
MONTH IN REVIEW: JULY 1999

Reports, Testimony, Correspondence, and Other Publications

Highlights

Federal Budget: The President's Midsession Review. Page 4.

Medicare Reform: Observations on the President's July 1999 Proposal. Page 19.

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If you have questions about the Month in Review, please call Cleve Corlett, Director of Public Affairs, at (202) 512-4800. For information on specific reports, please contact appropriate GAO staff. GAO publishes the names of key contacts and their telephone numbers in each report.

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Month in Review: July 1999

Agriculture and Food

Results Act:

Observations on the U.S. Department of Agriculture's Fiscal Year 2000 Performance Plan

GAO/RCED-99-187, June 7 (23 pages).

This report provides information on the extent to which the Department of Agriculture's (USDA) performance plan (1) provides a clear picture of intended performance across the agency, (2) discusses the strategies and resources USDA will use to achieve its goals, and (3) ensures that the performance information will be credible. GAO found that USDA's performance plan for fiscal year 2000 should be a somewhat useful tool for decisionmakers. Overall, the plan provides a general picture of intended performance across the Department, a general discussion of the strategies and resources the Department will use to achieve performance goals, and limited confidence that its performance information will be credible.

Food Safety:

U.S. Lacks a Consistent Farm-to-Table Approach to Egg Safety

GAO/RCED-99-184, July 1 (53 pages).

On average, each American eats about 245 eggs annually. During the last decade, eggs contaminated with Salmonella Enteritidis bacteria have increasingly been implicated as a cause of foodborne illness in the United States. The bacteria may have sickened about 300,000 people in 1997, killing about 230 of them. More than three-quarters of the Salmonella Enteritidis outbreaks between 1985 and 1998 were linked to eggs, according to the Centers for Disease Control and Prevention. This report reviews the adequacy of the system for ensuring the safety of eggs. Specifically, GAO examined whether (1) a prevention-based approach to food safety has been applied to egg production and processing, (2) a new federal policy on egg refrigeration will effectively reduce the risks associated with contaminated eggs, (3) federal and state policies on serving eggs to vulnerable populations and dating egg cartons are consistent, and (4) federal egg safety resources are used efficiently and policies are coordinated effectively. GAO summarized this report in testimony before Congress; see:

Food Safety: U.S. Needs a Consistent Farm-to-Table Approach to Egg Safety, by Lawrence J. Dyckman, Director, Food and Agriculture Issues, before the Subcommittee on Oversight of Government Management,

Restructuring and the District of Columbia, Senate Committee on Governmental Affairs. [GAO/T-RCED-99-232](#), July 1 (13 pages).

**Animal Agriculture:
Waste Management Practices**

[GAO/RCED-99-205](#), July 26 (40 pages).

Livestock and poultry production is an important part of the nation's economy, generating nearly \$100 billion in farm revenue each year. But concern has increased about the pollution resulting from intensive livestock and poultry production, in which huge numbers of animals are raised in confined facilities. Nationwide, about 130 times more animal waste is produced than human waste—roughly five tons for every U.S. citizen—and some operations with hundreds of thousands of animals churn out as much waste as a city. Waste spills, leakage from waste storage facilities, and runoff from fields where waste has been applied as fertilizer threaten surface water and groundwater quality. Moreover, as animal production is increasingly concentrated in larger operations in some parts of the country, new waste management practices may be needed, including alternative uses for waste, new ways to treat waste, and better methods for moving waste to croplands for use as fertilizer. This report provides information on (1) waste management practices used in the United States; (2) practices used abroad; (3) potential new practices using technologies borrowed from other industries; (4) federal financial and technical assistance available to producers for waste management and the processes for obtaining this assistance; and (5) the role of federal agencies in conducting and supporting research to develop new waste management practices, including innovative uses of existing practices.

**Sugar Program:
Changing the Method for Setting Import Quotas Could Reduce
Cost to Users**

[GAO/RCED-99-209](#), July 26 (51 pages).

In 1998, U.S. consumers used nearly 10 million tons of sugar, about 16 percent of which was imported. The amount of sugar imported into this country is set each year by the Department of Agriculture (USDA). Under the U.S. sugar program, USDA insulates domestic growers and processors from lower world prices for raw sugar by restricting the supply of sugar that can be imported at a low tariff rate. The U.S. Trade Representative,

working with USDA, allocates shares of the tariff-rate quota among 40 countries. By law, the sugar program also supports domestic sugar prices by offering loans to processors at a rate of 18 cents per pound for raw cane sugar and about 23 cents per pound for refined beet sugar, with the sugar serving as collateral for the loans. The program allows sugar processors to forfeit their sugar to their federal government instead of repaying their loans—a likely outcome if domestic sugar prices fall below a certain level. This report describes and evaluates (1) USDA's procedures for setting the tariff-rate quota for imported raw sugar and (2) the U.S. Trade Representatives' procedures for allocating the quota among sugar-producing countries.

Budget and Spending

Federal Budget: The President's Midsession Review

[GAO/OCG-99-29](#), July 21 (15 pages).

This statement, which was originally prepared for a hearing before the Senate Budget Committee, discusses the President's Midsession Review and the implications of the President's proposals for fiscal policy and the federal budget. After years of budgetary belt tightening and difficult policy decisions, the goal of budget balance has finally been achieved. Congress and the President now face a series of choices that will have a major impact on the nation's economic future. Despite the euphoria surrounding the projected surpluses, the reality is that the country has run up a large debt from years of deficit spending. Using a significant portion of the surplus to pay down the debt would ultimately lower interest costs and spur economic growth. The miracle of compounding means that interest payments saved today will yield huge dividends tomorrow. Few, however, expect the entire projected surplus to go to debt reduction, and choices will have to be made about shoring up entitlement programs, boosting defense spending, and providing tax cuts. At the same time, looming demographic trends demand that the surplus be put to good use. The fact remains that our society is aging. Less than 10 years from now, the baby boomers will begin drawing retirement benefits. GAO projects that even if the country were to save the entire surplus and adhere to the budget caps, the combined spending pressures of Social Security, Medicare, and Medicaid would eventually reignite the vicious circle of escalating deficits, debt, and interest costs. Debt reduction must be accompanied by entitlement reform. In his midsession budget review, the President proposes to reduce publicly held debt more than he did in his February

budget. He also wants to increase spending in several areas. But the big items in the budget continue to be Social Security and Medicare. Until these two programs are fundamentally reformed, their long-term solvency and sustainability will remain in doubt. The surplus presents both an opportunity and an obligation: to reduce the debt burden, to provide a strong foundation for future economic growth, and to ensure that government's future commitments are both adequate and affordable.

Testimony

Performance Budgeting: Initial Agency Experiences Provide a Foundation to Assess Future Directions, by Paul L. Posner, Director of Budget Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform.

[GAO/T-AIMD/GGD-99-216](#), July 1 (22 pages).

This testimony focuses on how performance budgeting can be advanced in the federal government. GAO discusses (1) the evolution of performance budgeting in the federal government, (2) some of the challenges that confront performance budgeting efforts, (3) the postponement of performance budgeting pilots mandated by the Government Performance and Results Act, and (4) steps the Office of Management and Budget can take to achieve the intent of the pilot projects.

Budget Issues: Cap Structure and Guaranteed Funding, by Susan J. Irving, Associate Director for Budget Issues, before the House Committee on Rules. [GAO/T-AIMD-99-210](#), July 21 (10 pages).

Congress is considering the implications of establishing guaranteed minimum funding levels for particular programs or areas within the budget. This testimony discusses the (1) budget structure and current budgetary control regime; (2) budget outlook, discretionary caps, and enforcement situation as the United States enters a period of projected unified budget surpluses; (3) potential implications of guaranteeing minimum spending levels on the discretionary side of the budget; and (4) PAYGO side of the equation: permanent appropriations, mandatory trust funds, and mandatory special funds.

Education

Federal Research Grants: Compensation Paid to Graduate Students at the University of California

[GAO/OSI-99-8](#), June 22 (23 pages).

The University of California, one of the leading research universities in the United States, used about \$201 million in federal grant money to pay graduate student researchers during the last three years. GAO found that the compensation paid to graduate student researchers for services charged to federal research grants sometimes exceeded the costs allowed under Office of Management Budget (OMB) Circular No. A-21, which sets forth principles for determining costs applicable to grants and contracts with schools. Although all graduate student researchers receive basically the same salary for work done on federal research grants, foreign students receive a proportionately larger share of fee and tuition payments charged to the grants because they pay a higher nonresident student tuition. In view of a pending court case and the fact that the Department of Health and Human Services and the National Institutes of Health pay no attention to the taxability issue when determining whether tuition remission is allowable under a grant, GAO does not address whether the tuition remission provided to graduate student researchers or whether the university's treatment of the tuition remission for tax purposes is consistent with OMB Circular No. A-21.

Energy

Alaskan North Slope Oil: Limited Effects of Lifting Export Ban on Oil and Shipping Industries and Consumers

[GAO/RCED-99-191](#), July 1 (56 pages).

The law requires GAO to review energy production in Alaska and California and the effects of lifting the ban on exporting Alaskan North Slope oil. This report provides information on (1) Alaskan North Slope and California crude oil prices and production and (2) refiners, consumers, and the oil shipping industry on the U.S. west coast. GAO discusses changes in Alaska and California production during the past decade (1989 through 1998). GAO also discusses export-related environmental issues related to lifting the export ban.

Testimony

Department of Energy: Need to Address Long-Standing Management Weaknesses, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science, and the Subcommittee on Energy and Power, House Committee on Commerce. [GAO/T-RCED-99-255](#), July 13 (16 pages).

Recent revelations that foreign governments have obtained designs for nuclear weapons and other classified information have renewed concerns about management at the Department of Energy (DOE). This testimony discusses (1) longstanding weaknesses in DOE's management that it has identified over the past several years, (2) the effect that current proposals to deal with national security weaknesses would have on addressing these weaknesses, and (3) a framework for evaluating DOE's missions and possible reorganization.

Department of Energy: Problems in the Management and Use of Supercomputers, by Susan D. Kladiva, Associate Director, Energy, Resources, and Science Issues, before the Subcommittee on Basic Research, House Committee on Science. [GAO/T-RCED-99-257](#), July 14 (four pages).

The Department of Energy (DOE) spent about \$826 million between 1994 and 1997 acquiring and operating supercomputers. The computers support a variety of uses, and DOE's largest supercomputer effort—the Accelerated Strategic Computing Initiative—is a critical part of the agency's attempt to build the capability for "virtual testing" as a replacement for the actual testing of nuclear weapons. This testimony covers how effectively DOE has managed the use and acquisition of its supercomputers and the management of its strategic computing initiative.

Department of Energy: Uncertain Future for External Regulation of Worker and Nuclear Facility Safety, by (Ms.) Gary Jones, Associate Director, Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-99-269](#), July 22 (nine pages).

The Department of Energy (DOE) has recently completed a pilot program with the Nuclear Regulatory Commission (NRC) and the Occupational Safety and Health Administration (OSHA) to simulate external regulation at selected facilities. This testimony discusses (1) DOE's changing positions on the desirability of external regulation for its facilities, (2) the

disagreement between DOE and NRC on the potential costs and value added of external regulation, and (3) the uncertainties for the future of external regulation in DOE. On the basis of its past and ongoing work on external regulation, GAO reports that despite the time and effort by DOE, NRC, and OSHA to test regulatory approaches and simulate regulation of nuclear and worker safety at three different DOE sites, uncertainty clouds the future of DOE external regulation.

Correspondence

Department of Energy: Office of Environmental Management's and Defense Program's Fiscal Year 2000 Budget Request. [GAO/RCED-99-230R](#), July 30.

Environmental Protection

Air Pollution: The Border Smog Reduction Act's Impact on Ozone Levels

[GAO/RCED-99-212](#), July 1 (9 pages).

This report provides information on the recently enacted Border Smog Reduction Act of 1998. GAO is required to study the potential impact of the act, which now applies only to the San Diego metropolitan area and amends the Clean Air Act to prohibit certain foreign-registered, noncommercial vehicles from entering the area more than twice a month. GAO focuses on measured ozone levels and the impact of the North American Free Trade Agreement on ozone in the San Diego area.

International Environment: Information on Global Environment Facility's Funding and Projects

[GAO/RCED-99-149](#), June 15 (16 pages).

The Global Environment Facility was established in 1991 to help address climate change, threats to biodiversity, and other environmental problems. The facility is funded by the United States and other countries and provides funds for projects in developing nations to help protect the global environment. This report provides information on the facility's funding and activities.

**Environmental Protection:
Factors Contributing to Lengthy Award Times for EPA Grants**

GAO/RCED-99-204, July 14 (15 pages).

The Environmental Protection Agency (EPA) relies heavily on grants to carry out its mission of protecting human health and safeguarding the natural environment. The grants provide assistance to states, tribes, localities, and academic institutions for projects ranging from environmental research to the construction of wastewater treatment facilities. For fiscal year 1999, EPA projects that it will use about \$4 billion, or 53 percent of its \$7.6 billion budget, for grants. This report identifies (1) the number and dollar value of the agency-requested and congressionally directed grants awarded for fiscal years 1995-1998, (2) the median award time for both types of grants, and (3) the major reasons for lengthy awards.

**Environmental Protection:
Coordinated Federal Efforts Are Being Undertaken to Address Harmful Algae**

GAO/RCED-99-192, June 30 (23 pages).

Outbreaks of the toxic algae *Pfiesteria* in the Chesapeake Bay and in North Carolina estuaries have received national attention. The outbreaks are part of a larger problem of harmful algae that represent a significant and expanding threat to human health and marine resources along the U.S. coastline and around the world. This report (1) discusses the available information on harmful algae and their effects on human health and the environment and (2) describes the status of federal efforts to address the problem of harmful algae, particularly the coordination of research and management strategies among the federal agencies. GAO found that according to most current research, the toxins produced by harmful algae can affect human health and marine ecosystems in various ways. The toxins can kill or injure fish that come in direct contact with them and can accumulate in the tissues of fish and shellfish at levels that are harmful or lethal when ingested by larger fish, sea birds, marine mammals, or humans.

Correspondence

Climate Change: Observations on EPA's April 1999 Climate Change Report.
GAO/RCED-99-235R, July 14.

Financial Management

FAA Financial Management: Further Actions Needed to Achieve Asset Accountability

[GAO/AIMD-99-212](#), July 30 (26 pages).

GAO has included the Federal Aviation Administration (FAA) on its 1999 list of government programs at high risk for waste, fraud, abuse, and mismanagement. Long-standing accounting and financial reporting weaknesses have undermined FAA's ability to manage its operations and have limited the reliability of financial information sent to Congress. These weaknesses include an inability to determine the accuracy of certain amounts reported in FAA's financial statements for fiscal year 1998, including nearly \$12 billion in major assets and \$9 billion in program costs. This report assesses FAA's property, plant, and equipment and inventory asset accountability problems, which were major reasons for including FAA financial management on GAO's high-risk list. GAO discusses (1) the key issues FAA must resolve to achieve accountability over its property, plant, and equipment inventory and (2) whether FAA is taking appropriate actions to resolve these issues promptly.

Correspondence

Congressional Award Foundation: Management Action Needed to Establish Control Requirements and Related Procedures. [GAO/AIMD-99-224R](#), July 15.

Government Operations

General Services Administration: Information on Pricing Retail Packaging Products

[GAO/GGD-99-116](#), July 7 (24 pages).

The General Services Administration (GSA) sells 27 retail packaging products, which include boxes, envelopes, and shipping sacks, to federal agencies. The Postal Service is its largest customer. GSA is not required to, nor does it set prices to, recover all estimated costs associated with selling retail packaging products on an item-by-item basis. GAO's analysis of the 27 retail packaging products shows that GSA's prices for most of these products fell short of recovering all estimated costs associated with each item. GAO agrees with GSA that the method it has chosen to achieve full cost recovery is within its discretion as long as the money obtained from all the products and services sold under the General Supply Fund covers the fund's operating expenses. On the other hand, a question that remains

unanswered is whether GSA should be selling the majority of its products at prices that do not recover all selling costs. GSA's ongoing study of its stock program may shed some light on this issue.

**National Archives:
Preserving Electronic Records in an Era of Rapidly
Changing Technology**

GAO/GGD-99-94, July 19 (28 pages).

Records generated electronically, such as electronic mail, word processing documents, CD ROMS, and web pages, present a preservation challenge for the National Archives and Records Administration (NARA) and other agencies because of the changing nature of these new technologies and because the sheer volume of these records is mushrooming. This report discusses issues relating to electronic records management, focusing on the preservation of electronic records. GAO provides information on (1) the challenges that confront NARA and federal agencies as a result of their growing reliance on electronic media; (2) the status of selected agencies' and NARA's implementation of electronic records management; and (3) the policies and procedures used by other governments, state and foreign, for electronic records management.

**Campaign Finance:
Contributions From Gambling Interest Have Increased**

GAO/GGD-99-127, July 27 (20 pages).

Total contributions from gambling interests to federal candidates and national party committees rose from \$1.1 million in 1992, a presidential election year, to \$5.7 million in 1998, a midterm election year, according to the Center for Responsive Politics—an independent research organization that GAO contracted with. This represents an increase of about 400 percent. During this same period, overall election campaign receipts in hard money to congressional candidates and in soft money to national party committees rose about 40 percent, according to Federal Election Commission information. The data GAO obtained on contributions from the gambling industry are likely to be conservative, primarily because (1) specific sources of contributions from individuals that total less than \$200 in a year are not identified, (2) contributions from some corporations and groups that may be associated with the gambling industry may not be included in the Center's analysis if the main source of their revenue is

from another industry, (3) the industry or interest associated with some contributions could not be identified, and (4) contributions from the gambling industry to state and local party committees are omitted.

**U.S. Postal Service:
Status of Efforts to Protect Privacy of Address Changes**

[GAO/GGD-99-102](#), July 30 (28 pages).

The Postal Service's national change of address program is intended to improve the quality of addresses on mail by providing business mailers with accurate, properly formatted change-of-address data that are automation compatible. To do this, the Service collects change-of-address information reported by postal customers nationwide and sends corrected addresses through several private firms licensed to provide address correction services. A recent audit found that the program saved the Service nearly \$1.2 billion in rehandling costs associated with forwarding mail in fiscal year 1998. GAO pointed out in a 1996 report that the program was operating without clearly delineated procedures and sufficient management attention to always prevent, detect, and correct the inappropriate release or use of change-of-address data. (See [GAO/GGD-96-119](#), Aug. 1996.) This report discusses the steps that the Service has taken in response to the 1996 report and whether any additional actions are needed to strengthen the Service's oversight of the program.

**Results Act:
Observations on the Office of Personnel Management's Fiscal Year 2000 Annual Performance Plan**

[GAO/GGD-99-125](#), July 30 (24 pages).

Earlier work by GAO and others has documented poor workforce planning that can hinder the government's progress toward performance-based management. Agencies also confront major human capital issues, from the aging of the federal workforce to skills imbalances resulting from downsizing. Leadership by the Office of Personnel Management (OPM) will be critical to addressing the government's human capital challenges. OPM's fiscal year 2000 annual performance plan provides a general picture of intended performance across the agency. The plan's performance goals address OPM's major programs and priorities. However, the plan could have been more useful if it contained cost-based performance measures to show how efficiently OPM performs certain tasks, such as processing civil

service retirement payments. OPM's annual performance plan includes a general discussion of strategies and resources the agency will use to achieve its goals. OPM's fiscal year 2000 annual performance plan provides a fuller discussion of its performance information than does last year's performance plan, but overall it provides limited confidence that agency performance information will be credible. GAO concludes that, overall, OPM's fiscal year 2000 annual performance plan represents a moderate improvement over the fiscal year 1999 plan in that it addresses several of the weaknesses that GAO cited in its assessment of the fiscal year 1999 plan.

Testimony

Federalism: Comments on S. 1214—The Federalism Accountability Act of 1999, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Senate Committee on Governmental Affairs. [GAO/T-GGD-99-143](#), July 14 (14 pages).

The Federalism Accountability Act of 1999 (S. 1214) addresses issues affecting intergovernmental relations, including the rules of construction regarding preemption, legislative requirements, agency rulemaking requirements, and performance measures for state-run federal grant programs. This testimony focuses on the agency rulemaking and performance measurement requirements. GAO discusses two earlier initiatives by Congress and the executive branch that were, like section 7 of the bill, designed to highlight the impact of federal rules on state and local government. Past GAO work showed the limited effect of those initiatives, which suggests a need for this section of the proposed legislation. GAO also points out similarities and differences between the bill and the executive order. Finally, GAO comments on the experience of one agency in setting the type of goals and performance measures with states in a federal grant program that are contemplated in section 8 of the bill.

Management Reform: Using the Results Act and Quality Management to Improve Federal Performance, by J. Christopher Mihm, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. [GAO/T-GGD-99-151](#), July 29 (nine pages).

This testimony discusses the essential role that quality and process improvement initiatives, such as Total Quality Management (TQM), must play in any serious effort to improve the government's effectiveness and

performance. First, GAO describes the complex and challenging environment facing governments at all levels that is encouraging a recommitment to many of the values of TQM and related efforts—efficiency, service quality, customer satisfaction, and results. Second, GAO highlights aspects of the federal government’s response to this environment. Third, GAO discusses several areas in which a results orientation and quality management share common approaches to improving organizational performance and suggests areas needing additional attention for both approaches to be successful.

Impoundment Control Act: Use and Impact of Rescission Procedures, by Gary L. Kepplinger, Associate General Counsel, before the Subcommittee on Legislative and Budget Process, House Committee on Rules. [GAO/T-OGC-99-56](#), July 30 (14 pages).

Since the Impoundment Control Act was enacted 25 years ago, Presidents have used the rescission process to advance their own priorities for spending cuts. But, Congress has increasingly used rescissions to express its own view of changing priorities, especially in an era of tight discretionary spending caps. As Congress has come to enact larger budget cuts than those proposed by presidents, the debate has shifted from whether to cut to where to cut. This testimony discusses GAO’s role in the congressional rescission process and provides some perspective on the use and impact of rescissions.

Correspondence

Federal Real Property Management: Answers to Hearing Questions. [GAO/GGD-99-130R](#), July 1.

Personnel Practices: Reimbursable Interagency Details. [GAO/GGD-99-141R](#), July 22.

Health

Medicare: Improprieties by Contractors Compromised Medicare Program Integrity

[GAO/OSI-99-7](#), July 14 (30 pages).

Criminal and civil actions have been taken against at least six Medicare contractors since 1993. Three of the contractors or their employees—BCBS of Illinois, Blue Shield of California, and Pennsylvania

Blue Shield—pled guilty to criminal charges and agreed to pay fines and penalties. Investigations of three other contractors—BCBS of Massachusetts, BCBS of Michigan, and BCBS of Florida—resulted in civil settlements only. More than \$261 million was assessed against these six contractors. Contractors improperly screened, processed, and paid claims, resulting in additional costs to Medicare; improperly destroyed or deleted claims; failed to recoup overpayments to Medicare providers within the prescribed time and to collect required interest payments; falsified documentation and reports to the Health Care Financing Administration (HCFA) about their performance; and altered or hid files that involved claims that had been incorrectly processed and paid and altered contractor audits of the Medicare providers before HCFA’s reviews. The persons GAO spoke with said that these deceptions and improprieties became a way of doing business and went undetected for long periods because HCFA reviews of Medicare contractors relied on information supplied by the contractors. HCFA also gave contractors advanced notices of the files it intended to review, giving contractors ample time to “correct,” delete, or hide claim-related documents or redo provider audit and related workpapers before HCFA’s review. This system also resulted in contractors deviating from their normal operating procedures during HCFA evaluations in order to deceive HCFA about their accuracy and efficiency in claims processing and customer service. As a result, criminal and other improper activities were discovered only after whistleblowers filed complaints under the False Claims Act.

**Medicare Contractors:
Despite Its Efforts, HCFA Cannot Ensure Their Effectiveness
or Integrity**

[GAO/HEHS-99-115](#), July 14 (80 pages).

The Health Care Financing Administration’s (HCFA) intermediary and carrier contractors improperly paid an estimated \$12 million in 1998 for Medicare fee-for-service claims from hospitals, physicians, and others. Yet HCFA does only limited reviews of these contractors’ activities, generally accepting financial and workload information as presented, without systematically validating it and without verifying contractors’ self-certifications that internal controls are working effectively. HCFA should (1) establish measurable contractor performance standards, particularly in the program safeguard area; (2) set programwide priorities for assessing all contractors on core performance standards; and (3) develop a standardized report format that will facilitate comparisons of

contractors' performance and the use of trend data for longitudinal assessments of individual contractor performance. HCFA also needs an organizational structure that will ensure that regions are evaluated on, and held accountable for, the quality of their oversight of contractors. It needs to regularly share best practices and ensure that regional oversight staff adopt them. Although HCFA contracts out claims administration to a shrinking pool of companies whose private interests are increasingly competing with their Medicare responsibilities, it is seeking legislative remedies, but it will need time, additional information, and experience to properly implement them. HCFA could benefit from a strategic plan for routinely conducting competitive procurements and managing claims administration contractors.

**Prescription Drug Benefits:
Implications for Beneficiaries of Medicare HMO Use of Formularies**

[GAO/HEHS-99-166](#), July 20 (22 pages).

More than 90 percent of the 6 million beneficiaries enrolled in Medicare+Choice have outpatient drug coverage. However, beneficiaries may not be aware before they enroll in Medicare health maintenance organizations (HMO) of how the HMOs manage the cost of providing drugs through formularies, or lists of drugs that they prefer that their physicians prescribe. Comparing HMO plans is difficult for beneficiaries because the plans vary widely in the drugs they cover in their formularies, how they manage them, the copayments they require, their annual coverage limits, and the methods they use to notify beneficiaries of formulary changes and to consider exceptions from formulary changes. Beneficiaries in some plans may not learn about formulary changes until they are at the pharmacy counter. Some plans also make it difficult for physicians to obtain an exception to allow patients to remain on their existing medication at no additional cost if it is dropped from the formulary. GAO summarized this report in testimony before Congress; see:

Prescription Drug Benefits: Impact of Medicare HMOs' Use of Formularies on Beneficiaries, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Special Committee on Aging.
[GAO/T-HEHS-99-171](#), July 20 (six pages).

**Medicare:
Improvements Needed to Enhance Protection of Confidential
Health Information**

[GAO/HEHS-99-140](#), July 20 (44 pages).

The Health Care Financing Administration (HCFA) collects and maintains personally identifiable health information on its 39 million Medicare beneficiaries for paying claims, determining eligibility, reviewing care, and performing research that helps improve Medicare. Under the Privacy Act of 1974, HCFA may disclose this information to other agencies, but confidentiality is compromised by HCFA's and its contractors' management of electronic information and its inability to prevent unauthorized disclosures or uses and to correct them in a timely way. HCFA also cannot readily provide beneficiaries with an accounting of the disclosures it makes and does not always clearly inform them of its purpose in disclosing information as required by the Privacy Act. It does not adequately provide oversight agencies such as the Office of Management and Budget with complete information on its Privacy Act activities. Also, HCFA's policy of allowing the states to withhold sensitive health information could adversely affect its ability to set rates, monitor quality, and conduct or support health-related research. GAO recommends ways HCFA can improve its protection of confidential information. GAO summarized this report in testimony before Congress; see:

Medicare: HCFA Needs to Better Protect Beneficiaries' Confidential Health Information, by Leslie G. Aronovitz, Associate Director, Health Financing and Public Health Issues, before the House Committee on Ways and Means, Subcommittee on Health. [GAO/T-HEHS-99-172](#), July 20 (12 pages).

Testimony

Medicare: HCFA Should Exercise Greater Oversight of Claims Administration Contractors, by Leslie G. Aronovitz, Associate Director, Health Financing and Public Health Issues, and Robert H. Hast, Acting Assistant Comptroller General for Special Investigations, before the House Committee on Commerce, Subcommittee on Oversight and Investigations. [GAO/T-HEHS/OSI-99-167](#), July 14 (17 pages).

Weak oversight of Medicare fee-for-service claims administration contractors has left the Health Care Financing Administration (HCFA) with few guarantees that contractors are doing their jobs, including paying providers appropriately. Since 1993, at least six contractors have settled

civil and criminal charges arising from allegations that they were not checking claims to ensure proper payment, were allowing Medicare to pay claims that other insurers should have paid, or were committing other improprieties. For years, HCFA left decisions about oversight priorities entirely in the hands of regional reviewers, did not evaluate regional oversight to achieve consistency, and set few performance standards to hold contractors accountable. GAO recommends that Congress amend the Social Security Act to allow the Secretary of Health and Human Services explicit authority to more freely contract with appropriate types of companies for claims administration. Also, HCFA should be required to report to the Congress with an independent evaluation on the impact of any new authorities on the Medicare program.

Medicare Reform: Observations on the President's July 1999 Proposal, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance. [GAO/T-AIMD/HEHS-99-236](#), July 22 (21 pages).

The President's Medicare reform proposal is an important first step in the debate over how the country will deal with the explosive costs of medical care for older Americans in the coming decades. The President has included a first step toward Medicare reform as part of a broader plan that would use a significant share of the surplus to pay down the debt, ultimately lowering interest rate costs and spurring economic growth. The President would use 13 percent of the projected budget surpluses during the next 15 years to help shore up the Medicare Hospital Insurance Trust Fund and to offset the cost of the proposed prescription drug benefit. Although the surplus "transfer" in the form of additional Treasury securities would extend the Fund's solvency, this move would represent a significant departure from the long-standing use of payroll taxes to finance the Fund. GAO is concerned that without underlying program reform, the transfers would simply extend the Fund's solvency on paper but do nothing to make Medicare more sustainable—that is, they would not reduce the program's projected share of gross domestic product or the federal budget. More importantly, the proposed transfer, by extending the solvency of the Hospital Insurance program through 2027, well into the baby boomers' retirement years, could end up masking the Fund's underlying condition and remove any sense of urgency among policymakers to address the program's underlying fiscal imbalance. The President wants to make two major program changes to Medicare. First, he would have Medicare's health plans compete on the basis of price. However, the administration has yet to provide specifics on the design and implementation of this proposal. Second, the President would add a

prescription drug benefit. This proposal has several advantages. However, GAO is concerned about (1) the cost of the benefit and who would be targeted, (2) the fact that some costs now borne by employers and retirees could become the responsibility of taxpayers, (3) uneven impact across states, and (4) obstacles to the government realizing savings from the use of pharmacy benefit managers.

Housing

Homeownership: Problems Persist With HUD's 203(k) Home Rehabilitation Loan Program

[GAO/RCED-99-124](#), June 14 (41 pages).

The 203 (k) Home Rehabilitation Mortgage Insurance Program was established to help promote the rehabilitation and repair of housing stock through a program that combines, in one insured mortgage, the funds needed to purchase and rehabilitate a single-family home. The loans are made by banks and other private lenders from their own funds and are insured by the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA). Reports of waste, fraud, and abuse in the 203 (k) program have raised serious concerns about HUD's management. GAO was asked to determine the risk posed by the 203(k) program to FHA's insurance fund relative to the 203 (b) program; (2) HUD's efforts to correct program deficiencies identified by HUD's Inspector General and others; and (3) weaknesses, if any, in HUD's oversight of the 203 (k) program and the extent to which lenders are complying with HUD's underwriting guidelines for making program loans. GAO found that the 203(k) loan program is more risky than HUD's largest single-family loan program—the 203(b) program—because it combines the risk of a traditional mortgage with the risk of a construction loan.

Management Challenges: GAO's Responses to HUD's Comments

[GAO/RCED/AIMD-99-189](#), July 14 (130 pages)

This report provides (1) the Department of Housing and Development's (HUD) comments on GAO's designation of HUD as an area within the government at particularly high risk for waste, fraud, abuse, and mismanagement and (2) GAO's response to those comments.

**Public Housing:
HUD Has Several Opportunities to Promote Private Management**

GAO/RCED-99-210, July 26 (67 pages).

Americans want government that is more businesslike and better managed—a government that can cut costs without curtailing services. To meet this demand for economy and efficiency, governments at all levels are looking at ways to manage their assets as a business, including the use of private management to maximize their return on buildings and facilities. The nation’s 1.3 million public housing units, which each year receive nearly \$6 billion in federal funding, are a good candidate for such review. This report answers the following questions: What is the basis for the Office of Management and Budget’s 1998 assertion that privatizing public housing management could save \$200 million annually and for the belief of housing personnel and experts that adopting private management for public housing could lead to more cost-effective use of public housing resources? To what extent have housing authorities adopted private management strategies, what experiences have they had in implementing these strategies, and what primary obstacles have they met in adopting private management? Do opportunities exist for the Department of Housing and Urban Development to encourage housing authorities to make more cost-effective use of their resources by considering private management as an alternative to in-house management?

**Multifamily Housing:
HUD Missed Opportunities to Reduce Costs on Its Uninsured
Section 8 Portfolio**

GAO/RCED-99-217, July 30 (86 pages).

Section 8 rental housing assistance, the main form of federal housing aid for the poor, is tied either to units in specific properties or to families and individuals who live in affordable rental housing of their own choosing. Residents of housing units that receive project-based assistance must pay part of their income—generally 30 percent—for rent; the Department of Housing and Urban Development (HUD) pays the balance. HUD provides Section 9 project-based rental assistance to units in about 22,000 multifamily properties, almost half of which are insured by HUD’s Federal Housing Administration. The remaining properties, which are not insured by FHA, are known as HUD’s “uninsured” Section 8 portfolio. This report discusses (1) the information HUD has on the Section 8 assistance provided

to properties in the uninsured portfolio, (2) the financial benefits that may be available to state and local housing finance agencies that participate in the Section 8 program and the impact of these benefits on the Section 8 program's costs, and (3) the information that HUD and the state agencies have on the physical and financial shape of the properties.

Income Security

Social Security Reform: Administrative Costs for Individual Accounts Depend on System Design

GAO/HEHS-99-131, June 18 (44 pages).

Proposals to protect the Social Security program's future solvency and sustainability include creating a system of individual accounts for accumulating retirement savings. Available studies of the costs to run a system of individual accounts do not capture all the likely costs. For example, the costs of government oversight, enforcement activities, and public education are generally not included. Designers of a system of individual accounts must make critical decisions about who would assume the new administrative and recordkeeping responsibilities, how much choice individuals would have in selecting and changing their investment options, and how retired workers would receive their benefits. Administrative costs would vary, depending on these decisions and the types and level of customer service offered. They could be higher for more decentralized systems and for those offering broader investment choices, more customer service options, or both. In GAO's analysis, a man who had average annual earnings every year for 45 years would accumulate \$125,430 (in 1998 dollars) in his account under a 0.1-percent annual administrative cost, as opposed to \$75,995 under a two-percent administrative cost. If individuals bought an annuity, ensuring a steady stream of income throughout retirement, the average administrative cost in the current market would be five percent of the amount being converted into the annuity.

Information Management

Telecommunications: The Changing Status of Competition to Cable Television

GAO/RCED-99-158, July 8, (38 pages).

Despite congressional efforts to constrain cable television rates and promote competition in the subscription television market, the average bill for cable television has risen faster than the rate of inflation in recent years. Also, competition in the market is developing more slowly and shaping public policy in telecommunications markets is increasingly difficult as technology rapidly redefines the industry. This report provides information on (1) the status of competition in the subscription television market, (2) the extent to which ownership ties between cable companies and program suppliers may be affecting the development of competition, and (3) key factors that may influence the development of competition in the future. GAO found that the cable industry maintains a high share of the subscription television market nationally and is currently not very competitive. But, the satellite industry competes against cable companies throughout the United States, and its market share has increased considerably since the introduction in 1994 of a new generation of satellite television service known as direct broadcast satellite service.

**Telecommunications:
Impact of Sports Programming Costs on Cable Television Rates**

GAO/RCED-99-136, June 22 (34 pages).

The rates that subscribers pay for cable television in the United States have risen at several times the rate of inflation during the last few years. Cable operators attribute these increases to inflation, programming expenses, system upgrades such as expanding the number of channels, and other factors. Some cable operators cite the expense of acquiring sports programming, which has some of the highest ratings on cable television. This report provides information on (1) the extent to which sports programming costs are contributing to higher cable television rates; (2) how prices paid for sports programming differ for small and large cable operators; (3) the extent to which sports programmers require cable operators to bundle sports programming with other cable programming and how this practice affects cable rates; and (4) whether the salaries of players in major professional sports have risen during the last four years, and, if so, whether this has contributed to increases in cable rates.

**USDA Information Security:
Weaknesses at National Finance Center Increase Risk of Fraud,
Misuse, and Improper Disclosure**

GAO/AIMD-99-227, July 30 (17 pages).

The Department of Agriculture's National Finance Center manages payroll, personnel, and accounting systems for many federal agencies, including GAO. Serious access control weaknesses have compromised the Center's ability to detect and prevent unauthorized changes to payment data or computer software, control electronic access to Thrift Savings Plan account information, and restrict physical access to sensitive computing areas. These weaknesses have increased the risk that users could cause improper payments. Sensitive information, such as personnel data, was vulnerable to misuse, improper disclosure, or destruction. Also, the Center's payroll processing and other financial management operations were vulnerable to disruption. Management at the center recognizes the seriousness of these weaknesses and is committed to improving information system controls.

Testimony

Year 2000 Computing Challenge: Readiness Improving but Much Work Remains to Avoid Disruption of Critical Services, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. [GAO/T-AIMD-99-232](#), July 7 (36 pages).

Year 2000 Computing Challenge: Readiness Improving Yet Avoiding Disruption of Critical Services Will Require Additional Work, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. [GAO/T-AIMD-99-233](#), July 8 (37 pages); and

Year 2000 Computing Challenge: Important Progress Made, Yet Much Work Remains to Avoid Disruption of Critical Services, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. [GAO/T-AIMD-99-234](#), July 9 (36 pages).

The Year 2000 computer problem threatens to disrupt critical services provided by government and private industry. Key sectors that could be affected range from banking and finance to national defense to public utilities. Despite the progress so far, much work remains at the federal, state, and local levels to avoid disruptions of major services. Remediation must be completed, end-to-end testing performed, and business continuity

and contingency plans developed. Similar actions must still be completed by the nation's key sectors. Whether the United States overcomes the Year 2000 challenge will depend largely on the success of federal, state, and local governments as well as the private sector working separately and together to complete these measures. Accordingly, strong leadership and partnerships must be maintained so that the public's needs are met at the turn of the century.

Indian Trust Funds: Challenges Facing Interior's Implementation of New Trust Asset and Accounting Management System, by Keith A. Rhodes, Director of the Office of Computer and Information Technology Assessment, before the Senate Committee on Indian Affairs and the Senate Committee on Energy and Natural Resources. [GAO/T-AIMD-99-238](#), July 14 (18 pages).

The Interior Department is trying to better manage a reported \$3 billion in the Indian trust funds and about 54 million acres of Indian land. Long-standing shortcomings include inadequate accounting and information systems; untrained and inexperienced staff; backlogs in appraisals, ownership determinations, and recordkeeping; the lack of a master lease file and an accounts receivable system; inadequate written policies and procedures; and weak internal controls. One of Interior's most critical improvement projects is a new service for managing Indian assets and land records, known as the Trust Asset and Accounting Management System (TAAMS). This testimony discusses how GAO assessed the TAAMS acquisition efforts, the results of GAO's evaluation and recommendations to Interior to address GAO's findings, the current status of TAAMs, and the challenges still confronting Interior's implementation of this important system.

Year 2000 Computing Challenge: Federal Efforts to Ensure Continued Delivery of Key State-Administered Benefits, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Senate Special Committee on the Year 2000 Technology Problem. [GAO/T-AIMD-99-241](#), July 15 (24 pages).

The states are responsible for delivering a host of critical federal services, from food stamps to unemployment benefits, to millions of people. Much work remains to be done at the state level to ensure that the Year 2000 computer problem does not disrupt these services. At particular risk are several states that do not plan to have their human services systems Year 2000 compliant until the last quarter of this year. Federal agencies are

working with their state partners to obtain readiness information and evaluate and provide assistance in key activities, such as business continuity and contingency planning. Yet some state completion dates are so close to January 1, 2000, that the risk of disruption to their programs is substantially increased, especially if schedule delays or unexpected problems arise. Moreover, data exchanges have yet to be tested for the Department of Health and Human Services' system that is critical to making federal payments to states. With less than six months to go until the turn of the century, testing of these data exchanges and other essential federal and state exchanges must be completed quickly.

Social Security Administration: Update on Year 2000 and Other Key Information Initiatives, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. [GAO/T-AIMD-99-259](#), July 29 (24 pages).

The Social Security Administration (SSA) has had mixed success in implementing its key information technology initiatives. Clearly, the agency has been a leader on the Year 2000 front. SSA has also worked aggressively to implement its Intelligent Workstation/Local Area Network, which is intended to support redesigned work processes and improve the delivery of services. The benefits of this investment remain unclear, however, because SSA has yet to assess the project's actual contribution to improved mission performance. Also, after years of problems, SSA discarded its Reengineered Disability System, which was intended to support the agency's modernized disability claims process. The system was also to have been the first major programmatic software application to operate on the Intelligent Workstation/Local Area Network. This move will delay expected improvements in processing disability claims. To avoid repeating mistakes on future information technology efforts, SSA needs, at a minimum, to apply disciplined information technology investment management practices and adhere to better software development processes.

Correspondence

Information Technology: Comments on Proposed OMB Guidance for Implementing the Government Paperwork Elimination Act. [GAO/AIMD-99-228R](#), July 2.

Emergency and State and Local Law Enforcement Systems: Committee Questions Concerning Year 2000 Challenges. [GAO/AIMD-99-247R](#), July 14.

Reported Y2K Status of the 21 Largest U.S. Cities. [GAO/AIMD-99-246R](#), July 15.

International Affairs

NATO: Implications of European Integration for Allies' Defense Spending

[GAO/NSIAD-99-185](#), June 30 (52 pages).

Europe is undergoing profound changes, including the enlargement of the North Atlantic Treaty Organization (NATO), the adoption of a common currency, and the planned enlargement of the European Union. Members of Congress have raised concerns about Europe's ability to share in the cost of providing a common defense through NATO. This report analyzes (1) the projected defense spending for several European countries, (2) the budgetary effects of European Economic and Monetary Union implementation and enlargement of the European Union, and (3) other significant factors that may affect the countries' ability to share in the costs of NATO over the long run.

U.S.-Mexico Border: Issues and Challenges Confronting the United States and Mexico

[GAO/NSIAD-99-190](#), July 1 (51 pages).

Members of Congress have expressed concern about the overall well-being of the border region and what appears to be limited progress in addressing border issues. In particular, Members have noted that the border region has had to shoulder a disproportionate share of the cost of U.S.-Mexican economic integration. This report (1) outlines the nature of major border issues and (2) provides information on U.S. and Mexican efforts underway to address them.

United Nations: Status of U.S. Contributions and Arrears

[GAO/NSIAD-99-187](#), July 28 (29 pages).

To reduce its arrears and avoid losing the right to vote in the U.N. General Assembly, the United States will need to pay about \$153 million in addition to the \$508 million that the State Department now expects to pay before the end of 1999. The United States risks losing its vote in the General Assembly in January 2000 because the sum of its assessed contributions

for the last two years—the “yardstick” for measuring U.S. arrears when applying Article 19—had declined each year since 1996. This decline largely reflects a decrease in assessments for U.N. peacekeeping operations since 1995. In essence, the United States now faces the loss of its right to vote in the General Assembly because its assessed contributions are substantially less than in 1996 while its arrears have stayed about the same. This explains why, with basically the same level of arrears as in past years, the United States narrowly avoided losing its right to vote on January 1, 1999. U.N. records show that U.S. arrears for regular budget, international tribunals and peacekeeping operations totaled \$1,294 million on January 1, 1999. Of this amount, the United States has refused to pay \$472 million—about 36 percent—for legislative and policy reasons. The United Nations reported in February 1999 that 44 of the 185 U.N. members had arrears equaling or exceeding their assessed contributions for the preceding two full years as of January 1, 1999. As of mid-May, six of these members had paid enough to regain their right to vote in the General Assembly; eight others were allowed to vote temporarily because their failure to pay was judged to be due to conditions beyond their control, such as civil wars or natural disasters. The remaining 30 members lost the right to vote in the General Assembly.

Testimony

International Monetary Fund: Current Financial Situation, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the Joint Economic Committee. [GAO/T-NSIAD/AIMD-99-254](#), July 21 (22 pages).

This testimony focuses on the International Monetary Fund’s (IMF) financial situation. GAO discusses (1) IMF’s current situation regarding quota resources it obtains from its member countries and uses for most of its financial assistance; (2) the level of resources that IMF has reported as actually available for lending; and (3) other resources that it potentially has available for conducting its operations, such as resources obtained through borrowing and the Fund’s gold holdings. GAO discusses IMF’s financial situation from both a current and a historical perspective, highlighting the share of IMF’s financial resources that have been contributed by the Group of Ten countries. GAO also provides current and historical perspectives on IMF’s gold holdings.

Correspondence

Commitments by the European Union and the United States to Reduce Agricultural Export Subsidies. [GAO/NSIAD-99-198R](#), June 18.

United Nations Reform Initiatives: Answers to Hearings Questions.
[GAO/NSIAD-99-223R](#), July 7.

Justice and Law Enforcement

Drug Control: DEA's Strategies and Operations in the 1990s

[GAO/GGD-99-108](#), July 21 (172 pages).

High demand for illegal drugs in the United States has persisted throughout the 1990s, as has the flow of illegal drugs into this country. The cost of illegal drug use in this country has been pegged at about \$110 billion annually, including lost jobs and productivity, health problems, and economic hardships to families. Also, many violent crimes are drug related. Funding for federal drug control efforts has risen by nearly 50 percent during the 1990s, reaching about \$18 billion in fiscal year 1999. Funding for the Drug Enforcement Administration (DEA) nearly doubled, from \$806 million in 1990 to about \$1.5 billion in 1999. DEA staff grew from 6,000 in 1990 to 8,400 in 1998. During the 1990s, DEA strengthened many of its operations. The agency began to work more closely with state and local law enforcement and help combat drug-related violent crime in local communities. DEA intercepted the communications of drug trafficking groups at home and abroad in order to target their leaders and dismantle their operations. DEA began to participate in two interagency programs to investigate major drug trafficking groups in Latin America and Asia. DEA also changed its foreign operations by screening and training special foreign policy units to combat drug trafficking in key foreign countries. DEA has major responsibilities under the Office of National Drug Control Policy's national drug control strategy for reducing the drug supply. However, DEA has yet to develop measurable performance targets for its programs and initiatives that are consistent with those adopted for the national strategy. Consequently, it is difficult to assess how successful DEA's programs have been in reducing the supply of illegal drugs into the United States. GAO summarized this report in testimony before Congress; see:

Drug Control: DEA's Strategies and Operations in the 1990s, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on Crime, House Committee on the Judiciary.
[GAO/T-GGD-99-149](#), July 29 (13 pages).

**Crime Technology:
Federal Assistance to State and Local Law Enforcement**

GAO/GGD-99-101, June 7 (52 pages).

Crime technology assistance provided by the Departments of Justice and the Treasury as well as the Office of National Drug Control Policy to state and local law enforcement between 1996 and 1998 totaled an estimated \$1.2 billion. This figure is conservative because—given that these federal agencies are not required to, and do not, specifically track crime technology assistance separately in their accounting systems—GAO included only amounts that could be identified or reasonably estimated by agency officials or GAO. The primary type of crime technology assistance that GAO identified as going to state and local law enforcement—\$1 billion, or about 85 percent of the estimated \$1.2 billion total—was grants, all of which were administered by Justice. Support service and systems was estimated to be the second largest category of crime technology assistance provided to state and local law enforcement agencies. Regarding in-kind transfers, GAO found that only the Office of National Drug Control Policy had an established, relevant program.

**Women in Prison:
Sexual Misconduct by Correctional Staff**

GAO/GGD-99-104, June 22 (32 pages).

Most U.S. correctional jurisdictions recognize that sexual misconduct by staff against inmates is a problem that cannot be tolerated. Staff-on-inmate sexual misconduct covers a wide range of behaviors, from lewd remarks to voyeurism to assault and rape. As of April 1999, the federal government, 41 states, and the District of Columbia had passed laws criminalizing some types of staff sexual misconduct in prisons. Also, most U.S. correctional systems have participated in training to help them develop policies and procedures to deal with such misconduct. The four correctional systems that GAO studied—the federal Bureau of Prisons, the California Department of Corrections, the Texas Department of Criminal Justice, and the District of Columbia’s correctional system—have or were in the process of developing policies to ban staff sexual misconduct. However, GAO’s work in the four jurisdictions found that sexual misconduct persists. Between 1995 and 1998, female inmates in the three largest jurisdictions GAO studied made 506 allegations of staff sexual misconduct; 92 of them were sustained, generally resulting in staff firings or resignations. But the

full extent of sexual misconduct is unknown because two of the three jurisdictions did not provide data on all types of allegations. Of the four jurisdictions, only the Bureau of Prisons reported any criminal convictions under sexual misconduct laws from 1995 to 1998. All four jurisdictions were involved in at least two civil lawsuits arising from staff sexual misconduct during this period. Officials in the four jurisdictions cited a lack of evidence as the primary reason why more allegations were not sustained. Generally, none of the four jurisdictions GAO studied had readily available, comprehensive data or reports on the number, the nature, and the outcome of staff-on-inmate sexual misconduct allegations. The absence of such systematic information makes it difficult for lawmakers, corrections management, and others to effectively address the problem.

Federal Grants:
**More Can Be Done to Improve Weed and Seed
Program Management**

GAO/GGD-99-110, July 16 (72 pages).

The Weed and Seed Program is a community-based, multiagency program that seeks to “weed out” crime from targeted neighborhoods, then “seed” the area with various programs and resources to stop crime from recurring. The Justice Department considers the program to be an important part of its crime prevention efforts as well as a key part of the Clinton Administration’s comprehensive community revitalization strategy. Weed and Seed sites develop partnerships with other federal, state, and local governments and private sector groups to augment federal Weed and Seed grant money with additional resources from these partners. These additional resources are intended to help sites become self-sufficient without Weed and Seed grant funds. This report assesses how (1) the program is managed by the Justice Department’s Executive Office for Weed and Seed, (2) the Executive Office monitors local sites to ensure that grant requirements are met, (3) the Executive Office determines when sites have become self-sustaining, and (4) the Executive Office and sites are measuring the program’s results.

U.S. Customs Service:
Office of Investigations Case Management Problems Continue

GAO/GGD-99-121, July 20 (24 pages).

GAO reviewed whether the U.S. Customs Service Office of Investigations follows its case management policies and procedures. GAO visited the Special Agent in Charge Offices in New York and Chicago and found that many agents were not entering statistics into the electronic management database as required. Moreover, many first-line supervisors were not providing evidence of investigative case file quarterly reviews. Most agents were not completing opening reports of investigations within 10 days after an investigation was initiated, as required. Also, some investigative files that GAO requested could not be located. Since 1995, Customs' Office of Internal Affairs, Management Inspection Division has repeatedly reported these same findings. However, the Division routinely did not summarize the case management problems or recommend ways for the Office of Investigations to correct the problems.

**Combating Terrorism:
Analysis of Federal Counterterrorist Exercises**

GAO/NSIAD-99-157BR, June 25 (60 pages).

Terrorist attacks against U.S. personnel and interests domestically and abroad underscore the need for effective U.S. efforts to combat terrorism. U.S. policy and implementing guidelines call for robust, tailored, and rapidly deployable interagency teams to conduct well-coordinated and highly integrated operations. Federal agencies enhance their ability to respond to terrorist attacks by conducting exercises that train key personnel and test response teams. GAO recently briefed congressional staff on the numbers, the scenarios, and the participants involved in federal counterterrorism exercises done from June 1995 to June 1998. This report summarizes those briefings.

**Combating Terrorism:
Analysis of Potential Emergency Response Equipment and Sustainment Costs**

GAO/NSIAD-99-151, June 9 (24 pages).

The Defense Department and others are authorized to provide training, equipment, and advice to civilian emergency response personnel to help them respond to a possible terrorist attack involving chemical, biological, or nuclear weapons. GAO reported last year that some local jurisdictions were buying equipment without the benefit of formal threat and risk assessments based on valid threat data. In the absence of defined

requirements, this report determines the potential cost of equipping and maintaining the capability of cities to respond to a terrorist incident involving weapons of mass destruction. GAO (1) provides the views of federal, state, and local officials on equipment that they believed would be needed to respond to such an incident and (2) determines the potential procurement and sustainment costs of these items.

Testimony

Illegal Aliens: Significant Obstacles to Reducing Unauthorized Alien Employment Exist, by Richard M. Stana, Associate Director for Administration of Justice Issues, before the Subcommittee on Immigration and Claims, House Committee on the Judiciary. [GAO/T-GGD-99-105](#), July 1 (eight pages).

Jobs are a magnet drawing illegal aliens to the United States. Many immigration experts believe that reducing the availability of employment for illegal aliens must be a central part of any comprehensive strategy to reduce illegal immigration. Significant numbers of aliens unauthorized to work in the United States have used fraudulent documents to circumvent the employment verification process. Employers seeking to comply with the law can be deceived by these fraudulent papers, while those seeking “cheap labor” can intentionally hire unauthorized aliens under the guise of having complied with the employment verification process. The Immigration and Naturalization Service (INS) has taken steps to improve the employment verification process, yet considerable obstacles remain. Worksite enforcement efforts by INS and the Department of Labor have been limited, and INS’ employer investigation efforts have yielded modest results. INS is changing its approach to worksite enforcement, but it is too soon to gauge its success.

Illegal Aliens: Fraudulent Documents Undermining the Effectiveness of the Employment Verification System, by Richard M. Stana, Associate Director for Administration of Justice Issues, before the House Committee on the Judiciary, Subcommittee on Immigration and Claims. [GAO/T-GGD/HEHS-99-175](#), July 22 (nine pages).

The Immigration Reform and Control Act of 1986 (IRCA) established an employment verification system to prevent employers from hiring aliens who are unauthorized to work. Yet large numbers of unauthorized aliens are still being hired because of the widespread use of fraudulent documents. The Immigration and Naturalization Service (INS) is trying to reduce the number of documents that can be used for employment

verification and improve the integrity of the documents it issues. However, these efforts will not substantially affect unauthorized aliens' ability to obtain employment. The most common counterfeited documents will still remain on the list of acceptable documents. In addition, counterfeiters may be able to manufacture "passable versions" of even the most secure INS documents, undermining employer confidence in their authenticity. Providing a more secure Social Security card to all current number holders could cost as much as \$9.2 billion. Alternatives that could reduce the cost require legislative action. The steps being considered to improve document security could make it more difficult for an unauthorized alien to obtain employment, but the employment verification process can still be circumvented or easily thwarted by the use of widely available fraudulent documents.

Immigration and Naturalization Service: Overview of Management and Program Challenges, by Richard M. Stana, Associate Director for Administration of Justice Issues, before the Subcommittee on Immigration and Claims, House Committee on the Judiciary. [GAO/T-GGD-99-148](#), July 29 (18 pages).

The Immigration and Naturalization Service's (INS) mission is twofold. First, the agency seeks to prevent aliens from entering the United States illegally and remove those who succeed in doing so. Second, INS provides services to facilitate the entry, residency, employment, and naturalization of legal immigrants. This testimony summarizes GAO's work on management and program challenges at INS. These challenges involve INS' strategic planning process, organizational structure, communications and coordination, financial management, and program implementation.

Correspondence

Bankruptcy Reform: Use of the Homestead Exemption by Chapter 7 Bankruptcy Debtors in the North District of Texas and the Southern District of Florida in 1998. [GAO/GGD-99-118R](#), June 18.

Customs Service Compliance Assessments of Selected Importers. [GAO/GGD-99-100R](#), July 6.

Women in Prisons: Transition of District of Columbia Female Felons to the Federal Bureau of Prisons. [GAO/GGD-99-144R](#), July 21.

National Defense

Military Operations: Impact of Operations Other Than War on the Services Varies

GAO/NSIAD-99-69, May 24 (64 pages).

Since the end of the Cold War, the U.S. military has become increasingly involved in “operations other than war (OOTW),” such as peacekeeping missions and drug interdiction. This has occurred during a period of military downsizing. GAO found that OOTW have impaired the combat readiness of military units sent to Bosnia and the Persian Gulf. Both deployed units, and some units that stayed at home stations and picked up the work of the deployed units, have had their wartime skills adversely affected. At the same time, these OOTWs can have some positive effects, such as fostering unit cohesion. The impact of these operations on morale and retention is a mixed picture. The Pentagon has concluded, in the past, that the same forces needed for war could be mobilized for OOTW until they were needed to meet wartime needs. Meeting the demands of OOTW while maintaining the ability to respond to major wars will present a major management challenge for the Defense Department. If Congress and the President conclude that the effects of OOTW are unacceptable, they can reduce U.S. participation or include OOTW needs in determining future force structure.

Air Force Depot Maintenance: Management Changes Would Improve Implementation of Reform Initiatives

GAO/NSIAD-99-63, June 25 (56 pages).

The Air Force is launching three depot maintenance initiatives to better manage its depot maintenance programs, including the management of spare and repair parts. The Air Force spends about \$4 billion each year on its depot maintenance programs. This report reviews the status of the three initiatives and related management issues.

Missile Defense: THAAD Restructure Addresses Problems But Limits Early Capability

GAO/NSIAD-99-142, June 30 (19 pages).

Studies done by the military and independent sources cited the following problems in the Theater High Altitude Area Defense (THAAD) Program:

First, the program's compressed flight-test schedule did not allow for adequate ground testing, and officials could not spot problems before flight tests. The schedule also left too little time for preflight testing, postflight analysis, and corrective measures. Second, the requirement that an early prototype system be deployed quickly has diverted attention from the normal interceptor development process and resulted in interceptors that were not equipped with sufficient instruments to provide optimum test data. Third, quality assurance received too little emphasis and resources during component production, resulting in unreliable components. Fourth, the contract to develop the interceptor was a cost-plus-fixed-fee contract, which placed all of the financial risk on the government and did not hold the contractor accountable for less than optimum performance. The restructure program addresses each of these four underlying problems. However, the reliability of current flight-test interceptors remains a concern because most components were produced when the contractor's quality assurance system was inadequate. Test failures caused primarily by manufacturing defects rather than advanced technology problems have prevented the Army from demonstrating that THAAD can reliably intercept targets in all required regions. The restructuring of the THAAD program raised the issue of what the purpose of the User Operational Evaluation System battalion at Fort Bliss should now be. Whether all or only part of the battalion would warrant deployment for contingency operations would depend on the capabilities it could provide to warfighters and the priority of the need for one or more of those capabilities. However, there would be little basis for making a deployment determination because the Defense Department does not plan to conduct an operational assessment of the User Operational Evaluation System.

**Defense Inventory:
Property Being Shipped to Disposal Is Not Properly Controlled**

GAO/NSIAD-99-84, July 1 (24 pages).

The Defense Department (DOD) has had problems accounting for excess property being shipped to disposal and has developed comprehensive procedures to track the property. However, the procedures are not working well and property remains vulnerable to loss and theft. DOD reports that property valued at \$2.7 billion was shipped to disposal during 1998 but was not recorded as received by disposal offices. A GAO analysis found that more than one-half of the dollar value of property that was reported as not received involved items that require special handling, such as communications equipment, aircraft components, and gun parts. DOD

does not consider all property reported as not received as lost or stolen. DOD officials said that, in many cases, the property in question is received and disposed of properly but is incorrectly reported as not received because the systems used to track the property are unreliable. However, DOD does not know the status of property being shipped to disposal because of the questionable accuracy of its data and its lack of adherence to control procedures. The reports used to manage and track property are inaccurate because of computer system programming and data input errors. Also, control procedures are not being followed because personnel either are not fully aware of the procedures or do not always understand them. GAO recommends that the military take steps to correct information system errors and train staff on control procedures.

**Army Logistics:
Status of Proposed Support Plan for Apache Helicopter**

GAO/NSIAD-99-140, July 1 (22 pages).

The Pentagon has embarked on a strategy to reengineer its logistics support for weapon systems by relying more on the private sector. The military has selected the Apache AH-64 helicopter as a pilot for implementing this new strategy. At the same time, the Army has been considering a logistics support concept called prime vendor support for the Apache. Prime vendor support is a contractor's proposal to use commercial practices to reengineer logistics support, improve readiness, reduce life-cycle costs, and provide savings that can be used to modernize the helicopter. The program will rely on private-sector capital to upgrade Apache components and to manage the parts pipeline. DOD is prohibited from entering into a prime vendor contract for depot maintenance and repair of a weapons system until 30 days after the military submits a report to Congress describing the competitive procedures used to select the awardee and provides a cost analysis that shows the savings to the government over the life of the contract. This report determines the status of the Apache prime vendor support proposals. GAO discusses the evolution of the prime vendor support concept and the financial and operational issues that have been raised over whether the Army should implement the concept.

**Air Force Logistics:
C-17 Support Plan Does Not Adequately Address Key Issues**

GAO/NSIAD-99-147, July 8 (28 pages).

The Air Force is working to pilot test a new logistics support concept for the C-17 aircraft that relies more on the private sector. The Air Force plan supporting this idea that was sent to Congress has three key shortcomings that need to be addressed so that the pilots' merits can be adequately assessed. First, the plan does not identify C-17 core requirements or provide information on a process for establishing the capabilities needed to support such requirements. Second, the Air Force's conclusions that C-17 depot maintenance would be less cost-effective in Air Force depots are not adequately supported. Third, GAO questions whether the Air Force plan could be implemented under current law. The Air Force is required to determine that the services to be obtained from public depots are not commercially available. Past Air Force assessments have shown that commercial sources are available that can perform depot maintenance on the same or similar commodities for other aircraft.

**Defense Budget:
Observations on the Air Force Flying Hour Program**

[GAO/NSIAD-99-165](#), July 8 (19 pages).

During 1997 and 1998, the Air Force reported funding deficits of \$171 million and \$200 million in its flying hour program. It expects a similar deficit for 1999. The Air Force, concerned that shortfalls in this program would curtail flying operations and pose a serious risk to the readiness of aviation units, requested and received additional money for this program in each fiscal year. Members of Congress have raised concerns about the validity and accuracy of the Air Force's budget formulation process for its flying hour program. This report (1) identifies the extent to which the Air Force has flown the hours requested in its budget, (2) describes the process that the Air Force uses to determine flying hour requirements, (3) discusses how the requirements and specific cost factors are used to develop the budget estimate for the flying hour program, and (4) compares program funding and obligations incurred in 1997 and 1998 and provides the reasons for the difference.

**DOD Animal Research:
Controls on Animal Use Are Generally Effective, but Improvements Are Needed**

[GAO/NSIAD/HEHS-99-156](#), July 8 (36 pages).

In analyzing 24 Department of Defense (DOD) projects on biological defense, combat casualty care, and radiation research, GAO found that DOD's controls over the use of nonhuman primates, cats, dogs, and farm animals were generally effective but needed some improvements. DOD employed measures to avoid or minimize unnecessary duplication, requiring investigators to conduct and document literature searches and submit project proposals for scientific and animal use reviews. DOD needs to clarify its requirement that investigators search particular databases of ongoing research to ensure that searches are consistently implemented. DOD investigators could have used additional alternatives to refine experimental procedures in 8 of the 24 projects. Routine pain relief could have been administered in five studies of burn treatments without compromising the objectives. Animals could have been euthanized earlier than the investigators proposed without affecting research results. However, records did not document the alternatives that were considered but not adopted. GAO made recommendations to reduce the likelihood that proposed research unnecessarily duplicates other research and to improve the consideration of refinement alternatives.

**Defense Acquisitions:
Evaluation of Navy's Anti-Submarine Warfare Assessment**

GAO/NSIAD-99-85, July 12 (14 pages).

Congress directed the Defense Department (DOD) to conduct an anti-submarine warfare (ASW) assessment because of concerns that ASW funding was falling relative to other Navy programs, that the Navy lacked a clear plan for identifying ASW requirements and funding priorities, and that ASW requirements were not being adequately considered in establishing the Navy's overall funding priorities. Congress directed that an assessment be done of ASW shortfalls and capabilities supported by rigorous analysis and the establishment of priorities among ASW programs. The Navy agreed to perform such a quantitative analysis. This report reviews (1) DOD's 1997 ASW assessment and (2) the role and the funding influence of the Navy's new Antisubmarine Warfare Requirements Division.

**Defense Infrastructure:
Observations on Aviation Training Consolidation and
Expansion Plans**

GAO/NSIAD-99-143, July 12 (24 pages).

This report provides information on the Defense Department's (DOD) efforts to reduce the infrastructure that supports initial pilot training. Earlier, GAO briefed congressional staff on its preliminary observations, which were based on interviews with military officials. This report summarizes the information GAO obtained on (1) DOD's earlier efforts to reduce aircraft training infrastructure, (2) the current plans for expanding pilot training capacity, and (3) the likelihood of further consolidations.

**Depot Maintenance:
Workload Allocation Reporting Improved, but Lingering
Problems Remain**

[GAO/NSIAD-99-154](#), July 13 (44 pages).

In February, the Defense Department (DOD) submitted a report to Congress on the distribution of depot maintenance workloads for fiscal year 1998. The law stipulates that no more than half of the funds made available in a fiscal year to the military for depot maintenance and repair can be used for performance by contractors. GAO reviewed DOD's report on the percentage of depot maintenance funding used by the public and private sector activities. This report (1) provides GAO's opinion on DOD's compliance with the law's percentage requirement; (2) compares the results of DOD's recent report on its fiscal year 1998 workload with earlier reports; (3) discusses continuing weaknesses in the accuracy, completeness, and consistency of reported data; and (4) discusses improvements in DOD's guidance, data collection processes, oversight, and opportunities to further improve the quality of future reports.

**DOD Contract Management:
Greater Attention Needed to Identify and Recover Overpayments**

[GAO/NSIAD-99-131](#), July 19 (16 pages).

GAO reported in 1997 that defense contractors refunded \$5.1 billion to the Defense Finance and Accounting Service's finance center in Columbus, Ohio—the military's largest payment center. This report (1) updates that information through fiscal year 1998 and (2) discusses GAO's visits to 13 contractor locations to determine if the contractors were keeping overpayments and how quickly overpayments were refunded. GAO also provides information on the backlog of contracts waiting to be examined for possible overpayment.

**DOD Competitive Sourcing:
Lessons Learned System Could Enhance A-76 Study Process**

GAO/NSIAD-99-152, July 21 (24 pages).

In late 1995, after a lull of several years, the Defense Department (DOD) began urging the military services and defense agencies to intensify competitive sourcing efforts as provided for in the Office of Management and Budget's Circular A.76. Under Circular A-76, the military is to conduct cost comparison studies of commercial activities being done by government workers to determine whether it would be more cost-effective to maintain them in-house or contract with the private sector. Government officials, Congress, and business leaders have complained that these cost comparisons take too long. Congress has encouraged DOD to develop standardized performance work statements to expedite these competitive sourcing studies. This report discusses DOD's efforts to (1) improve performance work statements, including encouraging the use of standard templates, and (2) implement other efforts to improve the competitive sourcing process, as well as gather and disseminate lessons learned that could benefit the competitive sourcing program through DOD.

**Defense Acquisitions:
Reduced Threat Not Reflected in Antiarmor Weapon Acquisitions**

GAO/NSIAD-99-105, July 22 (25 pages).

Congress has raised concerns about the military's lingering Cold War mindset, which has promoted the purchase of increasing numbers of tank-killing weapons despite the fact that potential adversaries have dwindling numbers of armored forces. During the Cold War, the military braced for a massive land attack spearheaded by thousands of armored vehicles in Central Europe. Today, military planners generally envision smaller regional conflicts when developing war-fighting plans and requirements. The number of potential enemy armored targets that U.S. forces expect to confront has fallen considerably since 1990. Yet, the overall size of the Defense Department's (DOD) current antiarmor weapons inventory is about the same size as during the Cold War, and inventories of the most sophisticated and lethal antiarmor weapons have actually increased. There are now 35 different kinds of antiarmor weapons in the inventory and 10 other types in production. The military continues to invest in antiarmor weapons and plans funding increases.

**Military Training:
Management and Oversight of Joint Combined Exchange Training**

GAO/NSIAD-99-173, July 23 (67 pages).

Overseas activities of U.S. Special Operations Command forces have raised concerns on the part of Congress and others that U.S. forces may be training with foreign armies without adequate civilian oversight and engaging in activities that are inconsistent with U.S. policy. Human rights advocates have also questioned whether the United States may be training foreign military personnel who have committed human rights abuses. GAO's review of available files for joint combined exchange training, attendance at command training conferences, observations of pre-even meetings, and discussions with Defense Department (DOD) officials confirmed that DOD has complied with the statutory requirement that the primary purpose of joint combined exchange training is to train U.S. special operations forces. However, DOD has not accurately reported to Congress the number of joint combined exchange trainings that were done, their costs, or their relationships to counternarcotics and counterterrorism, as required by law. In the six countries GAO visited—Bolivia, Colombia, Ecuador, Indonesia, the Philippines, and Thailand—DOD conducted training with the knowledge and support of U.S. ambassadors who believed that these activities were consistent with U.S. foreign policy objectives in each country. Despite the involvement of embassy officials, neither State Department nor DOD headquarters' officials routinely oversaw joint combined exchange training. Both the State Department and DOD have each issued guidance for implementing legislation that restricts the use of DOD funds to train with members of foreign security force units who have been credibly alleged to have violated human rights.

**Military Base Closures:
Potential to Offset Fiscal Year 2000 Budget Request**

GAO/NSIAD-99-149, July 23 (27 pages).

To fund the four rounds of military base closures and realignments carried out between 1988 and 1995, Congress established two accounts: the first to fund actions resulting from the first round in 1988 and the second, known as the 1990 account, to fund actions resulting from the next three rounds. The Defense Department's (DOD) authority to use funds from the first account has expired, but funds in the second account are available

indefinitely. GAO is required to annually review DOD's base closure accounts and its budget request for base closure efforts. This report discusses opportunities to offset the fiscal year budget request and raises questions about some base closure and realignment funding practices that could make it difficult for Congress to understand DOD's actual funding requirements and priorities.

**Battlefield Automation:
Performance Uncertainties Are Likely when Army Fields Its First
Digitized Division**

GAO/NSIAD-99-150, July 27 (28 pages).

The Army plans to field dozens of new and improved battlefield systems during the next decade through its "digitization" initiative. Digitization involves the application of information technologies to acquire, exchange, and use timely information through the battlescape. Use of digitization on the battlefield is expected to increase the Army's survivability, lethality, and tempo of operations. The Army plans to equip its first digitized division with high-priority equipment by December 2000 and its first digitized corps by the end of fiscal year 2004. This report reviews the Army's progress in fielding a digitized division by the end of 2000. GAO (1) identifies the high-priority systems needed to accomplish the digitization fielding goal, (2) determines the acquisition status of these high-priority systems, and (3) identifies any performance uncertainties that could confront the Army after its first digitized division is fielded.

**Defense Health Care:
Improvements Needed to Reduce Vulnerability to Fraud and Abuse**

GAO/HEHS-99-142, July 30 (20 pages).

It is impossible to quantify precisely the amount lost to fraud in the military health care system, but the Defense Department (DOD) and the health care industry generally agree that fraud and abuse could account for as much as 20 percent of all health care costs. Because DOD spent \$5.7 billion on managed care between 1996 and 1998, DOD could have lost more than \$1 billion to fraud and abuse during this time. Fraud and abuse can also undermine the quality of care provided and can harm patients' health. For example, patients might receive incorrect diagnoses and inadequate treatment when a provider bills DOD for fabricated test results. DOD and its contractors have had limited success in identifying fraud and

abuse in TRICARE—DOD’s managed health care system. To its credit, DOD recognizes that it needs to reduce its vulnerability to fraud and abuse and has identified several revisions it could make to its antifraud policies and requirements. However, it has been slow to implement these policy changes, which would require contractors to establish a more aggressive fraud and abuse identification program.

Testimony

Military Base Closures: Observations on Legislative Proposal for No-Cost Transfer of Surplus Property, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Military Installations and Facilities, House Committee on Armed Services. [GAO/T-NSIAD-99-215](#), July 1 (11 pages).

Proposed legislation before Congress would amend the base closure law and promote the economic development of affected communities by transferring property to them without consideration. Affected communities receiving property under an economic development conveyance (EDC) could receive that property at no cost if certain conditions were met. Currently, EDCs are available at or below fair-market value and at no-cost for rural communities. The proposal involves a trade-off between recouping the value of surplus property and giving communities an opportunity to hasten their economic recovery. GAO found that the proposed legislation could speed the EDC process. The Defense Department, however, would lose revenue if the proposed amendment is enacted.

Medical Readiness: Issues Concerning the Anthrax Vaccine, by Kwai-Cheung Chan, Director of Special Studies and Evaluations, before the Subcommittee on National Security, Veterans’ Affairs, and International Relations, House Committee on Government Reform. [GAO/T-NSIAD-99-226](#), July 21 (15 pages).

The Defense Department (DOD) announced in 1997 that all U.S. forces would be inoculated against the possible use of anthrax on the battlefield. Questions have been raised, however, about the safety and the efficacy of the military’s anthrax immunization program. Also, the Food and Drug Administration has cited manufacturing problems at the facility producing the vaccine. DOD recognizes that some of the concerns about the current vaccine might be mitigated through further testing and research. This testimony discusses (1) the extent to which the data support the need for six initial shots and an annual booster of the anthrax vaccine, (2) the

relative merits and weaknesses of a passive surveillance system in determining adverse events, (3) the available data on differences in adverse reaction rates between men and women receiving the anthrax vaccine, and (4) the disadvantages of the current vaccine and the status of federal efforts to develop an improved anthrax vaccine.

Correspondence

Gulf War Illnesses: Evaluation of DOD's Investigative Processes. [GAO/NSIAD-99-219R](#), July 13.

Chemical Demilitarization: Funding Status of Chemical Demilitarization Program. [GAO/NSIAD-99-232R](#), July 29.

Natural Resources

Forest Service Priorities: Evolving Mission Favors Resource Protection Over Production

GAO-RCED-99-166, June 17 (16 pages).

The Forest Service's mission and funding priorities have evolved over many years in response to laws, and Congress has never explicitly accepted them or acknowledged their effects on the availability of timber or other uses on the national forests. This report describes (1) the priorities that the Congress set in enacting the National Forest Management Act of 1976, which guides the development of plans for managing national forests; (2) the Forest Service's current mission and funding priorities and how they have evolved during the last two decades; and (3) the effect of these priorities on the availability of timber and on the costs of and receipts from timber sales. GAO found that the act and other multiple-use laws intended to guide the management of the national forests provide little guidance on how the agency is to resolve conflicts or make choices among competing uses on its lands.

Testimony

Fish and Wildlife Service: Management and Oversight of the Federal Aid Program Needs Attention, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the House Committee on Resources. [GAO/T-RCED-99-259](#), July 20 (14 pages).

GAO discusses its ongoing work on the management and oversight of the Wildlife Restoration Program within the Fish and Wildlife Service. The Service's Office of Federal Aid provides overall program support and

direction for implementing the Federal Aid in Wildlife Restoration Program as well as a sister program—the Sport Fish Restoration Program. The two programs received a total of about \$552 million in fiscal year 1998—\$180 million for Wildlife and \$372 million for Sport Fish.

Federal Land Management: Comments on Selected Provisions of S.1320 – A Bill to Revise Federal Land Management Planning, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Forests and Public Land Management, Senate Committee on Energy and Natural Resources. [GAO/T-RCED-99-270](#), July 22 (18 pages).

The planning-related provisions of titles I and II of S.1320—the Public Lands Planning and Management Improvement Act of 1999—would provide new authority and give greater responsibility and accountability to Forest Service and the Bureau of Land Management for planning and managing federal lands under their jurisdiction. In this testimony, GAO discusses (1) the statutory basis for the Forest Service’s current mission priorities, (2) the clarity of the mission statement in S.1320, and (3) the extent to which the bill addresses identified planning deficiencies.

Rural Water Projects: Federal Assistance Criteria and Potential Benefits of the Proposed Lewis and Clark Project, by Susan D. Kaldiva, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Water and Power, House Committee on Resources. [GAO/T-RCED-99-252](#), July 29 (13 pages).

GAO has issued two reports during the last year on rural water projects. One report looked at the characteristics of several proposed rural water projects and compared them with the criteria of several existing programs for funding assistance. (See [GAO/RCED-98-204R](#), May 1998.) One of the projects covered in that report was the proposed Lewis and Clark project in South Dakota, Iowa, and Minnesota. The other report focused on the benefits that could be expected from a project such as Lewis and Clark. (See [GAO/RCED-99-115](#), May 1999.) This testimony, which draws on GAO’s earlier work, covers (1) the federal assistance criteria for rural water projects and (2) the potential benefits of rural water projects, such as Lewis and Clark.

Science, Space, and Technology

Correspondence

Space Station: Status of Efforts to Determine Commercial Potential.
[GAO/NSIAD-99-153R](#), June 30.

Social Services

Food Stamp Program: States Face Reduced Federal Reimbursements for Administrative Costs

[GAO/RCED/AIMD-99-231](#), July 23 (36 pages).

In the wake of welfare reform, states could charge administrative costs, such as participant eligibility determinations, directly to the Food Stamp Program or Medicaid. This raised the possibility that states could receive duplicative reimbursements for these expenses—through the Temporary Assistance for Needy Families (TANF) block grants and from the programs directly. As a result, Congress required the Department of Health and Human Services (HHS), which is responsible for TANF and Medicare, to determine how much of the common administrative costs for determining eligibility were being charged to the Food Stamp Program and Medicaid. Congress also required the Department of Agriculture, which runs the Food Stamp Program, to reduce federal reimbursements to states for administrative costs for the Food Stamp Program by an amount equal to HHS' determination for this program. This report (1) summarizes HHS' administrative cost determinations, related estimates provided by the states to HHS, and the reasons for any differences between HHS' determinations and the states' estimates and (2) assesses the reliability of HHS' determinations. GAO focuses on that portion of common administrative costs that could have been charged to the Food Stamp Program.

Tax Policy and Administration

Tax Administration: IRS' Abatement Process in Selected Locations

[GAO/GGD-99-98](#), July 2 (48 pages).

Each year from 1995 through 1998, the Internal Revenue Service (IRS) abated about \$30 billion in tax, penalty, and interest assessments in the tax accounts of individuals and businesses. Abatements reduce assessments and can occur for various reasons, from correcting errors made by IRS and taxpayers to providing relief from penalties when taxpayers have reasonable cause for failing to comply with tax requirements. The process for making abatements is important for ensuring the equitable treatment of taxpayers across IRS' 10 service centers and 33 district offices. This report describes (1) IRS' process for making abatements from initiation through final review in selected IRS locations—the Kansas City Service Center, the Fresno Service Center, the Kansas City District Office, and the Northern California District Office—and (2) IRS' efforts to improve the abatement process.

**IRS Management:
IRS Faces Challenges as it Restructures the Office of the
Taxpayer Advocate**

[GAO/GGD-99-124](#), July 15 (56 pages).

Taxpayers testified before Congress in 1997 about the difficulties they had had in trying to get help from the Internal Reserve Service (IRS) in resolving ongoing problems. Specifically, concerns were raised about IRS' Office of the National Taxpayer Advocate, which was set up to help taxpayers who (1) have been unable to resolve their problems elsewhere in IRS or (2) are suffering significant hardships. GAO identified shortcomings in the Office and in the Problem Resolution Program that could affect how efficiently and effectively services are provided to taxpayers. For example, the Office lacked control over resources for its Problem Resolution Program. It did not know how many employees were working in the program or the costs associated with that staffing. Some staff said that they lacked the necessary training, and limited advancement opportunities make it difficult for the Office to hire and retain qualified employees. Also, demands on the Office to resolve individual taxpayer problems left little time for staff to identify the causes of recurring taxpayer problems and recommend solutions. The Office is in the midst of improving its operations. Many of these changes, such as restructuring Office operations and creating career paths for local advocates, are outgrowths of the requirements of the IRS Restructuring and Reform Act of 1998. Other changes, such as developing position descriptions for Problems Resolution Program caseworkers, are the result of Office initiatives. It is too soon to tell, however, how effective these changes will

be in overcoming the problems GAO cited. Two areas in which changes are being considered are advocacy and performance measures. But changes in both areas require better information systems than are now available.

Testimony

IRS Management: Formidable Challenges Confront IRS as It Attempts to Modernize, by James R. White, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. [GAO/T-GGD/AIMD-99-255](#), July 22 (15 pages).

On the one-year anniversary of the IRS Restructuring and Reform Act of 1998, this testimony discusses the management challenges confronting IRS as it modernizes its organization and reforms its culture. The IRS Commissioner has painted a compelling picture of what he wants IRS to become—a fully modernized agency providing top-quality service to taxpayers. Given the reforms that are planned, it should surprise no one that IRS—an agency with a long history of stovepipe management and a culture driven by enforcement statistics—will be challenged to accomplish so ambitious an agenda. In GAO’s view, the modernization effort has the potential to deliver better service to taxpayers. IRS’ agenda, however, is both ambitious and high-risk. GAO has been impressed by the Commissioner’s leadership and commitment to change as well as IRS’ efforts so far. But sustained progress will depend on IRS’ managers successfully marshaling the agency’s resources, both human and systems, to deal with that challenging agenda.

Correspondence

IRS Correspondence to Taxpayers on Earned Income Credit Recertification. [GAO/GGD-99-112R](#), July 30.

Transportation

Aviation Safety: Research Supports Limited Use of Personal Computer Aviation Training Devices for Pilots

[GAO/RCED-99-143](#), July 12 (46 pages).

Last year, 621 people died in about 1,900 general aviation accidents. The National Transportation Safety Board estimates that 87 percent of all fatal general aviation accidents are caused by pilot error, especially when pilots who do not have appropriate instrument training fly when visibility is poor, such as during bad weather. To reduce general aviation accidents,

the Federal Aviation Administration (FAA) has been exploring ways to strengthen training for general aviation pilots. One possible enhancement is the use of special personal computers and software called personal computer-based aviation training devices, which can be used for up to 10 hours of instrument training. FAA's decision to allow the use of these devices has sparked debate. Some contend that pilots trained with these devices will actually be less skilled. Others argue that pilots trained with the devices are better trained at lower cost. This report (1) describes the process and information FAA used to approve the use of personal computer devices for 10 hours of instrument training and (2) discusses what is known about the training effectiveness of these devices and their long-term impact on a pilot's ability to fly safely. FAA's decision to allow the use of computer-based devices for instrument flight training took more than six years to be finalized and was based on two major research studies and input from aviation industry representatives. The two major research studies generally support the use of computer-based devices for training. Similarly, most experts GAO spoke with saw some training value from the use of devices and did not believe that they were likely to degrade aviation safety. GAO recommends that FAA gather more information on the long-term safety issues associated with computer-based devices and previously approved flight training devices.

**Intercity Passenger Rail:
Amtrak's Progress in Improving Its Financial Condition Has
Been Mixed**

[GAO/RCED-99-181](#), July 9 (27 pages).

Since its creation in 1971, Amtrak has accumulated massive financial losses, with recent losses averaging more than \$800 million per year. To help Amtrak sustain operations and make needed capital investments, the federal government has provided Amtrak nearly \$23 billion in financial assistance since 1971. In this report, GAO discusses (1) Amtrak's overall financial performance in fiscal year 1998, (2) the prospects for Amtrak to meet its financial goals for operating self-sufficiency outlined in its most recent strategic business plan, and (3) the extent to which current and anticipated federal funding and recently enacted legislative reforms aimed at helping Amtrak better control its costs are likely to help improve its financial condition. Basically, GAO found that Amtrak's overall losses increased in fiscal year 1998 after several years of improvement.

**Aviation Safety:
FAA's New Inspection System Offers Promise, but Problems Need to
Be Addressed**

GAO/RCED-99-183, June 28 (40 pages).

The aviation industry has forecast a potential 66-percent increase in passenger travel from 1999 to 2008. The U.S. aviation accident rate, which has remained relatively constant during the last two decades, must be substantially lowered to avoid escalating numbers of aviation deaths as air traffic increases. A key to reducing the aviation accident rate is for the Federal Aviation Administration (FAA) to have an effective process for inspecting the nation's airline operations. GAO and others have raised concerns about the adequacy of FAA's inspection process to meet that challenge. The report addresses the following questions: To what extent does the Air Transportation Oversight System address past concerns about FAA's aviation safety inspections? What factors, if any, surfaced during the system's implementation that could impede its success? What is FAA doing to address any factors that could impede the system's success? GAO found that the system is largely responsive to past concerns raised about key aspects of FAA's aviation safety inspections and the usefulness of inspection data.

**Domestic Aviation:
Effects of Changes in How Airline Tickets Are Sold**

GAO/RCED-99-221, July 28 (28 pages).

The U.S. airline industry has gone from record losses during the early 1990s to record profits in recent years. Airline cost cutting and sustained growth in traffic have contributed to this rapid turnaround. Travel agencies, the primary channel for selling airline tickets, have not been immune from airline's cost-cutting efforts. Commissions paid to travel agencies are the fourth largest expense for airlines—after labor, fuel, and the cost of airlines. As a result, Airlines have cut commissions and set up Internet sites to sell more tickets themselves. Some travel agency representatives and consumer groups have questioned whether airlines are trying to drive travel agencies out of business, thereby depriving consumers of an important source of comparative price and schedule information. This report answers the following questions: How have changes in the way airlines sell tickets affected travel agencies and consumers? What are airlines' policies and practices for the sale and use of

airline tickets sold by travel agencies compared with the sale and use of tickets sold directly by airlines? What are airlines' policies and practices for making their airfares, particularly discount fares, accessible to travel agencies and consumers? What are airlines' policies and practices regarding the use of data on travel agency sales?

**Aviation Competition:
Information on the Department of Transportation's
Proposed Policy**

GAO/RCED-99-225, July 29 (20 pages).

The Department of Transportation (DOT) issued a proposed policy statement last year designed to address unfair competitive practices by major airlines against "new entrants"—new low-fare airlines that entered their markets. DOT decided to develop its policy statement after 17 new entrant airlines complained that major airlines were unfairly lowering their fares, boosting capacity on some routes, or both. Also, DOT investigated two of the complaints and analyzed industrywide data on pricing and capacity activities by major airlines. DOT's investigations and analyses found possible unfair competitive practices by at least five major airlines. DOT followed an informal process and began developing the proposed policy statement in the summer of 1997. DOT did not consider the policy to be a rule requiring notice and comment. DOT's proposed policy statement generally addresses the complaints dealing with price cuts or capacity increases that the Department received as well as the practices that DOT identified in its investigations and analyses of industrywide data. In addition, the proposed policy describes practices that would trigger enforcement action.

**Aviation:
Issues Associated With the Theft of Stock Used to Create
Airline Tickets**

GAO/RCED-99-219, July 30 (36 pages).

Travelers fly billions of miles each year, sometimes using tickets produced using stolen ticket stock—the paper upon which the ticket is printed. In testimony before Congress last year, the Airlines Reporting Corporation—the largest supplier of airline ticket stock worldwide—said that losses from stolen ticket stock are relatively minor, costing the airline industry only a few billion dollars annually. Travel agency representatives

disagreed, testifying that the theft of airline ticket stock costs billions of dollars each year and forces travel agencies held liable for the losses to shut down. This report answers the following questions: What is the number and value of airline ticket stock stolen annually? What are the financial implications of the use of stolen ticket stock? What other issues are associated with the use of stolen ticket stock? What technologies and other initiatives are available to detect the use of stolen ticket stock?

Veterans Affairs

Testimony

VA Health Care: Challenges Facing VA in Developing an Asset Realignment Process, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the House Committee on Veterans' Affairs, Subcommittee on Oversight and Investigations. [GAO/T-HEHS-99-173](#), July 22 (11 pages).

During the last decade, the Veterans' Health Administration's (VHA) hospital utilization has dropped about 58 percent, or by 28,000 patients a day. It is expected to continue to decline during the next 20 years, primarily because of a projected 36-percent decrease in the veteran population. About one in three VHA hospitals serves markets with the highest declines in the veteran population and the lowest VHA hospital utilization. VHA's limited progress toward establishing an asset realignment process needlessly delays the reinvestment of scarce resources to enhance veterans' health care. Potential shortcomings in VHA's proposed process—locally led steering committees that have heavy stakeholder involvement—do not instill confidence that VHA will be significantly closer to having a restructuring plan by this time next year than it is today. It seems that a better option would involve a more centralized planning model that is based on consultant or field information and that is free from undue influence from local stakeholders. Without firmer leadership, VHA might take many years to decide on, much less accomplish, systemwide asset realignment. The daily cost of unduly delayed decisions is unacceptably high, given that the Department of Veterans' Affairs could be spending \$1 million or more a day to operate and maintain unneeded assets.

Medicare Subvention: Challenges and Opportunities Facing a Possible VA Demonstration, by William J. Scanlon, Director of Health Financing and

Public Health Issues, and Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the House Committee on Ways and Means, Subcommittee on Health. [GAO/T-HEHS/GGD-99-159](#), July 1 (22 pages).

A Medicare subvention under the Department of Veterans Affairs (VA) would have the goal of providing an alternative for delivering accessible and quality care to certain veterans eligible for Medicare without increasing the cost to Medicare or VA. Subvention would allow VA to supplement its funds with Medicare payments. In principle, by paying VA a discounted rate, the Medicare program might save money, so long as it does not pay for services that VA would have previously covered. A three-year Department of Defense (DOD) subvention demonstration program involves about 30,000 retirees and limits Medicare payments to DOD to \$65 million a year. However, a nationwide DOD subvention program could potentially involve Medicare payments of several hundred million dollars or more. The potential size of a nationwide VA program may be even greater, with nearly all the nine million veterans aged 65 and older covered by Medicare. Proposed legislation before the House and the Senate would authorize VA subvention demonstrations. Under either, VA will (1) be challenged to attract veterans who currently enjoy a generous VA benefits package, (2) need to strengthen its billing systems, and (3) need to ensure that access to services is not reduced. VA will need sufficient time to implement a demonstration, and it must carefully design and implement its payment methods to protect Medicare trust funds and to promote cost consciousness and efficiencies at the demonstration sites. Finally, sound data systems are essential for managing and evaluating a subvention demonstration.

Veterans' Employment and Training Service: Strategic and Performance Plans Lack Vision and Clarity, by Carlotta C. Joyner, Director of Operations in the Health, Education, and Human Services Division, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. [GAO/T-HEHS-99-177](#), July 29 (13 pages).

Congress has made it clear that alleviating unemployment and underemployment among veterans is a national responsibility. Although the Department of Veterans Affairs runs most services for veterans, the Department of Labor is responsible for the Veterans' Employment and Training Service (VETS) and other programs designed to help veterans obtain jobs and training. This testimony focuses on VETS' (1) strategic plan

for fiscal years 1999 through 2004 and (2) fiscal year 2000 performance plan.

Special Publications

Government Auditing Standards: Amendment No. 1—Documentation Requirements When Assessing Control Risk at Maximum for Controls Significantly Dependent Upon Computerized Information Systems

GAO/A-GAGAS-1, May 1999 (29 pages).

This is the first amendment to Government Auditing Standards, commonly known as the “Yellow Book.” It establishes a new field work standard requiring documentation in the planning of financial statements audits in certain circumstances. Specifically, this new standard requires auditors to document in their working papers the reasons for assessing control risk at the maximum level for assertions involving material account balances, transaction classes, and disclosure components of financial statements when such assertions depend on computer systems. It also requires auditors to document their consideration that the planned audit procedures are designed to achieve audit objectives and reduce audit risk to an acceptable level.

Reports on Agency Rules

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Environmental Protection Agency: Regional Haze Regulations.

[GAO/OGC-99-53](#), July 8.

Federal Communications Commission: Assessment and Collection of Regulatory Fees for Fiscal Year 1999. [GAO/OGC-99-54](#), July 13.

Department of Defense, General Services Administration, and National Aeronautics and Space Administration: Federal Acquisition Regulation; Reform of Affirmative Action in Federal Procurement. [GAO/OGC-99-55](#), July 29.

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