
MONTH IN REVIEW: OCTOBER 1998

Reports, Testimony, Correspondence, and Other Publications

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Business, Industry, and Consumers

Business Regulation: California Manufacturers Use Multiple Strategies to Comply With Laws

GAO/HEHS-98-208, Sept. 30 (64 pages).

Congress has passed a host of laws over the years affecting commerce—from workers' collective bargaining rights to income taxes to air pollution. In addition, many states have enacted legislation either supplementing federal statutes or regulating business activities in areas not preempted by federal law. Although this legal framework has been crafted to achieve certain societal goals, some critics have suggested that this set of federal and state regulations makes compliance difficult and complex for employers. This report lists federal and state laws that apply to California businesses of different sizes. GAO discusses (1) the requirements of federal and state laws affecting the workplace, tax-related, and environmental practices of California manufacturing firms of different sizes; (2) the assistance available to firms to help identify applicable laws and understand their implications on operations; and (3) the impact that workplace and tax laws have had on human resources at firms in two industries: high-tech electronics and aerospace.

Energy

Nuclear Waste: Further Actions Needed to Increase the Use of Innovative Cleanup Technologies

GAO/RCED-98-249, Sept. 25 (65 pages).

The Department of Energy (DOE) estimates that it could save upwards of \$20 billion by using innovative technologies to clean up hazardous and radioactive contaminants at its nuclear weapons facilities. DOE is developing technologies that could reduce cleanup costs, speed cleanups, provide methods for cleanups for which no cost-effective technologies now exist, and reduce risks for cleanup workers and the public. However, earlier reports by GAO and others have cited obstacles to selecting and using innovative technologies at DOE sites. Because of concerns about the benefits returned from the \$2.5 billion invested in DOE's Office of Science and Technology since 1989, this report reviews DOE's efforts to deploy innovative technologies. GAO discusses (1) the extent to which innovative technologies developed by the Office of Science and Technology have been used at DOE sites and how this rate of deployment compares with the

rates of other government organizations that develop innovative technologies; (2) DOE's progress in overcoming obstacles to deploying innovative technologies at its cleanup sites; and (3) DOE's efforts to increase the deployment of innovative technologies.

**Nuclear Waste:
Department of Energy's Hanford Tank Waste Project—Schedule,
Cost, and Management Issues**

[GAO/RCED-99-13](#), Oct. 8 (32 pages).

The 177 underground storage tanks at the Department of Energy's (DOE) Hanford, Washington, site hold highly radioactive waste and other materials that pose a significant threat to the environment and surrounding communities. DOE recently revealed that waste leaking from some of the tanks had reached the groundwater and threatened the nearby Columbia River. DOE decided in 1996 to buy waste treatment services through competitively awarded, fixed-price contracts to demonstrate treatment technologies and treat at least six percent of the waste. Under these contracts, competing firms would build and operate temporary waste-processing facilities and be paid on a per-unit basis if they successfully immobilized the waste for storage. But in August 1998, DOE signed a contract with only one company—a subsidiary of British Nuclear Fuels, plc.—to build and operate permanent facilities to treat about 10 percent of the waste in Hanford's tanks. In view of the billions of dollars that the government will spend to treat this waste, this report assesses the implications of DOE's revised approach. GAO discusses (1) how DOE's current approach has changed from its original privatization strategy; (2) how this change has affected the project's schedule, cost, and estimated savings over conventional DOE approaches; (3) the risks involved in changing the approach; and (4) the steps DOE is taking to oversee the project. GAO summarized this report in testimony before Congress; see:

Nuclear Waste: Schedule, Cost, and Management Issues at DOE's Hanford Tank Waste Project, by Ms. Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Commerce. [GAO/T-RCED-99-21](#), Oct. 8 (18 pages).

Testimony

Department of Energy: Problems in DOE's Foreign Visitor Program Persist, by Keith O. Fultz, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Military Procurement, House Committee on National Security. [GAO/T-RCED-99-19](#), Oct. 6 (14 pages); and

Department of Energy: DOE Needs to Improve Controls Over Foreign Visitors to Its Weapons Laboratories, by Keith O. Fultz, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the House Select Committee on U.S. National Security and Military/Commercial Concerns With the People's Republic of China. [GAO/T-RCED-99-28](#), Oct. 14 (14 pages).

Almost 10 years after GAO issued a report on problems with foreign visitors to nuclear weapons laboratories, the Department of Energy's controls over these visitors remain ineffective. Essentially, the problems GAO cited in 1988 persist. A September 1997 report ([GAO/RCED-97-229](#)) describes how, at two of three laboratories GAO visited, few background checks were done on visitors from countries that DOE considers sensitive. As a result, visitors suspected of having foreign intelligence connections gained access to the laboratories without DOE's or the laboratories' advance knowledge of these connections. Moreover, sensitive subjects, such as the detection of unsanctioned nuclear explosions, may have been discussed with foreign visitors without DOE's knowledge or approval. Weak security controls allowed foreign nationals to enter buildings unescorted or after hours. In some cases, they obtained sensitive and classified information. DOE's counterintelligence programs may not be fully effective in combating foreign intelligence efforts. In GAO's view, these problems could lead to sensitive information being passed on to foreign countries considered a risk to U.S. national security. These concerns have been heightened by recent events in India and Pakistan.

Environmental
Protection

**Environmental Protection:
EPA's Science and Technology Funds**

[GAO/RCED-99-12](#), Oct. 30 (27 pages).

The President's Budget for fiscal year 1999 requested \$633 million for the Environmental Protection Agency's (EPA) science and technology budget account, which funds scientific research that supports its regulatory and other environmental programs. For fiscal year 1998, \$614 million was

requested for science and technology programs, and \$631 million was appropriated. EPA's fiscal year 1999 budget justification was significantly different because it was organized according to goals and objectives outlined in the agency's strategic plan—a requirement of the Government Performance and Results Act. Because of the difficulty in identifying and comparing the proposed funds in the science and technology account for the budget justification for fiscal years 1998 and 1999, this report (1) identifies EPA's science and technology requested funds by the agency's strategic goals and objectives, (2) determines for each EPA program office the amount of science and technology funds that it plans to administer in fiscal year 1999, and (3) provides a "crosswalk" of funds appropriated for fiscal year 1998 by program components to strategic goals and objectives and determines the process or information that can be used to readily compare the funds requested for EPA's science and technology account in future years.

Financial Institutions

SEC Enforcement: Responses to GAO and SEC Recommendations Related to Microcap Stock Fraud

[GAO/GGD-98-204](#), Sept. 30 (25 pages).

The Securities and Exchange Commission (SEC) and self-regulatory organizations, such as the stock exchanges and the National Association of Securities Dealers (NASD), have taken steps in response to GAO and SEC recommendations related to microcap stock fraud. The reports acted upon focused on penny stock fraud, unscrupulous dealers, and NASD's toll-free telephone hotline. The actions include (1) expanding the disclosure of and public access to broker disciplinary information, (2) improving NASD branch office examination selection, (3) providing more focused examinations of sales practices, (4) improving compliance with industry reporting requirements, and (5) instituting a continuing professional education requirement for broker-dealers. The actions should strengthen regulatory oversight of microcap stock firms and help protect investors against abusive practices by these firms. GAO recommendations that have yet to be acted upon relate to the (1) migration of unscrupulous brokers from the securities industry to other financial services sectors; (2) modernization of the central registration database to improve oversight of problem brokers and public access to brokers' disciplinary histories; (3) ability of SEC to identify, across firms, trends in violations found during its broker-dealer examinations; and (4) provision of information on the

availability of broker disciplinary histories before activity occurs in an account.

Testimony

Results Act: Observations on CFTC's Annual Performance Plan, by Richard J. Hillman, Associate Director for Financial Institutions and Markets Issues, before the Subcommittee on Risk Management and Specialty Crops, House Committee on Agriculture. [GAO/T-GGD-99-10](#), Oct. 8 (17 pages).

Agencies' annual performance plans can be an invaluable tool in making policy decisions, improving program management, enhancing accountability, and communicating how long-term strategies translate into day-to-day activities. This testimony focuses on five areas in which the Commodity Futures Trading Commission (CFTC) could improve its performance plan to make it a more useful tool for congressional and executive branch decisionmakers. Although opportunities exist to improve CFTC's Year 2000 performance plan, actions so far clearly show a good faith effort to comply with the Government Performance and Results Act and the Office of Management and Budget's guidance in developing its plan.

Financial Management

Forest Service: Barriers to Financial Accountability Remain

[GAO/AIMD-99-1](#), Oct. 2 (18 pages).

Major weaknesses in the Forest Service's accounting and financial reporting persist. The Forest Service has committed considerable resources, including extensive use of consultants, to resolve its long-standing management deficiencies. Although progress has been made, the Forest Service's financial management problems are deep seated and require significant time and effort to resolve. Also, the Forest Service's ability to produce financial reports has deteriorated because of problems in implementing its new accounting system—the Foundation Financial Information System (FFIS). Until the agency corrects its basic accounting records and successfully implements FFIS, it will not be able to achieve financial accountability. The Forest Service's goal of achieving financial accountability by the end of fiscal year 1999 does not appear feasible.

**Financial Audit:
Issues Regarding Reconciliations of Fund Balances With
Treasury Accounts**

[GAO/AIMD-99-3](#), Oct. 14 (14 pages).

GAO and others have cited long-standing problems with federal agencies' reconciliation of their fund balances with Department of the Treasury accounts. In June 1997, GAO alerted agency inspectors general and chief financial officers to its concerns about large unreconciled differences and improper agency adjustments. (See [GAO/AIMD-97-104R](#).) A March 1998 GAO report on the government's consolidated financial statements for fiscal year 1997 pointed out that several agencies were still not effectively reconciling their records with Treasury's records of cash disbursements. (See [GAO/AIMD-98-127](#).) As part of its audit of the government's consolidated financial statements, GAO evaluated the overall effectiveness of agencies' reconciliation processes for fund balances with Treasury accounts. GAO also surveyed agencies on their satisfaction with Treasury's role in providing assistance and systems support in their reconciliation efforts. This report presents the results of that work.

**Foreign Military Sales:
Millions of Dollars of Nonrecurring Research and Development
Costs Have Not Been Recovered**

[GAO/AIMD-99-11](#), Oct. 20 (17 pages).

This report reviews the Defense Department's ability to account for and report on the full costs of the foreign military sales (FMS) program. GAO found that the Air Force and the Navy were not always recovering nonrecurring research, development, and production costs from the foreign military sales trust fund as major defense equipment items were delivered to FMS customers. Specifically, GAO identified more than \$183 million in nonrecurring costs related to items that were delivered—some as long ago as 1989—that had not been charged to FMS customers' trust fund accounts. For example, between 1993 and 1995, South Korea received 48 F-16 aircraft on a FMS case managed by the Air Force. GAO found that no deliveries had been reported to recover nonrecurring research, development, and production costs. Had the Air Force followed DOD procedures, it would have already charged South Korea's trust fund account for more than \$49 million. Air Force and Navy officials have begun to take steps to recover the outstanding amounts.

**Internal Revenue Service:
Immediate and Long-Term Actions Needed to Improve
Financial Management**

GAO/AIMD-99-16, Oct. 30 (56 pages).

In a report earlier this year, GAO concluded, for the first time since it began auditing the Internal Revenue Service (IRS), that IRS' custodial financial statements—in this case for fiscal year 1997—were reliable in all material respects. (See GAO/AIMD-98-77, Feb. 1998.) GAO found that more than \$1.6 trillion in tax revenue, \$142 billion in tax refunds, and \$28 billion in net taxes receivable reported by IRS were fairly stated. However, serious weaknesses continue to plague IRS' internal controls and financial management systems. This report outlines what must be done to address these problems.

Correspondence

Financial Management: Comparison of the Arthur Andersen Study and the Ernst and Young Financial Audit of the National Institutes of Health.
GAO/AIMD-99-9R, Oct. 2.

Government
Operations

**District of Columbia:
Extent to Which Schools Receive Available Federal
Education Grants**

GAO/HEHS-99-1, Oct. 9 (35 pages).

The federal government funds hundreds of education programs, of which 103 are available for preschool, elementary, and secondary education. Most of these are administered by the Department of Education. Congress and the press have raised concerns that the District of Columbia Public Schools may not have taken full advantage of available federal education dollars. This report answers the following questions: (1) What federal education grant programs are available to the District of Columbia? (2) What is the status of efforts to optimize the District's ability to apply for or receive federal education grants? (3) What is the process for ensuring timely application for federal education grant programs and what office is responsible for ensuring the success and efficiency of this process?

**U.S. Postal Service:
Postal and Telecommunications Sector Representation in
International Organizations**

GAO/GGD-99-6BR, Oct. 29 (54 pages).

This report provides information on two international organizations: the Universal Postal Union, which regulates international postal services, and the International Telecommunications Union, which coordinates global telecommunications networks and services among governments and the private sector. GAO compares the roles and the responsibilities of government and private-sector stakeholders in U.S. policy development and representation in international organizations for the postal and telecommunications sectors. Specifically, GAO compares the representation of the United States in the Universal Postal Union and in the International Telecommunications Union.

**Executive Office of the President:
Procedures for Acquiring Access to and Safeguarding
Intelligence Information**

GAO/NSIAD-98-245, Sept. 30 (17 pages).

The White House Security Officer told GAO that between 1993 and 1996, he could not find any White House-wide procedures to control access to highly classified information. Central Intelligence Agency (CIA) directives require that access to such information be controlled under the strictest application of the need-to-know principle and in accordance with applicable personnel security standards and procedures. Since at least 1996, the National Security Council has granted temporary access to highly classified information to government employees and individuals from private industry and academia—before completion of a security background investigation and without notifying the CIA. The White House-wide security procedures issued in March 1998 do not set forth security practices that White House offices are to follow in safeguarding classified information. Moreover, the White House has yet to establish a security self-inspection program, despite an executive order mandating such a program. The Director of the Information Security Oversight Office said that his office has never done an on-site security inspection of classified programs at the White House.

**Certificated Expenditures:
FY 1996 Presidential and Vice Presidential Certificated
Expenditures and Related Matters**

GAO/AIMD-99-26, Oct. 29 (eight pages).

Certificated expenditures, which involve expenses for the maintenance and repair of the executive residence at the White House, entertainment expenses for the President and the Vice President, and travel expenses for presidential and vice presidential staff, totaled \$8.3 million in fiscal year 1996. White House records show that 144 reimbursable events were held at the White House that year and that these events had total reimbursable costs of about \$1.6 million. GAO found that established procedures were followed for reimbursable activities. The First Family reimburses the White House for certain personal expenses, including the cost of food and beverages served to them at their residence. There also may be other costs, such as housekeeping and utilities, associated with the First Family's nonofficial guests, especially those who stay overnight at the White House. GAO was unable to determine the amount of these unreimbursed incidental costs because the White House does not maintain, nor is it required to have, a system to keep track of these costs. The White House publicly released a list of 831 overnight guests at the executive residence between 1993 and 1996. This material indicated that 107 overnight guests were not named because they are relatives (and accompanying guests) of the President and the First Lady or friends of their daughter. The 938 overnight guests did not include White House staff who may have stayed overnight at the executive residence when their duties required them to do so. GAO did not find a systematic approach at the White House to maintain and report data on overnight guests and overnight stays. As a result, GAO could not verify the number of overnight stays. At the same time, GAO did not identify any notable discrepancies between the names that the White House publicly disclosed and the materials GAO examined.

Health

**Medical Devices:
FDA Can Improve Oversight of Tracking and Recall Systems**

GAO/HEHS-98-211, Sept. 24 (33 pages).

Manufacturers of critical medical devices, such as heart valves and pacemakers, are required to operate tracking systems to quickly locate

and remove defective devices from the market and notify patients who use them. Weak oversight of manufacturer tracking and recall systems, however, threatens the Food and Drug Administration's (FDA) ability to adequately protect the public. FDA's inspections of the tracking systems do not include independent audits to verify the completeness and accuracy of data in the systems. Instead, the inspections focus on reviews of the manufacturers' written standard operating procedures for tracking. Despite good manufacturing practice standards that require FDA to inspect manufacturers of tracked devices at least once every two years, only about half of the 238 manufacturers subject to tracking were inspected during 1996 and 1997. FDA officials said that they plan to revise their inspection program to include an audit plan to better assess manufacturers' compliance with the tracking requirements and redirect FDA's compliance priorities toward high-risk devices, such as implants. The details for most of these plans, however, have yet to be determined. GAO also found that manufacturers and FDA have not acted promptly to correct and remove defective devices from the market. Less than one-third of the 54 recalls initiated from 1994 through 1996 were completed by manufacturers within six months, as specified by FDA's guidelines. FDA has also had problems terminating device recalls in a timely manner.

**Medicare HMO Institutional Payments:
Improved HCFA Oversight, More Recent Cost Data Could
Reduce Overpayments**

[GAO/HEHS-98-153](#), Sept. 9 (23 pages).

A growing number of seniors—about 5 million out of 38 million Medicare beneficiaries—receive care through health maintenance organizations (HMO) that participate in Medicare's risk contract program. Unlike fee-for-service providers, which are paid on a per-claim basis, these HMOs receive from Medicare a monthly fixed sum per enrolled beneficiary—a capitation rate—and assume the risk of providing beneficiary health care, regardless of the actual costs involved. The estimated 2.6 million beneficiaries in nursing homes and other long-term care facilities often incur greater-than-average Medicare-covered expenses. Consequently, the “institutional” risk adjuster generally raises capitation payments for Medicare HMO enrollees in such facilities. However, some of the facilities GAO visited that HMOs had classified as institutional residences provided no medical care but rather offered recreational activities for seniors capable of living independently. The Health Care Financing Administration (HCFA) acted on this finding by narrowing the definition of eligible institutions,

effective January 1, 1998. Even with more stringent criteria, however, HCFA relies on the HMOs to determine which beneficiaries qualify for institutional status. HCFA conducts only limited interviews, about every two years, to confirm the accuracy of HMO records. The task of ensuring accurate data may be further complicated by HCFA's policy allowing HMOs three years to retroactively change institutional status data in beneficiary records. HCFA generally waits two years to verify that HMOs have corrected inaccurate record-keeping systems, even when serious errors have been identified. Moreover, HCFA continues to use 20-year-old cost data to determine payment rates for institutionalized enrollees. As a result, HCFA overcompensates HMOs for their enrolled, institutionalized beneficiaries. Although HCFA has revised its definition of eligible institutions, concerns remain that HCFA's oversight of payments for institutional status is inadequate.

**HIV/AIDS Drugs:
Funding Implications of New Combination Therapies for Federal
and State Programs**

GAO/HEHS-99-2, Oct. 14 (36 pages).

Although state governments and private payers, such as private health insurance and charitable groups, share in the financing of medical care for people with HIV and AIDS, the federal government now picks up the tab for more than half the cost of this care. Much of the more than \$5 billion in estimated federal spending for treatment in fiscal year 1998 will go for prescription drugs. Recent developments in HIV and AIDS treatment, especially the new combination drug therapies, are expected to increase demand for federal and state funding. Combination drug therapy costs about \$10,000 per patient annually. More than half of the 240,000 people with AIDS in the United States are believed to be receiving combination drug therapies that include a protease inhibitor and other drugs. GAO estimates that at least 67,500 AIDS patients on Medicaid have been receiving combination drug therapy in 1998. Data are meager on individuals who are HIV positive but do not have AIDS, but state AIDS Drug Assistance Programs (ADAP) reported that a great majority of their clients were receiving combination therapy in 1998. To stretch available funds and maximize the number of clients they are able to serve, ADAPS are buying drugs at a discount and trying to ensure that clients who are eligible for Medicaid are, in fact, enrolled in the program. Nonetheless, some ADAPS have had to restrict enrollment or limit benefits. Other factors, such as evolving standards of care, the long-term effectiveness of current

therapies, and new research developments, also influence projections of the impact of new drug therapies on federal and state government programs. The effect of the demand for the new combination therapies is difficult to estimate, but ADAPS will likely experience greater financial pressure than Medicare in caring for people with AIDS or HIV who seek assistance.

Correspondence

Drug Treatment: Overview of Federal Programs. [GAO/HEHS-98-237R](#), Sept. 3.

Results Act: Biomedical Research in HHS' Fiscal Year 1999 Performance Plan. [GAO/HEHS-98-210R](#), Sept. 11.

Medicare Managed Care: Payment Rates, Local Fee-for-Service Spending, and Other Factors Affect Plans' Benefit Packages. [GAO/HEHS-99-9R](#), Oct. 9.

Housing

Multifamily Housing: Progress Made in Establishing HUD's Office of Multifamily Housing Assistance Restructuring

[GAO/RCED-99-5](#), Oct. 27 (42 pages).

The Department of Housing and Urban Development's (HUD) permanent "mark-to-market" program was recently established to restructure the agency's multifamily portfolio of insured Section 8 housing projects. The program will, if necessary, reset rents and reduce mortgage debt to permit a positive cash flow. Rents for many HUD-assisted and -insured multifamily housing projects substantially exceed the market level, which results in higher subsidies under the Section 8 program. HUD received \$3.8 billion for Section 8 project-based subsidies in fiscal year 1998. This report discusses the development of HUD's Office of Multifamily Housing Assistance Restructuring, which runs the mark-to-market program. GAO focuses on (1) the Office's organization and staffing and how it relates to HUD's overall structure, (2) whether it is on schedule to meet its key operational and reporting requirements, (3) the procedures and systems it will use to oversee the program's implementation, (4) the status of projects included in three mark-to-market demonstration programs and how HUD is using the information gathered from these programs, and (5) the actions it has taken to obtain information and feedback from parties affected by the program.

Income Security

Correspondence

Employee Benefits: Status of the UMWA [United Mine Workers of America] Combined Benefit Fund. [GAO/HEHS-99-7R](#), Oct. 2.

Information Management

Bureau of the Public Debt: Areas for Improvement in Computer Controls

[GAO/AIMD-99-2](#), Oct. 14 (12 pages).

The Bureau of the Public Debt processes investments and redemptions of U.S. Treasury securities, makes interest payments, accounts for the resulting debt, and provides financial reports to the public and the federal government. The Bureau has implemented effective computer controls overall. However, GAO found some weaknesses in general controls involving access to data and programs, physical access, contingency planning, and security management. GAO also found weaknesses in the controls for two key Bureau financial applications maintained and operated at the data center in Parkersburg, West Virginia. The Bureau needs to further restrict system access rights and improve security monitoring. It also needs to ensure that established procedures are followed to prevent unauthorized deletion of exception reports. In most cases, the Bureau has corrected or is correcting the vulnerabilities GAO cited.

Federal Reserve Banks: Areas for Improvement in Computer Controls

[GAO/AIMD-99-6](#), Oct. 14 (13 pages).

The 12 Federal Reserve Banks have introduced effective computer controls overall. However, GAO found weaknesses in computer controls involving (1) access to systems, programs, and data, including unauthorized external access; (2) service continuity and contingency planning; and (3) access controls over some financial applications. Although these weaknesses do not pose significant risks to the financial systems of the Bureau of the Public Debt and the Financial Management Service, they do warrant attention from the Federal Reserve Banks to decrease the risk of inappropriate disclosure or modification of sensitive

information or disruption of critical operations. The Federal Reserve Banks have corrected or are correcting the vulnerabilities that GAO identified.

**Financial Management Service:
Areas for Improvement in Computer Controls**

GAO/AIMD-99-10, Oct. 20 (14 pages).

General computer control weaknesses at the Financial Management Service (FMS)—the government’s financial manager, central disburser, and collections agent—and its contractor data centers put its financial systems data at significant risk of unauthorized changes, disclosure, and loss. These weaknesses include (1) inappropriate access to computer programs, data, and equipment; (2) inadequate segregation of duties; (3) improper application software development and change control procedures; and (4) incomplete or untested service continuity and contingency plans. As a result, billions of dollars of payments and collections are vulnerable to fraud. FMS has corrected some of these weaknesses. However, it cannot guarantee that weaknesses will be detected and promptly corrected until it has an effective entitywide security management program.

**National Weather Service:
Sulphur Mountain Radar Performance**

GAO/AIMD-99-7, Oct. 16 (32 pages).

In 1994, the National Weather Service began to operate a Next Generation Weather Radar on Sulphur Mountain in Ventura County, California. A recent study by the Rose Institute of Claremont McKenna College concluded that the radar’s location prevented it from providing accurate and timely information to be used for warnings about flash floods and wind shear. This report determines whether the Sulphur Mountain Next Generation Weather Radar (1) can provide timely and accurate information for warnings about flash floods in nearby communities and (2) is intended to provide low-level data necessary to predict wind shear for Los Angeles International Airport.

**Year 2000 Computing Crisis:
Status of Efforts to Deal With Personnel Issues**

GAO/AIMD/GGD-99-14, Oct. 22 (25 pages).

Correcting the Year 2000 problem will be labor-intensive and time-consuming—and must be done while systems continue to operate. Many government agencies have expressed concern that critical information technology personnel needed to address the Year 2000 problem are unavailable. This report assesses workforce issues associated with the Year 2000 problem. GAO discusses (1) the nature and the extent of Year 2000 issues being reported by federal agencies and (2) the steps the government is taking to deal with reported federal personnel shortages related to the Year 2000 problem.

Testimony

Year 2000 Computing Crisis: The District of Columbia Faces Tremendous Challenges in Ensuring Vital Services Are Not Disrupted, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before the Subcommittee on the District of Columbia and the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform and Oversight, and the Subcommittee on Technology, House Committee on Science. [GAO/T-AIMD-99-4](#), Oct. 2 (15 pages).

Until this past June, the District of Columbia—lacking the structure and the resources—had made little progress in addressing the Year 2000 problem. The pace of the District’s Year 2000 effort has picked up considerably since then. The District hired a contractor to help remediate systems, created a Year 2000 program management office, assigned more resources, and began a more aggressive strategy to compensate for lost time. However, because the District is so far behind in dealing with the problem, the risk that critical processes could fail has greatly increased. It is vital that the District promptly identify its most important operations, determine which systems supporting them can be fixed before the Year 2000 deadline, and ensure that business continuity and contingency plans are developed for systems that will not be renovated in time.

Year 2000 Computing Crisis: Updated Status of Department of Education’s Information Systems, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Oversight and Investigations, House Committee on Education and the Workforce. [GAO/T-AIMD-99-8](#), Oct. 8 (24 pages).

GAO testified in September 1998 ([GAO/T-AIMD-98-302](#)) that the Department of Education faces significant risks in making its 14 mission-critical systems Year 2000 compliant. Key issues include the testing of systems, addressing

data exchanges with external partners, and producing business and contingency plans. This testimony describes (1) the renovation status of two mission-critical systems (the Federal Family Education Loan System and the Multiple Data Entry System) and the validation status of three other mission-critical systems (the Direct Loan Central Database, the Direct Loan Servicing System, and the National Student Loan Data System) and (2) the Year 2000 compliance status of the 167 mission-important and mission-supportive systems operated by the Department.

International Affairs

Bosnia Peace Operation: Mission, Structure, and Transition Strategy of NATO's Stabilization Force

[GAO/NSIAD-99-19](#), Oct. 8 (60 pages).

Recognizing the need for a continued international military force in Bosnia, the President announced in December 1997 that the United States would continue to take part in the NATO-led military force after June 1998, enabling the Bosnia peace operations' civilian aspects to proceed in a secure atmosphere. The operation's civilian aspects include efforts to return refugees to their homes across ethnic lines; develop democratic, multiethnic governments at all levels; and ensure that those indicted for war crimes are brought to justice. This report discusses (1) how the operations of NATO-led forces in Bosnia have changed since mid-1997, particularly support for the operations' civil aspects, and whether any of these changes have exceeded the force's defined mission; (2) the mission and force structure of the post-June 1998 follow-on force and the status of developing the force's new Multinational Specialized Unit; and (3) NATO's strategy for removing its forces from Bosnia.

Testimony

U.S. Export-Import Bank: Issues Raised by Recent Market Developments and Foreign Competition, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on International Relations. [GAO/T-NSIAD-99-23](#), Oct. 7 (18 pages).

Despite the recent downturn in the global economy, the United States remains the world's largest exporter of goods and services and is the leader in key sectors ranging from aerospace to telecommunications.

However, questions continue to be raised about the cost and the role of U.S. export promotion programs, such as those of the U.S. Export-Import Bank, and how they help exporters compete in emerging market economies. This testimony (1) reviews recent trends in the cost and the composition of the Eximbank's financing and (2) highlights key similarities and differences in international export finance programs.

Justice and Law Enforcement

Criminal Aliens: INS' Efforts to Remove Imprisoned Aliens Continue to Need Improvement

[GAO/GGD-99-3](#), Oct. 16 (39 pages).

The Immigration and Naturalization Service's (INS) efforts to identify potentially deportable criminal aliens in federal and state prisons and complete removal proceedings before their release have shown limited improvement since 1995, and GAO continues to have concerns about INS' Institutional Hearing Program (IHP). In 1995, INS' database of deportable aliens lacked records on 34 percent of the released inmates included in GAO's analysis who had been identified by the states and the Bureau of Prisons as foreign born. About 32 percent of these were later determined to be potentially deportable criminal aliens. In 1997, INS lacked records on 36 percent of such aliens, 27 percent of whom were found to be potentially deportable criminal aliens. In GAO's analysis of 1997 data, 63 percent of the potentially deportable criminal aliens for whom INS lacked records were identified as being aggravated felons. This is significant because federal law requires INS to begin removal proceedings for aggravated felons while they are imprisoned and to complete deportation proceedings for these felons before their release. In 1995, INS did not complete the IHP before prison release for 57 percent of the potentially deportable criminal aliens for whom INS had records; as a result, the agency spent about \$37 million on avoidable detention costs. Two years later, INS did not complete the IHP for half of these aliens; the avoidable detention costs totaled \$40 million. Congress has urged INS to fully implement GAO's recommendation for improving the IHP. As of September 1998, INS had made limited progress in doing so.

Drug Control: Information on High Intensity Drug Trafficking Areas Program

[GAO/GGD-98-188](#), Sept. 3 (50 pages).

The High Intensity Drug Trafficking Areas Program run by the Office of National Drug Control Policy (ONDCP) coordinates federal, state, and local efforts to combat drug trafficking in critical areas of the United States. ONDCP requires each high intensity drug trafficking area to (1) assess drug threats within its geographic area, (2) prepare strategies and initiatives to address these threats, (3) develop a proposed budget to accomplish its initiatives, and (4) prepare an annual report on its accomplishments. Each high intensity drug trafficking area is allowed to tailor its own program to address local needs. For example, one area has a substantially greater treatment and prevention component than the others because it is a major distribution center with a large number of hard-core drug abusers. The program has grown substantially since its inception, from the original five areas in 1990 to 20 in 1998. The number of headquarters staff overseeing the program has also grown—from one in 1991 to six today. ONDCP has made some progress in developing approaches to evaluate the program's effectiveness, but more work remains. Total budget authority for the program rose from \$25 million in 1990 to about \$162 million in 1998. Headquarters officials and three area directors said that the program has underscored the value of collocation and intelligence-sharing among federal, state, and local law enforcement officials.

**INS User Fee Revisions:
INS Complied With Guidance but Could Make Improvements**

[GAO/GGD-98-197](#), Sept. 28 (24 pages).

The Immigration and Naturalization Service (INS) is authorized to charge user fees to recipients of certain INS services (e.g., processing an alien's application for naturalization). These fees are to recover the agency's costs to provide the services. On the basis of a 1997 study, INS proposed increasing the fees that it charges users for many of its services. Some of these fees would more than double under a final INS rule issued in August 1998. INS collected and deposited about \$624 million in application fees into the Immigration Examinations Fee Account in fiscal year 1997. This report examines (1) the extent to which INS' methodology for computing the proposed application fees complied with federal user fee requirements and used generally accepted statistical sampling procedures and (2) whether INS recognized implemented and proposed changes to the naturalization process in its application fees.

**Firearm Safety Locks:
Federal Agency Implementation of the Presidential Directive**

GAO/GGD-98-201, Sept. 30 (22 pages).

A March 1997 presidential directive requires federal agencies to develop policies requiring that safety locks accompany each handgun issued to federal law enforcement officers. Agencies must also inform all federal law enforcement officers of the policy and provide instructions for the proper use of the devices. In May 1997, the White House issued a memorandum clarifying that the directive covers all firearms, not just handguns. These measures are intended to reduce unauthorized use of firearms and protect children from injury and death. This report answers two questions: (1) How many firearms have been issued to or are used in an official capacity at selected federal law enforcement organizations? (2) How have selected federal law enforcement organizations implemented the presidential directive?

National Defense

**Gender Issues:
Information on DOD's Assignment Policy and Direct Ground
Combat Definition**

GAO/NSIAD-99-7, Oct. 19 (21 pages).

About 221,000 of the military's 1.4 million jobs are closed to women, who comprise 14 percent of the armed services. Nearly half of these positions are closed because of a Defense Department (DOD) policy excluding women from direct ground combat. The rest of the positions are closed because they are collocated and operate with direct ground combat units, are located on ships where it would be too expensive to provide appropriate living quarters for women, or are in units that conduct special operations and long-range reconnaissance missions. GAO found no positions closed to women because of job-related physical requirements. DOD's rationale for excluding women from direct ground combat units or occupations is similar to its rationale when it first formalized the combat exclusion policy in 1994. At that time, DOD officials did not consider changing the long-standing policy because they believed that integrating women into direct combat units lacked both congressional and public support. At a 1994 press briefing, DOD officials said that assigning women to direct ground combat units "would not contribute to the readiness and effectiveness of those units" because of physical strength, stamina, and

privacy issues. At the time of GAO's review, DOD had no plans to reconsider the ground combat exclusion. DOD's definition of direct ground combat includes a statement that ground combat forces are "well forward on the battlefield." This statement, however, does not reflect the less predictable nature of emerging post-Cold War military operations that may not have a well-defined forward area on the battlefield. If this trend continues, DOD's definition of direct ground combat may become less and less descriptive of actual battlefield conditions.

**Environmental Protection:
DOD Management Issues Related to Chaff**

[GAO/NSIAD-98-219](#), Sept. 22 (29 pages).

Chaff, aluminum-coated glass fibers spread by planes, ships, and ground vehicles to evade enemy radar, has been used by the military since World War II. Members of Congress have raised concern about the Defense Department's continued use of this material without adequate knowledge of its long-term environmental effects. This report discusses (1) the extent and locations of chaff use, (2) its reported known and potential effects, and (3) initiatives to address chaff's unintended effects.

**Environmental Cleanup:
DOD's Implementation of the Relative Risk Site Evaluation Process**

[GAO/NSIAD-99-25](#), Oct. 7 (34 pages).

The Defense Department (DOD) uses a relative risk site evaluation process to allocate about \$2 billion annually to clean up contaminated sites posing the greatest risk to human health and the environment. DOD estimates that it will spend about \$27 billion beginning in fiscal year 1998 to complete the cleanup of contaminated sites. This report discusses (1) the extent to which DOD has issued uniform relative risk site evaluation guidance and the application of the guidance by the defense components and (2) whether the relative risk site evaluation process provided data that enabled the defense components to categorize sites and prioritize required work.

**Military Base Closures:
Questions Concerning the Proposed Sale of Housing at Mather Air
Force Base**

GAO/NSIAD-99-13, Oct. 8 (28 pages).

This report reviews the proposed negotiated sale of 1,271 surplus family housing units at Mather Air Force Base, California, to the Sacramento Housing and Redevelopment Agency. The housing units at Mather have been vacant since 1993, when the base closed, and are in varying degrees of disrepair. GAO discusses whether (1) the Air Force's attempts to obtain competition satisfied the requirements of the Federal Property Act; (2) the disposal at Mather meets the test of a public benefit given that the Sacramento Housing and Redevelopment Agency plans to transfer ownership immediately to a private developer; (3) the Air Force, contrary to General Services Administration policy and applicable laws, disclosed the appraised value of the family housing property to prospective buyers; (4) the Air Force allowed a developer's representative to participate in negotiations between the Air Force and the Agency; and (5) evidence exists that the property has a higher fair market value than the proposed sale price.

**Military Safety:
Analysis of DOD's On-duty Non-aviation Accident Fatalities**

GAO/NSIAD-99-14, Oct. 16 (25 pages).

Military vehicles were the leading cause of the 1,108 Defense Department (DOD) military personnel deaths attributable to on-duty, non-aviation accidents from 1988 to 1996. Other causes for the fatalities included accidents with explosives and weapons, parachuting, physical training, and other ground and sea activities. Military training activities were involved in 500 of the 1,108 on-duty accidental deaths. DOD's on-duty, non-aviation accident fatality rate declined about 42 percent between 1988 and 1996, from 4.3 to 2.5 deaths per 100,000 non-aviation military personnel. This decline is largely due to a decrease in the DOD vehicle accident fatality rate.

**Federal Surplus Ships:
Government Efforts to Address the Growing Backlog of Ships
Awaiting Disposal**

GAO/NSIAD-99-18, Oct. 22 (20 pages).

The government now has a backlog of about 200 surplus ships waiting to be scrapped. This backlog has grown by about 65 percent since 1994, and little progress has been made to reduce it. Many of the ships to be scrapped are more than 50 years old, and it costs millions of dollars each year to maintain them. Key factors contributing to the backlog are the Navy's downsizing following the collapse of the Soviet Union, the unavailability of overseas scrapping, and a shortage of qualified domestic scrappers. Federal agencies have taken several steps to address performance issues associated with domestic scrapping. Because contractor noncompliance with environmental and worker safety requirements was a major concern, several of the initiatives call for increased screening and oversight of contractors. Other initiatives are designed to attract more qualified domestic bidders. It is too early to assess the impact of these initiatives because few ships have been scrapped since their implementation. An interagency panel made additional recommendations in April 1998 for addressing domestic and overseas scrapping issues. However, it only generally addressed government actions to expand the domestic industry and the scrapping of federal ships overseas. Furthermore, the process for deciding whether to accept and implement the panel's recommendations is informal.

Testimony

Combating Terrorism: Observations on the Nunn-Lugar-Domenici Domestic Preparedness Program, by Richard Davis, Director of National Security Analysis Issues, before Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. GAO/T-NSIAD-99-16, Oct. 2 (17 pages).

The Nunn-Lugar-Domenici Domestic Preparedness Program, led by the Defense Department (DOD), provides training and equipment to help U.S. cities respond to possible terrorist attacks that involve weapons of mass destruction. This testimony discusses the program's objectives and costs, the training that DOD is providing to local emergency response personnel, how the program is structured and designed, the equipment segment of DOD's program, and the interagency coordination of this and related

programs. GAO also provides observations on the congressional committee structure for oversight of counterterrorism and other crosscutting issues.

DOD Budget: Substantial Risks in Weapons Modernization Plans, by Richard Davis, Director of National Security Analysis Issues, before the Subcommittee on Military Procurement and Research and Development, House Committee on National Security. [GAO/T-NSIAD-99-20](#), Oct. 8 (16 pages).

Despite reductions in military and civilian personnel, force structure, and facilities in recent years, the Defense Department (DOD) has been unable to follow through with planned funding increases for weapons modernization. This has occurred, in part, because DOD has not shifted funds from infrastructure to modernization. DOD has adjusted the 1999 Future Years Defense Program to decrease the risk that funds would migrate from procurement to unplanned operating expenses. However, the 1999-2003 program, like previous programs, is based on optimistic assumptions about savings and procurement plans. Optimistic planning assumptions lead to far too many programs for the available dollars. They also provide an unclear picture of defense priorities because tough decisions and trade-offs are avoided. In order for DOD to have an efficient and effective program and for Congress to properly exercise its oversight responsibilities, it is critical that DOD present realistic assumptions and plans in its future budgets.

Social Services

Child Welfare: Early Experiences Implementing a Managed Care Approach

[GAO/HEHS-99-8](#), Oct. 21 (104 pages).

Faced with escalating costs and a poorly integrated patchwork of services, state and local child welfare agencies are considering new strategies to meet the needs of the nearly 1 million abused and neglected children in the child welfare system. Managed care in child welfare, like its counterpart in health care, is seen as a way to improve access to care while controlling costs. By coordinating the delivery of only those services that are necessary and appropriate, managed care strives to reduce the inefficiencies of the traditional fee-for-service system while providing quality care. Nationwide, public child welfare agencies have implemented managed care projects in 13 states, with new initiatives planned in more than 20 others. Currently, only about four percent of the nation's child welfare cases are being served under managed care. In general, public

agencies have contracted with experienced nonprofit, community-based providers to implement managed care initiatives. The majority of ongoing child welfare managed care initiatives have established a capitated payment system. As more public child welfare agencies move toward managed care, public officials and their private contractors face several challenges. First, as they develop and implement a capitated payment method, agencies need to find ways to maintain adequate cash flow. Second, agencies face the difficult task of developing sound management information systems, which are critical to establishing an appropriate capitated payment rate and a performance-based monitoring system. Third, both public and private agencies face new responsibilities as some traditionally public functions shift to the private sector and new roles emerge.

Reports on Agency Rules

GAO's Office of the General Counsel regularly issues legal decisions and opinions, reports on major rules issued by federal agencies prior to their implementation, and decisions resolving bid protests. These documents are posted daily and may be downloaded from GAO's home page on the World Wide Web (<http://www.gao.gov>).

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Department of Agriculture, Animal and Plant Health Inspection Service: Solid Wood Packing Material From China. [GAO/OGC-99-2](#), Oct. 2.

Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting: Migratory Bird Hunting Regulations on Certain Federal Indian Reservations and Ceded Lands for the 1998-99 Late Season. [GAO/OGC-99-6](#), Oct. 15.

Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting; (1) Final Frameworks for Late-Season Migratory Bird Hunting Regulations; (2) Late Seasons and Bag and Possession Limits for Certain Migratory Game Birds. [GAO/OGC-99-5](#), Oct. 14.

Environmental Protection Agency: Hazardous Waste Management System; Identification and Listing of Hazardous Waste; Petroleum Refining Process Wastes; Land Disposal Restrictions for Newly Identified Wastes; and CERCLA Hazardous Substance Designation and Reportable Quantities. [GAO/OGC-99-7](#), Oct. 19.

Environmental Protection Agency: Revision of Standards of Performance for Nitrogen Oxide Emissions From New Fossil-Fuel Fired Steam Generating Units; Revisions to Reporting Requirements for Standards of Performance for New Fossil-Fuel Fired Steam Generating Units. [GAO/OGC-99-1](#), Oct. 1.

Federal Communications Commission: Geographic Partitioning and Spectrum Disaggregation for the 220-222 MHz Service. [GAO/OGC-98-77](#), Sept. 29.

Federal Communications Commission: Implementation of Competitive Bidding for Commercial Broadcast and Instructional Television Fixed Service Licenses. [GAO/OGC-98-76](#), Sept. 28.

Federal Communications Commission: Installment Payment Financing for Personal Communications Services Licensees. [GAO/OGC-99-3](#), Oct. 2.

Nuclear Regulatory Commission: Financial Assurance Requirements for Decommissioning Nuclear Power Reactors. [GAO/OGC-99-4](#), Oct. 9.

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