
MONTH IN REVIEW: MARCH 1999

Reports, Testimony, Correspondence, and Other Publications

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Social Security: Criteria for Evaluating Social Security Reform Proposals. Page 32.

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Agriculture and Food

Testimony

Crop Insurance: Additional Actions Could Further Improve Program's Financial Soundness, by Lawrence J. Dyckman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. [GAO/T-RCED-99-123](#), Mar. 17 (10 pages).

Farmers rely on federal crop insurance to protect against losses caused by droughts, floods, hurricanes, and other natural disasters. Since 1995, the federal government has spent an average of about \$1.4 billion each year on the crop insurance program, including premium subsidies, insurance company reimbursements, and underwriting losses. The program will cost an estimated \$1.6 billion in 1999. This testimony summarizes GAO's completed work on the federal crop insurance program since 1995. The statement is based on GAO reports issued in 1995, 1997, and 1998.

Budget and Spending

Testimony

Budget Issues: Trust Funds in the Budget, by Susan J. Irving, Associate Director for Budget Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. [GAO/T-AIMD/RCED-99-110](#), Mar. 9 (10 pages).

This testimony discusses budget accounting and budget enforcement as they relate to trust funds and other special funds in the federal budget. GAO focuses on three areas: (1) the structure of the federal budget—especially categorizations within the unified budget; (2) the budget outlook, discretionary caps, and enforcement situation as the United States enters a projected era of unified budget surpluses; and (3) the potential implications of changes in the treatment of the aviation programs.

Civil Rights

Correspondence

Department of Education: Resolving Discrimination Complaints Has Improved With New Processing System. [GAO/HEHS-99-47R](#), Mar. 23.

Economic Development

Testimony

Disaster Assistance: Information on the Cost-Effectiveness of Hazard Mitigation Projects, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Subcommittee on VA, HUD, and Independent Agencies, Senate Committee on Appropriations. [GAO/T-RCED-99-106](#), Mar. 4 (19 pages).

For years, Congress has raised concerns about the rising cost of federal disaster assistance. One of the Federal Emergency Management Agency's (FEMA) primary approaches for reducing these costs is to promote mitigation measures that will reduce future damage within communities—potentially decreasing future federal disaster expenditures. However, there are concerns that FEMA's mitigation funding is not targeted to cost-effective measures, as mandated by law. This testimony provides (1) an overview of the increases in disaster assistance costs and FEMA's mitigation programs and (2) GAO's preliminary views on the approaches that FEMA uses to ensure that funding under the Hazard Mitigation Grant Program is targeted to cost-effective mitigation measures.

Correspondence

Economic Development: Observations Regarding the Economic Development Administration's May 1998 Final Report on Its Public Works Program. [GAO/RCED-99-11R](#), Mar. 23.

Education

Schools and Libraries Program: Actions Taken to Improve Operational Procedures Prior to Committing Funds

[GAO/RCED-99-51](#), Mar. 5 (19 pages).

The Telecommunications Act of 1996 expanded universal service—affordable, nationwide telephone service—to eligible schools and libraries and authorized the Federal Communications Commission (FCC) to implement a program to help these institutions acquire modern telecommunications services. The Schools and Libraries Corporation was established in late 1997 to run the program. In testimony before Congress last year, GAO recommended that the Corporation (1) analyze a random

sample of processed applications to determine if there are any systemic weaknesses in the application review procedures; (2) complete the design of the program's operational procedures, automated systems, and internal controls; and (3) obtain a report from its independent accountants showing that the Corporation has developed an appropriate set of internal controls to mitigate against waste, fraud, and abuse. (See [GAO/T-RCED-98-243](#) July 1998.) This report assesses the Corporation's progress in implementing GAO's recommendations and highlights additional issues that need to be monitored.

Testimony

Results Act: Using Agency Performance Plans to Oversee Early Childhood Programs, by Marnie S. Shaul, Associate Director for Education, Workforce, and Income Security Issues, before the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. [GAO/T-HEHS-99-93](#), Mar. 25 (19 pages).

Congress can use the Government Performance and Results Act to improve its oversight of crosscutting issues because the act requires agencies to develop strategic and annual performance plans that clearly specify goals, objectives, and measures for their programs. The Office of Management and Budget has developed guidance explaining that for crosscutting issues, agencies should describe efforts to coordinate so that goals are consistent and program efforts are mutually reinforcing. When GAO looked at the plans of the Departments of Education and Health and Human Services, however, it found that the plans are not realizing their potential. Although the plans for fiscal years 1999 and 2000 address coordination to some extent, the departments have yet to describe in detail how they will coordinate or consolidate their efforts. Therefore, the potential for addressing the fragmentation and the duplication has not been realized, and GAO cannot assess whether the agencies are effectively working together on crosscutting issues.

Employment

Correspondence

Labor-Management Reporting and Disclosure: Status of Labor's Efforts to Develop Electronic Reporting and a Publicly Accessible Database. [GAO/HEHS-99-63R](#), Mar. 16.

Energy

Federal Power: PMA Rate Impacts, by Service Area

GAO/RCED-99-55, Jan. 28 (16 pages).

The federal government has played a significant role in the development of electricity markets. The federal government began to market electricity extensively in the 1930s after Congress authorized the construction of dams and established major water projects. To help Congress in its deliberations on the future role of power marketing administrations (PMA), this report provides a PMA-by-PMA analysis of the potential rate changes that would likely be experienced by preference customers who buy power from three PMAs if the power were sold at market rates. More specifically, GAO identifies potential changes in preference customers' rates and the share of total state power consumption for each state served by the Southeastern Power Administration, the Southwestern Power Administration, and the Western Area Power Administration. GAO concludes that, overall, slightly more than two-thirds of the preference customers that purchase power directly from these PMAs would likely see relatively small or no rate increases if they began to charge market rates for the power they market.

Department of Energy: Actions Necessary to Improve DOE's Training Program

GAO/RCED-99-56, Feb. 12 (40 pages).

The Department of Energy (DOE) spent about \$379 million in fiscal year 1997—the most recent year for which cost data are available—on training (about \$57 million for federal employees and about \$322 million for contractor employees). This total is about \$175 million less than the amount DOE spent on training in fiscal year 1995. This report discusses (1) DOE's current process for setting its training budget, (2) identifies ways to reduce the costs of DOE's training program, and (3) evaluates DOE's draft plan for training its employees in the future. GAO found that DOE has not completed any of the critical steps identified in the Office of Personnel Management's and its own guidance that lead to developing a sound and defensible training budget. Also, DOE could reduce its training costs by eliminating certain nonmandatory training and reducing duplicative and nonstandard training across the Department. Regarding DOE's draft training plan, GAO found that the draft training plan has several

shortcomings that may preclude it from improving departmental training through fiscal year 2001, as intended.

**Nuclear Waste:
Corps of Engineers' Progress in Cleaning up 22 Nuclear Sites**

[GAO/RCED-99-48](#), Feb. 26 (33 pages).

The Formerly Utilized Sites Remedial Action Program was created in the mid-1970s to clean up radiological contamination resulting from the early development of nuclear weapons. The Department of Energy (DOE) ran the program until October 1997, when responsibility for the program was transferred to the U.S. Army Corps of Engineers. The program now consists of 22 sites and was funded at \$140 million in both fiscal years 1998 and 1999. This report discusses (1) the Corps' cost and schedule estimates for cleaning up program sites; (2) the Corps' progress in meeting milestones for site cleanups, program staffing levels, and environmental document preparation; and (3) the transition of the program from DOE to the Corps.

Testimony

Department of Energy: Challenges Exist in Managing the Spallation Neutron Source Project, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-99-103](#), Mar. 3 (eight pages).

The Spallation Neutron Source Project—a billion-dollar complex to be built in Oak Ridge, Tennessee—is designed to be the world's most powerful accelerator-based facility. The project represents the largest interlaboratory collaboration ever attempted, bringing together the work of five national laboratories. Experiments done at the laboratory could lead to new materials for use in everything from planes and automobiles to drugs and computer hard drives. The project is not currently in trouble, but warning signs in three key areas raise concerns about whether it will be completed on time and within budget, GAO testified. This testimony is based on GAO's ongoing review of the project's management, the project's cost and schedule, and the effectiveness of the collaborating laboratories' coordination.

Nuclear Safety: The Convention on Nuclear Safety, by Ms. Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the

Senate Committee on Foreign Relations. [GAO/T-RCED-99-127](#), Mar. 17 (six pages).

The Convention on Nuclear Safety is a multilateral treaty to improve civil nuclear power safety. This testimony summarizes (1) the Convention's scope and objectives, (2) the process for reviewing compliance with the Convention, (3) the dissemination of information related to the Convention's proceedings, and (4) the costs to implement the Convention. GAO has issued two reports that track the Convention's development and implementation. (See [GAO/RCED-93-153](#), May 1993, and [GAO/RCED-97-39](#), Jan. 1997.)

Department of Energy: Usefulness of Performance Plan Could Be Improved, by Susan D. Kladiva, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-99-134](#), Mar. 24 (seven pages).

The Department of Energy's (DOE) annual performance plan for fiscal year 2000, which is mandated by the Government Performance and Results Act, is linked to the agency's strategic plan and to the program activities in the agency's budget request. The plan also recognizes the importance of verifying and validating DOE's performance. At the same time, the plan could be more useful if it better identified planned outcomes, presented information on individual offices' planned performance and requested funds, and described its verification and validation procedures in greater detail.

Environmental Protection

Water Quality: Federal Role in Addressing—and Contributing to—Nonpoint Source Pollution

[GAO/RCED-99-45](#), Feb. 26 (109 pages).

Much progress has been made to restore the quality of the nation's waterways since the passage of the Clean Water Act of 1972. In response to congressional concerns about the impact of nonpoint source pollution and the potential cost to deal with the problem, this report (1) provides background information and funding levels for federal programs that primarily address nonpoint source pollution; (2) examines the way in which the Environmental Protection Agency (EPA) assesses the overall potential costs to reduce nonpoint pollution nationwide and alternative

methods for doing so; and (3) describes nonpoint source pollution from federal facilities, lands, and activities. The federal agencies GAO contacted spent about \$3 billion annually for fiscal years 1994 through 1998 on 35 programs that addressed nonpoint source pollution. EPA has pegged the cost to control three major sources of nonpoint source pollution at \$9.4 billion annually. To arrive at that amount, EPA analyzed agriculture, silviculture, and animal feeding operations and estimated pollution control costs for these sources. EPA acknowledges that the methodology has several limitations. The federal government manages or authorizes, or issues permits or licenses for, various activities that produce nonpoint source pollution and, in some cases, affect water quality.

Testimony

Environmental Protection Agency: Difficulties in Comparing Annual Budgets for Science and Technology, by David G. Wood, Associate Director for Environmental Protection Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-99-120](#), Mar. 18 (11 pages).

For fiscal year 2000, the Environmental Protection Agency (EPA) is seeking \$642 million for the Science and Technology account, an amount that represents nine percent of the agency's total budget request of \$7.2 billion. This testimony draws on the findings from a recent GAO report on Science and Technology funds requested by EPA for fiscal year 1999 and on GAO's limited review of EPA's fiscal year 2000 budget justification. (See [GAO/RCED-99-12](#), Oct. 1998.) Specifically, GAO discusses (1) difficulties in comparing EPA's Science and Technology budget justification for fiscal year 1999 with those of previous years and (2) steps that EPA has taken to improve the clarity and comparability of the fiscal year 2000 justification, and items that need further clarification.

Superfund: Progress, Problems, and Future Outlook, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Subcommittee on Finance and Hazardous Materials, House Committee on Commerce. [GAO/T-RCED-99-128](#), Mar. 23 (14 pages).

Despite the long duration past cleanups, Superfund is within sight of completing the construction of cleanup remedies at most of the sites on the National Priorities List. However, management problems and cost control issues that GAO has cited for years persist. Because few sites have been admitted to the program in recent years, the pipeline for the List is clearing out. On the other hand, many sites in the Environmental

Protection Agency's (EPA) inventory of potential List sites still need attention and possible cleanup, but EPA and the states have postponed decisions, sometimes for up to 10 years or longer, on how to address them. During the past two decades, states have strengthened their capacity to deal with site cleanups to varying degrees. Some have substantial programs, while others claim to have little ability to pay for cleanups. Moreover, not all of the states have adequate enforcement authority to force responsible parties to pay for cleanups. Because the states now have the lead for screening sites for List consideration, future List sites could disproportionately represent complex cleanups for which responsible parties cannot be found or are unwilling to ante up the full cleanup cost. GAO recommends that EPA work with the states to assign responsibility among themselves for these sites. The Superfund reauthorization process gives Congress an opportunity to help guide EPA and the states in allocating responsibility for dealing with these sites.

Correspondence

Environmental Protection: Employees Who Made Allegations and Left. [GAO/RCED-99-97R](#), Mar. 2.

Financial Institutions

Results Act: Observations on CFTC's Fiscal Year 2000 Annual Performance Plan

[GAO/GGD-99-51](#), Mar. 15 (20 pages).

In reviewing the Commodity Future Trading Commission's (CFTC) annual performance plan for fiscal year 2000, GAO found that CFTC has made a good-faith effort and commitment both to comply with the Results Act and to meet congressional expectations for information about the agency's performance goals, including how the agency will accomplish them and measure their results. However, CFTC could improve future performance plans in several areas to make the plans more useful to Congress and other decisionmakers. First, CFTC could improve its performance goals, measures, and targets to provide a clearer picture of its intended performance. Second, CFTC could better connect its mission, goals, and activities to show how it plans to chart annual progress toward its strategic goals. Third, CFTC could better address crosscutting efforts that involve other federal agencies to help maximize the overall effectiveness of government efforts. Fourth, CFTC could discuss in greater detail the strategies and resources used to achieve its performance goals to help decisionmakers assess their reasonableness. Fifth, CFTC should describe

the specific means for verifying and validating the quality of performance information and ensuring the reliability of such information. Finally, CFTC could link past accomplishments to performance goals to enhance the plan's clarity.

Testimony

Securities Fraud: The Internet Poses Challenges to Regulators and Investors, by Richard J. Hillman, Associate Director for Financial Institutions and Markets Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. [GAO/T-GGD-99-34](#), Mar. 22 (36 pages).

The rapid growth of the Internet has begun to transform the securities industry. About 22 percent of all securities transactions were done over the Internet in 1998. Only three years earlier, such computer trading was virtually nonexistent. The Internet is popular among investors because it allows them to buy and sell securities from their personal computers, cut commission costs, and gain ready access to market research. Unfortunately, the Internet also provides criminals with a new and efficient medium to defraud investors of millions of dollars. Fraudulent operators can set up professional looking websites at far less cost than using other means of telecommunications, such as the telephone. Moreover, the Internet makes it easy for fraudulent operators to remain anonymous and commit crimes from virtually anywhere in the world, making it difficult for U.S. regulatory and law enforcement authorities to apprehend them. According to the Securities and Exchange Commission (SEC), as the Internet expands, so do opportunities for securities fraud. For example, the number of E-mail complaints sent daily to SEC about securities fraud on the Internet soared from about 10 to 15 in 1996 to between 200 and 300 in early 1999. SEC has established an office to coordinate its response to Internet fraud, train SEC staff on monitoring the Internet, and develop guidance for SEC staff to follow when investigating Internet fraud. SEC has also (1) developed an education program to warn investors about the risks associated with Internet investing and (2) begun 66 enforcement actions since 1995 to punish alleged perpetrators of Internet securities fraud.

Financial Management

Financial Audit: 1998 Financial Report of the United States Government

[GAO/AIMD-99-130](#), Mar. 31 (92 pages).

Last year, in the first-ever audit of the U.S. government's financial statements, GAO reported serious deficiencies in the government's systems, recordkeeping, documentation, financial reporting, and controls. This report on the government's 1998 financial statements finds similar shortcomings that call into question the reliability of the financial statements. These deficiencies also affect the government's ability to accurately measure the full cost and financial performance of its programs and manage its operations. Among other things, the government was unable to (1) account for billions of dollars in property and equipment, (2) estimate the cost of most major federal credit programs and the related loans receivable and loan guarantee liabilities, (3) estimate and reliably report environmental and disposal liabilities, (4) determine the proper amount of such reported liabilities as postretirement health benefits for military employees and accounts payable, and (5) ensure that all disbursements were properly recorded. These deficiencies prevented GAO from forming an opinion on the reliability of the financial statements and represent material weaknesses in internal control. The government's long-standing inattention to financial issues, combined with the size and complexity of government operations, makes corrective actions difficult. The pace of improvement will be greatly influenced by agencies' progress in modernizing their information systems and internal controls, in revamping human capital practices to build greater capacity, and in implementing change management to achieve the discipline needed to follow sound financial management and reporting practices. The Comptroller General summarized this report in testimony before Congress; see:

Auditing the Nation's Finances: Fiscal Year 1998 Results Highlight Major Issues Needing Resolution, by David M. Walker, Comptroller General of the United States, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. [GAO/T-AIMD-99-131](#), Mar. 31 (14 pages).

**Financial Audit:
IRS' Fiscal Year 1998 Financial Statements**

GAO/AIMD-99-75, Mar. 1 (87 pages).

This report presents the results of GAO's audit of the Internal Revenue Service's (IRS) financial statements for fiscal year 1998. GAO found that pervasive weaknesses in the design and operation of IRS' financial management systems, accounting procedures, documentation, recordkeeping, and internal controls prevented IRS from reliably reporting on the results of its administrative activities. IRS was able to reliably report on the results of its custodial activities for fiscal year 1998, including tax revenue received, tax refunds disbursed, and taxes receivable due from the public. However, this achievement required extensive, costly, and time-consuming ad hoc procedures to overcome pervasive and long-standing internal control and systems weaknesses. IRS' major accounting, reporting, and internal control deficiencies include, among other things, (1) poor preventive controls over tax refunds, which have resulted in millions of dollars in fraudulent refunds; (2) the inability to properly safeguard or reliably report its property and equipment; (3) vulnerabilities in computer security that may allow unauthorized persons access to taxpayer information; and (4) an inability to properly account for, report, and control its budgetary resources. Such weaknesses, as they relate to IRS' administrative activities, prevented GAO from rendering an unqualified opinion on five of IRS' six principal financial statements. IRS acknowledges these weaknesses and plans to address them. GAO summarized this report in testimony before Congress; see:

Internal Revenue Service: Results of Fiscal Year 1998 Financial Statement Audit, by Gregory D. Kutz, Associate Director for Governmentwide Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-99-103, Mar. 1 (27 pages).

**Financial Audit:
Bureau of the Public Debt's Fiscal Years 1998 and 1997 Schedules of Federal Debt**

GAO/AIMD-99-70, Mar. 1 (20 pages).

This report presents the results of GAO's audits of the schedules of federal debt managed by the Bureau of the Public Debt for fiscal years 1998 and 1997. GAO found that (1) the schedules of federal debt were reliable in all

material respects; (2) management fairly stated that the related internal control was effective in ensuring that there were no material misstatements in the schedule of federal debt for fiscal year 1998, including safeguarding assets from material loss, and ensuring material compliance with laws governing the use of budget authority and with other laws and regulations relevant to the federal debt managed by the Bureau; and (3) there was no reportable noncompliance in fiscal year 1998 with a selected provision of a law and regulation GAO tested.

**Financial Audit:
American Battle Monuments Commission's Financial Statements
for Fiscal Years 1998 and 1997**

GAO/AIMD-99-74, Mar. 1 (47 pages).

The American Battle Monuments Commission is responsible for designing and building a memorial to honor members of the U.S. armed forces who served in World War II. The Commission's financial statements include a trust fund to pay for the memorial. The trust fund includes donations from the federal government as well as veterans groups and others. GAO contracted with the independent certified public accounting firm of KPMG LLP to help audit the Commission's financial statements. GAO concurs with KPMG's January 1999 report on the following: The Commission's financial statement for fiscal year 1998 and its consolidated balance sheet for fiscal year 1997 were reliable in all material respects. Commission management fairly stated that internal controls effectively (1) safeguarded assets against loss, (2) ensured material compliance with laws and regulations, and (3) prepared performance information. However, Commission management also fairly stated that internal controls were ineffective in ensuring that transactions were properly recorded, processed, and summarized to allow the preparation of reliable financial statements and required supplementary stewardship information. In this regard, KPMG noted two areas of reportable conditions, which it also considered to be material weaknesses. No reportable instances of noncompliance with laws and regulations were found.

**Internal Controls:
VA Lacked Accountability Over Its Direct Loan and Loan
Sale Activities**

[GAO/AIMD-99-24](#), Mar. 24 (42 pages).

As part of its responsibility to audit the federal government's consolidated financial statements for fiscal years 1997 and 1998, GAO participated in the Department of Veterans Affairs' (VA) Office of the Inspector General (OIG) audit of VA's Housing Credit Assistance program. In its report on VA's fiscal year 1997 financial statements, the OIG cited several deficiencies that led to VA's receiving a qualified opinion on those statements. The OIG was unable to conclude that the \$3 billion loans receivable account balance of the direct loan portfolio was fairly stated because of inadequate controls and incomplete records. Also, the OIG found several errors in recording loan sale transactions, including the inaccurate and untimely recording of loan sales and the improper accounting of loan guarantees. VA is trying to correct the internal control weaknesses mentioned in the audit of its fiscal year 1997 financial statement. This report describes the weaknesses in the level of VA's accountability and control over the Housing Credit Assistance program's direct loan and loan sale activities and recommends actions

needed to improve VA's internal control environment and financial and budgetary reporting for these activities.

**Financial Audit:
Independent Counsel Expenditures for the Six Months Ended
September 30, 1998**

[GAO/AIMD-99-105](#), Mar. 31 (33 pages).

This report presents the results of GAO's audits of expenditures reported by the seven offices of independent counsel for the six months ended September 30, 1998. GAO found that the statements for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann were reliable in all material respects. GAO found no material weaknesses in internal controls and no reportable instances of noncompliance with laws and regulations.

Testimony

Forest Service: Financial Accountability, by Linda M. Calbom, Director of Accounting and Financial Management Issues, before the Subcommittee on Department Operations, Oversight, and Forestry, House Committee on Agriculture. [GAO/T-AIMD-99-106](#), Mar. 11 (19 pages).

Serious, long-standing accounting and financial reporting weaknesses continue to plague the Forest Service's operations. As a result, GAO has included the Forest Service in its list of government operations that are particularly vulnerable to waste, fraud, abuse, and mismanagement. (See [GAO/HR-99-1](#), Jan. 1999.) The Forest Service's problems have included a lack of basic accountability for major assets and liabilities, the inability to accurately track the cost of programs and activities, and significant reporting errors in the Forest Service's financial statements and the records that support those statements. In addition, the Forest Service has experienced significant problems in implementing its new accounting system, which is crucial to overcoming its financial management shortcomings and attaining basic accountability over billions of dollars in taxpayers' funds and investments. This testimony (1) briefly describes the historical pattern of the Forest Service's financial management weaknesses, (2) discusses the fundamental problems that the Forest Service must resolve to achieve financial accountability, (3) outlines GAO's criteria for placing the Forest Service's financial management on its high-risk list and what must take place for the agency to be removed from

that list, and (4) highlights corrective measures that the agency has under way.

Federal Aviation Administration: Financial Management Issues, by Linda M. Calbom, Director of Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. [GAO/T-AIMD-99-122](#), Mar. 18 (16 pages).

GAO has included the Federal Aviation Administration's (FAA) financial management on its list of government operations that are particularly vulnerable to waste, fraud, abuse, and mismanagement. (See [GAO/HR-99-1](#), Jan. 1999.) The Department of Transportation's Office of the Inspector General (OIG) has been auditing FAA's financial statements since fiscal year 1994 and has consistently been unable to determine whether the financial information is reliable. In its most recent financial audit report, on FAA's fiscal year 1998 financial statements, the OIG was unable to substantiate billions of dollars in major assets or determine the accuracy of the reported \$9 billion of costs for FAA's programs. This testimony (1) provides a brief history of FAA's financial management weaknesses, (2) discusses the identified fundamental problems that FAA must resolve to achieve financial accountability, and (3) highlights the corrective measures that the agency has under way.

U.S. Capitol Police: Evaluation of U.S. Capitol Police Administrative Operations, by Robert W. Gramling, Director of Corporate Audits and Standards, before the House Committee on House Administration. [GAO/T-AIMD-99-116](#), Mar. 25 (three pages).

The U.S. Capitol Police plans to significantly boost the number of its police officers to deal with potential security risks to Member of Congress, their staff, and tourists. This testimony provides an overview of the results of a requested management review of the U.S. Capitol Police's administrative operations. GAO contracted with a management consulting firm—Booz-Allen & Hamilton—to conduct the evaluation. Booz-Allen's report identifies four overarching issues that affect the entire organization: First, the U.S. Capitol Police receives the necessary support services from its administrative infrastructure, but that infrastructure is fragile and unlikely to be able to provide adequate support services in the future without changes in strategy. Second, the current organization of the U.S. Capitol Police does not facilitate communications between operations and the administrative infrastructure and does not fully integrate support

services into the management process. Third, there is no strategic plan or planning process for the administrative infrastructure of the U.S. Capitol Police. Fourth, established or current published policies and procedures for the administrative infrastructure are often lacking.

Correspondence

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the American Legion for 1997. [GAO/AIMD-99-54R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Daughters of Union Veterans of the Civil War 1861-1865 for Fiscal Year 1997. [GAO/AIMD-99-55R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Big Brother/Big Sisters of America for Fiscal Year 1997. [GAO/AIMD-99-56R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the American Ex-Prisoners of War, Incorporated, for Fiscal Year 1998. [GAO/AIMD-99-59R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the American Chemical Society for Year 1997. [GAO/AIMD-99-60R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the American Gold Star Mothers, Incorporated, for Fiscal Year 1998. [GAO/AIMD-99-61R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Congressional Medal of Honor Society of the United States of America for 1997. [GAO/AIMD-99-62R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Blue Star Mothers of America, Inc., for Fiscal Year 1997. [GAO/AIMD-99-63R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the American National Theatre and Academy for Fiscal Year 1997. [GAO/AIMD-99-64R](#), Feb. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Jewish War Veterans, U.S.A., National Memorial, Incorporated, for Fiscal Year 1998. [GAO/AIMD-99-108R](#), Mar. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Academy of Sciences of the United States of America for Fiscal Year 1997. [GAO/AIMD-99-109R](#), Mar. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Mining Hall of Fame and Museum for 1997. [GAO/AIMD-99-112R](#), Mar. 19.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Disabled American Veterans for 1997. [GAO/AIMD-99-117R](#), Mar. 26.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Safety Council for Fiscal Year 1998. [GAO/AIMD-99-119R](#), Mar. 26.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the 82nd Airborne Division Association, Incorporated, for 1997. [GAO/AIMD-99-120R](#), Mar. 26.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Legion of Valor of the United States of America, Incorporated, for Fiscal Year 1998. [GAO/AIMD-99-128R](#), Mar. 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Foundation of the Federal Bar Association for Fiscal Year 1997. [GAO/AIMD-99-127R](#), Mar. 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Military Chaplains Association of the United States of America for 1997. [GAO/AIMD-99-133R](#), Mar. 30.

Agreed-Upon Procedures: Airport and Airway Trust Fund Excise Taxes. [GAO/AIMD-99-72R](#), Feb. 25.

Financial Management: Briefing on the Federal Aviation Administration's Inventory Accountability. [GAO/AIMD-99-98R](#), Mar. 3.

Government Operations

Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships

GAO/GGD-99-23, Feb. 3 (60 pages).

The federal government, with a portfolio of nearly 435,000 buildings and half a billion acres, is one of the world's largest property owners. Most of the government's holdings are national parks, forests, and military facilities. In an era of budgetary constraints, federal agencies are increasingly interested in managing their buildings and facilities in a more businesslike manner. Many agencies have explored the formation of partnerships with the private sector. Known as "public-private ventures," these arrangements typically involve contracts with private sector firms to renovate, build, operate, or manage facilities that provide services to the public. This report identifies the key elements of partnerships between the federal government and the private sector that were formed to help the government acquire and operate federal real estate and facilities more efficiently and effectively. GAO describes key elements and related experiences from six federal partnerships involving the following agencies: the National Park Service, the Department of Veterans Affairs, and the U.S. Postal Service.

Status of Open Recommendations: Improving Operations of Federal Departments and Agencies

GAO/OP-99-1, Feb. 10 (171 pages).

Each year, GAO's work contributes to many legislative and executive branch actions that yield significant financial savings and other improvements in government operations. Some, but not all, are identified by GAO's system for periodic follow up to determine the status of actions taken on recommendations made in GAO reports. About 70 percent of the recommendations made during the past five years have been implemented. This report highlights the impact of GAO's work on various issues and summarizes key open recommendations. It also includes a set of computer diskettes with details on all open recommendations.

Federal Trade Commission: Information on Proposed Regional Restructuring Effort

GAO/GGD-99-25, Feb. 16 (84 pages).

The Federal Trade Commission (FTC) has dual mission: protecting the public from unfair and deceptive trade practices and promoting competition in the marketplace. FTC's consumer protection and competition activities are now carried out in the agency's headquarters in Washington, D.C., and in its 10 regional offices across the country. In June 1998, FTC approved a proposal to restructure its regional operations, including reconfiguring, closing, and merging several of the regional offices. Under the plan, FTC's regional work on competition or antitrust matters would be done primarily at three proposed regional antitrust centers—most probably in San Francisco, Cleveland, and New York City—with the other regions continuing to do this work only on a limited basis. This report discusses (1) FTC's rationale for proposing the restructuring, (2) the process FTC followed in developing its restructuring proposal, (3) the factors that FTC used and could have used in deciding how to restructure, (4) other options to the proposed restructuring identified in earlier FTC studies or by Boston and Denver regional officials, and (5) the views of selected stakeholders on the impact that the proposed restructuring could have in the areas covered by the Boston and Denver regional offices.

**Formula Grants:
Effects of Adjusted Population Counts on Federal Funding
to States**

GAO/HEHS-99-69, Feb. 26 (107 pages).

Twenty-two of the 25 large grant programs rely partly on decennial census data to apportion federal funding among state and local governments. In fiscal year 1998, \$167 billion was obligated for them. By comparing statistical sampling results to the actual 1990 census count, the Census Bureau estimated that it had undercounted the U.S. population by 4 million persons. GAO recalculated current funding amounts for 15 of the 22 programs, assuming the same proportional net undercount. These 15 represented \$147 billion, or 79 percent, of population-based programs. Using the adjusted population counts would have reallocated \$449 million among the 50 states and the District of Columbia. California, Arizona, New Mexico, and Texas—the four states bordering Mexico—accounted for more than one-third of the adjusted populations and would have received nearly 75 percent of the total reallocated, or \$336 million. California accounted for about 20 percent and would have received \$223 million. Pennsylvania would have received the largest dollar reduction (\$110 million); Rhode Island the largest percentage reduction

(1.8 percent). Medicaid accounted for 90 percent of all reallocated funds. Funding would have generally shifted from northeastern and midwestern states to southern and western states. The Bureau proposes to use statistical sampling techniques to estimate the population for the 2000 census. Although the Supreme Court has ruled that the Census Act prohibits using sampling techniques for reapportioning seats in the House of Representatives, the ruling did not address the use of adjusted counts for apportioning federal grant funding.

**State Pension Plans:
Similarities and Differences Between Federal and State Designs**

[GAO/GGD-99-45](#), Mar. 19 (156 pages).

This report discusses the design components of retirement programs that states offer to their general employees and compares them to the design components of the two principal federal retirement programs for federal workers—the Federal Employees’ Retirement System and the Civil Service Retirement System. GAO also describes the changes that the states have considered and made to their retirement programs.

**Federal Retirement:
Key Elements Are Included in Agencies’ Education Programs**

[GAO/GGD-99-27](#), Mar. 29 (32 pages).

Federal workers covered by either of the government’s two main retirement programs could retire with dramatically different benefits depending on whether and how they plan for retirement throughout their careers. Agencies’ retirement education programs play an important role in helping federal employees make well-informed decisions about retirement planning. However, little is known about how agencies fulfill this role. This report discusses the views of the Office of Personnel Management (OPM) and retirement experts on the recommended elements of retirement education programs and describes OPM’s and agencies’ retirement education roles, responsibilities, and practices in the context of these elements.

Correspondence

General Services Administration: Comparison of Space Acquisition Alternatives—Leasing to Lease-Purchase and Leasing to Construction.
[GAO/GGD-99-49R](#), Mar. 12.

NOAA Fleet: Responses to Post-Hearing Questions. [GAO/GGD-99-60R](#), Mar. 22.

Outsourcing and Privatization: Private-Sector Assistance for Federal Agency Studies. [GAO/GGD-99-52R](#), Mar. 26.

Performance and Accountability and High-Risk Series: Responses to Questions. [GAO/OCG-99-25R](#), Mar. 29.

District of Columbia Public Schools: Audit Confirms Reasonableness of Enrollment Count, but Report's Presentation Is Unclear. [GAO/HEHS-99-66R](#), Mar. 31.

Health

Nursing Homes: Additional Steps Needed to Strengthen Enforcement of Federal Quality Standards

[GAO/HEHS-99-46](#), Mar. 18 (54 pages).

Despite reforms to ensure that nursing homes comply with federal quality standards, one-fourth of all homes nationwide continue to be cited for deficiencies that either caused actual harm to residents or carried the potential for serious injury or death. Although the reforms equipped federal and state regulators with many alternatives and tools to help sustain compliance with Medicare and Medicaid standards, the way in which the states and the Health Care Financing Administration (HCFA) have applied them appears to have resulted in little headway. Repeated noncompliance carries few consequences. HCFA's recent actions, such as broadening the definition of a "poorly performing facility," are a step in the right direction. However, four key problems remain. First, if the backlog of civil monetary penalties is not reduced, much of their deterrent effect will be lost. Second, weaknesses remain in the deterrent effect of termination, including the lack of a tie to "poorly performing facility" status for reinstated homes and the limited "reasonable assurance period" for monitoring terminated homes before reinstating them. Third, the states are not required to refer for sanction all homes with deficiencies that contribute to resident deaths. Fourth, the changes do not address HCFA's need to improve its management information system. HCFA's ability to improve its oversight of nursing homes will depend heavily on whether it has the information to identify and monitor the homes that pose the greatest risk of harm.

**Nursing Homes:
Complaint Investigation Processes Often Inadequate to
Protect Residents**

GAO/HEHS-99-80, Mar. 22 (77 pages).

Federal and state practices for investigating complaints about nursing home care are often not as effective as they should be. GAO found many problems in the 14 states it reviewed, including procedures or practices that may limit the filing of complaints, understatement of the seriousness of complaints, and failure to investigate serious complaints promptly. Complaints alleging that nursing home residents were being harmed have gone uninvestigated for weeks or months. During that time, residents may have remained vulnerable to abuse, neglect (which can lead to serious problems like malnutrition and dehydration), preventable accidents, and medication errors. Although the federal government finances more than 70 percent of complaint investigations nationwide, the Health Care Financing Administration (HCFA) plays a minimal role in providing states with direction and oversight regarding these investigations. HCFA has left it largely to the states to decide which complaints put residents in immediate jeopardy and should be investigated immediately. More generally, HCFA's oversight of state agencies that certify federally qualified nursing homes has not focused on complaint investigations. GAO recommends (1) stronger federal requirements for states to promptly investigate serious complaints alleging situations that may harm residents but are not classified as posing an immediate threat, (2) more federal monitoring of states' efforts to respond to complaints, and (3) better tracking of the substantial findings of complaint investigations. GAO summarized this report and the preceding one in testimony before Congress; see:

Nursing Homes: Stronger Complaint and Enforcement Practices Needed to Better Ensure Adequate Care, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Special Committee on Aging. GAO/T-HEHS-99-89, Mar. 22 (10 pages).

**Medicare Home Health Agencies:
Role of Surety Bonds in Increasing Scrutiny and
Reducing Overpayments**

GAO/HEHS-99-23, Jan. 29 (32 pages).

In 1997, Congress required home health agencies (HHA) to begin posting \$50,000 surety bonds that would allow the Health Care Financing Administration (HCFA) to recover delinquent overpayments made for any reason—not just in cases of fraud and abuse. However, net recovered overpayments were less than one percent of Medicare’s home health care expenditures in 1996. HCFA’s requiring that larger HHAs obtain bonds equal to 15 percent of their Medicare revenues—and that they obtain one bond for Medicare and a separate bond for Medicaid—imposes a greater burden on them without a demonstrated commensurately greater benefit. GAO believes that requiring one \$50,000 surety bond for both Medicare and Medicaid could effectively screen new HHAs to determine whether they are reasonably organized, follow sound business practices, and have financial stability. It would balance the benefit to Medicare of increased HHA scrutiny and recovery of overpayments with the burden on participating agencies to supply bond fees and collateral.

Testimony

Medicare and Budget Surpluses: GAO’s Perspective on the President’s Proposal and the Need for Reform, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance. [GAO/T-AIMD/HEHS-99-113](#), Mar. 10 (25 pages) and Mar. 18 addendum (one page).

The President proposes to use about two-thirds of the projected budget surpluses over the next 15 years to reduce publicly held debt. At the same time, he also proposes to transfer a like amount to the Social Security and Medicare trust funds in the form of nonmarketable Treasury securities, which is projected to extend the life of Medicare’s Hospital Insurance (HI) trust fund from 2008 to 2020. His proposal would trade debt held by the public for debt held by the Social Security and Medicare trust funds. These new Treasury securities would constitute a new unearned claim on general funds for the HI program—a marked break with the payroll tax-based financing structure of the program. This change could undermine the remaining fiscal discipline associated with the self-financing trust fund concept and could induce a false complacency about the financial health of the HI program. Without change, however, Medicare is projected to more than double its share of the economy by 2050, and Social Security, health, and interest will take nearly all the revenues the federal government takes in. Real and substantive Medicare reform, not simple financing shifts among funds within the budget, is essential. Acting now would allow changes to benefits and health care

delivery systems to be phased in gradually so that stakeholders and participants would have time to adjust their saving or retirement goals.

Managed Care: State Approaches on Selected Patient Protections, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor, and Pensions. [GAO/T-HEHS-99-85](#), Mar. 11 (22 pages).

Health insurance statutes and regulations in 15 states, which collectively account for about two-thirds of all Americans enrolled in health maintenance organizations, address consumers' concerns about access to health care and information disclosure with differing approaches, scope, and form. For example, California and Minnesota address seven types of patient protection: coverage of emergency services, access to obstetricians and gynecologists, access to pediatricians, access to other specialists, continuity of care for enrollees whose providers leave their plans, drug formularies, and patient-provider communication. Colorado addresses three of these protections, Massachusetts only one. The most prevalent protections address open patient-provider communication, emergency care coverage, and access to obstetricians and gynecologists. Only four states guarantee direct access to pediatricians. Continuity-of-care provisions differ; about half of the states specify pregnancy as a condition subject to this coverage. An effective approach to ensuring quality and efficient health care for managed care enrollees would balance the regulatory assurance of minimum standards with quality-based competition among providers.

Medicare: Progress to Date in Implementing Certain Major Balanced Budget Act Reforms, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Committee on Finance. [GAO/T-HEHS-99-87](#), Mar. 17 (20 pages).

The Balanced Budget Act of 1997 created the Medicare+Choice program to give Medicare beneficiaries a broader range of health plans, such as those of preferred provider and provider-sponsored organizations. It also continued the movement away from Medicare's paying skilled nursing facilities, home health agencies, hospital outpatient departments, and rehabilitation facilities for services on the basis of their incurred costs toward using prospective rates that set their payment levels in advance. This testimony discusses the implementation of (1) the Medicare+Choice program, particularly the payment method and consumer information efforts, and (2) prospective payment systems for skilled nursing facilities

and home health agencies in Medicare's traditional fee-for-service program.

Housing

Tax Credits: Reasons for Cost Differences in Housing Built by For-Profit and Nonprofit Developers

[GAO/RCED-99-60](#), Mar. 10 (31 pages).

GAO reported in 1997 on the characteristics of the residents and properties that have benefited from the Low-Income Housing Tax Credit program and recommended improvements to the program. (See [GAO/GGD/RCED-97-55](#), Mar. 1997.) In that report, GAO estimated that the average cost of developing tax credit units was about \$60,000. GAO later estimated that the average cost of units built by nonprofit developers was about \$18,000 higher than the average cost of for-profit developers' units. To understand these differences, GAO analyzed unit cost data collected for its 1997 report and 1990 Census data on distressed Census tracts. GAO found that although tax credit units built by nonprofit developers cost more, on average, than do units built by for-profit developers, nonprofit developers' costs were not necessarily higher when differences in the units' characteristics were taken into account. GAO identified four characteristics that both increased average costs and were more likely to be associated with units built by nonprofit developers. These characteristics were (1) location in areas with high poverty and unemployment rates, (2) location in areas eligible for additional tax credits (because the development costs were high relative to incomes in these areas), (3) large units, and (4) units in the Northeast or Pacific regions. When these and other characteristics were taken into account, GAO found that the estimated per-unit cost was \$5,600 more for nonprofit developers than for for-profit developers.

FHA Loan Limits: Finance Board Data Are a Reasonable Source of Home Sales Prices

[GAO/RCED-99-78](#), Mar. 29 (20 pages).

The Federal Housing Administration (FHA) insures mortgages so that lenders will make loans to borrowers who might otherwise be unable to get a mortgage. FHA also sets limits on the dollar value of individual loans that it will insure. The maximum FHA-insured mortgage a borrower may obtain varies throughout the country depending on local housing prices,

resulting in hundreds of different loan limits. To measure local house prices and set these loan limits, FHA relies on data from a Federal Housing Finance Board survey that collects house purchase prices and other related data on nongovernment-insured mortgages from mortgage lenders. In response to congressional concerns that FHA loan limits for some areas seem high, this report (1) compares data on house prices from the Finance Board with data that the Department of Housing and Urban Development (HUD) collects to measure changes in house prices, (2) presents the views of officials of the agencies involved on the results of this analysis, (3) analyzes the effect on median prices of supplementing the Finance Board's and HUD's data with information each does not already include on lower-priced homes with government-insured mortgages, and (4) provides information on FHA's recent efforts to explore alternative sources of data for measuring median home prices.

Testimony

Housing and Urban Development: Comments on HUD's Fiscal Year 2000 Budget Request, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. [GAO/T-RCED-99-104](#), Mar. 3 (13 pages).

The resources available to Congress cannot adequately address all of the nation's myriad housing and community development needs. However, GAO believes that the funds that Congress provides to the Department of Housing and Urban Development (HUD) should be used as wisely as possible and that HUD's programs should reflect a national consensus on the best approaches to meeting housing and community development challenges. For fiscal year 2000, HUD is proposing a total budget of about \$28 billion in new discretionary budget authority, which, in combination with the available budget authority from earlier years, will help support about \$34 billion in discretionary outlays. This testimony identifies areas in which HUD's budget justification is insufficient or in which unexpended funds might offer the opportunity to rethink the need for new appropriations.

HUD Management: Major Challenges and Program Risks, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs. [GAO/T-RCED/AIMD-99-126](#), Mar. 23 (18 pages).

For years, GAO and others, including the Department of Housing and Urban Development's (HUD) Inspector General and external auditors, have cited significant management problems at HUD. These problems have arisen because of serious, long-standing deficiencies in four areas: internal controls, information and financial management systems, organizational structure, and staffing. Since 1994, GAO has included HUD's programs on its list of government operations at high risk for waste, fraud, abuse, and mismanagement. GAO testified that HUD is making significant changes and has made progress in overhauling its operations to correct management deficiencies. Among other things, HUD has improved its financial reporting and developed risk assessments for its programs, developed and deployed components for its information and financial management systems, consolidated and centralized many of its operations, and reassigned and retrained many of its staff. At the same time, internal control weaknesses and problems with information and financial management systems persist. For example, material internal control weaknesses continue to plague the Section 8 subsidy payment process, which provides \$18 billion in rental assistance, and HUD has not adequately monitored programs and functions, such as contractors' management of the agency's real estate assets. HUD is likely to continue to spend millions of dollars, miss milestones, and still not meet its goal of developing and fully deploying an integrated financial management system because it has not yet finalized detailed project plans or cost and schedule estimates for this effort. Recent reforms to deal with HUD's organizational and staffing problems are in the early stages, and it is too soon to tell whether they will solve the agency's problems. HUD needs to ensure that the steps being taken eliminate the remaining major internal control weaknesses, strengthen its management and oversight of efforts to integrate its information and financial management systems and correct their weaknesses, ensure that the field offices have enough staff to carry out the work assigned, and ensure that all staff have the skills needed to do their jobs.

Homelessness: Overview of Current Issues and GAO Studies, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the House Committee on Government Reform.

[GAO/T-RCED-99-125](#), Mar. 23 (five pages).

A recent GAO study ([GAO/RCED-99-49](#), Feb. 1999) identified 50 federal programs run by eight agencies that either are specifically targeted to the homeless or are nontargeted and therefore available to poor people in general, including those who are homeless. GAO found that both the targeted and nontargeted programs provide an array of services, such as

housing, health care, job training, and transportation. In some cases, programs run by more than one agency offer the same type of service. Given the multiple agencies and the large number of programs that can potentially serve the homeless, GAO believes that coordination among federal agencies and the evaluation of programs' effectiveness are essential to ensure that the programs are cost-effective. Most agencies that administer targeted programs for the homeless have identified crosscutting responsibilities related to homelessness, but few have tried the more challenging task of describing how they expect to coordinate their efforts with those of other agencies or develop common outcome measures. GAO also found that although most federal agencies have established process or output measures for the services they provide to the homeless through their targeted programs, they have not consistently developed results-oriented and outcome measures for homelessness in their plans. This testimony also describes ongoing GAO work in the following areas: (1) state and local efforts to integrate and evaluate programs for the homeless, (2) the use of grants under the supportive housing program to deliver services to the homeless, (3) programs that serve homeless veterans, and (4) barriers to obtaining services.

Homeownership: Results of and Challenges Faced by FHA's Single-Family Mortgage Insurance Program, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing and Urban Affairs. [GAO/T-RCED-99-133](#), Mar. 25 (16 pages).

Many changes have taken place in the single-family housing finance system since the Federal Housing Administration (FHA) was created in 1934 to insure housing loans made by private lenders. These changes include the advent of modern private mortgage insurance, the emergence of a secondary mortgage market, and several public- and private-sector initiatives designed to expand affordable housing opportunities for home buyers. FHA's critics argue that other housing finance players, such as private mortgage insurers, are addressing the need once exclusively met by FHA. The agency's supporters contend that FHA's single-family program remains the only way for some families to become homeowners and should be expanded. This testimony (1) discusses the activities of FHA's home mortgage insurance program, including the extent to which home buyers use FHA insurance, the characteristics of these home buyers (including whether they were first-time home buyers), and how many of them might also qualify for private mortgage insurance; (2) compares the insurance terms available through FHA's principal single-family mortgage

insurance program with private mortgage insurance and guaranties from the Department of Veterans Affairs; and (3) examines the challenges that FHA faces in ensuring the financial health of its Mutual Mortgage Insurance Fund—the insurance fund supporting most FHA-insured single-family mortgages.

Income Security

Social Security Reform: Experience of the Alternate Plans in Texas

GAO/HEHS-99-31, Feb. 26 (36 pages).

Under an option available to state and local governments until 1983, three Texas counties withdrew from Social Security in 1981 and replaced it with a system of individual accounts that provided retirement and disability benefits to their employees. Social Security faces a long-term funding shortfall, and some have suggested that the experience of these three counties underscores the advantages of individual accounts as an element of Social Security financing reform. GAO found that although Social Security and the alternate plans of the three Texas counties offer retirement, disability, and survivor benefits, there are fundamental differences in the purpose and the structure of the two approaches. Social Security is a social insurance program designed to provide a basic level of retirement income to help retired workers, the disabled, and their dependents and survivors avoid poverty. Social Security benefits are tilted to provide relatively higher benefits to low-wage earners and the benefits are fully indexed to protect against inflation. Social Security, a pay-as-you-go system, is projected to produce a negative cash flow in 2013 and become insolvent by 2032. In contrast, the alternate plans are advance-funded; that is, the contributions made by workers and their employers, which total 13.915 percent of workers' pay, and the earnings from those invested contributions are used to fund retirement benefits. At retirement, a worker can withdraw the money in the account as a lump sum or choose from several monthly payment options, including a lifetime annuity. GAO's simulations of how workers for the three Texas counties and their dependents might fare under the two systems revealed that outcomes generally depend on individual circumstances and conditions. For example, the alternate plans provide larger benefits for high-wage workers than Social Security would, but in some cases, such as when spousal benefits are involved, Social Security benefits could also eventually exceed those of the alternate plans. GAO notes that the alternate plans' performance is not necessarily indicative of how well individual

accounts might perform within Social Security. For example, the alternate plans have followed a very conservative investment strategy that precludes investing in common stocks.

**SSA Disability Redesign:
Actions Needed to Enhance Future Progress**

GAO/HEHS-99-25, Mar. 12 (94 pages).

In 1994, the Social Security Administration (SSA) set forth an ambitious plan to redesign over a six-year period its process for deciding whether or not a claimant is eligible for disability benefits. Having made little progress by February 1997, SSA issued a scaled-back plan to test and implement major changes. GAO found that SSA is behind schedule on all five of its near-term initiatives and has not clearly demonstrated the efficacy of its proposed changes. SSA limited its ability to keep its plan on track because the redesign team tried to move ahead on many fronts simultaneously. SSA's reengineering efforts require sharper focus, and the agency should concentrate on the initiatives most likely to achieve critical redesign objectives. SSA should adjust its testing approach, and it needs a more complete set of performance goals and measures, including a fully developed quality assurance process.

Testimony

Social Security Disability: Multiple Factors Affect Return to Work, by Cynthia M. Fagnoni, Director of Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HEHS-99-82, Mar. 11 (15 pages).

The Disability Insurance (DI) and Supplemental Security Income (SSI) programs paid 7.6 million disabled beneficiaries cash benefits totaling about \$61.3 billion in 1998. Fewer than one percent of DI and few SSI beneficiaries leave the rolls to return to work each year. If an additional one percent were to return to work, lifetime cash benefits would be reduced by an estimated \$3 billion. The work capacity of DI and SSI beneficiaries may be understated because medical condition is a poor predictor of work incapacity, and nonmedical factors may play a crucial role in determining the extent to which people with appropriate assistance and support can work. Yet the programs' eligibility requirements and the application process encourage people to focus on their disabilities. The programs' work incentives do not overcome many beneficiaries' risk of returning to work and their complexities are difficult to understand and

implement. Also, rehabilitation services are relatively inaccessible. Some proposed reforms would allow working beneficiaries to keep more of their earnings, safeguard their medical coverage, and provide tickets for vocational rehabilitation. However, because of the complex interactions between earnings and disability benefits, some types of work incentive changes may help some beneficiaries more than others. Allowing people to keep more of their earnings might cause people who are not currently in the programs to enter them and could keep some in the programs who might otherwise leave. Accurately estimating the costs of proposed reforms requires empirical analysis of entry and exit effects that is now lacking.

Social Security: Individual Accounts as an Element of Long-Term Financing Reform, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance. [GAO/T-HEHS-99-86](#), Mar. 16 (16 pages).

Some proposals to ensure the solvency of Social Security would add individual accounts, similar to defined contribution plans, to the current defined benefit plan. By themselves, however, such individual accounts cannot guarantee the system's solvency. The current system is designed to achieve both individual equity (some relationship between contributions made and benefits received) and retirement income adequacy (proportionately larger benefits to lower earners and households with dependents). These two goals are combined in a single defined benefit formula that bases retirement benefits on a worker's lifetime record of earnings, not on the payroll tax the worker contributed. Individual accounts would directly link a portion of the worker's contributions to benefits. This defined contribution structure would enable workers to earn a higher rate of return on their contributions but with some measure of risk. However, individual accounts would do nothing to help Social Security unless incremental investment income either supplemented Social Security revenues or offset current promised benefits. Decisions about the appropriate balance between the defined benefit and defined contribution portions will need to consider whether to make individual accounts mandatory or voluntary, who would manage the necessary information and money flow, how much flexibility individuals would have over investment options and access to their accounts, and the mechanisms for paying out retirement benefits.

Social Security: Criteria for Evaluating Social Security Reform Proposals, by David M. Walker, Comptroller General of the United States, before the

Subcommittee on Social Security, House Committee on Ways and Means. [GAO/T-HEHS-99-94](#), Mar. 25 (21 pages).

Social Security forms the foundation for the nation's retirement income system and, in doing so, provides benefits that are critical to the well-being of millions of Americans. A wide array of proposals have been put forth to restore the program's solvency. This testimony provides an analytical framework for evaluating these proposals. The Comptroller General discusses the (1) purpose of the Social Security system, (2) basic criteria for assessing reform proposals, and (3) importance of establishing the proper benchmarks against which reforms must be measured. The Comptroller General does not advocate for or against specific reform proposals or elements. Rather, his remarks are intended to help clarify the debate over various proposals as Congress continues to deliberate this important issue. In choosing among proposals, policymakers need to consider three basic criteria: to what extent a proposal achieves sustainable solvency and how it would affect the economy and the federal budget; the balance struck between the twin goals of individual equity (rates of return on individual contributions) and income adequacy (level and certainty of benefits); and how readily these changes could be implemented, administered, and explained to the public. Although the many reform proposals offer a wide range of options, all of them would restore long-term solvency through some combination of benefit cuts, revenue increases, or higher returns from invested contributions. Making Social Security a sustainable program involves difficult choices. At the same time, the strong U.S. economy offers an historic opportunity to deal with this problem. GAO believes that it is possible to craft a comprehensive package of reforms that will protect the benefits of current retirees while striking the right balance of equity and adequacy for future beneficiaries. Regardless of which reform proposal is adopted, better public education and information will be needed so that Americans can adjust their retirement planning accordingly.

Correspondence

Social Security: Review of Disability Representatives. [GAO/HEHS-99-50R](#), Mar. 4.

Information
Management

**Year 2000 Computing Crisis:
Status of Airports' Efforts to Deal With Date Change Problem**

[GAO/RCED/AIMD-99-57](#), Jan. 29 (56 pages).

The successful operation of the National Airspace System—the network supporting U.S. aviation operations that includes navigation facilities, airports, equipment, services, and information and rules—depends, in part, on the equipment, including computers, that airports use to carry out their operations. This report provides information on the following: (1) What is the status of airports' efforts to ensure that their computers and electronic equipment will function properly on and after January 1, 2000? (2) How will the safety, the security, and the efficiency of the National Airspace System be affected if airports' Year 2000 preparations are not completed in time? and (3) What factors affect the progress of airports' preparations for the year 2000? GAO found that the nation's airports have been making progress in preparing for the year 2000. However, the airports that responded to GAO's questionnaire have completed, on average, less than half of their repair work. Officials at airports and the Federal Aviation Administration (FAA) agree that adequate safeguards are in place to ensure the safety and the security of the National Airspace System before and after the Year 2000 date change. Several factors have affected the timeliness of Year 2000 preparations, including an airport's use of contractors, the assistance provided by aviation industry associations, and the activities undertaken by Congress and FAA.

**Year 2000 Computing Crisis:
Customs Has Established Effective Year 2000 Program Controls**

[GAO/AIMD-99-37](#), Mar. 29 (27 pages).

The U.S. Customs Service has established effective Year 2000 program management controls, including structure and processes for Year 2000 testing, contingency planning, and Year 2000 status reporting. As a result, the agency's latest status reports to the Treasury Department show good progress in converting its systems and mitigating century date change risks to its core business operations. Very important tasks remain, however, such as completing end-to-end tests and validating contingency plans for ensuring continuity of core business functions. Also, serious risks exist outside of Customs' control, such as Year 2000-induced failures of both the public infrastructure and business partner systems. Customs has plans to complete key tasks and address external risks, and it has the management controls in place to ensure that they are accomplished. Although these controls do not guarantee that Year 2000-induced systems failures will not occur, Customs can reduce its risk of Year 2000-induced business failures by following through on its plans and by implementing its management controls as it has done so far.

Testimony

Year 2000 Computing Crisis: Defense Has Made Progress, but Additional Management Controls Are Needed, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before subcommittees of the House Committee on Government Reform and the House Committee on Science. [GAO/T-AIMD-99-101](#), Mar. 2 (19 pages).

The Defense Department (DOD) has recently taken steps to strengthen management of its Year 2000 program by providing the controls and guidance needed to fix and test systems. It has also appropriately shifted its focus to core business readiness and operational risks through (1) planning for the performance of end-to-end tests of key functional area business processes, (2) executing a series of simulated Year 2000 operational exercises, and (3) conducting system integration tests at the military service level. In addition, the Deputy Secretary has become actively involved in directing and monitoring Year 2000 efforts. However, DOD still faces two significant challenges and a fast-approaching deadline. First, DOD must still “catch up” and complete remediation and testing of mission critical systems. Second, it needs to be reasonably confident that key processes will continue to work on a day-to-day basis and key operational missions essential to national defense can be successfully accomplished. Consequently, DOD needs to take steps to improve its visibility over the status of key business processes. The information is critical to identify those areas where DOD faces the greatest risk of failure and critical to providing the necessary data for preparing overall business continuity plans.

Land Management Systems: Major Software Development Does Not Meet BLM’s Business Needs, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. [GAO/T-AIMD-99-102](#), Mar. 4 (19 pages).

The Bureau of Land Management (BLM) spent more than 15 years and invested about \$411 million to plan and develop the Automated Land and Mineral Record System Project, only to have the major software component (ALMRS Initial Operating Capability) fail. As a result, the Bureau has decided not to deploy the software component at this time. GAO has reported earlier on the significant problems and risks that BLM has encountered. GAO has made many recommendations to reduce those risks, but BLM has been slow to implement some recommendations and has not yet fully implemented others. BLM now needs to determine whether it can salvage any of the more than \$67-million it reportedly invested in the ALMRS

Initial Operating Capability software by analyzing the software to determine if it can be cost-beneficially modified to meet BLM's needs. In addition, to reduce the risk that future efforts will result in failure, BLM should assess its information technology investment practices and systems acquisition capabilities.

Insurance Industry: Regulators Are Less Active in Encouraging and Validating Year 2000 Preparedness, by Richard J. Hillman, Associate Director for Financial Institutions and Markets Issues, before the Senate Special Committee on the Year 2000 Technology Problem. [GAO/T-GGD-99-56](#), Mar. 11 (10 pages).

The Year 2000 problem could affect the ability of a financial institution to serve its customers. As a result, it is appropriate for financial regulators to be actively involved in ensuring that (1) institutions know what is expected of them to become prepared and (2) customers and others who depend on continuous services can be confident about the operational viability of their financial institutions. This testimony presents some preliminary observations on the Year 2000 regulatory actions, both in timeliness and scope, of regulators in all three of the major financial industries—banking, securities, and insurance.

Year 2000 Computing Crisis: FAA Is Making Progress, but Important Challenges Remain, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform, and the Subcommittee on Technology, House Committee on Science. [GAO/T-AIMD/RCED-99-118](#), Mar. 15 (20 pages).

A host of critical Federal Aviation Administration (FAA) operations—from the targeting of airlines for inspections to the relaying of up-to-date weather conditions to pilots and air traffic controllers—depends on computer systems. Unless these systems are readied for the upcoming date change at the turn of the century, hundreds of thousands of travelers could be inconvenienced, airline costs could rise, flights could be grounded or delayed, and safety levels could be affected. This testimony focuses on (1) FAA's progress so far, (2) the agency's self-reported data showing how much remains to be done, (3) the challenges that FAA faces in ensuring its internal systems will work, (4) the risks associated with external organizations—especially airports and international entities, and (5) the critical need for business continuity and contingency plans that spell out how aviation operations will continue should systems fail.

International Affairs

U.S.-Japan Trade: The Japanese Insurance Market

[GAO/NSIAD-99-108BR](#), Mar. 15 (49 pages).

U.S. insurers have raised concerns about Japan's implementation of bilateral insurance agreements entered into with the United States in 1994 and 1996. In recent years, Japan has taken some steps to deregulate its insurance market, in accordance with these agreements and as part of its overall efforts at financial deregulatory reform. Some U.S. insurance representatives, however, contend that the measures taken so far are insufficient. The U.S. and Japanese governments differ about the extent to which the agreements have been implemented. This report provides information on (1) the size of the Japanese insurance market; (2) the U.S. insurance company presence in and concerns about this market; and (3) the business, regulatory, and other events that have affected the Japanese insurance market in the 1990s.

Food Security: Factors That Could Affect Progress Toward Meeting World Food Summit Goals

[GAO/NSIAD-99-15](#), Mar. 22 (101 pages).

In November 1996, a world summit was held in Rome, Italy, to address a global commitment to ensure that all people have access to enough food to meet their needs, a concept known as "food security." Participants set a new interim goal of reducing undernourishment by 50 percent by 2015. Earlier world food conferences and international summits have fallen considerably short of their targets for reducing or eliminating food insecurity. This report reviews the outcome of the summit and identifies key factors that could affect the progress of developing countries toward achieving the summit's goal.

Testimony

State Department: Major Management Challenges and Program Risks, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the Subcommittee on International Operations, Senate Committee on Foreign Relations. [GAO/T-NSIAD/AIMD-99-99](#), Mar. 4 (16 pages).

As the lead agency for the conduct of foreign affairs, the State Department has enormous responsibilities as it works to shape a more secure,

prosperous, and democratic world. A substantial part of State's nearly \$2.7 billion annual budget for the conduct of foreign affairs goes for business functions. For example, State has a worldwide network of operations to maintain its headquarters and overseas posts as well as provide support for about 35 other U.S. agencies that operate overseas. State also provides security for thousands of U.S. personnel and facilities abroad. This testimony, which is based largely on GAO's performance and accountability series ([GAO/OCG-99-12](#), Jan. 1999), focuses on the challenges facing State on the business side of its operations.

Correspondence

Methodological Considerations for a Study of Pesticide Price Differentials in the United States and Canada. [GAO/NSIAD-99-74R](#), Feb. 26.

Justice and Law Enforcement

Visa Issuance: Issues Concerning the Religious Worker Visa Program

[GAO/NSIAD-99-67](#), Mar. 26 (18 pages).

In response to concerns from the U.S. religious community about the shortage of domestic religious workers to fill vacancies for religious positions, Congress established special immigrant and nonimmigrant visa categories in 1990 for religious workers, religious professionals, and ministers. Religious worker visas constituted about 11,000 of the 7 million immigrant and nonimmigrant visas issued in fiscal year 1997. As a result of recent fraud investigations, both the State Department and the Immigration and Naturalization Service (INS) have raised concerns that some individuals and groups that sponsor religious workers may be exploiting this category to enable unqualified aliens to enter or stay in the United States illegally. Although INS and the State Department have uncovered some fraud, they lack the data and analysis to firmly establish its extent in the religious worker visa program. The fraud uncovered typically involved (1) applicants making false statements about their qualifications as religious workers or their plans in the United States or (2) conspiracy between an applicant or a sponsoring group to misrepresent facts about the applicant's qualifications or the nature of the position to be filled. To increase the availability of information needed to determine the eligibility of visa applicants and sponsors, INS, with State's support, is considering changes to the visa-screening process. These changes include having an applicant submit additional evidence of his or her qualifications, having the sponsoring organization submit additional evidence on its ability to financially support the applicant, and incorporating new software applications that alert reviewers to organizations filing petitions for many workers. INS is also proposing a regulatory change to require that the prior work experience specific for immigrant religious worker visa applicants be full-time and that the persons work for the religious organizations in the United States on a full-time basis.

Asset Forfeiture Marshals Service Controls Over Seized Assets

[GAO/GGD-99-41](#), Mar. 26 (20 pages).

GAO reviewed the U.S. Marshals Service controls over seized assets—vehicles, boats, real property, financial property, and general

property—at districts in California, Florida, and New York. GAO has included the Justice Department’s asset forfeiture program in its list of government operations at particularly high-risk for waste, fraud, abuse, and mismanagement. GAO was able to account for all of the seized assets included in its review at the four Marshals Service districts that it visited. Also, the seized assets appeared to be in good condition and were stored and secured properly. Although GAO was able to account for each selected seized asset, it did identify several discrepancies between the physical locations of the assets and the location listed on the district’s computerized inventory.

Testimony

Drug Control: Update on U.S.-Mexican Counternarcotics Activities, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, House Committee on Government Reform. [GAO/T-NSIAD-99-98](#), Mar. 4 (17 pages).

Drugs from Mexico represent a continuing, significant threat to the United States. Mexico is one of the largest centers for narcotics-related business in the world, and Mexico remains the principal transit country for cocaine entering the United States. Mexico is either a producer, refiner, or transit point for cocaine, marijuana, methamphetamine, and heroin. It is also a major hub for recycling drug proceeds. Mexico’s Juarez drug-trafficking organization is now as powerful and dangerous as Colombia’s Medellin and Cali cartels used to be. This testimony discusses (1) Mexico’s efforts to address the drug threat and (2) the status of U.S. counternarcotics assistance provided to Mexico.

Personal Bankruptcy: Methodological Similarities and Differences in Three Reports on Debtors’ Ability to Pay, by Richard M. Stana, Associate Director for Administration of Justice Issues, before the Subcommittee on Commercial and Administrative Law, House Committee on the Judiciary. [GAO/T-GGD-99-58](#), Mar. 17 (13 pages).

Personal bankruptcy filings have set new records in each of the last three years, although little agreement exists on the causes for such high bankruptcy filings in a period of relatively low unemployment, low inflation, and steady economic growth. Nor is there agreement on the number of debtors seeking relief through the bankruptcy process who are able to pay at least some of their debts and the amount of debt such debtors could repay. Three reports—by the Credit Research Center

(October 1997), Ernst & Young (March 1998), and Creighton University/American Bankruptcy Institute (March 1999)—have examined different samples of debtors who filed for bankruptcy under chapter 7 and estimated the percentage of these debtors who could repay a “substantial portion of their debts.” This testimony discusses the methodological similarities and differences in the three reports.

INS Budget: Overhiring and Decline in Revenues Have Created Fiscal Stress, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies, House Committee on Appropriations.

[GAO/T-GGD/AIMD-99-129](#), Mar. 24 (11 pages).

GAO concludes that the Immigration and Naturalization Service (INS) is not experiencing an overall budget shortfall at this time. The hiring policy that the agency followed in fiscal year 1998 in an attempt to meet congressional and administration expectations resulted in INS having to commit a greater share of its fiscal year 1999 budget to salaries and benefits than in earlier years. Overall, however, INS now has more discretionary funds than it had in fiscal year 1998. With respect to the examinations fee account, INS overestimated the number of applications it would receive and did not detect the consequent revenue shortfall for months because of computer programming errors. When it became apparent that the anticipated revenues would not be realized, INS decided to seek reprogramming of money from other accounts to cover the costs. The overhiring and reduced examinations fee revenue meant that most INS programs had less discretionary funding in fiscal year 1999 than in fiscal year 1998. Although INS has not experienced an overall budget shortfall, the combination of higher personnel costs, declining examination fee revenues, and the resultant need to reduce discretionary funding allocations to most programs has created fiscal stress for the agency.

Correspondence

Federal Judiciary: Information on the Weighted Filings Assigned to Senior District and Magistrate Judges in Fiscal Year 1997 in 21 District Courts.

[GAO/GGD-99-37R](#), Mar. 26

National Defense

Gulf War Illnesses: Procedural and Reporting Improvements Are Needed in DOD's Investigative Processes

GAO/NSIAD-99-59, Feb. 26 (66 pages).

The Defense Department (DOD) has made progress in comprehensively addressing Gulf War illness issues. Its outreach program, which has established a toll-free hotline, a Web site, and a newsletter, has cleared a large backlog of veterans inquiries. It has also helped veterans obtain medical examinations and other services at DOD and VA facilities. Through its investigations and other work, the Office of the Special Assistant for Gulf War Illnesses has called for improvements to DOD's equipment, policies, and procedures and has worked with the military to help better protect U.S. soldiers on a contaminated battlefield. However, in three of the six case narratives (an investigation of soldiers' possible exposures to chemical warfare agents) it reviewed, GAO found such weaknesses as failures to (1) follow up with appropriate individuals to confirm key evidence, (2) identify or ensure the validity of evidence, (3) include important information, and (4) interview key witnesses. In all six cases, the Office did not take advantage of potentially valuable sources of information in DOD's and VA's clinical databases. Despite these weaknesses, GAO agreed with the Office's conclusions about the likelihood of the presence of chemical warfare agents in five of the six cases it reviewed. The one exception involved a Marine Corps personnel who may have been exposed to a chemical warfare agent during a minefield-breaching operation. The Office concluded that exposure in this case was "unlikely," although GAO found that the Office had overlooked some information in its possession and did not include all relevant information in its case narrative. GAO believes that the Office should reassess the likelihood of exposure in this case. In GAO's view, the lack of effective quality assurance policies and practices in the Office's investigating and reporting processes contributed to the weaknesses noted.

Gulf War Illnesses: Questions About the Presence of Squalene Antibodies in Veterans Can Be Resolved

GAO/NSIAD-99-5, Mar. 29 (24 pages).

Before and after the Persian Gulf War, the Defense Department (DOD) and the National Institutes of Health (NIH) used adjuvant formulations of

squalene—a substance found in shark liver oil, some vegetable oils, and the human liver—to help develop more effective vaccines. DOD officials said that they considered, but decided against, using vaccines with experimental adjuvant formulations during the Gulf War. According to independent researchers, as part of their treatment of sick Gulf War veterans, they developed and administered a test, known as an assay, that detected antibodies to squalene in the blood of these veterans. As of March 1999, the research had been subjected to peer review, but had not been published. This process is often lengthy, sometimes taking a year or more. The military could develop such an assay inexpensively and test it on a sample of sick Gulf War veterans, according to DOD officials. However, DOD plans to wait until the research is published before deciding whether to do testing. Given the researchers' assessment, DOD's comments about the feasibility of developing an assay, and that veterans have been waiting for seven years for answers on the nature and the origin of their illnesses, DOD now has an opportunity to expand on the research already done.

**Military Housing:
Costs of Separate Barracks for Male and Female Recruits in
Basic Training**

[GAO/NSIAD-99-75](#), Mar. 1 (25 pages).

The military services would not incur additional construction costs if they housed male and female recruits in separate barracks during basic training, according to a GAO analysis. GAO found that the barracks capacity at each basic training installation during fiscal year 1998 was adequate to house male and female recruits in separate barracks. Although some new barracks may need to be built during the next five years to meet a projected rise in the number of new recruits, GAO concludes that new construction costs would be the same whether male and female recruits are housed in the same or in separate barracks. The Army had previously estimated that it would cost \$271 million to build barracks if male and female recruits were housed separately. The Army assumed that, to maintain unit integrity, it would house only one training unit in a barracks. Thus, barracks vacated when women moved out would not be reassigned to men from other training units and new barracks would be built for the women. GAO believes that effective leadership and management oversight could overcome problems in sharing of barracks space and that the added costs of constructing separate buildings could thereby be avoided.

**Military Housing:
Status of the Services' Implementation of the Current Barracks
Design Standard**

GAO/NSIAD-99-52, Mar. 24 (25 pages).

The Defense Department (DOD) expects most single junior enlisted servicemembers to live on base in furnished living quarters—commonly called barracks. In November 1995, DOD adopted a new barracks construction standard, known as the 1+1 design standard, that called for more space and increased privacy in the new barracks for servicemembers permanently assigned to an installation. The new standard, which does not apply to soldiers in basic training, provides each junior enlisted member with a private sleeping room and a kitchenette and bath shared with one other member. The military originally estimated that it would cost about \$10 billion to implement the new standard over 20 years. This report discusses (1) the status of the services' implementation of the 1+1 barracks design standard; (2) DOD's rationale for adopting the standard; (3) the costs of alternatives to the 1+1 standard; and (4) service views of the impact of the standard from a team-building, individual isolation, or similar perspective.

**Gender Issues:
Medical Support for Female Soldiers Deployed to Bosnia**

GAO/NSIAD-99-58, Mar. 10 (35 pages).

Health care officials, including primary care providers who staffed the base camp clinics and the hospital, told GAO that the Army's health service support system in Bosnia was able to meet women's health care needs. For example, they said that very few women had been evacuated to the military hospital in Germany for female-specific health problems. GAO surveyed 234 female soldiers who had recently served in Bosnia to obtain their views on female-specific medical services and health-related issues in Bosnia. The biggest concerns raised by many of the women was the lack of information provided to women before they deployed on female health and hygiene. Women said that they would have benefited from more information on how to prepare for an impending deployment, such as information on the availability of female-specific medications and supplies, on the health care system that would serve them during deployment, and on best practices for staying healthy. Women also raised concerns about the quality of medical support provided to them and about

the privacy and confidentiality of care at the clinics, which were described as being very small and lacking interior walls and doors to shield persons being examined.

**F-22 Aircraft:
Issues in Achieving Engineering and Manufacturing
Development Goals**

GAO/NSIAD-99-55, Mar. 15 (32 pages).

The Air Force estimates that it can complete the F-22 engineering and manufacturing development program within the nearly \$19-billion cost cap set by law. During much of 1998, however, the F-22's contractor cost and schedule plans, as defined in 1997, were not fully accomplished. Program costs were over budget and often behind schedule. The Air Force views the potential for further cost growth as a threat to completing the program within the cost limitation. Although the Air Force has devised ways to avoid and reduce costs, GAO questions whether the program, as planned, can be completed within the cost limitation. GAO summarized this report in testimony before Congress; see:

Defense Acquisition: Progress of the F-22 and F/A-18E/F Engineering and Manufacturing Development Programs, by Louis J. Rodrigues, Director of Defense Acquisitions Issues, before the Subcommittee on Airland Forces, Senate Committee on Armed Services. GAO/T-NSIAD-99-113, Mar. 17 (20 pages).

**Force Structure:
Opportunities for the Army to Reduce Risk in Executing the
Military Strategy**

GAO/NSIAD-99-47, Mar. 15 (39 pages).

The Army's force structure requirements are based on the national military strategy to fight and win two nearly simultaneous major wars. The Army completed its biennial force structure review in 1996 and concluded that it faced a moderate risk in carrying out the strategy because of significant shortfalls in support forces. Support forces include such specialties as chemical, engineering, quartermaster, and transportation. This report discusses the Army's risks after completing its 1998 force structure review. GAO (1) compares the Army's 1996 and 1998 reviews to determine if there were changes in the Army's risk of not having enough forces to implement

the national military strategy and (2) assesses the Army's potential for mitigating risk by reallocating its existing end strength.

**Contract Management:
DOD Is Examining Opportunities to Further Use Recovery Auditing**

[GAO/NSIAD-99-78](#), Mar. 17 (four pages).

In recent years, the Defense Department (DOD) has conducted a demonstration program to evaluate the feasibility of using private contractors to identify overpayments it has made to vendors. Identifying and recovering overpayments is known as "recovery auditing." Late last year, GAO reported that despite DOD's difficulty in recovering about \$17 million identified under the program, the concept of recovery auditing offered the potential to identify overpayments. (See [GAO/NSIAD-99-12](#), Dec. 1998.) A House report directed DOD to implement the expanded recovery audit demonstration program of section 388, P.L. 105-85, by selecting at least two commercial functions within its working capital fund and issuing a competitive request for proposal by December 31, 1998. This report provides an initial review of the expanded program.

**Military Operations:
Status of DOD's Efforts to Develop Future Warfighting Capability**

[GAO/NSIAD-99-64](#), Mar. 31 (40 pages).

The Pentagon is implementing a plan to meet the critical security challenges of the future by transforming the armed forces into a joint force capable of meeting the requirements of 21st century operations. A key element to this transformation is the conduct of joint warfighting experimentation, which involves assessing joint warfighting concepts that could lead to changes in doctrine, organization, training and education, materiel, leadership, and personnel. This report (1) describes the status of the Defense Department's (DOD) efforts to implement its joint experimentation program, (2) identifies some of the factors that GAO believes contribute to the success of a joint experimentation program, and (3) provides answers to the issues posed in a Senate Armed Services Committee report on the extent of DOD's support for future warfighting.

**Quadrennial Defense Review:
Status of Efforts to Implement Personnel Reductions in the Army
Materiel Command**

[GAO/NSIAD-99-123](#), Mar. 31 (22 pages).

The Report of the Quadrennial Defense Review, issued in May 1997, directed the Army to reduce personnel to help free up funds for forces modernization. The Army expected that its Materiel Command could significantly reduce the number of its civilian personnel by relying more on the private sector. Congress, however, has raised concerns about the extent of reductions in the Army Materiel Command over the years. This report discusses (1) the Army Materiel Command's plans and time frame for achieving the reductions, (2) the projected cost savings from such reductions, and (3) the cited impacts the reductions will have on workload and readiness.

Testimony

Defense Reform Initiative: Progress, Opportunities, and Challenges, by Barry W. Holman, Associate Director for Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on Armed Services. [GAO/T-NSIAD-99-95](#), Mar. 2 (22 pages).

The Defense Reform Initiative report, issued in November 1997, outlined a series of initiatives that the Defense Department (DOD) hopes will make its current organization and business practices more agile, responsive, and efficient. GAO strongly endorses DOD's efforts to reform its business processes and reduce its support infrastructure costs. DOD hopes that the Defense Reform Initiative will eventually provide a major source of recurring savings that can be used to increase funding for weapons system modernization. This testimony (1) outlines steps that DOD has taken to provide program direction and give momentum to the Defense Reform Initiative, (2) discusses additional steps that could be taken to facilitate a more comprehensive reform effort, (3) discusses the impact of the current initiatives on DOD's budget process, (4) highlights progress generally being made in implementing the initiative, and (5) provides a more detailed discussion about the status of the competitive sourcing initiative.

Military Pilots: Observations on Current Issues, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Military Personnel, House Committee on Armed Services. [GAO/T-NSIAD-99-102](#), Mar. 4 (22 pages).

Pilot shortages pose significant challenges for the military because each pilot replacement costs the Defense Department (DOD) up to \$6 million in training and requires years of investment in training and experience. This testimony discusses (1) the validity of pilot requirements, (2) the extent of the reported shortages and where they exist, (3) the key factors contributing to pilot shortages, (4) the services' plans for correcting such shortfalls, and (5) other steps that could be taken to address the problem. GAO focuses on pilots in the Air Force and the Navy, which are reporting the most critical shortages.

Defense Health Care: DOD Needs to Improve Its Monitoring of Claims Processing Activities, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Military Personnel, House Committee on Armed Services. [GAO/T-HEHS-99-78](#), Mar. 10 (12 pages).

During 1998, contractors processed about 28 million health care claims under TRICARE—the military's managed health care program. In eight of its 11 regions, TRICARE's contractors met the Defense Department's (DOD) standard by processing at least 75 percent of the claims on time. Even so, providers are concerned because millions of claims are not being paid promptly. The overall timeliness of contractors' performance masks weaker performance in processing certain specific claims, including those submitted by hospitals. It appears that most of the claims processing problems stem from poor DOD monitoring of and communication with its contractors. Furthermore, DOD's methodology for its payment accuracy audits is statistically unsound and does not accurately measure payment errors. Although the extent of error is unknown, contractors told GAO that TRICARE's inherent complexity also impedes claims processing accuracy. In addition, inappropriate denials are sometimes made because of DOD's poor communication and slowness to make changes that affect the outcomes of ClaimCheck, DOD's software for performing prepayment reviews of claims and preventing overpayments by analyzing the appropriateness of billing on professional claims. Providers are further frustrated because they mistakenly believe that they have no recourse for ClaimCheck denials. DOD and its contractors are trying to address some of these problems.

Defense Health Care: Need for Top-to-Bottom Redesign of Pharmacy Programs, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Military Personnel, House Committee on Armed Services. [GAO/T-HEHS-99-75](#), Mar. 10 (15 pages).

The Defense Department (DOD) and its managed care support contractors provide prescription drug benefits to about 8.1 million active-duty personnel, their families, and retirees. GAO found that the significant problems that DOD is experiencing delivering its pharmacy benefits result largely from the way in which DOD manages its three pharmacy programs. Rather than viewing the programs as integral parts of a single pharmacy system, DOD manages the programs as separate entities, not taking into account, for example, the merits of establishing a uniform DOD formulary and integrated databases or the effects that initiatives, such as implementing a separate mail-service pharmacy program, will have on other programs. Unless DOD begins to manage the various components of the pharmacy programs as a single system, the problems GAO identified will continue and potentially worsen.

Defense Health Care: Management Attention Needed to Make TRICARE More Effective and User-Friendly, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Personnel, Senate Committee on Armed Services. [GAO/T-HEHS-99-81](#), Mar. 11 (26 pages).

TRICARE, the Defense Department's (DOD) managed health care program, covers 8.1 million active-duty personnel, their dependents, and retirees at an annual cost of \$15.6 billion. Today, DOD is not meeting its standards for scheduling beneficiary appointments, even for active-duty members. Even though contractors are meeting TRICARE claims processing timeliness standards, millions of claims are paid late, and claims processing continues to burden beneficiaries, civilian providers, and TRICARE contractors and managers. DOD's efforts under way to combat health care fraud have not yet been effective, and additional opportunities exist to save hundreds of millions of dollars. To cost-effectively meet beneficiaries' needs for prescription drugs, a top-to-bottom redesign of the pharmacy program and its contractors is needed.

Combating Terrorism: Observations on Federal Spending to Combat Terrorism, by Henry L. Hinton, Jr., Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on National Security, Veterans Affairs, and Intergovernmental Relations, House Committee on Government Reform. [GAO/T-NSIAD/GGD-99-107](#), Mar. 11 (22 pages).

Although key federal agencies spent about \$6.7 billion in fiscal year 1997 on unclassified activities and programs to combat terrorism, a

December 1997 GAO report ([GAO/NSIAD-98-39](#)) found that precise funding information was unavailable. That report resulted in legislation requiring the Office of Management and Budget (OMB) to establish a system for collecting and reporting information on agencies' spending and budgets for combating terrorism. OMB's most recent report identified \$10 billion set aside in the fiscal year 2000 budget for programs to combat terrorism. This testimony (1) briefly discusses the foreign-origin and domestic terrorism threat as GAO understands it from intelligence analyses, (2) provides overall observations on program growth and other issues raised by GAO's work in this area, and (3) examines steps that the executive branch has taken to improve crosscutting management and coordination and provides preliminary observations on the 1998 and 1999 OMB reports to Congress on governmentwide spending and budgeting to combat terrorism.

Combating Terrorism: Observations on Biological Terrorism and Public Health Initiatives, by Henry L. Hinton, Jr., Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, Senate Committee on Appropriations, and the Senate Committee on Veterans Affairs. [GAO/T-NSIAD-99-112](#), Mar. 16 (16 pages).

The mass casualties resulting from a terrorist attack using biological weapons to spread anthrax, smallpox, and other deadly diseases could potentially overwhelm the U.S. health care system. This testimony focuses on federal efforts to invest in medical countermeasures and preparedness initiatives—one of the few areas in which national security and public health issues clearly intersect. GAO (1) briefly discusses intelligence agencies' judgements about the terrorist threat, (2) highlights the importance and benefits of threat assessments to provide a sound basis for targeting the nation's investment in combating terrorism, (3) provides preliminary observations on the science behind the biological and chemical terrorist threat, and (4) provides observations on public health initiatives that deal with a new national pharmaceutical stockpile and the basis for selecting items to research, product, procure, and stockpile for civilian defense against terrorism.

Defense Acquisition: Best Commercial Practices Can Improve Program Outcomes, by Louis J. Rodrigues, Director of Defense Acquisitions Issues, before the Subcommittee on Readiness and Management, Senate Committee on Armed Services. [GAO/T-NSIAD-99-116](#), Mar. 17 (14 pages).

In GAO's view, the Pentagon can use the best practices of leading commercial firms to improve its development of technology and weapon systems. In particular, knowledge standards that are rigorously applied, coupled with the practice of keeping technology development separate from product development, stand out as key factors in the most successful commercial examples. These practices have helped managers to develop better products in less time and within budget. Defense Department (DOD) programs generally proceed with lower levels of knowledge about key factors of product development, such as proof of design maturity and production readiness. In addition, DOD allows technology development to take place during product development. Getting better outcomes on weapon system programs will take more than grafting commercial best practices onto the existing acquisition process, according to GAO. Environmental factors, such as the intense competition for funding when a program is launched, encourage lower standards of knowledge and the acceptance of higher, but unrecognized, risks. The adoption of best practices should be aimed at fostering an environment in which DOD encourages or rewards such practices. These measures will put DOD program managers in a better position to succeed, for GAO believes that they are as informed and capable as their commercial counterparts.

Defense Transportation: Efforts to Improve DOD's Personal Property Program, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on Armed Services. [GAO/T-NSIAD-99-106](#), Mar. 18 (22 pages).

The Defense Department (DOD) has since 1994 been trying to reengineer its program for relocating military personnel and their families. DOD's goal has been to simplify processes, control program costs, ensure quality service by adopting commercial business practices, and relieve carriers of terms and conditions unique to the military. The U.S. Transportation Command is responsible for evaluating the pilot programs to determine which of them could provide better results for DOD. This testimony discusses the Army's Hunter pilot and DOD's plans to evaluate other ongoing and planned pilot programs. In assessing the Army's evaluation of the Hunter pilot, GAO focuses on the evaluation methodology and the Army Audit Agency's validation of the test and baseline data.

Correspondence

NATO's Operations and Contingency Plans for Stabilizing the Balkans. [GAO/NSIAD-99-111R](#), Mar. 11.

Military Operations: DOD's Disaster Relief Assistance in Response to Hurricane Mitch. [GAO/NSIAD-99-122R](#), Mar. 29.

Natural Resources

Testimony

Recreation Fees: Demonstration Has Increased Revenues, but Impact on Park Service Backlog Is Uncertain, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. [GAO/T-RCED-99-101](#), Mar. 3 (13 pages).

The Recreational Fee Demonstration Program provides hundreds of millions of dollars to improve visitor services and address the backlog of unmet needs in four land management agencies—the Park Service, the Bureau of Land Management, the Fish and Wildlife Service, and the Forest Service. The program affords these agencies an opportunity to collect new and increased fees. This testimony focuses on several areas in which changes or improvements may be needed, including the need for greater coordination of fees by the agencies, greater innovation, and flexibility in revenue distribution. GAO found that spending of demonstration program revenue by the Park Service has lagged substantially behind that of the other three agencies in the program's first two years. Moreover, the Park Service has yet to develop accurate and reliable information on its total deferred maintenance needs. Until this is done, it is not possible to determine the program's impact on those needs.

National Park Service: Concerns About the Implementation of Its Employee Housing Policy, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. [GAO/T-RCED-99-119](#), Mar. 17 (14 pages).

The Park Service provides housing for its employees when either affordable housing is not generally available or staff must be available to respond to after-hours incidents within a park. The Park Service's housing program entails a significant financial commitment. During the past 10 years, the agency has spent about \$175 million on employee housing. In addition, the agency now has almost \$20 million in unspent construction funding that it plans to use for current housing needs. The Park Service

estimates that it needs about another \$300 million to repair and replace some of its existing housing inventory. This testimony discusses (1) what the Park Service did in response to 1996 legislation directing the agency to eliminate unnecessary government housing and rely more on the private sector to supply housing and (2) the likely impact of that action.

Social Services

Welfare Reform: Few States Are Likely to Use the Simplified Food Stamp Program

[GAO/RCED-99-43](#), Jan. 29 (47 pages).

Over the years, state agencies have operated federal welfare programs that have provided food stamps, cash assistance, and other benefits to needy households. Each program has its own set of regulations that the states must follow to determine a participant's eligibility and benefits. This is the third in a series of reports on the impact of welfare reform on the Food Stamp Program. GAO (1) identifies the number of states that have adopted or are planning to adopt the Simplified Food Stamp Program, (2) describes the concerns that may be preventing other states from adopting the simplified program, and (3) examines the impacts that the adoption of the simplified program may have on households' eligibility and benefits.

Correspondence

At-Risk and Delinquent Youths: Fiscal Year 1998 Programs. [GAO/HEHS-99-88R](#), Mar. 30.

Tax Policy and Administration

IRS Audits: Weaknesses in Selecting and Conducting Correspondence Audits

[GAO/GGD-99-48](#), Mar. 31 (52 pages).

Since 1996, the most common type of Internal Revenue Service (IRS) audit of individual taxpayers has been the correspondence audit. These audits are done through the mail, with IRS typically asking taxpayers for more support on one or two simple issues on a tax return. GAO found several weaknesses in IRS' correspondence audit processes. During fiscal years 1992-97, the annual number and results of correspondence audits done by IRS varied considerably. The number ranged from just over 200,000 to about 1.1 million audits annually. The rate at which IRS auditors closed audits without recommending additional taxes ranged from 13 percent to

46 percent. When additional taxes were recommended, the average amounts ranged from \$1,300 to \$2,800. The rate at which taxpayers failed to respond to IRS' request for the additional taxes ranged from 29 percent to 63 percent. For the traditional correspondence audits closed in fiscal year 1996, the time between the filing of a return and the start of the audit averaged 10 months. It then took another 11 months before IRS assessed any taxes recommended by the audits. An estimated 75 percent of the 1996 returns reported adjusted gross incomes of less than \$15,000. In part, this percentage reflects the correspondence audit's focus on simple tax issues and the earned income credit. IRS' correspondence audit weaknesses fell into four areas. First, not all of the traditional correspondence audits closed in 1996 were manually reviewed to identify all issues for audit, as required by IRS. Second, support for recommended audit filings was not adequately documented in the audit workpaper files for about one-third of the audits. Third, the taxpayer documentation that was required to justify claims for the earned income credit varied from service center to service center. Fourth, GAO found weaknesses in the reviews that IRS did on a sample of closed audits to measure their quality.

**Tax Administration:
Billions in Self-Employment Taxes Are Owed**

[GAO/GGD-99-18](#), Feb. 19 (52 pages).

A GAO analysis of the Internal Revenue Service's (IRS) accounts receivable data as of September 1997 found that more than 1.9 billion self-employed taxpayers were delinquent in paying \$6.9 billion in self-employment taxes on 3.6 million returns. These taxpayers generally have low incomes and multiple delinquencies. More than 144,000 taxpayers with delinquent self-employment taxes of \$487 million were receiving about \$105 million in monthly Social Security benefits. The income on which the self-employment taxes had not been paid resulted in at least \$2.5 million in monthly benefits that would not have been paid if those earnings had not been included in the benefits computation. Self-employed taxpayers can get Social Security benefits on the basis of earnings for which they did not pay taxes because the law requires the Social Security Administration (SSA) to grant earnings credits, which are used to determine benefit eligibility and amounts, and pay benefits without regard to whether the Social Security taxes have been paid. However, not all self-employed taxpayers can receive credit for their earnings. Under the law, when taxpayers do not file their tax returns within three years, three months, and 15 days after the end of the year in which the income was earned, they

are not to receive Social Security credit. Of the 3.6 million returns with delinquent self-employment tax, SSA did not post earnings to its records for nearly 474,000 returns. For an estimated 81.9 percent of the returns with unposted earnings, taxpayers filed the returns after the statutory time limit. Many of the taxpayers may have been unaware of the statutory time limit because neither SSA's nor IRS' widely available publications discuss it. GAO notes several ways to enhance the collection of taxes from self-employed persons.

Transportation

Aviation Security: FAA's Actions to Study Responsibilities and Funding for Airport Security and to Certify Screening Companies

[GAO/RCED-99-53](#), Feb. 25 (20 pages).

After the explosion of Pan Am Flight 103 in 1988, Congress focused its attention on increasing aviation security, which culminated in the passage of the Aviation Security Improvement Act of 1990. The still unexplained crash of TWA Flight 800 in 1996 spurred the federal government to further strengthen aviation security. This report provides information on (1) the status of the Federal Aviation Administration's (FAA) efforts to implement section 301 of the Federal Aviation Reauthorization Act and (2) the status of FAA's efforts to implement section 302 and factors that could impede such implementation. FAA issued the report required by section 301 in January 1999, two years after the deadline set by law. FAA's report concluded that there should be no change to the current system of shared aviation security responsibilities among FAA, the air carriers, and the airport operators or to the current funding sources for aviation security.

Railroad Regulation: Current Issues Associated With the Rate Relief Process

[GAO/RCED-99-46](#), Feb. 26 (112 pages).

As a result of mergers, bankruptcies, and the redefinition of what constitutes a major railroad, the number of major freight railroads in the United States—collectively known as class I freight railroads—declined from 63 in 1976 to nine in 1997. These major railroads moved almost 1.6 billion tons of freight in 1997, generating \$35 billion in revenue. Some shippers and their associations have raised concerns that mergers and consolidations in the railroad industry have significantly reduced

competition and have given large railroads wide latitude in controlling the rates that they charge companies that use rail to transport their commodities. This report describes (1) the Surface Transportation Board's rate relief complaint process and how it has changed since the Interstate Commerce Commission's Termination Act of 1995 became law, (2) the number and the outcome of rate relief cases pending or filed since 1990, and (3) the opinions of shippers about the barriers they face when bringing rate complaints to the Board and the potential changes to the process to reduce these barriers.

**Airline Deregulation:
Changes in Airfares, Service Quality, and Barriers to Entry**

GAO/RCED-99-92, Mar. 4 (92 pages).

More than two decades have passed since Congress deregulated the airline industry. The Airline Deregulation Act of 1978 phased out the federal government's control over fares and service and allowed market forces to determine the price, quantity, and quality of domestic air service. This report determines (1) how airfares have changed since 1990 for travel to and from 171 airports serving various U.S. communities; (2) how the quality of air service has changed since 1978 for travel to and from these airports; and (3) the extent to which barriers to entry—restrictive gate-leasing arrangements, controls on the number of allowable takeoffs and landings at some airports, and the limits on the distance of flights from some airports—influence competition at affected airports. GAO found that, overall, average airfares fell about 21 percent in constant dollars from 1990 to the second quarter of 1998. However, not all airports realized similar decreases in airfares. In addition, the overall quality of air service—measured by both quantitative and qualitative factors—has improved for airports serving large and medium-large communities, but indicators are mixed for airports in small and medium-sized communities. GAO found that competition has changed little at the 10 airports it cited in 1996 for restraining competition through restrictive gate-leasing arrangements or limits on the number of available takeoff and landing times.

Testimony

Airline Deregulation: Changes in Airfares and Service at Four South Carolina Communities, by John H. Anderson, Jr., Director of Transportation Issues, before the Senate Committee on Commerce, Science, and Transportation. GAO/T-RCED-99-117, Mar. 12 (14 pages).

More than two decades have passed since Congress phased out the federal government's control over airfares and service, relying instead on competitive market forces to decide the price, the quantity, and the quality of domestic air service. GAO's testimony addresses the changes in airfares and service quality at airports serving Charleston and other communities in South Carolina. GAO also discusses the differences in airfares charged to business and leisure passengers traveling to and from Charleston.

Coast Guard: Strategies for Procuring New Ships, Aircraft, and Other Assets, by John H. Anderson, Jr., Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. [GAO/T-RCED-99-116](#), Mar. 16 (12 pages).

The Coast Guard's multibillion-dollar Deepwater Replacement Project to modernize or replace many of its ships and aircraft may cost as much as \$9.8 billion during the next 20 years, making it potentially the largest acquisition project in the agency's history. For fiscal year 2000, the Coast Guard is requesting \$350 million to fund its capital needs. By 2002, the cost of the Deepwater Project alone could substantially exceed that amount. This testimony discusses (1) the Coast Guard's progress in justifying the Deepwater Project and addressing GAO's concerns about its affordability and (2) the Coast Guard's progress in developing strategies and plans to fund its capital needs within an environment of budgetary constraints.

Truck Safety: Effectiveness of Motor Carriers Office Hampered by Data Problems and Slow Progress on Implementing Safety Initiatives, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Ground Transportation, House Committee on Transportation and Infrastructure. [GAO/T-RCED-99-122](#), Mar. 17 (13 pages).

This testimony presents preliminary information based on ongoing GAO work on efforts by the Federal Highway Administration's Office of Motor Carrier and Highway Safety (OMCHS) in to improve the safety of large trucks (those trucks with gross vehicle weight of 10,000 pounds or more). GAO discusses (1) recent increases in the number of crashes involving large trucks, (2) OMCHS' need to better understand the factors that contribute to such crashes, and (3) OMCHS' need for better data and quicker action in implementing improvements to truck safety.

Air Traffic Control: Observations on FAA's Air Traffic Control Modernization Program, by Gerald L. Dilligham, Associate Director for Transportation Issues, before the Subcommittee on Aviation, Senate

Committee on Commerce, Science and Transportation.
[GAO/T-RCED/AIMD-99-137](#), Mar. 25 (13 pages).

The Federal Aviation Administration (FAA) began a multibillion dollar modernization effort in 1981 to improve the safety, the capacity, and the efficiency of the nation's air traffic control system. FAA's most recent estimate is that it will spend about \$41 billion on this effort through 2004. Despite some successes in deploying new modernization systems during the past 20 years, FAA has often failed to deliver major systems on time and within budget. Implementing disciplined acquisition management practices is crucial if agencies are to consistently deliver new systems within established cost, schedule, and performance goals. In light of past problems and continuing concerns about key projects funded under this program, this testimony discusses the (1) causes of the problems that have plagued FAA's modernization program for nearly two decades and (2) agency's recent efforts to overcome these problems. GAO also raises concerns about the readiness of FAA and others to meet Year 2000 requirements.

Correspondence

Amtrak: Contracting Improprieties by Chief Engineer. [GAO/OSI-99-4R](#), Feb. 26.

Coast Guard: Review of Administrative and Support Functions.
[GAO/RCED-99-62R](#), Mar. 10.

Veterans Affairs

Veterans' Benefit Claims: Further Improvements Needed in Claims-Processing Accuracy

[GAO/HEHS-99-35](#), Mar. 1 (31 pages).

The Department of Veterans Affairs pays monthly compensation benefits to veterans with injuries or diseases incurred or aggravated while on active military duty and monthly pension benefits to wartime veterans who have low incomes and are permanently and totally disabled for reasons not connected to their service. The Veterans Benefit Administration's (VBA) new accuracy measurement system, deployed at the beginning of fiscal year 1999, indicates that it needs to give more attention to ensuring that the regional offices that process compensation and pension claims make correct decisions the first time so that veterans need not make unnecessary appeals or be unnecessarily delayed in receiving benefits. Compared with VBA's previous system, the new one focuses more on

regional office decisions that are likely to contain processing errors, uses a stricter method for computing accuracy rates, provides more data on the performance of VBA's organizational levels, collects more data on processing errors, and stores more accurate review results in a centralized database for review and analysis. However, VBA could (1) further strengthen its ability to identify error-prone cases by collecting more detailed data on the human body systems, specific impairments, and deficiencies in medical evidence and examinations involved in disability claims, (2) implement a system for reviewing claims-processing accuracy that meets standards on separation of duties and organizational independence, and (3) keep Congress informed on its progress in establishing stricter employee accountability and developing more effective training for claims adjusters.

Testimony

VA Health Care: Capital Asset Planning and Budgeting Needs Improvement, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Health, House Committee on Veterans' Affairs. [GAO/T-HEHS-99-83](#), Mar. 10 (24 pages).

In fiscal year 2000, the Veterans Health Administration's (VHA) asset ownership costs could be as much as \$4 billion or more, accounting for 25 percent of VHA's proposed \$17 billion medical care appropriation. Instead of using these resources to provide health care more efficiently in existing locations or closer to where veterans live, Department of Veterans Affairs (VA) asset plans call for operating hundreds of unneeded buildings over the next 5 years or more. VHA could save millions of dollars annually that could be used for medical care if it conducted market-based assessments to assess its population's needs, evaluate the capacity of its existing assets, identify performance gaps (excesses or deficiencies), estimate its assets' life-cycle costs, and compare such costs to other alternatives, such as partnering with other public or private providers, purchasing care from such providers, and replacing obsolete assets with modern ones. VA could enhance the credibility of its investment decisions if it modified its written guidelines for the centralized budget development process it uses to review and approve capital investments of \$4 million or more under VHA's major construction appropriation to describe in greater detail minimum quantitative data requirements and exclude from prioritization proposals that fail to meet the requirements. VA should also use its centralized budget process for a larger share of its less expensive capital investments now decided through a decentralized process. Other improvements could include restructuring VHA's asset appropriations into a single capital

investment appropriation and authorizing VA to accumulate resources for capital improvements from operational savings available through asset restructuring.

Veterans Benefits Administration: Progress Encouraging, but Challenges Still Remain, by Cynthia A. Bascetta, Associate Director for Veterans' Affairs and Military Health Care Issues, before the Subcommittee on Benefits, House Committee on Veterans' Affairs. [GAO/T-HEHS-99-77](#), Mar. 25 (11 pages).

This testimony discusses long-standing management problems plaguing Department of Veterans Affairs (VA) programs that provide financial and other benefits to veterans, their dependents, and survivors. These programs include disability compensation benefits, disability pension benefits, education assistance, life insurance, housing loan guaranty, and vocational rehabilitation and counseling services. Concerns have been raised about the programs' outmoded processes, long waits for disability decisions, and the quality of decisions—all of which affect the quality of service provided to veterans and the effective use of taxpayer dollars. This testimony discusses (1) recent progress by the Veterans Benefits Administration, which runs the benefits programs; (2) areas in which progress is lacking; and (3) changes in program design that could hold potential for greater gains.

Correspondence

Department of Veterans Affairs: Alleged Improper Personnel Practices at the Ambulatory Care Center in Las Vegas, Nevada. [GAO/OSI-99-5R](#), Mar. 19.

Special Publications

Abstracts of Reports and Testimony: Fiscal Year 1998

[GAO/OIMC/OPA-99-2A](#) and [GAO/OIMC/OPA-99-2B](#), Mar. 1998 (232 pages and 318 pages).

A two-volume set, this reference publication provides an overview of GAO's work during fiscal year 1998. This first volume summarizes more than 1,000 "blue books" and other publications issued between October 1997 and September 1998. The second volume contains indexes to help the reader locate documents.

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Department of Education, Office of Special Education and Rehabilitative Services: Assistance to States for the Education of Children With Disabilities and the Early Intervention Program for Infants and Toddlers With Disabilities. [GAO/OGC-99-35](#), Mar. 25.

Department of Transportation, National Highway Traffic Safety Administration: Federal Motor Vehicle Safety Standards; Child Restraint Systems; Child Restraint Anchorage Systems. [GAO/OGC-99-34](#), Mar. 17.

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