
MONTH IN REVIEW: JUNE 2000

Reports, Testimony, Correspondence, and Other Publications

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If you have questions about the Month in Review, please call Jeff Nelligan, 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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Agriculture and Food

Sugar Program: Supporting Sugar Prices Has Increased Users' Costs While Benefiting Producers

GAO/RCED-00-126, June 9 (104 pages).

Administered by the U.S. Department of Agriculture, the sugar program guarantees domestic cane sugar and beet sugar producers a minimum price for sugar, which at times has been about three times the world market price. The program supports domestic sugar prices by offering loans to sugar processors at a rate established by law. This report summarizes GAO's findings on the changing conditions in the U.S. and world sweetener markets in recent years. GAO estimates the U.S. sugar program's (1) costs to producers, (2) benefits to domestic sugar and high-fructose corn syrup producers, and (3) net effects on the U.S. economy—that is, the difference between the costs to users and the benefits to producers that result from artificially high sweetener prices.

Testimony

Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina, by Robert E. Robertson, Associate Director, Food and Agriculture Issues, before the House Committee on Agriculture. GAO/T-RCED/NSIAD-00-228, June 29 (five pages).

This testimony discusses the prices of genetically modified seeds—specifically, Roundup Ready soybean and *Bacillus thuringiensis* corn seeds—in the United States and Argentina and the major reasons for any identified price differences between the two countries. GAO's remarks are based on a January 2000 report. (See GAO/RCED/NSIAD-00-55 .)

Correspondence

Food Stamp Program: Information on the Costs of Special Diets.
GAO/RCED-00-144R, May 8.

Farm Programs: Observations on Market Loss Assistance Payments.
GAO/RCED-00-177R, June 30.

Business, Industry, and Consumers

Correspondence

Small Business: SBA's Proposed Venture Capital Program. GAO/RCED-00-162R, June 1.

Civil Rights

U.S. Postal Service: Diversity in District Management-Level Positions

GAO/GGD-00-142, June 30 (47 pages).

This report supplements an earlier GAO report (GAO/GGD-00-76, Mar. 2000) on the representation of women and minorities in management-level jobs at the U.S. Postal Service. GAO provides statistical information on the representation of women and minorities in Executive and Administrative Schedule (EAS) levels 16 through 26 in the Service nationwide for fiscal year 1999. GAO also describes for the Chicago, Illinois, and Akron, Ohio, postal districts the (1) representation of women and minorities in EAS levels 16 through 26, (2) initiatives undertaken to promote diversity, and (3) lessons identified by district officials that seek to increase diversity. GAO also provides information on alleged equal employment opportunity concerns at the Youngstown, Ohio, postal site.

Economic Development

Correspondence

Community Development: Information on the Efforts by the City of Philadelphia, Pennsylvania, to Relocate and Compensate Residents of the Logan Triangle Area. GAO/RCED-00-165R, June 9.

Education

Title I Program: Stronger Accountability Needed for Performance of Disadvantaged Students

GAO/HEHS-00-89, June 1 (57 pages).

The Department of Education helps the states hold schools and districts accountable for the academic achievement of disadvantaged students. Since the 1994 reauthorization of title I, the states have made some progress in improving their systems for holding districts and schools responsible for the academic achievement of all students, including disadvantaged students, but some areas still need attention. Education has provided some assistance to the states in developing standards, assessments, and criteria for adequate yearly progress, but a majority of the states appear to need additional help in collecting and reporting disaggregated assessment data. Beginning in the 2000–2001 school year, the states are required to collect and report assessment data disaggregated by subgroups of students, including the economically disadvantaged. Only about a third of the states currently collect this information, and it is unlikely that all the states will meet the deadline. Without disaggregated data, test results for the whole student population can mask the results of disadvantaged students and prevent the states and the districts from identifying schools that may not be meeting the educational needs of disadvantaged students. Education’s research can provide states, districts, and schools with important information to help them improve instruction. Comprehensive evaluation efforts are needed to determine which services and service delivery methods are most effective in closing students’ achievement gaps.

Employment

Department of Labor: Administering the Labor-Management Reporting and Disclosure Act

GAO/HEHS-00-116, June 30 (75 pages).

The Department of Labor’s Office of Labor-Management Standards (OLMS) performs investigations and compliance audits, monitors reporting and disclosure requirements, and provides compliance assistance but uses investigations most frequently. OLMS uses voluntary compliance and litigation to enforce the requirements of the Labor-Management Reporting and Disclosure Act of 1959 but uses voluntary compliance most often. Regarding the Department of Justice’s enforcement efforts under its memorandum of understanding with Labor, Justice plays a significantly greater role in litigating cases involving embezzlement or other similar wrongdoing than cases involving reporting violations, which are considered to be less serious infractions of the law.

Testimony

H-2A Agricultural Guestworkers: Status of Efforts to Improve Program Services, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Subcommittee on Immigration and Claims, House Committee on the Judiciary. GAO/T-HEHS-00-134, June 15 (20 pages).

A sudden, widespread farm labor shortage requiring the entry of large numbers of foreign workers is unlikely now or in the near future, although localized shortages could emerge for specific crops or geographic areas. Although many farm workers are not legally authorized to work in the United States, the Immigration and Naturalization Service's (INS) enforcement efforts are unlikely to significantly reduce the aggregate number of unauthorized farm workers. While comparatively few agricultural employers seek workers through the H-2A program, those that do are generally successful in obtaining workers. In 1997, GAO determined that poor information on H-2A program access and the involvement of many agencies in the program could result in redundant oversight and confuse employers that are considering participation and that the Department of Labor was not always processing applications in a timely manner. While Labor and INS have made progress in taking the steps GAO recommended to improve the program's operations, key changes remain to be implemented, particularly those that would permit Labor to assess the timeliness of its applications processing and to improve protections for domestic and H-2A agricultural workers.

Workforce Investment Act: Implementation Status and the Integration of TANF Services, by Cynthia M. Fagnoni, Director of Education, Workforce, and Income Security Issues, before subcommittees of the House Committee on Education and the House Committee on Ways and Means. GAO/T-HEHS-00-145, June 29 (19 pages).

The states have been delayed in implementing steps under the Workforce Investment Act related to establishing formal agreements between partners at one-stop centers. To support the one-stop system the act requires, the states used multiple federal funding streams to report during fiscal year 2000, with the top funding sources most often coming from the Department of Labor's programs, such as the act, the Employment Service, and Unemployment Insurance. Although the Temporary Assistance for Needy Families (TANF) block grant is an optional partner, links between it and the act are being forged in most states. As the states and localities have attempted to integrate their services, they report having confronted several challenges: (1) building partnerships with other agencies, as

required under the act; (2) developing the infrastructure to support an integrated program, including the physical facilities and the computer systems; and (3) developing an integrated approach and responding at the same time to the requirements of individual federal programs. Despite these challenges, the states are developing integrated service delivery approaches that show promise, often focusing their efforts on resolving the issues that had been found in the fragmented employment training system.

Energy

Department of Energy: National Security Controls Over Contractors Traveling to Foreign Countries Need Strengthening

GAO/RCED-00-140, June 26 (33 pages).

The Department of Energy (DOE) has established various national security controls for foreign travel to guard against foreign intelligence interests' obtaining information that would be detrimental to U.S. security or business. In this report, GAO (1) describes the types of foreign-intelligence-gathering incidents that have occurred during foreign travel by contractor employees, (2) discusses DOE's controls that apply to foreign travel by contractor employees, and (3) identifies areas in which these controls can be strengthened. GAO found that during fiscal years 1995 through 1999, DOE counterintelligence officials and records identified over 75 incidents of attempted espionage by foreign nationals against travelers from the four laboratories it reviewed. In addition, DOE and its laboratories have instituted several national security controls over official foreign travel by laboratory employees. Also, GAO identified several areas where existing controls over foreign travel can be strengthened. For example, some travelers may not be receiving the necessary preparation to recognize and thwart espionage efforts.

Testimony

Nuclear Waste: Observations on DOE's Privatization Initiative for Complex Cleanup Projects, by (Ms.) Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Oversight and Investigations, House Committee on Commerce. GAO/T-RCED-00-215, June 22 (15 pages).

Cleaning up the radioactively contaminated building, soil, and groundwater resulting from more than 50 years of producing nuclear

material for weapons is a major undertaking for the Department of Energy (DOE). DOE projects that it will cost as much as \$195 billion to complete this job and provide long-term monitoring of the remaining sites through 2070. DOE primarily contracts with private sector firms to clean up these sites. In the past, this effort was generally done under cost-reimbursement contracts by contractors that managed and operated many of DOE's facilities. DOE financed the operations and paid the contractors regardless of what was actually accomplished. DOE began its privatization initiative in 1995 as a way to reduce costs, speed the cleanup of its contaminated sites, and improve contractors' performance. Concerns have surfaced, however, about whether DOE's privatization initiative has yielded significant results when applied to its more complex cleanup projects. This testimony discusses (1) what DOE has accomplished by privatizing such projects and (2) GAO's observations on the lessons that can be learned from these efforts.

Nuclear Waste Cleanup: DOE's Cleanup Plan for the Paducah, Kentucky, Site Faces Uncertainties and Excludes Costly Activities, by (Ms.) Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Energy Research, Development, Production and Regulation, Senate Committee on Energy and Natural Resources. GAO/T-RCED-00-225, June 27 (13 pages).

Recent allegations that past activities at the Paducah, Kentucky, uranium enrichment plant endangered the health of employees led to renewed interest in the Department of Energy's (DOE) efforts to clean up the site. GAO's testimony is based on its April 28, 2000, report, which addressed the following issues: (1) DOE's planned activities, cost, and schedule for cleaning up the site; (2) the challenges in accomplishing the current cleanup plan; and (3) whether the cleanup plan includes all areas at the site requiring cleanup.

Environmental Protection

Superfund: Extent to Which Most Reforms Have Improved the Program Is Unknown

GAO/RCED-00-118, May 12 (117 pages).

The Environmental Protection Agency's (EPA) Superfund program has been criticized for a number of problems, including the pace and the cost of cleaning up hazardous waste sites, the agency's approach for holding

waste contributors liable for cleaning up sites, and the overall effectiveness of the program. In 1993, EPA began implementing a series of 62 administrative reforms. GAO was asked to review EPA's reforms to determine their demonstrated results and evaluate the performance measures the agency uses to gauge these results and to identify legislative changes to the program that either the agency or key stakeholders believe are still necessary. Overall, EPA and stakeholders agree that the Superfund program has improved and the administrative reforms have collectively contributed to this improvement.

**Air Pollution:
Emission Sources Regulated by Multiple Clean Air Act Provisions**

GAO/RCED-00-155, May 31 (21 pages).

Each year industrial operations emit nearly 100 million tons of pollutants into the nation's air. These pollutants can make breathing difficult, form urban smog, impair visibility, and cause cancer or other serious health effects. The Clean Air Act Amendments of 1990 authorized a number of regulatory programs targeted at specific pollutants and/or specific sources of pollution. GAO was asked to provide information on examples of emission sources subject to regulation under more than one program authorized by the act and information on the status of the Environmental Protection Agency's (EPA) efforts to facilitate compliance for such sources. Large industrial complexes operated by the petrochemical and refinery, chemical manufacturing, and electric power industries are prime examples of sources that are regulated under multiple programs of the act. In addition, EPA has embarked on a number of initiatives to reduce the regulatory workload of and facilitate compliance by such facilities.

Testimony

Clean Water Act: Proposed Revisions to EPA Regulations to Clean Up Polluted Waters, by Peter F. Guerrero, Director of Environmental Protection Issues, before the House Committee on Agriculture.
GAO/T-RCED-00-233, June 26 (14 pages).

The Total Maximum Daily Load (TMDL) program is intended to ensure that the nation's waters meet water quality standards. GAO reports on its recent analysis of economic and compliance issues associated with two recently proposed rulemakings by the Environmental Protection Agency (EPA) intended to strengthen its TMDL program. TMDLs are used to restore water quality by identifying how much pollution a body of water can receive and

still meet its standards. The amount of pollution entering the water is then reduced to that level.

Correspondence

Climate Change: Observations on EPA's March 2000 Climate Change Report. GAO/RCED-00-166R, June 5.

Clean Water Act: Proposed Revisions to EPA Regulations to Clean Up Polluted Waters. GAO/RCED-00-206R, June 21.

Financial Institutions

On-Line Trading: Better Investor Protection Information Needed on Brokers' Web Sites

GAO/GGD-00-43, May 9 (40 pages).

On-line trading is transforming the relationships that investors have with broker-dealers. Nearly 6 million investors buy and sell stocks through the Internet, and while the services provided by online brokers differ from those provided by their full-service counterparts, those differences are shrinking and both are subject to the same rules and regulations. The growth in on-line trading has been accompanied by a series of delays and outages in broker-dealers' automated trading systems that have caused some investors to suffer losses or miss investment opportunities. According to the on-line broker-dealers GAO contacted, delays and outages will continue because they must constantly upgrade their systems and capacity to remain competitive. Industry regulators, including the Securities and Exchange Commission and security self-regulatory organizations, have issued some guidance on maintaining adequate capacity or notifying their customers about the potential for service disruptions, but final rules have yet to be issued. Requiring that investors be informed of the potential for delays and outages could help investors better understand the limitations of on-line trading technology and prepare for delays and outages. Industry regulators require that broker-dealers provide certain investor protections, such as information on margin trading and proposed rules on information privacy, and also recommend that broker-dealers furnish information about trading risks and best execution of trades. The broker-dealers contacted by GAO did not always provide their customers all such information, especially important considering that an estimated 8 million additional on-line trading accounts could be opened by the year 2001.

**Securities Arbitration:
Actions Needed to Address Problem of Unpaid Awards**

GAO/GGD-00-115, June 15 (79 pages).

The securities industry uses arbitration to resolve disputes between industry members and individual investors that involve hundreds of millions of dollars each year. A 1992 GAO report found no indication of a proindustry bias in the arbitration process but concluded that the forums sponsored by the securities self-regulatory organizations lacked internal controls to provide investors with reasonable assurances that arbitrators were independent and competent. (See GAO/GGD-92-74, May 1992.) GAO recommended ways for the industry to improve arbitrator selection, qualifications, and training. Eight years later, GAO found that the securities industry self-regulatory organizations—the National Association of Securities Dealers and the New York Stock Exchange—have implemented GAO’s earlier recommendations by giving arbitration participants a larger role in selecting arbitrators, periodically surveying arbitrators to verify background information, and improving arbitrator training. GAO could not reach conclusions about the fairness of the arbitration process from case outcome statistics. More importantly, GAO found that a number of broker-dealers that had left the securities industry often did not pay the arbitration awards rendered against them. Ultimately, recovering losses caused by undercapitalized, financially irresponsible, or unscrupulous broker-dealers is difficult—if not impossible—for investors.

**Financial
Management**

Testimony

Financial Management: Agencies Face Many Challenges in Meeting the Goals of the Federal Financial Management Improvement Act, by Jeffrey C. Steinhoff, Assistant Comptroller General for Accounting and Information Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-00-178, June 6 (24 pages).

The Federal Financial Management Improvement Act of 1996 requires the 24 major federal departments and agencies to maintain financial management systems that will yield reliable, useful, and timely

information needed to effectively manage the day-to-day operations of government and provide accountability to taxpayers. This testimony discusses (1) problems with agencies' systems that prevent them from meeting the act's expectations; (2) how the agencies are able to receive a "clean" or unqualified audit opinion on their financial statements even though their financial systems do not comply with the act's requirements; and (3) key elements in addressing these systems problems, including the importance of sound information technology investment and control processes.

Financial Audits: American Battle Monuments Commission, by David L. Clark, Director of Audit Oversight and Liaison Issues, before the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform. GAO/T-AIMD-00-211, June 6 (four pages).

This testimony discusses GAO's financial audits of the American Battle Monuments Commission. GAO (1) describes the legislative initiatives during the last several years to improve financial management across government and how GAO's audits of the commission fit into that larger context, (2) discusses the history of the Commission's financial accountability—particularly the World War II memorial fund—and (3) discusses the results of GAO's most recent financial audits.

Debt Collection: Treasury Faces Challenges in Implementing Its Cross-Servicing Initiative, by Gary T. Engel, Associate Director for Governmentwide Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-00-213, June 8 (32 pages).

This testimony discusses the Department of the Treasury's progress in implementing the cross-servicing provision of the Debt Collection Improvement Act of 1996. The act includes several tools to facilitate collection of defaulted obligations to the federal government. GAO focuses on the collection of nontax delinquent debt. Among the options available for recovering these debts are Treasury's consolidated federal payment offset program; wage garnishment; and the transfer of nontax debt over 180 days delinquent to Treasury for collection, known as "cross-servicing." GAO discusses (1) the status of nontax delinquent debts that agencies have transferred to Treasury for cross-servicing and Treasury's efforts to encourage these referrals, (2) Treasury's

cross-servicing process for collecting referred debts, (3) Treasury's method for allocating debts to private collection agencies, and (4) Treasury's estimated cross-servicing costs and related fees earned on collections.

Correspondence

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Girl Scouts of the United States of America for Fiscal Years 1997 and 1998. GAO/AIMD-00-204R, June 2.

Federally Chartered Corporation: Review of the Financial Statement Audit Reports for the Italian American War Veterans of the United States for Fiscal Years 1998 and 1999. GAO/AIMD-00-205R, June 2.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Marine Corps League for Fiscal Years 1997 and 1998. GAO/AIMD-00-206R, June 2.

Federally Chartered Corporation: Review of the Financial Statement Audit Reports for the Military Order of the World Wars for Fiscal Years 1998 and 1999. GAO/AIMD-00-207R, June 2.

Federally Chartered Corporation: Review of the Financial Statement Audit Reports for the National Academy of Public Administration for Fiscal Years 1998 and 1999. GAO/AIMD-00-208R, June 2.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Agricultural Hall of Fame for 1997 and 1998. GAO/AIMD-00-219R, June 16.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Conference on Citizenship for Fiscal Years 1998 and 1999. GAO/AIMD-00-220R, June 16.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Aviation Hall of Fame for 1997 and 1998. GAO/AIMD-00-221R, June 16.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Society Daughters of American Colonists for Fiscal Year 1999. GAO/AIMD-00-222R, June 16.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the National Fund for Medical Education for 1998.

GAO/AIMD-00-223R, June 16.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Navy Wives Clubs of America for Fiscal Years 1997 and 1998. GAO/AIMD-00-241R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Non Commissioned Officers Association of the United States of America, Incorporated, for 1997 and 1998. GAO/AIMD-00-242R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Reports for the Pearl Harbor Survivors Association for Fiscal Years 1998 and 1999. GAO/AIMD-00-243R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Retired Enlisted Association, Incorporated, for 1997 and 1998. GAO/AIMD-00-244R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the Sons of Union Veterans of the Civil War for Fiscal Year 1998. GAO/AIMD-00-245R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the United Service Organizations, Incorporated, for 1997 and 1998. GAO/AIMD-00-246R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the United States Olympic Committee for 1997 and 1998. GAO/AIMD-00-247R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Reports for the Vietnam Veterans of America, Inc., for Fiscal Years 1998 and 1999. GAO/AIMD-00-248R, June 30.

Federally Chartered Corporation: Review of the Financial Statement Audit Report for the 82nd Airborne Division Association, Incorporated, for 1997 and 1998. GAO/AIMD-00-249R, June 30.

Management Letter: Suggested Improvements in IRS' Accounting Procedures and Internal Controls. GAO/AIMD-00-162R, June 14.

Government Operations

Testimony

Regulatory Reform: Procedural and Analytical Requirements in Federal Rulemaking, by Robert P. Murphy, General Counsel, before the Subcommittee on Regulatory Reform and Paper Reduction, House Committee on Small Business. GAO/T-GGD-00-157, June 8 (12 pages).

This testimony discusses reviews GAO has undertaken of agency compliance with procedural and analytical requirements in federal rulemaking. GAO's evaluations paint a mixed picture. Although its findings may not be representative of all rulemakings, in some cases, GAO found inadequate data, methodologies, or assumptions. In other cases, GAO found noncompliance with statutory requirements or executive orders. Some GAO reviews have helped to ensure better adherence to regulatory requirements. On the other hand, GAO's reviews sometimes did not disclose a failure to comply with rulemaking requirements but provided Congress with factual detail and a better understanding of the agencies' procedures and decision making. Other reviews established that the agencies were acting within allowable discretion to determine that some requirements were inapplicable or that the requirements themselves were narrowly tailored and had little effect on rulemaking. GAO also found instances in which regulations considered burdensome by the regulated community were required by the statute being implemented.

District of Columbia Government: Management Reform Projects Not Effectively Monitored, by Gloria L. Jarmon, Director of Accounting and Financial Management Issues, before the Subcommittee on the District of Columbia, House Committee on Appropriations. GAO/T-AIMD-00-237, June 30 (five pages).

During the last three fiscal years, the D.C. government has proposed hundreds of management reform initiatives that were estimated to save millions of dollars as well as improve government services. As of June 2000, however, the District had reported savings of only about \$1.5 million and had not consistently tracked the status of these projects.

Neither the D.C. Financial Responsibility and Assistance Authority nor the District could provide adequate details on the goals achieved for all the projects that had been reported as completed or in various stages of completion. The District lacks a systematic process to monitor these management reform projects and determine where savings or customer service improvements have been realized. Consequently, the District cannot say for certain how money earmarked for management reform has been spent or whether the key goals of these initiatives have been realized.

District of Columbia Receivership: Selected Issues Related to Medical Services at the D.C. Jail, by Laurie E. Ekstrand, Director of Administration of Justice Issues, before the Subcommittee on the District of Columbia, House Committee on Government Reform. GAO/T-GGD-00-173, June 30 (nine pages).

The D.C. Jail's medical care facility was placed under court-ordered receivership in August 1995 after the District was held in contempt for repeatedly failing to carry out court orders. These orders arose from long-standing litigation intended to help ensure adequate medical services to prisoners. The receivership is scheduled to expire in August 2000. In January 2000, the receiver awarded a one-year contract, with four option years, to a private, not-for-profit firm to provide medical services to individuals housed at the D.C. jail. This testimony answers the following four questions: (1) What are the costs of providing medical services at the D.C. Jail as compared with similar jurisdictions? (2) What would constitute an acceptable level of medical service and staffing at the jail? (3) What effect did the contracting process have on medical service costs? (4) Did the failure of the receiver's employees to resign from their positions before being awarded the contract violate D.C. laws or regulations?

Correspondence

2000 Census: Information on Short- and Long-Form Response Rates. GAO/GGD-00-127R, June 7.

PricewaterhouseCoopers' Management Review of the Office of National Drug Control Policy. GAO/GGD-00-170R, June 26.

General Services Administration: Vendor Concerns About GSA's On-line Ordering System. GAO/GGD-00-162R, June 29.

District of Columbia: Interest Earned on Federal Funds During Fiscal Years 1995 Through 1999. GAO/AIMD-00-173R, June 30.

Health

NIH Research: Improvements Needed in Monitoring Extramural Grants

GAO/HEHS/AIMD-00-139, May 31 (42 pages).

The National Institutes of Health (NIH) has developed policies and procedures for assessing scientific progress and ensuring the effective financial management of its extramural grant programs, but its system of internal controls could be strengthened. The flexibility that NIH's institutes and grantees have in implementing its policies and procedures for administering grants tends toward a lack of important information on scientific progress and inventions developed in a grant's last year as well as on unobligated funds that could be recovered for rebudgeting within the federal government. GAO identified areas where controls over financial management in the oversight and the monitoring of grantees could be strengthened. For example, NIH does not always receive and use the single audit reports the Office of Management and Budget requires, a key tool for financial management oversight. Other areas in internal controls that could be strengthened include the discrepancies GAO found between grant award amounts reported in key NIH systems, which increase the risk of inaccuracies and improper authorization of grant funds. In its fiscal year 1999 audit report on internal controls, the independent public accountant responsible for the financial audit of NIH identified a material weakness in the analysis and the development of financial statements that included a weakness related to the financial management of grants. Regarding NIH's use of fiscal year 1999 appropriations, NIH allocated about the same percentage of funds to extramural research as it did in fiscal year 1998. Appropriations allocated for extramural research grants accounted for about \$1.4 billion of the nearly \$2 billion increase in NIH's appropriations, or about 70 percent.

Toxic Chemicals: Long-Term Coordinated Strategy Needed to Measure Exposures in Humans

GAO/HEHS-00-80, May 2 (78 pages).

Three main barriers limit federal and state agencies' ability to make more progress in measuring internal doses of exposure to toxic chemicals—actual levels of chemicals or their metabolites in human tissues—which can be a more useful measure of exposure for some purposes than the historical estimates of human exposure based on the

concentration of these chemicals in environmental media, such as air, water, and food. First, federal and state laboratories often lack the capacity to conduct measurements needed to collect human exposure data; no laboratory method has been developed for measuring the levels of many chemicals in human tissues. Second, information is lacking to help set test results in context; public health officials need more information on typical exposures in the general population in order to compare this information with people's levels at specific sites or with specific populations within states. Third, coordinated, long-term planning among federal agencies is lacking, partly because of sporadic agency commitments to human exposure measurement and monitoring. GAO recommends that the Secretary of the Department of Health and Human Services and the Administrator of the Environmental Protection Agency develop a coordinated federal strategy for short-term and long-term monitoring and reporting of human exposures to potentially toxic chemicals.

**Chronic Fatigue Syndrome:
CDC and NIH Research Activities Are Diverse, but Agency
Coordination Is Limited**

GAO/HEHS-00-98, June 2 (74 pages).

The Centers for Disease Control and Prevention (CDC) has over the past 12 years focused largely on the prevalence and the causes of chronic fatigue syndrome (CFS), including the search for infectious and immunological abnormalities. The National Institutes of Health (NIH) has focused primarily on CFS' effects on bodily systems and possible causal agents. Funds for CFS research have increased at both CDC and NIH since 1987 but generally not in the past 4 years. At CDC, the lengthy and uncertain process for allocating CFS funds to the branch responsible for most of the CFS work has delayed particular projects. Furthermore, CDC's redirection of funds has resulted in reductions in CFS resources, impeding its CFS research. However, CDC has begun a process to restore all redirected CFS funds. NIH has taken steps to facilitate the funding of CFS projects, including issuing program announcements, establishing a special emphasis panel to review CFS grant applications, and using a discretionary program to fund additional studies. NIH has also supported a number of research centers on CFS. Coordination between CDC and NIH has been limited and they have not jointly conducted research. The CFS Coordinating Committee has helped facilitate some interagency communications but has not provided an effective forum for developing coordinated research programs.

**Medicare Quality of Care:
Oversight of Kidney Dialysis Facilities Needs Improvement**

GAO/HEHS-00-114, June 23 (36 pages).

The oversight of end-stage renal disease (ESRD) facilities needs improvement. Increasing the budget of the Health Care Financing Administration (HCFA) for inspecting ESRD facilities should help improve oversight, as would putting some teeth into the enforcement process. One way to give facilities more incentives to stay in compliance with Medicare reimbursement policies would be to have available the kinds of monetary penalties that can be used when nursing homes are found to have severe or repeated serious deficiencies. For example, HCFA can fine nursing homes, and the fines are not forgiven when the facility corrects its problems. Another way to strengthen oversight would be for state agencies and ESRD's networks to share information on complaints and known quality-of-care problems at specific facilities. This would help target inspection resources where they are most needed. HCFA's efforts to use available outcome data for targeting its survey efforts might also eventually help in this regard, but more testing and evaluation are needed to help ensure that the data used are sufficient to predict noncompliance with Medicare's quality standards. GAO summarized this report in testimony before Congress; see:

Medicare Quality of Care: Oversight of Kidney Dialysis Facilities Needs Improvement, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Special Committee on Aging. GAO/T-HEHS-00-136, June 26 (7 pages).

**Single-Use Medical Devices:
Little Available Evidence of Harm From Reuse, but Oversight Warranted**

GAO/HEHS-00-123, June 20 (32 pages).

Some single-use medical devices (SUD) can be safely reprocessed if appropriate cleaning, testing, and sterilization procedures are carefully followed. However, SUD reprocessing is not invariably safe, and relatively little is known about the practice of SUD reprocessing in health care institutions. The Food and Drug Administration has therefore taken steps to increase its oversight of SUD reprocessing. Nonetheless, the new framework does not treat all types of reprocessors consistently and will be

difficult to implement. Because the demonstrated health risks from SUD reprocessing are small, it may also have only a limited effect on public health. GAO summarized this report in testimony before Congress; see:

Medical Devices: Reprocessing and Reuse of Devices Labeled Single-Use, by Janet Heinrich, Associate Director of Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor, and Pensions. GAO/T-HEHS-00-143, June 27 (nine pages).

Correspondence

West Nile Virus: Preliminary Information on Lessons Learned. GAO/HEHS-00-142R, June 23.

Medicare: Contractors Screen Employees but Extent of Screening Varies. GAO/HEHS-00-135R, June 30.

Housing

Single-Family Housing: Stronger Oversight of FHA Lenders Could Reduce HUD's Insurance Risk

GAO/RCED-00-112, Apr. 28 (44 pages).

Every year, the Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), insures billions of dollars in home mortgage loans made by private lenders. During fiscal year 1999, FHA insured 1.3 million mortgages valued at about \$124 billion. Recent cases of mortgage fraud across the country have raised concerns about HUD's oversight of these lenders. This report provides information on HUD's oversight of lenders participating in FHA's mortgage insurance programs for single-family homes. Among other things, GAO found that 12 of 36 lenders had received 4 or more "poor" ratings from HUD's homeownership centers for their last 15 preclosing reviews. In addition, the homeownership centers' monitoring of lenders does not adequately focus on the lenders and loans that pose the greatest insurance risks to HUD. GAO summarized this report in testimony before Congress; see:

Single-Family Housing: Stronger Oversight of FHA Lenders Could Reduce HUD's Insurance Risk, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-RCED-00-213, June 29 (nine pages).

Correspondence

HUD: Decision to Deny New York City Authority Over Funds for the Homeless. GAO/OSI-00-11R, June 1.

The Status of Major HUD Funding Awarded to the Memphis Housing Authority. GAO/RCED-00-150R, June 6.

Rural Housing Service: Update of Data on High-Interest Direct Loans. GAO/RCED-00-214R, June 7.

Fair Housing: HUD's Implementation of the Fair Housing Act's Accessibility Provisions. GAO/RCED-00-160R, June 30.

Income Security

Testimony

Social Security Administration: Paying Attorneys Who Represent Disability Applicants, by Barbara D. Bovbjerg, Associate Director for Education, Workforce, and Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HEHS/AIMD-00-166, June 14 (15 pages).

Often when applicants are found eligible for Disability Insurance (DI) benefits, the Social Security Administration (SSA) pays attorneys representing them directly from the beneficiaries' past-due benefits. Complaints about the time it takes SSA to pay the attorneys and recent legislative changes to the attorney payment process that include collecting a user fee for paying the attorneys have raised questions about whether additional changes are needed. A recent legislative proposal calls for eliminating this user fee if SSA does not pay attorneys within 30 days, but it may sometimes be difficult for SSA to meet this deadline. Three possible changes to the attorney fee payment process include whether (1) joint checks for past-due benefits should be issued to the beneficiary and the attorney, (2) the dollar limit on certain attorney fees should be raised, and (3) SSA's attorney fee payment process should be expanded to the Supplemental Security Income (SSI) program. These changes would have policy and administrative implications that need to be considered. Some of the changes could increase attorney representation for disability applicants and they have some drawbacks. For example, issuing joint checks to the beneficiary and the attorney might delay payments to the beneficiary and might increase the chance that attorneys would

shortchange beneficiaries. SSA indicated that it might need to make significant modifications to its information systems to issue joint checks or pay attorneys who represent SSI recipients.

Information Management

Computer Security: FAA Is Addressing Personnel Weaknesses, but Further Action Is Required

GAO/AIMD-00-169, May 31 (15 pages).

The Federal Aviation Administration's (FAA) personnel security policy requires that background checks be done for all FAA employees and contractor employees who have some level of risk association with their jobs. GAO reported last year that the agency had failed to perform risk assessments as required and had not done background searches on all contractor employees. (See GAO/AIMD-00-55.) This report determines (1) the factors that contributed to FAA's failure to adhere to the requirements of its personnel security program that requires background searches—investigations or checks—of contractor employees commensurate with the risk level of the tasks to be performed, (2) whether FAA's "five layers of system protection" concept is a generally accepted security framework reflective of its security policies and procedures, and (3) the extent of FAA's compliance with the requirements of its personnel security program concerning background searches for FAA and contractor employees at all agency facilities.

Information Security: Vulnerabilities in DOE's Systems for Unclassified Civilian Research

GAO/AIMD-00-140, June 9 (38 pages).

Unclassified information systems for scientific research are not consistently protected at all Department of Energy (DOE) laboratories. Although some laboratories are taking significant steps to strengthen access controls, many systems remain vulnerable. In four recent cases, Internet attacks forced DOE laboratories to disconnect their networks from the Internet, interrupting scientific research for as long as a week on at least two occasions. A major contributing factor to the continuing security shortfalls at these laboratories is that DOE lacks an effective program for consistently managing information technology security throughout the agency. Moreover, line management within DOE has not effectively

overseen implementation of computer security at the laboratories. DOE is aware that its unclassified security program has been inadequate and has taken steps to improve it, including issuing an updated, unclassified information technology security policy and developing a five-year action plan. However, further action will be needed to reform the Department's line management oversight structure for information technology security.

**Information Policy:
NTIS' Financial Position Provides an Opportunity to Reassess Its Mission**

GAO/GGD-00-147, June 30 (25 pages).

The National Technical Information Service (NTIS), part of the Commerce Department, has been for more than 55 years a principal collector and disseminator of federal research, scientific, and technical reports to the public. But during the last several years, many federal agencies have begun to make their reports publicly available at no charge by using the Internet. Revenues from NTIS sales of reports have declined, and its solvency beyond the year 2003 is in doubt. Policymakers may want to address the question of whether the government still needs NTIS. To help in this assessment, congressional committees could benefit from the annual financial and operational reports that Commerce is required to submit to Congress but has not submitted since 1995. GAO also found that NTIS' World News Connection, which provides for a fee an online foreign news service, does fall within the agency's mission to disseminate technical information, but that it may have a detrimental effect on private sector firms offering similar service because NTIS does not pay to obtain or translate foreign news or pay taxes as private firms do.

Testimony

Foreign Affairs: Effort to Upgrade Information Technology Overseas Faces Formidable Challenges, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before the House Committee on International Relations. GAO/T-AIMD/NSIAD-00-214, June 22 (18 pages).

The Overseas Presence Advisory Panel found that many U.S. embassies and missions are equipped with obsolete information technology systems, which prevent efficient communication and effective information sharing and storage. In particular, many systems within U.S. embassies are incapable of simple electronic communications across department lines and most are disparate and not interconnected. In the Panel's judgment,

these problems, coupled with such other problems as poor facilities and outmoded administrative and human resource management practices, seriously undermine the effective representation of U.S. interests abroad. This testimony focuses on (1) the State Department's efforts to implement the Panel's recommendations and (2) the challenges and risks the Department will face as it proceeds.

Critical Infrastructure Protection: Comments on the Proposed Cyber Security Information Act of 2000, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-00-229, June 22 (18 pages).

H.R. 4246, the proposed Cyber Security Information Act of 2000, would remove barriers to information sharing between government and private industry. In GAO's view, the legislation would help build the meaningful private-public partnerships that are essential to protecting critical infrastructure assets. To successfully engage the private sector, however, the federal government itself must be a model of good information security. Today, it is not. Significant computer security weaknesses—from poor controls over sensitive systems and data to weak or nonexistent continuity of service plans—plague nearly every major agency. And, as seen in the recent "ILOVEYOU" computer virus, mechanisms already in place to ease information sharing among federal agencies about impending threats have not been working well. Moreover, the federal government may not yet have the right tools for identifying, analyzing, coordinating, and disseminating the type of information that H.R. 4246 envisions collecting from the private sector.

Correspondence

Defense Software: Review of Defense Report on Software Development Best Practices. GAO/AIMD-00-209R, June 15.

Information Security: Software Change Controls at the Department of Agriculture. GAO/AIMD-00-186R, June 30.

Information Security: Software Change Controls at the Department of Commerce. GAO/AIMD-00-187R, June 30.

Information Security: Software Change Controls at the Department of Defense. GAO/AIMD-00-188R, June 30.

Information Security: Software Change Controls at the Department of Energy. GAO/AIMD-00-189R, June 30.

Information Security: Software Change Controls at the Department of the Interior. GAO/AIMD-00-190R, June 30.

Information Security: Software Change Controls at the Department of Justice. GAO/AIMD-00-191R, June 30.

Information Security: Software Change Controls at the Department of Labor. GAO/AIMD-00-192R, June 30.

Information Security: Software Change Controls at the Department of Transportation. GAO/AIMD-00-193R, June 30.

Information Security: Software Change Controls at the Department of Health and Human Services. GAO/AIMD-00-194R, June 30.

Information Security: Software Change Controls at the Department of Housing and Urban Development. GAO/AIMD-00-195R, June 30.

Information Security: Software Change Controls at the National Aeronautics and Space Administration. GAO/AIMD-00-196R, June 30.

Information Security: Software Change Controls at the Office of Personnel Management. GAO/AIMD-00-197R, June 30.

Information Security: Software Change Controls at the Social Security Administration. GAO/AIMD-00-198R, June 30.

Information Security: Software Change Controls at the Department of State. GAO/AIMD-00-199R, June 30.

Information Security: Software Change Controls at the Department of the Treasury. GAO/AIMD-00-200R, June 30.

Information Security: Software Change Controls at the Department of Veterans Affairs. GAO/AIMD-00-201R, June 30.

International Relations

World Trade Organization: U.S. Experience to Date in Dispute Settlement System

GAO/NSIAD/OGC-00-196BR, June 14 (36 pages).

Member countries of the World Trade Organization (WTO) have actively used the WTO dispute settlement system during the first five years and filed 187 complaints as of April 2000. The United States and the European Union were the most active participants, both as plaintiffs and defendants. Out of 25 cases in which the United States was a plaintiff, the United States prevailed in a final WTO dispute settlement ruling in 13 cases, resolved the dispute without a ruling in 10 cases, and did not prevail in two cases. As a defendant in 17 cases, the United States prevailed in one case, resolved the dispute without a ruling in 10 cases, and lost in six cases. Overall, GAO's analysis shows that the United States has gained more than it has lost in the WTO dispute resolution system so far. WTO cases have resulted in a large number of changes in foreign trade practices, while their effect on U.S. laws and regulations has been minimal. GAO summarized this report in testimony before Congress; see:

World Trade Organization: U.S. Experience in Dispute Settlement System—the First Five Years, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Subcommittee on International Trade, Senate Committee on Finance. GAO/T-NSIAD/OGC-00-202, June 20 (10 pages).

Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges

GAO/NSIAD-00-161, June 29 (179 pages).

In 1996, the World Bank and the International Monetary Fund (IMF) agreed to undertake a comprehensive approach, called the Heavily Indebted Poor Countries Initiative, for granting debt relief to the world's poorest and most indebted countries. The initiative was enhanced in 1999 to provide more than \$28 billion worth of relief to 32 nations and add as a central goal poverty reduction in the poorest countries. GAO analyzed the impact of the initiative on seven countries and found that it will provide significant debt relief, but that the countries may not enjoy lasting relief without strong, sustained economic growth. According to GAO, the decline in debt service for the seven countries will "free up" resources for additional poverty reduction only if the countries continue to borrow at

the same rate as in the years just prior to qualifying for debt relief. Also, for the countries to service their debt after receiving debt relief, the World Bank and IMF assume that countries will achieve sustained strong economic performance. GAO analysis indicated that this assumption may be optimistic. The initiative requires debt relief to be linked to recipient countries' preparation of a comprehensive poverty reduction strategy, but this creates tension between quick debt relief and preparing such strategies. Financing the initiative has been challenging for some creditors, with some multilateral and smaller bilateral creditors reporting that they are having difficulty providing their full share of debt relief and may need external funding. Difficulties in financing the initiative could undermine its success because debt relief is supposed to be in addition to the assistance that donors and creditors otherwise provide to poor countries.

Testimony

Foreign Assistance: U.S. Funds to Two Micronesian Nations Has Little Impact on Economic Development and Accountability Over Funds Was Limited, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Subcommittee on Asia and the Pacific, House Committee on International Relations. GAO/T-NSIAD/RCED-00-227, June 28 (15 pages).

The United States entered into an international agreement—the Compact of Free Association—with the Federated States of Micronesia and the Republic of the Marshall Islands in 1986. This agreement represented a continuation of the U.S. financial support that had gone to these areas since the end of World War II. GAO found that Micronesia and the Marshall Islands spent about \$1.6 billion in Compact funds on general government operations, capital projects, and targeted sectors, such as energy and communications, from fiscal years 1987 through 1998. Micronesia and the Marshall Islands have made some progress in achieving economic self-sufficiency since 1987, although both countries remain highly dependent on U.S. assistance, which has maintained artificially high standards of living. Compact expenditures so far have led to little improvement in economic development in the two nations. Substantial compact expenditures used to maintain high levels of public sector growth have acted as a disincentive to private sector growth. Both countries have also spent Compact money on infrastructure projects, such as electrical power and telecommunications systems, that they viewed as critical to creating an environment attractive to private businesses. However, the projects have not spurred significant private sector activity. Finally, investment of Compact funds in business ventures has been a failure. GAO

found that many projects funded by the Compact had problems because of poor planning and management, shoddy construction and maintenance, or misuse of funds. The governments of Micronesia, the Marshall Islands, and the United States have provided limited accountability over Compact expenditures.

Visa Issuance: Observations on the Issuance of Visas for Religious Workers, by Jess T. Ford, Associate Director for International Relations and Trade Issues, before the Subcommittee on Immigration and Claims, House Committee on the Judiciary. GAO/T-NSIAD-00-207, June 29 (13 pages).

A decade ago, Congress established special immigrant and nonimmigrant visa categories for religious workers, including religious professionals and ministers, because of domestic shortages in these positions cited by religious groups. In 1998, religious worker visas constituted about 11,000 of the 6.4 million immigrant (permanent) and nonimmigrant (temporary) visas issued. The State Department and the Immigration and Naturalization Service (INS) share responsibility for issuing visas and admitting aliens into the United States. As a result of fraud investigations in the mid-1990s, both agencies have expressed concern that some individuals and organizations that sponsor religious workers may take advantage of this category to help unqualified aliens to enter or stay in the United States illegally. This testimony focuses on (1) the extent and the nature of any fraud the State Department and INS have identified in the religious worker visa program and (2) any steps these two agencies have taken or plan to take to change the visa screening process.

Justice and Law Enforcement

State and Federal Prisoners: Profiles of Inmate Characteristics in 1991 and 1997

GAO/GGD-00-117, May 24 (88 pages).

According to the Bureau of Justice Statistics, between 1990 and 1998 the rate of incarceration in American prisons rose from 292 to 461 sentenced inmates for every 100,000 residents. During that same period, the number of prisoners rose from about 774,000 to about 1,302,000—an average annual increase of 6.7 percent. This report analyzes survey data collected from prisoners by the Bureau on personal demographics, family background, criminal record, drug history, and participation in treatment by state and federal inmates in 1998 to determine any differences between state and federal inmates or by current offense type, race, or gender. GAO

also compared 1991 and 1997 data to determine any changes in inmate profiles of state and federal prisoners or by offense type, race, or gender. In 1997, most state and federal prisoners were male, minority, and unmarried and employed in the month before arrest. Comparing 1991 and 1997, the primary change in personal demographics for state prisoners was their age—32 percent were more than 35 in 1991, compared with 42 percent in 1997. For federal prisoners, the most significant change was racial composition: in 1991, whites comprised 38 percent and blacks 30 percent of inmates, compared with 30 percent whites and 38 percent blacks in 1997. In comparing state prisoners with federal prisoners, one of the biggest differences was in the type of crime for which they were imprisoned. For example, drug offenders accounted for more than 60 percent of federal inmates in 1997 but only 20 percent of state inmates, while violent offenders accounted for 47 percent of state inmates compared with 15 percent of federal inmates in 1997.

**Northern Mariana Islands:
Procedures for Processing Aliens and Merchandise**

GAO/GGD-00-97, May 26 (63 pages).

The Northern Mariana Islands are a U.S. territory with commonwealth status in the western Pacific. Since 1984, Members of Congress and successive administrations have raised concerns about the Islands' ability to effectively implement their immigration laws and control the export and import of goods. This report provides data on the Islands' procedures for controlling the flow of aliens and goods into and out of their territory. GAO provides data on the aliens' use of public health care and education and their involvement in crime in the Islands.

**Campaign Finance Task Force:
Problems and Disagreements Initially Hampered Justice's
Investigation**

GAO/GGD-00-101BR, May 31 (59 pages).

The Campaign Finance Task Force was established by Attorney General Janet Reno to investigate allegations of illegal fundraising during the 1996 presidential election. Following its creation, the Task Force faced several management challenges and operational problems. Notably, the working relationship between the Justice Department and the FBI was strained and hampered by mutual concerns of trust, with DOJ attorneys and FBI

investigators disagreeing over which investigative approach to take. To get the investigation on track, in the fall of 1997, DOJ and the FBI changed the Task Force's leadership, streamlined the Task Force's oversight structure, and committed additional staff and information management resources. The Task Force has launched 121 investigations as of the end of 1999. It has begun 24 prosecutions, and 15 persons and one corporation have been convicted as of March 2000. Through fiscal year 1999, DOJ and the FBI estimated that they have spent \$31.2 million on the Task Force.

Testimony

Gun Control: Improving the National Instant Criminal Background Check System, by Laurie E. Ekstrand, Director of Administration of Justice Issues, before the Senate Committee on the Judiciary. GAO/T-GGD-00-163, June 21 (15 pages).

This testimony draws on two recent GAO reports on the establishment and operation of the National Instant Criminal Background Check System, which was mandated by the Brady Act in 1998. (See GAO/GGD/AIMD-00-64, Feb. 2000, and GAO/GGD-00-56, Apr. 2000.) GAO focuses on the following four aspects of the system: (1) the system's availability and responsiveness, (2) the type of information available from the system compared to that available to state and local law enforcement agencies before the system, (3) the advantages and the disadvantages of system background checks done by state agencies rather than the FBI, and (4) the extent to which transactions under the system have resulted in firearms being sold to ineligible persons.

Correspondence

Immigration and Naturalization Service: Information on the Disposition of Naturalization Cases and on Courtesy as a Factor in Employee Performance Appraisals. GAO/GGD-00-132R, May 23.

Heroin Production: Southwest Asia (Afghanistan). GAO/OSI-00-12R, June 21.

National Defense

**Military Personnel:
Services Need to Assess Efforts to Meet Recruiting Goals and Cut Attrition**

GAO/NSIAD-00-146, June 23 (47 pages).

To deal with mounting problems in recruiting enough qualified enlisted personnel, the Army, the Navy, and the Air Force have increased their number of recruiters and their advertising budget and have offered larger enlistment bonuses and more money for college. The military services have also used innovative ways to expand their recruiting market without sacrificing the quality of recruits, for example, by targeting persons attending community colleges and persons without high school degrees who meet other quality standards. Because so little time has passed since the services have begun to respond to their recent recruiting problems, they cannot yet assess the long-term success of their efforts. Also, the services do not yet know which of their new recruiting efforts work best. In addition to improving the screening of applicants before they enlist, the services have also tried to reduce the attrition of first-term enlistees while they are in training and after they have been assigned to their first duty stations. These efforts include paying extra attention to recruits struggling during basic training and disciplining and working with enlistees who have completed training and are experiencing minor behavioral problems. Although these actions appear promising, the latest attrition data show that first-term attrition has reached an all-time high for military enlistees.

**Missile Defense:
Status of the National Missile Defense Program**

GAO/NSIAD-00-131, May 31 (18 pages).

The Pentagon is developing a national missile defense program to shield the United States from a ballistic missile attack from “rogue” nations, such as North Korea and Iran. Following a departmental review by the end of July 2000, the administration plans to decide on whether to deploy the system. To reduce risks, the Defense Department (DOD) has, since GAO’s 1998 report (GAO/NSIAD-98-153), delayed initial fielding of the national missile defense system from fiscal year 2003 to 2005; postponed decisions on the production of radars and interceptors, and boosted funding for testing. Even with the changes, however, significant performance and schedule risks persist. Developing a highly reliable hit-to-kill capability is a difficult technical challenge. Only three of the 19 planned intercept attempts are scheduled before the July 2000 deployment review. None of these attempts will expose the interceptor kill vehicle to the higher acceleration and vibration loads of the much faster, actual system booster. Because the program has a very aggressive schedule, it is vulnerable to delays. DOD has instituted several cost-control measures, including a process called “cost as an independent variable,” which sets realistic cost objectives and

trades off the system's performance and schedule to control costs. After incorporating cost savings from these measures, program officials estimated that the approved program would cost \$36.2 billion over the life of the Capability I system—or about \$7.5 billion more than the 1999 estimate. The cost rose mostly because of the decision to increase the number of interceptors and add flight tests, ground-test equipment, and a more capable radar facility. Costs are likely to increase further because of the vulnerability to schedule delays. Program officials estimate that each month of delay would increase program costs by \$124 million.

**Missile Defense:
Schedule for Navy Theater Wide Program Should Be Revised to Reduce Risk**

GAO/NSIAD-00-121, May 31 (30 pages).

The Navy Theater Wide system is being developed to defend military and civilian targets, including U.S. and allied military forces in the field, against attacks by medium- and long-range ballistic missiles while they are still outside the atmosphere. From 1997 through 1999, Congress increased funding for the program by 150 percent—about \$663 million—over the \$444 million requested by the President. The purpose of the increase was to help the Navy to reduce technical risks and develop system technologies earlier than planned. Members of Congress have raised concerns that, despite the funding increases, the program was viewed in 1998 by high ranking Pentagon officials and an independent panel of experts as “high risk” because of technical challenges, such as improving the system's ability to track and destroy enemy ballistic missiles. This report determines (1) how the additional funding provided by Congress was used and (2) whether significant risks to the program remain.

**Civil Air Patrol:
Proposed Agreements With the Air Force Are Intended to Address Identified Problems**

GAO/NSIAD-00-136, June 5 (32 pages).

The Civil Air Patrol is a congressionally chartered, private, nonprofit corporation that relies on 61,000 dues-paying volunteers to carry out its missions. The Civil Air Patrol provides emergency services, including counternarcotics, disaster relief, and search and rescue missions using small aircraft; aerospace education; and cadet training. As part of the Air

Force appropriation, Congress set aside about \$26.6 million for the Patrol in fiscal year 2000. A series of audit and inspections since 1998 have raised concerns about the Patrol's financial management and inventory control practices as well as Air Force oversight of the Patrol. This report assesses (1) the nature of the relationship between the Air Force and the Patrol, (2) the Air Force's oversight of the Patrol, (3) the Patrol's management and oversight of its own activities, and (4) plans to resolve identified problems.

**Defense Budget:
Fiscal Year 2000 Contingency Operations Costs and Funding**

GAO/NSIAD-00-168, June 6 (18 pages).

The Defense Department estimates that all ongoing contingency operations in fiscal year 2000 will cost \$4.7 billion, with operations in the Balkans and Southwest Asia accounting for more than 99 percent of that amount. GAO has two concerns about how the military identifies incremental costs in support of contingency operations. First, the Air Force and the Navy's Atlantic and Pacific Fleets use different methodologies to calculate their costs for flying hours in support of contingencies. DOD's regulation on costs for contingency operations permits different methodologies, but this practice results in different reimbursement rates for similar levels of activities. Second, the Air Force is seeking \$47.2 million in the supplemental appropriation request to repair or restore the infrastructure used during contingency operations in Kosovo. No other military service is asking for similar reimbursement in its budget request.

**Future Years Defense Program:
Comparison of Planned Funding Levels for the 2000 and 2001
Programs**

GAO/NSIAD-00-179, June 14 (17 pages).

The Pentagon's Future Years Defense Program (FYDP) is the official document that summarizes the force levels and funding associated with programs that the military would like to see approved by Congress. The FYDP presents estimated funding needs for the budget year for which the money is being requested from Congress and at least the four years following it. GAO compared the planning levels for the common years of the fiscal year 2000 and 2001 FYDP requests. GAO found that, in constant dollars, there are only minor increases in the projected year-to-year funding totals

over the common five-year period (2001-2005) from the 2000 FYDP to the 2001 FYDP. The Defense Department plans to increase total funding over the five-year period by \$15.8 billion, or 1.1 percent, over the total funding projected in the 2000 FYDP. Although total programmed funds for military personnel remain virtually the same in the year's FYDP as in last year's FYDP, programmed personnel funds for the Army and Air Force active forces decline, whereas programmed funds for other forces increase. The largest increase in the operation and maintenance account is \$9.7 billion, which is earmarked for overseas contingencies. Although DOD's programmed procurement spending remains above the \$60-billion threshold recommended by the Quadrennial Defense Review in 1997, the 2001 FYDP projects a \$3.2-billion decrease, or one percent, from last year's FYDP projections.

**Army National Guard:
Enhanced Brigade Readiness Improved but Personnel and
Workload Are Problems**

GAO/NSIAD-00-114, June 14 (32 pages).

During the last 25 years, the military has come to rely increasingly on the Army National Guard and other reserve forces, which provide combat troops as well as a large percentage of the Army's requirements in such support areas as civil affairs, public affairs, quartermaster, transportation, chemical, ordnance, and engineering. The enhanced brigades were introduced in 1993 to provide a flexible backup to Army units during wartime. GAO reported in 1995 that the brigades were unable to meet readiness goals under a new training strategy. (See GAO/NSIAD-95-91.) The National Guard brigades continue to have difficulty meeting training and personnel readiness goals, despite improvements in some areas. Officials attribute these problems in meeting readiness goals to personnel shortages and too much to do in the time available, although many problems also influence readiness. In addition, the Army lacks an effective system for assessing brigade readiness.

**Defense Logistics:
Actions Needed to Enhance Success of Reengineering Initiatives**

GAO/NSIAD-00-89, June 23 (40 pages).

Military logistics is an important and expensive job. The Defense Department (DOD) will spend about \$84 billion out of its \$280-billion

budget on logistics support this year. Even so, failing equipment and parts shortages continue to be a problem. DOD has taken steps to reengineer its logistics process, but many aspects of its overall plan are incomplete, raising questions about whether or when the goals of better service and lower costs will be realized. It is too early to assess the impact that reengineering logistics support will have on combat forces. Officials representing combat forces have raised several concerns, including the effect of having large numbers of private contractors on or near the battlefield, the ability of contractors to meet the surge requirements, and the effects of contracting on the number of jobs available to military personnel returning to the United States from overseas duty. Several factors, if not addressed, could limit DOD's ability to achieve its reengineering goals. These factors include the impact that use of sole-source, long-term contracts would have on anticipated reengineering savings and the effects that existing laws and policies would have on the implementation of reengineering initiatives. GAO summarized this report in testimony before Congress; see:

Defense Logistics: Integrated Plans and Improved Implementation Needed to Enhance Engineering Efforts, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on Armed Services. GAO/T-NSIAD-00-206, June 27 (nine pages).

**Defense Inventory:
Process for Canceling Inventory Orders Needs Improvement**

GAO/NSIAD-00-160, June 30 (35 pages).

This is one in a series of GAO reports on the Defense Department's management of inventory—spare and repair parts and other items that support the military's operations on land, at sea, and in the air. GAO has included DOD's management of inventory on its list of government areas at high risk for waste, fraud, abuse, and mismanagement. As of September 1999, DOD reported that it has about \$8.1 billion of inventory on order, \$1.6 billion of which exceeded requirements—the amount of inventory that the military indicated it needed to prevent out-of-stock situations. This report reviews inventory on order that exceeded requirements. GAO (1) determines that extent to which orders exceeded requirements when the orders were placed and (2) assesses the processes for canceling orders that exceeded requirements.

Testimony

Defense Acquisitions: Use of Cost Reduction Plans in Estimating F-22 Total Production Costs, by Allen Li, Associate Director for Defense Acquisitions Issues, before the Subcommittee on National Security, Veterans Affairs, and International Relations, House Committee on Government Reform. GAO/T-NSIAD-00-200, June 15 (12 pages).

The F-22 Raptor is being developed to replace the F-15 fighter aircraft. Projections of higher production costs have been a source of concern for years. The most recent production cost estimates were done by the Air Force and the Office of the Secretary of Defense in 1999. Both of these estimates considered cost reduction initiatives known as production cost reduction plans. Hundreds of these plans—totaling \$21 billion—have been identified by the airframe and engine contractors, with participation by the Air Force’s F-22 program office. This testimony (1) discusses the status of cost reduction plans, including some plans not yet implemented, and identifies Air Force procedures for reporting on the plans and (2) compares the 1999 cost estimates developed by the Air Force and the Office of the Secretary of Defense with the congressional cost limitation.

Defense Health Care: Opportunities to Reduce TRICARE Claims Processing and Other Costs, by Stephen P. Backhus, Director, Veterans’ Affairs and Military Health Care Issues, before the Task Force on Defense and International Relations, House Committee on the Budget. GAO/T-HEHS-00-138, June 22 (7 pages).

Opportunities exist to reduce some of the approximately \$225 million spent annually to process TRICARE claims. In response to the House version of the fiscal year 2001 Defense authorization bill, and through several Department of Defense (DOD) initiatives that mirror private sector practices, DOD has adopted and is planning several actions to reduce claims processing costs, including increasing electronic claims submission and web-based services to reduce the costs of claims review and to deal with the large number of inquiries providers and beneficiaries receive. Other opportunities to reduce costs and improve services exist in the area of health care fraud and abuse, where DOD’s efforts have been marginally effective. Potentially hundreds of millions of dollars could be used to purchase care for military beneficiaries. Additional cooperation with the Department of Veterans Affairs to procure pharmaceuticals and medical supplies could yield substantial savings. The different systems throughout the military health system for making medical appointments leave beneficiaries sometimes unsure of how to make such appointments,

leading to frustration with TRICARE, but GAO is reviewing this process and anticipates making recommendations for improvement.

Correspondence

Contract Management: Selected DOD Consulting Services. GAO/NSIAD-00-183R, June 23.

Natural Resources

Bureau of Reclamation: Information on Operations and Maintenance Activities and Costs at Multipurpose Water Projects

GAO/AIMD-00-127, May 31 (34 pages).

This report reviews the Bureau of Reclamation's operation and maintenance (O&M) of federal water projects. GAO answers the following questions: How does the Bureau define O&M activities? What latitude does the Bureau have in deciding which O&M costs to charge to customers? How does the Bureau account for O&M costs? How does the Bureau define overhead? How does the Bureau calculate the O&M costs that it charges to customers? What concerns have been raised by customers about excessive O&M costs and to what extent do customers have an opportunity to review cost origins and recommend reductions? How do the Bureau's cost recovery practices compare to those of other entities?

Commercial Fisheries: Entry of Fishermen Limits Benefits of Buyback Programs

GAO/RCED-00-120, June 14 (39 pages).

This GAO report evaluates the impact of recently completed buyback programs in three diverse fisheries—New England groundfish, Bering Sea pollock, and Washington State salmon. GAO looks at (1) the extent to which the buyback programs have affected fishing capacity, (2) the potential ways the buyback programs can be made more effective, and (3) the National Marine Fisheries Service's (NMFS) efforts to evaluate the effectiveness of buyback programs. GAO found that buyback programs in New England the Bering Sea, and Washington state initially removed from 10 to 24 percent of their respective fishing capacities. Also, the effectiveness of buyback programs in reducing fishing capacity depends upon whether fishermen return to the fishery and also whether remaining fishermen have an incentive to invest in larger or better-equipped fishing

vessels. Furthermore, NMFS has made limited efforts to evaluate buyback programs, assessing only the fishing capacity reductions in the New England groundfish buyback because it was required to do so.

**National Fish Hatcheries:
Authority Needed to Better Align Operations With Priorities**

GAO/RCED-00-151, June 14 (23 pages).

This report is the second of two reports that responded to a request for information to help evaluate the appropriate role for the national fish hatcheries. The report addresses (1) whether the activities carried out at the national fish hatcheries are consistent with their statutory authorizations and (2) whether changes in existing laws would be appropriate to provide better direction to the Fish and Wildlife Service on which programs to emphasize and to authorize the Service to make changes in how it manages the hatcheries. In its review, GAO found that the laws governing national fish hatcheries authorize and direct the hatcheries to engage in a wide variety of activities. These activities include establishing and implementing programs for the protection and conservation of fish, etc. Also, direction on which programs that Congress wants the hatcheries to emphasize would allow the Service to better align hatchery operations with the activities that the Congress believes should be the Service's highest priorities.

**Fishery Management:
American Fisheries Act Produces Benefits**

GAO/RCED-00-176, June 29 (18 pages)

About one-third of the total commercial fish harvest in the United States is pollock caught in the Bering Sea off Alaska. As the supply of groundfish, such as cod, has dropped, the demand for pollock, which is a valued source of fillets, surimi, and other products, has increased. This increased demand has led fishing vessels to compete to catch as many fish as possible before the overall catch limit is attained and the season closed. The American Fisheries Act requires GAO to report on whether the market for pollock fillets was adversely affected. According to GAO's report, the act has had a positive effect on the production of pollock fillets as well as on the price of pollock.

**Hydropower Relicensing:
Federal Costs Are Not Being Recovered**

GAO/RCED-00-107, June 30 (36 pages).

About 10 percent of all electricity produced in the United States is generated by federal and nonfederal hydroelectric power (hydropower) projects. Almost half of the electricity generated by hydropower is produced by federally owned and operated projects, which include dams, reservoirs, stream diversion structures, powerhouses containing turbines driven by falling water, and transmission lines. The Federal Power Act authorizes the Federal Energy Regulatory Commission (FERC) to issue licenses to construct and operate nonfederally owned hydropower projects, including those on federal lands. In this report, GAO assesses one issue—the status of efforts to recover the costs incurred by federal agencies to administer the hydropower program. In essence, for fiscal years 1995 through 1998, federal agencies reported a total of about \$32 million in hydropower program-related administrative costs. However, on the basis of its review, GAO estimated that for the 4 fiscal years, about \$12 million in federal costs to administer the hydropower program either were not reported or might not be recovered because of appeals by licensees.

Testimony

Park Service: Need to Address Key Management Problems That Plague the Concessions Program, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on National Parks, Historic Preservation and Recreation, Senate Committee on Energy and Natural Resources. GAO/T-RCED-00-136, June 15 (eight pages).

GAO discusses the management of the Park Service's concessions program. GAO's comments are based primarily on two reports—one reviewed the condition of lodging facilities in 10 national parks and the other addressed key management problems in the concessions program and the options available to address them. GAO found shortcomings in the agency's overall approach to managing the concessions program that center on three areas: (1) the inadequate qualifications and training of the agency's concessions specialists and concessions contracting staff, (2) the agency's out-of-date practices in handling its contracts workload as well as its chronic backlog of expired contracts, and (3) a lack of accountability within the concessions program.

Forest Service: Actions Needed for the Agency to Become More Accountable for Its Performance, by Jim Wells, Director of Energy Resources, and Science Issues, before the Subcommittee on Forests and Forest Health, House Committee on Resources. GAO/T-RCED-00-236, June 29 (12 pages).

This testimony discusses (1) the status of efforts by the Department of Agriculture's Forest Service to become more accountable for what it accomplishes with appropriated funds and (2) the actions still needed for the agency to provide the Congress and the public with a better understanding of its performance. GAO's testimony is based on the reports it has issued over the last 3 years, as well as ongoing work.

Correspondence

Review of the Bureau of Land Management's Administration and Use of Mining Maintenance Fees. GAO/AIMD-00-184R, June 2.

Social Services

Foster Care: HHS Should Ensure That Juvenile Justice Placements Are Reviewed

GAO/HEHS-00-42, June 9 (46 pages).

Juvenile justice placements constitute a small proportion of all title IV-E placements. The states have occasionally claimed reimbursement for juvenile justice placements at facilities that were not eligible for such reimbursement and, in many of the title IV-E funded cases GAO reviewed, the facilities served primarily children in the juvenile justice system. According to the Department of Health and Human Services (HHS), the states find it particularly difficult in juvenile justice cases to meet title IV-E procedural requirements intended to protect children's welfare. It is important that HHS exercise adequate oversight of title IV-E funded juvenile justice placements to determine the extent to which title IV-E funding is appropriately used and procedural requirements are met in these cases. To do this, HHS needs sufficient information about (1) facility eligibility and compliance with procedural requirements in individual title IV-E funded juvenile justice cases and (2) the state and county systems used to determine whether the facilities in title IV-E funded juvenile justice cases are eligible for title IV-E funding, as well as systems used to help ensure that procedural requirements are met in these cases. Although the states have primary responsibility for making title IV-E facility eligibility decisions and meeting procedural requirements in juvenile justice

placements, HHS, as the ultimate steward of title IV-E funds, has the responsibility to exercise close oversight of the use of those funds. Collecting such information will allow HHS to identify the nature and the magnitude of any problems that may exist in these cases.

Correspondence

Additional Information About the Scope and Limits of Sanction Data Provided in Recent GAO Report on Temporary Assistance for Needy Families. GAO/HEHS-00-133R, June 14.

Tax Policy and Administration

IRS' 2000 Tax Filing Season: IRS Measures Show Tax Processing Systems Performed Slightly Better Than in 1999

GAO/GGD-00-146, June 16 (15 pages).

The Internal Revenue Service's (IRS) tax processing systems worked slightly better in the 2000 filing season than in the 1999 filing season, according to IRS' performance data and comments from agency officials and representatives of large tax practitioners. As of April 2000, for example, IRS reported that it had experienced fewer work stoppages caused by critical system-related problems and had fewer such problems that remained unresolved for more than 24 hours. Also, IRS reported that it processed paper returns faster than in the 1999 filing season. However, IRS reported that as of May 2000 it had experienced four minor problems with its systems that affected a small number of taxpayers. In some cases, IRS sent some refunds to the wrong people.

Banking Taxation: Implications of Proposed Revisions Governing S-Corporations on Community Banks

GAO/GGD-00-159, June 23 (66 pages).

Banks represent a small percentage of all S-corporations (so called because they meet the requirements of subchapter S of the Internal Revenue Code—including the businesses that must be a domestic corporation with only one class of stock and no more than 75 shareholders, all of whom must be individuals who agree to the S status). S-corporations pass through corporate income and losses to their shareholders for federal tax purposes. As of the end of 1999, there were

about 1,300 S-corporation banks—about 13 percent of all banks and thrifts in the United States (holding about two percent of total bank assets), mostly located in Minnesota, Texas, Iowa, Illinois, and Kansas. This report responds to a congressional mandate requiring GAO to analyze possible revisions to the rules governing S-corporations and the potential impact of those changes primarily on community banks' decisions to elect S-corporation status.

Transportation

Pipeline Safety: The Office of Pipeline Safety Is Changing How It Oversees the Pipeline Industry

GAO/RCED-00-128, May 15 (61 pages).

Pipelines are inherently safer to the public than other modes of freight transportation for natural gas and hazardous liquids because they are, for the most part, located underground. But, because of the volatile nature of the products, pipeline accidents can have serious consequences. In response to recent accidents, GAO was asked to review the Office of Pipeline Safety's performance in regulating pipeline safety. Specifically, GAO examined (1) the extent of pipeline accidents from 1989 through 1998, (2) the Office's implementation of the 1996 act's risk management program, (3) the Office's inspection and enforcement efforts since the act's implementation, and (4) the Office's responsiveness to recommendations from the National Transportation Safety Board and to statutory requirements designed to improve pipeline safety. From its review, GAO determined that (1) from 1989 through 1998, pipeline accidents resulted in an average of about 22 fatalities per year, (2) the Office has implemented a risk management demonstration program and has approved six demonstration projects, (3) since the act's implementation, the Office has modified its inspection and enforcement approach, and (4) the Office's responsiveness to the Safety Board's recommendations and statutory requirements has been mixed.

Intercity Passenger Rail: Amtrak Will Continue to Have Difficulty Controlling Its Costs and Meeting Capital Needs

GAO/RCED-00-138, May 31 (59 pages).

Since its inception in 1971, the National Railroad Passenger Corporation (Amtrak) has received over \$23 billion in federal subsidies for operating and capital expenses. Over the last 3 years, Amtrak has received over \$3.6 billion that could be used for capital improvements, among other things. This report responds to a request to review Amtrak's costs and capital investment needs. GAO found that Amtrak's operating costs have increased since 1995, and future increases can be expected. In particular, costs in three areas—labor, interest on commercial debt, and payments to other railroads to access track and keep Amtrak's trains on time—have all contributed to these increases.

**Highway Infrastructure:
FHWA's Model for Estimating Highway Needs Is Generally
Reasonable, Despite Limitations**

GAO/RCED-00-133, June 5 (38 pages).

Transportation systems play a vital role in the nation's economy by facilitating the movement of people and goods. The United States has made significant investments in its transportation infrastructure. The Transportation Equity Act for the 21st Century directed GAO to evaluate and report to Congress on how the Department of Transportation (DOT) determines highway investment requirements using the Highway Economic Requirements System (HERS). To estimate future investment requirements, DOT's Federal Highway Administration (FHWA) uses the HERS computer model. In this report, GAO describes (1) the methodology the model uses to generate its estimates of the nation's highway investment requirements, (2) the strengths and the limitations of the model, and (3) the usefulness of the HERS estimates for deciding on federal investments in highway infrastructure. Among other things, GAO reports that (1) the computer model estimates investment requirements for the nation's highways by adding together the costs of highway improvements that the model's benefit-cost analyses indicate are warranted; (2) HERS has several strengths that make it a unique and reasonable tool for estimating a general level of national highway investments, but that it also has some limitations that affect the precision of its results; and (3) HERS can be useful as a general guide for the investment requirements of the nation's highways included in the model.

**National Airspace System:
Persistent Problems in FAA's New Navigation System Highlight
Need for Periodic Reevaluation**

GAO/RCED/AIMD-00-130, June 12 (38 pages).

The Federal Aviation Administration (FAA) relies on a ground-based navigation system that uses various types of equipment to assist pilots in navigating their assigned routes and to provide them with guidance for landing their aircraft safely in different types of weather. But this system is aging and limited in its geographic coverage. FAA is planning to transition from its ground-based system to a satellite-based system using radio signals generated by the Global Positioning System (GPS). In conducting its review, GAO examined studies and spoke with experts in aviation navigation and related technologies to obtain their views on the capability of FAA's new navigation system and alternatives to that system. From the studies it reviewed and experts it talked with, GAO found that the current GPS does not meet all of FAA's civilian aviation navigation requirements for accuracy, integrity, and availability.

**Highway Funding:
Problems With Highway Trust Fund Information Can Affect State
Highway Funds**

GAO/RCED/AIMD-00-148, June 29 (62 pages).

The Transportation Equity Act for the 21st Century (TEA-21) authorized \$217.9 billion for highway, mass transit, and other surface transportation programs for fiscal years 1998 through 2003. This report discusses (1) the Treasury Department's process for allocating highway user tax receipts to the Highway Account of the Fund, (2) the Federal Highway Administration's (FHWA) process for estimating motor fuel usage, and (3) the contributions to the account that are attributable to highway users in each state and the impact of these processes on the amount of highway program funds distributed to each state. GAO determined that the quality of information developed by the Treasury Department and FHWA is more critical than ever before in determining accurate funding amounts to be distributed to the states each year.

Testimony

National Airspace System: Problems Plaguing the Wide Area
Augmentation System and FAA's Actions to Address Them, by Gerald L.

Dillingham, Associate Director for Transportation Issues, before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure. GAO/T-RCED-00-229, June 29 (15 pages).

The Federal Aviation Administration's Wide Area Augmentation System (WAAS) is a key part of the agency's multibillion dollar effort to modernize the nation's air traffic control system. Today, FAA relies primarily on a ground-based navigation system to help pilots fly their assigned routes and to help them safely land their aircraft in all kinds of weather. FAA's current navigation system is aging, however, and is limited in its geographic coverage. With its new navigation system, FAA expects to improve the safety of flight operations, allow the fuel-efficient routing of aircraft, and eventually phase out most of its existing ground-based navigation aids. The cost to develop WAAS has risen more than \$500 million, primarily because of unexpected development costs and additional program support costs. WAAS has also been delayed for more than three years and has had performance problems. This testimony discusses (1) the difficulties in developing WAAS, (2) the steps that FAA is taking to get the system on track, and (3) the next steps for FAA to take to help mitigate future delays in implementing WAAS.

Veterans Affairs

Veterans' Health Care: VA Needs Better Data on Extent and Causes of Waiting Times

GAO/HEHS-00-90, May 31 (24 pages).

Anecdotal information on veterans' waits for outpatient health care—and the locations and clinics where they wait the longest—has led officials from the Department of Veterans Affairs (VA) and representatives from veteran service organizations to believe that waiting times are often too long. Over the past 10 months, VA has initiated two efforts to gather comprehensive data from its facilities on outpatient waiting time. The first effort, begun in June 1999, produced incomplete and inaccurate data, in part because of the differences in facilities' scheduling of appointments. The second, significantly better effort, begun in December 1999, was designed to improve the data's reliability by measuring the average time taken to schedule an appointment for an entire month; this new method should provide VA with more complete and accurate data. VA has also acted to reduce the time veterans must wait for outpatient appointments. It hired a private contractor to develop and implement techniques to reduce waiting times at selected clinics in VA facilities nationwide and plans to

spend \$400 million in fiscal year 2001 to improve the timeliness of service, patient access to telephone care, and timely access to clinical information. However, VA's lack of reliable data raises concerns about whether it has an adequate basis on which to design these initiatives. GAO recommends that VA identify the extent and causes of waiting time problems and monitor and track expenditures for addressing them.

**Department of Veterans Affairs:
Credit Costs and Risks of Proposed VA Small Business Loan
Guarantee Program**

GAO/GGD-00-158, June 30 (35 pages).

This report analyzes the costs and the risks to the federal government of a proposed program to guarantee small business loans to veterans for the acquisition of fixed assets used in a business. GAO analyzes (1) the federal credit costs and the risks of the proposed program, (2) the cost impact of alternative borrower requirements in the implementation of the proposed program, and (3) the administrative issues resulting from VA's implementation of the proposed program.

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Federal Reserve System: Privacy of Consumer Financial Information.
GAO/OGC-00-34, June 13.

Nuclear Regulatory Commission: Emergency Core Cooling System
Evaluation Models. GAO/OGC-00-35, June 13.

Department of Agriculture, Commodity Credit Corporation: Agricultural Disaster and Market Assistance. GAO/OGC-00-36, June 21.

Nuclear Regulatory Commission: Revision of Fee Schedules; 100 Percent Fee Recovery, Fiscal Year 2000. GAO/OGC-00-37, June 21.

Department of Labor, Employment and Training Administration: Birth and Adoption Unemployment Compensation. GAO/OGC-00-38, June 23.

Department of the Interior, Bureau of Indian Affairs: Distribution of Fiscal Year 2000 Indian Reservation Roads Funds. GAO/OGC-00-39, June 23.

Federal Trade Commission: Privacy of Consumer Financial Information. GAO/OGC-00-40, June 23.

Legal Decisions and Opinions

Department of Defense—Authority to Impose Pecuniary Liability. B-280764, May 4.

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