
MONTH IN REVIEW: SEPTEMBER 1999

Reports, Testimony, Correspondence, and Other Publications

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Information Security: The Proposed Computer Security Enhancement Act of 1999. Page 30.

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

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Special Publications

Human Capital: A Self-Assessment Checklist for Agency Leaders

GAO/GGD-99-179, Sept. 1999 (28 pages).

During the 1990s, Congress responded to long-standing shortcomings in federal management by introducing reforms in three areas: financial management, information technology management, and performance-based management. Although legislative consensus on another key concept—strategic human capital management—has yet to emerge, agency heads can still take practical steps today to improve their human capital practices. The first step is self-assessment. First and foremost, an agency must have a clear and fact-based understanding of its human capital situation. GAO's approach to self-assessment is grounded in two principles: (1) investing to enhance the value of individual employees and the agency workforce as a whole and (2) clearly defining and communicating a shared vision—mission, core values, goals, and strategies—and then aligning components and systems to support them. The self-assessment checklist outlined in this report is intended to be a relatively simple diagnostic tool rather than a rigorous evaluation. It is meant simply to capture top management's views of their agency's human capital policies and practices. The overall picture that emerges through the use of the checklist should help the agency begin a more systematic, in-depth, and continuous effort to evaluate and improve its human capital systems.

Agriculture and Food

Crop Insurance: USDA Needs a Better Estimate of Improper Payments to Strengthen Controls Over Claims

GAO/RCED-99-266, Sept. 22 (13 pages).

Federal crop insurance protects participating farmers against crop losses caused by droughts, floods, hurricanes, and other natural disasters. The program's loss experience is a major factor in determining the cost of federal crop insurance to farmers and to the government. This report discusses (1) the extent to which crop insurance claims are paid in error, (2) the insurance companies' and the Risk Management Agency's quality controls to help ensure that accurate claims payments are made, and (3) the proposals being considered to reduce insurance companies' administrative requirements and the potential impact of these proposals

on the operations of the crop insurance program. GAO found that there are no precise estimates of the extent to which crop insurance claims are paid in error, the Risk Management Agency and the insurance companies have revised the process for examining the accuracy of claims, and the agency and the companies are considering proposals to simplify the administrative requirements.

Correspondence

USDA T&A [Time and Attendance] System Controls: Recording Deviations From Preapproved Work Schedules. GAO/AIMD-99-282R, Sept. 14.

Budget and Spending

2000 Census: Analysis of Fiscal Year 2000 Amended Budget Request

GAO/AIMD/GGD-99-291, Sept. 22 (70 pages).

Traditionally, the Census Bureau has counted the American population by compiling an address list of households, mailing out questionnaires to those addresses, and hiring temporary census takers to follow up with nonresponding households. For the 2000 census, the Census Bureau had planned to supplement these traditional methods with statistical estimation. Congress, however, questioned the constitutionality of using statistical sampling, and the Supreme Court ruled this year that the Bureau cannot use statistical sampling to determine the population count used to apportion the House of Representatives. As recently as August 1997, the Bureau estimated that without sampling, the cost of the census would rise by as much as \$800 million and would be less accurate than the 1990 census. Following the Supreme Court's decision, the Bureau sought to increase its fiscal year 2000 budget by more than \$1.7 billion. This report (1) analyzes the key changes in assumptions resulting in the requested increase of \$1.7 billion; (2) provides details on the components of this increase and which changes, according to the Bureau, are related and which are unrelated to the inability to use statistical sampling; and (3) describes the process the Bureau used to develop the increase in its original budget request for fiscal year 2000 and the amended budget request.

Federal Debt: Debt Management in a Period of Budget Surplus

GAO/AIMD-99-270, Sept. 29 (20 pages).

The Treasury Department's stated goals for debt management—to have enough operating cash to meet the government's obligations, to achieve the lowest financing cost, and to promote broad and deep capital markets—have remained the same, regardless of whether the federal budget was in surplus or deficit. However, surpluses raise different debt management challenges. The smaller amount of outstanding debt reduces the Treasury's flexibility to sustain efficient markets across a wide range of instruments in demand by potential investors. Balancing debt management goals in a time of surplus has prompted the Treasury to consider new approaches affecting the type and the maturity of debt held by the public, the management of cash balances, and the development of strategies to actively change the characteristics and the volume of outstanding debt. This report discusses the steps taken by the Treasury to manage the marketable debt held by the public during the recent period of budget surpluses. GAO summarized this report in testimony before Congress; see:

Federal Debt: Debt Management in a Period of Budget Surplus, by Paul L. Posner, Director of Budget Issues, before the House Committee on Ways and Means. GAO/T-AIMD-99-300, Sept. 29 (nine pages).

**Budgeting for Emergencies:
State Practices and Federal Implications**

GAO/AIMD-99-250, Sept. 30 (59 pages).

Congress has shown an interest in recent years in changing the way that emergencies are funded. Federal emergency appropriations totaled more than \$114 billion from 1991 through 1998. Many states experiencing budget surpluses have set aside money in reserve or contingency funds to help prepare for economic downturns or other unforeseen events. This report examines state practices and experiences with reserve funds to see if they might inform the federal debate on the emergency funding process. GAO provides information on state experiences with reserve funds for emergencies or other unpredictable funding needs and state practices that could be instructive in the emergency spending debate, particularly regarding how the federal government might budget for emergencies with surplus funds.

Correspondence

Budget Issues: The Importance of Increased Accuracy of Budget Outlay Estimates. GAO/AIMD-99-235R, Aug. 30.

Budget Issues: Comparison of Discretionary Outlays Under Alternative Spending Paths. GAO/AIMD-99-303R, Sept. 30.

Business, Industry, and Consumers

Correspondence

Small Business Administration: Information on the Women's Business Center Program. GAO/RCED-99-278R, Sept. 2.

Women's Business Center Program: Incomplete Program Records and Financial Data. GAO/RCED-99-277R, Sept. 15.

Civil Rights

Equal Employment Opportunity: The Postal Service Needs to Better Ensure the Quality of EEO Complaint Data

GAO/GGD-99-167, Sept. 28 (eight pages).

In its limited analysis of the data that the Postal Service reported to the Equal Employment Opportunity (EEO) Commission, GAO found errors in the statistics underlying EEO complaints. GAO also found that required data on the issues raised in the complaints were not fully reported. These discrepancies were generally limited to statistical reports generated by the Postal Service's automated complaint information system. Because GAO examined only a limited portion of the reported data for obvious discrepancies and because the errors GAO identified were related to the data generated by an automated complaint information system put in place in 1995, GAO has concerns about the completeness, the accuracy, and the reliability of the data that it did not examine. GAO recommends that the Postal Service review its controls over the recording and the reporting of data that it submits to the EEO Commission.

Testimony

Indian Self-Determination Contracting: Shortfalls in Contract Support Costs and Alternatives for Funding Them, by Jim Wells, Director, Energy, Resources, and Science Issues, before the Senate Committee on Indian Affairs. GAO/T-RCED-99-287, Sept. 15 (13 pages).

During GAO's review of contract support costs for tribal self-determination contracts, many tribal officials said that they had diverted funds from economic development opportunities to cover shortfalls in federal funding. For fiscal year 1998, the Bureau of Indian Affairs and the Indian Health Service calculated that they owed the Oglala Sioux an additional \$1.5 million in contract support funding that they were unable to provide because of limited appropriations. Contract support costs are intended to cover the expenses tribes incur in managing contracted programs, such as social services, hospitals and clinics, road maintenance, law enforcement, and forestry. This testimony discusses the different categories of contract support costs; the extent of, and reasons for, increases in contract support costs in recent years; and four alternatives for funding these costs.

Economic Development

Rural Development: Rural Business-Cooperative Service Business Loan Losses

GAO/RCED-99-249, Aug. 25 (25 pages).

The Guaranteed Business and Industry Loan Program guarantees the repayment of bank loans for almost any business project that creates or retains jobs in a rural area. As of June 1999, the program had more than 1,980 borrowers and \$2.6 billion in outstanding loan principal and 130 delinquent borrowers who owed \$167 million. GAO examined the Service's experience with business and industry guaranteed loans made during fiscal years 1994 through 1998 on which the Service paid losses. GAO found that the level of losses associated with the loan program has been relatively low in recent years, compared with the size of the entire loan portfolio.

Community Development: Businesses' Use of Empowerment Zone Tax Incentives

GAO/RCED-99-253, Sept. 30 (41 pages).

The Omnibus Budget Reconciliation Act of 1993 created the following three tax incentives to help revitalize deteriorating areas: (1) an employment credit, (2) a \$20,000 increase in the expensing deduction for depreciable business property, and (3) a tax-exempt facility bond. The government's cost for these incentives is estimated at \$2.5 billion over 10 years. This report discusses the extent to which businesses in empowerment zones used the program's three tax incentives, as well as

three other tax incentives that are targeted to help businesses, including those in distressed areas—the work opportunity credit; the welfare-to-work credit; and an environmental cleanup tax deduction, known as the brownfields deduction. This report also discusses why, in some cases, the incentives were not used. GAO surveyed about 2,400 businesses in the nine original empowerment zones in Atlanta, Georgia; Baltimore, Maryland; Detroit, Michigan; Philadelphia, Pennsylvania/Camden, New Jersey; New York, New York; the Kentucky Highlands; the Mississippi Mid-Delta; and the Rio Grande Valley, Texas. GAO asked the businesses about their use of the employment tax credit and the increased expensing deduction for tax year 1997.

Education

Federal Education Funding: Allocation to State and Local Agencies for 10 Programs

GAO/HEHS-99-180, Sept. 30 (30 pages).

Since the early 1990s, Congress has appropriated more than \$30 billion annually for preschool, elementary, and secondary education. The Department of Education distributes this money to local agencies, such as school districts, or to the states, which provide it to local agencies. How much of this money goes to administration is not routinely known and is difficult to determine because of differences in the program's definitions. GAO found that, in fiscal year 1996, the Department spent less than one percent of all appropriated program funds; it spent about \$23 million to administer the 10 programs GAO reviewed. For nine of the 10 programs, the states spent an average of one to 17 percent of their funds. At nine of the nation's 16,000 school districts GAO visited, school-level staff spent very little time administering the programs and so did district office staff, although the time varied by district and program.

Employment

Fair Labor Standards Act: White-Collar Exemptions in the Modern Work Place

GAO/HEHS-99-164, Sept. 30 (54 pages).

GAO recommends that the Department of Labor comprehensively review current regulations under the 1938 Fair Labor Standards Act and restructure white-collar exemptions from overtime pay in order to better accommodate today's workplace and anticipate future workplace trends.

Demographic, technological, and industrial changes during the last 50 years have caused both employers and employees to question the act's applicability today. Employers worry about their liability for violations of a salary-versus-wages test for exemption, about the rise in the number of highly skilled and well-paid technicians performing the same jobs as exempt professionals with academic degrees, and about confusion and inconsistency in classifying for exemption such employees as administrators and professionals whose jobs require judgment and discretion. Employees worry that more employees than ever are potentially exempt because of inflation's erosion of salary-level limitations and that low-income supervisory employees are not protected from oversimplification of the test that exempts employees because their job duties involve managerial or professional skills.

Energy

Tennessee Valley Authority: Facts Surrounding Allegations Raised Against the Chairman and the IG

GAO/OSI-99-20, Sept. 15 (25 pages).

In May 1999, the Inspector General (IG) of the Tennessee Valley Authority (TVA) alleged that the Board Chairman had "harassed him" and tried to impede the independence of the Office of the Inspector General. Soon after, the TVA Chairman referred two matters involving questionable credit card charges by the IG and concerns about the management of the Office of Inspector General to the Integrity Committee of the Executive Council on Integrity and Efficiency. This report discusses the IG's allegations against the Chairman and the Chairman's charges about the IG's credit card use.

Low-Level Radioactive Wastes: States Are Not Developing Disposal Facilities

GAO/RCED-99-238, Sept. 17 (104 pages).

States acting alone or in compacts have collectively spent nearly \$600 million during the last 18 years trying to find and develop about 10 sites for disposing of commercially generated, low-level radioactive wastes. However, none of these efforts have been successful. California licensed a facility, but the federal government did not transfer to the state the federal land on which the proposed site is located. In three other

states, possible sites were rejected by state regulatory agencies. North Carolina was considering a license application for a site when it shut down the project for what it said were budgetary reasons. At this time, the efforts by states to develop new disposal facilities have essentially stopped. This report also discusses (1) the status of the management and disposal of commercially generated low-level radioactive wastes, including the continued availability of the three existing disposal facilities, the volume of wastes disposed of, and the waste that are not authorized for disposal at the existing facilities, and (2) alternative approaches to managing and disposing of commercially generated low-level radioactive wastes.

**Nuclear Nonproliferation:
Status of Transparency Measures for U.S. Purchase of Russian
Highly Enriched Uranium**

GAO/RCED-99-194, Sept. 22 (25 pages).

After the breakup of the Soviet Union in the early 1990s, there was concern that weapons-grade material from retired Russian nuclear weapons, such as highly enriched uranium and plutonium, could be stolen or reused in nuclear weapons if not disposed of or properly protected. In 1993, the United States agreed to buy 500 metric tons of highly enriched uranium that had been extracted from dismantled Russian nuclear weapons during the last 20 years. From 1995 through 1998, 1,487 metric tons of low enriched uranium was delivered to the United States. The United States and Russia negotiated a series of access and monitoring measures, known as transparency measures, at several nuclear materials processing facilities that are located in closed Russian nuclear cities. GAO concludes that although most of the transparency measures have gradually been implemented at four Russian processing facilities, several key measures have not yet been put into place. In addition, the U.S. officials do not have access to Russian nuclear weapons dismantlement facilities and to the weapons dismantlement process. In a July 1999 classified report, GAO included information on whether the transparency measures ensure that the arms control objectives of the agreement are being met.

Testimony

Tennessee Valley Authority: Assessment of the 10-Year Business Plan, by Linda M. Calbom, Director of Accounting and Financial Management Issues, before the Subcommittee on Water Resources and Environment,

House Committee on Transportation and Infrastructure. GAO/T-AIMD-99-295, Sept. 22 (19 pages).

Greater competition arising from the restructuring of the electricity industry has caused wholesale electricity prices to fall in many parts of the country. This increased competition prompted management at the Tennessee Valley Authority (TVA) to develop a 10-year business plan to make TVA more competitive. Among other things, the plan seeks to reduce TVA's high debt-servicing and other fixed costs. Because of concerns about TVA's ability to meet the plan's objectives by 2007—when competitive pressures are likely to be greater and when many of TVA's long-term contracts could expire—GAO looked at whether TVA will be able to reduce debt as envisioned in the plan and whether its goals and assumptions about capital expenditures and revenues and expenses are achievable or reasonable. Drawing on the findings of an earlier report (GAO/AIMD-99-142, Apr. 1999), this testimony discusses (1) whether the plan's objectives address the key issues confronting TVA, (2) the major costs that were not included in the plan, (3) whether the goals and assumptions in the plan are achievable or reasonable, and (4) TVA's plans to formally update the plan for significant changes.

Environmental Protection

International Environment: Experts' Observations on Enhancing Compliance With a Climate Change Agreement

GAO/RCED-99-248, Aug. 23 (28 pages).

Under the Kyoto Protocol, developed nations—such as the United States, France, and Japan—have pledged to limit their emissions of carbon dioxide and other greenhouse gases between 2008 and 2012. If the U.S. Senate approves the protocol, the United States would have to significantly reduce its greenhouse gas emissions. Ratification has been much debated. Two main concerns are the cost of complying with the protocol and the possibility that U.S. businesses that invest in reducing their emissions may have to raise the price of their goods, making them less competitive with goods produced by nations that do not limit their emissions. GAO convened a panel of nine experts—from the federal government, industry, academia, and environmental groups—to identify issues that could enhance compliance with the protocol or any climate change agreement. This report presents the results of the panel's discussions. GAO focuses on the following three issues that could influence

compliance with the protocol or other international environmental agreements on climate change: (1) the clarity of the goals and procedures, (2) the use of incentives that encourage compliance to supplement punitive measures to punish noncompliance, and (3) the role of environmental and industry groups.

**Environmental Information:
EPA Is Taking Steps to Improve Information Management, but
Challenges Remain**

GAO/RCED-99-261, Sept. 17 (35 pages).

The Environmental Protection Agency (EPA) needs high-quality environmental information to identify and respond to emerging problems before significant damage is done to the environment. EPA plans to create an office with central responsibility for information management, policy, and technology. This report reviews (1) recent initiatives designed to help EPA improve the accuracy, completeness, and compatibility of its data; (2) the impact of data gaps and inconsistencies on EPA's ability to evaluate and report on the results of its programs under the Government Performance and Results Act; and (3) the major management challenges facing EPA's new central information office. GAO recommends that EPA develop an action plan that describes in detail the strategy, the milestones, and the resources that the new information office will require to help ensure that EPA's environmental and regulatory data are complete, compatible, and accurate.

**Environmental Protection:
Assessing the Impacts of EPA's Regulations Through
Retrospective Studies**

GAO/RCED-99-250, Sept. 14 (18 pages).

For more than 30 years, the Environmental Protection Agency (EPA) has issued and enforced regulations to enhance environmental quality. These regulations impose costs but yield substantial benefits. The Office of Management and Budget has estimated that federal environmental regulations cost about \$144 billion annually and generate benefits of about \$162 billion. Concerns have been raised, however, that agencies have made only limited attempts to assess the actual impacts of federal regulations. GAO found that assessments of the costs and benefits of EPA's regulations after they have been issued have rarely been done. Only five of

101 economically significant regulations that EPA issued from 1981 through 1998 were the subject of retrospective studies. Retrospective studies have been or can be useful but also pose several problems for researchers. A systematic approach by EPA would foster retrospective studies in the future.

**Superfund:
Half the Sites Have All Cleanup Remedies in Place or Completed**

GAO/RCED-99-245, July 30 (21 pages).

About half of the sites in the Superfund hazardous waste program either are cleaned up or have the remedies in place to achieve cleanup. Congress is now debating how much longer and how many more resources it will take to select remedies and complete cleanups at the remaining sites. This report determines (1) the status in the Superfund cleanup process of the sites on the Environmental Protection Agency's list of the nation's most hazardous sites and (2) for the sites GAO included in its review, what work had been accomplished, what work remains, and when the remaining work will be completed.

Financial Institutions

**Federal Reserve Board:
Merger Process Needs Guidelines for Community
Reinvestment Issues**

GAO/GGD-99-180, Sept. 24 (56 pages).

This report discusses the mergers of large bank holding companies and their impact on lending in low- and moderate-income neighborhoods. In reviewing such merger applications, the Federal Reserve Board must take into account an institution's record of community credit performance. Also, the Fed must take into account the convenience and needs of the community to be served when reviewing merger applications of bank holding companies. This report analyzes (1) the Fed's legal responsibilities in assessing mergers of bank holding companies for performance under the Community Reinvestment Act of 1977; (2) the Fed's process for assessing the performance of six large bank holding company merger applicants, including how the Fed addressed the principal public concerns related to performance under the Act; and (3) the premerger and postmerger mortgage lending in poorer neighborhoods and minority communities for three larger mergers of bank holding companies.

Correspondence

Capital Structure of the Federal Home Loan Bank System. GAO/GGD-99-177R, Aug. 31.

**Financial
Management**

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

GAO/AIMD-99-271, Sept. 17 (14 pages).

Reconciliations of federal agencies' fund balances with Treasury accounts continue to be a significant problem, contributing to GAO's inability to render an opinion on the government's financial statements for fiscal year 1998. The Treasury has designed various procedures and controls—called the reconciliation process—to ensure the reliability of receipt and disbursement data reported by agencies. This monthly reconciliation process, similar in concept to individuals reconciling personal checkbooks with a bank's records each month, is intended to be a key internal control over the federal receipts and disbursements that flow through these accounts. Auditors continued to find significant problems with federal agencies' reconciliations of fund balances with Treasury accounts in fiscal year 1998. These agencies either were not timely in reconciling their fund balances with Treasury accounts or were adjusting their accounts to match the amounts reported by Treasury. These adjustments were made without adequately researching the cause of the differences and thus without knowing which number, if any, was correct. Auditors reported that the lack of effective internal control procedures was, in general, the underlying cause of agency reconciliation problems. Auditors reported that improper reconciliations contributed to management's failure to detect fraud and mismanagement of funds at two agencies. GAO reported that ineffective cash disbursement reconciliations affect the reliability of the government fiscal year 1998 financial statements and the underlying financial information. GAO also reported that the failure of agencies to properly reconcile their disbursements increases the risk of inaccuracies in the President's budget and contributes to the overall inability of the federal government to accurately measure the full cost of its programs.

**Financial Audit:
District of Columbia Highway Trust Fund's Fiscal Years 1998 and
1997 Financial Statements**

GAO/AIMD-99-263, Sept. 28 (47 pages).

This report presents the results of GAO's audits of the financial statements of the District of Columbia Highway Trust Fund for fiscal years 1998 and 1997. GAO found that the financial statements were fairly presented, in all material respects. GAO did find material weaknesses related to accounting for revenue, cashier operations, and computer system general controls. There was a reportable noncompliance with one of the laws GAO tested relating to the licensing and the bonding of motor vehicle fuel wholesalers/businesses. The underlying assumptions made and the methodology used to develop the Fund's revised forecasted statements provided a reasonable basis for such statements, and the statements were presented in conformity with guidelines established by the American Institute of Certified Public Accountants.

**Financial Audit:
Independent Counsel Expenditures for the Six Months Ended
March 31, 1999**

GAO/AIMD-99-292, Sept. 30 (34 pages).

This report presents the results of GAO's audit of expenditures reported by eight offices of independent counsel for the six months ended March 31, 1999. GAO found that the statements of the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smaltz, Kenneth W. Starr, and Curtis E. von Kann were fairly presented in all material respects. GAO found no material weaknesses in internal controls. Moreover, GAO found no reportable instances of noncompliance with laws and regulations.

Testimony

Financial Management: Financial Audit Results at GSA, EPA, and DOT, by Linda M. Calbom, Director of Accounting and Financial Management Issues, before the Subcommittee on Oversight and Investigations and Emergency Management, House Committee on Transportation and Infrastructure. GAO/T-AIMD-99-301, Sept. 30 (17 pages).

GAO's audit of the 1998 consolidated financial statements of the federal government found serious shortcomings in systems, recordkeeping, documentation, financial reports, and controls. As a result, the financial statements did not provide decisionmakers or the public with reliable information. GAO has included the most serious deficiencies on its list of government activities at high risk for waste, fraud, abuse, and mismanagement. This testimony discusses data quality at the General

Services Administration, the Environmental Protection Agency, and the Department of Transportation. GAO summarizes the results of its audits of the financial statements for these three agencies.

Correspondence

Interparliamentary Group Review Procedures. GAO/AIMD-99-279R, Sept. 10.

Research and Development: Counterdrug Technology Assessment Center's Process for Funding Projects. GAO/AIMD-99-277R, Sept. 24.

Government Operations

Federal Workforce: Payroll and Human Capital Changes During Downsizing

GAO/GGD-99-57, Aug. 13 (56 pages).

Since 1991, Congress and the White House have been cutting the federal workforce in order to restructure government and reduce costs. The Defense Department and civilian agencies have been using buyouts to encourage employees to voluntarily leave federal service. During fiscal years 1993 through 1997, the federal workforce shrank by nearly 300,000 employees—a 13.8 percent reduction. At the same time, the federal civilian payroll rose by 9.3 percent—to \$102.4 billion. GAO and others have raised concerns about the effects of downsizing on employees—a human capital issue. This report determines why, during a period of downsizing, the federal payroll increased while the number of federal workers decreased.

Background Investigations: Program Deficiencies May Lead DEA to Relinquish Its Authority to OPM

GAO/GGD-99-173, Sept. 7 (20 pages).

The Office of Personnel Management (OPM) is responsible for ensuring that background investigations of federal job applicants, contractor employees, and others are adequately conducted. OPM has the option of allowing agencies to perform their own background investigations, as it did for the Drug Enforcement Administration (DEA). Recently, however, DEA has considered relinquishing background investigation authority to OPM, except for the authority to investigate the backgrounds of applicants for DEA special agent positions. This report describes the circumstances that led DEA to consider relinquishing its authority to conduct personnel

background investigations. It also assesses whether OPM acted in an independent and objective manner in choosing to review DEA and its background investigations.

**General Services Administration:
Secret Service Uniformed Division Lease**

GAO/GGD-99-153, Sept. 7 (16 pages).

This report discusses new leased space in Washington, D.C., that the Public Buildings Service—part of the General Services Administration (GSA)—acquired for the Secret Service’s Uniformed Division. GAO reviews the circumstances that resulted in the lease being awarded without the Public Buildings Service first submitting a prospectus for the project to GSA’s Senate and House authorizing committees, as provided by law and the Public Buildings Service’s policies and procedures. GAO provides a chronology of events in the acquisition of the lease.

**D.C. Courts:
Planning and Budgeting Difficulties During Fiscal Year 1998**

GAO/AIMD/OGC-99-226, Sept. 16 (49 pages).

GAO testified before Congress recently on the District of Columbia Courts’ financial operations in fiscal year 1998—its first year of operations with direct federal funding. (See GAO/T-AIMD/OGC-99-176, May 1999.) GAO reported that D.C. Courts had had difficulty in planning and budgeting during this transition year. GAO found that D.C. Courts had potentially overobligated its resources, which could violate the Anti-Deficiency Act. This report (1) supplements GAO’s testimony, providing additional details on its finding, and (2) provides recommendations to Congress and the D.C. Courts. GAO answers the following questions: What were D.C. Courts obligations for fiscal years 1996, 1997, and 1998? Did D.C. courts have a spending plan for fiscal year 1998 and obligate money in accordance with available resources? Why did D.C. Courts defer payments to court-appointed attorneys from late July 1998, and were those payments made in fiscal year 1998 processed in accordance with policies and procedures?

**Federal Paperwork:
General Purpose Statistics and Research Surveys of Businesses**

GAO/GGD-99-169, Sept. 20 (28 pages).

Federal agencies collect information for various reasons, including verifying regulatory and tax compliance, determining eligibility for benefits, evaluating the effectiveness of federal programs, and developing economic statistics. However, information collection also imposes a burden on individuals and businesses asked to furnish the information. This report describes (1) the paperwork burden associated with federal agencies' general purpose statistics and research surveys that are directed toward businesses; (2) the nature, use, and burden of selected general purpose statistics and research surveys; and (3) the agencies' efforts to reduce the burden associated with the selected surveys.

**Presidential Travel:
Costs and Accounting for the President's 1998 Trips to Africa,
Chile, and China**

GAO/NSIAD-99-164, Sept. 21 (33 pages).

This report discusses the costs of President Clinton's 1998 trips to Africa, Chile, and China and executive branch accounting procedures for such expenses. GAO did not look at the travel costs of past presidents because the records were not readily available. Presidential travel abroad requires planning, coordination, and logistical and personnel support. The estimated costs of the President's trips to Africa, Chile, and China were at least \$42.8 million, \$10.5 million, and \$18.8 million, respectively. The largest costs consisted of (1) operating the President's plane and aircraft; (2) travel expenses, including lodging; and (3) telecommunications, vehicle, and other equipment rentals and purchases in the countries visited. The executive branch lacks a single system to account for the cost of presidential travel overseas, and the agencies involved used various methods to account for expenses. The State Department routinely accounts for travel, equipment rental, and other costs to support presidential travel. Other agencies that incurred costs in support of the Africa, Chile, and China trips also had records on their costs.

**Certification Requirements:
New Guidance Should Encourage Transparency in
Agency Decisionmaking**

GAO/GGD-99-170, Sept. 24 (40 pages).

Federal agencies may use certification requirements to help ensure quality in the goods and services they buy. For example, before buying computer or electrical equipment, an agency may require that prospective sellers obtain a certification from Underwriters Laboratories or another organization that the product is safe. Similarly, an agency may also require that certain professionals meet specific educational standards or be approved as competent by a specific group before providing a service. This report describes (1) the extent and the variety of certification activities in the federal government; (2) the extent to which there are policies, procedures, or guidance governing those activities, either governmentwide or within selected agencies; and (3) an agency's certification procedures that could serve as an example or "best practice" for other agencies. GAO summarized this report in testimony before Congress; see:

Certification Requirements: Guidance Governing Agency Actions Is Limited, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Subcommittee on Benefits, House Committee on Veterans' Affairs. GAO/T-GGD-99-166, Sept. 9 (seven pages).

**District of Columbia:
Status of the New Convention Center Project**

GAO/AIMD-99-258, Sept. 28 (24 pages).

GAO provides periodic status reports on the construction of the new Washington Convention Center. When GAO last reported, the Washington Convention Center Authority was working to obtain necessary approvals, negotiate a guaranteed maximum price construction contract, and obtain construction financing. (See GAO/AIMD/OCE-98-238, July 1998.) This report discusses the status of the convention center project, changes in the Authority's estimated project costs and financing plan since GAO's last report, and actual expenditures and collection of dedicated taxes.

Testimony

2000 Census: Local Address Review Program Has Had Mixed Results to Date, by J. Christopher Mihm, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on the Census, House Committee on Government Reform. GAO/T-GGD-99-184, Sept. 29 (16 pages).

In 1994, Congress required the Census Bureau to give local and tribal governments more input into the Bureau's process for developing address lists. The Bureau's local addresses review program gives local and tribal governments the opportunity to review the accuracy and completeness of the Bureau's address information for their respective jurisdictions and to suggest corrections, when warranted. The program is important because a high-quality census begins with an accurate list of addresses and precise maps. Together, they help ensure that (1) questionnaires are properly delivered, (2) unnecessary and costly follow-up efforts at vacant or nonexistent residences are reduced, and (3) the correct portions of the population are counted in the proper locations—the basis of congressional reapportionment and redistricting. A GAO survey found that the Bureau invited nearly 16,700 local governments to participate in the program in 1998. As of August 1999, 40 percent of these local governments had returned materials to the Bureau. The Bureau does not know whether the other jurisdictions (1) did not review the census address list or (2) did review the list and decided not to respond. Local governments suggested 7.74 million changes to the Bureau's address list, of which about 5.4 million were suggested additions. The results of GAO's survey suggest that many local governments appear to be satisfied with the quality of the materials and the assistance that the Bureau provided. However, several jurisdictions rated these items and the availability of local resources to review program materials less favorably.

Correspondence

Managing for Results: Answers to Hearing Questions on Quality Management. GAO/GGD-99-181R, Sept. 10.

Personnel Practices: Reimbursable Interagency Details. GAO/GGD-99-178R, Sept. 15.

Career Appointments of Political Appointees. GAO/GGD-99-182R, Sept. 29.

Health

Medicaid Managed Care: Four States' Experiences With Mental Health Carveout Programs

GAO/HEHS-99-118, Sept. 17 (49 pages).

To control Medicaid costs and improve services, many states began, in the early 1990s, to place their mental health and physical health services under separate financing and administrative arrangements. In the four states GAO studied, these mental health "carveouts" limited beneficiaries to one prepaid mental health plan. To help ensure that such plans did not try to contain costs by inappropriately limiting beneficiaries' access to care, the Health Care Financing Administration (HCFA) required the states to allow beneficiaries to choose their providers, set contract standards for service levels, and reduce or eliminate requirements for prior authorization for outpatient care. The states took several other steps to discourage the underprovision of services. To monitor the quality of their carveouts, the states supplemented federal requirements with other strategies, such as site visits, ombudsmen, and monetarily rewarded quantitative mental health performance goals. HCFA's oversight consisted mainly of reviewing and approving carveout applications, targeting specific issues, and providing minimal written guidance and limited staff expertise in mental health managed care issues. HCFA is strengthening its oversight by collaborating with the Substances Abuse and Mental Health Services Administration and test-piloting an early monitoring program.

Skilled Nursing Facilities: Medicare Payments Need to Better Account for Nontherapy Ancillary Cost Variation

GAO/HEHS-99-185, Sept. 30 (23 pages).

The Balanced Budget Act of 1997 replaced Medicare's cost-based payment method for skilled nursing facility (SNF) care with a prospective payment system. Concern has arisen over whether rates under the new system are adequate, and legislation has been proposed to raise them. GAO found that total Medicare payments for all SNFs are likely to be adequate, if not generous, to cover the costs of nontherapy ancillary services, but the payment system's method may not allow for correctly raising or lowering payments across patient groups to reflect expected differences in need. Therefore, Medicare payments for certain patient groups may be too high or too low, relative to the average. Assessing the adequacy of total Medicare payments to any SNF would require considering total Medicare

costs and payments over the entire year. Aware of concern about the issue, the Health Care Financing Administration has commissioned relevant research. Meanwhile, GAO suggests a method of payment distribution, assessment, and recalculation of weights if problems are found.

Testimony

Medicare: HCFA Oversight Allows Contractor Improprieties to Continue Undetected, by Leslie G. Aronovitz, Associate Director, Health Financing and Public Health Issues, and Robert H. Hast, Acting Assistant Comptroller General for Special Investigations, before the House Committee on Commerce, Subcommittee on Oversight and Investigations. GAO/T-HEHS/OSI-99-174, Sept. 9 (13 pages).

The Health Care Financing Administration (HCFA) paid its Medicare fee-for-service claims administration contractors \$1.6 billion in fiscal year 1998 to serve as the program's first line of defense against inappropriate and fraudulent claims. Since 1993, eight contractors have been convicted of criminal offenses, have been fined, or have entered into civil settlements. Several of their employees engaged in improprieties and covered up poor performance to allow contractors to keep their Medicare business. Improper activities included improperly screening, processing, and paying claims; destroying claims; and failing to properly collect money providers owed Medicare. Contractors also falsified their performance results and tried to deceive HCFA and circumvent its performance reviews. HCFA often failed to detect improper activities because it gave contractors too much advance notice of its oversight visits and record reviews. Weaknesses in HCFA's current oversight might allow the same types of activities to continue undetected. GAO believes that HCFA plans to act on recommendations GAO made in July 1999 regarding its contractor management policy and plans, assessment, evaluation, and oversight. Although this will help improve its management and oversight of the contractors, it will not make Medicare less vulnerable to their abuses.

Medicare Post-Acute Care: Better Information Needed Before Modifying BBA Reforms, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the House Committee on Commerce, Subcommittee on Health and Environment. GAO/T-HEHS-99-192, Sept. 15 (15 pages).

The Balanced Budget Act of 1997 seeks to make Medicare a more efficient and prudent purchaser of post-acute care services. The act's payment

reforms are changing home health care, skilled nursing facility, and rehabilitation therapy service delivery practices. There is still not enough information to distinguish desirable from undesirable consequences, so that calls to amend or repeal the Act are premature. But imperfections in the design of the payment system require attention. The prospective payment system is an appropriate long-term tool for access to Medicare's home health benefits but will require adjustment when more information on cost, use, and users becomes available. The Health Care Financing Administration is working on a solution to the problem that prospective payment system rates may underpay for high-cost skilled nursing facility care, leading to beneficiaries' staying longer in acute care hospitals. A system for basing outpatient rehabilitation therapy payments on need, rather than on dollar caps, might help better target the beneficiaries who genuinely require services.

Medicare Reform: Ensuring Fiscal Sustainability While Modernizing the Program Will Be Challenging, by David M. Walker, Comptroller General of the United States, before the House Committee on Ways and Means, Subcommittee on Health. GAO/T-HEHS/AIMD-99-294, Sept. 22 (21 pages).

The affordability of Medicare reform proposals should be considered in relation to the long-term sustainability of Medicare expenditures, the fairness to providers and beneficiaries, the adequacy of resources for allowing appropriate access and cost-effective and clinically meaningful innovations for addressing beneficiaries' needs, the feasibility for implementation and monitoring, and the transparency about costs and policy tradeoffs. Current proposals would modernize Medicare's financing and organization by changing fee-for-service or Medicare+Choice options or offering premium support, such as that of the Federal Employees Health Benefits Program. Benefit options being considered include covering outpatient prescription drugs and limiting beneficiaries' cost liability. Congress should consider fiscal incentives to control costs and a targeting strategy when deliberating these options. Reform will be done best with lead time to phase in changes and with prudent decisions about how to use current and projected budget surpluses.

Blood Supply: Availability of Blood, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the House Committee on Commerce, Subcommittee on Oversight and Investigations. GAO/T-HEHS-99-195, Sept. 23 (14 pages).

The National Blood Data Resource Center projects that the demand for blood will outstrip its supply by next year. GAO believes that the Center has overstated the decline in supply. Most of the decline the Center found was in donations targeted for specific individuals, not in the community supply available to everyone else in need. Also, blood banks fear that supply losses will exceed estimates of losses arising from the Food and Drug Administration's recommended exclusion of blood donated by individuals who spent six or more months in the United Kingdom between 1980 and 1996. The exclusion is based on concern over the transmissibility of a new variant of so-called "mad cow" disease among humans. The Department of Health and Human Services has proposed removing barriers to donations from individuals with hemochromatosis, a treatable iron-overload disease, to make up for some of the loss from U.K. donors, but consequent increases in blood supply would have to wait for changes in current regulations. GAO concludes that the blood supply is not in crisis but that there is cause for concern about the possibility of some regional shortages and shortages of some types of blood.

Medicare: Beneficiaries' Prescription Drug Coverage, by Laura A. Dummit, Associate Director, Health Financing and Public Health Issues, before the House Committee on Commerce, Subcommittee on Health and Environment. GAO/T-HEHS-99-198, Sept. 28 (11 pages).

In deliberating Medicare and the rising availability, cost, and use of prescription drugs, Congress faces a policy dilemma: The lack of a prescription drug benefit may impede beneficiaries' access to treatment advances while adding that benefit could be costly to the program. One possible resolution would be to model the benefit after Medicaid's drug rebate program; price discounts could be substantial, but beneficiaries would have no incentive to make cost-conscious decisions about drug use. Another possible resolution would be to do what the private sector does in negotiating price discounts from manufacturers in exchange for shifting market share. However, Medicare's using pharmacy benefit managers to process claims, negotiate with manufacturers, establish preferred drug lists, and develop beneficiary incentives for controlling spending would be difficult because of the program's size, need for transparency, and imperative for equity.

Correspondence

Nursing Home Oversight: Industry Examples Do Not Demonstrate That Regulatory Actions Were Unreasonable. GAO/HEHS-99-154R, Aug. 13.

Private Health Insurance: Estimates of Effects of Health Insurance Tax Credits and Deductions as Proposed in H.R. 2261. GAO/HEHS-99-188R, Sept. 13

Blood Supply: Availability of Blood to Meet the Nation's Requirements. GAO/HEHS-99-187R, Sept. 20.

HCFA's Approval and Oversight of Private Accreditation Organizations. GAO/HEHS-99-197R, Sept. 30.

Housing

Correspondence

Tax Credits: The Use of Tenant-Based Assistance in Tax-Credit-Supported Properties. GAO/RCED-99-279R, Sept. 17.

Income Security

Social Security Reform: Implications of Raising the Retirement Age

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

Raising the normal or earliest eligibility age for retirement 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.

Supplemental Security Income: Additional Actions Needed to Reduce Program Vulnerability to Fraud and Abuse

GAO/HEHS-99-151, Sept. 15 (35 pages).

The impairments of many Supplemental Security Income (SSI) beneficiaries are difficult to verify, making the program vulnerable to fraud and abuse. GAO's review of a sample file of beneficiaries found that more than 60 percent had mental or physical disorders. In the six states GAO reviewed, providers who were examined for defrauding Medicaid, Medicare, or private insurance companies furnished some portion of the supporting medical evidence for more than 6 percent of 208,000 disabled SSI recipients. More than 96 percent of the 158 officials and staff GAO interviewed said that middlemen continue to help people improperly qualify for SSI benefits. The Social Security Administration (SSA) established pilot fraud investigation teams in five states in 1998 to examine individual cases of suspected fraud and abuse, developed new policies and procedures that make it easier to deny claims or terminate benefits when fraud or abuse is detected, and strengthened its ability to handle clients who do not speak English. Although the pilot teams have had positive results, these actions' overall effectiveness has been limited by the staff's reliance on their perceptions to identify suspicious claims and the lack of valuable information with which to judge claims' validity. SSA and Disability Determination Services staff do not always follow the new procedures because they conflict with the agency's emphasis on speedy claims processing, make them vulnerable to legal liability, and do not appear to cut the involvement of suspicious middlemen and medical providers in SSI cases. GAO recommends that SSA establish a national information system to help identify cases that warrant greater scrutiny, reevaluate its work credit and incentive structure to encourage attention to detecting fraud, and reexamine its policy toward interpreters.

Information Management

Telecommunications: Process by Which Mergers of Local Telephone Companies Are Reviewed

GAO/RCED-99-223, Aug. 20 (29 pages).

One of the main goals of the Telecommunications Act of 1996 was to promote competition within telecommunications markets. Since the law was enacted, some large telephone companies have merged, and other mergers are pending. In response to congressional concerns about industry consolidation, this report provides information on (1) the standards and processes under which mergers between local telephone companies are evaluated and approved by governmental bodies and (2) the implementation of this process in the Bell Atlantic-NYNEX

merger—the largest local telephone merger completed when GAO began its work in early 1999—and the effects of the merger that can now be observed.

**IRS' Year 2000 Efforts:
Actions Are Under Way to Help Ensure That Contingency Plans Are
Complete and Consistent**

GAO/GGD-99-176, Sept. 14 (16 pages).

Two of the Internal Revenue Service's (IRS) continuity and contingency plans—one for processing paper tax returns that result in a refund and the other for receiving paper submissions—were inconsistent and incomplete in two key areas specified by IRS' guidance: performance goals and mitigating actions. These weaknesses raise questions about whether these two plans adequately ensure that IRS has taken all the necessary steps to reduce the impact of a potential Year 2000 failure. GAO has informed IRS about its concerns. In response, IRS has agreed to make changes to improve the completeness and consistency of these two plans. They also said that they have designated someone to determine the extent to which other plans may have similar weaknesses and revise the plans as needed. Also, IRS assigned one of its Year 2000 contractors to set up a mechanism by which IRS could track the implementation of business continuity and contingency plan actions.

**Federal Reserve Banks:
Areas for Improvement in Computer Controls**

GAO/AIMD-99-280, Sept. 15 (17 pages).

This report follows up on efforts by the Federal Reserve Banks to address vulnerabilities that GAO cited in a fiscal year 1997 audit. (See GAO/AIMD-99-6, Oct. 1998.) GAO also discusses the effectiveness of general and application controls that support key automated financial systems at the Treasury's Financial Management Service and the Bureau of the Public Debt—systems that are run by the Federal Reserve Banks. Overall, GAO found that the Federal Reserve Banks had implemented effective general and application controls. However, GAO identified vulnerabilities involving general and application computer controls—shortcomings that, although not having a significant adverse impact on key systems at the Financial Management Service and the Bureau of the Public Debt, did warrant attention and action from the Federal Reserve Banks.

**Year 2000 Computing Challenge:
Readiness of USDA High-Impact Programs Improving, But More
Action Is Needed**

GAO/AIMD-99-284, Sept. 30 (36 pages).

The lead agencies at the Agriculture Department have made progress in ensuring the Year 2000 readiness of high-impact programs—those critical to public safety and well-being, such as food stamps and food safety inspections. However, the Food and Nutrition Service and the Food Safety Inspection Service still have a long way to go within the limited time remaining to fully meet their high-impact program responsibilities. Moreover, much work remains because neither agency has defined the milestones for the following activities called for by the Office of Management and Budget: (1) completing complementary business continuity and contingency plans, (2) publicly demonstrating the Year 2000 readiness of programs, and (3) developing a plan to ensure that the programs will operate effectively.

**Year 2000 Computing Crisis:
Readiness of the Telecommunications Industry**

GAO/AIMD-99-293, Sept. 30 (44 pages).

Basic network services are unlikely to be immediately disrupted by the Year 2000 problem even if networks are left unremediated, according to experts. However, telecommunications carriers could still experience problems with network maintenance, service billing, or operator interfaces, such as incorrect date or day-of-week displays. Major U.S. public telecommunications carriers have reported making good progress in remediating their networks and supporting systems in order to head off these types of Year 2000 problems. The status of international carriers' renovation efforts is less certain. In response to the lack of information on the status of medium and small carriers, the Federal Communications Commission is doing a survey, the U.S. Telephone Association is polling its members, and the National Association of Regulatory Utility Commissioners is doing state-by-state assessments. The testing efforts undertaken during the last year by domestic carriers further indicate that remediating networks will not experience major disruptions as a result of the Year 2000 computer problem. Internationally, the Network Reliability and Interoperability Council reported this year that, although countries around the world continue to make progress, with some exceptions, their

efforts have not matched the pace of efforts in the United States and Canada. In addition to renovating and testing telecommunications systems and networks, carriers and the industry must also plan for unexpected failures, such as power losses. Telecommunications carriers are updating their existing contingency plans to reflect Year 2000-related contingencies, but details on these plans, such as when they will be completed, are not yet available.

Testimony

Year 2000 Computing Challenge: FAA Continues to Make Important Strides, but Vulnerabilities Remain, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Technology, House Committee on Science, and the Subcommittee on Government Management Information and Technology, House Committee on Government Reform. GAO/T-AIMD-99-285, Sept. 9 (23 pages).

The Federal Aviation Administration (FAA) depends on hundreds of critical computer systems to control air traffic, target airlines for inspection, and provide up-to-date weather reports to pilots and air traffic controllers. Many of these systems could fail unless proper date-related calculations are done in preparation for the Year 2000 computer problem. Malfunctioning systems could inconvenience hundreds of thousands of travelers, increase airline costs, ground or delay flights, and degrade safety levels. This testimony discusses (1) FAA's progress so far; (2) challenges the agency faces in ensuring that its internal systems will work; (3) risks associated with external groups—specifically airports, airlines, and international organizations; and (4) the critical need for business continuity and contingency plans that identify how aviation operations will continue should systems fail.

Year 2000 Computing Challenge: Status of the District of Columbia's Efforts to Renovate Systems and Develop Contingency and Continuity Plans, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before the Subcommittee on the District of Columbia, House Committee on Government Reform. GAO/T-AIMD-99-297, Sept. 24 (15 pages).

The District of Columbia is particularly vulnerable to Year 2000 problems because of its widespread dependence on computer systems to deliver important public services—from public safety to revenue collection to education and health care. GAO testified last fall that the District is about a year behind recommended schedules for correcting Year 2000 computer

problems. (See GAO/T-AIMD-99-4, Oct. 1998.) More recently, GAO testified that the District lagged far behind schedule but that its Year 2000 Program Office had taken positive steps to address GAO's earlier recommendations. (See GAO/T-AIMD-99-84, Feb. 1999.) In this testimony, GAO indicates that the District is largely following GAO's recommendations. The District has made notable progress in remediating mission-critical systems and has made a good start in developing business continuity and contingency plans. However, because of its overall late start, the District still faces a very real problem: running out of time. Remediation measures for many mission-critical systems are not yet complete, testing is far from finished, and schedules for some projects have slipped in recent months. Furthermore, even though the District has made a good start on the initial phase of its business continuity and contingency planning effort, it was unable to give GAO a complete overview of the status of the next—and most important—phase of its planning work, which will involve adding operational detail and testing plans.

Year 2000 Computing Challenge: The District of Columbia Cannot Reliably Track Y2K Costs, by Gloria L. Jarmon, Director of Health, Education, and Human Services Issues, before the Subcommittee on the District of Columbia, House Committee on Government Reform. GAO/T-AIMD-99-298, Sept. 24 (eight pages).

This testimony provides an update on financial management issues related to the District of Columbia's Year 2000 effort. GAO discusses the following three areas: (1) the funds provided and the District's reported expenditures so far, (2) the District's ability to track its Year 2000 costs, and (3) additional funding requested by the District.

Year 2000 Computing Challenge: HCFA Action Needed to Address Remaining Medicare Issues, 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, and the Subcommittee on Technology, House Committee on Science. GAO/T-AIMD-99-299, Sept. 27 (28 pages).

Successful Year 2000 conversion of the computer systems that the Health Care Financing Administration (HCFA) and its contractors use to process Medicare claims is essential to guarantee the unimpeded delivery of health care services to millions of Americans. GAO reported in April 1999 that HCFA has responded to GAO's recommendations for improving the agency's

program management but that critical Year 2000 risks and challenges remained. (See GAO/T-AIMD-99-160.) This testimony summarizes HCFA's progress in addressing its Year 2000 problems and describes the key challenges that remain in completing the final Year 2000 tests of HCFA's mission-critical systems by November 1, 1999. GAO also discusses the need for HCFA to (1) ensure that Medicare contractors are testing with providers; (2) monitor managed care organization's efforts to address their Year 2000 risks; and (3) complete and validate internal, contractor, and managed care organization business continuity and contingency plans.

Information Security: The Proposed Computer Security Enhancement Act of 1999, by Keith A. Rhodes, Director of the Office of Computer and Information Technology Assessment, before the Subcommittee on Technology, House Committee on Science. GAO/T-AIMD-99-302, Sept. 30 (12 pages).

Security threats to the government's computer systems are significant and growing. The dramatic rise in computer interconnectivity, coupled with the popularity of the Internet, have made it easier for people to intrude into poorly protected systems and to obtain sensitive information, commit fraud, or disrupt operations. At the same time, the number of people with the skill to "hack" into computer systems is on the rise. Federal web sites have already had to deal with a spate of break-ins. Recently, the government had to cope with the threat of the "Melissa" computer virus. Although that incident caused relatively little damage, it is likely that the next virus will propagate faster, do more damage, and be harder to detect. Yet GAO and others have found that federal agencies are ill prepared to deal with these evolving threats. GAO urges the federal government to swiftly implement long-term solutions at both individual agencies and governmentwide to protect systems and sensitive data. In GAO's view, the Computer Security Enhancement Act of 1999 takes several positive steps toward addressing the proliferation of networked systems and the need for better protection over sensitive data belonging to both the government and the private sector. First, the bill requires the National Institute of Standards and Technology to provide guidance and assistance to federal agencies. Second, the bill requires the Commerce Department to establish a clearinghouse of information available to the public on information security threats. Third, the bill requires the National Research Council to assess the desirability of key public infrastructures and the technologies needed to establish such key infrastructures. Fourth, the bill establishes a panel to explore developing a national digital signature infrastructure. GAO also discusses what can be done to further strengthen security program

management at individual agencies as well as governmentwide leadership, coordination, and oversight.

Correspondence

Reported Year 2000 (Y2K) Readiness Status of 25 Large School Districts.
GAO/AIMD-99-296R, Sept. 21.

International Affairs

Foreign Assistance: U.S. Rule of Law Assistance to Five Latin American Countries

GAO/NSIAD-99-195, Aug. 4 (41 pages).

The United States has provided rule of law assistance to Latin America and the Caribbean to improve these countries' justice systems in order to strengthen democracy. During the 1990s, such assistance has focused on supporting efforts to reform criminal justice systems, including judicial institutions and the police and other law enforcement agencies. This report examines U.S. rule of law assistance programs in the following five Latin American countries: Colombia, El Salvador, Guatemala, Honduras, and Panama. The United States has provide more than \$160 million worth of rule of law assistance to these countries since the early 1990s—mainly through the U.S. Agency for International Development and the Justice Department. GAO discusses (1) what U.S. rule of law assistance has helped each country achieve, (2) what factors have affected implementation of reforms in the respective criminal justice systems, and (3) how U.S. missions in each country plan and coordinate their rule of law assistance programs.

Foreign Assistance: USAID Faces Challenges Implementing Regional Program in Southern Africa

GAO/NSIAD-99-237, Sept. 30 (27 pages).

The U.S. Agency for International Development (USAID) created the Initiative for Southern Africa in 1994 to address problems from a regional perspective and to identify solutions that can go beyond what can be accomplished by any one country. The Initiative has three strategic objectives: to promote an integrated regional market, to accelerate adoption of sustainable agriculture and natural resource management approaches, and to strengthen indigenous southern African organizations

to promote democratic values and institutions in the region. This report outlines (1) the specific activities that USAID's Regional Center has conducted to implement the Initiative, (2) the extent to which this regional program complements USAID's bilateral programs in the region, and (3) the challenges that the Regional Center faces in implementing the Initiative.

Testimony

Export Promotion: U.S. Export Assistance Centers' Efforts to Support U.S. Businesses, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the Subcommittee on Tax, Finance, and Exports, House Committee on Small Business. GAO/T-NSIAD-99-242, Sept. 9 (eight pages).

Research by GAO and others in the late 1980s and early 1990s found that export assistance at the federal level was fragmented among 10 different agencies. In response, U.S. Export Assistance Centers were created to strengthen the delivery of export promotion programs by serving as "one-stop shops" that would provide information on all export promotion activities available to U.S. firms seeking assistance. There are currently 10 centers. This testimony, which draws on a recent GAO report (GAO/NSIAD-99-180, June 1999), discusses (1) efforts by center agencies to improve coordination among federal agencies and nonfederal export service providers and (2) the challenges that center agencies face in their efforts to better meet the needs of the business community—particularly firms that export services and firms that are not yet ready to export.

Correspondence

U.S. Export-Import Bank's Financing of Dual-Use Exports. GAO/NSIAD-99-241R, Sept. 1.

Justice and Law Enforcement

Anti-Car Theft Act: Issues Concerning Additional Federal Funding of Vehicle Title System

GAO/GGD-99-132, Aug. 13 (20 pages).

In response to a surge in motor vehicle theft, Congress created the National Motor Vehicle Title Information System in 1992. The system is designed to allow users to instantly and reliably validate out-of-state motor vehicle titles for states that are retitling a vehicle and generate a history of the vehicle being retitled, including the vehicle's previously recorded

odometer reading and any salvage information. The American Association of Motor Vehicle Administrators is working with the Justice Department to develop and test the system. This report determines (1) the current status of the system and (2) whether Justice has evaluated the system's expected costs and benefits to ensure that additional federal investment in the system is justified.

**Prison Work Programs:
Inmates' Access to Personal Information**

GAO/GGD-99-146, Aug. 18 (56 pages).

As of September 1998, about 1,400 inmates in federal and state prisons—out of a population of 1.2 million inmates—had access to personal information through prison work programs, according to prison industry officials. About 1,100 inmates had access to names and dates of birth or Social Security numbers. These inmates were doing work, such as data entry, for the federal, state, or local governments. The Bureau of Prisons and all of the 19 states responding to GAO's survey reported using various safeguards to prevent inmates from misusing the information. The safeguards range from close supervision to selective hiring to security checks at the exits from the work areas. Questionnaire respondents described nine incidents in which inmates misused personal information or names and addresses or telephone numbers obtained through prison work programs. In four of the incidents, inmates either physically removed information from the work areas or memorized material. In five of the incidents, the work programs were discontinued.

**Legal Services Corporation:
More Needs to Be Done to Correct Case Service Reporting Problems**

GAO/GGD-99-183, Sept. 20 (28 pages).

The Legal Services Corporation (LSC), operating through grantees, provides legal assistance in civil matters to low-income persons. In the past year, LSC's Office of Inspector General and GAO have cited misreporting by grantees on both the number of cases they closed in 1997 and the number they had open at the end of that year. The accuracy of the data is important because LSC has used case statistics to seek higher funding and Congress has considered these statistics in setting funding for LSC. This report determines (1) what efforts LSC and its grantees have made

to correct problems with case service reporting and (2) whether these efforts are likely to resolve the case reporting problems that occurred in 1997. GAO summarized this report in testimony before Congress; see:

Legal Services Corporation: More Needs to Be Done to Correct Case Service Reporting Problems, by Laurie E. Ekstrand, Director of Administration of Justice Issues, before the Subcommittee on Commercial and Administrative Law, House Committee on the Judiciary. GAO/T-GGD-99-185, Sept. 29 (11 pages).

National Defense

Military Personnel: Perspectives of Surveyed Service Members in Retention Critical Specialties

GAO/NSIAD-99-197BR, Aug. 16 (49 pages).

Concerns have been raised about the Defense Department's (DOD) ability to retain members of the armed forces and to maintain the overall quality of life in the military. More than half of the 1,000 officers and enlisted military personnel GAO surveyed said that they were dissatisfied and intended to leave the military after their current obligation or term of enlistment. Many were unhappy with work circumstances, including a lack of equipment and materials with which to complete daily work assignments, the undermanning of units, the frequency of deployments, and the lack of personal time for family. The nature of military compensation as well as military benefits were also sources of dissatisfaction. The quality-of-life factors that are the top sources of satisfaction for military personnel were traditional morale, welfare, and recreation services, such as fitness and sport activities, as well as commissaries and exchanges and chaplain services. One factor associated with work circumstances that both officers and enlisted personnel were satisfied with was their immediate supervisors. The survey findings suggest that efforts to retain military personnel in critical specialties and to effectively and reliably assess the quality of military life should focus on military service members' work circumstances.

Defense Acquisitions: Comanche Program Cost, Schedule, and Performance Status

GAO/NSIAD-99-146, Aug. 24 (20 pages).

The Comanche helicopter program, with a total projected cost of \$48 billion, is the Army's largest aviation acquisition program. It began in 1983 as an effort to replace the Army's aging fleet of aging fleet of light utility, reconnaissance, and attack helicopters. Since then, the program has been restructured five times and is still in development. GAO found that the Comanche's restructure program is at significant risk of cost overruns, schedule delays, and degraded performance because it would (1) begin the engineering and manufacturing development phase before some key mission equipment technologies have matured and have been integrated into the flight-test aircraft; (2) compress the flight-test schedule, increasing the amount of concurrent development and operational testing; and (3) begin initial production before initial operational testing starts, resulting in concurrency between development testing and initial production. Successful commercial firms generally do not move into product development and production with such high levels of uncertainty. The Army is proposing changes to the aircraft that would adversely affect some of the Comanche's planned performance capabilities. For example, to meet increase range requirements for some missions, the Army plans to use external fuel tanks that would likely reduce the helicopter's planned stealth, cruising speed, and maneuverability. The Army acknowledges that it will not be able to restructure the Comanche program within its estimate of \$4.4 billion through fiscal year 2006. A recent analysis found that program costs would exceed the Army's current estimate by about \$150 million. DOD also believes that shortfalls in near-term funding could lead to a 6- to 12-month funding delay, which could add as much as \$425 million to the program's overall development costs. Moreover, the Army's accelerated technology development and testing plans increase the risk of additional schedule delays and cost increases.

**Defense Acquisitions:
Challenges Associated With Implementing the Joint Tactical
Radio System**

GAO/NSIAD-99-179, Sept. 9 (32 pages).

The Defense Department (DOD) is consolidating various service-unique radio acquisition programs into the Joint Tactical Radio System (JTRS). Through this consolidation, DOD expected to acquire JTRS units to replace all of its current radio inventory, avionics upgrades, appropriate satellite terminals, and personal communications systems. Although total program costs have yet to be determined, DOD estimates that it could cost billions to replace about 200 types of radios. The JTRS' key objectives are to save

money, improve performance, and deliver an interoperable communications system that allows joint and coalition forces to work together. This report evaluates the JTRS acquisition strategy and management plans. GAO (1) determines the status of the program, including DOD development plans, and (2) identifies challenges program officials will face in implementing the JTRS acquisition strategy.

**Defense Acquisitions:
Evaluation of the Navy's 1999 Naval Surface Fire
Support Assessment**

GAO/NSIAD-99-225, Sept. 14 (nine pages).

This is the third and final report in a series on naval surface fire-support issues. GAO's first report examined the readiness of the remaining Iowa class battleships and their logistic support structure. (See GAO/NSIAD-99-62, Apr. 1999.) The second discussed the Navy's plans and costs for modernizing its surface fire-support capabilities. (See GAO/NSIAD-99-91, June 1999.) This report analyzes the Navy's assessment of the long-term and short-term costs associated with alternative methods for executing the naval surface fire-support mission, including the alternative of reactivating two battleships.

**Military Infrastructure:
Real Property Management Needs Improvement**

GAO/NSIAD-99-100, Sept. 7 (160 pages).

The long-standing absence of data with which to make funding decisions and rising backlogs in infrastructure repairs have raised concerns in Congress about the Defense Department's (DOD) management and maintenance of its properties. This review of real property maintenance management focuses on the properties that the military maintains and repairs using funds from DOD's operation and maintenance account. GAO (1) analyzes how the services determine and prioritize maintenance and repair requirements and how they allocate resources to meet their needs, (2) identifies promising practices in facility management that the services could consider, and (3) identifies barriers to implementing these practices and ways to address them.

**Depot Maintenance:
Status of the Navy's Pearl Harbor Pilot Project**

GAO/NSIAD-99-199, Sept. 10 (44 pages).

In recent years, the Navy has made many changes to make its fleet support activities more efficient and effective. The Navy assumed that consolidating similar activities within a region could eliminate inefficiencies and redundancies. In 1998, as part of this effort, the Navy began a pilot project consolidating the management, operations, and funding of the Pearl Harbor Naval Shipyard and the Naval Intermediate Maintenance Facility in Hawaii. The Navy expects that the pilot project will serve as a model for other possible consolidations by showing that integrating shipyard and other intermediate activities can yield greater efficiency and lower overall unit costs. This report discusses (1) the preliminary results of the Pearl Harbor pilot project on improving performance of maintenance activities, (2) the usefulness of the pilot as a model for future consolidations, and (3) issues related to financial and organizational structures for such consolidations.

**Gender Issues:
Trends in the Occupational Distribution of Military Women**

GAO/NSIAD-99-212, Sept. 14 (51 pages).

Significant changes in legislation and policy have allowed women to fly combat aircraft, serve on combat ships, and serve in more combat-related jobs. As of September 1998, 90 percent of the military's 1,425,000 positions were open to women. GAO found that a large percentage of military women continue to work in the areas of health care, administration, personnel, and supply occupations. However, data suggest that military women are beginning to enter more nontraditional fields, such as aviation, surface warfare, air traffic control, and field artillery. Although most military occupations and career fields are open to women, GAO identified two institutional barriers that limit the number of women going into these occupations. First, because of military policies, some units are closed to women even though the units may include occupations that are open to women. For example, the Navy limits the number of enlisted women in its nuclear training program because women cannot serve on submarines. Another barrier is the test used to match enlisted personnel to occupations, which contains sections that are based on exposure to a subject instead of aptitude. For example, women tend not to test well on

knowledge of automotive components, systems, tools, and repairs because they often have had little or no experience with these subjects.

**Defense Inventory:
Improved Management Framework Needed to Guide Army Best
Practice Initiatives**

GAO/NSIAD-99-217, Sept. 14 (28 pages).

The secretary of each military department is required to submit to Congress a schedule for implementing best commercial inventory practices for the acquisition and distribution of secondary inventory items. A best commercial inventory practice is defined as a practice that enables military departments to reduce inventory levels while improving the responsiveness of the supply system to users' needs. Implementation of such best practices must be completed by October 2003. This report evaluates the Army's best practices implementation schedule, which was sent to Congress in June 1999. GAO (1) evaluates the extent to which that schedule responds to the provisions of the law and (2) identifies the specific elements of a management framework needed for effective implementation and oversight of the Army's best practice initiatives.

**Military Operations:
Some Funds for Fiscal Year 1999 Contingency Operations Will Be
Available for Future Needs**

GAO/NSIAD-99-244BR, Sept. 21 (54 pages).

U.S. military forces are participating in several contingency operations in 1999, most notably in the Balkans and Southwest Asia. Through June 1999, the Pentagon reported about \$4 billion in incremental costs for contingency operations for fiscal year 1999 and projected several billion dollars in additional costs through the end of the fiscal year. GAO believes that there is enough funding for all fiscal year 1999 contingency operations and that as much as \$475 million of the funds originally appropriated for fiscal year 1999 contingency operations could be applied to next year's funding requirements. The availability of these funds is due primarily to the fact that combat operations in Kosovo ended in June 1999, rather than continuing to the end of the fiscal year, as expected. The Defense Department agrees that enough money is available to meet fiscal year 1999 costs but believes that only \$138 million will be available to apply to fiscal year 2000 funding requirements.

**Medicare Subvention Demonstration:
DOD Start-Up Overcame Obstacles, Yields Lessons, and
Raises Issues**

GAO/GGD/HEHS-99-161, Sept. 28 (52 pages).

Most of the 1.3 million military retirees aged 65 and older are eligible for Medicare as well as for military health benefits. Many of these “dual eligibles” are enrolled in traditional fee-for-service Medicare or a Medicare health maintenance organization (HMO). The Defense Department (DOD) has launched a demonstration designed to test whether DOD, by forming Medicare HMOs at six sites, can deliver accessible, quality health care to military retirees while not increasing costs to the government. Some of these Medicare enrollees obtain Medicare-covered health services at military treatment facilities as well as from their private physician or HMO. Medicare had previously been prohibited from reimbursing DOD, which had paid for these services from appropriated funds. In principle, the subvention demonstration offers several advantages. It allows older retirees to obtain Medicare managed care within the military health care system—an option that military retiree groups support. It also enables DOD to receive Medicare funds for services to Medicare-eligible retirees, beyond what DOD was already providing at its own expense. Medicare might gain from the subvention demonstration if its payments to DOD are lower than what Medicare would otherwise have paid on behalf of these beneficiaries. Key features of the demonstration are new, however, and there are many questions about how the program will work out. This report looks at program implementation during the start-up phase. GAO (1) discusses progress in establishing the ground rules for program operation, receiving approval from the Health Care Financing Administration, attracting enrollment, and starting to deliver health care services; (2) presents information on useful practices and operational problems that emerged during program start-up; and (3) draws on experiences so far to identify issues for the future.

**Defense Health Care:
Appointment Timeliness Goals Not Met; Measurement Tools
Need Improvement**

GAO/HEHS-99-168, Sept. 30 (24 pages).

Congress has questioned whether beneficiaries of the military’s health maintenance organization—TRICARE Prime—are able to schedule timely

appointments for care. GAO found that 70 percent of appointments for a routine visit at a military treatment facility were scheduled within the Defense Department's (DOD) timeliness standard and that 80 to 97 percent of appointments for acute or preventive care or for specialists were so scheduled. Active duty military and other enrollees may not obtain appointments within DOD's standard because enrollees sometimes request a date later than one offered within the standard, DOD permits nonenrollees to make appointments and obtain care at the facilities, and military beneficiaries traditionally use health care at a higher rate than do private-sector beneficiaries. DOD's current tools for measuring appointment timeliness are inadequate, although it is attempting to improve them. GAO recommends that DOD modify and use its Composite Health Care System instead of its Customer Satisfaction Survey and report the results at all levels. DOD should also test a policy for canceling appointments for nonenrollees when active military or other TRICARE Prime enrollees request care.

**Foreign Military Sales:
Review Process for Controlled Missile Technology
Needs Improvement**

GAO/NSIAD-99-231, Sept. 29 (29 pages).

The United States has sold sensitive military items through the foreign military sales program over the years because the items are presumed by some to be better controlled by the programs than through direct commercial sales. The U.S. government relies on a complex process with many participants to determine which technology may be transferred as part of a sale through the program. The U.S. government has not established a process for ensuring that certain controlled items are fully and systematically identified when reviewing requests or approving agreements under the program. As a result of weaknesses in the review process, items controlled by an international missile nonproliferation agreement have been transferred under the program without proper review and approval. The Defense Department's proposals to reform the program now focus on reducing the time for making technology transfer decisions.

**Defense Management:
Army Could Achieve Efficiencies by Consolidating
Ammunition Management**

GAO/NSIAD-99-230, Sept. 30 (26 pages).

The Army contracted with the Pacific Northwest National Laboratory in June 1996 to do a comprehensive study of the management and configuration of the ammunition industrial base, which includes both government-owned and private sector ammunition plants. The study, completed the following year, recommended several ways to address the fragmentation of management responsibilities and accountability as well as the inefficiencies that affect the industrial base. The budget for conventional ammunition programs was about \$2 billion in fiscal year 1999. This report reviews the Army's implementation of the study's recommendations. GAO assesses the Army's (1) progress toward reorganizing the management of conventional ammunition to address the fragmentation issues and (2) efforts to improve business practices to enhance the efficiency of ammunition production and procurement. This is the first in a series of GAO reports that will address such issues as demilitarization, capacity utilization, and the storage of conventional ammunition.

Correspondence

National Defense Stockpile: Sales Revenue and Inventory Data.
GAO/NSIAD-99-201R, Aug. 20.

DOD Competitive Sourcing: Air Force Reserve Command A-76
Competitions. GAO/NSIAD-99-235R, Sept. 13.

DOD T&A [Time and Attendance] System Controls: Military Leave Records
and Approval of Leave Requests. GAO/AIMD-99-283R, Sept. 22.

Fiscal Year 2000 Budget: DOD's Procurement and RDT&E [Research,
Development, Test, and Evaluation] Programs. GAO/NSIAD-99-233R, Sept. 23.

Natural Resources

Testimony

Federal Wildfire Activities: Issues Needing Future Attention, by Barry Hill, Associate Director, Energy, Resources, and Science Issues, before the Subcommittee on Forests and Forest Health, House Committee on Resources. GAO/T-RCED-99-282, Sept. 14 (10 pages).

Each year, wildfires on federal lands burn millions of acres of forests, grasslands, and desert plants. This testimony describes various aspects of the Forest Service's and the Bureau of Land Management's firefighting program. GAO discusses the process for budgeting for wildfire preparedness, the role of the National Interagency Fire Center, and the types of agreements that the agencies have with state and local firefighting organizations.

Fish and Wildlife Service: Options to Improve the Use of Federal Aid Programs' Administrative Funds, by Barry Hill, Associate Director, Energy, Resources, and Science Issues, before the House Committee on Resources. GAO/T-RCED-99-285, Sept. 29 (22 pages).

This testimony discusses the Fish and Wildlife Service's management and oversight of the administrative funds associated with the Wildlife Restoration Program and with the Sport Fish Restoration Program. Funding for these programs comes from federal excise taxes from the sale of firearms, ammunition, archery equipment, fishing equipment, and other items. Funds are distributed to states and other qualified government recipients for wildlife and sport fish restoration. GAO discusses ways to improve the program's use of administrative funds and the use of funds cited in earlier GAO testimony. (See GAO/T-RCED-99-259, July 1999.)

Correspondence

Conservation Reserve Program: Funding Requirements for the Natural Resources Conservation Service's Technical Assistance. GAO/RCED-99-247R, Aug. 5.

Science, Space, and Technology

Testimony

Space Transportation: Progress of the X-33 Reusable Launch Vehicle Program, by Allen Li, Associate Director for Defense Acquisitions Issues, before the Subcommittee on Science, House Committee on Science. GAO/T-NSIAD-99-243, Sept. 29 (11 pages).

The X-33 Reusable Launch Vehicle Program, a cooperative agreement between NASA and the Lockheed Martin Corporation, is developing advanced technologies and techniques needed for future launch vehicles. The vehicles are essentially spacecraft or rockets whose components will be used on later flights. If the program is successful, Lockheed Martin may build a small fleet of operational vehicles called VentureStars. One way for NASA to cut future launch costs may be to phase out the shuttle fleet and buy launch services from commercial sources. This testimony, which summarizes a recent GAO report (GAO/NSIAD-99-176, Aug. 1999), discusses (1) whether the X-33 program is meeting its original cost, schedule, and performance objectives; (2) how NASA conducts oversight under the cooperative agreement; and (3) the issues NASA may face if it decides to use Lockheed Martin's VentureStar to service the international space station. GAO also comments on the X-33 program's progress in meeting the intent of the National Space Transportation Policy.

Social Services

Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches

GAO/HEHS-99-179, Sept. 9 (44 pages).

Five evaluations of state welfare-to-work programs begun in the 1980s indicate that programs that offered a combination of rapid employment/job search activities and education/training activities more often increased employment and earnings and reduced welfare payments than did programs that focused solely on employment or on education. Two-year findings from an evaluation begun in 1992 show that each approach—employment and education—has increased participants' employment and earnings but that neither is clearly better than the other. However, the rapid-employment approach costs about half as much per

person as the education-based approach. Because none of these evaluations covered welfare reform under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, more needs to be known about how well different approaches perform. Little is known about the relationship between the educational attainment of parents receiving welfare and that of their children. Limited research indicates that a mother's higher educational attainment has a positive effect on her children's development in both welfare and nonwelfare populations.

Testimony

Welfare Reform: States' Implementation and Effects on the Workforce Development System, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the House Committee on Education and the Workforce, Subcommittee on Postsecondary Education, Training, and Life-Long Learning. GAO/T-HEHS-99-190, Sept. 9 (14 pages).

The most effective welfare-to-work approaches combine job search assistance with education and training. Those that do have better employment and earnings outcomes than those that do not. Since welfare reform, the states have been focusing on helping people find employment rather than giving them monthly cash assistance. States now tend to expect clients to test the job market for a time before they give them other services, and the states largely reserve education and vocational training for people who need them to get or keep a job or to advance in their careers. The goals and operations of the welfare system have thus become increasingly similar to those of the nation's workforce development system. Although the two systems are still largely independent, they have begun to work together to meet the needs of clients of the Temporary Assistance for Needy Families (TANF) program. GAO found that most adults who left welfare were employed afterward, usually in low-paying jobs, and that many returned to welfare. The emerging welfare challenges are to help people who are hardest to employ get and keep jobs; enhance opportunities for low-wage workers to maintain employment and increase their earnings; and foster greater collaboration between the two systems in order to meet the needs of TANF clients, such as through one-stop career centers.

Transportation

Commercial Maritime Industry: Updated Information on Federal Assessments

GAO/RCED-99-260, Sept. 16 (24 pages).

To support the country's maritime infrastructure, federal agencies are allowed to levy assessments—user fees, taxes, and other charges—upon the commercial maritime industry. There are now 124 assessments imposed on the industry. One of these assessments is the harbor maintenance fee, which funds virtually all dredging of U.S. ports. Last year, the Supreme Court ruled that the harbor maintenance fee violated the constitutional provisions of taxes imposed on exports. The import portion of this fee is being challenged by the European Union. The administration has proposed an alternative, cost-based user fee that would be assessed on commercial vessel operators. This suggestion has proved especially controversial with the commercial maritime industry, which contends that it is already burdened with heavy fees and taxes. This report provides a comprehensive summary of the assessments now levied on the commercial maritime industry

Transportation Infrastructure: FHWA Should Assess and Compare the Benefits of Projects When Awarding Discretionary Grants

GAO/RCED-99-263, Sept. 24 (41 pages).

The Department of Transportation can select and fund state transportation projects under several discretionary highway programs. In a November 1997 report, GAO found that the Federal Highway Administration's (FHWA) Office of the Administrator chose a declining proportion of projects that FHWA staff considered promising. In a May 1998 report, GAO found that the Office awarded a disproportionate number of projects and funds to projects located in Democratic congressional districts in the Public Lands Highways Program. As a result of these reports, the Transportation Equity Act of the 21st Century mandated several changes to the way in which Transportation awards discretionary grants. This report provides information on how FHWA has implemented the act's requirements and compares the results of the selection process for fiscal years 1998 and 1999.

**Reagan National Airport:
Capacity to Handle Additional Flights and Impact on Other
Area Airports**

GAO/RCED-99-234, Sept. 17 (60 pages).

Congress deregulated the airline industry more than 20 years ago. Since then, fares have declined and service has improved; however, deregulation's benefits have not been evenly distributed throughout the United States. In addition, the federal high-density rule and the perimeter rule have created barriers to entry for new airlines wishing to begin service and for established airlines seeking to serve new markets and can influence competition. Reagan National Airport is subject to both rules. To take off or land during any given hour at Reagan National, an airline must first obtain a slot to do so. In addition, no airline may operate a nonstop flight that exceeds 1,250 miles to or from the airport. This report examines the impact of adding flights and extending the perimeter at Reagan National on the operations at Dulles International and Baltimore/Washington/International airports. GAO found that adding nonstop flights from Reagan National to destinations beyond the existing 1,250-mile perimeter would likely cause only a limited number of passengers to switch from either of the other two airports.

**Transportation Infrastructure:
Better Data Needed to Rate the Nation's Highway Conditions**

GAO/RCED-99-264, Sept. 27 (19 pages).

The International Roughness Index is used worldwide to measure whether travelers experience a rough or a smooth ride while driving on a highway. The index is a quantitative measure of a vehicle's up-and-down movement while traveling. States collect and report data to the Department of Transportation (DOT). This report describes (1) the uses DOT's Federal Highway Administration (FHWA), the states, and others make of the index to assess highway conditions; (2) the consistency and accuracy of state-reported data on highway roughness; and (3) FHWA's efforts to improve the data across states.

Testimony

Airline Deregulation: Changes in Airfares and Service at Buffalo, New York, by John H. Anderson, Jr., Director, Transportation Issues, before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure. GAO/T-RCED-99-286, Sept. 20 (15 pages).

This testimony is based on information that was developed since Congress phased out the federal government's control over airfares and service and the changes in airfare and service quality since deregulation. GAO specifically discusses changes in airfares and service quality at Buffalo Niagara International Airport.

Correspondence

Aviation: Comparison of Airline "Customer Service Commitment" With Contracts of Carriage and Federal Law. GAO/RCED-99-281R, Sept. 10.

Veterans Affairs

Testimony

VA Health Care: Collections Fall Short of Expectations, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the House Committee on Veterans' Affairs, Subcommittee on Oversight and Investigations. GAO/T-HEHS-99-196, Sept. 23 (nine pages).

The Department of Veterans Affairs' (VA) collections from third-party insurers declined three years in a row, from \$523 million in fiscal year 1995 to \$442 million in fiscal year 1998. Fiscal year 1999 figures may show a further decrease. Three factors limit VA's ability to increase what it collects: rising numbers of veterans whose primary insurance is Medicare, increasing enrollment in health maintenance organizations, and VA's emphasis on increasing outpatient care. VA's chances of increasing its collections depend on implementing throughout the agency management improvements being implemented at some facilities. These include medical facilities' improved (1) use of good business management practices, (2) collection of insurance information, (3) documentation of the appropriateness and medical necessity of care being billed, and (4) pursuit of unpaid bills.

Correspondence

Veterans' Health Care: Fiscal Year 2000 Budget. GAO/HEHS-99-189R, Sept. 14.

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Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting; Migratory Bird Hunting Regulations on Certain Federal Indian Reservations and Ceded Lands for the 1999-2000 Early Season. GAO/OGC-99-64, Sept. 10.

Department of Agriculture, Agricultural Market Service: Milk in the New England and Other Marketing Areas; Order Amending the Orders. GAO/OGC-99-65, Sept. 16.

Department of Agriculture, Food and Nutrition Service: Food Stamp Program; Food Stamp Provisions of the Balanced Budget Act of 1997. GAO/OGC-99-6, Sept. 17.

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