
MONTH IN REVIEW: JANUARY 2000

Reports, Testimony, Correspondence, and Other Publications

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If you have questions about the Month in Review, please call Susan Becker, Acting 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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Education

Department of Education: Compliance With the Federal Advisory Committee Act and Lobbying Restrictions

GAO/GGD/OGC-00-18, Dec. 30 (25 pages).

In 1995, the Department of Education began holding regular weekly “Thursday” meetings with representatives of lobbying and other groups interested in federal education issues. Education first began holding these meetings at a time when Congress was debating the future existence and funding of the agency and the federal role in education. The evidence GAO reviewed does not support a conclusion that (1) the series of meetings GAO examined were “advisory committee” meetings within the scope of the Federal Advisory Committee Act or (2) Education officials violated the applicable antilobbying restrictions.

Testimony

Elementary and Secondary Education: Flexibility Initiatives Do Not Address Districts’ Key Concerns About Federal Requirements, by Cynthia M. Fagnoni, Director of Education, Workforce, and Income Security Issues, before the House Committee on Education and the Workforce. GAO/T-HEHS-00-51, Jan. 25 (18 pages).

Deteriorating school buildings, poor results on international comparisons of student achievement, and the accelerating pace of technological growth have focused attention on America’s students and schools. In the past, the response to such issues has often been to increase federal and state involvement—often through new programs or additional requirements in existing programs. Some educators and analysts have expressed increasing dissatisfaction with this approach, however, arguing instead that existing federal requirements should be lifted or eased. Others are hesitant to adopt this strategy because of concerns that important objectives, such as financial accountability, may be sacrificed. This report focuses on (1) the major federal requirements that affect school districts, (2) the issues that school districts face in implementing these requirements, and (3) recent initiatives by Congress and the Department of Education to provide flexibility to school districts.

Environmental Protection

Pesticides: Use, Effects, and Alternatives to Pesticides in Schools

GAO/RCED-00-17, Nov. 29 (18 pages).

Federal law regulates the use of pesticides in the United States, but there are no specific provisions dealing with the use of pesticides in the nation's schools. Pesticides can cause a range of harmful effects in people—from cancer to lung damage to problems with the nervous system—and children are at higher risk from pesticide exposure than are adults because, among other things, they play on floors and lawns where pesticides are commonly applied. Also, children have more frequent hand-to-mouth contact. Comprehensive nationwide information on the amount of pesticides applied in the nation's 110,000 public schools is unavailable. Data on short- and long-term illnesses linked to pesticide exposure, whether in schools or other settings, is limited. The Environmental Protection Agency and several states have sought to reduce the use of pesticides in schools by using alternative pest management strategies, including structural repairs to stop pests from getting into a building, improving sanitation, and using baits and traps. If pesticides are needed, this "integrated pest management approach" suggests that the least-toxic chemicals be used. Since the early 1990s, EPA has been encouraging schools to adopt this approach, including providing financial support to some state and school districts and producing manuals and education kits. Several states are also taking steps to implement or promote integrated pest management in schools.

Financial Institutions

Risk-Focused Bank Examinations: Regulators of Large Banking Organizations Face Challenges

GAO/GGD-00-48, Jan. 24 (56 pages).

Examinations by federal banking regulators are intended to assess the safety and the soundness of banks and identify conditions that may require prompt action to remedy unsafe and unsound banking practices. In recent years, banking regulators have begun emphasizing an institution's internal control systems and the way it manages and controls its risks, rather than determining whether a bank was operating in a safe and sound manner at a specific point in time. This evolution to a risk-focused approach responds to rapid changes in the banking industry and the speed with which an institution's risk profile can change. This approach is particularly

important because, in recent years, major consolidations have produced several large, complex banking organizations with diverse risks and sophisticated risk-management systems. This trend can be expected to continue as the result of recent landmark legislation that allows banks, securities firms, and insurance companies to acquire one another. This report studies the risk-focused approaches used by the Federal Reserve and the Office of the Comptroller of the Currency (OCC). GAO (1) describes the general characteristics of the regulators' risk-based approach to examinations of large, complex banks, explaining how they differ from past examination practices; (2) compares the implementation of the risk-focused approaches of the Fed and OCC; and (3) identifies the challenges faced by both agencies as they continue to implement their examination programs for large, complex banks.

Financial Management

Correspondence

Financial Management: Information on Agencies' Fiscal Years 1997 and 1998 FFMIA [Federal Financial Management Improvement Act of 1996] Remediation Plans. GAO/AIMD-00-65R, Jan. 27.

Government Operations

Human Capital: Key Principles From Nine Private Sector Organizations

GAO/GGD-00-28, Jan. 31 (31 pages).

Effective implementation of performance-based management, as envisioned in the Government Performance and Results Act of 1993, hinges on agencies' ability to strategically manage all of their resources—financial, information, technology, and people—to achieve their missions and goals. However, discussions about how agencies plan to strategically manage their most important asset—their people or “human capital”—has been notably absent from many federal agencies' annual performance plans. This report identifies common principles that underlie the human capital strategies and practices of private sector organizations regularly cited as leaders in the area of human capital management. GAO provides case illustrations that offer practical examples for federal agencies to consider as they try to improve their own human capital

strategies. The nine private sector organizations are Federal Express; IBM; Marriott; Merck; Motorola; Sears, Roebuck, and Company; Southwest Airlines; Weyerhaeuser; and Xerox.

**Managing for Results:
Views on Ensuring the Usefulness of Agency Performance
Information to Congress**

GAO/GGD-00-35, Jan. 26 (35 pages).

In carrying out their oversight responsibilities, congressional committees need a variety of information on federal programs and their performance. The Government Performance and Results Act of 1993 requires federal agencies to set strategic goals and report annually on their results in achieving them. Congress has raised concerns that the performance measures chosen by some agencies do not meet Congress' needs for oversight information and that it had too little input into some agencies' performance plans. This report explores, through three case studies, how agencies might better meet congressional needs for information on program and agency performance. The three agencies GAO studied are the Centers for Disease Control and Prevention, the Office of Student Financial Assistance, and the Pension and Welfare Benefits Administration. GAO interviewed congressional staff about their information needs and whether those needs were met. GAO also interviewed agency officials about how that information might be obtained.

Health

**Vaccine Injury Compensation:
Program Challenged to Settle Claims Quickly and Easily**

GAO/HEHS-00-8, Dec. 22 (44 pages).

Although routine vaccinations have reduced by 95 percent the number of Americans who contract a number of infectious diseases, sometimes a vaccine can have severe side effects, including death and disabling conditions that require lifetime medical care. In the 1980s, lawsuits stemming from such incidents threatened to affect the availability and the cost of vaccines as well as the development of new ones. To address this problem, Congress created the Vaccine Injury Compensation Program, which requires people who believe they have been injured by a vaccine to file a claim with the program rather than sue the vaccine manufacturer or

those who administered the vaccine. The program uses a vaccine injury table, which is intended to minimize the difficulties that petitioners have in proving that the injury resulted from a vaccine. By contrast, in a lawsuit, the injured party bears the burden of proving that the vaccine caused injury. GAO found that although the program appears to provide an easier process for obtaining compensation than the traditional civil tort system, the process has not been as quick or as easy as expected. Processing most claims under the program takes more than two years. In 1990, when a filing deadline neared for injury claims relating to vaccinations received before October 1988, the number of claims soared to more than 3,200. This influx created a large backlog of claims, which the Department of Health and Human Services (HHS) is still trying to resolve. Also, as the program received more funding for staff and experts to defend claims, the government increasingly challenged claims in which the cause of injury was in doubt. As a result, petitioners needed more information and time to prepare cases, which resulted in processing times that were much longer than envisioned when the program began. HHS' recent changes to the vaccine injury table will make the process easier for some people to obtain compensation, but it will make it harder for a larger number to do so. The program trust fund has grown to \$1.3 billion, primarily because the income from vaccine excise taxes has been higher than payments for claims and associated administrative costs and because interest has been accruing on the fund's balance.

**Medicaid and Special Education:
Coordination of Services for Children With Disabilities Is Evolving**

GAO/HEHS-00-20, Dec. 10 (25 pages).

The Individuals With Disabilities Education Act and Medicaid have the potential to offer various services and equipment that can be critical to the educational development and physical well-being of disabled children. In 1999, the act provided school districts with \$4.3 billion to help make special education and related services available to all students with disabilities. Some of the costs of services provided to poor children under the act may be covered by Medicaid. Although Medicaid is traditionally the payer of last resort for health care services, since 1988 Medicaid has been required to reimburse for medically necessary services provided to eligible children under the act. The act is required to coordinate with other federal programs, such as Medicaid, to finance and deliver services to disabled children. However, because the boundaries of operation for the act and Medicare are unclear, concerns have arisen about coordination between

these two programs. This report (1) describes how Medicaid and the act interact to meet the needs of poor school-aged children with disabilities and (2) identifies issues that have arisen in coordinating services provided by Medicare and the act in schools.

**Medicare Subvention Demonstration:
Enrollment in DOD Pilot Reflects Retiree Experiences and
Local Markets**

GAO/HEHS-00-35, Jan. 31 (44 pages).

Many military retirees would like to use their Medicare benefits at military medical facilities, but federal law does not allow Medicare to pay the Defense Department (DOD). Many retirees can get health care at military facilities only when space is available and cannot rely on them for comprehensive, continuous care. DOD is willing to provide such care to these retirees if the law is changed so that Medicare could reimburse DOD. In light of these concerns, recent legislation authorized a three-year, six-site demonstration project, called Medicare subvention, which allows Medicare-eligible military retirees to enroll in a new, DOD-run health maintenance organization (HMO). Medicare can pay DOD for the health care provided to retirees enrolled in the demonstration project, subject to certain conditions. The demonstration's goal is to implement an alternative for delivering accessible and quality care to these "dual-eligible" retirees without increasing the cost to Medicare or DOD. This report examines enrollment in DOD's pilot HMOs for seniors. GAO discusses (1) how successful the demonstration has been in enrolling eligible beneficiaries, (2) what influenced retirees to join DOD's pilot HMOs, and (3) what factors accounted for differences in enrollment rates across demonstration sites.

Housing

**Multifamily Housing:
HUD's Restructuring Office's Actions to Implement the
Mark-to-Market Program**

GAO/RCED-00-21, Jan. 20 (45 pages).

The Office of Multifamily Housing Assistance Restructuring was established within the Department of Housing and Urban Development (HUD) in 1998 to administer the "mark-to-market" program. This program provides the framework to restructure HUD's portfolio of insured Section 8 multifamily housing projects by "marking" (resetting) rents to market

levels and by reducing mortgage debt, if necessary, to permit a positive cash flow. Without restructuring, rents for many insured Section 8 multifamily housing projects would substantially exceed market levels, resulting in higher subsidies under the Section 8 program. This report discusses (1) the Office's progress in obtaining the staffing resources to implement the program, (2) the Office's progress on seven steps that are key to the program's successful implementation, and (3) whether the Office has implemented nine statutory requirements in accordance with the law. This report also discusses the relationship between the Office and other HUD offices, including (1) the extent to which HUD management is involved in directing, reviewing, and approving the Office's activities and how this involvement has affected the Office's operations; (2) whether the Office's Director has complied with the legislative requirements to report to Congress if actions by the HUD Secretary interfere with the Office's ability to carry out the mark-to-market program; and (3) whether the other HUD offices from which the Office must obtain support have provided the support requested.

**Multifamily Housing:
Impact of Loan Sales on Tenants and Properties Varies by Property**

GAO/RCED-00-31, Jan. 20 (102 pages).

In 1994, in an effort to make better use of its resources, the Department of Housing and Urban Development (HUD) began to liquidate its inventory of multifamily mortgages. Through nine sales held between 1994 and 1996, HUD sold more than 1,200 of the nearly 2,400 multifamily mortgages in its portfolio. Two of the sales involved properties in which some or all of the units were subsidized by HUD—a sale of 158 partially assisted multifamily mortgages and a sale of 26 subsidized multifamily mortgages to the Missouri Housing Development Commission. These two loan sales also contained special conditions, including protection against discrimination for assisted tenants and funding for property improvements. GAO found that at the partially assisted properties whose project-based assistance contracts had expired, more than three-quarters of the eligible households were able to use the tenant-based assistance that HUD had provided in lieu of project-based assistance. Of the households that used tenant-based assistance, 65 percent stayed in the same units and the rest moved. Of the households that moved, about 50 had to do so because the owners of the three properties where these families had lived refused to rent to recipients of tenant-based assistance. The average monthly rent of households that received vouchers rose by \$56. HUD prohibits property

owners from unreasonably refusing to rent to households with tenant-based assistance. HUD also gives tenants and housing authorities the right to seek judicial enforcement of this protection. However, HUD did not fully inform housing authorities, tenants, and property owners of this protection. As a result, most housing authorities were unaware of their right to seek judicial enforcement, and representatives of the three properties whose owners refused to accept tenant-based assistance told GAO that they were unaware of the prohibition against unreasonably refusing to rent to households using tenant-based assistance. According to the results of inspections done by HUD and others at the time of the partially assisted and Missouri loan sales and by GAO during visits to the most run-down properties that it chose as case studies, conditions at these properties are improving. The improvements generally addressed major problems with building exteriors, apartment interiors, and property grounds.

Correspondence

Credit Reform: HUD's Fiscal Year 2000 Credit Subsidy Budget Estimates Were Reasonable, but Could Have Been Improved. GAO/AIMD-00-60R, Jan. 14.

Income Security

Correspondence

Social Security: Actuarial Projections of the Trust Funds. GAO/AIMD-00-53R, Jan. 14.

Information Management

**Year 2000:
Insurance Regulators Have Accelerated Oversight, but Some Gaps Remain**

GAO/GGD-00-42, Dec. 20 (43 pages).

Under a long-standing division of responsibilities between federal and state regulators, state insurance regulators have the primary responsibility for overseeing the insurance industry. In March 1999, GAO reported that state insurance regulators were generally not as aggressive in their oversight of the industry's Year 2000 readiness as were the banking and securities regulators. (See GAO/T-GGD-99-56.) Of particular concern was the limited attention given to validating the status of Year 2000 preparedness

among insurance companies. This report (1) updates GAO's assessment of state regulatory oversight of the insurance industry's preparations for the Year 2000 date change and (2) discusses the status of the industry's Year 2000 readiness.

**Computer Security:
FAA Needs to Improve Controls Over Use of Foreign Nationals to
Remediate and Review Software**

GAO/AIMD-00-55, Dec. 23 (38 pages).

The nationwide demand for skilled programmers to cope with the Year 2000 computing problem has raised questions about whether key organizations, such as the Federal Aviation Administration (FAA), have resorted to using foreign nationals for Y2K remediation. Of 153 mission critical FAA systems that were remediated, 15 had foreign involvement, including Chinese, Ukrainian, and Pakistani nationals. FAA was unable to provide any information on the individuals who did code remediation for four of its 153 computer systems. With regard to code review, 20 key mission-critical systems have been, or are in the process of being, reviewed by two contractors who use foreign nationals. One code contractor employed 36 mainland Chinese nationals, while the other employed one Canadian national. FAA did not perform background searches—investigations or checks—on all of its contractor employees, as required by its policy. This situation increased the risk that inappropriate persons may have gained access to FAA's facilities, information, or resources. As a result, the air traffic control system may be more vulnerable to intrusion and malicious attacks. GAO recommends that FAA improve its security controls, identify the risk of malicious attacks on its critical systems, and mitigate that risk. FAA agrees with GAO's recommendations and is moving to implement them.

**Telecommunications:
Update on State-Level Cramming Complaints and
Enforcement Actions**

GAO/RCED-00-68, Jan. 31 (12 pages).

Cramming is the inclusion of unauthorized, misleading, or deceptive charges in consumers' telephone bills. Phone companies can cram consumers by adding unauthorized charges for telephone services, such as call messaging. Cramming can also involve third-party vendors who offer

products and services that are unrelated to telephone services, such as live or recorded information on the stock market, sports, or products; chat lines and dating services; and Internet Web page design. The Federal Communications Commission (FCC) and the Federal Trade Commission (FTC) reported that cramming complaints declined during the first nine months of 1999 compared with the same period during the previous year. The situation at the state level, however, was mixed: 22 states and the District of Columbia reported declines in cramming complaints, 15 states reported increases, and 11 reported no changes. The states are continuing their efforts to combat this abuse. For example, by the end of 1998, most states had made information available to consumers on ways to prevent cramming and had established administrative procedures for resolving complaints about telephone billing. The states were also taking additional enforcement actions against crammers. Between 1996 and 1998, 16 states completed 25 enforcement actions against companies and individuals involving in cramming, resulting in more than \$3.5 million in restitution and fines.

Testimony

Year 2000 Computing Challenge: Leadership and Partnerships Result in Limited Rollover Disruptions. 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-00-70, Jan. 27 (33 pages).

Following the date change on January 1, 2000, federal, state, and local governments as well as key sectors reported that they successfully met the Year 2000 challenge. Although Year 2000 failures occurred—most of them minor—these groups reported that almost all of these failure were mitigated, either through the correction of systems or by the implementation of contingency actions. The upshot is that few Year 2000 failures adversely affected the public. Although the Year 2000 challenge is still not over because some key business processes have yet to be fully executed and other risky dates remain, the nation's success so far is a very positive indicator that these hurdles will also be overcome. The leadership shown by the legislative and executive branches and the partnerships formed by myriad organizations were crucial to this success. The federal government now faces the challenge of applying the lessons learned from the Year 2000 challenge to improve information technology management. This testimony discusses (1) the reporting structure established by the

government to gather information on Year 2000 failures reported during the rollover period, (2) examples of Year 2000 errors and their resolution, and (3) the lessons from the Year 2000 effort that can be useful to strengthen the management of information technology activities.

Justice and Law Enforcement

Women in Prison: Issues and Challenges Confronting U.S. Correctional Systems

GAO/GGD-00-22, Dec. 28 (84 pages).

Nearly 20 years ago, GAO reported that U.S. prison systems had not been aggressive in providing programs and services to female inmates because of their relatively small numbers and because many officials thought that female inmates did not need the same types of training and vocational skills as did male inmates. (See GAO/GGD-81-6, Dec. 1980.) Since then, the number of women in prison has soared more than 500 percent—to nearly 85,000 by the end of 1998. With the rise in the number of female inmates, there has been an increasing awareness that the needs of female inmates differ from those of male inmates, such as child-related responsibilities and gender-specific health care. Although progress has been made, GAO and others have found that U.S. prison systems still face challenges in meeting the unique needs of female inmates.

Customs Service Modernization: Impact of New Trade Compliance Strategy Needs to Be Addressed

GAO/GGD-00-23, Dec. 15 (59 pages).

The Customs Modernization and Informed Compliance Act fundamentally changed the relationship between importers and the Customs Service by making the importers legally responsible for declaring the value, classification, and rate of duty applicable to merchandise being imported into the United States. Customs is responsible for determining the final classification and value of imported merchandise. The act also gave Customs and importers a shared responsibility for ensuring compliance with trade laws. To carry out these new responsibilities, Customs has developed an informed compliance strategy. This report (1) assesses the status of Customs' implementation of the informed compliance strategy and (2) determines whether trade compliance under the new program has improved.

Testimony

Drug Control: DOD Allocates Fewer Assets to Drug Control Efforts, by Jess T. Ford, Associate Director for International Relations and Trade Issues, before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, House Committee on Government Reform. GAO/T-NSIAD-00-77, Jan. 27 (19 pages).

Since 1992, the Defense Department's level of support to combat drug-trafficking in Central and South America and the Caribbean has declined significantly. For example, the number of flight hours devoted to counterdrug missions fell 68 percent from 1992 through 1999. Likewise, the number of ship days fell 62 percent during the same period. According to the Southern Command, the lack of assets hurt their ability to respond quickly to changing drug-trafficking patterns. As a result, coverage in key drug-trafficking routes to the United States is lower, leaving gaps in detection. DOD acknowledges that its coverage of key drug-trafficking areas in South American and the Caribbean has gaps. DOD ascribes the decline in its support to the lower priority of the counterdrug mission as compared to others, such as war, peacekeeping, and training, as well as decreases in its overall budget and force structure during the 1990s. Despite the reduction in the level of assets that it provides, DOD believes that its overall operations are more efficient. Data to support this position is lacking, however. DOD faces several obstacles to helping the counterdrug efforts of foreign governments. GAO has repeatedly raised concerns about the limited capabilities of foreign military and law enforcement organizations to operate and repair the equipment and effectively use the training provided by DOD. Other concerns include human rights and intelligence sharing. Finally, DOD has a set of plans and strategies that directly supports the goals of the U.S. National Drug Control Strategy to reduce the demand and supply of illegal drugs. However, DOD lacks a set of performance measures to evaluate its counterdrug activities.

National Defense

**Agent Orange:
Actions Needed to Improve Communications of Air Force Ranch
Hand Study Data and Results**

GAO/NSIAD-00-31, Dec. 17 (38 pages).

During the Vietnam War, the United States sprayed herbicides, including Agent Orange, over large areas of jungle terrain. In the late 1970s, concerns began to emerge about the long-term health problems of Vietnam veterans who had been exposed to these chemicals. Several herbicides,

including Agent Orange, contain dioxin, which is known to cause health problems in animals. One key effort to examine the long-term health effects of soldiers' exposure to herbicides in Vietnam is an ongoing Air Force study known as the Ranch Hand Study. This study follows the health and death rates of the Ranch Hands—the nearly 1,300 Air Force personnel who sprayed herbicides from the air in Vietnam—in contrast to those of a comparison group. The 25-year study, which began in 1982 and is scheduled to end in 2006, is estimated to cost more than \$140 million. GAO found that the Air Force has conducted many aspects of the Ranch Hand Study in a rigorous manner and that several early problems in study conduct have been remedied. However, several veterans groups and scientists are critical of the study's methods and results and want greater access to study data. In GAO's view, making all study data publicly available would increase the credibility of the study's results. Also, without full access to data, outside scientists cannot perform alternative or additional analyses that would facilitate scientific debate over the merits of the Air Force's methodologies and analyses. The Air Force expects to make all current study data publicly available by 2006, but those interested in the data say that unless the data is available in a more accessible format, such as a compact disc or the Internet, they would have difficulty using it. Moreover, although communication of study limitations to the public has improved over the years, more improvements are possible. GAO believes that publicly accessible documents, such as executive summaries and press releases, should contain more information on the study's limitations. Also, GAO notes that problems remain with the outreach of the Advisory Committee (a panel of nine scientists who oversee the study and independently review its findings) to veterans.

**Defense Inventory:
Opportunities Exist to Expand the Use of Defense Logistics Agency
Best Practices**

GAO/NSIAD-00-30, Jan. 26 (30 pages).

GAO is required to evaluate the extent to which the Defense Logistics Agency has implemented best commercial inventory practices in a schedule sent to Congress in May 1998. A best commercial inventory practice is a practice that enables the agency to reduce inventory levels and hold down costs while improving the responsiveness of the supply system to users' needs. This report evaluates (1) the agency's progress in implementing the initiatives and (2) the opportunities to build on and expand existing efforts.

Correspondence

Defense Budget: Army National Guard Operation and Maintenance Budget. GAO/NSIAD-00-59R, Jan. 11.

Social Services

**Child Care:
State Efforts to Enforce Safety and Health Requirements**

GAO/HEHS-00-28, Jan. 24 (38 pages).

To help protect children in child care, states regulate providers by setting health and safety requirements that child care providers must meet and by enforcing these requirements through the activities of state child care licensing offices. Most states, however, do not regulate all types of providers. Nonregulated providers need not meet state child care requirements and are not subject to state enforcement activities. Examples of nonregulated providers include relatives, such as grandparents; in-home providers, such as nannies and au pairs; some family child care providers caring for small numbers of children in a provider's home; and center programs that operate part-day or part-year. Although setting and enforcing child care requirements are primarily the responsibilities of the states and their localities, the federal government requires that states have basic child care safety and health requirements in order to receive funds from the Child Care and Development Block Grant. This report (1) identifies the most critical licensing and enforcement activities that help states ensure the safety and health of children in child care, (2) describes the extent to which states conduct these critical activities for their regulated providers, and (3) explains how states ensure that nonregulated providers receiving block grant funds meet legal safety and health requirements.

Tax Policy and Administration

**IRS Seizures:
Needed for Compliance but Processes for Protecting Taxpayer Rights Have Some Weaknesses**

GAO/GGD-00-4, Nov. 29 (111 pages).

To collect unpaid taxes in 1997, the Internal Revenue Service (IRS) seized property from 8,300 delinquent taxpayers who owed the federal government about \$1.1 billion. GAO found that IRS' use of its seizure authority produced mixed results in terms of targeting the most noncompliant taxpayers and then bringing them into compliance. Seizures

target the more noncompliant taxpayers—statistically, the greater the amount of unpaid taxes or the number of outstanding tax delinquencies, the greater the likelihood of seizure. The likelihood of seizure varied by location. Seizures were as much as 17 times more likely for delinquent taxpayers in some IRS district offices than in others. Many seizures improved compliance with the tax laws (42 percent of taxpayers had their full tax liability resolved after IRS seized their assets), although some seizures produced little for the government. For 22 percent of affected taxpayers, the seizures generated little revenue for the government and contributed little to resolving the taxpayers' delinquencies. In reviewing seizure cases, GAO found examples in which IRS revenue officers' use of discretion in deciding whether and how to conduct a seizure was questionable. For example, in one case, IRS seized two assets from a taxpayer, both of which were disproportionately greater in value than the amount needed to satisfy the taxes owed. IRS' use of seizure authority is in transition while the agency adapts to the requirements of the IRS Restructuring and Reform Act, which is designed to better protect taxpayers from unwarranted collections if other collection alternatives are available. GAO's review of IRS' processes for protecting the rights of taxpayers in planning and conducting seizures found implementation breakdowns and, in some instances, inadequate process requirements. Because the impact of seizures on taxpayers can be severe and the number of seizures are likely to rise in the future, GAO makes recommendations to deal with the weaknesses that persist in IRS' collection process.

**IRS Seizures:
Limited Progress in Eliminating Asset Management
Control Weaknesses**

GAO/GGD-00-5, Nov. 29 (16 pages).

GAO testified before Congress in 1992 that the Internal Revenue Service's (IRS) controls over seized property fell short in protecting against theft, waste, and misuse and that controls over sales practices did not necessarily guarantee the highest sales price at the lowest cost. (See GAO/T-GGD-92-65, Sept. 1992.) GAO also indicated that asset management and sales could best be done by specialists rather than by revenue officers, whose primary responsibility is to collect unpaid taxes. Since then, Congress has passed legislation requiring IRS to remove revenue officers from participating in asset sales by July 2000. The legislation also encouraged IRS to contract out this job. GAO found that, as of October 1999, IRS had not finalized plans for removing revenue officers from its process

for selling seized assets. A GAO review of a nationwide sample of seizure cases found that basic internal control weaknesses cited in 1992 persist. Regardless of whether seized assets are done “in-house” by an IRS specialist or by a private contractor, IRS must have controls to provide accountability over seized assets, security for those assets, sales practices that protect the interests of the government and taxpayers, and information to assist management oversight. Without these controls, the interests of taxpayers who have their assets seized may suffer—for example, from asset sales that fail to maximize net proceeds

Correspondence

Tax Credits: Characteristics of Tax Credit Properties and Their Residents. GAO/RCED-00-51R, Jan. 10.

Veterans Affairs

VA Health Care: Laundry Service Operations and Costs

GAO/HEHS-00-16, Dec. 21 (30 pages).

The Department of Veterans Affairs’ (VA) spends about one-third of its health care budget on support services, such as food services, laundry, and housekeeping, at hospitals, nursing homes, and domiciliaries. Members of Congress have raised concerns that VA could do more to increase the efficiency of these support services. This report, the second in a series on VA support services, provides fiscal year 1998 baseline information on (1) the type and the volume of laundry services that VA provides, (2) how VA delivers laundry services, (3) the costs that VA incurs, and (4) the revenue that VA raises from selling laundry services. GAO’s first report described VA’s food service operations. (See GAO/HEHS-00-17, Nov. 1999.)

Veterans’ Benefits: Independent Review Could Improve Credibility of Radiation Exposure Estimates

GAO/HEHS-00-32, Jan. 28 (22 pages).

Some of the 200,000 active-duty military personnel who participated in atmospheric nuclear tests between 1945 and 1962 were exposed to potentially harmful doses of radiation. During the last 20 years, veterans with diseases that they attribute to radiation exposure have filed claims for monetary compensation with the Department of Veterans Affairs (VA).

Veterans can receive compensation for 16 types of cancer without documenting the radiation dose because VA presumes these cancers to be directly linked to the veterans' exposures. For other cancers and some nonmalignant ailments, the Defense Department (DOD) estimates, or "reconstructs," the radiation dose using such information as the duties and locations of veterans and their units during the atmospheric testing, the type and the quantity of radiation released from the explosives, and readings from the film badges worn by veterans and from other devices use to measure radiation doses in the vicinity. VA uses the results of these dose reconstructions to decide compensation claims. This report (1) reviews studies that assess the validity of dose reconstructions for estimating veterans' radiation exposures and discusses the issue with experts and other knowledgeable individuals, (2) determines what activities are in place to oversee the dose reconstruction process, and (3) examines alternatives for deciding veterans' claims for compensation related to radiation exposures.

Special Publications

GAO's Congressional Protocols

GAO/OCG-00-2, Jan. 24 (16 pages).

This document spells out the protocols governing the General Accounting Office's work for Congress—from the point at which GAO receives a request to do a job to the point at which a report is released publicly. The protocols also discuss such related issues as GAO's press policy and GAO staff detailed to Congress. These protocols are intended to provide clearly defined and transparent policies and practices related to GAO's work. They also provide a means of holding the agency accountable for commitments made to Congress and ensuring that GAO is consistent in dealing with all committees and Members. The agency believes that these protocols will help it to better serve Congress, improve satisfaction with GAO's work, and ensure equitable treatment of all requesters.

Reports on Agency Rules

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Environmental Protection Agency: Persistent Bioaccumulative Toxic (PBT) Chemicals; Lowering of Reporting Thresholds for Certain PBT Chemicals; Community Right-to-Know Toxic Chemical Reporting. GAO/OGC-00-7, Nov. 9.

Federal Communications Commission: Wireless Radio Services; Compatibility With Enhanced 911 Calling Systems. GAO/OGC-00-8, Nov. 9.

Department of Health and Human Services, Health Care Financing Administration: Medicare Program; Inpatient Hospital Deductible and Hospital and Extended Care Services Coinsurance Amounts for 2000. GAO/OGC-00-13, Dec. 13.

Department of Agriculture, Food Safety and Inspection Service: Irradiation of Meat Food Products. GAO/OGC-00-16, Jan. 12.

Department of Energy, Federal Energy Regulatory Commission: Regional Transmission Organizations. GAO/OGC-00-17, Jan. 24.

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