
October 1995

Reports and Testimony: October 1995

Highlights

Arizona Medicaid

Arizona, which, in 1982, became the first state to mandate managed care for Medicaid beneficiaries, has succeeded in containing health care costs while delivering a sound, accessible system of health care. Its success offers insights for the growing number of states implementing managed care for Medicaid programs. Page 11.

The 2000 Census

Although the Census Bureau plans fundamental design changes for the decennial census in the year 2000 that could save \$1 billion and yield more accurate results than the 1990 census, implementing them would require aggressive management and early decisions. Page 11.

Worker Protection

Companies that have violated federal labor laws continue to win billions of dollars in government contracts. In 1993, 80 firms violated the National Labor Relations Act and received more than \$23 billion in contracts; of these, six firms that violated the law received \$21 billion in contracts. Page 4.

Contents

Reports and Testimony: October 1995		2
	Budget and Spending	2
	Business, Industry, and Consumers	2
	Civil Rights	2
	Education	3
	Employment	4
	Energy	6
	Environmental Protection	7
	Financial Institutions	7
	Government Operations	9
	Health	11
	Housing	13
	Information Management	15
	International Affairs	17
	Justice and Law Enforcement	18
	National Defense	18
	Natural Resources	20
	Social Services	21
	Tax Policy and Administration	22
	Veterans Affairs	23
	Special Publications	24

Reports and Testimony: October 1995

Budget and Spending

Impoundments: Deferral of Fiscal Year 1995 Economic Support Fund Budget Authority

GAO/OGC-96-1, Oct. 11 (three pages).

On September 8, 1995, the President submitted to Congress his sixth special impoundment message for fiscal year 1995. The message reported 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.

Business, Industry, and Consumers

Small Business Administration: 8(a) Is Vulnerable to Program and Contractor Abuse

GAO/OSI-95-15, Sept. 7 (23 pages).

The Small Business Administration's (SBA) 8(a) program is intended to develop and promote businesses that are owned and controlled by socially and economically disadvantaged persons. Members of Congress have raised concerns that weaknesses in program management and administration may make the 8(a) program vulnerable to exploitation by individuals or corporations that have used illegal or improper means to participate in and benefit from the program. To develop case studies, GAO initially selected four firms for investigation on the basis of indicators, or "red flags," of potential regulatory violations and criminal misconduct. Because of time constraints and the destruction of records resulting from the Oklahoma City bombing, this report focuses on the following two firms: I-NET, Inc., of Bethesda, Maryland, and Technical and Management Services Corporation of Calverton, Maryland.

Civil Rights

Equal Employment Opportunity: NIH's Handling of Alleged Sexual Harassment and Sex Discrimination Matters

GAO/GGD-95-192, Sept. 29 (53 pages).

About 32 percent of 4,100 National Institutes of Health (NIH) employees surveyed by GAO reported experiencing some form of sexual harassment

during the past year. Of these employees, 96 percent opted not to file equal employment opportunity complaints or take other personnel action, generally because they did not consider the incidents to be serious enough, chose to handle the matter themselves, or decided to ignore the incidents. Others, however, said that they had not filed complaints because they believed that the situations would not be kept confidential, the harassers would go unpunished, filing complaints would not be worth the time or the cost, or they feared retaliation. Management at NIH and the Department of Health and Human Services has not met federal guidelines mandating a 180-day time frame for processing employee complaints. More than half of the 199 formal sexual harassment and sex discrimination complaints filed by NIH employees between October 1990 and March 1994 remained unresolved at the end of April 1995. All complaints had been open for more than one year. NIH has tried to deal with employee concerns about sexual harassment and sex discrimination by increasing awareness about workplace relationships and improving agencywide communication through training. However, NIH lacks minimum standards on course content and has not communicated its expectations on which employees should receive training and how often. Moreover, NIH has not monitored training to ensure that its expectations on such training are being met.

Education

Schools and Workplaces: An Overview of Successful and Unsuccessful Practices

GAO/PEMD-95-28, Aug. 31 (100 pages).

The nation's well-being depends on its ability to create and sustain well-paying jobs and to improve the performance of U.S. business in an increasingly complex world economy. For more than a decade, Americans have been concerned that the nation is not doing all that is needed to meet these challenges. In particular, they have raised concerns about the quality of education provided by elementary and secondary schools—especially those attended by disadvantaged students—and about the productivity and the performance of workers and their employers. This report summarizes research findings on what has and has not been successful in schools and workplaces.

**VA Student Financial Aid:
Opportunity to Reduce Overlap in Approving Education and
Training Programs**

GAO/HEHS-96-22, Oct. 30 (24 pages).

Since the 1940s, 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 on 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 schools and programs not subject to “gatekeeping” by the Department of Education.

Employment

**Worker Protection:
Federal Contractors and Violations of Labor Law**

GAO/HEHS-96-8, Oct. 24 (89 pages).

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 being awarded federal contracts. This report identifies the extent to which violators of the act include employers that 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.

Testimony

National Service Programs: AmeriCorps*USA—Early Program Resource and Benefit Information, by Linda G. Morra, Director of Education and Employment Issues, before Subcommittee on Oversight and Investigations, House Committee on Economic and Educational Opportunities. GAO/T-HEHS-96-14, Oct. 17 (19 pages).

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 year 1994-95, more than one-third of the financial resources available for AmeriCorps*USA grantee programs came from sources outside the Corporation for National and Community Service, 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 for 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 for program participants and others.

OSHA: Potential to Reform Regulatory Enforcement Efforts, by Cornelia M. Blanchette, Associate Director for Education and Employment Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. GAO/T-HEHS-96-42, Oct. 17 (18 pages).

Although the Occupational Safety and Health Administration (OSHA) has accomplished, during its fairly short history, more than may often be acknowledged, its current approaches to regulating safety and health are in some cases dated and frustrating for both workers and employers. The agency needs, according to employer and employee representatives GAO spoke with, 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 instances substitute for

its often confrontational and labor-intensive enforcement approach, OSHA may be able to carry out its statutory responsibilities more effectively. To its credit, OSHA has begun to change its enforcement approach, although it may be too early to assess any effects.

Energy

Nuclear Regulation: Weaknesses in NRC's Inspection Program at a South Texas Nuclear Power Plant

GAO/RCED-96-10, Oct. 3 (48 pages).

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 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.

Federal Electric Power: Operating and Financial Status of DOE's Power Marketing Administrations

GAO/RCED/AIMD-96-9FS, Oct. 13 (64 pages).

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 the expenses associated with their operations, and the manner in which they pay their debts. The final section—"Competitive Issues"—describes the increasingly competitive markets in which the PMAs operate and the potential effect of these markets on the PMAs.

Environmental Protection

Superfund: Operations and Maintenance Activities Will Require Billions of Dollars

GAO/RCED-95-259, Sept. 29 (29 pages).

The Environmental Protection Agency (EPA) has developed remedies to clean up 275 of the 1,300 most hazardous waste sites in America. Although construction has been completed at these sites, additional activities, known as operations and maintenance, may be necessary to ensure that the remedy continues to function effectively and that the cleanup protects human health and the environment. The federal government, states, and responsible parties must perform long-term operations and maintenance at nearly two-thirds of the 275 sites GAO reviewed. These activities, which include controlling the erosion of landfill covers, treating contaminated groundwater, and enforcing restrictions on the use of land or water on the sites, will continue for decades and, in some cases, indefinitely. For cleanup remedies that EPA or the responsible parties have already undertaken or will undertake from now to fiscal year 2005, GAO estimates that about \$32 billion will be needed for operations and maintenance costs nationwide through fiscal year 2040. The states and responsible parties will bear most of these costs. EPA is required, at least every five years, to review conditions at many sites that need operations and maintenance, and these reviews have often uncovered problems that the states or the responsible parties have had to correct. However, the agency has a large backlog of reviews and consequently may be unaware of deteriorating conditions at some sites.

Financial Institutions

Bank Mutual Funds: Sales Practices and Regulatory Issues

GAO/GGD-95-210, Sept. 27 (147 pages).

At the end of 1993, more than 100 banking institutions had established their own families of mutual funds with assets in excess of \$219 billion. In addition, banks and thrifts have become major sales outlets for other companies' funds. This rapid growth in sales of mutual funds by banks has raised concerns that customers may not understand the risks of mutual fund investments compared with the risks of insured deposits. In February 1994, the four banking regulators issued guidelines that banks and thrifts are to follow in selling nondeposit investment products, such as

mutual funds. However, GAO found that many institutions were not following the guidelines. Only about one-third of the institutions GAO visited made all the risk disclosures called for by the guidelines, and about one-third did not clearly distinguish their mutual fund sales area from the deposit-taking area of the bank, though required by the guidelines. The current regulatory framework allows banks to choose how to structure their mutual fund sales and advisory activities and, depending on that structure, how they are regulated. As a result, banks are allowed to sell mutual funds directly to their customers and be subject to oversight by the banking regulators, but not by securities regulators. This creates the potential for different regulatory treatment of the same activity and a potential for conflict and inconsistency among different regulators.

**Bank Regulatory Structure:
Canada**

GAO/GGD-95-223, Sept. 28 (57 pages).

Proposals to consolidate U.S. bank regulatory agencies have raised questions about how other countries structure and carry out their various bank regulation and supervision and central bank activities. As part of a congressional request that GAO examine such activities in several countries, this report provides information on Canada, which relies on a federal supervisor rather than the central bank. GAO describes (1) the Canadian bank federal regulatory and supervisory structure and its key participants; (2) the way in which that structure operates, particularly with respect to bank authorization or chartering, regulation, and supervision; (3) the way in which banks are examined; and (4) how participants handle other financial system responsibilities.

Testimony

CFTC/SEC Enforcement Programs: Status and Potential Impact of a Merger, by James L. Bothwell, Director of Financial Institutions and Markets Issues, before the Subcommittee on Capital Markets, Securities, and GSES, House Committee on Banking and Financial Services. GAO/T-GGD-96-36, Oct. 25 (21 pages).

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 futures and securities laws and markets. Moreover, effective enforcement of securities laws is only one factor that Congress should consider in evaluating a merger.

Government Operations

Personnel Practices: Career Appointments of Legislative, White House, and Political Appointees

GAO/GGD-96-2, Oct. 10 (21 pages).

Governmentwide, from October 1984 through June 1994, 1,090 former political and legislative and 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 grade GS-15 or lower. Ramspeck Act appointments followed a cyclical trend during the 10-year period, increasing significantly following federal elections. The cycle was 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.

Smithsonian Institution: Better Care Needed for National Air and Space Museum Aircraft

GAO/GGD-96-9, Oct. 19 (55 pages).

The popular National Air and Space Museum in Washington, D.C., has preserved many historic air and space artifacts, but a large number of 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, needs improvement. The Museum commits relatively

few resources to aircraft restoration, compared with the resources committed by other museum activities and another federally funded air museum. But even if the Museum increased 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.

Testimony

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

Despite 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 1883, 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 systems 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.

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

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.

Decennial Census: Fundamental Design Decisions Merit Congressional Attention, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-GGD-96-37, Oct. 25 (29 pages).

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; the address list, developed 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 would 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 would require aggressive management by the Bureau to ensure that the fundamental changes were well-executed. Congress now needs to weigh in on the Bureau's decisions and provide the funding that it believes is 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 the budget for the 2000 census in a timely manner.

Health

Arizona Medicaid: Competition Among Managed Care Plans Lowers Program Costs

GAO/HEHS-96-2, Oct. 4 (35 pages).

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 administrator 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 medical care include freedom 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.

**Mammography Services:
Initial Impact of New Federal Law Has Been Positive**

GAO/HEHS-96-17, Oct. 27 (23 pages).

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 resulted in higher quality equipment, personnel, and practices. Although mammography quality standards are now in place in all states, they 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 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.

Testimony

Medicare: Excessive Payments for Medical Supplies Continue Despite Improvements, by Jonathan Ratner, Associate Director for Health Financing Issues, before the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, Senate Committee on Appropriations. GAO/T-HEHS-96-5, Oct. 2 (eight pages).

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 potential 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 conditions, 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. In addition, contractors could avoid paying unreasonable charges and making duplicate payments.

Housing

**Homeownership:
Mixed Results and High Costs Raise Concerns About HUD's
Mortgage Assignment Program**

GAO/RCED-96-2, Oct. 18 (49 pages).

During the 19-year period that ended in September 1993, the Department of Housing and Urban Development (HUD) incurred losses totaling \$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 years 1994. Their unpaid principal balances total \$3.7 billion. GAO found that 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 69,000 borrowers who have entered the program since fiscal year 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.

Testimony

Housing and Urban Development: Public and Assisted Housing Reform (S. 1260), by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing Opportunity and Community Development, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-96-22, Oct. 13 (18 pages); and

Housing and Urban Development: Public and Assisted Housing Reform (H.R. 2406), by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. GAO/T-RCED-96-25, Oct. 13 (20 pages).

Current federal housing programs are often viewed 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 these 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. Although GAO 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, GAO cautions that questions remain about the reliability of the oversight system that HUD uses to designate these housing authorities as "troubled."

Multifamily Housing: Issues and Options to Consider in Revising HUD's Low-Income Housing Preservation Program, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing Opportunity and Community Development, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-96-29, Oct. 17 (15 pages).

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.

Information Management

FDA Import Automation: Serious Management and Systems Development Problems Persist

GAO/AIMD-95-188, Sept. 28 (22 pages).

The Food and Drug Administration (FDA) oversees imports of food, drugs, cosmetics, medical devices, and other products to ensure that the public is protected from goods of questionable quality or that make misleading claims. In 1987, FDA began developing an automated system to improve its import entry clearance process, which required extensive paperwork. Despite an investment of eight years and \$13.8 million to automate its process for inspecting imported goods, the new system contains major deficiencies. This is due mainly to inadequate top management oversight and a management team that lacked expertise and skills in system development. FDA has implemented a portion of the system—the Operational and Administrative System for Import Support (OASIS)—to enhance its ability to regulate imports and to relieve importers and FDA personnel of some of the paperwork burdens associated with import

processing. In developing OASIS, FDA did not follow generally accepted systems development practices for validating software; conducting user acceptance testing; developing a security plan to safeguard its computer facilities, equipment, and data; and conducting a cost-benefit analysis. The resulting shortcomings mean that OASIS may not perform as needed and that unsafe products could enter the country.

Testimony

Telecommunications: Competition in the Mobile Communications Industry, by John H. Anderson, Jr., Director of Transportation and Telecommunications Issues, before the Subcommittee on Oversight and Investigations, House Committee on Commerce. GAO/T-RCED-96-20, Oct. 12 (14 pages).

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. During each of the last five years, subscriberships grew between 40 and 50 percent annually. 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.

Weather Forecasting: Radars Far Superior to Predecessors, but Location and Availability Questions Remain, by Jack L. Brock, Jr., Director of Defense Information and Financial Management Systems, before the Subcommittee on Energy and the Environment, House Committee on Science. GAO/T-AIMD-96-2, Oct. 17 (11 pages).

The National Weather Service (NWS) 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 “nearsightedness” 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 operational rate that many do not meet.

International Affairs

Cuba: U.S. Response to the 1994 Cuban Migration Crisis

GAO/NSIAD-95-211, Sept. 18 (15 pages).

This report reviews the U.S. government's efforts to cope with the mass exodus of people from Cuba during the summer of 1994. GAO (1) describes how U.S. policy toward those seeking to leave Cuba has changed since then, (2) identifies the agencies and the costs to the U.S. government associated with the exodus of Cubans, (3) assesses the capabilities of the U.S. Interests Section in Havana to process applicants seeking legal entry into the United States, and (4) evaluates the adequacy of living conditions at the Cuban safe haven camps at the U.S. Naval Station, Guantanamo Bay.

Export Finance: Comparative Analysis of U.S. and European Union Export Credit Agencies

GAO/GGD-96-1, Oct. 24 (66 pages).

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, 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 taxpayer subsidies to U.S. exporters. This report (1) identifies the magnitude of export financing that the United States and the five European Union countries provide, (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.

Justice and Law Enforcement

Illegal Immigration: INS Overstay Estimation Methods Need Improvement

GAO/PEMD-95-20, Sept. 26 (68 pages).

Reliable and valid estimates of the number of “overstays”—persons who enter the United States legally as visitors but do not leave under the terms of their admissions—are important to public policy-making. Higher numbers of overstays might suggest, for example, the need for stricter policies or laws for issuing temporary U.S. visas to citizens of those countries whose travelers tend to overstay their visas in significant numbers. Overstay data are also needed to monitor travel from countries whose citizens are not required to obtain a U.S. tourist visa. This report examines the basis for the Immigration and Naturalization Service (INS) estimates of overstays and suggests ways in which INS can improve these estimates.

Community Policing: Information on the “COPS on the Beat” Grant Programs

GAO/GGD-96-4, Oct. 25 (22 pages).

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 departments, and other agencies work together to identify crime problems and develop 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 to apply for program grants, and public safety issues identified by a sample of the jurisdictions applying for program grants.

National Defense

Federally Funded R&D Centers: Use of Contract Fee by The Aerospace Corporation

GAO/NSIAD-95-174, Sept. 28 (16 pages).

Federally funded research and development centers are private sector organizations funded primarily by federal agencies to meet special

long-term research and development needs that cannot be met as efficiently in-house or through existing contractors. The Aerospace Corporation is a private, nonprofit mutual benefit corporation created in 1960. Its main objective is to provide scientific and engineering support for the U.S. military space program. This report reviews how The Aerospace Corporation used a \$15.5 million contract fee provided by the Air Force in fiscal year 1993 to operate a federally funded research and development center. GAO also reviews the regulatory requirements governing the determination and use of this fee.

**Enhanced Fiber Optic Guided Missile:
Need to Define Requirements and Establish Criteria to
Assess Performance**

GAO/NSIAD-96-7, Oct. 17 (28 pages).

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.

**Peace Operations:
Effect of Training, Equipment, and Other Factors on
Unit Capability**

GAO/NSIAD-96-14, Oct. 18 (50 pages).

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 military 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.

**Interagency Contracting:
Controls Over Economy Act Orders Being Strengthened**

GAO/NSIAD-96-10, Oct. 20 (12 pages).

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. 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 because of 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.

Natural Resources

**Restoring the Everglades:
Public Participation in Federal Efforts**

GAO/RCED-96-5, Oct. 24 (65 pages).

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 targeted 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 identifies (1) 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.

Social Services

Welfare to Work: Approaches That Help Teenage Mothers Complete High School

GAO/HEHS/PEMD-95-202, Sept. 29 (44 pages).

A variety of local programs seeks to help teenage mothers complete their secondary education and thereby avoid welfare dependency. GAO found that close monitoring of teenage mothers' educational activities coupled with follow-up when their attendance drops increases the likelihood that they will complete their education. Leveraging the welfare benefit as a sanction or reward for attendance has contributed to the completion of high school by teenage mothers. Providing support services to overcome barriers to continued attendance, with or without financial incentives, also seems to work, especially for dropouts. Assistance in meeting child care or transportation needs may be particularly helpful but did not appear to be enough, in the absence of attendance monitoring, to motivate these young mothers to complete their secondary education. Although current federal Aid to Families With Dependent Children policy stresses the importance of teenage mothers' participation in the JOBS program, it does not require states to serve all teenage mothers in JOBS, nor does it require states to monitor the school attendance of all teenage mothers on welfare. Congress is now deliberating several reforms to the welfare system, including whether to provide benefits to teenage mothers. Although GAO found that several approaches can succeed in helping teenage mothers complete high school, the final form of any reform legislation will likely influence each state's use of these approaches.

Tax Policy and Administration

Tax Administration: Information on IRS' Taxpayer Compliance Measurement Program

GAO/GGD-96-21, Oct. 6 (26 pages).

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 to design and administer alternative tax systems. The data's value would depend on how much of the current tax system would be retained under the new system.

Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service

GAO/GGD-96-3, Oct. 10 (32 pages).

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. They would absorb current IRS telephone operations and try to convert much of its written correspondence to the telephone. This report reviews 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 IRS faces. GAO believes that this report will be useful as a baseline for assessing IRS' progress in coming years.

**Tax Administration:
Audit Trends and Taxes Assessed on Large Corporations**

GAO/GGD-96-6, Oct. 13 (58 pages).

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.

Veterans Affairs

Testimony

VA Health Care: Efforts to Increase Sharing With DOD and the Private Sector, by David P. Baine, Director of Health Care Delivery and Quality Issues, before the Subcommittee on Hospitals and Health Care, House Committee on Veterans' Affairs. GAO/T-HEHS-96-41, Oct. 18 (17 pages).

Sharing health resources, 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 that service itself. Similarly, a hospital using an expensive piece of equipment only four hours a day but 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) sharing of health care resources 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) the challenges facing VA as it enters into more and more sharing agreements with the private sector.

Special Publications

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

GAO/HEHS-96-15W, Oct. 1995 (46 pages).

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

Ordering Information

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

Orders by mail:

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

or visit:

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

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

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

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

info@www.gao.gov

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

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

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

Address Correction Requested

