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# MONTH IN REVIEW: NOVEMBER 1998

## Reports, Testimony, Correspondence, and Other Publications

### Highlights

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**Internal Revenue Service:** Physical Security Over Taxpayer Receipts and Data Needs Improvement. Page 23.

**Year 2000 Computing Crisis:** A Testing Guide. Page 28.

**U.S. Postal Service:** Development and Inventory of New Products. Page 7.

**Coast Guard's Acquisition Management:** Deepwater Project's Justification and Affordability Need to Be Addressed More Thoroughly. Page 26.

**Military Prepositioning:** Army and Air Force Programs Need to Be Reassessed. Page 13.

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# Month in Review: November 1998

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## Agriculture and Food

### **Dairy Industry: Information on Prices for Fluid Milk and the Factors That Influence Them**

GAO/RCED-99-4, Oct. 8 (180 pages).

Retail sales of fluid drinking milk in the United States total about \$19 billion annually. Several entities are involved in moving milk from the dairy farm to the consumer. A portion of the retail price of a gallon of fluid milk is received by farmers, dairy cooperatives, wholesalers, and retailers for their roles in producing, processing, and marketing fluid milk. This report provides information on (1) the factors that influence the price of fluid milk as it moves from the farm to the consumer; (2) the portion of the average retail price of a gallon of fluid milk that is received by farmers, cooperatives, wholesalers, and retailers in selected markets across the country; (3) changes in farm and retail prices and their effect on the farm-to-retail price spread—the difference between the retail and the farm price; (4) the way changes in prices at any given level in the milk-marketing chain are reflected in changes in prices at the other levels; and (5) different retail pricing relationships that exist in selected markets among the four kinds of milk—whole, two-percent, one-percent, and skim.

### **U.S. Agricultural Trade: Canadian Wheat Issues**

GAO/NSIAD-99-21, Oct. 16 (110 pages).

U.S.-Canadian grain trade has been a source of contentious debate between the two countries during the past dozen years as Canadian wheat exports to the United States have increased. Some U.S. grain industry participants and observers have been concerned about this increase, partly because grain sales are handled differently in the two countries. In the United States, private grain companies compete to buy and sell grain. In Canada, most of the grain trade is handled by the Canadian Wheat Board, a government-backed entity, to which western Canadian farmers must sell their wheat and barley for domestic human consumption or export. Some critics charge that the Canadian Wheat Board engages in unfair trade practices. This report discusses (1) the Board's operations, government assistance to the Board and the Canadian farmer, and ongoing changes to the environment in which the Board operates; (2) the availability of data to ascertain the Board's pricing practices and efforts to increase the amount of data available; and (3) the nature of trade remedies

available to address the operations of state trading enterprises and the frequency with which these remedies have been applied to state trading enterprises. GAO also provides information on the Board's role in the commodities and futures markets, a summary of studies on the Board's effect on the Canadian farmer, and the applicability of U.S. antitrust laws to the Board.

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## Economic Development

### **Community Development: Progress on Economic Development Activities Varies Among the Empowerment Zones**

[GAO/RCED-99-29](#), Nov. 25 (38 pages).

In 1993, Congress authorized the 10-year Empowerment Zone and Enterprise Community Program to help distressed communities develop comprehensive approaches for dealing with their social and economic problems. In December 1994, more than 100 communities were designated as federal empowerment zones and enterprise communities. These communities will receive about \$1 billion in federal grants, as well as tax benefits for businesses in the communities. Last year, Congress authorized the designation of 22 additional empowerment zones, two of which—Los Angeles and Cleveland—the administration has already designated. This report (1) examines the progress made by federal empowerment zones in implementing the program, (2) describes the steps taken by two responsible federal agencies—the Department of Housing and Urban Development and the Department of Agriculture—to monitor and evaluate the existing zones' progress, and (3) describes the status of steps to designate the second group of empowerment zones. GAO focuses on six zones—three urban (Atlanta, Baltimore, and New York City) and three rural (the Rio Grande Valley, the Kentucky Highlands, and the Mississippi Mid-Delta), all of which were designated in 1994.

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## Education

### **Elementary and Secondary Education: Ed-Flex States Vary in Implementation of Waiver Process**

[GAO/HEHS-99-17](#), Nov. 13 (31 pages).

Many Americans view the nation's public elementary and secondary schools as average at best. With many students graduating without the skills sought by employers, dissatisfaction with the educational system has

fueled calls for reform. Some educators and legislators believe that providing more regulatory flexibility to educators at the state and local levels will enable local school districts to direct more resources to the classroom and to adopt more innovative instructional approaches. In response, Congress established the Education Flexibility Partnership Demonstration Act (Ed-Flex) in 1994. Under Ed-Flex, the Department of Education authorized 12 states to grant waivers from federal requirements to their local school districts. Recent proposals would expand the number of states participating in Ed-Flex and the range of federal requirements that could be waived. This report (1) describes the scope of Ed-Flex and how it works, (2) describes the criteria that states must meet to participate in Ed-Flex and identifies the extent to which states not currently participating satisfy these criteria, (3) identifies the number and the type of waivers that Ed-Flex states have granted to their local school districts, (4) discusses participating states' views on the usefulness of Ed-Flex, and (5) identifies issues for ensuring accountability if Ed-Flex is continued or expanded.

**Goals 2000:  
Flexible Funding Supports State and Local Education Reform**

[GAO/HEHS-99-10](#), Nov. 16 (32 pages).

Despite broad consensus that the nation's schools need higher learning standards and other reforms, there is substantially less agreement about who should be involved in setting the agenda for reform. In 1994, Congress passed the Goals 2000: Educate America Act, which provides grants to state and localities for systemic education reform efforts. Controversy about the extent to which the federal government should be involved in education policy led Congress to amend the act in 1996 to reduce the requirements that states would have to meet to obtain Goals 2000 funding. In fiscal years 1994 through 1997, the Department of Education provided more than \$1.25 billion in formula-based grants to states under Goals 2000 for the purpose of systemic education reform. The program requires that 90 percent of the funds be awarded as competitive subgrants to local school districts. This report discusses (1) how Goals 2000 funds have been spent at both the state and local levels, including the levels of funding to develop standards and assessments as well as health education, and (2) how state and local officials view Goals 2000 as a way to promote education reform.

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Correspondence

Student Loans: Improvements in the Direct Loan Consolidation Process.  
[GAO/HEHS-99-19R](#), Nov. 10.

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Employment

**Jobs Corps:  
Links With Labor Market Improved but Vocational Training  
Performance Overstated**

[GAO/HEHS-99-15](#), Nov. 4 (40 pages).

The Labor Department spends about \$1 billion on the Jobs Corps program each year to job train severely disadvantaged youths. Labor has several efforts to foster the program's employer and community linkages to help ensure that its vocational training is appropriate to local labor markets and relevant to employers' needs. However, Jobs Corps' data on the extent to which participants complete vocational training and obtain training-related jobs are misleading and overstate the program's results. GAO found that only 14 percent of program participants actually completed all the requirements of their vocational training curricula. At five Job Corps centers GAO visited, the validity of about 41 percent of the job placements reported by Labor to be training-related was questionable. At one center, Labor reported that several participants receiving clerical training had gotten jobs as bank tellers, even though they actually worked at fast food restaurants, retail stores, and a gas station. GAO also found that about one third of Job Corps' vocational training has been provided under sole source contracts awarded to national labor and business organizations for more than 30 years. In GAO's opinion, Labor has not adequately justified procuring these training services noncompetitively.

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Environmental  
Protection

**Environmental Protection:  
EPA's Progress in Closing Completed Grants and Contracts**

[GAO/RCED-99-27](#), Nov. 20 (26 pages).

More than 70 percent of the Environmental Protection Agency's (EPA) budget is used to award grants and contracts. Once a grant or contract is completed or terminated and once the applicable budget or project period has expired, the agency must determine if the required work was completed and then close out the project, which includes making any final payments due the recipient. One of the primary purposes of closing out grants and contracts is to ensure that any unliquidated obligated funds are

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recovered and used for environmental programs. These unliquidated funds represent millions of dollars that EPA could use to fund other environmental programs. The timely closeout of grants and contracts is a long-standing problem for EPA. EPA has developed several initiatives to reduce the number, or backlog, of inactive grants and contracts requiring closeout. This report discusses (1) EPA's efforts to close out inactive grants and contracts; (2) EPA's progress in reducing the number of inactive grants and contracts, including the number of remaining inactive grants and contracts, and the dates by which they are expected to be closed out; and (3) the amount of unliquidated obligations for inactive grants and contracts.

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## Financial Institutions

### **Money Penalties: Securities and Futures Regulators Collect Many Fines but Need to Better Use Industrywide Data**

[GAO/GGD-99-8](#), Nov. 2 (39 pages).

The Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), and securities and futures self-regulatory organizations levy fines on firms and individuals that have violated securities and futures laws and regulations and self-regulatory organizations' rules. These organizations use fines to remedy current violations and deter future ones. This report discusses (1) the extent to which SEC, CFTC, and self-regulatory organizations collected fines, (2) the guidance they used to determine fine amounts, and (3) how SEC and CFTC assess the appropriateness of fines across their respective industries.

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## Correspondence

The Results Act: Observations on the Federal Reserve's 1998-99 Biennial Performance Plan. [GAO/GGD-99-9R](#), Nov. 9.

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## Financial Management

### **Excise Taxes: Internal Control Weaknesses Affect Accuracy of Distributions to the Trust Funds**

[GAO/AIMD-99-17](#), Nov. 9 (32 pages).

The Internal Revenue Service (IRS) lacks adequate controls over its process for certifying excise taxes for distribution to the federal government's trust funds. IRS failed to detect (1) taxpayer mistakes in preparing excise tax returns and (2) its own errors when entering tax return information in its master files and when preparing excise tax certifications. As a result, trust funds did not receive the appropriate amount of excise tax revenue. These errors are particularly important to the Highway Trust Fund, which receives more than half of the excise taxes that are accounted for by IRS. IRS has taken some steps to improve controls over the excise tax certification process. GAO recommends strengthening IRS' verification and review procedures to help ensure that trust funds receive the appropriate allocation of revenue.

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## Correspondence

Financial Management: Senate Observations and Counts. [GAO/AIMD-99-30R](#), Oct. 30.

[Congressional Questions About GAO Audits of] Independent Counsel [Kenneth W. Starr]. [GAO/AIMD-99-36R](#), Nov. 17.

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## Government Operations

### **U.S. Postal Service: Development and Inventory of New Products**

[GAO/GGD-99-15](#), Nov. 24 (61 pages).

The U.S. Postal Service has developed an array of new products in recent years, such as Global Priority Mail, prepaid phone cards, and retail merchandise. Some Members of Congress contend that the Postal Service is unfairly expanding its product line to compete in nonpostal markets and have introduced legislation to curtail such activity. Some private sector companies have also raised concerns that the Postal Service could use its governmental status to an unfair advantage when introducing products that compete with private sector companies. This report (1) identifies the statutory and regulatory authorities and constraints covering all major groups of new products, (2) identifies the potential impact that H.R. 22 and

the Postal Service's proposed reform legislation could have on new products, and (3) discusses the Postal Service Marketing Department's new product development process and determines, for three products, how closely that process was followed. GAO found that during fiscal years 1995, 1996, and 1997, the Service marketed, or had under development, 19 new products that had been publicly announced. Three of these new products involved strategic alliances with other businesses. As of July 1998, the Service had discontinued five of the new products and was considering discontinuing another. Total revenues and expenses for the 19 products from inception through fiscal year 1997 were \$148.8 million and \$233.5 million, respectively. During the first three quarters of fiscal year 1998, Service officials said that four of the 19 new products had produced revenues that exceeded expenses. GAO notes that it may not be reasonable to expect all new products to become profitable in their early years, because new products generally take several years to become established and recoup their start-up costs.

**District of Columbia:  
Metropolitan Police Department's Use of \$15 Million Appropriation**

GAO/AIMD-99-21, Nov. 13 (21 pages).

This report examines expenditures made by the District of Columbia Metropolitan Police Department using \$15 million appropriated by Public Law 104-134, 110 Stat. 1321-12. GAO discusses (1) whether the funds have been spent according to the police department's spending plan, (2) the time frame involved in spending the money, and (3) whether the items bought with the funds were received and distributed to the appropriate offices.

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Correspondence

Decennial Census: Additional Information for Hearing Record on the Initial Results of the Census Dress Rehearsal. GAO/GGD-99-5R, Nov. 20.

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Housing

**Assisted Housing:  
Occupancy Restrictions on Persons With Disabilities**

GAO/RCED-99-9, Nov. 12 (30 pages).

The Housing and Community Development Act of 1992 allows the owners of federally assisted housing projects to establish occupancy policies that

favor elderly tenants over nonelderly tenants with disabilities. These owners are not required to obtain approval from the Department of Housing and Urban Development (HUD) before imposing such a restriction, nor to notify HUD once the restrictions occurs. As a result, little information is available on the law's effect. However, concerns have been raised that the law may make it harder for nonelderly persons with disabilities to obtain affordable housing. Since fiscal year 1997, Congress has appropriated funds for new Section 8 rental housing certificates and vouchers for the exclusive use of nonelderly persons with disabilities. This report discusses (1) the extent to which the occupancy policies of eligible projects restrict occupancy to the elderly and the portion of units in eligible projects actually occupied by nonelderly persons with disabilities and (2) the use of Section 8 certificates and vouchers to help nonelderly persons with disabilities affected by the act.

**Native American Housing:  
Information on HUD's Funding of Indian Housing Programs**

GAO/RCED-99-16, Nov. 30 (63 pages).

The Department of Housing and Urban Development (HUD) has traditionally providing housing assistance to Native Americans through many of the same programs that serve low-income families. However, the Native American Housing Assistance and Self-Determination Act of 1996 separated Indian housing from public housing programs. Under the act, federal housing assistance to Indian tribes is to be provided in a manner that recognizes the tribes' right of self-determination and self-governance, offering tribes the greatest flexibility to plan, implement, and run their own unique housing programs. Moreover, the act replaced most of the existing Indian housing assistance programs with a single block grant program. This report answers the following questions: (1) How did HUD allocate funding to Indian housing authorities and tribes before the act's enactment, and how much was appropriated for Indian housing programs in fiscal years 1993 through 1997? (2) What factors did HUD use to allocate Indian housing block grant funding to tribes and tribally designated entities, and did HUD consider current tribal housing needs, past tribal housing management performance, and the magnitude of unspent housing grant funding for incomplete housing projects? (3) What is the amount, type, and "age" of unspent funding for incomplete housing projects? (4) What is the status of HUD's Indian housing block grant funding for fiscal years 1998 and 1999?

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## Income Security

### **Pension Benefit Guaranty Corporation: Financial Condition Improving, but Long-Term Risks Remain**

GAO/HEHS-99-5, Oct. 16 (36 pages).

The Pension Benefit Guaranty Corporation (PBGC) insures the pensions of about 42 million participants in 45,000 private defined benefit pension plans. During 1997, PBGC paid \$824 million to retirees in plans that had terminated with insufficient assets to pay promised benefits. PBGC's financial condition has improved significantly in recent years. The agency has posted a surplus for the past two fiscal years—after having had a deficit for more than 20 years. The financial health of most insured, underfunded plans has also improved, but underfunding among some large plans continues to pose a risk to the agency. The improved financial condition of PBGC and the plans that it insures has resulted from better funding of underfunded plans and economic improvements, such as the extended national economic expansion and growth in the stock market. At this time, it is difficult to isolate the effects of the 1994 pension reform legislation on plan funding from other factors, such as the continued economic expansion. However, risks to the agency's long-term financial viability remain. PBGC is developing a new single-employer program forecasting model to estimate the probability of bankruptcies and terminations of underfunded plans under various economic conditions. In addition, PBGC has already improved its methodology for forecasting the financial status of the multiemployer program. PBGC has also improved its techniques for estimating its liability for plans that are likely to require future financial assistance and is now more closely monitoring the companies with underfunded plans that represent its biggest risks. Moreover, PBGC is strengthening its oversight through more audits of premium payments and audits of fully funded terminated plans and is working closely with plan sponsors to decrease regulatory and administrative burdens under the plan. Still, PBGC needs to continue its efforts to reduce the time it takes to assume control of terminated plans, improve the timeliness of final determinations of participants' benefits, and monitor the performance of contractors that assist PBGC in administering the insurance programs.

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Information  
Management

**Year 2000 Computing Crisis:  
Readiness of State Automated Systems to Support Federal  
Welfare Programs**

GAO/AIMD-99-28, Nov. 6 (30 pages).

The federal government has a huge vested interest in automated state and local systems that support welfare programs. Many of these systems must be renovated to make the transition to the year 2000. Unless renovated, many systems will mistake data referring to 2000 as meaning 1900. Such corrupted data—used by a locality or provided by it to its federal counterpart (or vice versa)—could seriously hinder an agency’s ability to provide essential services to the public. This report assesses the Year 2000 status of the state and local automated systems used in federal welfare programs. GAO (1) determines the reported status of systems used in Medicaid; Temporary Assistance for Needy Families; Women, Infants, and Children; food stamps; child support enforcement; child care; and child welfare programs, and the potential consequences of not modifying these systems in time for the Year 2000 change, (2) identifies Year 2000 guidance provided by federal agencies to the states, and (3) identifies any Year 2000 oversight and monitoring activities that the federal agencies have performed.

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Justice and Law  
Enforcement

**Abortion Clinics:  
Information on the Effectiveness of Access to Clinic Entrances Act**

GAO/GGD-99-2, Nov. 10 (108 pages).

In response to escalating violence against abortion clinics, Congress passed the Freedom of Access to Clinic Entrances Act of 1994, which made it a federal offense to engage in violent or obstructive conduct intended to interfere with people seeking or providing reproductive health services. A GAO survey found that most clinics experienced fewer types of incidents during the two years preceding the survey (April 1996 through March 1998) than they had in the two years before the act’s passage (June 1992 through May 1994). Most clinics indicated that picketing continued but involved fewer and more peaceful protesters. Most of those GAO contacted believed that the act had deterred or reduced abortion clinic incidents. Most police departments responding to the survey told GAO that following the act’s enactment they had taken steps to better prepare officers and clinics for potential incidents. Representatives of 31 of the 36

U.S. Attorney offices GAO surveyed reported that their districts had established abortion violence task forces, and 29 reported such accomplishments as improved coordination and communication. Most clinics were satisfied with both local and federal law enforcement. GAO identified 46 criminal and civil cases related to the act that were either completed or pending as of September 1998. Many of these cases raised constitutional challenges to the act, including freedom of speech and religious protection issues, which were all unsuccessful. Convictions were obtained in most of the reported criminal prosecutions under the act, and civil remedies were obtained in most of the civil lawsuits.

**Combating Terrorism:  
Opportunities to Improve Domestic Preparedness Program Focus  
and Efficiency**

GAO/NSIAD-99-3, Nov. 12 (52 pages).

The training and equipment that the Defense Department is providing to cities through the Domestic Preparedness Program have clearly increased cities' awareness of and should better prepare them to deal with a terrorist attack involving chemical or biological weapons. In designing the training and equipment program, DOD chose 120 cities solely on the basis of population. The decision resulted in 14 clusters of 44 cities within 30 miles of at least one other city selected. By dealing directly with cities, DOD did not build upon the states' existing emergency management and training structure. Had it used existing structures, such as counties, response regions, mutual aid agreements, or other similar arrangements that reflect how emergency response is actually organized, DOD could have consolidated training and equipment purchases to cover more jurisdictions in fewer locations than now planned, at less cost. DOD's loan of equipment in support of the training program has frustrated and confused local officials. DOD has established a five-year renewable loan agreement to govern the provision of about \$300,000 worth of equipment to each city. This agreement restricts the use of the equipment to training and requires the cities to maintain, repair, and replace the equipment, even though DOD program officials intended the loans to be permanent and will allow the use of equipment for operational purposes. The interagency coordination process provided a valuable information-sharing forum but was of limited success in helping steer the design and development of the program. Local officials in most of the cities GAO visited raised concerns that many training, equipment, and consequence management programs

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are evidence of a fragmented and possibly wasteful federal approach toward combating terrorism.

**Combating Terrorism:  
FBI's Use of Federal Funds for Counterterrorism-Related Activities  
(Fiscal Years 1995-98)**

GAO/GGD-99-7, Nov. 20 (48 pages).

The amount of funds allocated and obligated by the FBI for counterterrorism-related activities more than doubled from fiscal years 1995 through 1998—from \$256 million to \$581 million. During this period, Congress directed or provided guidance to the FBI on the use of about one quarter of these funds, and the FBI has generally followed this direction in obligating the money. Although neither GAO nor the FBI could precisely determine the amount of overall funds allocated and obligated by the FBI to carry out its counterterrorism mission, the FBI and the Justice Department have several efforts under way to better identify resources used by the FBI for counterterrorism-related activities. These include efforts to (1) specifically track certain counterterrorism funds; (2) calculate the overall amount of funds associated with counterterrorism-related activities, including shared costs; and (3) link the allocation of budget resources to annual and strategic plans, including specific counterterrorism-related performance measures. In addition, the FBI and the Justice Department plan to develop a methodology for reporting the full cost of program activities in compliance with established managerial cost-accounting standards.

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Correspondence

Federal Judiciary: Information on Cases Assigned to Senior Judges in Fiscal Year 1997 in Four Circuit Courts of Appeals. GAO/GGD-99-17R, Nov. 30.

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National Defense

**Military Positioning:  
Army and Air Force Programs Need to Be Reassessed**

GAO/NSIAD-99-6, Nov. 16 (72 pages).

The U.S. military stores, or prepositions, reserves of military equipment near possible war zones to help ensure that the items will be quickly available to U.S. troops in the event of a crisis. The Army and the Air Force have poorly defined, outdated, or otherwise questionable requirements in

the major programs that GAO reviewed. The precise readiness of the prepositioned stocks—and the impact of any shortfalls—are hard to determine because of the questionable requirements that underpin the programs and the poor information that the services use to manage the programs. Although the services are trying to address these problems, it may be years before they are resolved and readiness can be reliably assessed. The Army's positioning of brigade sets in Kuwait, Qatar, Korea, and afloat reflects DOD's current two-war strategy. However, the requirements for the three brigade sets in Europe are questionable. GAO found wide variations in the readiness of the individual brigade sets. The Kuwait set is at a high level of readiness, and the sets afloat in Korea and Qatar are improving as additional equipment is added to them. The readiness of the European sets is declining, however, and the Army has no immediate plans to fill equipment shortages caused by the transfer of equipment to units in, or returning from, Bosnia. Until the Army establishes valid requirements for these programs and improves inventory reporting, their readiness cannot be reliably and comprehensively reported. Similarly, the Air Force has not determined precise requirements for its bare base and vehicle programs. For example, the Air Force is storing more than 900 vehicles in Europe but has no current requirements for the vehicles to be stored there. The Air Force reported significant shortfalls in its prepositioning programs, and GAO found equipment in poor condition. The most significant shortfall reported by the Air Force is in the Persian Gulf bare base program; the program has less than one-third of the sets that the Air Force projects it would need for a major war there. At one location GAO visited, GAO found that more than 40 percent of the Air Force's aging vehicles were in poor condition and would need to be repaired before being used.

**Defense Acquisition:  
Advanced Concept Technology Demonstration Program Can  
Be Improved**

GAO/NSIAD-99-4, Oct. 15 (22 pages).

The Defense Department (DOD) launched the Advanced Concept Technology Demonstration Program in 1994 in response to the recommendations of the 1986 Packard Commission and a 1991 Defense Science Board study. The program is intended to determine the extent to which a given mature technology will improve military capabilities before entering the normal acquisition process and, by using mature technology, will reduce the length of time to develop and acquire weapons systems.

The Packard Commission concluded that defense acquisition could be improved significantly by emulating the practices of successful commercial companies. Accordingly, the Commission recommended building and testing prototypes to assess military utility and provide a basis for realistic cost estimates before committing to acquisition. The Defense Science Board study discussed the need for early dialogue between the potential system's user and producer for a proper analysis of costs, risks, and operational capability. This report discusses whether (1) the program's selection process includes criteria that are adequate to ensure that only mature technologies are chosen for prototypes and (2) guidance on transitioning to the normal acquisition process ensures that a prototype appropriately completes product and concept development and testing before entering production. GAO also assess DOD's current practice of procuring more prototypes than needed to assess the military utility of a mature technology.

**Army Modernization:  
The Warfighting Rapid Acquisition Program Needs More  
Specific Guidance**

GAO/NSIAD-99-11, Nov. 3 (24 pages).

The Army developed the Warfighting Rapid Acquisition Program (WRAP) to speed up the fielding of urgently needed new technologies to the soldier. WRAP is intended to help jump-start technologies that were still under development but nearing the production phase. Two years after the program was established, there is growing uncertainty about which technologies should receive priority for WRAP funding. The Army's criteria for candidates were open-ended and do not ensure that initiatives share a common set of characteristics. The Army may find it increasingly difficult to identify candidates that are sufficiently developed in the near future because it has reduced large-scale test and experimentation exercises and will thus have less data with which to assess new WRAP candidates. The Army has not presented its slate of WRAP candidates for congressional approval early enough in the fiscal year to permit the timely obligation of funds. This has led to delays in fielding because estimates were predicated on earlier availability of funds. Although some technologies may be fielded sooner because of WRAP, in most cases, the program will not speed up fielding as much as originally expected. The Army is required to report quarterly to Congress on the status of funding obligations, but so far it has not met this requirement. In GAO's view, Congress is being asked to make funding decisions without all the information that it needs.

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**Military Satellite Communications:  
Concerns With Milstar's Support to Strategic and Tactical Forces**

GAO/NSIAD-99-2, Nov. 10 (25 pages).

The Milstar system is intended to provide the President, the Secretary of Defense, and military commanders with a highly protected and survivable means of communications that would be operable worldwide and throughout all levels of military conflict. However, several limitations are associated with the Milstar system's capabilities to support strategic missions. First, operational testing showed that military commanders could not communicate by voice in a timely and intelligible manner when using the low data rate capabilities. Second, operational testing of the missile warning teletype network was planned, but not done, to verify that accurate and timely ballistic missile alert messages could be sent from the North American Aerospace Defense Command to other strategic command centers. Third, operational testing revealed a Milstar system endurance issue, associated with the nuclear bomber force, that must be resolved because of the requirement for continuous communications capabilities if the bomber force needed to be recalled or redirected. Fourth, testing showed that the configuration of peripheral equipment and its accompanying software have not been effectively controlled or fully certified to ensure communications interoperability with the Milstar system. The Defense Department (DOD) has identified corrective measures for these limitations, but final resolutions depend on approval of requirements, verification through testing, a certification process, or obtaining necessary funds. Regarding tactical missions, the Air Force has encountered schedule delays related to software development for a critical Milstar component that could adversely affect Milstar II's timely support to tactical forces. DOD has not provided assurance that the continuity of protected medium data rate satellite communications capabilities will be maintained for tactical forces after the four Milstar II satellites are launched.

**Defense Trade:  
Weaknesses Exist in DOD Foreign Subcontract Data**

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

The Pentagon uses contracting data to make decisions on defense procurement and defense industrial base issues. To ensure that the Defense Department (DOD) has sufficient contract data, Congress passed

legislation in 1993 requiring advance notification of contract performance outside the United States. Since 1982, DOD has required prime contractors and first-tier subcontractors to report subcontracts placed overseas that meet certain thresholds. In response to congressional concerns about trends in foreign sourcing and whether contractors are reporting their foreign subcontracts, this report examines DOD's foreign procurement data. GAO reviews DOD's reported trends on contracts performed outside the United States. GAO also evaluates DOD's use of foreign subcontract information and the completeness and accuracy of how DOD collects and manages its data.

**Military Bases:  
Review of DOD's 1998 Report on Base Realignment and Closure**

[GAO/NSIAD-99-17](#), Nov. 13 (52 pages).

The Defense Department's (DOD) report to Congress on the costs and savings attributable to base realignments and closures contained most but not all of the information required by law. For example, although DOD provided aggregate estimates of savings in support costs due to base closures and realignments, it did not provide this information by service, type of facility, and fiscal year. DOD concludes that the four prior rounds of base closures, taken in aggregate, are saving the military billions of dollars each year. However, because of data and records weaknesses, DOD's reports should be viewed as providing a rough approximation of costs and savings rather than a precise accounting. Because the methodology used to identify excess capacity has several limitations, DOD's report gives only a rough indication that excess capacity has increased relative to force structure since 1989. However, other DOD studies, statements by DOD officials, and prior GAO work support the report's general conclusion that DOD continues to retain excess capacity. DOD's analysis of operational and readiness indicators has shown no long-term problems affecting military capabilities that can be related to base realignment and closure actions. This conclusion is consistent with earlier GAO work. DOD's report emphasizes that communities affected by prior base realignment and closure actions appear to be rebounding economically. GAO also found this to be the case, although some communities are faring better than others.

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**Special Operations Forces:  
C-130 Upgrade Plan Could Help Fix Electronic  
Warfare Deficiencies**

[GAO/NSIAD-99-1](#), Nov. 13 (20 pages).

In response to congressional concerns that threats to the U.S. Special Operations Command's aircraft are increasing, while funds available for electronic warfare are decreasing, this report reviews the Command's acquisition strategy for aircraft electronic warfare systems. GAO focuses on fixed-wing C-130 aircraft operated by the Command's Air Force component, the Air Force Special Operations Command. GAO discusses (1) the soundness of the Air Force Special Operations Command's electronic warfare acquisition strategy and (2) the extent to which the Air Force Special Operations Command is correcting deficiencies and maximizing commonality in its electronic warfare systems. GAO also identifies funding sources that could help the Air Force Special Operations Command further implement its electronic warfare acquisition strategy.

**Gender Issues:  
Information to Assess Servicemembers' Perceptions of Gender  
Inequities Is Incomplete**

[GAO/NSIAD-99-27](#), Nov. 18 (53 pages).

GAO identified two major areas where studies indicate that servicemen and servicewomen perceive inequities: career opportunities and physical fitness and body fat standards. Some perceptions of inequality in career opportunities involve local assignment policies and practices established by unit commanders. Some women have raised concerns about being assigned to clerical and administrative jobs instead of positions requiring the technical skills in which they were trained. Some women also believe that they are being denied opportunities to serve in positions that are legally open to them because of perceived unjustified prerequisite requirements for a certain kind of experience, such as being in the infantry, that is closed to women. Researchers also found perceptions among some men and women that DOD's policy restricting women from occupations and units involved in direct ground combat affects their opportunities for promotions and career advancement. There is also a widespread perception that the existence of lower physical fitness standards for women amounts to a "double standard." However, the physical fitness program is actually intended only to maintain the general

fitness and health of military members and fitness testing is not aimed at assessing the ability to perform specific missions or military jobs. Consequently, DOD officials and experts agree that it is appropriate to adjust the standards for physiological differences among servicemembers by age and gender. Many military women have also raised concerns about the fairness of the service's body fat standards. For a more detailed discussion of this issue, see the following report ([GAO/NSIAD-99-9](#)).

**Gender Issues:  
Improved Guidance and Oversight Are Needed to Ensure Validity  
and Equity of Fitness Standards**

[GAO/NSIAD-99-9](#), Nov. 17 (49 pages).

The growing number of women in the armed forces—some in physically demanding jobs—has been accompanied by debate over fundamental issues, including whether the military's fitness standards are fair and appropriate to both sexes. Significant differences exist in the tests and standards that the military services use to measure physical fitness. Specifically, the services do not always adhere to Defense Department (DOD) guidance for fitness testing or, in some cases, interpreted the guidance differently. Adjustments to account for physiological differences by age and gender are, according to experts, appropriate for general fitness and health standards, and DOD guidance requires that gender-based adjustments be made. Although each of the services adjusts for gender, the degree of adjustment varies considerably. Inconsistent and sometimes arbitrary approaches to adjusting the standards have contributed to questions about the fairness of the standards applied to military men and women. Body fat standards are also questionable because of (1) differences in each service's equation for estimating body fat, resulting in estimates ranging between 27 and 42 percent for the same woman; (2) outdated measurement approaches that did not account for racial differences in bone density; and (3) changes in ethnicity and other population characteristics of the military that question whether the populations used to develop the equations represent today's military. Moreover, despite a clear requirement that all services test all personnel regardless of age, the Navy and, until recently, the Marine Corps, have exempted older personnel from fitness testing for years because of concerns about being able to retain senior leaders. DOD's guidance and oversight of the service physical fitness programs have been inadequate.

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**Army Industrial Facilities:  
Workforce Requirements and Related Issues Affecting Depots  
and Arsenals**

GAO/NSIAD-99-31, Nov. 30 (76 pages).

Because of personnel and workload reductions, the Army's depots and arsenals, which reported fiscal year 1998 employment at about 13,600 and revenues of about \$1,620 million, have faced greater uncertainty about workloads, funding, and staffing levels. This report examines workforce issues at Army depots and manufacturing arsenals, focusing on the depot in Corpus Christi, Texas. GAO discusses (1) the Army's basis for personnel reductions planned at its depots during fiscal years 1998-99; (2) the Army's progress in developing an automated system for making maintenance depot staffing decisions on the basis of workload estimates; (3) factors that may affect the Army's ability to improve the cost-effectiveness of its maintenance depot's programs and operations; and (4) workload trends, staffing, and productivity issues at the Army's manufacturing arsenals.

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**Natural Resources**

**Forest Service:  
Distribution of Timber Sales Receipts, Fiscal Years 1995  
Through 1997**

GAO/RCED-99-24, Nov. 12 (48 pages).

During fiscal years 1995 through 1997, the Forest Service collected about \$1.85 billion in timber sales receipts and distributed about 92 percent of this revenue to Forest Service funds or accounts set up for such purposes as reforestation, salvage sale preparation, and credits for roads that timber purchasers build. During this same period, the funds not otherwise distributed—about \$125 million—plus about \$29 million from the Roads and Trails Fund were deposited into the General Fund of the U.S. Treasury. To operate the timber program and to prepare and administer timber sales, the Forest Service spent about \$1.2 billion during fiscal years 1995 through 1997. Congress established an additional fund in April 1996 to be used to prepare future timber sales. Beginning in fiscal year 1996, Congress omitted appropriation language requiring that the moneys in the Roads and Trails Fund be deposited in the General Fund of the U.S. Treasury. Also, since fiscal year 1996, the Forest Service has been using a special appropriation provided by Congress for part of the required payments to the states affected by a substantial drop in the size of timber

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harvests as a result of listing the northern spotted owl as a threatened species. Also, beginning in fiscal year 1999, Congress eliminated the credit given purchasers for building roads.

**Recreation Fees:  
Demonstration Fee Program Successful in Raising Revenues but  
Could Be Improved**

GAO/RCED-99-7, Nov. 20 (116 pages).

Congress has for years raised concerns about the ability of the federal land management agencies to provide high-quality recreational opportunities to visitors. These agencies include the Park Service, the Fish and Wildlife Service, the Bureau of Land Management, and the Forest Service. The recreational fee demonstration program, authorized in 1996, allows these agencies to test new or higher fees to help address unmet needs for visitor services, repairs and maintenance, and resource management. This report reviews the demonstration program, focusing on (1) program implementation and fee revenues generated, (2) the program's expenditures, (3) the extent to which the agencies have used innovative or coordinated approaches to fee collection, and (4) the program's effects on visitation.

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**Science, Space, and  
Technology**

**Federal Research:  
The National Academy of Sciences and the Federal Advisory  
Committee Act**

GAO/RCED-99-17, Nov. 13 (19 pages).

The National Academy of Sciences, a private nonprofit institution, provides scientific, engineering, and medical advice to federal, state, and local governments; private industry; and nonprofit groups. In fiscal year 1997, the federal government provided about 85 percent—or \$145 million—of the Academy's funding. Committees that give advice to the federal government are generally subject to the Federal Advisory Committee Act of 1972. Congress passed the legislation because of concerns that such committees were proliferating without adequate review, oversight, or accountability. Among other things, the act requires that most meetings be open to the public and must be attended by a federal official. In response to Academy efforts to obtain legislative relief from the act, Congress excluded Academy committees from the definition

of “advisory committee” and added a new section 15 dealing with Academy advisory committees. That section precludes an agency from using the Academy’s advice or recommendations unless certain information is made available to the public—notice of committee appointments, minutes of closed meetings, copies of final committee reports, and the names of external reviewers of draft reports. This report (1) discusses why the Academy sought relief from the act, (2) describes the Academy’s committee procedures for providing advice to the federal government, and (3) discusses the Academy’s implementation of the new requirements for providing information to the public.

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## Social Services

### **Welfare Reform: Effects of Reduced Reimbursements on the Summer Food Service Program**

GAO/RCED-99-20, Nov. 10 (28 pages).

The Agriculture Department’s Summer Food Service Program provides free meals to needy children when school is not in session. In fiscal year 1997, more than 3,800 sponsors—mainly schools and camps—provided meals to more than 2 million children at a federal cost of about \$258 million. The reduction in meal reimbursements that resulted from the 1996 Welfare Reform Act had a minimal impact on the number and characteristics of the sponsors of the Summer Food Service Program. Despite the reduced reimbursements, the number of children and meals served in fiscal year 1997 were greater than in previous years. Some sponsors reported making changes to their program operations, including substituting less expensive foods for those previously served, such as replacing fresh fruit with fruit juices; reducing staff’s wages; and reducing the number of sites at which meals are served. Even with these changes, more sponsors reported that their operating costs exceeded their reimbursements from the federal government in fiscal year 1997 than in 1996. The limited impact on the number of sponsors, children, and meals served seen so far is due in part to the sponsors’ continuing contribution of funds to offset the lower reimbursements.

### **Domestic Violence: Prevalence and Implications for Employment Among Welfare Recipients**

GAO/HEHS-99-12, Nov. 24 (22 pages).

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Although studies on the prevalence of domestic violence among welfare recipients do not provide national estimates and vary substantially in terms of methodology and the samples studied, these studies consistently indicate that a sizable portion of welfare recipients have been or are victims of domestic violence. One study found that nearly 20 percent of the welfare recipients it surveyed had experienced domestic violence in the last year and about 65 percent had been victims of domestic violence at some point in their lives. Available research on the effect of domestic violence on the employment of welfare recipients and other low-income women paints a more complex picture. Some research indicates that welfare recipients and other low-income women who reported ever having been abused were employed at the same rates as those who had never been abused. But no studies compared employment rates among women currently in abusive relationships, as opposed to women who reported having been abused in the past, with employment rates of women who are not now in abusive relationships. However, several studies do identify potential negative effects of current domestic violence on victims' employment.

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Correspondence

Welfare Reform: Monitoring Required State Spending Levels.  
[GAO/HEHS-99-20R](#), Nov. 30.

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Tax Policy and  
Administration

**Internal Revenue Service:  
Physical Security Over Taxpayer Receipts and Data  
Needs Improvement**

[GAO/AIMD-99-15](#), Nov. 30 (33 pages).

The Internal Revenue Service's (IRS) controls over receipts and taxpayer data do not adequately reduce the vulnerability of the federal government and taxpayers to loss from theft. For example, employees were hired and worked in jobs requiring the handling of cash, checks, or sensitive taxpayer information before IRS received the results of these employees' required background and fingerprint checks. Of the 80 thefts IRS investigated at service centers from January 1995 to July 1997, 12 (15 percent) were committed by persons who had previous arrest records or convictions that were not identified prior to their employment and thus may have influenced IRS' decision to hire these persons. GAO also found weaknesses in the physical controls over service center and district office receipts. For example, at one service center receipts and returns were

stored in an uncontrolled hallway that individuals can enter unchallenged from an adjoining fitness center. GAO also found that single, unarmed couriers in ordinary civilian vehicles took IRS deposits totaling hundreds of millions of dollars to banks during the peak filing season. In fact, one courier left a deposit totaling more than \$200 million unattended in an open vehicle while he returned to the service center. At one district office, IRS used a bicycle messenger to deliver daily deposits ranging as high as \$100 million.

**Tax Administration:  
IRS' Problem-Solving Days**

GAO/GGD-99-1, Oct. 16 (26 pages).

In November 1997, the Internal Revenue Service (IRS) held the first in a series of problem-solving days in its 33 districts. Between November 1997 and July 1998, these events attracted more than 22,000 taxpayers, who met with IRS staff in an attempt to resolve their tax problems. IRS advertised its problem-solving days in national and local newspapers as well as in television and radio spots. Taxpayers and practitioners were urged to call in advance to schedule appointments to discuss their tax problems. Some taxpayers who called in advanced were able to resolve their problems over the phone. For taxpayers who scheduled an appointment, IRS was generally able to provide information about the taxpayers' case at the time of the appointment. Taxpayers who walked in without an appointment generally were able to meet with IRS staff to discuss their situation. Surveys found that taxpayers were generally satisfied with the initiative, even though not all taxpayers who participated in the problem-solving days were able to fully resolve their problems. IRS has reviewed the types of problems that taxpayers have sought to resolve on problem-solving days and identified four main problem areas: penalties, audit reconsiderations, installment agreements, and offers in compromise. IRS now has task groups reviewing each of these areas to identify administrative or legislative actions needed to reduce such problems in the future.

**Paperwork Reduction Act:  
Implementation at IRS**

GAO/GGD-99-4, Nov. 16 (12 pages).

Because the Internal Revenue Service (IRS) constitutes the bulk of the governmentwide paperwork burden-hour estimate, changes in the agency's burden-hour estimate have a highly significant—even determinative—effect on the governmentwide total. Other agencies estimated that, in the aggregate, they had come close by the end of fiscal year 1998 to the 25-percent burden-reduction goal envisioned in the Paperwork Reduction Act of 1995. However, despite several initiatives to reduce IRS' paperwork burden, the agency's burden-hour estimate rose by 7.5 percent between 1995 and 1998, increasing the governmentwide estimate of the paperwork burden imposed on nonfederal entities. IRS said that most of the increase in its burden-hour estimates was due to factors outside its control, such as changes in economic activity and new legislative requirements. IRS is now trying to change the way that it measures the paperwork burden to correct what it believes are significant weaknesses in its current methodology, including reliance on out-of-date data and questionable technical assumptions.

**Internal Revenue Service:  
Composition and Collectibility of Unpaid Assessments**

GAO/AIMD-99-12, Oct. 29 (35 pages).

Most of the Internal Revenue Service's (IRS) \$214 billion in unpaid assessments as of September 1997 are not taxes receivable and are not collectible. Of this balance, \$76 billion consists of write-offs, which are typically more than six years old and have no potential for collection. Write-offs consist primarily of corporate income and payroll taxes owed by bankrupt or defunct businesses, including failed financial institutions connected to the savings and loan and banking crises of the 1980s and early 1990s. Another \$48 billion of the unpaid assessments represents compliance assessments, which are amounts that IRS has identified as owed to the federal government but which have not been agreed to by taxpayers or a court. Many of these unagreed assessments result from IRS' various compliance efforts, such as examinations and audits. The lack of acknowledgement by the taxpayer or courts of the amounts owed and evidence of little or no payment activity on compliance assessments, diminish prospects for collection. Only \$90 billion of the balance of unpaid assessments represents taxes receivable under federal accounting standards. These are amounts that either taxpayers or the courts have agreed are owed to the federal government. However, of this amount, only an estimated \$28 billion will likely be collected. The accounts comprising this \$28 billion show evidence of both willingness and ability of the part of

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taxpayers to pay. Growth in the overall unpaid assessments balance reported by IRS in the past several years is largely due to the accrual of interest and penalties.

**IRS Personnel and Administration:  
Use of Enforcement Statistics in Employee Evaluations**

GAO/GGD-99-11, Nov. 30 (52 pages).

Both the law and Internal Revenue Service (IRS) policy prohibit IRS managers from using records of tax enforcement results, such as dollars collected and taxes assessed, to evaluate employee performance or set production goals. The idea is to avoid having employees trying to achieve statistical benchmarks through inappropriate or unreasonable tax assessments. IRS directors reported few violations through the quarterly certification process in fiscal years 1996 and 1997, and GAO found an estimated nine percent of workers received evaluations that violated IRS' revised guidance. Nonetheless, GAO's survey of IRS employees indicated a widespread perception that managers consider tax enforcement results when preparing performance evaluations. Most employees indicated that violations occurred during talks with their supervisors, including staff meetings and performance feedback sessions, rather than in their written performance evaluations. Moreover, the use of overage and cycle-time data in evaluations may reinforce employee perceptions that tax enforcement results affect their evaluations, because they may be misconstrued as an enforcement statistic, such as hours per case. Although IRS is taking steps to strengthen its reporting of violations, weaknesses remain.

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Transportation

**Coast Guard's Acquisition Management:  
Deepwater Project's Justification and Affordability Need to Be  
Addressed More Thoroughly**

GAO/RCED-99-6, Oct. 26 (54 pages).

The Coast Guard is now planning the potentially largest acquisition project in its history. Called the Deepwater Capability Replacement Project, this effort involves replacing or modernizing many of the Coast Guard's 92 ships and 209 airplanes and helicopters used in search and rescue, drug interdiction, the interception of illegal immigrants, fisheries regulation, defense operations, and other at-sea operations. Teams of contractors are

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developing competing proposals for the Coast Guard's consideration. For initial planning purposes, the Coast Guard estimates the project's cost at \$9.8 billion over 20 years. This report reviews the project's justification and the planning process being followed by the Coast Guard and answers the following questions: To what extent does the current justification for the Deepwater Project accurately depict the Coast Guard's need to modernize or replace ships and aircraft? To what extent are projected costs for the Deepwater Project consistent with the Coast Guard's overall budget for its capital projects?

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Correspondence

Airport Financing: Information on Airport Fees Paid by Airlines.  
[GAO/RCED-99-26R](#), Nov. 5.

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Veterans Affairs

**Veterans' Health Care:  
Service Delivery for Veterans on Guam and the Commonwealth of  
the Northern Mariana Islands**

[GAO/HEHS-99-14](#), Nov. 4 (26 pages).

About 9,400 veterans live on Guam and the Commonwealth of the Northern Mariana Islands. On Guam alone, about 700 veterans received health care from the Department of Veterans Affairs (VA) in 1997, at a cost of \$1.2 million. In addition to providing care through its outpatient clinic, VA bought care from the Navy and private providers on Guam, as well as from military and private providers in Hawaii and the continental United States. Veterans groups have raised concerns about the health care provided on Guam and the inconvenience of traveling to Hawaii and elsewhere when appropriate care is unavailable on Guam. They have also raised concerns about the possibility that the Navy may reduce or eliminate services in its hospital on Guam. They believe that VA should establish an inpatient facility at the U.S. Naval Hospital on Guam. This report (1) describes how VA now meets veterans health care needs on Guam and the Northern Mariana Islands, (2) estimates these veterans' possible future demand for health care and assesses VA's ability to meet this demand, and (3) estimates the cost to establish a veterans' inpatient ward at the U.S. Naval Hospital on Guam.

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Correspondence

Department of Veterans Affairs: Alleged Improper Personnel Selection.  
[GAO/OSI-99-2R](#), Oct. 30.

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## Special Publications

### **Year 2000 Computing Crisis: A Testing Guide**

GAO/AIMD-10.1.21, Nov. 1998 (37 pages).

This guide presents a step-by-step framework for managing all testing activities related to the Year 2000 problem. It describes five phases of Year 2000 testing activities, beginning with establishing an organizational testing infrastructure, followed by designing, conducting, and reporting on four incremental levels of system-related testing (software unit testing, software integration testing, system acceptance testing, and end-to-end testing). To support these five phases, the guide also describes test oversight and control activities. The guide recommends the structure and discipline in testing that characterize mature software and system development/acquisition and maintenance processes. Although some organizations may forego some of the rigor and discipline recommended in this guide, this choice should be made after careful consideration of the level of business risk that the organization is willing to assume in addressing the Year 2000 problem.

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Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Inpatient Hospital Deductible and Hospital and Extended Care Services Coninsurance Amounts for 1999. [GAO/OGC-99-9](#), Nov. 5.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Monthly Actuarial Rates and Monthly

Supplementary Medical Insurance Premium Rate Beginning January 1, 1999. [GAO/OGC-99-10](#), Nov. 5.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Revisions to Payment Policies and Adjustments to the Relative Value Units Under the Physician Fee Schedule for Calendar Year 1999. [GAO/OGC-99-15](#), Nov. 17.

Environmental Protection Agency: Control of Emissions of Air Pollution From Nonroad Diesel Engines. [GAO/OGC-99-11](#), Nov. 6.

Environmental Protection Agency: Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone. [GAO/OGC-99-13](#), Nov. 12.

Federal Communications Commission: The Development of Technical and Spectrum Requirements for Meeting Federal, State, and Local Public Safety Agency Communication Requirements Through the Year 2010, Establishment of Rules and Requirements for Priority Access Service. [GAO/OGC-99-14](#), Nov. 16.

Securities and Exchange Commission: OTC [Over-the-Counter] Derivatives Dealers. [GAO/OGC-99-17](#), Nov. 18.

Securities and Exchange Commission: Reports to Be Made by Certain Brokers and Dealers. [GAO/OGC-99-16](#), Nov. 18.

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