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Testimony

Before the Caucus on International Narcotics Control,  
U.S. Senate

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DRUG CONTROL

Update on U.S.-Mexican  
Counternarcotics Efforts

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International Affairs Division



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Mr. Chairman and Members of the Caucus:

I am pleased to be here today to discuss our work on the counternarcotics efforts of the United States and Mexico. My statement today will highlight the findings from our ongoing effort to update our June 1998 report,<sup>1</sup> as requested by Senator Grassley and Congressman Hastert. I will discuss two broad issues: (1) Mexico's efforts in addressing the drug threat and (2) the status of U.S. counternarcotics assistance provided to Mexico.

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## Summary

At last year's hearing on U.S. and Mexican counternarcotics efforts,<sup>2</sup> I stated that Mexico was the principal transit country for cocaine entering the United States. That has not changed. Mexico is one of the largest centers for narcotics-related business in the world. It is either a producer, refiner, or transit point for cocaine, marijuana, methamphetamine, and heroin, and is a major hub for the recycling of drug proceeds. U.S. law enforcement officials have told us that the Juarez drug trafficking organization is as powerful and dangerous as the Medellin and Cali cartels used to be. The porous 2,000-mile U.S.-Mexican border and the daunting volume of legitimate cross-border traffic—86 million cars and 4 million trucks and railcars entered the United States from Mexico in 1998—provide near limitless opportunities for the smuggling of illicit drugs and the proceeds from the sale of these drugs. The United States and Mexico face a formidable challenge in combating illicit drug-trafficking.

Last year I testified that, with U.S. assistance, Mexico had taken steps to improve its capability to reduce the flow of illicit drugs into the United States. I also said that it was too early to determine the impact of these actions and that challenges to their full implementation remained. While some high-profile law enforcement actions were taken in 1998, major challenges remain. New laws passed to address organized crime, money laundering, and the diversion of chemicals used in narcotics manufacturing have not been fully implemented. Moreover, during 1998, opium poppy eradication and drug seizures remained at about the same level as in 1995. In addition, no major Mexican drug trafficker was surrendered to the United States on drug charges.

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<sup>1</sup>Drug Control: U.S.-Mexican Counternarcotics Efforts Face Difficult Challenges (GAO/NSIAD-98-154, June 30, 1998).

<sup>2</sup>Drug Control: Status of Counternarcotics Efforts in Mexico (GAO/T-NSIAD-98-129, Mar. 18, 1998).

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Mexican government counternarcotics activities in 1998 have not been without positive results. One of its major accomplishments was the arrest of two major drug traffickers commonly known as the “Kings of Methamphetamine.” Although all drug-related charges against the two have been dropped, both are still in jail and being held on U.S. extradition warrants. The Mexican foreign ministry has approved the extradition of one of the traffickers to the United States, but he has appealed the decision. In addition, during 1998 the Organized Crime Unit of the Attorney General's Office conducted a major operation in the Cancun area where four hotels and other large properties allegedly belonging to drug traffickers associated with the Juarez trafficking organization were seized. Mexico also implemented its currency and suspicious transaction reporting requirements.

In addition, the Mexican government has proposed or undertaken a number of new initiatives. For example, it has initiated an effort to prevent illegal drugs from entering Mexico, announced a new counternarcotics strategy and the creation of a national police force.

One of the major impediments to U.S. and Mexican counternarcotics objectives is Mexican government corruption. Corruption remains widespread within Mexican government institutions, including the criminal justice system. According to one U.S. estimate, Mexican narcotics traffickers spend as much as \$6 billion a year to suborn government officials at all levels. Recognizing the impact of corruption on law enforcement agencies, the President of Mexico (1) expanded the role of the military in counternarcotics activities and (2) introduced a screening process for personnel working in certain law enforcement activities. However, neither of these initiatives can be considered a panacea for the narcotics-related problems confronting the United States and Mexico. Since these initiatives, a number of senior military and screened personnel were found to be either involved in or suspected of drug-related activities.

Since 1997, the Departments of State and Defense have provided the government of Mexico with over \$112 million worth of equipment, training, and aviation spare parts for counternarcotics purposes. The major assistance included UH-1H helicopters, C-26 aircraft, and two Knox-class frigates purchased by the government of Mexico through the Foreign Military Sales program. Last year I testified that some of the assistance provided to the Mexican military was of limited usefulness due to operational and logistical support problems. In the past year, the two frigates have become operational. Unfortunately, the situation with the

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helicopters has worsened. Since late March 1998, all of the 72 UH-1H helicopters provided to the Mexican military have been grounded because of airworthiness concerns.<sup>3</sup> In addition, the four C-26 aircraft are still not being used for counternarcotics operations.

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## Background

The United States has assisted the Mexican government in its counternarcotics efforts since 1973, providing about \$350 million in aid. Since the late 1980s, U.S. assistance has centered on developing and supporting Mexican law enforcement efforts to stop the flow of cocaine from Colombia, the world's largest supplier, into Mexico and onward to the United States. According to U.S. estimates, Mexican narcotics-trafficking organizations facilitate the movement of between 50 and 60 percent of the almost 300 metric tons of cocaine consumed in the United States annually.

In the early 1990s, the predominant means of moving cocaine from Colombia to Mexico was by aircraft. However, a shift to the maritime movement of drugs has occurred over the past few years. In 1998, only two flights were identified as carrying cocaine into Mexico. According to U.S. law enforcement officials, most drugs enter Mexico via ship or small boat through the Yucatan peninsula and Baja California regions. Additionally, there has been an increase in the overland movement of drugs into Mexico, primarily through Guatemala.

Since 1996, most U.S. assistance has been provided by the Department of Defense to the Mexican military, which has been given a much larger counternarcotics and law enforcement role. On the other hand, the Department of State's counternarcotics assistance program has been concentrating on supporting the development of specialized law enforcement units, encouraging institutional development and modernizing and strengthening training programs. Table 1 provides additional information on U.S. counternarcotics assistance to the government of Mexico since 1997.

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<sup>3</sup>In March 1998, the U.S. Army issued a "safety of flight" message that grounded all of its UH-1H helicopters due to mechanical failures in the engine. The Mexican military subsequently grounded its 72 UH-1H helicopter fleet, while the Mexican Attorney General's Office continued to fly most of its UH-1H helicopters on a restricted basis according to guidelines outlined by the manufacturer and the U.S. Army.

**Table 1: U.S. Counternarcotics Assistance Provided to the Government of Mexico (fiscal years 1997-99)**

Dollars in millions

| Source of Assistance                          | FY 1997       | FY 1998 (estimated) | FY 1999 (estimated) |
|---|---------------|---------------------|---------------------|
| Department of State                           | \$ 5.0        | \$ 5.0              | \$ 8.0              |
| Department of Justice                         |               |                     | 2.0                 |
| Department of Defense                         |               |                     |                     |
| International Military Education and Training | 1.0           | 0.9                 | 1.0                 |
| Section 506 drawdown <sup>a</sup>             | 24.0          | 1.1                 |                     |
| Section 1004 <sup>b</sup>                     | 28.9          | 20.1                | 7.9                 |
| Section 1031 <sup>c</sup>                     | 8.0           |                     |                     |
| Subtotal, Defense                             | \$61.9        | \$22.1              | \$ 8.9 <sup>d</sup> |
| <b>Total</b>                                  | <b>\$66.9</b> | <b>\$27.1</b>       | <b>\$18.9</b>       |

<sup>a</sup>Section 506(a)(2) of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2318(a)(2)), authorizes the President to approve the provision of U.S. military goods and services to a foreign country for counternarcotics assistance when it is in the U.S. national interest.

<sup>b</sup>Section 1004 of the National Defense Authorization Act for Fiscal Year 1991, as amended (P.L. 101-510) authorized the Secretary of Defense to provide counternarcotics training and other types of assistance to drug-producing countries.

<sup>c</sup>Section 1031 of the National Defense Authorization Act for Fiscal Year of 1997 (P.L. 104-201) authorized the Secretary of Defense to provide \$8 million in counternarcotics assistance to Mexico in fiscal year 1997.

<sup>d</sup>For fiscal year 1999, the reduced U.S. training program will focus on providing Mexican personnel with more technical skills such as helicopter pilot training and helicopter and fixed-wing aircraft maintenance.

Sources: U.S. embassy in Mexico, the Defense Security Cooperation Agency and the Coordinator for Drug Enforcement Policy and Support, Department of Defense.

The Foreign Assistance Act of 1961, as amended, requires the President to certify annually that major drug-producing and -transit countries are fully cooperating with the United States in their counternarcotics efforts.<sup>4</sup> As part of this process, the United States established specific objectives for evaluating the performance of these countries. According to State Department officials, as part of the March 1999 certification decision, the United States will essentially use the same objectives it used for evaluating

<sup>4</sup>Section 490 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2291(j)), requires the President to certify by March 1 of each year which major drug-producing and transit countries cooperated fully with the United States or took adequate steps on their own to achieve full compliance during the previous year with the goals and objectives established by the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

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Mexico's counternarcotics cooperation in March 1998. These include (1) reducing the flow of drugs into the United States, (2) disrupting and dismantling narcotrafficking organizations, (3) bringing fugitives to justice, (4) making progress in criminal justice and anticorruption reform, (5) improving money-laundering and chemical diversion control, and (6) continuing improvement in cooperation with the United States.

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## Mexico's Counternarcotics Efforts

Although there have been some difficulties, the United States and Mexico have undertaken some steps to enhance cooperation in combating illegal drug activities. Mexico has also taken actions to enhance its counternarcotics efforts and improve law enforcement capabilities. There have been some positive results from the new initiatives, such as the arrest of two major drug traffickers and the implementation of the currency and suspicious transaction reporting requirements. Overall, the results show:

- drugs are still flowing across the border at about the same rate as 1997,
- there have been no significant increases in drug eradication and seizures,
- no major drug trafficker has been extradited to the United States,
- money-laundering prosecutions and convictions have been minimal,
- corruption remains a major impediment to Mexican counternarcotics efforts, and
- most drug trafficking leaders continue to operate with impunity.

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## U.S.-Mexico Counternarcotics Cooperation

The United States and Mexico have cooperated in the development of a binational counternarcotics drug strategy, which was released in February 1998. This strategy contains 16 general objectives, such as reducing the production and distribution of illegal drugs in both countries and focusing law enforcement efforts against criminal organizations. Since the issuance of the binational strategy, a number of joint working groups, made up of U.S. and Mexican government officials, have been formed to address matters of mutual concern. A primary function of several of these working groups was to develop quantifiable performance measures and milestones for assessing progress toward achieving the objectives of the strategy. The performance measures were released during President Clinton's February 15, 1999, visit to Mexico. A binational law enforcement plenary group was also established to facilitate the exchange of antidrug information.

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Despite these cooperative efforts, information exchange remains a concern by both governments because some intelligence and law enforcement information is not shared in a timely manner, which impedes drug trafficking operations. Operation Casablanca<sup>5</sup> created tensions in relations between the two countries because information on this undercover operation was not shared with Mexican officials.

In the aftermath of Operation Casablanca, the United States and Mexico have taken action to strengthen communications between the two countries. An agreement reached by the U.S. and Mexican Attorneys General (commonly referred to as the “Brownsville Letter”) calls for (1) greater information-sharing on law enforcement activities; (2) providing advance notice of major or sensitive cross-border activities of law enforcement agencies; and (3) developing training programs addressing the legal systems and investigative techniques of both countries.<sup>6</sup>

Data for 1998 show that Mexico has, for the most part, not significantly increased its eradication of crops and seizures of illegal drugs since 1995. While Mexico did increase its eradication of opium poppy, eradication of other crops and seizures have remained relatively constant. Cocaine seizures in 1998 were about one-third lower than in 1997. However, the large seizure amount in 1997 was attributable, in part, to two large cocaine seizures that year.

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## Executive and Legislative Action

Last year I testified that the government of Mexico took a number of executive and legislative actions, including initiating several anticorruption measures, instituting extradition efforts, and passing various laws to address illegal drug-related activities. I also said that it was too early to determine their impact, and challenges to their full implementation remained. While some progress has been made, implementation challenges remain.

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<sup>5</sup>Operation Casablanca, a 3-year undercover operation led by the U.S. Customs Service that targeted money-laundering operations in Mexico, netted about \$100 million in illicit drug proceeds.

<sup>6</sup>On February 15, 1999, the Attorneys General of Mexico and the United States signed a follow-up agreement. The new agreement established points of contact, timing, and forms of notification and provides for the exchange of annual reports by the two Attorneys General on compliance.

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## Anticorruption

I testified last year that corruption was pervasive and entrenched within the justice system—that has not changed. According to U.S. and Mexican law enforcement officials, corruption remains one of the major impediments affecting Mexican counternarcotics efforts. These officials also stated that most drug-trafficking organizations operate with impunity in parts of Mexico. Mexican traffickers use their vast wealth to corrupt public officials and law enforcement and military personnel, as well as to inject their influence into the political sector. For example, it is estimated that the Arelleno-Felix organization pays \$1 million per week to Mexican federal, state, and local officials to ensure the continued flow of drugs to gateway cities along Mexico's northwest border with the United States. A recent report by the Attorney General's Office of Mexico recognized that one basic problem in the fight against drug trafficking has been "internal corruption in the ranks of the federal judicial police and other public servants of the Attorney General's Office."

As we reported last year, the President of Mexico publicly acknowledged that corruption is deeply rooted in the nation's institutions and general social conduct, and he began to initiate reforms within the law enforcement community. These include (1) reorganizing the Attorney General's office and replacing the previously discredited drug control office with the Special Prosecutor's Office for Crimes Against Health; (2) firing or arresting corrupt or incompetent law enforcement officials; (3) establishing a screening process to filter out corrupt law enforcement personnel; and (4) establishing special units within the military, the Attorney General's Office, and the Secretariat of Hacienda—the Organized Crime Unit,<sup>7</sup> the Bilateral Task Forces<sup>8</sup> and Hacienda's Financial Analysis Unit—to investigate and dismantle drug-trafficking organizations in Mexico and along the U.S.-Mexico border and investigate money-laundering activities. Additionally, the President expanded the counternarcotics role of the military.

The Organized Crime Unit and the Bilateral Task Force were involved in several counternarcotics operations in 1998, for example, the capture of two major narcotics traffickers and the recent seizure of properties

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<sup>7</sup>The Organized Crime Unit was established through the organized crime law to conduct investigations and prosecutions aimed at criminal organizations, including those involved in drug-trafficking activities.

<sup>8</sup>The Bilateral Task Forces are specialized units within the Special Prosecutor's Office for Crimes Against Health and are responsible for investigating and dismantling the most significant drug-trafficking organizations along the U.S.-Mexico border.

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belonging to alleged drug traffickers in the Cancun area, as well as the seizure of money, drugs, and precursor chemicals at the Mexico City Airport.

However, many issues still need to be resolved—some of them the same as we reported last year. For example,

- there continues to be a shortage of Bilateral Task Force field agents as well as inadequate Mexican government funding for equipment, fuel, and salary supplements for the agents. (Last year the Drug Enforcement Administration provided almost \$460,000 to the Bilateral Task Forces to overcome this lack of support);
- the Organized Crime Unit remains significantly short of fully screened staff;
- there have been instances of inadequate coordination and communications between Mexican law enforcement agencies, and
- Mexico continues to face difficulty building competent law enforcement institutions because of low salaries and the lack of job security.

Additionally, increasing the involvement of the Mexican military in law enforcement activities and establishing screening procedures have not been a panacea for the corruption issues facing Mexico. A number of senior Mexican military officers have been charged with cooperating with narcotics traffickers. One of the most notable of these was General Jesus Gutierrez Rebollo, former head of the National Institute for Combat Against Drugs—the Mexican equivalent of the U.S. Drug Enforcement Administration. In addition, as we reported last year, some law enforcement officials who had passed the screening process had been arrested for illegal drug-related activities. In September 1998, four of the Organized Crime Unit's top officials, including the Unit's deputy director, were re-screened and failed. Two are still employed by the Organized Crime Unit, one resigned, and one was transferred overseas.

## Extradition

Since my testimony last year, no major Mexican national drug trafficker has been surrendered to the United States. In November 1998, the government of Mexico did surrender to the United States a Mexican national charged with murdering a U.S. Border Patrol officer while having about 40 pounds of marijuana in his possession. However, U.S. and Mexican officials agree that this extradition involved a low-level trafficker who, unlike other traffickers, failed to use legal mechanisms to slow or stop the extradition process. According to the Justice Department, Mexico has approved the extradition of eight other Mexican nationals charged with drug-related

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offenses. They are currently serving criminal sentences, pursuing appeals, or are being prosecuted in Mexico.

U.S. and Mexican officials expressed concern that two recent judicial decisions halting the extradition of two major traffickers represented a setback for efforts to extradite Mexican nationals. The U.S. officials stated that intermediate courts had held that Mexican nationals cannot be extradited if they are subject to prosecution in Mexico. U.S. officials believe that these judicial decisions could have serious consequences for the bilateral extradition relationship between the two countries

In November 1997, the United States and Mexico signed a temporary extradition protocol. The protocol would allow suspected criminals who are serving sentences in one country and are charged in the other to be temporarily surrendered for trial while evidence is current and witnesses are available. To become effective, the protocol required approval by the congresses of both countries. The U.S. Senate approved the protocol in October 1998; however, the protocol has not yet been approved by the Mexican congress.

## Organized Crime Law

According to U.S. and Mexican officials, the 1996 organized crime law<sup>9</sup> has not been fully implemented, and its impact is not likely to be fully evident for some time. According to U.S. law enforcement officials, Mexico has made some use of the plea bargaining and wiretapping provisions of the law. However, U.S. and Mexican law enforcement officials pointed to judicial corruption as slowing the use of the wiretapping provision and have suggested the creation of a corps of screened judges, who would be provided with extra money, security, and special arrangements to hear cases without fear of reprisals. Additionally, results of Mexico's newly created witness protection program are not encouraging—two of the six witnesses in the program have been killed.

U.S. and Mexican officials continue to believe that more efforts need to be directed toward the development of a cadre of competent and trustworthy judges and prosecutors that law enforcement organizations can rely on to

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<sup>9</sup>The organized crime law was passed in November 1996 and authorized the use of plea bargaining and confidential informants, established a witness protection program, and allowed for the use of controlled deliveries and court-approved wiretaps. The Law also has provisions for asset seizures and forfeiture.

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effectively carry out the provisions of the organized crime law. U.S. agencies continue to provide assistance in this area.

## Money Laundering

Mexico has begun to successfully implement the currency and suspicious transaction reporting requirements,<sup>10</sup> resulting in what U.S. law enforcement officials described as a flood of currency and suspicious transaction reporting. Mexican officials also indicated that Operation Casablanca resulted in a greater effort by Mexican banks to adhere to anti-money-laundering regulations. However, U.S. officials remain concerned that there is no requirement to obtain and retain account holders' information for transactions below the \$10,000 level. No data is available on how serious this problem is and there is no reliable data on the magnitude of the money-laundering problem.<sup>11</sup>

Between May 1996 and November 1998, the Mexican government issued 35 indictments and/or complaints on money-laundering charges; however, only one case has resulted in a successful prosecution. The remaining 34 cases are still under investigation or have been dismissed.

## Chemical Controls

Last year we reported that the new chemical control law<sup>12</sup> was not fully implemented due to the lack of an administrative infrastructure for enforcing its provisions. This is still the case. Mexico is currently in the process of developing this infrastructure as well as the guidelines necessary to implement the law. However, U.S. officials remain concerned that the law does not cover the importation of finished products, such as over-the-counter drugs that could be used to make methamphetamines.

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<sup>10</sup>In May 1996, money laundering was made a criminal offense, with penalties of up to 22 years in prison. In March 1997, Mexico issued regulations requiring banks and other financial institutions to report currency transactions of over \$10,000 U.S. dollars and to report suspicious transactions. Under the prior law, money laundering was a tax offense, there was no reporting requirement, and violators were only subject to a fine.

<sup>11</sup>We recently issued a report on alleged money laundering involving Raul Salinas. *Private Banking: Raul Salinas, Citibank, and Alleged Money Laundering* (GAO/OSI-99-1, Oct. 30, 1998).

<sup>12</sup>In May 1996, trafficking in drug precursor and essential chemicals was made a criminal offense. Although some chemicals that the United Nations recommends be controlled were not included in the law, Mexico passed additional legislation in December 1997 that included all chemicals, thus bringing Mexico into compliance with the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances and other international agreements. Mexico has also taken further action to control chemicals by limiting the legal importation of precursor and essential chemicals to eight ports of entry and by imposing regulatory controls over the machinery used to manufacture drug tablets or capsules.

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## New Initiatives

Over the past year, Mexico has announced a new drug strategy and instituted a number of new counternarcotics initiatives. The government of Mexico also reported that it has channeled significant funds—\$754 million during 1998—into its ongoing campaign against drug trafficking. Mexico also indicated that it will earmark about \$770 million for its 1999 counternarcotics campaign.<sup>13</sup>

During 1998 and 1999, the government of Mexico announced a number of new initiatives. For example,

- a federal law for the administration of seized, forfeited and abandoned goods that will allow authorities to use proceeds and instruments seized from crime organizations for the benefit of law enforcement is being considered,
- a federal law that will establish expedited procedures to terminate corrupt law enforcement personnel is also being considered, and
- the government of Mexico recently announced the creation of a new national police force.

In addition, the government of Mexico has initiated an operation to seal three strategic points in Mexico. The purpose of the program is to prevent the entry of narcotics and diversion of precursor chemicals in the Yucatan peninsula, Mexico's southern border, and the Gulf of California.

Furthermore, the Mexican government recently announced a counternarcotics strategy to crack down on drug traffickers. Mexico indicated that it plans to spend between \$400 million and \$500 million over the next 3 years to buy new planes, ships, radar and other military and law enforcement equipment. In addition to the new spending, Mexico reported that its new antidrug efforts will focus on improving coordination among law enforcement agencies and combating corruption more efficiently. A senior Mexican government official termed this new initiative a “total war against the scourge of drugs.”

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## Status of U.S. Assistance

Last year we noted that while U.S.-provided assistance had enhanced the counternarcotics capabilities of Mexican law enforcement and military organizations, the effectiveness and usefulness of some assistance were

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<sup>13</sup>Prior years' funding information for Mexican counternarcotics activities is not available.

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limited. For example, two Knox-class frigates purchased by the government of Mexico lacked the equipment needed to ensure the safety of the crew, thus making the ships inoperative. We also reported that the 73 UH-1H helicopters provided to Mexico to improve the interdiction capability of Mexican army units were of little utility above 5,000 feet, where significant drug-related activities and cultivation occur. In addition, we noted that four C-26 aircraft were provided to Mexico without the capability to perform intended surveillance missions and without planning for payment for the operation and maintenance of the aircraft.

Mr. Chairman, let me bring you up to date on these issues. The two Knox-class frigates have been repaired and are in operation. According to U.S. embassy officials, the government of Mexico is considering the purchase of two additional frigates. However, other problems remain. For example, in late March 1998, the U.S. Army grounded its entire UH-1H fleet until gears within the UH-1H engines could be examined and repairs could be made. The government of Mexico followed suit and grounded all of the U.S.-provided UH-1H helicopters until they could be examined.<sup>14</sup> The helicopters were subsequently tested, with 13 of the Attorney General's 27 helicopters and 40 of the military's 72 helicopters receiving passing grades. According to Department of Defense officials, the helicopters that passed the engine tests could be flown on a restricted basis. U.S. embassy officials told us that the Office of the Attorney General has been flying its UH-1H helicopters on a restricted basis, but the Mexican military has decided to keep its entire fleet grounded until all are repaired. Finally, the four C-26 aircraft still are not being used for counternarcotics operations.

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This concludes my prepared remarks. I would be happy to respond to any questions you may have.

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<sup>14</sup>To assist the government of Mexico in its drug interdiction and eradication efforts, the United States has provided 33 UH-1H helicopters to the Attorney General's Office and 73 UH-1H helicopters to the Ministry of Defense since 1989. One Ministry of Defense helicopter and 6 Attorney General helicopters were subsequently destroyed in accidents.

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