatened and endangered species and to achieve a better balance of multiple resource uses. The costs of federal timber sale programs have not decreased proportionately, however, and recent studies have suggested that some states run their timber sale programs at less cost than do federal agencies. This report compares the timber sale programs of the two federal agencies with those of the states. GAO identifies (1) the major differences among the timber programs of the Forest Service's Pacific Northwest Region, the Bureau of Land Management, and Oregon and Washington and (2) the effect of these differences on the agencies' planning processes.

RCED-96-109, July 3, 1996 (80 pages). Bureau of Reclamation: Information on Allocation and Repayment of Costs of Constructing Water Projects.

The federal government has spent nearly \$22 billion to build 133 water projects in the west that provide water for various purposes, including irrigation. The beneficiaries of these projects are generally required to repay the federal government their allocated share of the construction costs. However, as a result of various forms of financial assistance provided by the federal government, some beneficiaries repay considerably less than their full share of these costs. Among the beneficiaries, irrigators generally receive the largest amount of such financial assistance. This report describes the (1) types of financial assistance received by irrigators participating in the federal water projects built by the Bureau of Reclamation or for which the Bureau has water marketing responsibilities and (2) amount of these water projects' construction costs allocated to irrigators and their repayment of these costs.

RCED-96-113, May 23, 1996 (68 pages). Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance.

The Federal Emergency Management Agency's (FEMA) public assistance program funds the repair of public and private nonprofit facilities, such as roads, government buildings, utilities, and hospitals, that are damaged during natural disasters. Under the program, FEMA has spent more than \$6.5 billion for disasters that occurred during fiscal years 1989-94. This report (1) reviews FEMA's criteria for determining eligibility for public assistance, (2) examines how FEMA ensures that public assistance money is spent only for eligible items, and (3) discusses changes in eligibility that could lower the costs of public assistance in the future.

RCED-96-116, May 22, 1996 (12 pages). Commodity Programs: Freedom-to-Farm Approach Will Reduce USDA's Personnel Costs.

Under the provisions of the new farm bill, farmers receiving federal support will operate with fewer controls over which crops to plant and how much acreage to put into production. This new approach is generically known as "freedom to farm." This report discusses the personnel reductions that could have been achieved by implementing the freedom-to-farm approach set forth in H.R. 2195 and the proposed Balanced Budget Act. As the farm bill was ultimately enacted, personnel reductions at the Agriculture Department (USDA) will still be possible but probably to a lesser degree than would have occurred under the original provisions. The new act adopted various provisions that changed some of the assumptions USDA used to estimate workloads and delayed crop insurance changes that will reduce USDA staffing needs. On the other hand, if USDA reduces its staffing under the new farm bill, it

may be able to achieve further savings by closing or consolidating county offices.

RCED-96-121, June 27, 1996 (64 pages). Motor Fuels: Issues Related to Reformulated Gasoline, Oxygenated Fuels, and Biofuels.

GAO was asked to summarize the results of studies on the cost effectiveness of using reformulated gasoline (a process in which oxygenates or ethanol is added to gasoline to enhance combustion and reduce automotive emissions); the results of studies estimating the potential for oxygenates to reduce petroleum use; and ongoing federal research into biofuels. Studies by the Environmental Protection Agency (EPA), the American Petroleum Institute, and others suggest that reformulated gasoline may be cost effective compared to some automotive emission control measures but less cost effective than others. The methodologies used and the results showing the cost effectiveness of the control measures for these studies vary significantly, making comparisons very difficult. About 305,000 barrels per day of the petroleum used to produce gasoline will be potentially displaced by oxygenates in the year 2000 and about 311,000 barrels per day in 2010 according to projections of oxygenate use. The Department of Agriculture (USDA) is focusing research primarily on reducing the cost of growing and converting agricultural feedstocks, such as corn, into ethanol. Data from USDA and the Department of Energy indicate that research has lowered the cost to produce ethanol from both cellulosic biomass and from corn. Although demand for corn for other purposes may limit cost reductions in producing ethanol from corn, the demand for ethanol made from cellulosic biomass for use as an oxygenate and as an alternative fuel could rise significantly.

RCED-96-123, Aug. 13, 1996 (120 pages). Homeownership: FHA's Role in Helping People Obtain Home Mortgages.

Many changes have occurred in the single-family housing finance system since the Federal Housing Administration (FHA) was established in the 1930s to insure housing loans made by private lenders. These changes include the advent of modern private mortgage insurance, the emergence of a secondary mortgage market, and various public- and private-sector initiatives to expand affordable housing for home buyers. Critics of FHA argue that other housing finance entities, such as private mortgage insurers, are filling the role FHA once filled exclusively. Supporters of FHA contend that its single-family program, which has insured about 24 million home mortgages since its inception, remains the only way for some families to become homeowners and should be expanded. This report discusses (1) the terms of the mortgage insurance offered by FHA, private mortgage insurers, and the U.S. Department of Veterans' Affairs; (2) the characteristics of borrowers of insured mortgages and the overlap between FHA-insured mortgages and privately insured mortgages; and (3) other methods used by the federal government to promote affordable homeownership.

RCED-96-124, May 23, 1996 (22 pages). Nuclear Waste: Greater Use of Removal Actions Could Cut Time and Cost for Cleanups.

Since 1989, the Energy Department (DOE) has received about \$10 billion to clean up more than 10,000 waste sites nationwide that contain everything from highly radioactive waste to common industrial chemicals and solvents. So far, much of the money has gone to study waste sites and develop an approach for their remediation, rather than for actual cleanup. DOE has been criticized for

its lack of progress in remediation at the same time as its appropriations for environmental restoration have declined. In some cases, DOE has successfully placed more emphasis on remediation and less on planning by using "removal actions," which shorten or eliminate some of the steps normally required before remediation can begin. Removal actions have been used for treating groundwater and surface water, excavating and disposing of contaminated soil, and leaving waste in place and covering it with a protective barrier. Removal actions have also been used at federal facilities to deal with emergencies, such as removing leaking barrels that threatened to contaminate the Columbia River. GAO concludes that more extensive use of removal actions would speed the planning process and allow DOE to devote more environmental restoration dollars to site remediation. GAO recognizes that not every waste site is appropriate for the abbreviated planning that takes place under removal actions; however, the successful use of removal actions at a variety of environmental restoration sites throughout the DOE complex suggests that additional opportunities exist to employ this cost- and time-saving approach.

RCED-96-125, June 17, 1996 (15 pages). Superfund: Barriers to Brownfield Redevelopment.

In recent decades, the decline of manufacturing in many cities has left a legacy of abandoned and idled factories commonly known as "brownfields," which are sometimes contaminated with hazardous wastes. The high cost of cleaning the sites up in accordance with federal and state environmental laws has deterred some new businesses from locating in brownfields, which, in turn, has deprived inner city neighborhoods of tax revenue and employment opportunities. Lenders and developers are often wary of investing in such contaminated property because under

the environmental laws, they could be liable for cleaning up the contamination. Proposed legislation (S. 1285) would encourage local governments to redevelop brownfields by addressing two barriers to redevelopment: liability under the Superfund legislation and the costs to assess sites. The bill would protect lenders and property purchasers from some Superfund liability and would help with the costs of assessing the sites by providing interest-free loans of \$100,000 per year, up to a total of \$200,000 per site, that local governments would be permitted to use to cover these costs. This report discusses (1) what the universe of potential brownfield sites is nationwide, (2) what legal barriers Superfund presents for redeveloping brownfields, and (3) whether the proposed loans to local governments are likely to be enough for conducting site assessments.

RCED-96-130, Apr. 15, 1996 (8 pages). Airport and Airway Trust Fund: Effects of the Trust Fund Taxes' Lapsing on FAA's Budget.

The Airport and Airway Trust Fund was financed from taxes on domestic and international airline travel, domestic cargo sent by air, and noncommercial aviation fuels. Although these taxes expired at the end of 1995, there is enough money in the Trust Fund to pay for its portion of the Federal Aviation Administration's (FAA) fiscal year 1996 budget. FAA estimates that with no tax receipts, the Trust Fund money available at the end of fiscal year 1996 would total \$600 million. FAA also estimates that the taxes must be reinstated no later than December 1996 to enable the Trust Fund to finance \$6.1 billion of FAA's \$8.1 billion fiscal year 1997 budget as requested, with the General Fund paying for the rest. For each full month beyond December 1996 that passed with no tax receipts, an additional \$550 million would be needed from the General Fund to finance FAA's fiscal year 1997 budget.

RCED-96-131, May 10, 1996 (31 pages). Transportation Infrastructure: Central Artery/Tunnel Project Faces Financial Uncertainties.

At a cost of more than \$1 billion per mile, the Central Artery/Tunnel project—an Interstate Highway System project in Boston, Massachusetts—ranks as one of the largest, most complex, and expensive highway construction projects ever undertaken. About \$4.7 billion in federal and state money has been obligated so far, but this amount is less than half of the more than \$10 billion that will likely be needed to complete the project. To date, about 86 percent of the funding for the Central Artery/Tunnel project has come from federal sources. This report evaluates (1) the estimated total cost of the Central Artery/Tunnel project and (2) the plans of the Commonwealth of Massachusetts for financing it.

RCED-96-136, May 6, 1996 (24 pages). Emergency Relief: Status of the Replacement of the Cypress Viaduct.

The Loma Prieta earthquake struck northern California in October 1989, causing severe damage to the San Francisco and Oakland area. In Oakland, the earthquake caused a two-tiered portion of Interstate 880 known as the Cypress viaduct to collapse, killing 42 people. Because the viaduct was a key part of the area's transportation system, its destruction resulted in severe congestion, mobility problems, and financial losses. Six and one-half years after the earthquake, the replacement of the viaduct is still not complete. This report discusses the (1) status of construction, expected completion date, and reasons for any delays; (2) estimated cost of the project and reasons for any cost growth; and (3) guidance governing the Federal Highway Administration's use of emergency relief funds.

RCED-96-141, June 26, 1996 (32 pages). Energy Research: Opportunities Exist to Recover Federal Investment in Technology Development Projects.

The Energy Department (DOE) participates with the private sector in many cost-shared technology development programs. A major objective of these programs is to promote the development and commercialization of more-efficient, environmentally attractive, and affordable technologies that will better utilize the nation's energy resources and enhance opportunities for domestic economic growth and employment. This report (1) determines the extent to which DOE requires repayment of its investment in cost-shared technology development, including the similarities and differences in the mechanisms used, and (2) weighs the advantages and the disadvantages of repayment. GAO focuses on four DOE offices—Fossil Energy, Energy Efficiency and Renewable Energy, Environmental Management, and Nuclear Energy—because they fund most of DOE's cost-shared technology development programs and projects involving contracts and cooperative agreements.

RCED-96-144, June 27, 1996 (45 pages). Northeast Rail Corridor: Information on Users, Funding Sources, and Expenditures.

The Northeast Corridor—the 460-mile railway route between Washington, D.C., and Boston—serves more than 100 million passengers each year and is a transportation lynchpin for eight states and the District of Columbia. From 1988 through 1993, Amtrak and other users spent \$3 billion to maintain tracks, signal systems, and stations; dispatch trains; and make capital improvements to commuter and high-speed operations. Despite these outlays, the corridor's infrastructure has deteriorated, and Amtrak estimates that about \$2.7

billion is needed to bring the corridor up to a state of good repair. This report describes the (1) relative use of the corridor by Amtrak and the commuter and freight railroads, (2) sources of funding to operate and maintain the corridor, and (3) annual funding required to keep the corridor's infrastructure in a good state or repair and continue capital improvements at their historical rate.

RCED-96-146, July 16, 1996 (64 pages). Nuclear Waste: Uncertainties About Opening Waste Isolation Pilot Plant.

The Energy Department (DOE) hopes to begin disposal of nuclear waste in New Mexico in 1998 but first must obtain a certificate of compliance with regulations for disposal of radioactive waste from the Environmental Protection Agency. Because of unresolved issues involving this certificate, GAO believes that the prospects for opening the waste isolation pilot plant by the target date are uncertain. Looking farther into the future, DOE estimates that it will cost about \$11 billion over several decades to develop and operate the facilities and equipment needed to prepare transuranic waste for shipment to and disposal in the plant. DOE also plans to spend nearly \$8 billion on waste transportation and disposal operations at the plant over a 35-year period. How soon these facilities will be up and running will depend in great measure on DOE's ability to obtain funding in a period of budgetary constraints. Delays in developing these facilities could force DOE to extend the period for shipping the waste to the plant and store the waste in the repository beyond 35 years. Each additional year it takes to place waste at the plant could cost about \$130 million.

RCED-96-147, May 14, 1996 (19 pages). Los Angeles Red Line: Financing Decisions Could Affect This and Other Los Angeles County Rail Capital Projects.

The federal government has agreed to pick up the tab for about half of the \$5.5 billion in final design and construction costs for the Red Line subway project in Los Angeles. The 23.4-mile Red Line project consists of three segments, which are in varying states of completion. This report reviews (1) the project's estimated cost and (2) the Los Angeles County Metropolitan Transportation Authority's financing plans. GAO also provides information on the Federal Transit Administration's oversight of the project's quality control and quality assurance practices.

RCED-96-150, June 7, 1996 (31 pages). Federal Facilities: Consistent Relative Risk Evaluations Needed for Prioritizing Cleanups.

Both the Environmental Protection Agency (EPA) and federal agencies that own or operate seriously contaminated facilities help assign priorities for cleanup under regulations of the Superfund program. GAO found that the Superfund program does not fully and consistently identify the most contaminated federal facilities as the highest priorities for cleanups. Some federal agencies have not finished identifying the universe of contaminated facilities and preliminarily assessing the extent of their contamination. In addition, EPA regions have not completed their evaluations of the facilities that the agencies have reported to them, and EPA headquarters has not developed guidance to ensure that the regions consistently evaluate the most severely contaminated facilities first. Even after a region has evaluated a facility and determined that it warrants inclusion on the National Priorities List—EPA's list of the nation's highest priorities for further

study and possible cleanup—that facility may be omitted if a state does not agree to the listing or the facility is being cleaned up under another legal authority.

RCED-96-151, June 27, 1996 (25 pages). Human Factors: Status of Efforts to Integrate Research on Human Factors Into FAA's Activities.

Human error has been a factor in about 80 percent of all fatal airplane crashes, according to the Federal Aviation Administration (FAA). The study of human factors, which tries to reduce the chances for human error through better design of equipment and procedures and improved training of pilots, air traffic controllers, and others, has emerged as one of the most promising ways to improve aviation safety. This report describes FAA's (1) organizational structure for incorporating the consideration of human factors in the agency's acquisition of new systems and operation of other systems and (2) aviation research on human factors, including FAA's processes for identifying research issues, and methods for allocating and coordinating resources for internal and external research on human factors.

RCED-96-154, May 13, 1996 (14 pages). Energy Downsizing: While DOE Is Achieving Budget Cuts, It Is Too Soon to Gauge Effects.

Recognizing the need for a smaller, less costly government, the Energy Department (DOE) last year unveiled its Strategic Alignment and Downsizing Initiative, which is intended to save \$1.7 billion over five years. The savings planned under the Initiative are on target. By amending its fiscal year 1996 budget request and selling excess assets, DOE will reach its goal of \$221 million in savings this year. DOE is depending on process improvements and reengineering efforts to fulfill its missions under the reduced budgets called for by the

Initiative. It is too soon to know, however, whether DOE will cut costs to the extent planned in its budget reductions. Moreover, some overly optimistic initial reports of cost savings underscore the need for DOE to be vigilant in validating such claims, lest managers believe that those savings are occurring in specific activities when, in fact, targeted reductions are being absorbed elsewhere. Discussions with DOE officials revealed opportunities to achieve further cost savings by more broadly applying some aspects of the Initiative. For example, DOE could encourage its contractors to sell more of the agency's excess assets by providing incentives and policies for the contractors to identify and sell them. GAO summarized this report in testimony before Congress; see: Department of Energy: Progress Made Under Its Strategic Alignment and Downsizing Initiative, by Bernice Steinhardt, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Energy and Power, House Committee on Commerce. GAO/T-RCED-96-197, June 12 (six pages).

RCED-96-155, June 14, 1996 (51 pages). Rural Development: Steps Towards Realizing the Potential of Telecommunications Technologies.

Many rural areas today are struggling to overcome serious economic and social problems, such as a lack of access to higher education, sophisticated medical treatment, and business opportunities, that have arisen because of remoteness from urban centers. Although improved roads were once seen as the key to a brighter future for rural areas, experts now believe that telecommunications technologies may prove much more crucial to fostering development. Advanced telecommunications technologies—the Internet, videoconferencing, and high-speed data transmission—offer rural areas the opportunity to overcome their

geographic isolation, take advantage of expertise in other communities, improve medical services, create new jobs, and improve access to education. This report (1) identifies federal programs that rural areas can use to fund telecommunications projects; (2) identifies lessons learned by rural areas that have used these programs to establish such projects; and (3) provides the views of experts, public and private officials, and program users on whether changes to these programs are needed.

RCED-96-156, July 26, 1996 (56 pages). Transportation Enhancements: Status of the \$2.4 Billion Authorized for Nonmotorized Transportation.

The Intermodal Surface Transportation Efficiency Act of 1991 included a \$24 billion, six-year authorization that created a new federal-aid highway program—the surface transportation program. This program requires states to set aside at least 10 percent of the \$24 billion for various "transportation enhancements," such as sidewalks, bike paths, scenic easements, and historic preservation. This report answers the following questions: How do the obligation rates for transportation enhancement funds for fiscal years 1992-95 compare with the obligation rates for other major highway programs? How do the obligation rates for transportation enhancement funds vary by state, and what factors have affected the states' use of these funds? What types of projects are being funded with transportation enhancement funds? What are stakeholders' views on reauthorizing the transportation enhancement set-aside?

RCED-96-159, Aug. 22, 1996 (68 pages). Aviation Acquisition: A Comprehensive Strategy Is Needed for Cultural Change at FAA.

Because of the steady growth in air traffic operations and the failure of aging equipment in the air traffic control system, the Federal Aviation Administration's (FAA) timely acquisition of new equipment has become increasingly critical for aviation safety and efficiency. FAA estimates that it will need \$13 billion during the next seven years to continue its modernization program. Persistent acquisition problems, however, raise questions about the agency's ability to field new equipment within cost, schedule, and performance parameters. This report (1) reviews FAA's management of the acquisition process, (2) discusses whether the organizational culture contributed to the agency's acquisition problems, and (3) identifies ways that FAA could improve its management of acquisitions through cultural change.

RCED-96-165W, Aug. 1, 1996 (125 pages). Natural Resources: Five-Year Bibliography 1991-1995.

GAO's Natural Resources Issue Area examined the activities of a variety of entities such as the Department of the Interior, the Department of Agriculture's Forest Service, the Commerce Department's National Marine Fisheries Service, and the U.S. Army Corps of Engineers. This work generally focuses on: (1) increasing revenues by obtaining a better return for the sale or use of natural resources on federal lands or by eliminating federal subsidies; (2) improving efficiency within and coordination among federal land management agencies; and (3) improving collaboration and consensus building among federal and nonfederal stakeholders to address problems or issues related to natural resources. Organized into seven areas, this bibliography lists the natural resources-related products, issued from January 1991 through December 1995, and it includes a subject index.

RCED-96-173, June 19, 1996 (64 pages). Water Quality: A Catalog of Related Federal Programs.

This catalog provides information on federal programs and initiatives to help states, municipalities, and individuals protect and improve surface and groundwater threatened by pollution. GAO identifies 72 federal programs and initiatives that either directly or indirectly support water quality protection and enhancement. According to agency estimates, at least \$4.6 billion was spent on these programs in fiscal year 1995.

RCED-96-176, May 31, 1996 (53 pages). Mass Transit: Actions Needed for the BART Airport Extension.

The Bay Area Rapid Transit District (BART) intends to spend more than \$1.1 billion, including \$750 million in federal funds, to extend mass transit services to the San Francisco International Airport. Controversy over the project, which centers on concerns over the project's environmental impact and cost, has resulted in two redesigns of the project since 1992. Before the Federal Transit Administration (FTA) can provide BART with the requested funds, FTA must ensure that BART complies with federal environmental laws and develops a viable financing plan. This report describes (1) the actions that FTA must take before agreeing to fund the project; (2) the project's current schedule and estimated cost and the factors that could affect them; and (3) the project's finance plan, including assumptions that could affect its viability.

RCED-96-179, July 22, 1996 (28 pages). International Environment: Environmental Infrastructure Needs in the U.S.-Mexican Border Region Remain Unmet.

Although the United States and Mexico have committed up to \$3 billion each in loans and loan guaran-

tees to fund water, municipal sewage, and other environmental infrastructure projects along the U.S.-Mexican border, Mexican border towns and U.S. rural areas known as "colonias" face financial and administrative challenges to meeting their environmental infrastructure needs. The problem is particularly severe in many Mexican communities, where infrastructure systems are often inadequate or nonexistent. Most environmental needs on the U.S. side involve colonias—rural, unincorporated subdivisions characterized by sub-standard housing, poor roads and drainage, and inadequate water and sewer facilities—or upgrades of existing community infrastructure. This report discusses the (1) financial and institutional challenges the United States and Mexico face in overcoming environmental infrastructure problems and (2) way in which the Environmental Protection Agency has identified and prioritized funding for environmental problems along the border.

RCED-96-184, July 9, 1996 (15 pages). Energy Management: Technology Development Program Taking Action to Address Problems.

To help clean up and restore its contaminated sites in compliance with federal and state environmental laws, the Energy Department (DOE) established the Office of Environmental Management. Since 1989, the Office has spent \$34 billion on cleanups, but schedules have slipped and progress has been slow. The Office projected in 1995 that the cleanups could take another 75 years to complete at an additional cost of up to \$350 billion. According to Office estimates, innovative cleanup technologies could reduce total cleanup costs by as much as \$80 billion. The Office began a major reorganization last year to improve the coordination and management of the technology development program by creating five "focus areas." Yet concerns persist

that management weaknesses are undermining progress in environmental cleanup. This report discusses whether the Office is managing its technology development program to prevent (1) unnecessary duplication and overlap and (2) an unwarranted concentration of projects at some field offices.

RCED-96-187, July 24, 1996 (16 pages). Amtrak's Strategic Business Plan: Progress to Date.

Since 1971, when Amtrak assumed responsibility for operating the nation's intercity passenger trains, the federal government has provided the corporation with more than \$18 billion to cover annual operating losses and to make capital investments. Despite this support, by 1994 Amtrak's financial and operating condition had declined to the point at which its long-term survivability was seriously threatened. At the same time, federal budget constraints have made it more difficult for Congress to provide its historic level of support. In response, Amtrak developed a Strategic Business Plan to boost revenues and cut expenses. Its goal is to eliminate the need for a federal operating subsidy by fiscal year 2002. Amtrak's success in implementing the plan will go a long way toward deciding the future of intercity passenger rail service in the United States. This report (1) describes the actions that Amtrak plans to take and the expected results; (2) reviews Amtrak's progress so far in achieving financial improvements and its progress toward realizing the longer-term goal of operating self-sufficiency; and (3) describes Amtrak's efforts to monitor the plan's implementation.

RCED-96-188, Sept. 4, 1996 (33 pages). Global Warming: Difficulties Assessing Countries' Progress Stabilizing Emissions of Greenhouse Gases.

Industry, transportation, and agriculture are all responsible for increasing amounts of carbon dioxide and other heat-trapping "greenhouse gases" in the earth's atmosphere. Climate models project a rise in the earth's average surface temperature of between two and six degrees Fahrenheit by 2100. To counter the potentially harmful consequences of climate change, the United States, other developed nations, the former Soviet Union, and other Eastern European states—collectively known as the countries of Annex I to the 1992 United Nations Framework Convention on Climate Change—agreed to return to 1990 levels their emissions of greenhouse gases by the year 2000. This report evaluates (1) the progress of the United States and other Annex I countries toward meeting their goal of reducing greenhouse gas emissions by the year 2000 and (2) major factors that affect their ability to reach that goal.

RCED-96-190, July 15, 1996 (42 pages). Intellectual Property: Enhancements Needed in Computing and Reporting Patent Examination Statistics.

This report provides information on the operations of the Commerce Department's Patent and Trademark Office. GAO (1) analyzes patent dependency—the amount of time that the Patent and Trademark Office spends in examining an application to determine whether an invention should receive a patent; (2) compares the Patent and Trademark Office's resources committed to the patent process, the trademark process, the dissemination of information, and executive direction and administration; and (3) compares the Patent and Trademark Office's examination processes with those of other industrialized countries.

RCED-96-191, July 18, 1996 (44 pages). School Lunch Program: Cafeteria Managers' Views on Food Wasted by Students.

Under the National School Lunch Program, about 26 million students nationwide were served lunches daily during fiscal year 1995. Federal costs for the program totalled more than \$5 billion that year—about \$4.5 billion in cash reimbursements and more than \$600 million in commodity foods, such as beef patties, flour, and canned vegetables. Although most cafeteria managers GAO surveyed reported that plate waste in the public schools was not a concern, about one-quarter of the managers characterized plate waste as at least a "moderate problem"—particularly at the elementary school level. Cafeteria managers strongly agreed on some of the reasons for and ways to reduce plate waste. For example, 78 percent of cafeteria managers cited students' attention on recess, free time, or socializing as reasons for waste. Almost 80 percent of these managers believed that allowing students to select only what they want to eat would reduce plate waste. Most cafeteria managers were satisfied with the federal commodities they received for use in the school lunch program.

RCED-96-193, Sept. 23, 1996 (59 pages). Aviation Safety: FAA Generally Agrees With but Is Slow in Implementing Safety Recommendations.

The Federal Aviation Administration (FAA) is responsible for promoting safety in civil air transportation. GAO and the Transportation Department's Office of Inspector General review FAA's safety programs, and the National Transportation Safety Board (NTSB) investigates aviation accidents. The three organizations make recommendations to FAA aimed at improving the efficiency and effectiveness of FAA's activities and functions.

and at improving aviation safety. This report answers the following two questions: What is FAA's overall record in responding to, agreeing with, and implementing significant recommendations made by GAO and the Inspector General from 1990 to 1994, as well as recommendations made by NTSB or added to NTSB's "Most Wanted" lists of safety recommendations during that same period? To what extent have GAO's recommendations concerning aircraft certification, airline inspections, and oversight of foreign carriers and NTSB's recommendations concerning safety on runways been fully implemented?

RCED-96-199, Aug. 15, 1996 (73 pages). Federal Employers' Liability Act: Issues Associated With Changing How Railroad Work-Related Injuries Are Compensated.

Unlike most American workers, railroad workers are not covered by state no-fault workers' compensation insurance system when they are injured on the job. Instead, railroad workers must recover their losses under the provisions of the Federal Employers' Liability Act, which requires an injured worker to negotiate a settlement with the railroad. If negotiations fail, the worker may file a lawsuit alleging negligence by the employer to recover losses. No-fault systems do not require that the parties demonstrate negligence. This report identifies the implications for railroad costs and railroad workers of (1) replacing the act with a no-fault compensation system or (2) modifying the act. GAO also assesses how the act affects small railroads—those with annual revenues of less than \$250 million—and determines the availability and affordability of insurance to protect small railroads against large payouts under the act.

RCED-96-200, Sept. 17, 1996 (59 pages). Urban Transportation: Metropolitan Planning Organizations' Efforts to Meet Federal Planning Requirements.

Key urban issues, such as traffic congestion, air pollution, and the economic health of various neighborhoods, are significantly affected by decisions on how federal transportation funds are spent. These decisions, in turn, result from the transportation planning effort undertaken by 339 metropolitan planning organizations (MPO) in the United States. MPOs are not discrete decision-making groups with real jurisdictional powers but could be viewed as a consortium of government, transit agencies, and citizen groups, that join together for cooperative transportation planning. GAO reviewed the metropolitan transportation planning requirements of the Intermodal Surface Transportation Efficiency Act of 1991 and the challenges that MPOs face in carrying them out. This report (1) discusses the experiences of MPOs in meeting the act's requirements and (2) examines the extent to which the Transportation Department's certification process ensures that MPOs in large cities comply with the act's planning requirements.

RCED-96-202, Aug. 23, 1996 (32 pages). National Park Service: Activities Within Park Borders Have Caused Damage to Resources.

The natural and cultural resources of the national parks are being threatened not only by sources outside the parks but also by activities originating inside the park borders. These include the impact of private inholdings and commercial development within the parks; the impact of nonnative wildlife or plants on native species or other park resources; the damage caused by illegal activities, such as poaching; the routine wear and tear on park resources stemming from visitors; and the unintended adverse

effects of park managers' actions (for example, the accumulation of undergrowth because of past decisions to suppress naturally caused fires, which could result in a more serious fire). Without systemwide data on these threats, the Park Service is not fully prepared to preserve and protect its resources. In times of austere budgets and multibillion-dollar needs, the agency must have this information to identify and inventory the threats and set priorities for addressing them. GAO makes several recommendations for identifying, mitigating, and monitoring internal threats.

RCED-96-203, Aug. 16, 1996 (36 pages). Federal Research: Changes in Electricity-Related R&D Funding.

Congress earmarked about \$1 billion for electricity-related research and development (R&D) in fiscal year 1996. Along with electric utilities, states, and manufacturers, the federal government has traditionally played a major role in this R&D, which includes such technologies as solar energy, fossil-fueled generating systems, and electric cars. The electric utility industry is undergoing deregulation and is becoming more competitive. At the same time, funding cuts are affecting electricity-related R&D. This report discusses (1) the changes that have occurred in the levels of electricity-related R&D and the reasons for those changes and (2) the impact of those changes on the types of R&D being funded. GAO provides information on the impact of reduced funding on six technologies—fuel cells, coal gasification, advanced gas turbines, wind power, photovoltaics, and electricity storage—in which the Energy Department participated. GAO also discusses alternative funding sources suggested by R&D managers and others.

RCED-96-204, July 8, 1996 (40 pages). Telecommunications: Competitive Impact of Restructuring the International Satellite Organizations.

At the initiative of the United States, the International Telecommunications Satellite Organization (INTELSAT) was created in 1964 to provide telephone and data services. The International Maritime Satellite Organization was formed in 1979 to provide maritime communications. These treaty organizations faced little, if any, competition for years after their establishment. Now, technological advances, such as enhancements in satellite capacity and capabilities, as well as new applications and rising demand, have made it economically feasible for private companies to provide satellite-based services and expand the range of services being offered, including new video broadcast and mobile telephone services. Although some believe that the organizations may no longer be needed, others contend that the organizations are still necessary to guarantee safety at sea and services such as telephone and data transmission, especially for developing countries. This report describes the potential competitive impact of (1) different approaches to reforming the organizations; (2) an Inmarsat affiliate company, formed in 1994 to provide new services; and (3) proposals for restructuring INTELSAT.

RCED-96-211, Aug. 30, 1996 (20 pages). Resource Conservation and Recovery Act: Inspections of Facilities Treating and Using Hazardous Waste Fuels Show Some Noncompliance.

To make cement, manufacturers use large amounts of fuel to heat raw materials, including limestone and clay. In the 1970s, these manufacturers realized that they could cut their fuel costs by supplementing the coal, oil, and natural gas that they typically burned with fuels derived from hazardous waste. The manufacturers could lower their costs because, instead of paying suppliers for fuels, they were themselves paid by fuel blenders to burn hazardous waste

fuels. Members of Congress have raised concern about whether the facilities that blend hazardous waste fuel and the cement production facilities that burn these fuels are operating in a manner that protects human health and the environment. GAO provides information on its recent inspections of facilities in five states: Kansas, Missouri, Ohio, Pennsylvania, and Texas. These inspections assessed the facilities' compliance with the Resource Conservation and Recovery Act's (1) treatment, storage, and disposal regulations for processing hazardous waste fuels by fuel blenders and (2) boiler and industrial furnace regulations for burning of these fuels by cement producers.

RCED-96-215, Sept. 16, 1996 (20 pages). Energy Conservation: Energy Savings Performance Contracting in Federal Civilian Agencies.

As the nation's single largest user of energy, the federal government has emphasized energy conservation through legislation and executive orders. Under performance contracting, an agency enters into a multiyear agreement with an energy service company, which installs improvements in government buildings. The company assumes all up-front capital costs and, in return, receives a portion of the annual savings attributable to the improvements for the duration of the contract. Performance contracting allows the government to cut energy costs without appropriating funds and without incurring capital costs for energy-efficient upgrades. This report discusses (1) the civilian agencies that have awarded energy savings performance contracts, (2) the characteristics of firms that the Energy Department has listed as qualified for performance contracts, (3) the firms that submitted project proposals but were not awarded contracts and the reasons why, and (4) the responsibilities of the federal civilian agencies

involved in performance contracting and the administrative costs they incurred through their participation.

RCED-96-216, July 31, 1996 (14 pages). Nuclear Weapons: Improvements Needed to DOE's Nuclear Weapons Stockpile Surveillance Program.

The Energy Department (DOE) is falling years behind schedule in testing the nation's nuclear stockpile for reliability and safety problems, and the agency has yet to develop written plans detailing how it will get the testing program back on track. DOE lags behind schedule in conducting many stockpile surveillance tests, including flight tests, nonnuclear systems laboratory tests, and laboratory tests of key components. The delay has been caused by several factors. At one facility, testing was suspended because the facility lacked an approved safety study required to disassemble and inspect one type of weapon. Testing was suspended at another facility because of concerns about safety procedures. Testing delays also arose during the transfer of testing functions to new facilities.

RCED-96-217, Aug. 26, 1996 (62 pages). School Lunch Program: Role and Impacts of Private Food Service Companies.

Under the National School Lunch Program, local school districts receive federal funds for lunches that meet the program's requirements for nutritious, well-balanced meals. Although these school districts have traditionally run their own school meals programs, several have contracted with private food service management companies to plan, prepare, and serve school meals. Also, some school districts have purchased brand-name fast foods to serve as part of their school meals or as a la carte items. This report (1) discusses the extent to which food authorities use food service companies to operate

their school lunch program and the impact that the use of food service companies has had on the National School Lunch Program; (2) describes the terms and the conditions in the contracts between food authorities and food service companies; (3) discusses the extent to which fast foods and snack foods in vending machines are available in participating schools; and (4) describes the types, the brands, and the nutritional content of the fast foods most commonly offered.

RCED-96-220, Aug. 29, 1996 (12 pages). Federally Donated Meat and Poultry: Information on Extent and Impact of States' Restrictions on Processors.

Each year, the Agriculture Department purchases and donates hundreds of millions of dollars' worth of agricultural commodities to various domestic food assistance programs, including the National School Lunch Program. Schools receive donated meat and poultry in a finished form, such as hamburger patties or chicken nuggets, and either use the product immediately for school lunches or store it for future use. Schools sometimes send fine-ground beef to a commercial processor, who might turn it into products such as barbecue-flavored hamburgers or meatballs. To gain greater production efficiency, some large processors may combine federally donated meat or poultry received from multiple sources, a process known as "batching." However, the contracts of some local school food authorities and state agencies restrict commercial processors from batching their products under certain conditions. This report discusses the (1) reasons for and extent of batching restrictions among schools and state agencies; (2) impact that batching restrictions have on commercial processors, schools, and the federal government; and (3)

mechanisms that schools and state agencies use to ensure compliance with batching restrictions.

RCED-96-222, Sept. 20, 1996 (60 pages). Small Business: A Comparison of SBA's 7(a) Loans and Borrowers With Other Loans and Borrowers.

The Small Business Administration's (SBA) General Business Loan Program—known as the "7(a)" program—is the agency's primary vehicle for providing small businesses with access to credit. With few exceptions, SBA does not lend money directly under the program, but rather guarantees up to 80 percent of each loan made by private lenders to small firms. This report discusses the role that the 7(a) program plays in small business financing. GAO provides information on (1) how the characteristics—sizes, interest rates, and maturities—of 7(a) loans compare with those of small businesses that did not involve a guarantee from SBA and (2) how the characteristics of 7(a) borrowers compare with small business borrowers that did not obtain 7(a) loans. GAO also examines the reasons underlying private lenders' decisions on whether to participate in the 7(a) program.

RCED-96-226, Aug. 30, 1996 (4 pages). Northwest Power Planning Council: Greater Public Oversight of Business Operations Would Enhance Accountability.

The Pacific Northwest Electric Power and Conservation Planning Council, a four-state body mandated by law, oversees regional energy and fish and wildlife policies. The eight-member Council, which is appointed by the governors of Idaho, Montana, Oregon, and Washington, has a central staff of about 40. In response to congressional concerns about a controversial severance package offered to the Council's former executive director, this report addresses the following questions: Are the Council's program

activities consistent with congressional direction? Is the Council following sound business practices and exercising adequate oversight of its business operations?

RCED-96-229R, Aug. 8, 1996 (40 pages). Team Nutrition Personnel and Under Secretary's Travel.

The Department of Agriculture developed the Team Nutrition initiative to teach children about choosing healthy foods in their diets and to help elementary and secondary schools plan and prepare nutritious meals that are attractive to students. The initiative is run by the Department's Food and Consumer Services (FCS). This report provides information on the employment of Team Nutrition's former project manager, former assistant project manager, and project coordinator. GAO discusses whether (1) FCS complied with federal procedures in establishing these jobs, (2) these employees were qualified for these jobs, (3) FCS had an adequate basis for setting salaries for these employees, and (4) these employees submitted financial disclosure statements as required by law. GAO also provides information on the official travel of the Under Secretary between January 1994 and February 1996, including the number of her trips, their destinations, lodging costs, and the extent to which she combined personal and business travel.

RCED-96-233, Sept. 6, 1996 (41 pages). Surface Transportation: Research Funding, Federal Role, and Emerging Issues.

Spending on passenger and freight transportation exceeds \$1 trillion annually, representing about 11 percent of the nation's gross domestic product. Decisions on surface transportation research have far-reaching consequences because research provides the knowledge, products, and technologies needed to make transportation more efficient, effec-

tive, and safe. This report discusses (1) the public and private funding for surface transportation research, (2) the transportation community's views on the federal role in surface transportation research and the Transportation Department's ability to fulfill that role, and (3) the issues that the transportation community believes that Congress and the Transportation Department should consider during reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991.

RCED-96-234, Sept. 30, 1996 (40 pages). International Environment: U.S. Funding of Environmental Programs and Activities.

In recent decades, nations have entered into an increasing number of agreements to address environmental concerns, both regional and global. Since 1972, when more than 130 countries took part in the United Nations Conference on the Human Environment, the number of such agreements in which the United States participates or in which it has a significant interest has swelled from fewer than 50 to more than 170. Accompanying the rise in the number of international agreements has been an increase in spending by the world community to deal with transboundary environmental issues. Members of Congress have raised concerns about the absence of consolidated budget information on the funding of international environmental activities by the federal government. This report discusses the overall level of federal funding for international environmental activities, including specific programs, treaty negotiations, information exchanges, conferences, and research. GAO identifies (1) funding by individual federal agencies and (2) federal financial support for the environmental programs and activities of the United Nations, the World Bank, and other multilateral financial institutions.

RCED-96-236, Sept. 24, 1996 (26 pages). Peer Review: EPA's Implementation Remains Uneven.

Peer review is the critical evaluation of scientific and technical work products by independent experts. Senior officials at the Environmental Protection Agency (EPA) have said that peer review is an important mechanism for enhancing the quality, credibility, and acceptability of products that may ultimately form the basis of regulations and other key agency decisions. Properly implemented, peer review can also save money by steering product development along the most efficient, effective course, thereby avoiding costly and time-consuming delays. EPA's current policy, issued in June 1995, expands the agency's prior policies and practices and continues to stress that major scientific and technical work products should be peer reviewed. This report assesses EPA's (1) progress in implementing its peer review policy and (2) efforts to improve the peer review process.

RCED-96-248W, Aug. 1, 1996 (32 pages). Housing and Community Development Products, 1995.

GAO's Housing and Community Development Issue Area conducts studies of programs involved in providing affordable housing and maintaining vital communities for all Americans. Agencies administering these programs include the Department of Housing and Urban Development, the Department of Veterans Affairs, the Department of Agriculture's Rural Housing Service, the Small Business Administration, the Federal Emergency Management Agency, and many private and non-profit community organizations. This bibliography includes information on the products issued from January 1995 through December 1995 that discuss housing and community development programs. It is organized into six broad subject areas: public and

assisted housing; mortgage financing and home ownership; HUD management; community development; disaster assistance; and small business.

RCED/AIMD-96-9FS, Oct. 13, 1995 (54 pages). Federal Electric Power: Operating and Financial Status of DOE's Power Marketing Administrations.

This fact sheet provides information on the Energy Department's (DOE) five power marketing administrations (PMA). The first section of the report—operating information—describes facilities used by the PMAs to sell power and the customers served by the PMAs. The second section—financial information—discusses the manner in which the PMAs finance their operations, the revenues and expenses associated with their operations, and the manner in which they repay their debts. The final section—competitive issues—describes potential effect of these markets on the PMAs.

Testimony

T-GGD/RCED-96-186, June 5, 1996 (20 pages). Paperwork Reduction: Burden Reduction Goal Unlikely To Be Met, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, and Peter F. Guerrero, Director, Environmental Protection issues, before the Senate Committee on Small Business.

The paperwork burden that the federal government imposes on the public has increased significantly since 1980. Under the Paperwork Reduction Act of 1995, the Office of Management and Budget (OMB) is required to seek at least a 10-percent reduction in the governmentwide paperwork burden in fiscal year 1996 and to set reduction goals for each agency. This testimony discusses the following issues: (1) what changes in the paperwork burden have occurred

governmentwide and at the Internal Revenue Service, the Environmental Protection Agency, and the Occupational Safety and Health Administration; (2) what OMB's responsibility to get goals for reducing the burden is, and whether agencies will achieve the reductions envisioned by the legislation; and (3) what actions each of the three agencies has taken since the act's passage. GAO also discusses measurement issues that Congress should consider as it assesses agencies' progress in reducing the paperwork burden.

T-GGD/RCED-96-214, July 10, 1996 (16 pages). *Managing for Results: Key Steps and Challenges in Implementing GPRA in Science Agencies*, by L. Nye Stevens, Director, Federal Management and Workforce Issues, and Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the House Committee on Science.

The landmark Government Performance and Results Act (GPRA) requires federal agencies to set goals and measure performance. GAO work has shown that the effectiveness of the Energy Department, NASA, and a host of other agencies has been hampered by unfocused missions and unclear goals. If successfully implemented in civilian science agencies, GPRA should help Congress make the hard science policy and program choices. GPRA will also help agencies better manage their programs and provide the public with greater assurance that tax dollars are being spent wisely. But the changes in management and accountability envisioned under GPRA are not coming quickly or easily, particularly in the science agencies. Successful implementation of GPRA in those agencies may well depend on continued congressional support and interest.

T-NSIAD/RCED-96-118, Mar. 13, 1996 (4 pages). *Nuclear Nonproliferation: U.S. Efforts to Help Newly*

Independent States Improve Their Nuclear Material Controls, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

Over the years, the Soviet Union produced about 1,200 metric tons of highly enriched uranium and plutonium. U.S. efforts to help the newly independent states of the former Soviet Union better protect their stocks of this deadly material—which are vulnerable to theft and diversion because of antiquated security systems—got off to a slow start but are now gaining momentum. Many independent states lack modern equipment to detect unauthorized removal of highly enriched uranium and plutonium from nuclear facilities. Seizures of nuclear material in Russia and Europe have heightened concerns about a possible black market for this material. The Defense Department (DOD) has obligated \$59 million and spent about \$4 million during fiscal years 1991-95 for security improvements in Russia, Ukraine, Kazakhstan, and Belarus. Initially, the program moved slowly because Russian officials had refused access to their facilities, and DOD projects at facilities in Ukraine, Kazakhstan, and Belarus were just getting under way. The program gained momentum in January 1995 when U.S. and Russian officials agreed to upgrade nuclear materials controls at five high-priority facilities. The Energy Department plans to request \$400 million over seven years to improve controls at nuclear facilities in the newly independent states. However, the expanded program faces uncertainties involving its overall costs and U.S. ability to verify that the assistance is being used as intended.

T-RCED-96-20, Oct. 12, 1995 (10 pages). *Telecommunications: Competition in the Mobile Communications Industry*, by John H. Anderson, Jr.,

Director, Transportation and Telecommunications Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Cellular telephone companies have experienced an explosive growth in the number of subscribers during the past decade. There were 340,000 cellular subscribers in the United States in 1985 versus more than 25 million by February of 1995. The growth rates in subscribership were between 40 and 50 percent annually during each of the last five years. GAO testified that the mobile telecommunications market could potentially become more competitive in the near future. By taking an approach that emphasizes competition, Congress and the Federal Communications Commission are bringing beneficial changes to this industry. New personal communications service providers should enter the market in the next two years, and GAO is optimistic that as the market gains new providers, consumers are likely to see new service offerings and lower prices.

T-RCED-96-22, Oct. 13, 1995 (13 pages). *Housing and Urban Development: Public and Assisted Housing Reform*, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing Opportunity and Community Development Subcommittee, Senate Committee on Banking, Housing and Urban Affairs.

Current federal housing programs are seen as overly regulated and leading to warehousing of the poor, and Congress is asking state and local governments to assume a larger role in defining how the programs work. Congress is now reconsidering the most basic aspects of public housing policy—whom it will house, the resources devoted to it, the amount of existing housing stock that will be retained, and the rules under which it will operate. These statements

provide GAO's views on legislation pending before Congress—S. 1260 and H.R. 2406—that would overhaul federal housing policy. GAO testified that the two bills contain provisions that will likely improve the long-term viability of public housing, such as allowing mixed incomes in public housing and conversion of some public housing to housing vouchers or tenant-based assistance when that makes the most sense. GAO also supports provisions to significantly beef up the Department of Housing and Urban Development's (HUD) authority to intervene in the management of troubled housing authorities, but GAO cautions that questions remain about the reliability of the oversight system that HUD uses to designate these agencies as "troubled."

T-RCED-96-25, Oct. 13, 1995 (14 pages). *Housing and Urban Development: Public and Assisted Housing Reform*, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing and Community Opportunity Subcommittee, House Committee on Banking and Financial Services.

Current federal housing programs are seen as overly regulated and leading to warehousing of the poor, and Congress is asking state and local governments to assume a larger role in defining how the programs work. Congress is now reconsidering the most basic aspects of public housing policy—whom it will house, the resources devoted to it, the amount of existing housing stock that will be retained, and the rules under which it will operate. These statements provide GAO's views on legislation pending before Congress—S. 1260 and H.R. 2406—that would overhaul federal housing policy. GAO testified that the two bills contain provisions that will likely improve the long-term viability of public housing, such as allowing mixed incomes in public housing and conversion of some

public housing to housing vouchers or tenant-based assistance when that makes the most sense. GAO also supports provisions to significantly beef up the Department of Housing and Urban Development's (HUD) authority to intervene in the management of troubled housing authorities, but GAO cautions that questions remain about the reliability of the oversight system that HUD uses to designate these agencies as "troubled."

T-RCED-96-26, Apr. 30, 1996 (11 pages). *Aviation Safety: Targeting and Training of FAA's Safety Inspector Workforce*, by Gerald Dillingham, Associate Director, Transportation and Telecommunications Issues, before the Oversight of Government Management and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

Although accident rates for air travel in the United States are among the lowest in the world and aviation remains one of the safest means of transportation, recent fatal accidents have raised concerns about the safety of air travel. GAO testified that the Federal Aviation Administration (FAA) needs to target the resources of its safety inspection program to the areas of greatest risk. Because of the magnitude of inspectors' workloads, targeting is essential because FAA may never have enough resources to inspect all pilots, aircraft, and facilities. Although FAA has been working since 1991 to develop a \$31 million system to target resources for aviation inspections, data quality problems, such as information on the results of safety inspections, jeopardize the system's potential benefits. During the past decade, GAO and others have reported on problems with the technical training of inspectors, including those performing inspections for which they lacked proper credentials. Inspectors have been unable to take courses that they believe are necessary for them to do

their jobs. Cuts in FAA's budget have reduced the money available for technical training by 42 percent during fiscal years 1993-96. FAA projects that it will have a shortfall of \$20 million for technical training that FAA had earlier deemed essential.

T-RCED-96-29, Oct. 17, 1995 (15 pages). *Multifamily Housing: Issues and Options to Consider in Revising HUD's Low-Income Housing Preservation Program*, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing Opportunity and Community Development Subcommittee, Senate Committee on Banking, Housing and Urban Affairs.

The Department of Housing and Urban Development's (HUD) program for preserving low-income housing seeks to maintain the affordable low-income housing that was created mainly under two federal housing programs during the 1960s and 1970s. Under these programs, when owners received HUD-insured mortgages with 40-year repayment periods, they entered into agreements with HUD that imposed affordability restrictions, such as limits on the income level of tenants and on the rents that could be charged at the properties. After 20 years, however, owners had the right to pay off their mortgages in full without prior HUD approval and terminate the affordability restrictions. The preservation program has proven to be complex and costly, prompting recommendations from HUD and others to change or repeal the program. This testimony focuses on (1) how the current preservation program works, (2) the status of preservation eligible projects, (3) concerns that have been raised about the program, and (4) options for revising the program.

T-RCED-96-32, Mar. 14, 1996 (16 pages). *International Aviation: DOT's Efforts to Increase U.S. Airlines' Access to International Markets*, by

John H. Anderson, Jr., Director, Transportation and Telecommunications Issues, before the Aviation Subcommittee, Senate Committee on Commerce, Science and Transportation.

Of the 95 million passengers who flew on scheduled flights between the United States and the rest of the world in 1995, nearly 11.5 million flew to or from the United Kingdom, making it the largest U.S. aviation trading partner overseas. Because of the size of this market and the fact that the United Kingdom is a key gateway to Europe, Africa, and the Middle East, U.S. airlines strongly desire greater access to London's Heathrow Airport. In recent years, however, the Department of Transportation (DOT) has had limited success in negotiating increased opportunities for U.S. airlines at this airport. This testimony discusses (1) how limited U.S. leverage affects current negotiations with the United Kingdom and (2) the importance of data and economic analysis in strengthening DOT's negotiating position and options to improve the negotiating process.

T-RCED-96-35, Nov. 1, 1995 (16 pages). Drinking Water: Safe Drinking Water Act Reauthorization Issues, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Senate Committee on Environment and Public Works.

In recent years, escalating costs and serious implementation problems have affected the drinking water program, particularly as it affects individual water systems and the states responsible for overseeing them. The bill to reauthorize the Safe Drinking Water Act contains provisions that address these important issues. This testimony highlights some of the key findings in past GAO work relating to (1) various managerial, technical, and preventive approaches to dealing with water systems' compliance problems; (2) state resources

needed to oversee the implementation of the drinking water program; and (3) financing infrastructure needs. GAO comments on relevant sections of the proposed reauthorization bill.

T-RCED-96-38, Nov. 29, 1995 (6 pages). Forest Service: Observations on the Emergency Salvage Sale Program, by James K. Meissner, Associate Director, Natural Resources Management Issues, before the House Committee on Resources and Forests and Public Land Management Subcommittee, Senate Committee on Energy and Natural Resources.

Salvage timber involves dead or dying trees, much of which would be marketable if harvested before it rots. In the past, many sales of salvage timber were delayed, altered, or withdrawn, and some of the timber deteriorated and became unsalable. In response to the millions of acres of salvage timber caused by the devastating fires of 1994, Congress established an emergency salvage timber sale program, which was designed to increase the harvesting of salvage timber by easing environment procedures and eliminating the administrative appeals process. GAO testified that it is too early to say to what extent the changes introduced by the program will boost sales because few sales have been made since the program became effective. Some salvage sale offerings have failed to receive bids mainly because of the terms and conditions of the sales, such as the minimum bid or specific logging requirements or the volume of timber being offered, were unacceptable to potential buyers. In addition, because of the short-term nature of the emergency salvage sale program, more comprehensive information on the universe of marketable salvage timber may help Congress as it assesses the program's impact and whether additional resources are needed to support it.

T-RCED-96-43, Nov. 16, 1995 (6 pages). Global Warming: Limitations of General Circulation Models, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Energy and Environment Subcommittee, House Committee on Science.

When discussing the implications of global warming and the steps needed to control greenhouse gas emissions, one needs to consider the range of projected temperature increases and the degree of uncertainty in these estimates. In July 1995, GAO reported (see GAO/RCED-95-164) on the limitations of general circulation computer models used to make such predictions. This testimony is based on the findings of that report. Although the accuracy of general circulation models has improved during the past decade, these models are still limited by incomplete and inaccurate representations of the processes affecting climate and by insufficient computing power. These limitations do not change the likelihood that the climate will change as a result of increased greenhouse gas emissions. They do, however, limit the ability to predict with certainty how the climate will respond—how much warming will occur, how soon it will happen, and what the regional effects will be. Efforts are under way to collect and analyze data, improve representations of various climatic processes, and develop and use more powerful computers. These efforts, which could take a decade or more, should improve the accuracy of the models.

T-RCED-96-45, Dec. 6, 1995 (9 pages). Superfund: Use of Innovative Technologies for Site Cleanups, by Larry Dyckman, Associate Director, Environmental Protection Issues, before the Energy and Environment Subcommittee, House Committee on Science.

Congressional debate over reauthorization of Superfund may result in change in such areas as how sites are cleaned up and how responsibility is divided between the federal and state governments. These changes, in turn, may call for modifications to Superfund's research and development efforts. In past and ongoing work, GAO has assessed an important component of this effort—the Environmental Protection Agency's (EPA) promotion of innovative technologies at Superfund sites. GAO testified that EPA has made progress in using innovative technology at Superfund sites, but these technologies are still used at only a relatively small number of locations. Greater use of new technologies, which can reduce cleanup costs, has been prevented by such factors as regulatory standards, the absence of track records for these technologies, and uncertainties about future regulatory standards. Even after Congress reauthorizes Superfund, it is likely that these challenges to the development and use of new technologies will continue.

T-RCED-96-53, Dec. 5, 1995 (7 pages). Community Development: Comprehensive Approaches and Local Flexibility Issues, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Senate Committee on Governmental Affairs.

The Local Empowerment and Flexibility Act of 1995 would give greater flexibility to local governments and private nonprofit groups using federal programs to help communities and their residents. The proposed legislation would create a council composed of cabinet-level officials to review and approve local plans for integrating federal funds to meet the needs of a specific geographic area. This testimony is based on a February 1995 GAO report (GAO/RCED/HEHS-95-69) that discussed the comprehensive approaches involving resident participation that community groups have

used to address housing, economic, and social service needs in distressed neighborhoods. GAO discusses (1) why community development experts advocate a comprehensive approach, (2) what challenges they see to advocate a comprehensive approach, and (3) how the federal government might support comprehensive approaches.

T-RCED-96-59, Jan. 4, 1996 (4 pages). Energy Management: Some Unsubstantiated Payments for the Secretary's Foreign Travel, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Since the Secretary of Energy took office, she has taken more than 100 domestic and foreign trips. Because of concerns about the extent of her trips as well as their expense, GAO reviewed the Energy Department's (DOE) expenditures for selected foreign trips. GAO found that DOE lacked written procedures at the time of these trips that specified either the types of records to be kept or the process to follow in obtaining support for foreign travel from U.S. embassies. During GAO's audit of the Secretary's trip to India, DOE officials could not provide records to substantiate about \$80,000 of DOE's total cost of \$730,000. In addition, DOE inappropriately shifted the source of funding for some security travel costs from one appropriation account to another during fiscal year 1995. DOE has taken several steps, including efforts to substantiate all travel payments, and Congress has clarified which appropriation DOE is to use for security travel costs.

T-RCED-96-66, Jan. 25, 1996 (9 pages). Forest Service: Issues Relating to Its Decisionmaking Process, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Forests and Public

Land Management Subcommittee, Senate Committee on Energy and Natural Resources.

The Forest Service must manage its lands for multiple purposes, including timber, livestock forage, recreation, fish and wildlife, wilderness, and water supply. To meet its legislative mandate, the Forest Service uses a decisionmaking process that includes developing management plans for forests or for groups of small, adjacent forests and reaching project-level decisions for implementing these plans for such activities as timber harvests, livestock grazing, recreational development, and habitat improvement. Some project decisions are challenged through the agency's administrative appeal process and the federal courts by parties seeking to delay or stop a project with which they disagree. Critics argue that the Forest Service could cut costs and increase the efficiency of its decisionmaking process and improve its service to the public while still meeting its basic legislative mandate. This testimony discusses (1) issues related to developing forest plans and reaching project-level decisions and (2) actions taken or proposed to address these matters.

T-RCED-96-73, Feb. 6, 1996 (8 pages). Federal Lands: Information on Land Owned and Acquired, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Oversight and Investigations Subcommittee, Senate Committee on Energy and Natural Resources.

The U.S. Forest Service, the Bureau of Land Management, the National Park Service, and the U.S. Fish and Wildlife Service manage about 95 percent of all federal lands. This testimony discusses changes during the past 30 years in the amount of acreage managed by these four agencies. In addition, GAO provides preliminary information on the number of acres acquired by these agencies from

nonfederal parties during the past 30 years and the means, such as purchase and exchange, by which these acres were acquired.

T-RCED-96-82, Feb. 29, 1996 (12 pages). *Airport Privatization: Issues Related to the Sale of U.S. Commercial Airports*, by Gerald Dillingham, Associate Director, Transportation and Telecommunications Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

Congress and the aviation industry have expressed much interest in airport privatization. Altering the current ownership and operation of commercial airports could affect the nation's aviation system considerably. Airports are major employers in many communities and directly affect millions of airline passengers every day. This testimony discusses (1) the current extent of private sector participation at commercial airports in the United States and abroad; (2) the incentives and the impediments to more-extensive forms of privatization, such as selling an airport outright; and (3) the implications arising from more-extensive privatization for major stakeholders, such as passengers, airlines, and government.

T-RCED-96-85, Feb. 28, 1996 (7 pages). *Uranium Mill Tailings: Status and Future Costs of Cleanup*, by Bernice Steinhardt, Associate Director, Energy, Resources, and Science Issues, before the Energy and Power Subcommittee, House Committee on Commerce.

Energy Department (DOE) efforts to clean up contamination arising from decades of processing uranium ore as part of the nation's nuclear weapons and energy programs have grown in both size and cost since the project began in 1979. If the surface cleanup is completed in 1998, it will have cost \$2.3 billion and will have taken nearly eight years longer and cost \$621

million more than DOE expected. This 37-percent growth in costs has arisen from the discovery that more properties were contaminated than anticipated, the need to clean up more contamination than expected at some sites, and unexpected changes in the cleanup strategies in response to state and local concerns. Several issues could affect the government's future cleanup costs. One issue is what the final costs for cleaning up groundwater will be. Another issue is the extent and the cost of DOE's role in the future disposal of tailings in the Grand Junction, Colorado, area. Finally, the one-time charge assessed to owners and operators for the long-term custody of sites that were still active when the Uranium Mill Tailings Act was passed has not been updated and does not reflect DOE's current estimates of surveillance and maintenance costs at these sites.

T-RCED-96-86, Mar. 14, 1996 (14 pages). *Airport Improvement Program: State Block Grant Pilot Program Is a Success*, by Gerald Dillingham, Associate Director, Transportation and Telecommunications Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

The Federal Aviation Administration (FAA) has traditionally provided Airport Improvement Program funds directly to airports. In 1987, Congress authorized FAA to begin a pilot program using state block grants to provide program funds to small airports. Under the pilot program, FAA provides program funds directly to states that, in turn, select and fund projects at small airports. Participating states have assumed FAA's inspection and oversight role at these airports. Seven states were selected to participate in the current program, which will expire at the end of 1996 unless it is reauthorized. This testimony discusses the (1) extent to which the seven states are providing the same level of services to small

airports that FAA provided, (2) factors that have enhanced the states' ability to perform effectively, (3) benefits that have accrued from the states' participation, (4) problems that have arisen during the pilot program, and (5) level of interest that other states have shown in the program.

T-RCED-96-87, Feb. 29, 1996 (8 pages). *Environmental Protection: Status of EPA's Initiatives to Create a New Partnership With States*, by Peter F. Guerrero, Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

As long as environmental laws are medium specific and prescriptive and Environmental Protection Agency (EPA) personnel are held accountable for meeting the laws' requirements, it will be difficult for the agency to fundamentally change its relationship with states to reduce day-to-day control over program activities. This situation was evident in the funding and reporting problems that arose from the recent efforts of Massachusetts, New York, and New Jersey to integrate their environmental management activities. However, within the flexibility granted by existing environmental statutes, initiatives such as EPA's National Environmental Performance Partnership System and its proposed performance partnership grants have the potential to alleviate problems for those states interested in obtaining greater flexibility in carrying out their environmental responsibilities.

T-RCED-96-88, Mar. 7, 1996 (36 pages). *DOT's Budget: Challenges Facing the Department in Fiscal Year 1997 and Beyond*, by John H. Anderson, Jr., Director, Transportation Issues, before the Transportation Subcommittee, House Committee on Appropriations.

The Department of Transportation (DOT), which received more than \$35 billion in appropriations for fiscal year 1996, is responsible for ensuring the safe and the efficient movement of people and goods and cost-effective investment in the nation's transportation and infrastructure, including its highway and transit systems, airports, airways, ports, and waterways.

Pressures to reduce federal spending will increase competition among the various transportation administrations for scarce federal dollars. This testimony focuses on the challenges facing DOT and its various modal administrations during fiscal year 1997 and beyond, particularly as they affect surface transportation, the Federal Aviation Administration, and the Coast Guard.

T-RCED-96-93, Mar. 6, 1996 (9 pages). Federal Research: Interim Assessment of the Small Business Innovation Research and Technology Transfer Programs, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the House Committee on Small Business.

The Small Business Innovation Research and Technology Transfer Programs were created to further technological innovation and to help small businesses translate research and development into new products. Both programs appear favorable, although it is too early to make a conclusive judgment about the long-term quality of the research. In addition, the agencies have taken steps to address such concerns as duplicative funding of Small Business Innovation Research projects and potential conflicts in the Technology Transfer Program. Overall, the Technology Transfer Program so far appears to be promising. More time will be needed, however, to know whether the program is meeting a unique need or duplicating the work of the Small Business Innovation Research Program. Key questions

about the transfer of technology from research institutions to the marketplace need to be answered before determining the need for the Technology Transfer Program.

T-RCED-96-94, Mar. 13, 1996 (6 pages). Airport Improvement Program: Military Airport Program and Reliever Set-Aside Update, by John H. Anderson, Jr., Director, Transportation and Telecommunications Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

The Military Airport Program set-aside fund was created to help current and former military airports in congested metropolitan areas convert to civilian aviation use. Congress established the reliever airport set-aside fund to reduce congestion at commercial airports as well as provide general aviation with greater access to airports. This testimony provides an overview of GAO's work on the Military Airport Program and the reliever set-aside—in particular, two June 1994 reports (GAO/RCED-94-209 and GAO/RCED-94-226)—and updates the status of each program.

T-RCED-96-99, Mar. 12, 1996 (12 pages). Health and Safety: Environmental Oversight of Classified Federal Research, by Bernice Steinhardt, Associate Director, Energy, Resources, and Science Issues, before the Senate Committee on Governmental Affairs.

In October 1995, a presidential committee reported a troubling legacy of secret Cold War government radiation research on human subjects and experimental radiation releases into the environment. The committee criticized the government's research ethics and raised the possibility that events similar to the past secret environmental releases could occur today. To guard against this, the committee recommended creating an independent group to oversee the

environmental consequences of classified research and a broader oversight role for the Environmental Protection Agency (EPA). This testimony discusses (1) EPA's ability to conduct environmental oversight of classified federal research and (2) the extent to which federal facilities and activities have been exempted from compliance with environmental laws.

T-RCED-96-100, Mar. 13, 1996 (6 pages). Nuclear Weapons: Status of DOE's Nuclear Stockpile Surveillance Program, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Strategic Forces Subcommittee, Senate Committee on Armed Services.

The Energy Department's (DOE) nuclear stockpile surveillance program uses various tests to detect problems in the U.S. nuclear weapons stockpile, including defects and failures in nuclear weapons systems and components. This program is increasingly critical as weapons in the stockpile age beyond their originally planned lifespan. However, DOE has not done all the tests that it believes are necessary to ensure the reliability of the nuclear weapons in the stockpile. For some types of weapons, the tests are far behind schedule and DOE's confidence in the reliability of these weapons is diminished. DOE has not done the scheduled tests for various reasons, including equipment problems, lack of space on missiles for testing, the absence of a required safety study, and delays in testing while testing operations were being transferred to new locations. Although DOE plans to get some tests back on schedule within a few years, other tests may not be back on schedule for the foreseeable future.

T-RCED-96-104, Mar. 21, 1996 (8 pages). Federal Lands: Information on the Acreage, Management, and Use of Federal and Other Lands, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before

the National Parks, Forests, and Public Lands Subcommittee, House Committee on Natural Resources.

Data from the four primary agencies managing federal lands—the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service—show that the total acreage under their control decreased from about 700 million acres to 622.8 million acres between 1964 and 1994. Nearly 44 percent of the 622.8 million acres were managed primarily for conservation and had some limitations on their use. As of September 1994, the federal government had obtained rights-of-use for about 3 million acres of nonfederal land. The federal government held about 52.3 million acres in trust for Indians in 1995. Thirteen western states owned a total of about 142 million acres. Three nonprofit organizations—the Nature Conservancy, The Conservation Fund, and The Trust for Public Land—transferred about 3.2 million acres to other public and private groups between 1964 and 1994.

T-RCED-96-107, Mar. 21, 1996 (5 pages). Environmental Protection: Assessing EPA's Progress in Paperwork Reduction, by Stanley J. Czerwinski, Associate Director, Environmental Protection Issues, before the House Committee on Small Business.

In March 1995, as part of the administration's effort to eliminate some federal regulations and improve others, the Environmental Protection Agency (EPA) pledged to reduce by 25 percent the paperwork burden imposed by its environmental regulations. The agency plans to meet this goal by June 1996. Given EPA's January 1995 baseline of about 81 million hours spent on such paperwork per year, this commitment translates to a reduction of slightly more than 20 million hours. This testimony discusses (1) the status of

EPA's efforts to reach its goal; (2) the way that EPA has calculated reductions in the paperwork burden, specifically those it has claimed for two of its program offices—the Office of Prevention, Pesticides, and Toxic Substances and the Office of Solid Waste and Emergency Response—which account for about 75 percent of EPA's estimated reduction as of February 1996; and (3) EPA's current paperwork burden.

T-RCED-96-110, Mar. 26, 1996 (8 pages). Federal Lands: Views on H.R. 2941—A Bill to Improve Housing for Employees of Land Management Agencies, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the National Parks, Forests, and Lands Subcommittee, House Committee on Resources.

Proposed legislation before Congress—H.R. 2941—would improve employee housing within the federal land management agencies. This testimony focuses on the National Park Service, which, with 4,700 units, is the largest of all the land management agencies. GAO testified that about 11 percent of the Park Service's housing inventory was in poor or obsolete condition. Moreover, the Park Service's backlog of repair, maintenance, and replacement needs may exceed \$500 million. Insufficient rental income from employees and competing demands for limited operating funds are the main reasons for the backlog. H.R. 2941 contains provisions that would help address some of these problems by providing the Park Service with greater authority to enter into alternative financing arrangements and by requiring the agency to obtain more-detailed information on the scope, the depth, and the justification for its housing needs.

T-RCED-96-111, Mar. 26, 1996 (10 pages). Forest Service: Issues Related to Managing National Forests for Multiple Uses, by Barry T. Hill,

Associate Director, Energy, Resources, and Science Issues, before the National Parks, Forests, and Lands Subcommittee, House Committee on Resources.

The Forest Service is required to manage its lands for multiple uses, including timber, livestock forage, recreation, fish and wildlife, wilderness, and water supply. To carry out this mandate, the Forest Service uses a decisionmaking process that includes developing management plans, commonly called forest plans, and reaching decisions on implementing these plans. GAO's work on the Forest Service during the past several years has underscored the lack of (1) adequate scientific and socioeconomic data to make the necessary trade-offs among various values and concerns, (2) adequate coordination within the Forest Service and between federal agencies to address matters that transcend the boundaries of ownership and jurisdiction, and (3) incentives for federal and nonfederal stakeholders to cooperate in resolving their differences.

T-RCED-96-112, Mar. 27, 1996 (17 pages). Housing and Urban Development: Limited Progress Made on HUD Reforms, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

Despite the promise of reform, reinvention, and transformation initiatives aimed at solving problems at the Department of Housing and Urban Development (HUD), much more remains to be done. HUD is very much an agency in limbo: Few of the proposals in HUD's reinvention blueprint have been adopted. This testimony addresses HUD's difficulties in addressing (1) its long-standing management shortcomings, (2) its portfolio of multi- and single-family housing insured by the Federal

Housing Administration, (3) budget and management problems plaguing the public housing program, (4) the spiraling cost of assisted housing programs, and (5) the need for consensus on HUD reforms.

T-RCED-96-114, Apr. 1, 1996 (11 pages). Railroad Safety: DOT Faces Challenges in Improving Grade Crossing Safety, Track Inspection Standards, and Passenger Car Safety, by Phyllis F. Scheinberg, Associate Director, Transportation and Telecommunications Issues, before the Railroads Subcommittee, House Committee on Transportation and Infrastructure.

Recent rail accidents at Cajon Pass, California; Silver Spring, Maryland; and Weyauwega, Wisconsin, have heightened concern about the safety of passenger and freight lines in the United States. Since 1987, GAO has issued many reports describing safety problems on the nation's rail lines. This statement draws on recent GAO reports discussing safety at highway railroad crossings, the adequacy of track safety inspections and enforcement, and the safety of passenger cars operated by commuter railroads and Amtrak.

T-RCED-96-115, Apr. 1, 1996 (11 pages). Railroad Safety: DOT Faces Challenges in Improving Grade Crossing Safety, Track Inspection Standards, and Passenger Car Safety, by Phyllis F. Scheinberg, Associate Director, Transportation and Telecommunications Issues, before the Senate Committee on Commerce, Science and Transportation.

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reports discussing safety at highway railroad crossings, the adequacy of track safety inspections and enforcement, and the safety of passenger cars operated by commuter railroads and Amtrak.

T-RCED-96-126, Apr. 25, 1996 (13 pages). Domestic Aviation: Changes in Airfares, Service, and Safety Since Airline Deregulation, by John H. Anderson, Jr., Director, Transportation and Telecommunications Issues, before the Senate Committee on Commerce, Science and Transportation.

The Airline Deregulation Act of 1978 phased out the federal government's control over airfares and services, relying instead on competitive market forces to determine the price, the quantity, and the quality of domestic air service. In an earlier report (GAO/RCED-91-13), GAO indicated that between 1979—the earliest year for which reliable data on fares are available—and 1988, the average fare per passenger mile, adjusted for inflation, fell by nine percent at small-community airports, 10 percent at medium-sized-community airports, and five percent at large-community airports. The largest decreases were at airports in the Southwest, regardless of the community's size. This report (1) updates GAO's analysis of airfare trends and (2) compares changes in the quantity, the quality, and the safety of air service since deregulation at airports serving small, medium-sized, and large communities.

T-RCED-96-129, Apr. 25, 1996 (7 pages). Marine Safety: Current Status of the VTS 2000 Program and Key Stakeholders' Views on It, by Gerald Dillingham, Associate Director, Transportation and Telecommunications Issues, before the Coast Guard and Maritime Transportation Subcommittee, House Committee on Transportation and Infrastructure.

Currently, the U.S. Coast Guard and private entities operate radar-based vessel traffic service (VTS) in several U.S. ports. A VTS system employs remote surveillance sensors, such as radar or closed-circuit television, that relay information on maritime traffic conditions to VTS personnel, who pass it on to mariners and the maritime industry by radio. The purpose of these systems is to improve the safe and efficient movement of ships around ports and to protect the environment. The Coast Guard is considering installing VTS systems in as many as 17 ports. The federal government will spend as much as \$310 million to build the proposed expansion, known as VTS 2000, and about \$42 million annually to operate it. The report answers the following four questions: What is the status of the Coast Guard's development of VTS 2000? At ports being considered for VTS 2000, to what extent do major stakeholders support acquiring and funding it? If major stakeholders do not support VTS 2000, to what extent are they interested in acquiring and funding other VTS systems? What other issues could affect the establishment of VTS systems that are privately funded?

T-RCED-96-133, Apr. 17, 1996 (6 pages). Energy R&D: Observations on DOE's Success Stories Report, by Allen Li, Associate Director, Energy, Resources, and Science Issues, before the Energy and Environment Subcommittee, House Committee on Science.

The Energy Department's (DOE) applied research and development programs support the development (R&D) of technologies that achieve national energy objectives, such as securing future energy supplies. In fiscal year 1995, DOE received about \$1.65 billion—nearly 10 percent of its overall budget—for applied R&D programs. Members of Congress and the Congressional Budget Office have raised concerns about whether the federal investment in these programs

is cost-effective. In response, DOE last year published its Success Stories report, which describes 61 technologies developed by its applied R&D programs, highlighting the measurable economic benefits, such as energy savings, produced by each technology. Success Stories makes some valid claims about the benefits of DOE applied research. However, GAO found problems with the analyses used to support the benefits DOE had cited in 11 out of 15 cases GAO reviewed. The problems ranged from basic mathematical errors to unsupported links between the benefits cited and DOE role. Although DOE applied R&D programs do produce some benefits, GAO does not believe that the report can be used to assess the effectiveness of such programs overall because it describes the "successes" of a very small percentage of the programs that DOE has funded. In addition, Success Stories does not report how much DOE spent to support any of the technologies GAO evaluated.

T-RCED-96-137, Apr. 17, 1996 (7 pages). Superfund: Non-Time-Critical Removals as a Tool for Faster and Less Costly Cleanups, by Peter F. Guerrero, Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

Since Superfund was created in 1980, the Environmental Protection Agency (EPA) has spent more than \$15 billion but has finished cleaning up only about 300 of the 1,300 most contaminated sites nationwide. EPA is expanding use of its removal program, which it typically has used to respond only to urgent situations, to conduct major nonemergency cleanups at portions of sites. These non-time-critical removals are quicker than EPA's traditional remedial efforts because they streamline the steps used to study a site's contamination and design a cleanup method. This

testimony focuses on three issues: (1) the major benefits and potential disadvantages of using non-time-critical removals, (2) the extent to which such removals can be used in more Superfund cleanups, and (3) the factors that limit the use of such removals.

T-RCED-96-140, Apr. 16, 1996 (4 pages). Clean Water Act: Use of State Revolving Funds Varies, by Stanley J. Czerwinski, Associate Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

The State Water Pollution Control Revolving Fund Program provides communities with federal assistance to help them build wastewater treatment facilities and thereby meet the requirements of the Clean Water Act. This testimony provides information on (1) how much of their available funds the states have lent for wastewater treatment facilities and related purposes and (2) what impediments states are encountering in making these loans.

T-RCED-96-142, May 2, 1996 (21 pages). Federal Power: Recovery of Federal Investment in Hydropower Facilities in the Pick-Sloan Program, by Victor S. Rezentes, Director, Energy, Resources, and Science Issues, before the Water and Power Resources Subcommittee, House Committee on Resources.

This testimony discusses the requirements under the Pick-Sloan Program for the Western Power Administration to repay the federal investment in the program's hydropower facilities. GAO reviewed the effect of policies under which repayment of part of the federal investment is deferred. GAO presents information on (1) the amount of this investment that may not be recovered under the current repayment criteria and (2) potential actions for recovering the investment.

T-RCED-96-145, May 3, 1996 (11 pages). Superfund: Implications of Key Reauthorization Issues, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Senate Committee on Environment and Public Works.

This testimony comments on the Accelerated Cleanup and Environmental Restoration Act of 1996, which reauthorizes and significantly changes the Superfund program. Few of the nation's worst hazardous waste sites have been cleaned up under the current Superfund law. Moreover, the estimated costs of the cleanups have risen at a time when the government's resources are limited. GAO discusses six major changes that the proposed legislation would make to the Superfund program: (1) increasing the role of risk in decisions on whether and how to clean up waste sites, (2) expanding the range of alternatives available to address wastes at sites, (3) transferring some of the federal government's authority for cleanups to the states, (4) reducing legal costs, (5) limiting claims for damages to natural resources caused by contamination, and (6) fostering the wider use of cost-effective technologies for cleaning up federal facilities.

T-RCED-96-157, May 8, 1996 (8 pages). Food Stamp Program: Focus Group Research and Procurement Problems, by Keith O. Fultz, Assistant Comptroller General, before the House Committee on Agriculture.

Under the terms of its contract, Global Exchange, Inc., is to help the Agriculture Department (USDA) conduct a national nutrition education and information distribution campaign. Since the award of this contract in 1994, Global Exchange has used subcontracts to perform several tasks for USDA. This testimony focuses on the subcontract with Lake Research, Inc., which was hired to conduct focus groups and obtain the views of the public and food stamp recipients

on USDA's food stamp reform efforts. GAO found that USDA did not comply with the Federal Acquisition Regulation and the Paperwork Reduction Act and used a flawed methodology. On the basis of these problems, GAO concludes that USDA exercised questionable judgment in carrying out virtually every aspect of this work. GAO raises concerns about USDA making changes to the food stamp program on the basis of the results of this research.

T-RCED-96-164, May 1, 1996 (6 pages). Environmental Protection: Selected Issues Related to EPA's Fiscal Year 1997 Appropriation, by Stanley J. Czerwinski, Associate Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

This testimony provides information on (1) the extent of the leaking underground storage tank problem, (2) federal and state funding for the Environmental Protection Agency's (EPA) leaking underground storage tank program, and (3) EPA's plans for future involvement in the program. GAO also discusses the potential for EPA to recover excess funds now obligated for inactive Superfund cleanup contracts.

T-RCED-96-166, Apr. 30, 1996 (12 pages). Disaster Assistance: Improvements Needed in Determining Eligibility for Public Assistance, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

The Federal Emergency Management Agency's (FEMA) public assistance program funds the repair of public facilities, such as roads, government buildings, utilities, and hospitals, that are damaged by natural disasters. Under the program, FEMA spent more than \$6.5 billion for disasters that

occurred during fiscal years 1989-94. FEMA may make public assistance grants to state and local governments and nonprofit groups for three general activities: debris removal, emergency protective measures, and permanent restoration. GAO testified that clearer and more-comprehensive criteria for determining eligibility for public assistance would ensure that eligibility determinations were consistent and equitable. To the extent that the criteria were more restrictive, the cost of future public assistance could be reduced. In the 1990s, the potential adverse effects of a lack of clear criteria have become more significant because of (1) an increase in major disasters and (2) the need to use temporary workers with limited training to inspect damage and prepare damage survey reports.

T-RCED-96-167, May 1, 1996 (8 pages). DOE Cleanup: Status and Future Costs of Uranium Mill Tailings Program, by Bernice Steinhardt, Associate Director, Energy, Resources, and Science Issues, before the Energy and Environment Subcommittee, House Committee on Science.

The Energy Department (DOE) is seeking to clean up contamination resulting from decades of processing uranium ore as part of the U.S. nuclear weapons and energy program. Under the Uranium Mill Tailings Radiation Control Act of 1978, DOE was required to clean up inactive sites, while private owners and operators were required to clean up sites that were active when the law was passed. This testimony discusses (1) the status and cost of DOE's cleanup program and (2) factors that could affect future federal government costs.

T-RCED-96-168, May 8, 1996 (8 pages). Superfund: More Emphasis Needed on Risk Reduction, by Stanley J. Czerwinski, Associate Director, Environmental Protection Issues, before the National Economic

Growth, Natural Resources, and Regulatory Affairs Subcommittee, House Committee on Government Reform and Oversight.

GAO testified that the Superfund program could benefit from greater emphasis on reducing risks to human health and the environment more quickly and cost effectively. In this time of fiscal constraint, GAO believes that the Environmental Protection Agency (EPA) could conduct cleanups more cost effectively by prioritizing its funding for cleanups on the basis of risk reduction. Realistic land-use assumptions are also important for using Superfund resources to maximize the protection of public health and the environment. GAO also believes that greater use of EPA's removal authority could lead to quicker, more cost-effective, and more focused actions at hazardous waste sites while better protecting human health and the environment. GAO applauds EPA's recent efforts to set priorities for the use of Superfund resources by stressing the health risks at sites and to develop realistic forecasts of future uses of sites. Sustained management attention and follow-through are essential if lasting changes are to be achieved.

T-RCED-96-169, May 16, 1996 (8 pages). Highway Trust Fund: Financial Status and Outlook, by Phyllis F. Scheinberg, Associate Director, Transportation and Telecommunications Issues, before the Surface Transportation Subcommittee, House Committee on Transportation and Infrastructure.

This testimony discusses the financial condition and outlook for the Highway Trust Fund, specifically the Fund's ability to support surface transportation infrastructure needs in the future. GAO focuses on how the Highway Trust Fund operates and its ability to support current and future surface transportation needs.

T-RCED-96-170, May 14, 1996 (8 pages). Managing DOE: The Department's Efforts to Control Litigation Costs, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Oversight and Investigations Subcommittee, Senate Committee on Energy and Natural Resources.

Many class action lawsuits have been filed against the contractors who have operated the Energy Department's (DOE) facilities, and the costs associated with their defense have been borne by DOE. DOE has taken steps to better control its outside litigation expenses, which exceeded \$25 million in fiscal year 1995. DOE has instituted cost control guidance on litigation expenses that can be reimbursed by the agency, a measure that has saved DOE hundreds of thousands of dollars. In some cases, however, the guidance has not been consistently applied or followed. Moreover, other issues are driving DOE's overall litigation costs, including the number of law firms representing DOE contractors, the way in which discovery requests are handled, and database development. DOE has begun to take action, such as consolidating law firms and contractors in the *In re Hanford* case, to address these issues.

T-RCED-96-180, July 25, 1996 (27 pages). Federal Power: Outages Reduce the Reliability of Hydroelectric Power Plants in the Southeast, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Water and Power Resources Subcommittee, House Committee on Resources.

Over a large part of the country, hydroelectric plants run by the U.S. Army Corps of Engineers and the Interior Department's Bureau of Reclamation generate electricity that is sold by the Energy Department's five power marketing administrations. This testimony discusses the extent to which (1) these power plants are

experiencing outages and (2) the current planning and budgeting processes allow the Corps to perform timely and effective repairs and rehabilitations of these plants. GAO focuses on 11 of the Corps' 23 hydroelectric power plants that generate power marketed by the Southeastern Power Administration.

T-RCED-96-185, May 23, 1996 (10 pages). Food Safety: Reducing the Threat of Foodborne Illnesses, by Robert A. Robinson, Director, Food and Agriculture Issues, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Because most cases of foodborne illness go unreported, existing data may underestimate the extent of the problem. However, the best estimates indicate that millions of Americans become sick and thousands die each year because of contaminated food. Moreover, public health officials believe that the risk of foodborne illnesses has been on the rise during the past 20 years. The precise cost of foodborne illnesses is unknown, but recent estimates place the cost as high as \$22 billion annually. According to Department of Agriculture estimates, the cost of medical treatment and lost productivity related to foodborne illnesses from seven of the most harmful bacteria approached \$10 billion in 1993. Public health and safety officials believe that current data on foodborne illnesses do not provide a complete picture of the risk level and do not sufficiently describe the sources of contamination and the populations at greatest risk. In 1995, federal and state agencies began to collect more uniform and comprehensive data across the country. Because of budget constraints, federal officials are concerned that they may not be able to continue this effort long enough to collect meaningful trend data.

T-RCED-96-194, June 17, 1996 (16 pages). Housing and Urban Development: Comments on HUD's FY 1997 Budget Request, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

This testimony addresses the Department of Housing and Urban Development's (HUD) fiscal year 1997 budget request. By continuing to improve its internal management and coming to closure on how and when it will use the market to eliminate excess subsidy costs and improve the poor physical condition of its public housing, HUD will be in a better position to use additional appropriations and implement new policy. Although HUD recognizes many of its management shortcomings and has budgeted funds to correct them, GAO views this as a long-term effort that will continue into the foreseeable future.

T-RCED-96-197, June 12, 1996 (6 pages). Department of Energy: Progress Made Under Its Strategic Alignment and Downsizing Initiative, by Bernice Steinhardt, Associate Director, Energy, Resources, and Science Issues, before the Energy and Power Subcommittee, House Committee on Commerce.

Recognizing the need for a smaller, less costly government, the Energy Department (DOE) last year unveiled its Strategic Alignment and Downsizing Initiative, which is intended to save \$1.7 billion over five years. The savings planned under the Initiative are on target. By amending its fiscal year 1996 budget request and selling excess assets, DOE will reach its goal of \$221 million in savings this year. DOE is depending on process improvements and reengineering efforts to fulfill its missions under the reduced budgets called for by the Initiative. It is too soon to know,

however, whether DOE will cut costs to the extent planned in its budget reductions. Moreover, some overly optimistic initial reports of cost savings underscore the need for DOE to be vigilant in validating such claims, lest managers believe that those savings are occurring in specific activities when, in fact, targeted reductions are being absorbed elsewhere. Discussions with DOE officials revealed opportunities to achieve further cost savings by more broadly applying some aspects of the Initiative. For example, DOE could encourage its contractors to sell more of the agency's excess assets by providing incentives and policies for the contractors to identify and sell them.

T-RCED-96-205, June 17, 1996 (16 pages). Housing and Urban Development: Comments on HUD's FY 1997 Budget Request, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

This testimony addresses the Department of Housing and Urban Development's (HUD) fiscal year 1997 budget request. By continuing to improve its internal management and coming to closure on how and when it will use the market to eliminate excess subsidy costs and improve the poor physical condition of its public housing, HUD will be in a better position to use additional appropriations and implement new policy. Although HUD recognizes many of its management shortcomings and has budgeted funds to correct them, GAO views this as a long-term effort that will continue into the foreseeable future. In particular, GAO discusses (1) HUD's multifamily reengineering estimates, (2) proposed bonus pools for high-performing participants in four of HUD's six proposed block grants to consolidate existing programs, and (3) HUD's progress in

addressing management deficiencies cited in GAO's 1995 high-risk report. (See GAO/HR-95-11.)

T-RCED-96-209, June 27, 1996 (11 pages). Federal Land Management: Streamlining and Reorganization Issues, by Michael Gryszkowiec, Director of Planning and Reporting, Resources, Community, and Economic Development Division, before the Senate Committee on Governmental Affairs.

The responsibilities of the four major federal land management agencies—the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, and the Forest Service—have become more similar and the management of federal lands more complex over time. These changes, as well as budgetary and ecological considerations, suggest a basis for reexamining the current approach to federal land management with an eye to improving its efficiency and effectiveness. Two basic strategies have been proposed to improve federal land management. One would streamline the existing structure by coordinating and integrating functions, programs, and field locations. The other would reorganize the structure mainly by combining agencies. Although it is unclear which strategy would be more effective, or whether a combination of the two would be more appropriate, the effective implementation of either strategy will require a solid consensus for change and the creation of identifiable goals for managing commodity and noncommodity uses.

T-RCED-96-210, June 27, 1996 (13 pages). Multifamily Housing: HUD's Proposals for Reengineering Its Insured Section 8 Portfolio, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing Opportunity and Community Development Subcommittee, Senate Committee on Banking, Housing and Urban Affairs.

Proposals before Congress would reengineer about 8,600 properties from the Department of Housing and Urban Development's (HUD) multifamily rental housing portfolio. These 8,600 properties, known as the insured Section 8 portfolio, receive mortgage insurance from HUD and Section 8 rental subsidies tied directly to the properties. This testimony discusses HUD's proposed resolution process. In addition to providing background information on the insured Section 8 portfolio, GAO discusses (1) problems currently affecting the portfolio, (2) HUD's plans for addressing these problems, (3) a HUD-contracted study by Ernst & Young LLP that estimates how the properties are likely to be affected by HUD's reengineering proposal, and (4) its preliminary assessment of the Ernst & Young study. GAO also comments on HUD's portfolio reengineering initiative.

T-RCED-96-212, July 8, 1996 (8 pages). Public Housing: HUD's Takeover of the Housing Authority of New Orleans, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing Opportunity and Community Development Subcommittee, Senate Committee on Banking, Housing and Urban Affairs.

This testimony discusses the operational problems at the Housing Authority of New Orleans, some of the causes of those problems, and the Department of Housing and Urban Development's (HUD) attempts over the years to correct them. This testimony summarizes GAO's May 1996 report (GAO/RCED-96-67) that described the events leading to HUD's takeover of the Housing Authority of New Orleans.

T-RCED-96-218, July 11, 1996 (4 pages). Central Artery/Tunnel Project: Cost and Financing, by John H. Anderson, Jr., Director, Transporta-

tion and Telecommunications Issues, before the Joint Committee on Transportation, Massachusetts.

The total cost of the Central Artery/Tunnel Project is estimated at \$10.4 billion, and this amount could increase if containment goals are not met. Furthermore, state and federal funding available to Massachusetts might not be enough to complete the project as scheduled by 2004. Although the amount of funding available to Massachusetts after fiscal year 1997 is unknown, shortfalls exist under all scenarios modeled in the Massachusetts Highway Department's 1996 project finance plan. The finance plan discusses options for addressing the shortfall, but state officials said that a plan has not been selected so far, pending completion of the feasibility study. In selecting a plan, the state faces challenges to both maintain its commitment to its statewide road and bridge improvement program and build the Central Artery/Tunnel project.

T-RCED-96-224, Sept. 4, 1996 (20 pages). Department of Energy: Observations on the Future of the Department, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Senate Committee on Energy and Natural Resources.

Now is the ideal time to reevaluate the Energy Department (DOE) and its missions. The agency's priorities have changed dramatically since its creation in 1977 in response to the energy crisis, shifting to nuclear weapons production in the 1980s and environmental cleanup in the 1990s. Many former DOE officials and other experts believe that DOE should focus on just a few of its current missions. Much needed reforms are under way at the agency, but GAO believes that a more fundamental rethinking is in order. DOE could begin by looking at the validity of its missions and their organizational placement. Because

transferring missions from DOE to other agencies has profound implications, GAO believes that a governmentwide approach to restructuring is desirable. Regardless of DOE's future, many long-term issues, such as contract reform, major acquisitions, and environmental cleanup and waste management, will need addressing.

T-RCED-96-225, Aug. 1, 1996 (6 pages). Energy Research: Recovery of Federal Investment in Technology Development Projects, by Allen Li, Associate Director, Energy, Resources, and Science Issues, before the Energy and Environment Subcommittee, House Committee on Science.

The Energy Department (DOE) generally does not require repayment of its investment in cost-shared technology development projects. GAO identified only four DOE programs requiring repayment of the federal investment if the technologies are commercialized. The four DOE offices GAO focused on—Fossil Energy, Energy Efficiency and Renewable Energy, Environmental Management, and Nuclear Energy—plan to devote about \$8 billion in federal funds to cost-shared projects, of which about \$2.5 billion is subject to repayment. With repayment, the government generally receives a share of the royalties and fees from licensing technologies and revenues from commercial sales. One program allows for recovering 150 percent of the federal investment, while the other three are limited to 100 percent. The main advantage of a repayment policy is that the federal government can recoup some of its investment in successfully commercialized technologies. However, DOE officials believe that repayment could discourage industry from commercializing technologies or participating in projects, pose an administrative burden on both DOE and industry, and make technologies less competitive. In GAO's view, a flexible repayment

requirement could overcome many of these problems and provide the government with hundreds of millions of dollars in revenue from successfully commercialized technologies.

T-RCED-96-231, July 26, 1996 (18 pages). Multifamily Housing: Issues Facing the Congress in Assessing HUD's Portfolio Reengineering Proposal, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the Housing and Community Opportunity Subcommittee, House Committee on Banking and Financial Services.

Congress is considering proposals to reengineer about 8,600 properties from the Department of Housing and Urban Development's (HUD) multifamily rental housing portfolio. These 8,600 properties—known as the insured Section 8 portfolio—receive mortgage insurance through HUD and Section 8 rental subsidies that are tied directly to the properties. Last year, HUD proposed a process called "mark-to-market" that was aimed at addressing such problems as high Section 8 assistance costs and the poor physical condition of many properties. In early 1996, HUD modified that process in response to stakeholders' concerns and renamed it "portfolio reengineering." This testimony discusses (1) the problems afflicting the portfolio, (2) HUD's plans for overcoming these problems, (3) a HUD-contracted study by Ernst & Young LLP that estimates how the properties are likely to be affected by HUD's reengineering proposal, (4) GAO's preliminary assessment of Ernst & Young's study, and (5) issues that Congress should consider in deciding how to respond to HUD's proposal.

T-RCED-96-232, July 30, 1996 (27 pages). Multifamily Housing: HUD's Portfolio Reengineering Proposal: Cost and Management Issues, by Judy A. England-Joseph, Director, Housing and Community Development Issues,

before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Reform and Oversight.

Congress is considering proposals to reengineer about 8,600 properties from the Department of Housing and Urban Development's (HUD) multi-family rental housing portfolio. These 8,600 properties—known as the insured Section 8 portfolio—receive mortgage insurance through HUD and Section 8 rental subsidies that are tied directly to the properties. Last year, HUD proposed a process called "mark-to-market" that was aimed at addressing such problems as high Section 8 assistance costs and the poor physical condition of many properties. In early 1996, HUD modified that process in response to stakeholders' concerns and renamed it "portfolio reengineering." This testimony discusses (1) the problems afflicting the portfolio, (2) HUD's plans for overcoming these problems, (3) a HUD-contracted study by Ernst & Young LLP that estimates how the properties are likely to be affected by HUD's reengineering proposal, (4) GAO's preliminary assessment of Ernst & Young's study, and (5) issues that Congress should consider in deciding how to respond to HUD's proposal.

T-RCED-96-247, Sept. 18, 1996 (16 pages). Team Nutrition: Some Procurement and Personnel Management Requirements Not Followed, by Robert A. Robinson, Director, Food and Agriculture Issues, before the Department Operations, Nutrition and Foreign Agriculture Subcommittee, House Committee on Agriculture.

The Agriculture Department's (USDA) Team Nutrition initiative seeks to improve the nutrition and health education of American school children by providing (1) a program to help school food service workers provide lunches that are nutritious and appealing and (2) a multimedia

nutrition education campaign to promote healthy food choices among schoolchildren. The Team Nutrition contracts, cooperative agreement, grant, and personnel management practices GAO reviewed exhibited a pattern of poor management and, in some cases, violated federal law and ethics regulations. Among other things, GAO discovered tasks assigned that were beyond the scope of the contract, unauthorized persons providing direction to a contractor, and inattention to the agency's obligations under the terms of the cooperative agreement. GAO also raises concerns about the manner in which the position of the former Team Nutrition Project Manager was filled and the salary set. GAO attributes many of these problems to a failure to adhere to the agency's procedures and the lack of a documented strategic plan for the initiative. USDA has acknowledged and is trying to address some of the weaknesses GAO identified, but it is too early to know whether its actions will be successful.

T-RCED-96-259, Sept. 18, 1996 (14 pages). Small Business: Status of SBA's 8(a) Minority Business Development Program, by Judy A. England-Joseph, Director, Housing and Community Development Issues, before the House Committee on Small Business.

The Small Business Administration's (SBA) 8(a) minority business development program provides federal contracts to small businesses that are owned and controlled by socially and economically disadvantaged persons to help these firms become viable, competitive businesses. Over the years, GAO has chronicled the difficulties that SBA has had in implementing congressionally mandated changes to the program. This testimony discusses the status of the following changes: (1) requiring that 8(a) contracts with a large dollar value be awarded competitively, (2) distributing 8(a) contracts so that

more firms receive them, (3) ensuring that firms rely less on 8(a) contracts—by increasing their business that does not come through the 8(a) program—as they move through the nine-year program period, and (4) "graduating" from the program firms that have shown that they can survive without 8(a) contracts. GAO also provides information on SBA's denials of firms seeking to enter the program and discusses SBA's efforts to provide management and technical assistance to firms in the program.

T-RCED-96-260, Sept. 26, 1996 (11 pages). DOE Security: Information on Foreign Visitors to the Weapons Laboratories, by Bernice Steinhardt, Associate Director, Energy, Resources, and Sciences Issues, before the Military Procurement Subcommittee, House Committee on National Security.

The number of foreign visitors to the Energy Department's (DOE) nuclear weapons laboratory is on the rise. From January 1993 to June 1996, an average of nearly 6,000 foreigners visited the laboratories each year. This is a 55-percent increase over visitor levels during 1986 and 1987. This upward trend continues, and the number of visitors from "sensitive" countries—those characterized by national security, terrorism, regional instability, or nuclear proliferation concerns—has also increased. Finally, the requirements for allowing foreign visitors into the laboratories have changed. Among other things, DOE headquarters has delegated to the laboratories greater authority to approve foreign visitors to nonsensitive areas than was the case in 1988. Also, requirements for background checks have changed. In 1988, all visitors from communist countries required background checks regardless of the purpose of the visit. At some laboratories today, background checks are required only for visitors from sensitive countries—which include most of the countries

designated as communist in 1988—who will be visiting secure areas or discussing sensitive subjects.

T-RCED/AIMD-96-91, Feb. 28, 1996 (11 pages). Nuclear Nonproliferation: Concerns With the U.S. International Nuclear Materials Tracking System, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Senate Committee on Governmental Affairs.

A proposed agreement between the United States and the European Atomic Energy Community would impose controls on the export of some nuclear materials, nuclear reactors, and their major components between the United States and 15 western European nations. Keeping track of the growing volume of nuclear material is especially important because of the breakup of the Soviet Union and increases in both domestic and international terrorism. GAO testified that the Energy Department's (DOE) nuclear-materials tracking system, which serves as the primary source of information for the United States to track U.S. nuclear materials transported to foreign countries, has significant limitations. Moreover, recent information suggests that DOE's replacement tracking system faces a high probability of failure because it has not been completely developed and tested.

T-RCED/GGD-96-223, July 18, 1996 (10 pages). Federal Lands: Concession Reform is Needed, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the National Parks, Forests, and Lands Subcommittee, House Committee on Resources.

Concession activity on federal lands is a large industry, with civilian agencies managing more than 11,000 concession agreements throughout the federal government during 1994. Concessioners operating under these agreements generated about \$2.2

billion in gross revenue. More than 90 percent of concession agreements and the concession gross revenues were from concessioners in the six land management agencies. For agreements that were either initiated or extended during fiscal year 1994, concessioners in the land management agencies paid the government an average of about three percent of their gross revenue. In contrast, concessioners in other agencies paid fees of about nine percent of their gross revenues. The key factors affecting the rate of return to the government were whether: (1) the fees were established through competition; (2) the agency was allowed to keep most of the concession fees it generated; and (3) whether an incumbent concessioner had a preferential right in renewing its agreement with the government. Throughout the government, rates of return from concessioners were higher when established through competition. Agencies which had authority to retain fees and which did not grant preferential rights of renewal generally obtained higher rates of return from concessioners.

T-RCED/GGD-96-230, Sept. 18, 1996 (8 pages). Intellectual Property: Patent Examination and Copyright Office Issues, by Allen Li, Associate Director, Energy, Resources, and Science Issues, before the Senate Committee on the Judiciary.

This testimony focuses on intellectual property issues. In the patent examination area, GAO discusses (1) patent pendency—the amount of time that the Patent and Trademark Office (PTO) spends examining an application to determine whether an invention should receive a patent; (2) PTO's resources committed to the patent process, the trademark process, the dissemination of information, and executive direction and administration; and (3) PTO's workload and examination process in comparison with those of other industrialized

countries. In the copyright area, GAO discusses (1) the possibility of transferring the Copyright Office from the Library of Congress to another organization; (2) possible additional revenues that the Copyright Office could charge if it recovered all costs; and (3) the impact on the Library, including the Copyright Office, of revisions to its competitive selection process as a result of the settlement of a class-action discrimination suit.

T-RCED/NSIAD-96-127, Mar. 21, 1996 (17 pages). Environmental Protection: Issues Facing the Energy and Defense Environmental Management Programs, by Victor S. Rezendes, Director, Energy, Resources, and Science Issues, before the Military Procurement Subcommittee, House Committee on National Security, and Military Readiness Subcommittee, House Committee on National Security.

The Energy Department (DOE) has tried in recent years to make its nuclear weapons complex cleanup more cost effective. Similarly, cleanup costs have been an issue at the Defense Department (DOD), but the cleanup effort is part of a larger attempt to control the cost of environmental compliance now, while minimizing contamination and related costs in the future. At DOD, environmental compliance activities have overtaken cleanup as the major annual cost. With regard to DOE's cleanup effort, this testimony discusses (1) how the administration of basic laws governing cleanup of the weapons complex affects costs, (2) how to cut DOE's costs, (3) which issues Congress should consider regarding DOE privatization of its cleanup, and (4) how excess carryover balances could be used to fund DOE's cleanup. GAO discusses (1) DOD's use of relative risk as a major factor in ranking individual cleanup sites and (2) how DOD priorities, plans, and budgets for its environmental compliance program.

T-RCED/NSIAD-96-237, Aug. 1, 1996 (13 pages). Aviation Security: Immediate Action Needed to Improve Security, by Keith O. Fultz, Assistant Comptroller General, before the Senate Committee on Commerce, Science and Transportation.

The 1988 terrorist bombing of Pan Am flight 103, which killed 270 people, and the more recent, but as yet unexplained, explosion aboard TWA flight 800 have shaken the public's confidence in the safety and the security of air travel. GAO testified that the threat of terrorism against the United States has increased and that aviation is and will remain an attractive target for terrorists. Although the Federal Aviation Administration (FAA) has mandated additional security procedures as the threat of terrorism has changed, domestic and international aviation systems remain vulnerable. For example, conventional X-ray screening of checked baggage has limitations and offers little protection against moderately sophisticated bombs. Explosive detection devices are commercially available for checked and carry-on luggage and could improve security, but all the devices have shortcomings. Some of the devices are already in use in foreign countries. Other devices are in various stages of development. A mix of technology and procedures will likely be needed to improve security. FAA estimates that the cost of introducing new technology and other methods to counteract terrorism, such as targeting for additional security checks those passengers who meet profiles associated with terrorist groups, could cost as much as \$6 billion over 10 years. To improve security, Congress, FAA, the intelligence agencies, and the aviation industry must agree on the steps to take to counter terrorism and how to pay for the new security measures.

T-RCED/NSIAD-96-251, Sept. 11, 1996 (14 pages). Aviation Security: Urgent Issues Need to Be Addressed, by Keith O. Fultz, Assistant Comptroller General, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

The 1988 terrorist bombing of Pan Am flight 103, which killed 270 people, and the more recent, and as yet unexplained, explosion aboard TWA flight 800 have shaken public confidence in the safety and security of air travel. The threat of terrorism against the United States has increased, and aviation remains an attractive target for terrorists. This testimony focuses on measures that need to be taken to protect the flying public from terrorists and how technology can improve aviation security. GAO discusses (1) the aviation security system and its vulnerabilities, (2) the availability and limitations of explosives detection technology and other methods to counter the threat, and (3) efforts under way to bolster aviation security. GAO also discusses the September 1996 recommendations from the Presidential Commission on Aviation Security and Terrorism.

T-RCED/NSIAD-96-262, Sept. 19 1996 (17 pages). Aviation Security Technology's Role in Addressing Vulnerabilities, by Keith O. Fultz Assistant Comptroller General, before the House Committee on Science.

The 1988 terrorist bombing of Pan Am Flight 103, which killed 270 people, and the more recent, and as yet unexplained, explosion aboard TWA flight 800 have shaken public confidence in the safety and security of air travel. The threat of terrorism against the United States has increased, and aviation remains an attractive target for terrorists. This testimony focuses on measures that need to be taken to protect the flying public from terrorists and how technology can improve aviation safety. GAO discusses (1) the aviation security system and its

vulnerabilities, (2) the availability and limitations of explosives detection technology and other methods to counter the threat, and (3) efforts under way to bolster aviation security. GAO also discusses the September 1996 recommendations from the Presidential Commission on Aviation Security and Terrorism.

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