

---

# MONTH IN REVIEW: AUGUST 1999

## Reports, Testimony, Correspondence, and Other Publications

### Highlights

---

**Managing for Results:** Opportunities for Continued Improvements in Agencies' Performance Plans. Page 14.

**Information Security Risk Assessment:** Practices of Leading Organizations. Page 2.

**Space Station:** Russian Commitment and Cost Control Problems. Page 37.

**Best Practices:** Better Management of Technology Development Can Improve Weapon System Outcomes. Page 29.

**Electronic Banking:** Enhancing Federal Oversight of Internet Banking Activities. Page 11.

---

---

**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.**

---

# Contents

---

## Month in Review: August 1999

Special Publications	2
Agriculture and Food	3
Budget and Spending	4
Business, Industry, and Consumers	4
Civil Rights	5
Economic Development	6
Education	8
Energy	9
Environmental Protection	10
Financial Institutions	11
Financial Management	12
Government Operations	14
Health	18
Housing	21
Income Security	22
Information Management	24
International Affairs	27
Justice and Law Enforcement	28
National Defense	29
Natural Resources	36
Science, Space, and Technology	37
Social Services	41
Tax Policy and Administration	42
Transportation	45
Veterans Affairs	45
Reports on Agency Rules	47

---

# Month in Review: August 1999

---

## Special Publications

### **Information Security Risk Assessment: Practices of Leading Organizations**

[GAO/AIMD-99-139](#), Aug. 1999 (50 pages).

Because of its growing reliance on information technology, the government faces the continuing challenge of addressing computer security risks. This guide is intended to help federal managers implement an ongoing information security risk-assessment process by providing case studies of practical risk-assessment procedures that have been successfully adopted by four organizations—a multinational oil company, a financial services firm, a regulatory agency, and a computer company—known for their efforts to implement good risk-assessment practices. More importantly, GAO identifies factors that are important to the success of any risk-assessment program, regardless of the methodology used.

### **Executive Guide: Creating Value Through World-Class Financial Management**

[GAO/AIMD-99-45](#), Aug. 1999 (53 pages).

To help promote financial management reform throughout the federal government, GAO studied the financial management practices and improvement efforts of nine leading public and private sector finance organizations to identify the success factors, practices, and outcomes associated with world-class financial management. This executive guide is intended to assist federal agencies achieve the objectives of the Chief Financial Officers Act of 1990 and related legislation by providing case studies of 11 practices critical for establishing and maintaining sound financial operations.

### **Core Financial System Requirements Checklist: Systems Reviewed Under the Federal Financial Management Improvement Act of 1996**

[GAO/AIMD-99-21.2.2](#), Aug. 1999 (63 pages).

The Federal Financial Management Improvement Act of 1996 requires agencies to maintain financial management systems that comply with federal financial management systems requirements. These requirements are spelled out in the Financial Management Systems Requirements series

---

issued by the Joint Financial Management Improvement Program (JFMIP) and in Office of Management and Budget (OMB) guidance. JFMIP's requirements are intended to promote an understanding of key financial management systems concepts and requirements, to provide a framework for establishing integrated financial management systems to support program and financial managers, and to describe specific requirements of individual types of financial management systems. GAO's checklist, which reflects JFMIP's revised core financial system requirements, is intended to help (1) agencies implement and monitor their core systems and (2) management and auditors review these systems to determine if they complying with the Act.

---

## Agriculture and Food

---

### Testimony

Food Safety: U.S. Needs a Single Agency to Administer a Unified, Risk-Based Inspection System, by Lawrence J. Dyckman, Director of 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-99-256](#), Aug. 4 (12 pages).

The structure of the existing food safety system, which costs the government more than \$1 billion annually, hampers efforts to address food safety risks. The fragmented system developed over many years in response to the health threats posed by different food products. The existing system suffers from inconsistent and inflexible oversight and enforcement, inefficient use of resources, and ineffective coordination. In GAO's view, a single food safety inspection agency responsible for administering a uniform set of laws is the most effective way to resolve these long-standing problems, deal with emerging food safety issues, and help ensure a safe food supply. GAO recognizes, however, that there are short-term costs and other considerations associated with establishing a new government agency. A second, though less desirable, option would be to consolidate food safety activities in an existing department.

---

## Budget and Spending

---

### Correspondence

Performance Budgeting: Fiscal Year 2000 Progress in Linking Plans With Budgets. [GAO/AIMD-99-239R](#), July 30.

---

## Business, Industry, and Consumers

### **Telecommunications: State and Federal Actions to Curb Slamming and Cramming**

[GAO/RCED-99-193](#), July 27, (38 pages).

“Slamming” and “cramming” are two common types of abuses involving telephone service today. Slamming occurs when a customer’s telephone service is switched from one telephone company to another without his or her authorization. Cramming occurs when unauthorized charges are placed on a customer’s telephone bill for services and products. Both state and federal agencies are taking regulatory and legal action against the perpetrators. This report describes the (1) number of complaints about slamming and cramming received by state and federal authorities, (2) types of protections implemented by state and federal authorities to increase consumers’ ability to protect themselves against slamming and cramming, and (3) state and federal enforcement actions taken against slamming and cramming violations since 1996. GAO found that slamming continues to be a significant problem for consumers. From 1996 through 1998, state public utilities commissions saw the number of complaints about cramming rise from 20,741 to 39,688—a 91-percent increase. Complaints to state authorities about cramming rose from about 800 in 1996 to about 20,000 in 1998. State commissions were able to resolve about 60 percent of the slamming complaints they received in calendar year 1998. In addition, from 1996 through 1998, the commissions and attorneys general in 35 states reported completing 219 formal enforcement actions against companies or individuals for telephone slamming and cramming violations.

---

### Testimony

Deceptive Mail: Consumers’ Problems Appear Substantial, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on the Postal Service, House Committee on Government Reform. [GAO/T-GGD-99-150](#), Aug. 4 (22 pages).

Information GAO collected from several sources suggests that consumers are having major problems with deceptive mail, which includes sweepstakes, chain letters, cashier's check look-alikes, work-at-home schemes, and fraudulent charity solicitations. About one in two adults believe that in the last six months they have received deceptive mailed sweepstakes material or cashier's check look-alikes, according to GAO estimates. The Federal Trade Commission (FTC), Postal Inspection Service, and the state attorneys general offices estimate that in fiscal year 1998 about 10,400 deceptive mail complaints led to about 100 law enforcement actions. Between October 1997 and March 1999, FTC received more than 18,000 deceptive mail complaints, of which about 2,700 involved consumer payments that totaled nearly \$5 million. The Postal Service received more than 16,700 complaints, of which 3,000 involved consumer fraud losses that totaled more than \$5 million. The Inspection Service also had more than 1,800 open investigations on deception mail in 1998. Various federal agencies and other groups have undertaken efforts to address consumers' deceptive mail problems and educate them about these risks. For example, FTC established a national toll-free hotline for receiving deceptive mail and other complaints.

---

## Civil Rights

### **Equal Employment Opportunity: Complaint Caseloads Rising, With Effects of New Regulations on Future Trends Unclear**

[GAO/GGD-99-128](#), Aug. 16 (52 pages).

Inventories of unresolved discrimination cases at federal agencies and the Equal Employment Opportunity Commission continue to soar. From 1991 to 1998, complaint backlogs at federal agencies grew by 114 percent—to about 36,000. During the same period, the backlog at the Commission grew by 280 percent—to nearly 12,000—while the appeals inventory rose by 648 percent—to nearly 11,000. As caseloads grew, the average age of cases also reached new levels. The size of the inventories and the age of the cases in them continued their upward trend during fiscal year 1998 as agencies and the Commission were unable to keep pace with the influx of new cases. The logjams at the agencies and the Commission are likely to persist, at least in the short run, as long as the agencies and the Commission receive more new cases than they can process and close. The long-term outlook is unclear. Substantive revisions to complaint program regulations and procedures are to be implemented beginning in November 1999. These revisions are intended to reduce the volume of

---

cases flowing through the complaint process. However, the Commission has yet to develop estimates of how the revisions to program regulations will affect caseload trends and resource needs, nor has the agency completed development of measures and indicators to track the effects of these revisions once they are implemented.

---

## Testimony

Indian Self-Determination Contracting: Shortfalls and Alternatives for Funding Contract Support Costs, by Jim Wells, Director of Energy, Resources, and Science Issues, before the House Committee on Resources. [GAO/T-RCED-99-271](#), Aug. 3 (11 pages).

During his visit to the Oglala Sioux Tribe in South Dakota in July 1999, the President stressed the need for economic empowerment among Native Americans. The historic visit was another step—the first was the passage of the Indian Self-Determination and Education Assistance Act of 1975—toward recognizing the potential for tribes’ self-determination through economic development. The act gives tribes the opportunity to manage federal Indian programs and provides funds to cover their costs of contract management and administration. This testimony discusses (1) the extent of, and the reasons for, increases in contract support costs in recent years and (2) four alternatives for funding these costs.

---

## Economic Development

### **Disaster Assistance: Opportunities to Improve Cost-Effectiveness Determinations for Mitigation Grants**

[GAO/RCED-99-236](#), Aug. 4 (24 pages).

One of the Federal Emergency Management Agency’s (FEMA) primary approaches for reducing federal disaster assistance costs is to promote mitigation measures that will reduce future damage within communities. FEMA’s program for funding state and local measures to mitigate the impact of future disasters—the Hazard Mitigation Grant Program—received more than \$2.4 billion. Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act—FEMA’s primary authorizing legislation—these measures must be cost-effective. As a condition of receiving a program grant, a state must prepare an administrative plan that establishes its procedures and priorities for identifying and selecting mitigation projects. GAO reviewed how FEMA, together with the states, ensures the cost-effectiveness of projects under the grant program. GAO found that the

states and FEMA work together to help ensure that program grants are awarded for cost-effective projects. The states in GAO's review established procedures and priorities for identifying and selecting mitigation projects; however, not all of the states did a formal analysis of a project's cost-effectiveness before submitting an application for the project to FEMA. GAO summarized this report in testimony before Congress; see:

Disaster Assistance: FEMA Can Improve Its Cost-Effectiveness Determinations for Mitigation Grants, by Stan Czerwinski, Associate Director for Housing and Community Development Issues, before the Subcommittee on Oversight, Investigations, and Emergency Management, House Committee on Transportation and Infrastructure. [GAO/T-RCED-99-274](#), Aug. 4 (14 pages).

---

## Testimony

Flood Insurance: Information on Financial Aspects of the National Flood Insurance Program, by Robert S. Procaccini, Assistant Director for Housing and Community Development Issues, before the Senate Committee on Banking, Housing, and Urban Affairs. [GAO/T-RCED-99-280](#), Aug. 25 (12 pages).

Floods continue to be the most destructive natural hazard in terms of economic losses to the nation. The national flood insurance program run by the Federal Emergency Management Agency (FEMA) paid about \$7 billion in insurance claims between 1986 and 1998, primarily from premiums collected from program policyholders. Claims paid by the program have risen in recent years because of a series of storms, including the 1997 floods in the Red River Valley that devastated Minnesota and the Dakotas. These claims have drained the program's cash reserves. This testimony discusses the (1) financial results of the program's operations since fiscal year 1993, (2) major factors contributing to the financial difficulties faced by the program, and (3) steps taken or planned by the Federal Insurance Administration that may affect the program's financial health.

---

## Correspondence

Community Development: Census Tracts With High Poverty Levels in Medium-Sized to Large Metropolitan Statistical Areas. [GAO/RCED-99-246R](#), July 28.

---

## Education

### **Student Loans: Default Rates Need to Be Computed More Appropriately**

GAO/HEHS-99-135, July 28 (22 pages).

Two major federal student loan programs—the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program—help students meet their expenses for postsecondary education. These programs have made nearly 8.4 loans, providing students with more than \$30 billion. When borrowers default on their student loans, however, it is the government that ultimately pays. An accurate measure of student loan defaults at colleges, universities, and vocational schools is an important way to monitor the financial risk facing the Department of Education. The Department now excludes schools from the program if their default rate reaches 25 percent or more for three consecutive years. This report examines the way in which the Department calculates these default rates. GAO focuses on borrowers who have temporary approval through their lenders or loan services through “deferment” or “forbearance” not to make payments on their loans. In the Department’s calculation of a school’s default rate, these borrowers are not counted as defaulters, but they do count as part of the total number of borrowers. This report answers the following three questions: During the last several years, has there been any increase in the number of borrowers who entered repayment but later received deferments or forbearances? What would have been the effect of the most recent default rates if borrowers whose loans were in deferment or forbearance had been excluded from the default rate calculation? Under this alternative method of calculating the default rate, would any additional schools have exceeded the 25-percent default rate threshold?

### **Telecommunications Technology: Federal Funding for Schools and Libraries**

GAO/HEHS-99-133, Aug. 20 (72 pages).

In fiscal year 1998, libraries and secondary schools could use 35 programs in eight federal agencies as a source of support for telecommunications and information technology. Ten programs that specifically targeted technology provided about \$650 million in that year and about \$1.7 billion in discounts from the universal service fund between January 1998 and June 1999. The remaining 25 programs included technology as one of many possible uses of funds but did not track how much they spent on

---

technology. Estimated administrative expenses for the 35 programs ranged from less than 1 percent to 15 percent; the estimated number of established administrative federal and nonfederal full-time-equivalent positions ranged from less than one to nearly 200. Twenty-two programs funded awards competitively, 12 distributed funding by formula, and one used both methods. No two programs provided identical services to identical populations, although programs shared some characteristics. The Office of Educational Technology in the Department of Education creates policy for and oversees technology issues within the Department and participates in coordination activities and policy initiatives across the federal government and within the education community. The White House Office of Science and Technology Policy facilitates the development and implementation of federal policies associated with broad national science and technology goals; it also coordinates interagency efforts to develop and implement technology policies, programs, and budgets. Seventeen reports from agency offices of the inspector general indicated no systemic or widespread fraud, waste, and abuse problems, although some reports cited problems with individual grantees.

---

## Energy

### **Nuclear Safety: Information on the International Nuclear Regulators Association**

[GAO/RCED-99-243](#), Aug. 6 (26 pages)

The United States now participates in and funds many organizations dealing with international nuclear safety. One of these groups, the International Nuclear Regulators Association, was established in 1997 as an informal group for senior regulators to exchange ideas and views on issues related to nuclear safety and regulation. This report provides information on (1) the Association's activities since it was created, (2) U.S. costs to support the Commission's participation in the Association, (3) the views of the Commissioners and others on the benefits of the Association, and (4) other groups and activities that promote nuclear safety and the extent to which these groups duplicate the work of the Association. GAO found that the International Nuclear Regulators Association's activities since its inception more than two years ago have focused on practical matters, such as arranging and conducting meetings to discuss nuclear regulation and safety-related issues.

---

Correspondence

Rural Utilities Service: Status of Electric Loan Portfolio. [GAO/AIMD-99-264R](#), Aug. 17.

---

**Environmental  
Protection**

**Air Pollution:  
EPA's Actions to Resolve Concerns With the Fine Particulate  
Monitoring Program**

[GAO/RCED-99-215](#), Aug. 12 (37 pages).

In 1997, the Environmental Protection Agency (EPA) established new ambient air quality standards for particulate matter smaller than 2.5 microns. These fine particles, which are about 1/30<sup>th</sup> of the thickness of a human hair, are a complex mixture of acids, metals, carbon, and other potentially harmful airborne substances. According to EPA, the particles cause tens of thousands of premature deaths each year. A 1998 report by the National Academy of Sciences questioned EPA's monitoring plans. GAO was asked to describe EPA's actions in response to the Academy's concerns and the challenges that state and local agencies face in establishing and operating the monitoring program. GAO found that EPA has taken several steps to address the concerns raised in the Academy's report, including allocating 57 percent of its monitoring budget to understanding the scientific uncertainties of particulate matter.

**Indoor Pollution:  
Status of Federal Research Activities**

[GAO/RCED-99-254](#), Aug. 31 (84 pages).

Officials at the Environmental Protection Agency (EPA) and others have long cited indoor pollution as one of the most serious environmental risks to public health. Indoor pollutants range from natural sources, such as radon gas, to commonly used consumer products, such as cleaners and solvents, to various household activities, such as cooking or smoking. Concentrations of pollutants in indoor air can exceed those found outside by a factor of two to five. Moreover, some vulnerable groups, such as the very young and the infirm elderly, spend as much as 90 percent of their time inside. Federal agencies report that they spent nearly \$1.1 billion on indoor pollution research from 1987 through 1999. Research by the federal government and others has led to notable progress in understanding indoor pollution and in devising ways to mitigate the problem. Consumer products have been reformulated, and building materials and practices

---

have been changed. However, many gaps in understanding the problem remain, including uncertainties about (1) the identity and the sources of pollutants; (2) the mechanisms by which people are exposed to them; (3) the health effects resulting from prolonged and intermittent exposure to low-level concentrations of chemical and biological pollutants as well as complex pollutant mixtures; and (4) the most cost-effective strategies for reducing pollutant sources, exposures, and consequent health effects.

---

## Correspondence

Water Quality: Problems in the New River and Imperial County, California. [GAO/RCED-99-268R](#), Aug. 5.

---

## Financial Institutions

### **Electronic Banking: Enhancing Federal Oversight of Internet Banking Activities**

[GAO/GGD-99-91](#), July 6 (60 pages).

Internet banking heightens traditional banking risks. GAO's review of 81 examinations found that 44 percent of the depository institutions examined had not completely implemented risk-management steps that regulators said are needed to limit on-line banking risks. Shortcomings included some institutions' lack of approval of strategic plans by their board of directors and a lack of policies and procedures at some institutions for Internet banking operations. However, too few examinations had been done at the time of GAO's review to identify the extent of any industrywide Internet banking-related problems. Regulators attributed the limited number of examinations to a diversion of examiners to deal with the Year 2000 computer problems and to the limited number of examiners with expertise in information systems. GAO found that some regulators could use more systematic methods for identifying institutions' plans for new Internet banking systems and maintaining this information centrally. GAO also found variations in the supervisory approaches the regulators followed to help ensure that institutions mitigate the risks posed by Internet banking. Finally, GAO found that the five regulators are beginning to work together to study third-party firms providing Internet banking support services. GAO summarized this report in testimony before Congress; see:

Electronic Banking: Enhancing Federal Oversight of Internet Banking Activities, by Richard J. Hillman, Associate Director for Financial Institutions and Markets Issues, before the Subcommittee on Domestic

---

and International Monetary Policy, House Committee on Banking and Financial Services. [GAO/T-GGD-99-152](#), Aug. 3 (25 pages).

---

## Financial Management

### **Internal Revenue Service: Serious Weaknesses Impact Ability to Report on and Manage Operations**

[GAO/AIMD-99-196](#), Aug. 9 (40 pages).

Serious financial management system limitations and internal control weaknesses prevented the Internal Revenue Service (IRS) from reliably reporting on the results of its administrative activities for fiscal year 1998 and from having reliable financial information for managing its operations. These deficiencies are long-standing, many being reported in GAO's first financial audit of IRS for fiscal year 1992. Comparable to an individual reconciling his or her checkbook to a bank statement, IRS' records on its available funds should be reconciled to the Treasury Department's records monthly. In fiscal year 1998, however, IRS did not reconcile its administrative fund balance with Treasury's accounts. IRS did not promptly record some types of expenditures against appropriations. IRS' systems were unable to generate detailed subsidiary records of its accounts payable and outstanding obligations. IRS' property and equipment was probably materially understated because of several deficiencies in its recording of property and equipment. IRS lacked adequate review procedures to oversee and manage the accounting and financial reporting process. GAO found significant errors and omissions in IRS' draft financial statements involving, in some cases, hundreds of millions of dollars. IRS acknowledges these weaknesses and plans to improve its financial data for its administrative accounts. However, past efforts to correct these problems have been ineffective. Future success depends on sustained attention by senior IRS management. Left uncorrected, the internal control weaknesses cited by GAO will continue to hinder IRS' ability to manage its financial operations and routinely prepare reliable and timely financial information.

### **Financial Audit: Capitol Preservation Fund's Fiscal Years 1998 and 1997 Financial Statements**

[GAO/AIMD-99-240](#), Aug. 16 (13 pages).

GAO audited the financial statements of the Capitol Preservation Fund for fiscal years 1998 and 1997. The Fund is used to improve and preserve the United States Capitol, as well as acquire works of art and other property for the building. GAO found that the financial statements were fairly presented in all material respects, there were no material weaknesses in the internal controls it tested, and there was no reportable noncompliance with laws and regulations.

**Internal Controls:  
FMS' Monitoring of Lockbox Bank Operations Needs Improvement**

GAO/AIMD-99-219, Aug. 20 (12 pages).

The Treasury Department's Financial Management Service (FMS) has lockbox arrangements with commercial banks, which allow FMS to collect payments made to the federal government, including federal tax payments. The banks establish post office boxes and electronic accounts to receive payments and are responsible for safeguarding and processing the funds. FMS reported that nearly \$260 billion was collected through these banks in fiscal year 1998. FMS needs to improve its monitoring of lockbox bank operations to ensure that federal collections are adequately safeguarded and properly processed. GAO found weaknesses in FMS' monitoring of lockbox bank operations related to on-site reviews and lockbox bank audits. Without identifying these key monitoring activities, FMS has no guarantee of spotting and resolving internal control weaknesses at lockbox banks in a timely fashion. GAO and other auditors recently reported on weaknesses in internal controls and instances of actual theft of federal tax payments by employees of banks that provide lockbox services for the Internal Revenue Service.

**Inspectors General:  
Views on Semiannual Reporting**

GAO/AIMD-99-203, Aug. 25 (48 pages).

The Inspector General Act of 1978 requires each Inspector General to issue semiannual reports summarizing the results of his or her work and specifies the types of information that the reports are to contain. The Act also requires the Inspector General to give the report to the agency head, who sends the report, with management's response, to the appropriate congressional committees. This report (1) provides information on the composition of the semiannual reports and (2) presents the views of a

---

range of individuals—inspectors general, agency managers, and congressional staff—on the usefulness of the current reports and what modifications, if any, should be made to the current semiannual reporting requirements.

---

## Correspondence

Food and Drug Administration: Status of Actions to Address Property Control Weaknesses. [GAO/AIMD-99-257R](#), Aug. 10.

Financial Audit: Other Matters Identified During GAO's 1998 FDIC Financial Statement Audits. [GAO/AIMD-99-275R](#), Aug. 24.

Independent Counsel: Advisory and Assistance Services Procured by the Office of Independent Counsel Kenneth W. Starr. [GAO/AIMD-99-249R](#), Aug. 26.

Independent Counsel: Expenditure and Other Information for the Office of Independent Counsel Kenneth W. Starr. [GAO/AIMD-99-251R](#), Aug. 26.

---

## Government Operations

### **Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans**

[GAO/GGD/AIMD-99-215](#), July 20 (123 pages).

The Government Performance and Results Act of 1993 seeks to shift government's focus from activities to results or outcomes. The Act requires agencies to produce annual performance plans to inform Congress and the public of the annual performance goals for their major programs and activities, the measures that will be used to gauge performance, the strategies and resources required to achieve those goals, and the procedures that will be used to verify and validate performance information. This report provides summary information based on GAO's review and evaluation of the fiscal year 2000 performance plans of the 24 agencies covered by the Chief Financial Officers Act. GAO discusses the extent to which the agencies' plans included three key elements of informative performance plans: (1) clear pictures of intended performance, (2) specific discussions of strategies and resources, and (3) confidence that performance information will be credible. GAO also identifies the degree of improvement the fiscal year 2000 performance plans represent over the fiscal year 1999 plans. (Correspondence on specific agencies' performance plans are available on the Internet only.)

**Procurement Reform:  
How Selected Countries Perform Certain GSA Activities**

GAO/GGD-99-109, July 15 (52 pages).

The General Services Administration's (GSA) Federal Supply Service (FSS) and Federal Technology Service (FTS) act on behalf of federal agencies as central buying agents for a wide range of goods and services. FSS has four business lines: supply and procurement, vehicle acquisition and leasing, travel and transportation, and personal property management. FTS has two business lines: network services (for telecommunications) and information technology solutions. This report provides information on how foreign governments perform procurement activities that in the United States fall under the responsibility of FSS and FTS. GAO focuses on the supply and procurement and vehicle acquisition and leasing business lines in FSS and two of FTS' business lines.

**NPR's Savings:  
Claimed Agency Savings Cannot All Be Attributed to NPR**

GAO/GGD-99-120, July 23 (24 pages).

The National Performance Review (NPR) has claimed about \$137 billion in savings from its efforts to reinvent the federal government. However, this amount includes savings from agency-specific recommendations that could not be fully attributed to NPR's efforts. In general, the savings estimates GAO reviewed could not be replicated, and there was no way to substantiate the savings claimed. GAO also found that some savings were overstated because the Office of Management and Budget counted savings twice and two of the estimates were reported incorrectly, resulting in claims that were understated.

**Performance Plans:  
Selected Approaches for Verification and Validation of Agency  
Performance Information**

GAO/GGD-99-139, July 30 (48 pages).

Under the Government Performance and Results Act, agencies' program goals are to be spelled out in annual performance plans, and performance against these goals is to be reported in annual performance reports. The first performance reports are to be sent to the President and Congress no

---

later than March 31, 2000. This report identifies reasonable approaches that agencies have proposed or adopted to verify and validate performance information. GAO describes these approaches to help agency managers pick appropriate techniques for assessing, documenting, and improving the quality of their performance data.

**Major Management Challenges and Program Risks:  
Implementation Status of Open Recommendations**

[GAO/OCG-99-28](#), July 30 (171 pages).

This report lists open recommendations GAO has made to help solve major management challenges in the federal government. These major management challenges were discussed in GAO's January 1999 Performance and Accountability Series. There are now more than 450 open GAO recommendations in these 84 major management challenge areas. GAO focuses on those that are most important to solving the problem and briefly summarizes the other recommendations. GAO refers to the source and date of those recommendations, whether or not the agencies agreed with the recommendations, and the status of agency actions to implement them.

**General Services Administration:  
Actions Taken to Correct Rent Expense Estimation Weaknesses**

[GAO/GGD-99-123](#), Aug. 19 (12 pages).

Congress has raised concerns about how the General Services Administration (GSA) estimated the funding needs for the rental-of-space account within the Federal Buildings Fund. In August 1997 and again in January 1998, GSA requested that it be allowed to reprogram \$324 million from other Fund accounts into the rental-of-space account to cover its underestimation of expenses to be paid out of that account. GSA officials said that the reprogramming was necessary because of forecasting problems relating to lease expansion, lease cancellations, rent increases for existing leases, and the annualization of the fiscal year 1997 reprogramming. GSA has been changing its rent expenditure tracking and estimating process and has been developing a new computer program, known as Galaxy, to facilitate this process. This report discusses whether (1) the new Galaxy program included the elements needed for tracking actual rental expenditures and forecasting future rental-of-space funding requirements and (2) the additional steps that GSA's Public Buildings

Service was taking to improve its budget process addressed the causes of its underestimation of the rental-of-space account.

**District of Columbia:  
Authority Needs to Improve Its Procurement Practices**

[GAO/GGD-99-134](#), Aug. 18 (44 pages).

Allegations have been made about procurement improprieties at the District of Columbia Financial Responsibility and Management Assistant Authority, which Congress established in 1995 to repair the District's failing financial condition and to improve the effectiveness of city operations. The Authority was given the authority to award contracts itself and to review and approve contracts awarded by the District. GAO found that the Authority did not always comply with its procurement regulations and procedures or follow sound contracting principles when it awarded and administered the nine contracts GAO assessed. In addition, the Authority's files for these contracts were incomplete.

**D.C. Courts:  
Staffing Level Determination Could Be More Rigorous**

[GAO/GGD-99-162](#), Aug. 27 (24 pages).

This report provides information on personnel management in the District of Columbia courts. Specifically, GAO discusses staffing and workload levels for the courts from 1989 through 1998, assesses how the courts evaluate the sufficiency of the levels of nonjudicial staff who work on the processing and the disposition of cases, and compares the D.C. courts' staffing methodology to other available methodologies.

**U.S. Postal Service:  
Deficiencies Continue While Antelope Valley Project Status  
Remains Uncertain**

[GAO/GGD-99-147](#), Aug. 31 (28 pages).

The Postal Service has proposed relocating postal operations for the Antelope Valley from the Main Post Office in Mojave, California, to a new facility in Lancaster, California. A Member of Congress has raised concerns about whether the Service appropriately acquired land in Lancaster and properly considered project costs. This report evaluates

---

whether the Postal Service followed its capital project approval process for the purchase of land in Lancaster. GAO also identifies the reasons for delays in the project and the effects of those delays on postal operations, project costs, and affected communities.

---

## Correspondence

Personnel Practices: Reimbursable Interagency Details. [GAO/GGD-99-145R](#), Aug. 3.

Personnel Practices: Reimbursable Interagency Details. [GAO/GGD-99-172R](#), Aug. 24.

---

## Health

### **Dietary Supplements: Uncertainties in Analyses Underlying FDA's Proposed Rule on Ephedrine Alkaloids**

[GAO/HEHS/GGD-99-90](#), July 2 (79 pages).

In 1997, the Food and Drug Administration (FDA) published a proposed rule that would establish a dosing regimen, require warning statements, and affect other aspects of product labeling for dietary supplements containing ephedrine alkaloids, which are promoted as helping individuals lose weight and increase energy levels. GAO is concerned that the proposed dosing level was based on information associated with only 13 adverse event reports and that the proposed duration-of-use limits were based on scientific studies showing problems with extended use well beyond the proposal's seven-day limit. FDA did not establish a causal link between the ingestion of ephedrine alkaloids and adverse events for either of these two aspects of its rule. FDA did not document the basis for its estimate of benefits from the rule sufficiently to allow GAO to determine the estimate's accuracy. FDA has no internal guidance on using adverse events reports for rulemaking related to dietary supplements, and its use of reports for this rule was different from its use in earlier rulemaking. FDA generally complied with statutory and executive order requirements for rulemaking but did not disclose why it made key assumptions in its cost-benefit analysis, the degree of their uncertainty, or alternative assumptions that would have dramatically affected its estimate of benefits.

---

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

GAO/HEHS-99-140, July 20 (36 pages).

To determine eligibility for Medicare, pay claims, review health care access, and other purposes, the Health Care Financing Administration (HCFA) collects personally identifiable information on 39 million Medicare beneficiaries. It may disclose such information without their consent for research or authorized civil and criminal enforcement activities, but it tries to balance requesters' need for data with beneficiaries' need for confidentiality. HCFA's policies and practices on disclosure are generally consistent with the Privacy Act of 1974. However, HCFA does not readily or clearly provide beneficiaries with an accounting of its disclosures or their purposes, as required by the act. It also does not adequately provide oversight agencies, such as the Office of Management and Budget, with information on its Privacy Act activities. Weaknesses in how HCFA manages electronic data, monitors contractors and researchers who use beneficiaries' personally identifiable information, and prevents and corrects unauthorized disclosures could compromise confidentiality. HCFA's respecting state laws regarding sensitive health information that are more restrictive than federal requirements has not prevented it from paying claims but could affect its ability to set rates, monitor quality, and conduct or support health-related research. HCFA has addressed some of these issues by establishing an executive Beneficiary Confidentiality Board and directing resources toward resolving the Year 2000 computer problem.

**Medicare:  
Program Safeguard Activities Expand, but Results Difficult  
to Measure**

GAO/HEHS-99-165, Aug. 4 (38 pages).

Health Care Financing Administration (HCFA) contractors perform five main types of activity under the Medicare Integrity Program, which was established in 1996 to safeguard Medicare from fraud, waste, and abuse. The program has predictable, assured funding and HCFA's contractors are better able than before to plan and implement their safeguard strategy and efforts. HCFA has recently hired program contractors, and it is emphasizing prepayment claims reviews to promote correct claims payment and avoid

---

the difficulty of seeking repayment from providers when claims are paid in error. HCFA has taken or plans to take corrective action to improve important areas identified by audit reports under the Chief Financial Officers Act. It is also taking seriously its responsibilities to improve program safeguard operations in response to recommendations from GAO and from the Office of the Inspector General. HCFA will be better able to measure the program's effects with more time and better data

**Medicare Fraud and Abuse:  
DOJ's Implementation of False Claims Act Guidance in National Initiatives Varies**

[GAO/HEHS-99-170](#), Aug. 6 (29 pages).

The Department of Justice (DOJ) uses four "national initiatives" to enforce the False Claims Act rather than seeking repayment for Medicare overpayments made because of error, fraud, medically unnecessary services, and other problems. After hospitals alleged that DOJ had targeted them unfairly and applied the act and the initiatives overzealously, and Congress expressed concern, DOJ issued guidance for the appropriate use of these enforcement tools. GAO found that DOJ's process for assessing the U.S. Attorneys' Offices' compliance with the guidance is superficial. DOJ's assessments involve little more than reviewers asking supervisors what they have done to ensure compliance. DOJ's plans for strengthening the process will not provide more substantive information. GAO also found varied implementation of the guidance among the U.S. Attorneys' Offices: Some actions were inconsistent with the guidance and some offices may not have promptly incorporated it into their investigations. GAO could not conduct a complete and independent review because DOJ officials restricted access to some types of information. Nevertheless, it appears that two of the four initiatives are being developed in accordance with the guidance. GAO's survey of state hospital associations found that half of those that had expressed concern before the guidance was issued now believe that it had fully addressed their concerns. GAO recommends that DOJ take additional steps to improve its oversight of national health care initiatives.

---

**Correspondence**

Mutual Recognition Agreement: Update on the Food and Drug Administration's Progress in Assessing Equivalency of European Union Pharmaceutical Good Manufacturing Practice Regulatory Systems.

[GAO/HEHS-99-143R](#), Aug. 13.

---

## Housing

### **Housing Finance: Budget Savings From the Sale of HUD Loans**

[GAO/RCED-99-203](#), July 19 (15 pages).

Defaults on mortgages insured by the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA) increased during the 1980s, primarily because of weak real estate markets. By the early 1990s, HUD owned nearly 110,000 single-family and 2,400 multifamily loans that it had insured. In a series of six sales held between 1994 and 1997, HUD sold 98,640 single-family loans and 1,093 multifamily loans. The sales generated more than \$2.2 billion in budgetary savings. This report discusses the reasonableness of (1) HUD's estimates of budgetary savings from the sale of its single-family loans and (2) the model HUD used to estimate savings from the sale of multifamily loans. GAO concludes that HUD's estimates of budgetary savings from the sale of the single-family loans it reviewed were reasonable.

### **Homelessness: Grant Applicants' Characteristics and Views on the Supportive Housing Program**

[GAO/RCED-99-239](#), Aug. 12 (42 pages).

The Department of Housing and Urban Development's (HUD) Supportive Housing Program was established to address some of the economic problems that prevent the homeless from obtaining permanent housing. Research has shown that housing alone is often not a solution for many homeless people. The research showed that other services, such as substance abuse treatment, mental health treatment, child care services, and employment assistance, are needed. State and local government agencies and nonprofit agencies can apply to HUD for program grants. In 1997 and 1998, HUD awarded more than \$620 million and \$724 million, respectively, in program grants to organizations that serve the homeless. This is the third in a series of GAO reports on homelessness. Overall, GAO found that the majority of the Supportive Housing Program grants support programs that provide transitional housing with supportive services or supportive services only.

---

Correspondence

HUD: Review of Bucklin Report Prepared to Assist HUD in Defending Against EEO Complaint by HUD's Deputy Assistant Inspector General. [GAO/OSI-99-16R](#), Aug. 3.

---

Income Security

**Social Security Reform:  
Implications of Private Annuities for Individual Accounts**

[GAO/HEHS-99-160](#), July 30 (31 pages).

The private annuities market would likely be able to provide annuities for individual accounts in a reformed Social Security system, but their structuring would significantly affect retirees' income. Requiring workers to buy annuities with their individual account balances would help preserve their retirement income but would also expose them to risks and costs in retirement that they do not currently face. Some options that would mitigate the effects of various costs on annuity payments would require limiting retirees' payout choices. In a reformed Social Security system in which individuals were required to buy annuities, they would need to fully understand the factors affecting their annuity income and its protection. The federal government would need to play some role in ensuring that insurance markets worked efficiently or in providing annuities if the private market failed to do so. To protect annuitants and ensure their equal treatment, the government might have to establish uniform guaranty protections for them and standardized solvency requirements for insurance companies. Policymakers would need to balance the states' longstanding authority to regulate insurance markets with the desire for uniform protections for the annuitants.

**Social Security  
Issues in Comparing Rates of Return With Market Investments**

[GAO/HEHS-99-110](#), Aug. 5 (71 pages).

Some proposals to restructure Social Security include individual retirement savings accounts that would either supplement or partially replace the current program's benefits. Proponents say that such accounts would substantially improve retirees' rates of return. Opponents say that the rate of return concept should not be applied to Social Security because it is a social insurance rather than an investment program. Implicit rates of return on Social Security contributions vary significantly by birth year, reflecting the program's income transfers to the first generations of

retirees from subsequent generations, and by earnings level, number of dependents and survivors, and life expectancy—characteristics that vary by race and gender. Rates of return on private market assets vary substantially, depending on the risk of asset price volatility and the risk of firms' defaulting on obligations. Individuals' choice of assets in a portfolio and timing of investment decisions ultimately help determine their returns and risks. A simple comparison between rates of return for the current Social Security program and private market investments would be misleading because it would not reflect all the costs associated with a new system of individual accounts. Rates of return would be tied to the payment of unfunded liabilities; costs for managing and annuitizing the new accounts; future market investment returns, which could differ from historic averages; and differences between Social Security and market investment. Comparisons should be made instead between comprehensive return estimates for specific reform proposals that include both individual accounts and the Social Security components of the resulting system. However, this is only one criterion for comparison; other criteria that limit comparisons include the adequacy and predictability of benefits, the extent of solvency improvement, and the effect on the federal budget and national saving.

**Social Security Reform:  
Implications of Raising the Retirement Age**

[GAO/HEHS-99-112](#), Aug. 27 (41 pages).

Raising the normal or earliest eligibility age or both could have substantial net positive effects on the financial integrity of the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund. These measures would reduce the retirement benefits paid out and increase the payroll taxes collected. Raising the retirement age would boost the number of older workers in the labor force, as more workers would be employed for longer periods of time. Increasing the number of older workers in the labor force, however, could also create the potential for additional unemployment. An understanding of the cumulative effects of any reform proposal is essential to preventing a disproportionate burden from falling on vulnerable groups, such as minorities, who are most likely to be in blue-collar jobs and to experience unemployment.

---

## Information Management

### **Year 2000 Computing Crisis: Status of Medicare Providers Unknown**

[GAO/AIMD-99-243](#), July 28 (38 pages).

The Health Care Financing Administration (HCFA) has taken comprehensive outreach measures to ensure that Medicare providers will be Year 2000 compliant. For example, earlier this year the HCFA Administrator sent letters to more than 1.1 million Medicare providers urging them to take prompt action on their information and billing systems. Also, HCFA has held a series of Year 2000 conferences throughout the country and has established a toll-free information hotline. Despite these aggressive measures, providers' participation in HCFA's outreach efforts has been low. Furthermore, HCFA has required contractors that process Medicare claims to test with providers using future dated claims. As of June 1999, Medicare contractors' testing with providers had been limited and testing that has occurred had identified problems. Many surveys have been completed this year on the Year 2000 readiness of health care providers by healthcare trade associations and other groups. However, none of the 11 surveys GAO reviewed provided enough information with which to assess the Year 2000 status of the healthcare provider community.

### **Year 2000 Computing Challenge: Agencies' Reporting of Mission-Critical Classified Systems**

[GAO/AIMD-99-218](#), Aug. 5 (five pages).

GAO surveyed 34 federal agencies. Of the 13 agencies with classified systems, 12 reported that they included the Year 2000 status of their mission-critical, classified systems in their reports to the Office of Management and Budget (OMB). OMB uses the information provided by the agencies to monitor Year 2000 progress across the federal government and to keep Congress informed of the agencies' Year 2000 progress. As of July 1999, the Treasury Department had not reported the status of all its mission-critical, classified systems to OMB. However, it plans to do so in its later reports to OMB. Treasury reported that it has 13 systems that have not been reported to OMB. Of these 13 systems, seven are Year 2000 compliant, five are being repaired, and one is being replaced. The five systems being repaired and the one being replaced are all in the testing and validation phase, according to Treasury.

---

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

[GAO/AIMD-99-242](#), Aug. 6 (14 pages).

A 1997 GAO audit cited several vulnerabilities in the Bureau of the Public Debt's computer systems. (See [GAO/AIMD-99-2](#), Oct. 1998.) These systems, some of which are run by the Federal Reserve Banks, process investments in and redemptions of Treasury securities, generate interest payments, account for the resulting federal debt, and generate financial reports to the public and the federal government. This follow-up report found that the Bureau has addressed most of the vulnerabilities identified in the 1997 audit. However, the Bureau needs to take steps to reduce its risk from threats posed by unintentional errors or omissions or intentional modification, disclosure, or destruction of data and programs by disgruntled employees, intruders, or hackers. For fiscal year 1998, the Bureau has already taken steps to resolve the new vulnerabilities GAO identified, but additional actions are required to fully address the vulnerabilities discussed in this report.

**DOD Information Security:  
Serious Weaknesses Continue to Place Defense Operations at Risk**

[GAO/AIMD-99-107](#), Aug. 26 (28 pages).

Serious weaknesses in the Defense Department's (DOD) information security continue to give hackers and hundreds of thousands of unauthorized users a chance to modify, steal, inappropriately disclose, and destroy sensitive military data. These weaknesses impair the military's ability to (1) control physical and electronic access to its systems and data; (2) ensure that software is properly authorized, tested, and functioning; (3) limit employees' ability to perform incompatible functions, and (4) resume operations in the event of a disaster. Defense functions, including weapons and supercomputer research, logistics, finance, procurement, personnel management, military health, and payroll, have already been harmed by system attacks or fraud. Although some corrective measures have been taken in response to an earlier GAO report ([GAO/AIMD-96-84](#), May 1996), DOD's progress in correcting the control weaknesses cited during GAO's earlier review has been inconsistent, and weaknesses persist in every area of general controls.

---

**Year 2000 Computing Challenge:  
SBA Needs to Strengthen Systems Testing to Ensure Readiness**

[GAO/AIMD-99-265](#), Aug. 27 (42 pages).

The Small Business Administration (SBA) has completed systems renovations and unit testing for its 42 mission-critical systems. It met the October 1, 1998, deadline set by the Office of Management and Budget for systems renovation. Since then, SBA has done integration testing and system acceptance testing to ensure that the renovated mission-critical systems will run properly after the turn of the century. Those tests were completed at the end of May of this year. Despite these efforts, weaknesses in SBA's Year 2000 testing increase the risk that its mission-critical systems are not yet Year 2000 compliant. First, SBA's integration tests are incomplete because key business processes were not specifically tested, and tests were not tracked to verify that all key business processes were actually tested. Second, system acceptance tests are incomplete because users did not review test plans, guidance, procedures, or data or participate in the tests. Third, testing of SBA's mission-critical systems has not been independently validated, and these systems have not been certified as being Year 2000 ready. Also, SBA's approach to end-to-end testing is inadequate because it (1) does not ensure that software supporting key business areas or functions has been tested and (2) leaves many potential issues, such as interoperability of internal and external systems, untested.

---

**Testimony**

Year 2000 Computing Challenge: Important Progress Made, 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-99-267](#), Aug. 14 (39 pages); and

Year 2000 Computing Challenge: Important Progress Made, Yet Much Work Remains to Ensure Delivery 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-99-266](#), Aug. 13 (39 pages); and

---

Year 2000 Computing Challenge: Readiness Improving, Yet Essential Actions Remain to Ensure Delivery 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-99-268](#), Aug. 17 (39 pages).

Because of the urgent nature of the Year 2000 computer crisis and the potentially devastating impact it could have on government operations, GAO has included the Year 2000 problem on its list of high-risk areas within the federal government. GAO has issued more than 130 reports and congressional testimony on the Year 2000 readiness of a wide range of federal agencies. GAO has also issued guidance to help organizations successfully address the issue. This testimony highlights the years 2000 risks facing the nation, discusses the federal government's progress and challenges that remain in correcting its systems, identifies state and local government Year 2000 issues, and provides an overview of available information on the readiness of key public infrastructure and economic sectors.

---

## Correspondence

Information Security: Answers to Posthearing Questions. [GAO/AIMD-99-272R](#), Aug. 9.

Information Security: NRC's Computer Intrusion Detection Capabilities. [GAO/AIMD-99-273R](#), Aug. 27.

Nuclear Weapons: Year 2000 Status of the Nation's Nuclear Weapons Stockpile. [GAO/RCED-99-272R](#), Aug. 20.

---

## International Affairs

### **Foreign Assistance: Rule of Law Funding Worldwide for Fiscal Years 1993-98**

[GAO/NSIAD-99-158](#), June 30 (45 pages).

In the early 1980s, the United States began helping Latin American countries improve their judicial and law enforcement organizations as a way to support democratic principles and institutions. Until 1990, the United States provided this "rule of law" assistance primarily to countries in Latin America and the Caribbean. With the breakup of the Soviet Union, Congress has directed that part of the U.S. assistance to Central and

Eastern Europe target the development of democratic institutions, including an independent judiciary. In response to congressional concerns about the absence of comprehensive information on U.S. rule of law assistance programs, this report identifies (1) the amount of U.S. rule of law funding provided worldwide (by region and country) in fiscal years 1993-98 and (2) the U.S. departments and agencies involved in providing rule of law assistance.

**Foreign Assistance:  
U.S. Economic and Democratic Assistance to the Central Asian Republics**

[GAO/NSIAD-99-200](#), Aug. 11 (46 pages).

With the breakup of the Soviet Union in 1991, the five countries that comprise the Central Asian Republics—Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan—became independent along with Russia and the former republics of the Soviet Union. The United States has important strategic interest in the Central Asian Republics, including dismantling Kazakhstan’s nuclear arsenal; developing oil and gas reserves; and helping stabilize a region surrounded by China, Iran, and Russia. The U.S. Agency for International Development (USAID) has provided about \$274 million for economic and democratic reform initiatives in the five republics. This report answers the following questions: What were USAID’s economic and democratic reform initiatives in the five republics designed to achieve, what has been accomplished, and what factors have limited the implementation of reforms? Have lessons learned from similar USAID programs in Central Europe and Russia been applied to the five republics? How has USAID ensured that its assistance funds in the five republics are spent as intended?

---

**Justice and Law  
Enforcement**

**Department of Defense:  
Military Assistance Provided at Branch Davidian Incident**

[GAO/NSIAD/OSI-99-133](#), Aug. 26 (32 pages).

The U.S. military provided assistance, including counterdrug program support, to the Bureau of Alcohol, Tobacco, and Firearms (ATF) during its investigation of the Branch Davidian sect in Waco, Texas. That investigation led to a 51-day standoff at the Branch Davidian compound, which ultimately burned to the ground in April 1993. GAO found that ATF’s

---

requests for military counterdrug programs met the requirements of the relevant statutes for authorizing such support. In these written requests, ATF cited its suspicions of drug activity. In both cases, the military reasonably exercised its discretion in providing that support as authorized under the relevant statutes. In planning how it would serve warrants at the compound, ATF planned for the possibility of encountering a methamphetamine laboratory or other hazardous drug materials. As required by agency policy, ATF agents in the operation were made aware of the suspected laboratory and of the appropriate precautions. Moreover, Drug Enforcement Agency agents were at the command post to handle any drug-related materials.

---

## Correspondence

Bankruptcy Reform: Use of the Homestead Exemption by Chapter 7 Bankruptcy Debtors in the Northern District of Texas and the Southern District of Florida. [GAO/GGD-99-142R](#), July 12.

Weaponry: .50 Caliber Rifle Crime. [GAO/OSI-99-15R](#), Aug. 4.

HHS OIG [Office of Inspector General]: Review of Its Investigation of the Los Angeles County District Attorney's Bureau of Family Support Operations. [GAO/OSI-99-17R](#), Aug. 9.

FBI: Delivery of ATF Report on TWA Flight 800 Crash. [GAO/OSI-99-18R](#), Aug. 13.

---

## National Defense

### **Best Practices: Better Management of Technology Can Improve Weapon System Outcomes**

[GAO/NSIAD-99-162](#), July 30 (76 pages).

The Pentagon plans to boost its investment in new weapons to about \$60 billion in fiscal year 2001—a 40-percent increase over fiscal year 1997. The military has high expectations for this investment: that new weapons will be better and less expensive than their predecessors and will be developed in half the time. However, the Defense Department (DOD) will not meet these expectations using its traditional management approach. Leading commercial firms have changed their practices for developing products and have achieved the kinds of results DOD seeks. Maturing new technology before it is included in products is one of the main determinants of these firms' successes. This practice holds promise for

DOD, for immature technologies have been a main source of problems on weapon systems. This report assesses (1) the impact of technology maturity on product outcomes, (2) best practices for managing new technologies and incorporating them into products, and (3) ways DOD can adapt these practices to get better outcomes on weapon system programs.

**Best Practices:  
DOD Training Can Do More to Help Weapon System Programs  
Implement Best Practices**

GAO/NSIAD-99-206, Aug. 16 (72 pages).

The Pentagon plans to boost its annual procurement investment to about \$60 billion by fiscal year 2001. The military has high expectations for this investment: that new weapons will be better, yet less expensive, than their predecessors and will be developed in half of the time. Essential to getting these kinds of results will be the adaptation of best commercial practices that have enabled leading private-sector firms to develop new products faster, cheaper, and better. The Defense Department (DOD) has begun several acquisition reform initiatives based on commercial practices to help foster these outcomes. Their success depends greatly on the extent to which program offices apply the practices to individual weapon system acquisitions. Training provided to the program offices both creates a culture that is receptive to new practices and provides the knowledge needed to implement them in the workplace. This report evaluates the role that DOD training is playing in implementing best practices in weapon system programs. GAO discusses (1) the contribution DOD training makes to program offices' ability to apply best practices, (2) the different methods used by DOD and leading commercial firms in training on best practices, and (3) the strategic approaches that underlie DOD's and leading commercial firms' training methods for best practices.

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

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

GAO reported in 1997 that from October 1992 through April 1997, defense contractors refunded more than \$5 billion to the Defense Finance and Accounting Service's Columbus Center, the military's largest payment center. GAO updated this information and found that between fiscal years 1994 and 1998, defense contractors returned about \$4.6 billion to the

Columbus Center—\$746 million in fiscal year 1998 alone. Center officials said that most of the returned money was due to factors outside of their control, although payment errors by the center were also a factor. It took about a year, on average, before the 13 contractors refunded overpayments of \$56.2 million to the Center. In addition, four of the contractors still retained overpayments totaling \$1.1 million. The Center has a sizable and growing backlog of contracts waiting to be examined to ensure that contractors were properly paid—a process called reconciliation.

**Defense Infrastructure:  
Improved Performance Measures Would Enhance Defense  
Reform Initiative**

GAO/NSIAD-99-169, Aug. 4 (39 pages).

The Defense Reform Initiative represents an important set of measures designed to improve the effectiveness and efficiency of the military's business operations. This report supplements the information contained in an earlier GAO report (GAO/NSIAD-99-87, Apr. 1999) and provides additional information on the performance measures the Defense Department (DOD) has in place to track the progress of the initiative. This report discusses (1) the types of performance measures used to track progress toward achieving the initiative's goals; (2) opportunities to add or improve on existing performance measures, and (3) performance measurement limitations.

**Battlefield Automation:  
Opportunities to Improve the Army's Information  
Protection Effort**

GAO/NSIAD-99-166, Aug. 11 (25 pages).

The Army's modernization objectives over the coming decade include the integration of information technologies to acquire, exchange, and use timely information throughout the battlespace. Information technology integration—or digitization—is to be implemented throughout the Army through the fielding of more than 100 individual systems. The Army's digitization efforts are projected to cost \$20.8 billion between 2000 and 2005. The Army expects this investment to increase survivability, lethality, and the tempo of operations. However, the Army also recognizes that reliance on digitization could make its command and control systems

more vulnerable to enemy activities, such as jamming and computer network attacks, and it has developed a general strategy for implementing information protection into the design of the digitized battlefield. This report evaluates the Army's development and acquisition plans for command and control systems that will be a part of future digitized battlefield units. GAO examines the Army's protection plan to determine whether it ensures sufficient assessments to test and develop the defensibility of the digitized battlefield against command and control warfare attacks.

**Defense Transportation:  
89th Airlift Wing Executive Branch Policies Improved but  
Reimbursement Issues Remain**

[GAO/NSIAD-99-170](#), Aug. 16 (20 pages).

GAO reported in 1992 that the policies governing the use of military aircraft were too broad and vague to have much impact on the use of the 89th Airlift Wing by government officials. (See [GAO/NSIAD-92-133](#).) Moreover, at that time, the use of aircraft was free of charge to all but a few users, and no one independently verified compliance with policies. This follow-up report finds that the Office of Management and Budget, the Defense Department (DOD), and the White House have addressed GAO's earlier recommendations for strengthening the management and use of the 89th Airlift Wing. Specifically, they have defined key terms, spelled out circumstances under which reimbursements are due, and required record-keeping. Requests to DOD for use of the wing generally complied with application policies on justification for using the 89th Airlift Wing. However, DOD acknowledged that agency reimbursements for wing missions have generally not been collected for two years and, in some cases, for as long as six years. Also, reimbursements for nonofficial travel sometimes were credited to the wrong accounts or the collection of reimbursements could not be verified.

**Chemical and Biological Defense:  
Program Planning and Evaluation Should Follow Results  
Act Framework**

[GAO/NSIAD-99-159](#), Aug. 16 (24 pages).

Congress passed the Government Performance and Results Act in 1993 to encourage agencies to measure the performance and outcomes of their

programs. Federal managers, traditionally preoccupied with program staffing, activity levels, and tasks completed, would instead focus on the real difference that federal programs make in peoples' lives. This report examines the extent to which the Defense Department (DOD) has applied the principles of the Results Act to the chemical and biological defense program, focusing on research, development, testing, and evaluation efforts that lead to new technologies and defensive capabilities. GAO assesses whether (1) the goals of the chemical and biological defense program are explicit and measurable; (2) the program has performance measures that assess outcomes and impacts rather than outputs and activities; and (3) organizations executing the program's research, development, testing, and evaluation activities have incorporated the principles of the Results Act in their program planning and evaluation.

**Chemical and Biological Defense:  
Coordination of Nonmedical Chemical and Biological  
R&D Programs**

[GAO/NSIAD-99-160](#), Aug. 16 (16 pages).

Since the Persian Gulf War, Congress has raised concerns about the adequacy of the technology used by the military to detect, identify, prepare for, and protect troops against chemical and biological weapons. Federal research and development efforts to produce nonmedical chemical and biological defense technology have expanded considerably in recent years. The President's fiscal year 2000 budget request includes more than \$10 billion to combat terrorism, according to the White House; nearly \$1.4 billion is earmarked for programs targeting terrorist threats from chemical, biological, radiological, or nuclear weapons—an amount that exceeds the funding for military programs to counter chemical and biological threats. This report examines the coordination of federal research and development efforts to develop nonmedical technology related to chemical and biological defense. GAO (1) identifies federal programs that conduct nonmedical chemical and biological defense-related research and development and (2) describes the existing mechanisms for coordinating these programs.

**Military Personnel:  
Actions Needed to Better Define Pilot Requirements and  
Promote Retention**

[GAO/NSIAD-99-211](#), Aug. 20 (72 pages).

The Defense Department (DOD) reported shortages of about 2,000 pilots at the end of fiscal year 1998 and projects that shortages will continue for several years. Retaining qualified pilots is important not only to ensure that operational requirements can be met, but also to recoup the substantial investments the services make in training their pilots. This report reviews and identifies the reasons for the reported pilot shortages and offers solutions to the problem. GAO determines (1) the military services' reported and projected estimates of their pilot shortages, (2) the basis for the services' pilot requirements, (3) key factors that account for the reported pilot shortages, and (4) concerns that are causing pilots to consider leaving the military.

**Defense Health Care:  
Claims Processing Improvements Are Under Way but Further  
Enhancements Are Needed**

[GAO/HEHS-99-128](#), Aug. 23 (40 pages).

Under TRICARE, the military's managed health care program, contractors adjudicate and pay health care claims submitted by civilian providers of care or the military personnel who receive it. The Defense Department's (DOD) timeliness standard requires the contractors to process 75 percent of claims within 21 days. Although contractors processed 86 percent of claims within 21 days between July 1997 and June 1998, GAO found that 3 million claims took more than 21 days, prompting complaints from providers and beneficiaries. To improve timeliness, DOD proposes to adopt standards similar to Medicare's. DOD does not know the extent to which the claims-processing contractors pay claims accurately, less than half of the claims are subject to audit, and the methodology DOD uses to calculate payment error is statistically invalid. Accuracy is affected by TRICARE's complexity and numerous changes and by mistakes providers and beneficiaries make when filing their claims. They sometimes complain about adjudication decisions on correctly processed claims. Some providers complain that the review criteria for the commercial software program DOD requires its contractors to use to ensure appropriate payment are not published and available to them. GAO found that the program's criteria are based on industry standards but that some inappropriate denials of claims have resulted from DOD's slowness in directing contractors to incorporate TRICARE policy changes into their claims-processing systems.

---

**Electronic Warfare:  
Army Special Operations Acquisition Strategy for Improved  
Equipment Is Sound**

GAO/NSIAD-99-189, Aug. 23 (10 pages).

The Army uses modified Chinook and Blackhawk helicopters for special operations missions worldwide. These aircraft carry a wide variety of aircraft survivability equipment to deal with enemy threats. This report reviews the U.S. Special Operations Command's acquisition strategy for aircraft electronic warfare systems. GAO focuses on helicopters operated by the Command's Army component. GAO determines the soundness of the Command's electronic warfare acquisition strategy in terms of correcting shortcomings and maximizing commonality in its aircraft survivability equipment.

**Foreign Military Sales:  
Navy's Accounting for Sales to Foreign Customers  
Needs Improvement**

GAO/AIMD-99-213, Aug. 24 (18 pages).

The Navy did not always charge customer trust fund accounts when goods and services were delivered under the foreign military sales program. Moreover, the Navy did not always maintain accurate and reliable information on trust fund charges. The Navy's accounting records indicate that, as of October 1998, it had not charged FMS customers' trust fund accounts for \$582 million of delivered goods and services. According to GAO's review of \$75 million of this amount, FMS customers' accounts had not been charged for \$11.3 million for goods and services provided between April 1987 and December 1997. Without ensuring that accounts are promptly charged and that the Management Information System International Logistics System accurately reflects changes, the Navy cannot be certain that FMS customers are paying the full cost of goods and services. Moreover, because GAO's review focused on only 13 percent of the \$582 million reported as not charged to FMS customer trust fund accounts, it is important that the remaining balances be reviewed and that amounts still owed be promptly collected.

---

**Unmanned Aerial Vehicles:  
DOD's Demonstration Approach Has Improved Project Outcomes**

GAO/NSIAD-99-33, Aug. 30 (15 pages).

The Defense Department (DOD) needs unmanned aerial vehicles (UAV) for surveillance and reconnaissance missions. Since the end of the Vietnam War, DOD has begun at least nine UAV acquisition programs that were later canceled—spending \$4 billion in the process. This report reviews current UAV projects to determine whether the military's strategy of conducting advanced concept technology demonstrations before developing and producing UAVs provides better information with which to make acquisition decisions.

**Defense Acquisitions:  
Reduced Operational Effectiveness of Joint Standoff Weapon**

GAO/NSIAD-99-137, Aug. 31 (21 pages).

The Navy and the Air Force are developing the Joint Standoff Weapon—an air-to-ground missile expected to be able to hit targets from greater distances than many current weapons. The Joint Standoff Weapon has three warhead variants: wide area, antiarmor, and unitary. Current plans call for procuring 19,000 missiles at an estimated cost of \$5 billion. This report reviews the Joint Standoff Weapon to determine whether (1) the missile will provide capabilities originally intended and (2) cost and operational effectiveness analyses continue to support the program's procurement plans.

---

Correspondence

Depot Maintenance: Maintenance of T700 Series Engines for U.S. Forces in Korea. GAO/NSIAD-99-234R, Aug. 13.

---

Natural Resources

**Land Management:  
The Forest Service's and BLM's Organizational Structures  
and Responsibilities**

GAO/RCED-99-227, July 29 (126 pages).

Debate continues over the most efficient and effective means of accomplishing the goals of the federal government's land management

agencies. The Bureau of Land Management and the Forest Service are two of the largest land management agencies. This report provides (1) a comprehensive demographic and organizational profile of the Bureau of Land Management and the Forest service, including information about each agency's managed lands; mission, goals, structure, roles, and responsibilities; location, type, and number of offices; activities and obligations; and receipts generated; and (2) observations on the major similarities and differences emerging from this information. GAO found that the Forest Service and the Bureau of Land Management manage their federal lands for multiple uses through a multilevel organizational structure. In addition, the agencies are responsible for managing the same types of natural resources. Furthermore, the organizational and demographic profiles of the Forest Service and the Bureau of Land Management are similar in many respects.

**Federal Wildfire Activities:  
Current Strategy and Issues Needing Attention**

[GAO/RCED-99-233](#), Aug. 13 (35 pages).

Wildfires on federal lands consume million of acres of forests, grasslands, and desert acres each year. The fires also threaten human lives and property on state and private lands adjacent to federal lands. In 1998 alone, more than 81,000 fires consumed 2.3 million acres. The Forest Service and the Bureau of Land Management spend hundreds of millions of dollars annually to prepare for and control wildfires on federal lands. This report provides information on how the Forest Service and the Bureau manage their wildfire programs. GAO found that the agencies use the same process to develop their wildfire preparedness budgets. This includes the use of a model that determines, on the basis of historical data such as fire activity, weather, and suppression costs, the most efficient funding level for a firefighting organization.

---

**Correspondence**

Federal Land Management: Information on Usage of the Antiquities Act.  
[GAO/RCED-99-244R](#), July 9.

---

**Science, Space, and  
Technology**

**Space Station:  
Russian Commitment and Cost Control Problems**

[GAO/NSIAD-99-175](#), Aug. 17 (25 pages).

As a partner in the international space station, Russia agreed to provide various equipment, from the service module to progress vehicles to reboost the station to dry cargo. Russia's funding problems, however, have delayed delivery of the service module and have raised questions about Russia's ability to support the station during and after assembly. NASA has prepared a contingency plan in case the service module experiences further delays and the Russians do not provide the progress vehicles for reboosting the station. NASA estimates that it will cost \$1.2 billion to protect against Russian nonperformance. Despite the contingency plan, NASA lacks an approved overall contingency plan to deal with such issues as the late delivery or loss of critical hardware. NASA is satisfied that Russian quality assurance standards are acceptable. However, the service module's inability to meet debris protection requirements is a potential safety issue. Despite efforts to control cost growth, pressures on the program's budget continue to mount. NASA's cost estimates assume assembly completion in 2004—a deadline that the agency acknowledges is ambitious. If the schedule is not met, total program costs for the U.S. part of the station would rise further. The prime contract has had significant cost overruns and schedule delays, and the nonprime portion of the program—activities related to science facilities and ground and vehicle operations—are also rising. In 1994, the nonprime component of the program's development budget was \$8.5 billion; today, it is more than \$12.4 billion.

**Space Station:  
Cost to Operate After Assembly Is Uncertain**

[GAO/NSIAD-99-177](#), Aug. 6 (38 pages).

NASA has estimated that it will cost \$1.3 billion annually to operate the international space station. However, this amount does not include all funding requirements for space station operations. NASA does not prepare budget estimates on a full-cost basis because it has not completely implemented its full cost accounting system. Additional items that will have to be paid for in the future include upgrading obsolete systems and operating an alternative propulsion module. Also, NASA has not estimated the cost to run an alternative propulsion module being bought to provide reboost if Russia is unable to deliver that equipment. Items that GAO found were being funded in other NASA budget lines include space shuttle flights, civil service personnel, principal investigations, and space communications. These are estimated to cost \$2.5 billion in 2004. When NASA implements full cost accounting in 2001, some costs now in other

NASA budget lines will be included in the space station budget. In commenting on GAO's draft report, NASA said that shuttle flights should be allocated to the overall cost of operating the space station using a marginal cost of \$84 million per flight rather than an average cost of \$435 million. GAO believes that the average cost per flight more accurately represents the resources NASA will spend to run the space station. Moreover, there is a high degree of uncertainty in NASA's estimate for the cost to run the space station from 2005 to 2014. Not enough information exists to determine the amount that NASA funding requirements could be reduced by international partners' contributions toward common operating costs.

**Space Transportation:  
Status of the X-33 Reusable Launch Vehicle Program**

[GAO/NSIAD-99-176](#), Aug. 11 (34 pages).

The \$1.3 billion X-33 Program, cosponsored by NASA and Lockheed Martin, is to develop and demonstrate advanced techniques and technologies needed for future reusable launch vehicles, including lightweight internal fuel tanks, advanced rocket engines, a durable heat shield, and rapid turnaround, low-cost operations. NASA and Lockheed-Martin expect the X-33 program to achieve technical requirements, such as demonstrating the feasibility of building large liquid hydrogen fuel tanks made of graphite composite material. However, the program will not meet some original cost, schedule, and performance objectives. Problems encountered by Lockheed Martin have increased costs, delayed the test vehicle's first flight, and revised some performance objectives. Resolving technical problems caused Lockheed Martin's estimated contribution to grow to \$286.6 million—\$75 million above the original estimate. Part of the increase, however, will be borne by the government. Procurement regulations allow companies to recover allowable independent research and development costs by including them as overhead in the pricing for other government contracts. Thus, Lockheed Martin's and its partners' shares may actually be lower. Also, estimated government costs for NASA civil service personnel working on the program not included in NASA's X-33 program budget also rose. Together, these estimated costs rose from nearly \$217 million to more than \$274 million, as of March 1999. As a result, GAO believes that a more accurate representation of the government's estimated share of the X-33 program is \$1.23 billion, while industry's estimated share is \$125.4 million. Several issues will need to be evaluated before NASA decides to use Venture Star reusable launch vehicles for the international space station. First, the results of the X-33 program

must provide enough information for NASA to determine that the risks have been sufficiently reduced and that continuation of activities leading to the agency's use of Venture Star reusable launch vehicles is warranted. Second, even though Venture Star reusable launch vehicles are intended to be commercially owned and operated, government financial incentives will likely be needed to initiate such a venture. Third, NASA would have to pay for either two crew modules or modifications to Venture Star vehicles if the crew return vehicles being developed for the space station are chosen as a means for Venture Star to carry people. Fourth, because the Venture Star reusable launch vehicle would not carry as much cargo as the space shuttle, more flights would be needed. The more frequent docking activities could reduce the amount of stable time available for some science operations.

**Technology Transfer:  
Reporting Requirements for Federally Sponsored Inventions  
Need Revision**

[GAO/RCED-99-242](#), Aug. 12 (35 pages).

Under the Patent and Trademark Laws Amendments of 1980, small businesses, nonprofit organizations, and certain contractors operating government-owned laboratories may retain title to and profit from the inventions they create under federally funded research projects. Executive Order 12591 extends these same privileges to large businesses. GAO was asked to study the government's rights to inventions under the 1980 act and Executive Order 12591. GAO found that federal agencies and their contractors and grantees are not complying with provisions on the disclosure, reporting, retention, and licensing of federally sponsored inventions under the regulations implementing the Patent and Trademark Laws Amendments of 1980 and Executive 12591. In addition, the government is not always aware of federally sponsored inventions to which it has royalty-free rights.

---

**Correspondence**

Federal Research: Information on the Advanced Technology Program's Award Selection. [GAO/RCED-99-258R](#), Aug. 3.

---

## Social Services

### **Food Stamp Program: Various Factors Have Led to Declining Participation**

[GAO/RCED-99-185](#), July 2 (46 pages).

Participation in the Food Stamp Program has dropped by 27 percent during the past 3-1/2 years. Welfare reform changed welfare from an entitlement program to one designed to end needy parents' dependence on government aid by promoting employment. The Food Stamp Program was retained as an entitlement but eligibility standards were tightened; adults without dependents had to meet work requirements and most permanent resident aliens were disqualified from participating. This report examines the reasons for the recent drop in food stamp participation and any problems that households with eligible children have experienced in obtaining food stamps. GAO found that the strong U.S. economy, tighter food stamp eligibility requirements, and welfare reform initiatives are the primary reasons for the decline in food stamp participation. But, some households, including those with children, have had problems obtaining food stamps because some state and local governments have gone farther than the law permits in limiting benefits.

### **Food Stamp Program: Households Collect Benefits for Persons Disqualified for Intentional Program Violations**

[GAO/RCED-99-180](#), July 8 (31 pages).

Congress has expressed a strong desire in recent years to reduce fraud, waste, and abuse in the Food Stamp Program. Earlier GAO reports found that millions of dollars in food stamp overpayments in four states were caused by counting thousands of inmates and deceased individuals as household members and thousands of individuals as members of recipient households in more than one state during the same period. (See [GAO/RCED-97-54](#), Mar. 1997, [GAO/RCED-98-53](#), Feb. 1998, and [GAO/RCED-98-228](#), Aug. 1998.) This report discusses individuals who were disqualified from the program for intentionally violating the program's rules but were included as household members during their disqualification period. GAO found that more than 3,000 disqualified individuals in the four states it reviewed were improperly counted as members in households that received food stamp benefits during 1997.

---

**Food Assistance:  
Efforts to Control Fraud and Abuse in the WIC Program Can  
Be Strengthened**

GAO/RCED-99-224, Aug. 30 (57 pages).

This report examines fraud and abuse in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). GAO collected information from the Agriculture Department's (USDA) Food and Nutrition Service and from state and local WIC agencies on the extent of fraud and abuse in the program. GAO found that USDA lacks recent estimates on the overall levels of vendor, participant, or employee fraud and abuse occurring in the WIC program. USDA does have information on fraud and abuse detected by state agencies. However, that information does not present a complete picture of fraud and abuse in the WIC program because the level of detection efforts differ among both state and local agencies.

---

**Tax Policy and  
Administration**

**Unpaid Payroll Taxes:  
Billions in Delinquent Taxes and Penalty Assessments Are Owed**

GAO/AIMD/GGD-99-211, Aug. 2 (42 pages).

Nearly 2 million businesses owed nearly \$50 billion in payroll taxes as of September 1998, or about 22 percent of the Internal Revenue Service's (IRS) \$222 billion total outstanding balance of unpaid tax assessments. The businesses that failed to remit withheld payroll taxes were typically in wage-based industries and had few available assets from which IRS could recover these taxes. They were usually small, closely held businesses using a corporate structure, but this varied throughout the country. GAO found that the most common types of businesses with unpaid payroll taxes were construction companies and restaurants, although other types of business—computer software; child care; and such professional services as legal, medical, and accounting firms—also have unpaid payroll taxes. Most unpaid payroll taxes are not fully collectible, and there is often no recovery potential because many of the businesses are insolvent, defunct, or otherwise unable to pay. Penalties of about \$15 billion had been assessed against, and continue to be owed by, about 185,000 persons—typically corporation officers—found responsible for the nonpayment of payroll taxes withheld from employees. Individuals responsible for the nonpayment of payroll taxes and businesses that owe payroll taxes receive significant federal benefits and other federal

payments. Several factors affect IRS' ability to enforce compliance and pursue collections of unpaid payroll taxes. For example, financial management system shortcomings and other internal control weaknesses affect the completeness and the accuracy of taxpayers' accounts, making it difficult for IRS to manage its unpaid assessments. Also, federal law does not prevent businesses or individuals from receiving federal payments or loans when they are delinquent in paying federal taxes. GAO summarized this report in testimony before Congress; see:

Payroll Taxes: Billions in Delinquent Taxes and Penalties Due but Unlikely to Be Collected, by Gregory D. Kutz, Associate Director for Governmentwide Accounting and Financial Management Issues, and Cornelia M. Ashby, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. [GAO/T-AIMD/GGD-99-256](#), Aug. 2 (29 pages).

**Internal Revenue Service:  
Custodial Financial Management Weaknesses**

[GAO/AIMD-99-193](#), Aug. 4 (48 pages).

The Internal Revenue Service (IRS) continues to be plagued by serious internal control weaknesses that have led to disbursements of fraudulent and other questionable tax refunds, IRS employees stealing taxpayer receipts, and errors or delays in posting payments to taxpayers' accounts. These control weaknesses fall into five major categories: (1) unpaid assessments, (2) security over receipts and taxpayer information, (3) refunds and earned income tax credits, (4) revenue reporting and distribution, and (5) financial reporting. Some weaknesses were evident in GAO's first audit of IRS' financial statements in fiscal year 1992. Some weaknesses are more pervasive than GAO had previously reported. For example, GAO found varying degrees of weaknesses over the security of receipts and taxpayer information at all 10 IRS service centers, at other IRS offices, and at banks that process taxpayer information for IRS. Until IRS corrects these shortcomings—such as ensuring that taxpayer accounts are properly credited for payments made—these conditions will undermine IRS' ability to deliver quality customer service.

**Tax Administration:  
Few State and Local Governments Publicly Disclose  
Delinquent Taxpayers**

GAO/GGD-99-165, Aug. 24 (24 pages).

Congress is studying whether greater taxpayer compliance might be achieved by publicly reporting individuals who have failed to file their federal tax returns. This report provides information on state and local public disclosure programs. GAO determines (1) which state and local governments are running programs to publicly disclose the names of taxpayers who are delinquent in paying the income taxes that they owe or do not file income tax returns, (2) the differences among these programs, and (3) state and local revenue officials' views on whether their disclosure programs are improving compliance.

**Tax Administration:  
Tax Requirements of Small Businesses**

GAO/GGD-99-133, Aug. 24 (40 pages).

Small businesses—a category that includes farmers and sole proprietorships and partnerships, S corporations, and corporations with assets of less than \$5 million—are an important segment of taxpayers that are subjective to substantial federal tax requirements. Not only do they account for nearly half of all taxes that the Internal Revenue Service (IRS) collects each year, but they also have extensive interactions with the agency as they try to meet their tax obligations. In response to congressional interest in alleviating the burden that the federal tax system places on small businesses, GAO is issuing a series of reports on the magnitude of the burden that complying with tax obligations imposes on these business. This report determines (1) the federal filing, reporting, and deposit requirements that apply to small businesses and (2) the actual experience of small businesses in meeting these requirements, including their involvement in IRS' enforcement processes.

**Taxpayer Confidentiality:  
Federal, State, and Local Agencies Receiving Taxpayer Information**

GAO/GGD-99-164, Aug. 30 (64 pages).

Federal, state, and local agencies are authorized to receive from the Internal Revenue Service (IRS) information on taxpayers that they need to assist in their administration and enforcement of laws. These agencies are required to protect the confidentiality of the information they receive and to implement safeguards to prevent unauthorized access, disclosure, and use. This report discusses (1) which federal, state, and local agencies receive taxpayer information from IRS; (2) the type of information they receive; (3) how that information is being used; (4) what policies and procedures the agencies are required to follow to safeguard that information; (5) how often IRS is to monitor agencies' adherence to the safeguarding requirements; and (6) the results of IRS' most recent monitoring efforts.

---

## Transportation

### **Mass Transit: Status of New Starts Transit Projects With Full Funding Grant Agreements**

[GAO/RCED-99-240](#), Aug. 19 (35 pages).

Since the early 1970s, the federal government has provided a large share of the nation's capital investment in urban mass transportation. Much of the investment has come through the Federal Transit Administration's "new starts" program, which funds up to 80 percent of major new rail and bus transit systems that use separate and exclusive rights-of-way. This report assesses the progress and the cost of 14 new starts transit projects in terms of the schedule and cost estimates in grant agreements. GAO found that of the 14 transit projects with full funding grant agreements, six had experienced cost increases as of May 1999.

---

## Veterans Affairs

### **VA Health Care: Improvements Needed in Capital Asset Planning and Budgeting**

[GAO/HEHS-99-145](#), Aug. 13 (40 pages).

GAO recommends that the Department of Veterans Affairs (VA) implement more effective health care capital asset planning and strengthen its budgeting processes to avoid spending billions of dollars operating hundreds of unneeded buildings over the next five or more years. VA should focus on Office of Management and Budget guidelines that suggest that agencies use market-based assessments to determine target

population needs, evaluate the capacity of existing assets, identify excesses and deficiencies, estimate assets' life-cycle costs, and compare these with alternatives for meeting the population's needs. VA has 40 markets with two to nine VA locations that have utilization significantly below inpatient capacity and that compete with other VA locations to serve rapidly declining veteran populations. VA could restructure these assets and enhance veterans' benefits. VA has 66 other markets with a single VA location, also in areas with rapidly declining inpatient workloads and veteran populations, where assets could be restructured and benefits enhanced. VA's centralized budget development process to review and approve capital investments of \$4 million or more under its major construction appropriation relies on inconsistent or incomplete information for decision-making. The 22 regional offices that make less expensive investment decisions in VA's decentralized assessment process generally do so without systematically assessing ways to redesign or simplify work processes or explore lower-cost alternatives. Such decisions account for more than 85 percent of VA's total health care investment dollars requested for fiscal year 2000. Over the past 3 years, VA has significantly reduced the number of high-cost investment proposals involving alterations or improvements by dividing them into less expensive ones, which require less information about benefits, risks, and alternatives. This has resulted in VA's decentralized process having approved investments that VA's centralized process considered to be a low priority or unsound.

**VA Travel:  
Better Budgeting and Stronger Controls Needed**

[GAO/GGD-99-137](#), Aug. 23 (52 pages).

The Department of Veterans Affairs' (VA) total budget requests for travel, as found in the President's budget submissions to Congress, were formulated on the basis of the prior year's actual travel expenditures, adjustments for inflation, and expected initiatives or program changes. VA's travel budget requests have exceeded its actual travel expenditures by millions of dollars in recent years. VA reprogrammed excess travel funds, representing the difference between the amounts included for travel in VA's appropriations accounts and expenditures—more than \$61 million for fiscal years 1993 through 1998. VA spent the excess travel money on general operating expenses, such as salaries and equipment. VA is required to inform the Senate Appropriations Committee before reprogramming more than \$250,000. VA did not inform the Committee of the excess travel

reprogrammings because it did not consider switching excess travel funds to other object classes, in this instance, to constitute reprogramming. The Comptroller General's internal control standards require continuous supervision to ensure proper review and approval of employees' activities, as well as separation of duties and responsibilities in authorizing transactions. However, GAO found that VA's limited open travel authorizations were being issued to many employees without the required supervisory reviews to determine whether they were frequent travelers. GAO also found that VA's policy on delegated travel authority was being implemented without a system of controls to compensate for the lack of separation of duties inherent in self-authorization and approval of travel. At the 23 VA field facilities, GAO found five officials who authorized their own travel and approved their own travel vouchers that exceeded the applicable per-diem allowances without any justification.

---

## Reports on Agency Rules

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

**The following is a list of reports on agency rules issued by the Office of the General Counsel. In addition to being available on the World Wide Web, these documents may be obtained by using the order form in the back of this publication. Bid protest decisions are not included in this list.**

---

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities—Update. [GAO/OGC-99-57](#), Aug. 5.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2000 Rates. [GAO/OGC-99-58](#), Aug. 13.

Social Security Administration: Revised Medical Criteria for Determination of Disability, Endocrine System and Related Criteria. [GAO/OGC-99-62](#), Aug. 27.

---

### Ordering Information

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

**Orders by mail:**

**U.S. General Accounting Office  
P.O. Box 37050  
Washington, DC 20013**

**or visit:**

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

**Orders may also be placed by calling (202) 512-6000  
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

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

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

**[info@www.gao.gov](mailto:info@www.gao.gov)**

**or visit GAO's World Wide Web Home Page at:**

**<http://www.gao.gov>**

---

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

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

<p><b>Bulk Rate Postage &amp; Fees Paid GAO Permit No. G100</b></p>
---