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# MONTH IN REVIEW: OCTOBER 1999

## Reports, Testimony, Correspondence, and Other Publications

### Highlights

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**International Monetary Fund:** Observations on the IMF's Financial Operations. Page 25.

**Mental Health:** Improper Restraint or Seclusion Use Places People at Risk. Page 13.

**U.S. Postal Service:** Challenges to Sustaining Performance Improvements Remain Formidable on the Brink of the 21<sup>st</sup> Century. Page 12.

**International Trade:** Implementation and Monitoring of the U.S.-Japan Insurance Agreements. Page 26.

**Y2K Computing Challenge:** Day One Planning and Operations Guide. Page 2.

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

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# Month in Review: October 1999

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## Special Publications

### **Y2K Computing Challenge: Day One Planning and Operations Guide**

GAO/AIMD-10.1.22, Oct. 1999 (16 pages).

The objectives of a Day One strategy are to (1) position an organization to readily identify problems caused by the Year 2000 date change, take needed corrective action, and minimize any adverse impact on agency operations and key business processes and (2) provide information about an organization's Year 2000 condition to executive management, business partners, and the public. This guide provides a conceptual framework to help government agencies develop a Day One strategy and reduce the risk of Year 2000 problems for agency operations. It builds upon GAO's earlier Year 2000 business continuity and contingency planning guide, and draws on other sources, including the Social Security Administration, IBM, and the Legislative Branch Y2K Group.

### **Human Resources and Payroll Systems Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act of 1996**

GAO/AIMD-00-21.2.3, Oct. 1999 (56 pages).

Government agencies are required to implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These requirements are spelled out in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and in Office of Management and Budget guidance. This checklist, which reflects JFMIP's revised Human Resources and Payroll Systems Requirements, is intended to assist (1) agencies in implementing and monitoring their human resources and payroll systems and (2) management and auditors in reviewing their human resources and payroll systems to determine if they are in substantial compliance with the Federal Financial Management Improvement Act.

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## Budget and Spending

### **Budget Issues: Budgeting for Inflation in Civilian Agencies**

GAO/AIMD-00-14, Oct. 1999 (11 pages).

In recent years, the Defense Department (DOD) has seen increases in purchasing power—called inflation dividends—that occur when inflation is lower than had been projected at the time funds were requested. DOD has used those savings to fund a larger program without requesting or receiving additional resources. In light of the military's experience, the question of whether civilian agencies should also identify the effect of lower inflation on their funding requirements has been raised. This report describes how inflation is now treated in budgeting for DOD and civilian discretionary nonpay activities. GAO developed case studies for three civilian agencies: the Bureau of Land Management, the Office of Environmental Management in the Department of Energy, and NASA. GAO also reviewed its earlier work on inflation changes in both civilian agencies and DOD and questioned DOD about how it budgets for inflation.

## Business, Industry, and Consumers

### **Funeral-Related Industries: Complaints and State Laws Vary, and FTC Could Better Manage the Funeral Rule**

GAO/GGD-99-156, Sept. 23 (72 pages).

Comprehensive information on consumer complaints about the funeral industry is unavailable. One reason is that consumers can complain to various organizations about funeral-related issues and can lodge the same complaint with more than one organization. Another reason is that no one organization or combination of organizations collects and compiles all complaints into a single database. Although organizations GAO contacted were able to provide some data, the number of complaints about the funeral industry was generally low compared to complaints about other types of consumer issues. Among the reasons these organizations gave for the relatively low number of complaints was the personal or emotional component of the death care situation. The Federal Trade Commission's (FTC) Funeral Rule requires that funeral providers give consumers accurate, itemized price information and other disclosures about funeral goods and services. During the last five years, FTC has taken steps, including distributing compliance guides and working with the funeral home industry, to promote compliance with the rule. FTC maintains that compliance among providers covered by the rule has risen "substantially" over the years. However, FTC lacks a systematic or structured process for measuring funeral homes' compliance. A GAO analysis of a limited sample of funeral homes found that compliance was indeed high for the rule's core requirement—giving consumers itemized price lists early in their

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meetings with funeral home staff—and somewhat lower for the rule’s other elements. However, it appears that FTC did not always act against funeral homes that may have violated the rule and did not always document the reason. GAO also reviewed the approaches used by five states—California, Florida, Maryland, New York, and Texas—to protect consumers who deal with funeral homes and cemeteries and make preneed arrangements. Differences were most notable concerning the five states’ regulatory structures and the requirements that these states place on death care providers.

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## Civil Rights

### **HUD EEO Investigation: Contracting and Process Irregularities**

GAO/OSI-99-6, Sept. 8 (20 pages).

In February 1988, the Deputy Assistant Inspector General (IG) for Investigation at the Department of Housing and Urban Development (HUD) complained that HUD’s IG had discriminated against him because of his race. GAO reviewed the equal employment opportunity (EEO) complaint. This report discusses (1) whether HUD had awarded contracts concerning the EEO complaint to outside firms in accordance with government standards and (2) whether HUD’s actions were justified when it deviated from its standard EEO process by contracting with firms not on the General Services Administration’s schedule of contractors.

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## Economic Development

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### Testimony

Flood Insurance: Information on Financial Aspects of the National Flood Insurance Program, Stanley J. Czerwinski, Associate Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Opportunity, House Committee on Banking and Financial Services. GAO/T-RCED-00-23, Oct. 27 (12 pages).

The flood insurance program run by the Federal Emergency Management Agency paid about \$7 billion in insurance claims from fiscal years 1986 through 1998. In recent years, claims paid by the program have risen as a result of a series of storms, creating a greater drain on the program. This

testimony discusses the (1) financial results of the program's operations since fiscal year 1993, (2) major factors contributing to the financial difficulties faced by the program, and (3) actions taken by and plans of the Federal Insurance Administration that may affect the program's financial health.

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## Education

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

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

In fiscal year 1996, the Department of Education spent less than one percent of all appropriated program funds on administration for the 10 programs GAO reviewed. It received \$327 million to administer all its programs and spent about \$23 million on these 10 programs. For nine of the 10 programs, the states spent an average of one to 17 percent of the funding they received to administer them. Collectively, they distributed 94 percent of the federal funds they received mainly to local agencies. Like the Department, the states spent the money on such activities as technical assistance and program evaluation; they are also authorized to spend the funds to design curricula and demonstration projects. GAO visited nine of the nation's 16,000 schools districts and found that school-level staff and district office staff spent very little time administering the programs.

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## Energy

### **Nuclear Nonproliferation: Status of Heavy Fuel Oil Delivered to North Korea Under the Agreed Framework**

GAO/RCED-99-276, Sept. 30 (29 pages).

During the 1990s, North Korea's nuclear program was suspected of producing nuclear material capable of being fashioned into nuclear weapons. To address this threat, the United States and North Korea signed the Agreed Framework in October 1994. In exchange, the United States pledged to help North Korea acquire two light-water nuclear reactors for electricity generation. The United States also pledged to arrange for deliveries of 500,000 metric tons of heavy fuel oil annually until the first reactor was completed. The agreement stipulates that the fuel oil is to be used for heating and electricity generation. Reports have alleged that North Korea has diverted some of the heavy oil for purposes not specified

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in the Agreed Framework, including resale abroad. This is GAO's fourth report on issues related to the implementation of the Agreed Framework. GAO summarized this report in testimony before Congress; see:

Nuclear Nonproliferation: Heavy Fuel Oil Delivered to North Korea Under the Agreed Framework, by Ms. Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the House Committee on International Relations. GAO/T-RCED-00-20, Oct. 27 (11 pages).

**Nuclear Waste:  
DOE's Hanford Spent Nuclear Fuel Storage Project Cost, Schedule,  
and Management Issues**

GAO/RCED-99-267, Sept. 20 (28 pages).

The Department of Energy (DOE) is trying to improve the storage of spent (or irradiated) nuclear fuel from its nuclear reactors at its Hanford site in Washington state. The fuel is now stored in water basins a few hundred yards from the Columbia River, where the deterioration of some of the fuel and the water basins has raised health and safety concerns. DOE has a project underway to address these concerns. In 1988, GAO testified that the project was more than four years behind schedule and that its estimated cost had doubled to \$1.4 billion. GAO revisited the project to determine its status, what problems might affect achieving current cost and schedule estimates, and whether changes have addressed management weaknesses. GAO found that although DOE is more confident that the project will eventually remove fuel from the water storage basins, uncertainty remains over when the project will be finished and how much it will cost.

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**Correspondence**

Department of Energy: Fiscal Year 1998 Obligations for Fossil Energy Programs. GAO/RCED-99-284R, Sept. 14.

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**Environmental  
Protection**

**Drinking Water Research:  
Better Planning Needed to Link Needs and Resources**

GAO/RCED-99-273, Sept. 24 (30 pages).

Public water systems are faced with regulations far more complex than in the past and whose costs could be significant for both the systems and their customers. Congress made significant changes in the way that the

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Environmental Protection Agency (EPA) is to set drinking water quality standards for public water systems. This report compares EPA's budget requests for drinking water research during fiscal years 1997 through 2000 with the amounts authorized by law; provides the views of stakeholders on whether EPA will be able to complete the research; and assesses EPA's drinking water research plans, projected funding, and anticipated accomplishments. GAO summarized this report in testimony before Congress; see:

Drinking Water Research: Better Planning Needed to Link Needs and Resources, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Subcommittee on Health and Environment, House Committee on Commerce. GAO/T-RCED-00-15, Oct. 20 (15 pages).

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## Financial Institutions

### **International Finance: Actions Taken to Reform Financial Sectors in Asian Emerging Markets**

GAO/GGD-99-157, Sept. 28 (60 pages).

Financial crises limit emerging countries' economic growth and foreign trade and strain their ability to repay international obligations. Developed nations, including the United States, have felt the repercussions of these crises through loans to and investments in emerging markets and through diminished exports to these countries. This report focuses on three countries—Indonesia, South Korea, and Thailand—that had been receiving large capital flows, were experiencing financial crises, and were making changes in their financial systems. GAO focuses on the banking sectors in these countries because their economies, like those in most developing and transition countries, relied more heavily on bank financing than on stock or bond issuance or other types of market financing. GAO discusses (1) the nature of the weaknesses in the countries' financial sectors, (2) the extent to which the countries have achieved reforms in their financial systems, (3) the extent to which the countries have implemented international principles for banking supervision, and (4) efforts by the U.S. government and multilateral institutions to bring about changes the financial sectors of these emerging markets.

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## Financial Management

### **Financial Management: Federal Financial Management Improvement Act Results for Fiscal Year 1998**

GAO/AIMD-00-3, Oct. 1 (29 pages).

The historic inability of many federal agencies to accurately record and report financial management data on both a year-end and an ongoing basis for decision-making and oversight purposes continues to be a serious problem. To improve the accountability and credibility of the federal government and to restore public confidence, Congress passed the Federal Financial Management Improvement Act of 1996, which requires auditors for each of the 24 major federal agencies named in the Chief Financial Officers Act (CFO) to indicate in their annual financial statements whether the agencies' financial management systems comply substantially with the following three requirements: federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. GAO is required to report annually on the act's implementation. This report discusses (1) the compliance of CFO agencies' financial systems with the act's requirements, (2) whether CFO agencies' financial statements have been prepared in accordance with applicable accounting standards, and (3) the agencies' plans to ensure that their systems comply with the act's requirements.

### **Internal Controls: Oversight of Longshore Special Fund Needs Improvement**

GAO/AIMD-00-15, Oct. 29 (18 pages).

The Special Fund established by Longshore and Harbor Workers' Compensation encourages employers to hire disabled maritime workers by limiting an employer's liability should a disabled worker sustain a second injury. The Fund, which is financed primarily by annual assessments levied by the Labor Department on self-insured employers and insurance carriers, is audited annually. However, the audited annual financial statements do not address the potential unfunded liability faced by this program, which has been estimated to be as high as \$2.5 billion. This report addresses (1) the feasibility of actuarially calculating the unfunded liability of the Special Fund, (2) whether controls exist to prevent inappropriate claims from being referred to the Special Fund, (3) whether recipient data are matched against other agencies' databases

to reduce the risk of payments being made to ineligible recipients, (4) whether there are equitable distributions of assessments among the insurance carriers/self-insured employers as compared to their claim levels, and (5) the status of changes to the Longshore computer systems.

## Government Operations

### **General Services Administration: STAR-PBS' New Program for Tracking and Managing Real Property**

GAO/GGD-00-12, Oct. 12 (27 pages).

The Public Buildings Service's System for Tracking and Administering Real Property (STAR) is a real estate inventory management software application that maintains data on projects, leases, buildings, and space assessments in an integrated database. The data in STAR are used to generate bills for clients for their assigned space, develop budget plans, track and manage leases, and evaluate performance. This report discusses (1) the functions that STAR performs; (2) whether users were having problems using STAR; (3) the steps that the Public Buildings Service has taken to address any user problems; and (4) the actions that the Public Buildings Service has taken to help ensure that STAR data are accurate, reliable, and consistent.

### **Managing for Results: Strengthening Regulatory Agencies' Performance Management Practices**

GAO/GGD-00-10, Oct. 28 (63 pages).

GAO gathered information from 23 federal and state organizations that are known for using or planning to use various useful practices to improve their performance management and measurement processes. These practices fall into the following five categories: (1) restructuring the organization's management approach to become more performance-oriented; (2) establishing relationships outside of the organization to boost performance; (3) refining performance goals, measures, and targets to better translate activities into results; (4) strengthening analytical capabilities and techniques to better meet performance management information needs; and (5) assessing performance-based management efforts on a continuous basis to identify areas for improvement. GAO believes that the practices would be readily transferable to the federal financial institution regulatory agencies or other

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government agencies seeking to improve their implementation of the Government Performance and Results Act.

**DC Courts:  
Improvements Needed in Accounting for Escrow and Other Funds**

GAO/AIMD/OGC-00-6, Oct. 29 (23 pages).

The District of Columbia Courts did not properly account for the funds in half of its 18 bank accounts during fiscal year 1998, as shown by its problems in determining its cash balances and reconciling its accounting records to supporting documentation. In addition, DC Courts lacked adequate controls and procedures during fiscal year 1998 to help ensure that the fines and the fees that were collected were accurately recorded. Although DC Courts was authorized to deposit fines, fees, and penalties specified in District Law into the Crime Victims Fund to provide financial assistance to crime victims, in fiscal years 1998 and 1999 DC Courts also deposited other fines, fees, and penalties into the Fund that should have been deposited in the U.S. Treasury.

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**Testimony**

General Services Administration: Status of Efforts to Improve Management of Building Security Upgrade Program, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on Oversight, Investigations, and Emergency Management, House Committee on Transportation and Infrastructure. GAO/T-GGD/OSI-00-19, Oct. 7 (16 pages).

In the wake of the bombing of the Murrah Federal Building in Oklahoma City in 1995, the President directed federal agencies to upgrade the security of their buildings. The President gave the General Services Administration (GSA) responsibility for the buildings under its control, and GSA began a multimillion-dollar security enhancement program. GAO found that GSA has made progress in implementing GAO's recommendations. GSA told its regions to reassess the security of all of the buildings in its inventory by April 1999 (1) to ensure that all of its buildings have been assessed and meet the Justice Department's minimum security standards and (2) to determine whether the security upgrade information was correctly represented in both the upgrade tracking system and the accounting system. GSA completed negotiations with the Office of Management and Budget and, as a result, has a way to recoup more of its building security costs. GSA, however, still lacks completely accurate data

in its upgrade tracking and accounting systems and has not finished developing outcome-oriented goals and measures for its building security program. GSA decided on a new risk assessment methodology and is now evaluating how to implement the methodology in future building security surveys. Finally, GSA's recent reassessment of each building was to mark the restart of the routine physical security surveys that were suspended because of a lack of sufficient personnel after the Oklahoma City bombing.

Management Reform: Elements of Successful Improvement Initiatives, by J. Christopher Mihm, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs. GAO/T-GGD-00-26, Oct. 15 (15 pages).

GAO's Performance and Accountability Series outlined the major management challenges confronting the largest federal agencies and discussed opportunities to improve their performance. (See GAO/OCG-99-22SET, Jan. 1999.) Many of these challenges involve longstanding, difficult problems that will not be quickly or easily solved. In fact, sustaining major changes will require a cultural transformation at many agencies. Success in overcoming problems of this magnitude often depends, at least initially, on whether an agency has a well-thought-out management improvement initiative to guide its reform efforts. This testimony discusses six elements that GAO believes are crucial to ensuring that management improvement initiatives truly take root and solve the problems they are intended to fix. These elements are (1) a demonstrated leadership commitment and accountability for change; (2) the integration of management improvement efforts into programmatic decisionmaking; (3) thoughtful and rigorous planning to guide decisions, particularly to address human capital and information technology issues; (4) employee involvement to elicit ideas and build commitment; (5) organizational alignment to streamline operations and clarify accountability; and (6) strong and continuing congressional involvement.

National Archives: The Challenge of Electronic Records Management, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. GAO/T-GGD-00-24, Oct. 20 (eight pages).

Records generated electronically—such as E-mail messages, word processing documents, CD ROMS, and web site pages—present special

archival challenges for the National Archives and Records Administration (NARA) and federal agencies. NARA has tried to address agencies' immediate needs for guidance and direction on electronic records management by revising its bulleting and other guidance as well as forming a new group to help answer agencies' questions. Some of NARA's actions have come about because of a court decision, which held that NARA's guidance for the deletion of electronic records exceeded statutory authority. The Archivist appealed the decision, and an appeals court reversed the decision. The Archivist said, however, that NARA would continue to work toward ensuring preservation and ready access to electronic records.

U.S. Postal Service: Challenges to Sustaining Performance Improvements Remain Formidable on the Brink of the 21st Century, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on the Postal Service, House Committee on Government Reform. GAO/T-GGD-00-2, Oct. 21 (29 pages).

The U.S. Postal Service may be nearing the end of an era. Although it has notably improved its financial position and performance delivery during the last five years, the Service expects declines in its core business in the years ahead. The growth of the Internet, electronic communications, and electronic commerce has the potential to substantially affect the Service's mail volume. The Service confronts challenges in four areas: maximizing performance in the face of customers' rising demands and choices; managing employees, the Service's most valuable asset, to maximize attainment of agency goals and continuously improve employee performance; maintaining financial viability by controlling costs and enhancing revenues; and adapting to rapidly changing communications and delivery environments involving a growing number of competitors. GAO also stresses the need for the Postal Service to address long-standing issues involving the quality of data used in ratemaking.

Competitive Contracting: Preliminary Issues Regarding FAIR Act Implementation, by J. Christopher Mihm, Associate Director for Federal Management and Workforce Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-GGD-00-34, Oct. 28 (eight pages).

The Federal Activities Inventory Reform Act of 1998 requires federal agencies to identify their activities that are not inherently governmental and make this information publicly available. The implementation of the act is in the early stages. Many agencies have only recently released their

inventories. Many other agencies' inventories still have not been made available to the public. This testimony focuses on agencies' progress so far in compiling and releasing their inventories. GAO briefly describes the status of the initial steps taken to implement the act. GAO also highlights some of the questions that are being raised by its examination of inventories at the Department of Commerce, the Environmental Protection Agency, and the General Services Administration.

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## Correspondence

Indian Gaming Regulatory Act: Land Acquired for Gaming After the Act's Passage. GAO/RCED-00-11R, Oct. 1.

2000 Census: Information on the Implications of a Post Census Local Review Program. GAO/GGD-00-9R, Oct. 13.

Federal Statutes and Executive Orders Applicable to the Public Buildings Service's Leasing Program. GAO/GGD-00-27R, Oct. 18.

Decennial Census: Answers to Hearing Questions on Census Address List. GAO/GGD-00-8R, Oct. 29.

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## Health

### **Mental Health:**

#### **Improper Restraint or Seclusion Use Places People at Risk**

GAO/HEHS-99-176, Sept. 7 (35 pages).

Only 15 states systematically alert protection and advocacy agencies about mentally ill or retarded people who have died as a result of improper restraint or seclusion in residential treatment settings. Most agencies receive reports only from state facilities, so that even these reporting systems are not comprehensive. Reports of deaths cannot always be thoroughly investigated because the agencies have had difficulty gaining access to medical records. From partial information from 51 such agencies, GAO identified 24 deaths associated with restraint or seclusion in fiscal year 1998. Fragmentary reporting suggests the actual number may be higher. No federal regulations govern the use of restraint or seclusion in psychiatric hospitals, residential treatment centers for children, or community group homes. Most state regulations do not apply to privately run facilities. Some states have found that reducing the use of restraint and seclusion improves safety for patients and staff alike. The Health Care Financing Administration (HCFA) should extend to people in any treatment

setting funded by Medicare and Medicaid the same policies on restraint and seclusion that now protect individuals in long-term care settings and hospitals. HCFA should also improve reporting and require staff training in applying restraint and seclusion and in alternative ways to deal with potentially violent situations. GAO summarized this report in testimony before Congress; see:

Mental Health: Extent of Risk From Improper Restraint or Seclusion Is Unknown, by Leslie G. Aronovitz, Associate Director for Health Financing and Public Health Issues, before the Senate Committee on Finance. GAO/T-HEHS-00-26, Oct. 20 (eight pages).

**Medicaid Enrollment:  
Amid Declines, State Efforts to Ensure Coverage After Welfare Reform Vary**

GAO/HEHS-99-163, Sept. 10 (60 pages).

Low-income families are entitled to keep their Medicaid coverage regardless of whether they are receiving cash assistance, but welfare reform has made it difficult for the states to identify and enroll families that qualify for cash assistance and those that are making the transition to work. Procedural difficulties with income reporting have limited the extent to which families are receiving transitional Medicaid and maintaining their eligibility for it; as a result, some are being terminated from their insurance despite being eligible. Medicaid enrollment among the nonelderly and nondisabled adults and children declined by about 1.7 million, or 7 percent, between 1995 and 1997, while welfare participation declined by 3.1 million, or 23 percent. This raises questions about whether the states have been able to link welfare and Medicaid policies in a way that consistently ensures Medicaid coverage for those who are eligible for it. GAO recommends that Congress revise the Social Security Act to relieve these procedural difficulties. The Health Care Financing Administration could also serve as a source of technical assistance and help disseminate information on states' best practices in implementing transitional Medicaid.

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Testimony

Medicare: Better Information Can Help Ensure That Refinements to BBA Reforms Lead to Appropriate Payments, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Subcommittee on

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Health, House Committee on Ways and Means. GAO/T-HEHS-00-14, Oct. 1 (19 pages).

Payment reforms under the Balanced Budget Act of 1997 that sought to curb unnecessary Medicare spending are beginning to have their intended effect, but pressure is building to return to more generous payment policies. Adjustments based on thorough quantitative assessments may be necessary. For home health care, the prospective payment system, a more appropriate tool for the long term than the earlier interim payment system, will likely require adjustment after it is implemented and more information on home health costs, utilization, and users becomes available. The Health Care Financing Administration is trying to solve problems with access to skilled nursing care facilities under the new system. A need-based payment system, rather than the per-beneficiary cap on payments for outpatient physical, speech, and language therapy, might help target beneficiaries better. Medicare+Choice payments may need to be modified by establishing an appropriate base rate and a risk adjustment method that pays more for serving beneficiaries with serious health problems and less for serving those who are relatively healthy.

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## Correspondence

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

Medicare: Outpatient Rehabilitation Therapy Caps Are Important Controls But Should Be Adjusted for Patient Need. GAO/HEHS-00-15R, Oct. 8.

Medicare Home Health: Effect on Spending of Limiting Payment for Non-Patient-Care Costs. GAO/HEHS-00-19R, Oct. 19.

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## Housing

### **HUD's Fiscal Year 2000 Budget Request: Additional Analysis and Justification Needed for Some Programs**

GAO/RCED-99-251, Sept. 3 (53 pages).

The Department of Housing and Urban Development (HUD) faces a combination of limited funds and organizational changes in fiscal year 2000. In April, Congress approved a budget for the U.S. government for fiscal year 2000 and set forth budgetary levels for fiscal years 2001 through 2009. Industry groups representing housing and community development practitioners believe that these levels could limit the amount of new

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budget authority available for HUD's programs. This report answers questions about HUD's fiscal year 2000 budget request.

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## Correspondence

HUD: Allegations of Conflict of Interest and Misrepresentations Regarding GAO Review of Bucklin Report Are Unfounded. GAO/OSI-99-19R, Sept. 20.

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## Income Security

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### Testimony

Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management, by Cynthia M. Fagnoni, Director of Education, Workforce, and Income Security Issues, before the Subcommittee on Social Security and Human Resources, House Committee on Ways and Means. GAO/T-HEHS-00-22, Oct. 21 (19 pages).

The nation's two major federal disability programs, Disability Insurance and Supplemental Security Income, have long been plagued by serious problems. Applying for benefits is complex and confusing, applications and appeals are backlogged, final eligibility decisions take as long as a year, and the frequent reversal of benefit denials on appeal raises questions about the fairness of decisionmaking. The Social Security Administration's March 1999 disability plan stresses better quality and consistency in decisions and revised operations at hearings offices. These initiatives will require concerted management oversight and diligence. Meanwhile, the agency has exceeded its goals for the past three years for catching up on its overdue disability reviews. However, the state agencies conducting these reviews must balance this large workload with other work, such as determining eligibility for incoming claims. Unanticipated increases in any of the workloads could strain the agencies' ability to keep up the pace.

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## Information Management

### **Telecommunications: FCC Does Not Know if All Required Fees Are Collected**

GAO/RCED-99-216, Aug. 31 (32 pages).

In 1993, Congress directed the Federal Communications Commission (FCC) to begin recouping the costs of its regulatory activities from the

telecommunications industry. In fiscal year 1998, more than 70 percent of FCC's \$222-million budget was offset by the regulatory fees it collected. This report reviews FCC's controls for ensuring that required regulatory and applications fees are paid and provides information on the extent to which FCC is collecting monetary penalties resulting from enforcement actions. GAO found that FCC does not know if it is collecting all of its required fees. Regarding regulatory fees, FCC relies on the telecommunications industry to voluntarily make payments.

**Critical Infrastructure Protection:  
Comprehensive Strategy Can Draw on Year 2000 Experiences**

GAO/AIMD-00-1, Oct. 1 (51 pages).

The nation's computer-based critical infrastructures are at increasing risk of severe disruption. Interconnectivity increases the risk that problems affecting one system will also affect other interconnected systems. Although these problems could be caused by natural disasters, such as earthquakes, and system-induced problems, such as the Year 2000 conversion problem, government officials are increasingly concerned about attacks from individuals and groups with malicious intentions, such as terrorists and nations engaged in information warfare. Critical systems could be disrupted, sensitive data could be read or copied, and data or processes could be tampered with. A significant concern is that terrorists or hostile foreign states could target critical systems, such as those supporting energy distribution, telecommunications, and financial services, in order to harm the public welfare. The need to strengthen computer security in both government and the private sector has been recognized over the past several years by many groups, including GAO, and several steps have been taken to address the problem. During 1996 and 1997, federal information security was addressed by the President's Commission on Critical Infrastructure Protection, which had been created to investigate the country's vulnerability to both "cyber" and physical threats. A 1998 Presidential directive recognizes that overcoming computer-based threats to the country's critical infrastructures requires new approach involving coordination and cooperation across federal agencies and among public and private sector groups and other nations.

**Financial Management Service:  
Significant Weaknesses in Computer Controls**

GAO/AIMD-00-4, Oct. 4 (20 pages).

The pervasive weaknesses GAO identified in computer controls at the Treasury Department's Financial Management Service (FMS) during its fiscal year 1998 audit undermine FMS' ability to identify, deter, and respond to computer control weaknesses in a timely manner. GAO found that FMS has corrected the risks associated with only 24 of 72 computer control shortcomings cited in a GAO report issued in July 1998. During the fiscal year 1998 audit, GAO found new general computer control weaknesses in entitywide security planning and management, access controls, systems software, and application software development and change controls. Because of the weaknesses GAO identified, including the lack of an effective entitywide security planning and management program, billions of dollars of payments and collections are at significant risk of loss or fraud, vast amounts of sensitive data are vulnerable to inappropriate disclosure, and critical computer operations could suffer disruptions.

**Information Systems:  
The Status of Computer Security at the Department of  
Veterans Affairs**

GAO/AIMD-00-5, Oct. 4 (29 pages).

GAO reported last year that computer controls at the Department of Veterans Affairs (VA) placed critical operations, such as financial management, health care delivery, and benefit payments, at risk of misuse and disruption. (See GAO/AIMD-98-175, Sept. 1998.) Since then, VA has tried to correct some of the weaknesses GAO cited and has independently begun to improve its computer security management programs. However, progress in correcting the shortcomings GAO identified has been inconsistent across VA organizations, and efforts to strengthen local computer security management programs were not part of a coordinated, departmentwide effort. In connection with VA's fiscal year 1998 consolidated financial statement audit, GAO and VA's Office of Inspector General continued to find serious problems with the agency's control and oversight of access to its information systems. In September 1998, GAO also reported that the primary reason for VA's continuing information system control problems was that VA lacked a comprehensive computer security planning and management program. A VA working group has developed a plan to improve information system security throughout the agency and establish a departmentwide computer security planning and management program. Because this multiyear plan is at an early stage of development, it is too soon to assess its effectiveness. As VA implements its computer security management program, establishing detailed guidance can help ensure that

the program's requirements are implemented fully and consistently throughout the agency.

**Year 2000 Computing Challenge:  
DEA Has Developed Plans and Established Controls for Business  
Continuity Planning**

GAO/AIMD-00-8, Oct. 14 (59 pages).

The Drug Enforcement Administration (DEA) has managed its business continuity planning efforts in accordance with the structure and process recommended by GAO's business continuity and contingency planning guide and it has made progress toward completing Year 2000 business continuity plans. DEA had planned to complete development of its business continuity plans by early September 1999 and to test them by the end of November 1999. DEA's development of its plans is about four months behind GAO's recommended date, and its testing milestone is about two months behind GAO's recommended date. Despite the progress so far, DEA is running late and still has many important tasks to complete. Its plans for completing these tasks leave little time to address any schedule slippage.

**Defense Computers:  
DOD Y2K Functional End-to-End Testing Progress and Test  
Event Management**

GAO/AIMD-00-12, Oct. 18 (53 pages).

Complete and thorough Year 2000 testing is essential to ensure that new or modified systems process dates correctly and will not jeopardize an organization's core business operations after the millenium. This is especially true for the Defense Department (DOD), which relies on a complex and broad array of interconnected computer systems—including weapons, command and control, satellite, inventory management, transportation management, health, financial, personnel, and payment systems—to carry out its core business functions and military operations. This report reviews the effectiveness of DOD's efforts to perform Year 2000 end-to-end tests for its major business functions, including health, communications, personnel, and logistics. For each functional area, GAO analyzes reported information on the status and progress of all test events. GAO also reviews a critical test event in each functional area to determine whether it was planned and managed in accordance with GAO's Year 2000 testing guide.

**Year 2000 Computing Challenge:  
FBI Needs to Complete Business Continuity Plans**

GAO/AIMD-00-11, Oct. 22 (65 pages).

As of August 1999, the FBI had renovated, tested, and certified as Year 2000 compliant all but one of its 43 mission-critical systems. The FBI had developed system-level contingency plans for all but two of them. Also, the FBI had made some progress in its Year 2000 business continuity planning, but this important effort is running late. Moreover, the FBI lacks many of the management controls and processes needed to effectively guide its continuity planning effort in the short time remaining before the Year 2000 deadline. By not using the management rigor and discipline specified in GAO's Year 2000 business continuity planning guide, the FBI will be unable to ensure that it (1) properly focuses its planning effort on the agency's most critical operations; (2) chooses the best strategies to protect these operations; (3) has enough resources and staff to implement continuity plans; and (4) can efficiently and effectively invoke its continuity plans, if necessary. GAO recommends that the Justice Department clarify its expectations for Year 2000 business continuity planning for all of its bureaus and that the FBI establish and implement (1) a plan for developing and testing business continuity plans and (2) effective controls and structure for managing Year 2000 business continuity planning.

**Year 2000 Computing Challenge:  
Financial Management Service Has Established Effective Year 2000  
Testing Controls**

GAO/AIMD-00-24, Oct. 29 (65 pages).

The Treasury Department's Financial Management Service (FMS) has established effective Year 2000 test management controls for its six most mission-critical systems. Together, these controls provide the infrastructure needed for planning, executing, and reporting Year 2000 test activities, including systems acceptance and end-to-end testing. In line with GAO's Year 2000 test guide, FMS hired an independent contractor to certify that testing was complete and thorough. FMS has also established effective management controls in performing its portion of selected Year 2000 end-to-end tests. As of October 1, 1999, FMS reported that it had implemented two of the four systems that did not meet the March 31 deadline set by the Office of Management and Budget for implementation. For the remaining two, FMS reported that it has (1) renovated and tested

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both, (2) implemented both at two of five sites, and (3) plans to complete implementation in early November 1999. Also, FMS has prepared and plans to test contingency plans for these late systems as well as its other mission-critical systems.

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## Testimony

Critical Infrastructure Protection: Fundamental Improvements Needed to Assure Security of Federal Operations, by Jack L. Brock, Jr., Director of Governmentwide and Defense Information Systems Issues, before the Subcommittee on Technology, Terrorism, and Government Information, Senate Committee on the Judiciary. GAO/T-AIMD-00-7, Oct. 6 (11 pages).

Since the early 1990s, an explosion in computer interconnectivity, particularly the growth in Internet use, has revolutionized the way that the government and the world communicate and do business. The benefits have been enormous. Without proper safeguards, however, this widespread interconnectivity poses enormous risks to critical operations and infrastructures in such areas as telecommunications, power distribution, law enforcement, national defense, and other government services. This testimony discusses efforts by federal agencies to deal with computer security issues. Recent audits by GAO and agency inspectors general show that the government is not adequately protecting critical federal operations and assets from computer attacks. This testimony provides greater detail on these problems and discusses broader issues that need to be considered as a national strategy for critical infrastructure protection is being considered.

Year 2000 Computing Challenge: Readiness of Key State-Administered Federal Programs, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform, and the Subcommittee on Technology, House Committee on Science. GAO/T-AIMD-00-9, Oct. 6 (21 pages).

Programs run by the states provide a host of critical social services, from Food Stamps to Medicaid. GAO reported last year that many state systems that support federal human services programs were threatened by the Year 2000 computer problem. (See GAO/AIMD-99-28, Nov. 1998.) More recently, GAO testified before Congress that although federal agencies were working with their state partners to obtain readiness information and provide assistance, much work remained at the state level to help ensure that major services were not disrupted. (See GAO/T-AIMD-99-241, July 1999.) This

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testimony (1) highlights the reported Year 2000 readiness of 10 key state-run federal human services programs and (2) discusses federal efforts to assess states' readiness for these 10 programs.

Year 2000 Computing Challenge: State and USAID Need to Strengthen Business Continuity Planning, by Linda D. Koontz, Associate Director for Governmentwide and Defense Information Systems Issues, before the House Committee on International Relations. GAO/T-AIMD-00-25, Oct. 21 (20 pages).

The Year 2000 computer problem poses a unique challenge for the State Department and the United States Agency for International Development (USAID). Like all organizations, these agencies must remediate internal computer systems and plan for unexpected disruptions within the United States. However, they must also assess the Year 2000 status of virtually every country where the United States has a diplomatic presence and help to ensure the continuity of vital operations, such as protecting the welfare of millions of U.S. citizens traveling and living abroad, promoting economic development, providing humanitarian assistance, and achieving diplomatic agreements. This testimony discusses efforts by State and USAID to increase worldwide awareness of the Year 2000 problem, assess international preparedness, and inform American citizens of risks. GAO also discusses the agencies' progress in remediating their internal computer systems and their efforts to prepare business continuity and contingency plans to help ensure that they can continue to provide critical services.

Year 2000 Computing Challenge: Compliance Status Information on Biomedical Equipment, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Oversight and Investigations and the Subcommittee on Health and Environment, House Committee on Commerce. GAO/T-AIMD-00-26, Oct. 21 (33 pages).

Can medical devices, such as magnetic resonance imaging systems, x-ray machines, and pacemakers, be counted on to work reliably on and after January 1, 2000? To the extent that biomedical equipment uses computer chips, it is vulnerable to the Year 2000 computer problem. The Food and Drug Administration (FDA) is responsible for overseeing and regulating medical devices. Since the fall of 1998, FDA has been providing information collected from manufacturers of medical devices and scientific and research instruments through its Federal Y2K Biomedical Equipment Clearinghouse. This testimony discusses (1) the status of FDA's clearinghouse; (2) compliance status information on manufacturers' web

sites referred to in FDA's clearinghouse; (3) FDA's efforts to review the Year 2000 activities of manufacturers of computer-controlled, potentially high-risk devices; (4) the compliance status of health care providers' biomedical equipment; and (5) compliance testing of equipment.

Telecommunications: Overview of the Cramming Problem, Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-00-28, Oct. 25 (22 pages).

Cramming is the inclusion of unauthorized, misleading, or deceptive charges on a consumer's telephone bill. This testimony, which draws on a recent GAO report (GAO/RCED-99-193, July 1999), focuses on Internet-related cramming directed at small businesses. GAO discusses (1) the extent of cramming complaints, (2) state and federal regulatory initiatives to protect consumers from cramming, and (3) state and federal enforcement actions against companies engaged in cramming.

Y2K Computing Challenge: Nuclear Power Industry Reported Nearly Ready; More Risk Reduction Measures Can Be Taken, by Joel C. Willemsen and Keith A. Rhodes, Directors in the Accounting and Information Management Division, before the Subcommittee on Technology, House Committee on Science, and the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. GAO/T-AIMD-00-27, Oct. 26 (17 pages).

Although progress has been made in readying the nation's nuclear power plants and fuel processing facilities for the Year 2000 computer problem, risks remain. In particular, the nonsafety systems at two plants are still not ready. This is especially troubling for the one with a completion date scheduled for more than 30 days from now—ever closer to the turn of the century. In addition, four nuclear fuel facilities were not Y2K ready by September 1, 1999, and there little information on the Y2K status of all 14 decommissioned plants with spent fuel. Finally, the lack of information on two key issues—independent review of Y2K testing and emergency Y2K exercises—and the lack of requirements for Day One planning increases the Y2K risk to the nuclear power industry. To further reduce the risks, the Nuclear Regulatory Commission and the nuclear power industry can still take specific steps to help ensure Y2K safety at plants.

Year 2000 Computing Challenge: Update on the Readiness of the Department of Veterans Affairs, by Joel C. Willemsen, Director of Civil

Agencies Information Systems Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans' Affairs. GAO/T-AIMD-00-39, Oct. 28 (52 pages).

The Department of Veterans Affairs (VA) continues to make progress in addressing the Year 2000 computer problem. It has established a moratorium on software changes and has developed a Day One plan to minimize the risks associated with the rollover period. However, some critical tasks remain. For example, inaccuracies in monthly reports from the Veterans Health Administration's (VHA) medical facilities make it difficult to determine their progress in renovating facility systems, telecommunications systems, commercial off-the-shelf software, computer platforms, and medical devices. Moreover, VHA has not implemented GAO's earlier recommendation that it review the test results for biomedical equipment used in critical care and life-support settings. The Food and Drug Administration (FDA), for its part, has made progress in making compliance information on biomedical equipment available to users through its Federal Y2K Biomedical Equipment Clearinghouse. It is also conducting surveys to determine the Y2K readiness of manufacturers of pharmaceutical, biological, and consumable medical products. FDA also recently addressed GAO's concern about the lack of independent verification of critical care/life-support biomedical equipment that manufacturers have certified as compliant.

Year 2000 Computing Challenge: Federal Business Continuity and Contingency Plans and Day One Strategies, by Joel C. Willemsen, Director of Civil Agencies Information Systems Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform, and the Subcommittee on Technology, House Committee on Science. GAO/T-AIMD-00-40, Oct. 29 (19 pages).

The risk to government operations posed by the Year 2000 computer problem can be reduced by effective business continuity and contingency plans. Day One strategies can also help agencies manage the risks of the rollover period during late December 1999 and early January 2000. GAO found that the government has made noteworthy progress since early 1998 in business continuity and contingency planning, but more work remains. With respect to Day One strategies, although 40 percent of agencies addressed all of the Office of Management and Budget's elements in their submissions, it is clear that much more work remains.

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Correspondence

Reported Medicaid Year 2000 Readiness. GAO/AIMD-00-22R, Oct. 5.

Reported Y2K Readiness of State Employment Security Agencies' Unemployment Insurance Benefits and Tax Systems. GAO/AIMD-00-28R, Oct. 28.

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International Affairs

**International Monetary Fund:  
Observations on the IMF's Financial Operations**

GAO/NSIAD/AIMD-99-252, Sept. 30 (81 pages)

The International Monetary Fund's (IMF) financial operations are supported by quota contributions of its members, special drawings rights, and gold holdings. To supplement these resources, IMF has access to credit lines with member countries, and it can borrow from sovereign governments, central banks, or private entities. For the financial year ended April 10, 1999, IMF had about \$287 billion in resources consisting primarily of currency holdings of members' national currencies, special drawing rights, and gold holdings. Of this amount, about \$195 billion was considered usable, that is, was from members that were strong enough economically to allow their currencies to be used for IMF operations. IMF has not drawn from its working balance reserve in more than 20 years. Consequently, its resources available for lending may be greater than reported. With the end of the gold standard in the early 1970s and the passage of the second amendment to IMF's Articles of Agreement in 1978, gold's formal role in IMF and in international currency transactions was eliminated. IMF's gold holdings had a market value of \$30 billion as of April 1999. In 1995, IMF examined the effect of selling its gold and investing the proceeds in interest-bearing financial instruments. The decision to hold gold has cost IMF tens of billions of dollars in foregone gains and investment income since 1980. IMF has never formally adopted a method for determining members' initial quotas and subsequent quota increases because it believes that quantitative measures cannot fully reflect the considerations that appropriately bear on each member's position or on the total size of IMF's resources. As a result, its decisions on quota increases have been matters of judgment that involve quantitative, qualitative, and political considerations. Historically, quota increases have almost always been lower than the increase recommended by IMF staff. As part of its role in the international monetary system, IMF provides balance-of-payments assistance to members when needed. Since the late 1970s, there has been an increase in arrears. However, IMF has successfully

reduced the number of countries in arrears to five as of April 1999. Also, there has been a greater concentration of IMF's resources provided to a smaller number of countries since the late 1970s. The Year 2000 problem affects nearly every aspect of the international financial systems. Although IMF has taken steps to mitigate potential damage, it still faces challenges in providing more complete assurance that its internal business processes will continue to function at the date change at the end of the year.

**International Trade:  
Implementation and Monitoring of the U.S.-Japan  
Insurance Agreements**

GAO/NSIAD-99-209, Sept. 24 (114 pages).

The Japanese insurance market, with \$334 billion in annual premiums in 1997, is second in size only to that of the United States. Yet the foreign share of the Japanese market is only 3.7 percent; the foreign share of the U.S. market is 10.7 percent. To improve foreign access to the Japanese insurance market, the United States and Japan have signed two bilateral insurance agreements. A GAO survey of the 13 U.S. insurance companies and three brokers in Japan found that all but two think that Japan has made moderate or better progress in implementing the insurance agreements. GAO found that Japan has met most of its openness, procedural protection, and deregulation commitments. Most U.S. companies said that the agreements have had a positive effect on their ability to compete in Japan. Nevertheless, nearly half of the companies expressed concern about Japan's implementation of key commitments, such as speeding approval of insurance products and rates and limiting the activities of large Japanese companies in the specialized third sector. The Office of the U.S. Trade Representative is the principal agency responsible for monitoring and enforcing the insurance agreements, with assistance primarily from the U.S. embassy in Tokyo. U.S. officials have noted Japanese progress in implementing the agreements, but they have also identified several issues for which they believe Japan has not fully met its commitments. Japan, on the other hand, believes that it has fully implemented both agreements. More U.S. insurance companies expressed favorable views of U.S. government efforts to monitor the insurance agreements than reported favorable views of enforcement efforts.

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**Foreign Assistance:  
Enterprise Funds' Contributions to Private Sector  
Development Vary**

GAO/NSIAD-99-221, Sept. 14 (41 pages).

A decade ago, the United States authorized enterprise funds as an experimental model to support private sector development in Central and Eastern Europe as those countries moved from centrally planned to market-oriented economies. The funds, which are private, nonprofit U.S. corporations, are supposed to make loans to, or investments in, small-and medium-sized businesses in which other financial institutions are reluctant to invest. With the breakup of the Soviet Union in 1991, enterprise funds were established in the newly independent states. Ten funds now operate in Central Europe and the former Soviet Union, covering 19 countries with authorized funding of about \$1.3 billion. Enterprise funds receive their funding through the U.S. Agency for International Development (USAID), which has primary responsibility for monitoring the funds' operations. This report determines (1) whether enterprise funds are assisting private sector development; (2) what factors have affected the funds' ability to carry out their activities; (3) whether funds still have a role in private sector development, in light of other private investment and international donor efforts; (4) whether the funds are more likely to recoup their authorized capital; and (5) whether the funds are complying with recent changing in USAID's reporting requirements.

**Export Controls:  
Better Interagency Coordination Needed on Satellite Exports**

GAO/NSIAD-99-182, Sept. 17 (52 pages).

Since 1992, the Departments of Commerce and State have largely shared licensing responsibility for the export of commercial communications satellites. Congress has been concerned about reports that U.S. satellite companies provided China with sensitive technology useful for improving China's ballistic missiles. The Departments of Commerce and State included conditions meant to protect sensitive technology on 43 licensed commercial communications satellite campaigns by China, Russia, and Ukraine between 1989 and 1999. Licenses for 35 launch campaigns included five conditions, while licenses for eight launch campaigns issued by Commerce between 1994 and 1997 omitted three of these five conditions. Documents at the Departments of Defense (DOD) and State

show that monitoring problems, unauthorized transfers of technology, and other violations of export controls regulations may have occurred in 14 launch campaigns in China, Russia, and Ukraine, including some of the campaigns where license safeguard conditions were omitted. These documents also show that sensitive technology was transferred in at least three cases and that two of these transfers raised national security concerns. Recent legislation that returned licensing authority for all commercial communications satellite exports from Commerce to State and led DOD to establish a monitoring organization should reduce confusion in the controls over these exports caused by the shared jurisdiction. However, some confusion may persist because license applications received before the transfer of jurisdiction in March 1999 will still be processed by Commerce, and approved licenses will be valid for up to two years. Consequently, there will still be a need for the agencies to coordinate their policies and monitoring of foreign launches. Despite this need, State, DOD, and Commerce have yet to agree on or establish clear procedures for each agency to follow in implementing the safeguards outlined in government-to-government agreements to safeguard technology.

**Export Controls:  
1998 Legislative Mandate for High Performance Computers**

GAO/NSIAD-99-208, Sept. 24 (23 pages).

In 1996, the executive branch streamlined its export controls for high performance computers by removing licensing requirements for most exports to civilian end-users while focusing control on military and proliferation-related end-users. This streamlined process made exporters responsible for determining if they needed to apply for an export license because they were selling a computer to a military or proliferation-related end-user. In 1997, however, several high performance computers were exported to Russian nuclear weapons laboratories and to a military end-user in China without a license. As a result, Congress required exporters to notify the Commerce Department of any proposed exports of high performance computers to countries that pose a concern because of military and proliferation reasons to determine if these exports need a license. GAO found that most of the 938 proposed exports of high performance computers to what were believed to be civilian end-users in countries of concern have generally been allowed to continue without export licenses. Post-shipment verifications confirm the physical location of the high performance computers and, to the extent practical, verify if

these are being used as intended. However, there are limitations to determining end-use. The Commerce Department has completed verifications on 104 high performance computer exports, or about 27 percent of those verifications required on the 390 high performance computers exported during fiscal year 1998. Commerce said that all 104 post-shipment verifications were favorable, meaning that the computer had been seen during an on-site visit and that nothing was inconsistent with the license or the license exception. However, verification done by Commerce, but not yet completed, detected the possible diversion of two computers to a military end-user, in apparent violation of U.S. export control regulations. The Commerce Department has launched an investigation of these diversions. Of the 286 high performance computer exports that have yet to be verified, nearly two-thirds involve exports to China.

**Foreign Assistance:  
North Korea Restricts Food Aid Monitoring**

GAO/NSIAD-00-35, Oct. 8 (38 pages).

U.S. policy is that no food aid will be provided to North Korea unless the aid can be adequately monitored. The World Food Program has established procedures to track and monitor food aid deliveries in North Korea. However, the North Korean government has not allowed the World Food Program to fully implement its procedures and, as a result, it cannot be sure that the food aid is being shipped, stored, or used as planned. Specifically, the North Korean government, which controls food distribution, has denied the World Food Program full access to the food distribution chain and has not provided reports on food use. Consequently, the World Food Program cannot be certain that it is reporting accurately on where food donated by the U.S. government is being distributed in North Korea. GAO summarized this report in testimony before Congress; see:

Foreign Assistance: North Korean Constraints Limit Food Aid Monitoring, by Benjamin F. Nelson, Director of International Relations and Trade Issues, before the House Committee on International Relations. GAO/T-NSIAD-00-47, Oct. 27 (10 pages).

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**Global Health:  
Factors Contributing to Low Vaccination Rates in  
Developing Countries**

GAO/NSIAD-00-4, Oct. 15 (31 pages).

More than 11 million children under age five die each year in developing countries; nearly three-quarters of these deaths result from infectious diseases. The World Health Organization estimates that the deaths of at least four million of these children are linked to their lack of access to vaccines. GAO found that although global immunization coverage for six diseases originally targeted by the World Health Organization (diphtheria, measles, pertussis, polio, tetanus, and tuberculosis) has improved significantly since the mid-1970s, coverage rates are low for children living in the poorest countries, particularly in urban slums and remote rural areas. Several interrelated factors have limited the availability of vaccines for children in the developing world, including (1) an inadequate health infrastructure, (2) the relatively higher cost of vaccines recently recommended by the World Health Organization, (3) insufficient information on disease burden and vaccine efficiency, and (4) changing priorities of international donors. In the 1990s, the U.N. Children's Fund and the U.S. Agency for International Development began to reduce their level of support for immunization.

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**Testimony**

Trade With the European Union: Recent Trends and Electronic Commerce Issues, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Subcommittee on European Affairs, Senate Committee on Foreign Relations. GAO/T-NSIAD-00-46, Oct. 13 (10 pages).

The sizeable and growing trade relationship between the United States and the European Union (EU) is dominated by flows of sophisticated manufactured goods and services and extensive cross-Atlantic investment. E-commerce has tremendous potential to facilitate trade between the United States and the EU, but it also raises many issues, including consumer protection and market access. The United States and the EU are trying to lower these potential barriers to e-commerce through the framework of the World Trade Organization and other forums.

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Foreign Affairs: Federal Response to International Parental Child Abductions, by Jess T. Ford, Associate Director for International Relations and Trade Issues, before the House Committee on International Relations. GAO/T-NSIAD-00-44, Oct. 14 (nine pages).

The State Department estimates that about 1,000 children are abducted each year from the United States by one of their parents. Shortcomings in the federal response to these abductions have posed obstacles to left-behind parents in their attempts to locate and return their children. The following four issues have received substantial attention: (1) gaps in federal services to left-behind parents; (2) weaknesses within the existing State Department case-tracking process, which hinder case and program coordination; (3) the lack of systematic and aggressive diplomatic efforts to improve international responses to parental child abductions; and (4) the limited use of the International Parental Kidnapping Crime Act of 1993 to pursue abducting parents and bring them to justice. The State and Justice Departments have issued recommendations, which they believe will address most of the problems. However, several shortcomings raise questions about the likelihood that the recommendations will be put in place.

Export Controls: Implementation of the 1998 Legislative Mandate for High Performance Computers, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, before the House Committee on Armed Services. GAO/T-NSIAD-00-53, Oct. 28 (11 pages).

In 1996, the government removed licensing requirements for most exports of high performance computers to civilian end users but kept a licensing requirement for countries of concern. This change made exporters responsible for determining whether they needed to apply for an export license on the basis of their knowledge of the end user's activities. In 1997, several U.S. exporters shipped high performance computers to Russian nuclear weapons laboratories and to a military end user without licenses. Congress has since required exporters to notify the Commerce Department of any proposed export of high performance computers to countries of concern—including China, Russia, India, Pakistan, Israel, and Egypt—to determine whether a license is needed. This testimony discusses whether (1) exporters' notifications to Commerce have resulted in any license applications and what actions have been taken on these licenses and (2) Commerce is verifying the use of high performance computers after their export to these countries.

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Correspondence

Foreign Assistance: Issues Concerning the Polish-American Enterprise Fund. GAO/OGC-99-61R, Sept. 14.

Revised Estimate of the Shortfall in U.S. Contributions to the United Nations. GAO/NSIAD-00-41R, Oct. 8.

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Justice and Law  
Enforcement

**Combating Terrorism:  
Need for Comprehensive Threat and Risk Assessments of Chemical  
and Biological Attacks**

GAO/NSIAD-99-163, Sept. 7 (36 pages).

The ease or difficulty for terrorists to cause mass casualties with an improvised chemical or biological weapon depends on the agent selected. Experts agree that toxic chemicals can cause mass casualties and require little if any expertise or sophisticated methods. Most chemical nerve agents, however, are technically challenging for terrorists to acquire, manufacture, and produce. Also, terrorists working outside a state-run laboratory would have to overcome extraordinary challenges to effectively and successfully weaponize and deliver a biological agent and cause mass casualties. Although the intelligence community has issued assessments that discuss foreign-origin and biological terrorist threats, including judgements about which chemical and biological agents would most likely be used, the FBI has yet to produce a formal written assessment of the most likely domestic-origin chemical and biological terrorist threats. GAO believes that a sound national-level risk assessment could provide a strategic guide to help shape, focus, and prioritize federal efforts to combat terrorism. Such an assessment would be done by a multidisciplinary team of experts on intelligence, terrorism, chemical and biological agents, weapons, law enforcement, and health and other experts. The team could (1) generate valid threat scenarios, (2) assess and prioritize scenario risk in terms of the likelihood and the severity of consequences, and (3) determine appropriate countermeasures or other programmatic responses.

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Testimony

Combating Terrorism: Observations on the Threat of Chemical and Biological Terrorism, by Henry L. Hinton, Jr., Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on National Security, Veterans Affairs, and International

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Relations, House Committee on Government Reform. GAO/T-NSIAD-00-50, Oct. 20 (eight pages).

Without substantial backing from a state sponsors, most terrorists would have to overcome significant technical and other hurdles to produce and release chemical and biological weapons capable of killing or injuring large numbers of people. According to experts GAO consulted, except for toxic industrial chemicals, such as chlorine, specialized knowledge is needed in the manufacturing process and in improvising an effective delivery system for most chemical and nearly all biological weapons. Moreover, some of the components of chemical agents and highly infective strains of biological agents are difficult to obtain. Finally, terrorists would face other obstacles in carrying out a successful attack, from unfavorable weather conditions to personal safety risks. The President's fiscal year 2000 budget proposes \$10 billion for counterterrorism programs—an increase of more than \$3 billion over the amount requested for fiscal year 1999. To determine whether the government is spending enough on counterterrorism and spending this money on the most appropriate programs, policymakers need the best estimates of the specific threats facing the United States. The intelligence community has recently produced estimates of terrorist threats from abroad involving chemical and biological weapons. GAO recommends that the FBI prepare comparable estimates for domestic threats.

Community Policing: Observations on the COPS Program Midway Through Program Implementation, by Richard M. Stana, Associate Director for Administration of Justice Issues, before the Subcommittee on Crime, House Committee on the Judiciary. GAO/T-GGD-00-33, Oct. 28 (eight pages).

The Community Policing Act of 1994 set aside \$8.8 billion through 2000 to strengthen public safety, including putting 100,000 additional police officers on the streets nationwide. This testimony reports on the COPS grant program midway through its six-year authorization. GAO found that COPS grants were not targeted on the basis of greatest need for assistance. However, the higher the crime rate, the more likely a jurisdiction was to apply for a COPS grant. COPS office grant monitoring was limited. Monitoring guidelines were not prepared, site visits and telephone monitoring did not systematically take place, and information on activities and accomplishments was not consistently collected or reviewed. Small communities were awarded most COPS office grants, but large cities received larger awards. In accordance with the act, about half the funds were awarded to agencies serving populations of less than 150,000. As of

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June 1997, a total of 30,155 law enforcement positions funded by COPS grants were estimated to be on the street.

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## Correspondence

U.S. Customs Service: Update on the Merchandise Processing Fee. GAO/GGD-00-21R, Oct. 7.

Immigration Benefits: Second Report Required by the Haitian Refugee Immigration Fairness Act of 1998. GAO/GGD-00-25R, Oct. 19.

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## National Defense

### **Defense Trade: Department of Defense Savings From Export Sales Are Difficult to Capture**

GAO/NSIAD-99-191, Sept. 17 (22 pages).

Last year, the Defense Department (DOD) and its contractors planned to sell to foreign countries defense equipment and services worth about \$44.3 billion. One of the U.S. government's goals in exporting defense items is to allow DOD to meet its defense requirements at less cost. To determine whether DOD is maximizing this benefit, GAO reviewed the sales of the following five major weapon systems: the Hellfire Missile, the Advanced Medium Range Air-to-Air Missile, the High Mobility Multipurpose Wheeled Vehicle, the Black Hawk Helicopter, and the Aegis Weapon System. GAO found that although DOD reduced its cost to buy the five weapon systems when the systems were also sold to foreign governments, DOD did not maximize the potential for savings. In addition, Congress lacked information that would have helped it oversee weapons systems acquisitions and export sales.

### **Military Readiness: Full Training Benefits From Army's Combat Training Centers Are Not Being Realized**

GAO/NSIAD-99-210, Sept. 17 (45 pages).

The Army spends about \$1 billion annually to operate three combat training centers in California, Louisiana, and Germany. The Army established the centers to increase unit readiness for deployment and warfighting; to produce bold, innovative leaders through stressful tactical and operational exercises; to embed doctrine throughout the Army; to

provide feedback to Army and joint combined participants; and to provide a data source for lessons learned to improve doctrine training, leader development, organizations, and material to help soldiers win in combat. GAO found that although most units that trained at the training centers in 1998 favorably assessed their training, neither the Army nor individual units were realizing the full benefits of this training. This is because (1) many units were arriving ill prepared for the exercises, (2) training was not as realistic as it could be, (3) the condition and age of pre-positioned equipment had harmed training at two centers, and (4) neither individual units nor the Army itself was able to effectively capitalize on lessons learned from the centers' exercises.

NATO:

**Progress Toward More Mobile and Deployable Forces**

GAO/NSIAD-99-229, Sept. 30 (34 pages).

NATO revised its strategic concept in 1991 to reflect the reduced threat of a large east-west military confrontation. The revision called for major changes in NATO's integrated military forces, including reductions in size and readiness; improvements in mobility and deployability for such contingencies as crisis management, search and rescue, and peacekeeping; and greater use of multinational formations. Because of instability in and around the Euro-Atlantic area and the possibility of crises at the periphery of the alliance, the strategic concept was revised again in 1999 to emphasize the need for greater mobility and deployability of forces to meet these potential crises. The United States is able to send troops and equipment over large distances. Many U.S.-European allies, however, do not see the need for this kind of capability because during the Cold War they were planning to fight in place with logistical support provided by fixed facilities and their civilian economies. This report discusses (1) how NATO determines its force requirements and each member's contribution to meeting those requirements and (2) how NATO allies have responded to the need for greater mobility and deployability in their military forces.

**DOD Competitive Sourcing:  
Plan Needed to Mitigate Risks in Army Logistics  
Modernization Program**

GAO/NSIAD-00-19, Oct. 4 (24 pages).

The Army plans to reengineer its processes and modernize its aging computers used to manage inventories of parts and equipment supplied to combat troops. Under its Wholesale Logistics Modernization Program, the Army plans to contract with the private sector to reengineer its business processes and develop a new system. Until the new system is up and running, the contractor will operate the existing computer system as well. The Army intends to accomplish these objectives with the same level of resources devoted to the existing system. The contractor chosen to do the work will be expected to make the capital investment needed to develop the new system, with the expectation that it would be able to recoup its investment through future operating efficiencies. This report reviews the Army's decision to contract for its wholesale logistics management information system. GAO discusses (1) the Army's plan to comply with the requirements of the law and of Office of Management and Budget's Circular A-76 and (2) the cost uncertainties and other risks that could affect the future success of the modernization effort.

**Contract Management:  
DOD Begins New Effort to Improve Reporting of Contract  
Service Costs**

GAO/NSIAD-00-29, Oct. 13 (19 pages).

Although the military is increasing its reliance on contractor support, long-standing concerns still exist about the accuracy and the reliability of its accounting for the costs of contract services, particularly advisory and assistance services. Congress has raised concerns that the absence of accurate and reliable data may hamper oversight. This report discusses the actions taken by the Defense Department to improve the accuracy of its reporting of costs for contract services.

**Depot Maintenance:  
Army Report Provides Incomplete Assessment of  
Depot-Type Capabilities**

GAO/NSIAD-00-20, Oct. 15 (44 pages).

Depot maintenance and repair involves the overhaul, upgrade, and rebuilding of military systems, subsystems, parts, and assemblies. In recent years, some depot maintenance workloads have become fragmented—that is, some depot maintenance workloads have shifted to nondepot facilities—leading to uncertainty about the magnitude of depot

maintenance-type capabilities, workforce requirements, and the distribution of work to public and private sector facilities. In April, the Army sent Congress a report on the proliferation of depot maintenance activities at nondepot facilities. GAO determines the extent to which the Army's report (1) identifies the total amount of depot maintenance-type work done at local maintenance facilities and the cost efficiency of such work in view of the Army's overall requirements and (2) addresses plans to consolidate fragmented maintenance operations. GAO also highlights continuing challenges the Army faces as it tries to resolve proliferation issues.

**Defense Inventory:  
Management of Repair Parts Common to More Than One Military Service Can Be Improved**

GAO/NSIAD-00-21, Oct. 20 (22 pages).

The military's initiatives dating to the early 1970s to improve the management of identical repair parts have been largely ineffective. Many identical parts continue to be managed by more than one service, even though opportunities for savings and management efficiencies exist by using a single manager when there are multiple users of the same part. GAO believes that the savings from better management of identical parts would be considerable. Because of planning and management weaknesses, the Defense Department initiatives have not been successful in moving to an approach that would result in a single manager performing all inventory management duties.

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

GAO/NSIAD-00-1, Oct. 21 (27 pages).

Each of the military services is required to send Congress a schedule for implementing best commercial inventory practices for the acquisition and the distribution of secondary inventory items. This report evaluates the Navy's best practices implementation schedule for the acquisition and the distribution of secondary inventory items, which the Navy sent to Congress in June 1999. GAO (1) determines the extent to which the schedule responds to the provisions of the law and (2) identifies specific

elements of a management framework needed to effective implementation and oversight of the Navy's best practice initiatives.

**Medical Readiness:**

**DOD Faces Challenges in Implementing Its Anthrax Vaccine Immunization Program**

GAO/NSIAD-00-36, Oct. 22 (54 pages).

As of July 1999, the Defense Department (DOD) has vaccinated more than 315,000 servicemembers against anthrax, but supply problems continue to jeopardize its schedule for vaccinating all 2.4 servicemembers. Moreover, DOD lacks a contingency plan in the event that these problems are not resolved in time. DOD has a new recording and tracking system for vaccinations that is better than the one used during the Gulf War and in Bosnia, but DOD has not been consistently recording vaccination data in paper records and in its central database. DOD has used information from the Vaccine Adverse Event Reporting System to monitor adverse reactions to anthrax vaccinations. The system relies on medical personnel and troops to provide needed data. However, DOD has not systematically told these personnel how to enter needed data into the system. As a result, DOD could lack data on adverse reactions that is important for monitoring vaccine safety. DOD has used a high-visibility campaign to educate servicemembers about the program and has tried to address the controversy surrounding the program. In addition, it recently expanded its communications efforts by updating the program's Internet site, opening a toll-free anthrax hotline, and forming a speakers' bureau of anthrax experts. However, a GAO survey of four military installations found that servicemembers wanted more information on some issues. More than two-thirds of survey respondents said that the information they received on the reasons for the program, shot requirements and schedules, and consequences of refusals was at least moderately helpful. However, more than half of the servicemembers said that they received either no information on possible long-term side effects and procedures for reporting side effects or found that information less than moderately helpful.

**Defense Acquisitions:**

**Army Purchased Truck Trailers That Cannot Be Used as Planned**

GAO/NSIAD-00-15, Oct. 27 (15 pages).

The Army has bought 6,700 3/4-ton high mobility trailers as companion trucks for its 1 1/4-ton trucks. The Army is buying two kinds of trailers: a cargo trailer, which will be used to carry loose cargo, such as ammunition boxes, and a chassis trailer, which will be used to permanently attach towed equipment, such as power generators. The Army has paid a much higher unit price for the trailers than it originally expected primarily because it awarded a \$50.6-million, five-year multiyear contract to produce about 7,500 trailers and then decided not to fund the fourth year of the contract. Most of the 6,700 trailers that the Army has purchased (1) are not usable because of a safety problem and (2) not suitable because they damage the light and heavy trucks towing them. In addition to damaging the truck, the Army found that the trailer drawbar could break, causing a safety problem. If it breaks, the trailer can disconnect from the truck or overturn. The Army has placed all 5,696 cargo trailers and 854 of the chassis trailers into storage until they are modified to correct the problems. The modifications to correct the trailer drawbar problem caused more problems with the trailer brakes and more damage to the trucks. The Army's acquisition strategy underestimated the risks.

**Contract Management:  
Pilot Program Needed to Improve DOD Identification of  
Warranty Claims**

GAO/NSIAD-00-3, Oct. 29 (14 pages).

Some commercial airlines have benefited from the use of outside firms to identify failed engine parts and recover the cost of correcting such parts from manufacturers. Officials from United Parcel Service, United Airlines, and America West told GAO that their engine warranty recoveries increased over internally identified recoveries when they supplemented internal efforts with an outside firm. In one case, warranty recoveries rose threefold over recoveries identified internally. So far, the Defense Department (DOD) has done a limited review of the feasibility of establishing a pilot program to use commercial sources to improve the collection of the military's claims under aircraft engine warranties. However, it has not established one. Experience from the private sector suggests that contracting for engine warranty administration can improve warranty recoveries over internal efforts. This includes collecting claims on past engine repairs even though the warranties are no longer active. However, it is unknown whether the results achieved by some commercial airlines can be replicated by DOD because a pilot program has yet to be implemented.

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## Testimony

Anthrax Vaccine: Safety and Efficacy Issues, by Kwai-Cheung Chan, Director of Special Studies and Evaluations, before the House Committee on Government Reform. GAO/T-NSIAD-00-48, Oct. 12 (16 pages).

Since the Defense Department began vaccinating its 2.4 million soldiers and reservists in 1998, concerns have been raised about the safety and efficacy of the military's anthrax vaccine. The Food and Drug Administration discovered problems during its inspection of the facility that produces the vaccine, and some ailing Gulf War veterans believe that their unexplained illnesses may have been caused by anthrax vaccinations received during the war. This testimony discusses (1) the need for a six-shot regimen and annual booster shots, (2) the long- and short-term safety of the vaccine, (3) the efficacy of the vaccine, and (4) the extent to which problems FDA found in the vaccine production facility in Michigan could compromise the safety, efficacy, and quality of the vaccine. GAO also discusses the effects of the vaccine on children and pregnant or lactating women.

Chemical and Biological Defense: Observations on Actions Taken to Protect Military Forces, by Norman J. Rabkin, Director of National Security Preparedness Issues, before the Subcommittees on Military Procurement and on Military Research and Development, House Committee on Armed Services. GAO/T-NSIAD-00-49, Oct. 20 (12 pages).

Problems during the Gulf War revealed that U.S. troops were poorly prepared for surviving and operating in a chemically or biologically contaminated environment. During the 1990s, GAO issued a host of reports and testimony on the ability of U.S. forces to survive and function on a contaminated battlefield. This testimony summarizes the findings of those reports and testimony and describes GAO's efforts to update the status of the Defense Department's actions.

Military Real Property Maintenance: Improvements Are Needed to Ensure That Critical Mission Facilities Are Adequately Maintained, by Kwai-Cheung Chan, Director of Special Studies and Evaluations, before the Subcommittee on Readiness and Management Support, Senate Committee on Armed Services. GAO/T-NSIAD-00-51, Oct. 26 (18 pages).

The Defense Department (DOD) lacks a comprehensive strategy with which to manage its maintenance and repair needs. In the absence of a comprehensive strategy, each military service sets its own standards for maintaining its property, using different methods to assess property

conditions, prioritize repairs, and allocate funds for maintenance and repairs. As a result, a barracks rated as “satisfactory” by one service could be rated as “unsatisfactory” by another. Also, bases within services apply their own rating criteria differently. Finally, the services have different maintenance funding goals through 2005 and plan to fund repairs below the levels required to keep facilities at current conditions. Therefore, the backlog of repairs, some rated as “critical,” will rise. GAO found several promising practices in the maintenance area among nonmilitary entities, although none of the military services has implemented all of these promising practices. Because the services lack accurate and consistent data, Congress does not know if it is funding maintenance and repairs that will provide the best return on its investment.

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## Natural Resources

### **Forest Service: A Framework for Improving Accountability**

GAO/RCED/AIMD-00-2, Oct. 13 (63 pages).

The Forest Service must account to the public for its use of the tax dollars appropriated to it to carry out its mission. To do this, the Service needs to provide accurate and timely information on how much it was authorized to spend on specific programs and activities, how it spent the funds, and what it accomplished with the money. This report discusses the status of the Forest Service’s efforts to (1) achieve financial accountability, (2) become more accountable for its performance, and (3) better align its budget with its strategic goals and objectives. GAO found that the Forest Service cannot accurately report its expenditures and accomplishments, and its budgetary, financial, and performance data systems are not linked.

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## Correspondence

Commercial Fisheries: Information on Federally Funded Buyback Programs. GAO/RCED-00-8R, Oct. 20.

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## Social Services

### **Food Stamp Program: How States Are Using Federal Waivers of the Work Requirement**

GAO/RCED-00-5, Oct. 20 (15 pages).

Under welfare reform, able-bodied adults between the ages of 18 and 50 with no dependents are limited to three months’ worth of Food Stamps in

any three-year period unless they meet a work requirement or are exempt. States, however, may exempt up to 15 percent of their able-bodied adults without dependents from the work requirement. This report provides information on (1) the measures that the U.S. Department of Agriculture (USDA) used to assess states' requests for waivers to the work requirement for able-bodied adults without dependents, (2) how states have used the waiver provision, and (3) whether USDA and states considered the availability of employment in adjacent areas when deciding which areas to include in a waiver.

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## Tax Policy and Administration

### **IRS Employee Evaluations: Opportunities to Better Balance Customer Service and Compliance Objectives**

GAO/GGD-00-1, Oct. 14 (51 pages).

The Internal Revenue Service (IRS) is seeking to transform its organizational culture to one that more fully embraces customer service as a core value. IRS has replaced its old mission statement, which stressed collecting the proper tax at the least cost, with a new one that emphasizes providing world-class customer service by helping taxpayers understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. IRS has undertaken several long-range initiatives to turn the new mission statement into reality. GAO reviewed the extent to which IRS' current employee evaluation system can support the new mission statement during the period IRS will need to revamp its performance management system. To fulfill its new mission statement, IRS will need to depart from the past supervisory practice of emphasizing revenue and efficiency in employee evaluations to one that balances these goals with good customer service. IRS recognizes that making changes to its employee evaluation process will be important in bringing about cultural change and establishing customer service as an agency priority. However, because of the magnitude of the changes that IRS is undertaking, it is unclear when such a system will become fully operational and a new employee evaluation process will be put in place. In the meantime, IRS could take better advantage of opportunities within the current evaluation process to reinforce the importance of customer service among its frontline enforcement employees.

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## Transportation

### **Surface Transportation: Issues Related to Preserving Inactive Rail Lines as Trails**

GAO/RCED-00-4, Oct. 18 (15 pages).

The National Trails System Act, as amended, provided carriers with an alternative, referred to as “rail banking,” to abandoning unused rights-of-way. Rail banking preserves a right-of-way for the possible restoration of rail service in the future and, in the interim, makes the property available for use as a trail. Concerns have been raised by some landowners adjoining these rights-of-way about the lack of opportunity for them to either recover the use of that property or to express their views about how the property is being used. This report describes the implementation process for rail banking, the extent to which rail-banked property has returned to use as rail lines and the potential for future reactivation of rights-of-way for rail service, and whether rail banking facilitates the return of these rights-of-way to rail service.

### **Transportation Coordination Benefits and Barriers Exist, and Planning Efforts Progress Slowly**

GAO/RCED-00-1, Oct. 22 (30 pages).

For decades, many human services agencies have provided special transportation services for seniors, the disabled, and others through programs funded and administered by the Department of Health and Human Services (HHS). The estimates of overall spending on transportation by HHS programs in fiscal year 1998 ranged from about \$2 billion to \$3.5 billion. In addition, the Department of Transportation’s Federal Transit Administration (FTA) awards grants to local transit operators to provide assistance for general public transportation systems. FTA’s overall expenditures are estimated to exceed \$4 billion for fiscal year 1998. Section 3034 of the Transportation Equity Act for the 21<sup>st</sup> Century requires GAO to report on federal agencies that provide nonemergency human services transportation.

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## Testimony

Air Traffic Control: Status of FAA’s Implementation of the Display System Replacement Project, Gerald L. Dillingham, Associate Director for Transportation Issues, before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure. GAO/T-RCED-00-19, Oct. 11 (13 pages).

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This testimony provides information on the status of the Federal Aviation Administration's (FAA) implementation of the Display System Replacement project. This system replaces the controllers' workstations and other equipment in the nation's en route centers and is one of FAA's major projects under the air traffic control modernization program. GAO's testimony is based on prior reports and testimonies.

Intercity Passenger Rail: Amtrak Faces Challenges in Improving Its Financial Condition, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Ground Transportation, House Committee on Transportation and Infrastructure. GAO/T-RCED-00-30, Oct. 28 (13 pages).

This testimony focuses on Amtrak's overall financial condition, its progress in becoming free of operating subsidies, its use of Taxpayer Relief Act of 1997 funds, and its need for capital investment to improve quality service. The testimony is based on GAO's July 1999 report on Amtrak's financial condition and its ongoing work for the Committee.

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## Correspondence

Mass Transit: "Mobility Improvements" Is One of Many Factors Used to Evaluate Mass Transit Projects. GAO/RCED-00-6R, Oct. 15.

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

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Universal Fee Surcharge. B-279796, Jan. 4.

Immigration and Naturalization Service—Appropriations, Purchase of. B-280440, Feb. 26.

District of Columbia Courts/Criminal Justice Act. B-283599, Sept. 15.

National Park Service Soil Surveys. B-282601, Sept. 27.

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## Reports on Agency Rules

Department of Housing and Urban Development: Requirements for Notification, Evaluation, and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance. GAO/OGC-99-67, Sept. 29.

Federal Communications Commission: Review of the Commission's Regulations Governing Attribution Ownership Rule. GAO/OGC-00-1, Oct. 1.

Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting; Final Frameworks for Late-Season Migratory Bird Hunting Regulations and Migratory Bird Hunting; Late Season and Bag and Possession Limits for Certain Migratory Game Birds. GAO/OGC-00-4, Oct. 5.

Department of the Interior, Fish and Wildlife Service: Migratory Bird Hunting; Migratory Bird Hunting Regulations on Certain Federal Indian Reservations and Ceded Lands for the 1999-2000 Late Season. GAO/OGC-00-3, Oct. 5.

Department of Commerce, National Oceanic and Atmospheric Administration: Endangered and Threatened Species; Threatened Status for Two Chinook Salmon Evolutionarily Significant Units in California. GAO/OGC-00-5, Oct. 15.





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