

March 2001

# Abstracts of Reports and Testimony: Fiscal Year 2000





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# Introduction

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The U.S. General Accounting Office (GAO) is an independent, nonpartisan agency in the legislative branch. GAO provides Congress with the best information available to help members make informed oversight, policy, and funding decisions. GAO meets Congress' information needs by (1) evaluating how government programs and policies are working, (2) auditing agency operations to determine whether federal funds are being spent efficiently and effectively, (3) investigating allegations of illegal and improper activities, and (4) issuing legal decisions and opinions. Most GAO work is done at the request of committees or members, but some reports are self-initiated or done in response to congressional mandates included in public laws or committee reports.

GAO's annual index is a two-volume set. The first volume—Abstracts of Reports and Testimony: Fiscal Year 2000—contains summaries of 878 publicly released reports and testimony listed alphabetically by division or staff office. Classified reports, correspondence, and legal publications are not included. The second volume—Indexes for Reports and Testimony: Fiscal Year 2000—contains several indexes to help you locate reports and testimony by issue category, subject matter, title, or GAO witness. Instructions on how to use the two volumes are found below. The annual index is also available in electronic format on GAO's website ([www.gao.gov](http://www.gao.gov)).

## Information About GAO Report Numbers

The numbers on GAO reports issued in fiscal year 2000 contain the following information: the division or staff office acronym, the last two digits of the fiscal year, and the sequentially assigned report number, e.g., GAO/GGD-00-1. Testimony numbers include a "T" in front of the division or staff office acronym, e.g., GAO/T-GGD-00-1.

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## Instructions on how to Use the Annual Index

The abstract volume contains summaries of reports and testimony issued between Oct. 1, 1999, and Sept. 30, 2000. These summaries, which originally appeared in the Month in Review, are arranged sequentially by report number for each GAO division and staff office. Each summary is accompanied by the document title, date, and length (number of pages).

In fiscal year 2000, five program and technical divisions and several offices issued reports. Some reports were issued jointly by two or more divisions; in those cases, the report number includes the acronym for each division, e.g., GAO/GGD/AIMD-00-1.

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The following is a list of division and office acronyms and names:

**Acronym    Division/Office Name**

AIMD	Accounting and Information Management Division
GGD	General Government Division
HEHS	Health, Education and Human Services Division
NSIAD	National Security and International Affairs Division
OCE	Office of Chief Economist
OCG	Office of the Comptroller General
OGC	Office of the General Counsel
OIMC	Office of Information Management and Communications
OPA	Office of Public Affairs
OSI	Office of Special Investigations
RCED	Resources, Community and Economic Development Division

The index volume contains four indexes to lead you to the report or testimony abstract you are looking for.

(1) The **category index** groups items by the broad subject headings used in the Month in Review. On the basis of subject matter, reports and testimony are grouped under one of the following 26 categories:

- Agriculture and Food
- Budget and Spending
- Business, Industry, and Consumers
- Civil Rights
- Economic Development
- Education
- Employment
- Energy
- Environmental Protection
- Financial Institutions
- Financial Management
- Government Operations
- Health
- Housing
- Income Security
- Information Management
- International Affairs
- Justice and Law Enforcement
- National Defense

- Natural Resources
- Science, Space, and Technology
- Social Services
- Special Publications
- Tax Policy and Administration
- Transportation
- Veterans Affairs

Although there may be instances in which reports or testimony could fit under two or more categories, GAO has tried to place them under the most obvious category.

The **subject index** uses generic subject headings, including terms from GAO's thesaurus, as well as geographical listings, the names of weapon systems, and funds. Reports and testimony are listed alphabetically by title, followed by the document number.

The **title index** list all reports and testimony alphabetically in natural word order, along with the date of the publication and the document number.

The **witness index** consists of an alphabetical list of GAO officials who have testified before congressional committees and the document number.

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# Subject Index

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## AIMD

**AIMD-00-1**, Oct. 1, 1999 (51 pages).  
Critical Infrastructure Protection:  
Comprehensive Strategy Can Draw on  
Year 2000 Experiences.

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.

**AIMD-00-3**, Oct. 1, 1999 (29 pages).  
Financial Management: Federal  
Financial Management Improvement  
Act Results for Fiscal Year 1998.

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.

**AIMD-00-4**, Oct. 4, 1999 (20 pages).  
Financial Management Service:  
Significant Weaknesses in Computer  
Controls.

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.

**AIMD-00-5**, Oct. 4, 1999 (29 pages).  
Information Systems: The Status of  
Computer Security at the Department  
of Veterans Affairs.

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.

**AIMD-00-8**, Oct. 14, 1999 (59 pages). Year 2000 Computing Challenge: DEA Has Developed Plans and Established Controls for Business Continuity Planning.

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.

**AIMD-00-10**, Oct. 29, 1999 (69 pages). Financial Management: Increased Attention Needed to Prevent Billions in Improper Payments.

The federal government spends billions of dollars each year on grants, transfer payments, and the procurement of goods and services. In their fiscal year 1998 financial statements, nine federal agencies reported improper payments totaling \$19.1 billion. GAO found that agencies are not performing comprehensive quality control reviews for certain programs to determine the propriety of program spending. As a result, the full extent of the problem--and possible solutions to it--is unknown. GAO believes that inadequate internal control and program design issues are the primary causes of improper payments for many federal programs. Economic and demographic projections suggest that federal outlays in certain programs will rise significantly. With billions of dollars at risk, agencies will need to continually and closely safeguard those resources entrusted to them and make it a priority to reduce fraud, waste, and abuse. A first step for some agencies will be to develop ways to identify, estimate, and report the nature and the extent of improper payments annually. Without this basic knowledge, agencies cannot be fully informed

about the magnitude, trends, and types of payment errors being made within their programs.

**AIMD-00-11**, Oct. 22, 1999 (65 pages). Year 2000 Computing Challenge: FBI Needs to Complete Business Continuity Plans.

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.

**AIMD-00-12**, Oct. 18, 1999 (53 pages). Defense Computers: DOD Y2K Functional End-to-End Testing Progress and Test Event Management.

Complete and thorough Year 2000 testing is essential to ensure that new or modified systems process dates correctly and will not jeopardize an

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organization's core business operations after the millennium. 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.

**AIMD-00-14**, Oct. 1, 1999 (11 pages). Budget Issues: Budgeting for Inflation in Civilian Agencies.

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.

**AIMD-00-15**, Oct. 29, 1999 (18 pages). Internal Controls: Oversight of Longshore Special Fund Needs Improvement.

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.

**AIMD-00-17**, Nov. 30, 1999 (44 pages). Seized Drugs and Weapons: DEA Needs to Improve Certain Physical Safeguards and Strengthen Accountability.

As part of its asset forfeiture operations, the Justice Department often seizes and stores evidence—including drugs and weapons—that is later used by federal prosecutors. In fiscal year 1998, the Justice Department's Drug Enforcement

Agency (DEA) reported that its agents seized more than 275,000 kilograms of illegal drugs. Each of the four DEA laboratories and division offices GAO visited had physical safeguards in place that, if used effectively, could help control access to and use of drug and weapon evidence. However, GAO found instances of inadequate packaging of drug and weapon evidence and overcrowded drug vaults that could increase the risk of theft, misuse, and loss. Moreover, GAO found that some requirements, such as chemists' returning drug evidence to a vault within five working days after analysis and laboratories destroying drugs within 90 days of receiving authorization, were not always met. GAO also found weaknesses in DEA's accountability over drug and weapon evidence, including (1) incomplete and missing documentation, such as chain of custody documentation; (2) inaccurate recordkeeping of drug and weapon evidence; and (3) improper accounting for drug weights, including unverified and unexplained weight differences in drug exhibits. DEA's internal inspection teams also reported instances of missing documentation and improper recordkeeping in their reports covering inspections done from 1996 through 1998. In commenting on this report, DEA officials said that the problems GAO cited do not appear to be systemic in nature and affected areas in which redundant controls are in place to ensure the integrity of evidence at all times. GAO disagrees with DEA and identifies several even more severe issues plaguing all, or almost all, of the locations GAO visited and for which redundant controls did not exist to compensate for the deficiencies.

**AIMD-00-18**, Dec. 16, 1999 (54 pages). Seized Drugs and Firearms: FBI Needs to Improve Certain Physical Safeguards and Strengthen Accountability.

During the last decade, GAO has periodically reported on government operations at “high risk” for waste, fraud, abuse, and mismanagement. One of these operations is the asset forfeiture program run by the Justice Department. Seized items typically remain in an agency’s custody until used as evidence by federal prosecutors. This report focuses on the FBI’s controls over seized drugs and firearms. Each of the four FBI field offices GAO reviewed had established physical safeguards in accordance with key FBI policy directives. However, overcrowding and inadequate packaging of drug evidence and improper maintenance of the night depository in the drug vault at one of the FBI field offices GAO visited increased the risk of theft, misuse, and loss of evidence. Also, inadequate ventilation in the drug vault at one field office could potentially harm the health and safety of evidence control workers. The FBI’s ability to account for drug and firearms evidence was hampered at the field offices GAO reviewed by incomplete and missing information on chain of custody documents, the failure to promptly issue and reconcile reports that are used to verify the location of evidence, and poor documentation of bulk drug seizures. Notwithstanding these problems, FBI personnel were able to locate each item that GAO chose for testing at the field offices; for those items not in storage, they provided documentation supporting the current location or status of the item. GAO identified several instances in which evidence control personnel or FBI agents entered evidence into the FBI’s Automated Case Support System late without the required explanatory memoranda. While reviewing selected drug items in storage at the four field offices, GAO noted many discrepancies between the actual weight of drug items observed during GAO’s testing and the weight of these items recorded on attached evidence labels, which should reflect the current

weight of the item, including packaging.

**AIMD-00-19**, Dec. 17, 1999 (16 pages). District of Columbia: The District Has Not Adequately Planned for and Managed Its New Personnel and Payroll System.

The District of Columbia is acquiring an automated personnel and payroll system, which is based on commercial, off-the-shelf software, to improve the quality of its personnel and payroll systems, modernize its personnel and payroll business processes, and replace an aging legacy system. In earlier testimony before Congress, GAO noted that information on the District’s 40,000 employees has long been error-prone and inconsistent. (See GAO/T-AIMD-95-170, June 1995.) The Comprehensive Automated Personnel and Payroll System which is estimated to cost about \$13 million to develop, was expected to be up and running by the end of 1999. This report assesses whether the District has effectively planned and managed the system.

**AIMD-00-20**, Mar. 7, 2000 (29 pages). Financial Management: Differences in Army and Air Force Disbursing and Accounting Records.

The reliability of contract disbursing data is critical to the ability of the Army and the Air Force to effectively account and control for billions of dollars in budget authority and prepare reliable financial information on the results of its operations. The Defense Finance and Accounting Service in Columbus, Ohio, makes tens of billions of dollars in contract payments each year for the Army, the Air Force, and other military organizations. The Center relies on the Mechanization of Contract Administration Services (MOCAS) to process military contract payment transactions. This report discusses (1) if, and to what extent, contract payment transactions recorded in the Army and Air Force

official accounting records differed from MOCAS disbursing system records; (2) the types of differences between the disbursing and accounting systems and the causes for the differences; and (3) the potential effect any identified deficiencies may have on the Defense Department’s planned improvements to the contract payment system.

**AIMD-00-21**, Nov. 15, 1999 (59 pages). Defense Computers: U.S. Transportation Command’s Management of Y2K Operational Testing.

Complete and thorough Year 2000 end-to-end testing is essential to ensuring that new or modified systems used to collectively support a core business function or mission operation will not jeopardize an organization’s ability to deliver products and services on or after January 1, 2000. This is especially true for the Defense Department, which relies on a complex array of interconnected computer systems – including weapons, command and control, satellite, inventory management, transportation management, health care, financial, personnel, and payments systems – to carry out its operations. This report (1) assesses the U.S. Transportation Command’s management of its end-to-end test of its ability to plan and execute joint major theater war deployment operations and (2) determines what the results of this test show with respect to operational risks and readiness.

**AIMD-00-21.2.3**, Oct. 1, 1999 (56 pages). Human Resources and Payroll Systems Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act of 1996.

This checklist reflects the Joint Financial Management Improvement Program’s revised “Human Resources and Payroll Systems Requirements” (Apr. 1999) to help (1) agencies in

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implementing their human resources and payroll systems and (2) management and auditors in reviewing their human resources and payroll systems to determine if they substantially comply with the Federal Financial Management Improvement Act. This checklist is not required to be used in assessing the human resources and payroll systems. It is provided as a tool for use by experienced staff.

**AIMD-00-21.2.6**, Nov. 1, 1999 (65 pages). Direct Loan System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act of 1996.

The Federal Financial Management Improvement Act of 1996 required that agencies implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These requirements are spelled out by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. GAO's checklist, which reflects JFMIP's revised requirements for direct loan systems, is designed to assist (1) agencies in implementing and monitoring their direct loan systems and (2) management and auditors in reviewing their direct loan systems to determine if they are complying with the act.

**AIMD-00-21.2.8**, Dec. 1, 1999 (60 pages). Travel System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act of 1996.

Federal agencies must implement and maintain financial management systems that substantially comply with the federal financial management systems requirements that are spelled out by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. This checklist reflects JFMIP's revised

travel system requirements to help (1) agencies implement and monitor their travel systems and (2) management auditors review their travel systems to determine if they are complying with JFMIP's guidelines.

**AIMD-00-23**, Nov. 2, 1999 (207 pages). Budget Surpluses: Experiences of Other Nations and Implications for the United States.

In fiscal year 1998, the United States had a budget surplus for the first time in nearly 30 years. Although balancing the federal budget has been the clear and generally accepted fiscal goal for many years, there is no consensus yet on the appropriate fiscal policy during a period of budget surpluses. Should the surpluses be maintained? How should they be used? This report examines the experiences of six countries that have recently experienced budget surpluses—Australia, Canada, New Zealand, Norway, Sweden, and the United Kingdom. GAO discusses (1) how they achieved budget surpluses and what their fiscal policies were during periods of surplus, (2) how they addressed long-term budgetary pressures, and (3) how they adapted their budget process during a period of surplus. GAO also identifies the lessons that these nations learned that might be useful for the United States. GAO concludes that sustaining a surplus over time to address the United States' own long-term needs will require a framework that provides transparency through the articulation and defense of fiscal policy goals; provides accountability for making progress toward those goals; and balances the need to meet selected pent-up demands with the need to address long-term budget pressures.

**AIMD-00-24**, Oct. 29, 1999 (65 pages). Year 2000 Computing Challenge: Financial Management Service Has Established Effective Year 2000 Testing Controls.

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 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.

**AIMD-00-30**, Nov. 15, 1999 (68 pages). Defense Computers: U.S. Space Command's Management of Its Year 2000 Operational Testing.

As part of GAO's review of the military's management of various Year 2000 end-to-end testing efforts, this report (1) assesses the U.S. Space Command's management of its end-to-end testing of space control systems that are essential to major theater war and (2) discusses the test results with respect to operational risks and readiness.

**AIMD-00-33**, Nov. 1, 1999 (48 pages). Information Security Risk Assessment: Practices of Leading Organizations.

Managing the risks stemming from the government's growing reliance on

information technology is a continuing challenge. This guide is intended to help federal managers implement an ongoing information security risk assessment. GAO provides examples, or case studies, of practical risk assessment procedures that have been successfully adopted by four organizations – a multinational oil company, a financial services firm, a regulatory organization, and a computer hardware and software company – known for implementing good risk assessment practices. More importantly, GAO identifies, on the basis of these case studies, factors that are important to the success of any risk assessment program, regardless of the specific methodology used. The information in this guide supplements an earlier GAO document (GAO/AIMD-98-68, May 1999) that outlined five major elements of risk management and 16 related information security practices that GAO identified during a study of organizations with superior information security programs.

**AIMD-00-55**, Dec. 23, 1999 (38 pages). Computer Security: FAA Needs to Improve Controls Over Use of Foreign Nationals to Remediate and Review Software.

The nationwide demand for skilled programmers to cope with the Year 2000 computing problem has raised questions about whether key organizations, such as the Federal Aviation Administration (FAA), have resorted to using foreign nationals for Y2K remediation. Of 153 mission critical FAA systems that were remediated, 15 had foreign involvement, including Chinese, Ukrainian, and Pakistani nationals. FAA was unable to provide any information on the individuals who did code remediation for four of its 153 computer systems. With regard to code review, 20 key mission-critical systems have been, or are in the process of being, reviewed by two contractors who use foreign nationals. One code contractor employed 36 mainland

Chinese nationals, while the other employed one Canadian national. FAA did not perform background searches—investigations or checks—on all of its contractor employees, as required by its policy. This situation increased the risk that inappropriate persons may have gained access to FAA's facilities, information, or resources. As a result, the air traffic control system may be more vulnerable to intrusion and malicious attacks. GAO recommends that FAA improve its security controls, identify the risk of malicious attacks on its critical systems, and mitigate that risk. FAA agrees with GAO's recommendations and is moving to implement them.

**AIMD-00-57**, Feb. 18, 2000 (217 pages). Accrual Budgeting: Experiences of Other Nations and Implications for the United States.

Accrual and cash-based costs are similar for many government activities. However, accrual measurement would move budget recognition forward for the costs of some programs, such as insurance and pensions, which involve future cash flows. The opposite would be true for the purchase of capital assets: accrual measurement would provide a later recognition of those costs. Other nations have moved toward greater use of accrual concepts in budget reporting. This report discusses what lessons the early experiences of six countries—Australia, Canada, Iceland, the Netherlands, New Zealand, and the United Kingdom—might offer the United States. Despite obvious political, cultural, and economic differences between the United States and these countries, their early experiences offer insights as the United States considers ways to improve budget recognition of long-term commitments and continues to seek improvements in government performance and accountability.

**AIMD-00-61**, Feb. 4, 2000 (101 pages). 2000 Census: New Data Capture System Progress and Risks.

The 2000 decennial census—the largest peacetime mobilization in the nation's history—will significantly influence the lives of every U.S. resident. In preparation, the Census Bureau will be staffing 1.35 million temporary field positions to capture 1.5 billion pages of data from about 119 million households. To meet this massive challenge, the Bureau plans to rely heavily on information technology, including its new Data Capture System 2000. The system will operate at four data capture centers to check in, digitally image, and optically read the data handwritten onto census forms and covert these data into files that will be sent to Bureau headquarters for tabulation and analysis. This report discusses the state and quality of the system as well as the risks that the Bureau faces in successfully completing the system.

**AIMD-00-66**, Mar. 15, 2000 (53 pages). Medicare Financial Management: Further Improvements Needed to Establish Adequate Financial Control and Accountability.

Although the Health Care Financing Administration (HCFA) is supposed to ensure that the billions of dollars spent on Medicare each year are managed in a fiscally responsible way, it has yet to establish adequate accountability and control over the program's financial operations. HCFA's financial management activities—from evaluation and follow-ups on audit findings to contractor monitoring and financial reporting—fall short in addressing weaknesses repeatedly cited in audits and other reviews. Unless these weaknesses are resolved, the government is at risk of substantial losses. Financial statement audits have long criticized claims contractors for internal control and financial reporting weaknesses, including failure to safeguard checks received from providers for overpayments and incorrectly recording billions of dollars owed to Medicare for such overpayments. However, HCFA's

procedures for following up on audit findings and evaluating corrective actions remain insufficient. Poor monitoring of contractors' financial activities is another problem. Audit reports have also cited HCFA for inefficiencies in its internal control financial reporting practices, including a lack of documented policies and procedures. These deficiencies call into question the reliability of the data that Congress and HCFA use to track Medicare program costs and make decisions about future funding. HCFA officials have launched several initiatives to strengthen the agency's control and accountability, such as hiring outside consultants to evaluate the contractors' internal controls. However, the agency still lacks a comprehensive strategy to ensure successful implementation of these initiatives, direct financial management activities, and sustain improvements in the long term. Without such a strategy, billions of dollars will remain vulnerable to fraud and abuse and HCFA's financial management problems will likely persist. GAO summarized this report in testimony before Congress; see: Medicare Financial Management: Further Improvements Needed to Establish Adequate Financial Control and Accountability, by Gloria Jarmon, Director of Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information, and Technology, House Committee on Government Reform. GAO/T-AIMD-00-118, Mar. 15 (22 pages).

**AIMD-00-67**, Feb. 24, 2000 (21 pages). Land Management Systems: Status of BLM's Actions to Improve Information Technology Management.

The Bureau of Land Management (BLM) is developing the Automated Land and Mineral Record System (ALMRS)/Modernization to improve its ability to record, maintain, and retrieve information on land descriptions, ownership, and use. GAO reported last

year that a major component of the ALMRS/Modernization failed to meet BLM's business needs and was not deployable. (See GAO/T-AIMD-99-102, Mar. 1999.) GAO cited many problems and risks that threatened the successful development and deployment of the ALMRS/Modernization and recommended measures to help BLM strengthen its information technology management practices and reduce the risk of future failures. This report determines whether BLM has (1) adequately assessed the usability of the ALMRS Initial Operating Capability and alternatives to meet its business needs, (2) adequately assessed and strengthened its investment management processes and practices, (3) obtained an independent assessment of its systems acquisitions capabilities and strengthened its systems acquisition processes, and (4) made or is making sizable investments before strengthening its investment management and systems acquisition processes.

**AIMD-00-76**, Feb. 29, 2000 (104 pages). Financial Audit: IRS' Fiscal Year 1999 Financial Statements.

The Internal Revenue Service (IRS) has the daunting responsibility of collecting the nation's taxes, processing tax returns, and enforcing the tax laws. The size and complexity of the agency's operations—IRS has about 100,000 employees in locations across the country—present additional challenges for IRS management. Despite these challenges, IRS successfully collected about \$1.9 trillion in taxes in fiscal year 1999, processed hundreds of millions of tax returns, and paid about \$185 billion in refunds. IRS has responded to some of the management concerns that GAO has raised in the past. However, this audit of IRS' financial statements for fiscal year 1999 found that serious problems persist. These problems include (1) deficiencies in controls to properly manage unpaid assessments,

resulting in both taxpayer burden and potentially billions of dollars in lost revenue for the government; (2) poor controls over tax refunds, potentially allowing the disbursement of billions of dollars in improper refunds; (3) vulnerabilities in controls over hardcopy tax receipts and taxpayer data that increase the risk of inappropriate disclosure or loss of taxpayer data; (4) vulnerabilities in computer security that may allow unauthorized people to access, alter, or abuse sensitive IRS programs and data; (5) the failure to reconcile IRS' fund balance with Treasury records throughout fiscal year 1999; (6) inadequate systems and controls that resulted in the inability to properly account for IRS' property and equipment and related costs; (7) inadequate budgetary controls; and (8) an inadequate financial reporting process. Many of these problems have plagued IRS since GAO first began auditing the agency's financial statements in the early 1990s. These weaknesses prevented GAO from rendering an unqualified opinion on five of IRS' six financial statements. GAO summarized this report in testimony before Congress; see: Internal Revenue Service: Results of Fiscal Year 1999 Financial Statement Audit, by Gregory D. Kutz, Associate Director for Governmentwide Accounting and Financial Management Issues, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO/T-AIMD-00-104, Feb. 29 (21 pages).

**AIMD-00-79**, Mar. 1, 2000 (21 pages). Financial Audit: Bureau of the Public Debt's Fiscal Years 1999 and 1998 Schedules of Federal Debt.

Because of the significance of the federal debt for the government's financial statements, GAO audited the federal debt managed by the Bureau of the Public Debt. This report presents the results of GAO's audit of the Schedule of Federal Debt Managed by

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the Bureau for fiscal years 1999 and 1998. GAO found that (1) the Schedules of Federal Debt were presented fairly in conformity with generally accepted accounting principles, (2) the Bureau had effective control over financing reporting and compliance with laws and regulations related to the Schedule of Federal Debt, and (3) there was no reportable noncompliance in fiscal year 1999 with a selected provision of a law GAO tested.

**AIMD-00-83**, Mar. 1, 2000 (65 pages). Executive Guide: Maximizing the Success of Chief Information Officers (Exposure Draft).

Information technology is now essential to the delivery of government services. As the federal government fully embraces e-commerce and other leading edge applications of information technology, the successful management of the government's information resources becomes crucial. Congress, recognizing the need for greater leadership in information management passed the Clinger-Cohen Act of 1996. This legislation mandates the hiring of chief information officers at federal agencies. Today, virtually all the major executive branch agencies have appointed chief information officers, and many of these individuals have taken positive steps toward implementing important information management processes. For federal agencies to reap the full benefits of information management reform, however, chief information officers must assume their roles as information management leaders and become active participants in developing agency strategic plans and policies. This guide is intended to help federal agencies maximize the success of their chief information officers. Principles and practices gleaned from case studies presented in GAO's guide offer concrete suggestions on how agencies can ensure the effectiveness of their

chief information officer organizations.

**AIMD-00-85**, Mar. 1, 2000 (42 pages). Financial Audit: American Battle Monuments Commission's Financial Statements for Fiscal Years 1999 and 1998.

GAO audited the American Battle Monument Commission's financial statements for fiscal years 1999 and 1998. The Commission is a small, independent agency created in 1923 to commemorate the sacrifices and achievements of the U.S. armed forces. The Commission maintains 25 American cemeteries overseas and 27 monuments and memorials, many of which are in foreign countries. GAO found that the financial statements were presented fairly in conformity with generally accepted accounting principles. The Commission had effective internal control over financial reporting (including safeguarding assets) and complied with laws and regulations. GAO did note one reportable condition concerning internal controls over information technology systems. GAO did not consider this condition to be a material weakness. GAO found no reportable instances of noncompliance with the laws and regulations GAO tested.

**AIMD-00-95**, Mar. 14, 2000 (21 pages). Financial Audit: Capitol Preservation Fund's Fiscal Years 1999 and 1998 Financial Statements.

GAO audited the Capital Preservation Fund's financial statements for fiscal years 1999 and 1998. The Fund was established to improve and preserve the United States Capitol as well as acquire works of art and other items for display. GAO found that the financial statements were fairly presented in conformity with generally accepted accounting principles, there were no material weaknesses in the internal controls GAO tested, and there was no reportable

noncompliance with laws and regulations.

**AIMD-00-98**, Apr. 12, 2000 (19 pages). Financial Audit: Senate Restaurants Revolving Fund for Fiscal Years 1999 and 1998.

GAO contracted with the independent public accounting firm of KPMG Peat Marwick LLP to audit the financial statements of the Senate Restaurants Revolving Fund for fiscal years 1999 and 1998. The Fund, which operates dining facilities used by Senators, Senate staff, and the public, depends on financial support provided by the Architect of the Capitol and the U.S. Senate. KPMG found that the financial statements were fairly presented in conformity with generally accepted accounting principles; internal controls effectively safeguarded assets against unauthorized acquisition or use, ensured material compliance with laws and regulations, and ensured that there were no material misstatements in the financial statements; and there was no reportable noncompliance with provisions of the laws and regulations it tested.

**AIMD-00-101**, May 3, 2000 (16 pages). Foreign Military Sales: Air Force Controls Over the FMS Program Need Improvement.

The Air Force lacked adequate management controls over its foreign military sales (FMS) program to ensure that foreign customers' accounts were properly charged for goods and services. GAO's analysis of data maintained by the Defense Finance and Accounting Service indicates that the Air Force may not have charged foreign military sales customers for as much as \$540 million worth of delivered goods and services. The Air Force recognizes that it must improve its controls over the program and develop the data needed to identify instances in which foreign customers' accounts have not been charged for goods and services

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received. However, according to Air Force officials, the data are going to be made available only on an ad hoc basis, meaning that they will not be routinely available to the appropriate personnel for review, including managers, with the requirement that they use the information to ensure that customers' accounts are being properly charged.

**AIMD-00-114**, Mar. 30, 2000 (63 pages). Power Marketing Administrations: Their Ratesetting Practices Compared With Those of Nonfederal Utilities.

This report reviews the ratesetting practices of the Department of Energy's (DOE) power marketing administrations (PMA) and compares them with those of other utilities. GAO focuses on PMA's ratesetting practices and assesses their impact on the PMA's future competitiveness. GAO determines (1) how the PMAs set their rates to recover costs, (2) how the PMA's ratesetting practices compare to those of investor-owned and publicly owned utilities, and (3) the impact of the PMA's ability to defer repayment of portions of their debt on their future competitiveness.

**AIMD-00-120**, Mar. 31, 2000 (35 pages). Financial Audit: Independent Counsel Expenditures for the Six Months Ended September 30, 1999.

This report presents GAO's audit of expenditures reported by eight offices of independent counsel for the six months ended September 30, 1999. GAO found that the statements of expenditures for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smalz, Kenneth W. Starr, and Curtis E. von Kann were fairly presented in all material respects. GAO's consideration of internal controls found no material weaknesses. Furthermore, GAO found no

reportable instances of noncompliance with laws and regulations.

**AIMD-00-123**, Apr. 14, 2000 (38 pages). Telecommunications: GSA's Estimates of FTS2001 Revenues Are Reasonable.

The General Services Administration's (GSA) Federal Technology Services provides its customers with a broad range of end-to-end telecommunications services, including global voice, data, and video services, supporting both local and long-distance government telecommunications users. Its FTS2000 long-distance services reached more than 1.7 million users through two multibillion dollar 10-year contracts that were awarded to AT&T and Sprint in December 1988. Two contracts have since been awarded for the successor FTS2001 program—one to Sprint and one to MCI WorldCom. The federal government is now switching from the FTS2000 to the FTS2001 long-distance telecommunications program. This report answers the following questions: What percentage are the minimum revenue guarantees of the FTS2001 contracts? When are the minimum revenue guarantees likely to be satisfied? What sensitivities are there in each of these estimates? What factors could significantly alter them? If additional competitors were allowed to compete for the FTS2001 business, how might that competition affect the estimates provided? Would lower prices and transition costs resulting from such competition offset the impact on estimates?

**AIMD-00-124**, Apr. 25, 2000 (35 pages). SBA Loan Monitoring System: Substantial Progress Yet Key Risks and Challenges Remain.

GAO recently testified before Congress on the Small Business Administration's (SBA) progress in carrying out planning actions for its loan monitoring system. (See GAO/T- AIMD-00-113, Feb. 2000.) GAO

indicated that SBA has made substantial progress in completing the eight planning actions mandated by law but still has to complete work on some actions and implement key functions to effectively manage the development of the loan monitoring system. This report contains a list of recommendations to help SBA complete the eight planning actions and strengthen its information technology management practices.

**AIMD-00-125**, Apr. 19, 2000 (16 pages). Social Security Administration: Year 2000 Readiness Efforts Helped Ensure Century Rollover and Leap Year Success.

Overall, the Social Security Administration (SSA) showed a strong and consistent commitment to addressing concerns about its Year 2000 program. The agency completed all of the critical tasks needed to ensure its readiness before the date change at the turn of the century and experienced only minor problems during the rollover weekend. SSA also reported that its systems processed data without incident during the February 29 leap year date, another potential source of disruptions. Like other organizations, however, SSA must still consider the possibility that additional challenges arising from the Year 2000 issue could arise.

**AIMD-00-127**, May 31, 2000 (34 pages). Bureau of Reclamation: Information on Operations and Maintenance Activities and Costs at Multipurpose Water Projects.

This report reviews the Bureau of Reclamation's operation and maintenance (O&M) of federal water projects. GAO answers the following questions: How does the Bureau define O&M activities? What latitude does the Bureau have in deciding which O&M costs to charge to customers? How does the Bureau account for O&M costs? How does the Bureau define overhead? How does the Bureau



calculate the O&M costs that it charges to customers? What concerns have been raised by customers about excessive O&M costs and to what extent do customers have an opportunity to review cost origins and recommend reductions? How do the Bureau's cost recovery practices compare to those of other entities?

**AIMD-00-131**, Mar. 31, 2000 (109 pages). Financial Audit: 1999 Financial Report of the United States Government.

An important element of federal financial management reform is the requirement that the government prepare an annual financial statement, which GAO is required to audit. This report contains the government's fiscal year 1999 financial report, which was issued by the Treasury Department, as well as GAO's conclusions about the report. In summary, GAO found that significant financial systems weaknesses; problems with basic recordkeeping and financial reporting; incomplete documentation; and weak internal controls, including computer controls, continue to prevent the government from accurately reporting a large part of its assets, liabilities, and costs. Some of these shortcomings are found primarily at specific agencies, while others are governmentwide.

**AIMD-00-134**, Apr. 1, 2000 (57 pages). Executive Guide: Creating Value Through World-class Financial Management.

To help promote the effective implementation of financial management reform across the federal government, GAO studied the financial management practices and improvement efforts of nine leading public and private sector organizations—Boeing; Chase Manhattan Bank; General Electric; Hewlett-Packard; Owens Corning; Pfizer; and the state governments in Massachusetts, Texas, and Virginia. Lessons learned from the experiences

of these nine organizations can help federal agencies as they continue to improve their management and financial accountability. This guide discusses the goals, success factors, and practices associated with building a world-class finance organization.

**AIMD-00-140**, June 9, 2000 (38 pages). Information Security: Vulnerabilities in DOE's Systems for Unclassified Civilian Research.

Unclassified information systems for scientific research are not consistently protected at all Department of Energy (DOE) laboratories. Although some laboratories are taking significant steps to strengthen access controls, many systems remain vulnerable. In four recent cases, Internet attacks forced DOE laboratories to disconnect their networks from the Internet, interrupting scientific research for as long as a week on at least two occasions. A major contributing factor to the continuing security shortfalls at these laboratories is that DOE lacks an effective program for consistently managing information technology security throughout the agency. Moreover, line management within DOE has not effectively overseen implementation of computer security at the laboratories. DOE is aware that its unclassified security program has been inadequate and has taken steps to improve it, including issuing an updated, unclassified information technology security policy and developing a five-year action plan. However, further action will be needed to reform the Department's line management oversight structure for information technology security.

**AIMD-00-143**, Apr. 1, 2000 (176 pages). Compendium of Budget Accounts: Fiscal Year 2001.

The President is required by law to submit a budget to Congress each year. This budget not only presents the President's policy proposals for the "budget year," in this case fiscal year

2001, but also budgetary totals enacted by Congress for the current fiscal year and reported actual totals for the previous year. In effect, the President's submission analyzes and compiles separate presentations for hundreds of budget accounts spanning the activities of the entire federal government, including such "off-budget" programs as Social Security and the Postal Service. The President's budget contains a wealth of information in a daunting assemblage of schedules, tables, graphs, and narrative summaries. The comprehensiveness of the President's budget—its sheer size and complexity—is both its principal strength and its most obvious inconvenience. This budget compendium was compiled to help GAO staff and others cope with the breadth of the federal budget. It gives readers a convenient way to sort through the fiscal structure of the federal government and to understand the level of budgetary resources—used, estimated, or requested by fiscal year—for individual accounts.

**AIMD-00-153**, May 15, 2000 (41 pages). United States Capitol Police: 1999 Financial Audit Highlights Need to Address Internal Control Weaknesses.

In its audit of the U.S. Capitol Police, PricewaterhouseCoopers found that the Police's internal control fell short in ensuring that (1) its assets were safeguarded against loss or misappropriation, (2) transactions were executed in accordance with management's authority and with laws and regulations, and (3) there were no material misstatements in the financial reports. On three occasions involving its appropriations for salaries, the Police violated the Anti-Deficiency Act, which prohibits an officer or employee of the United States from making an expenditure from an appropriation that exceeds the amount available in the appropriation. The Police's combining statement of receipts and disbursements for fiscal

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year 1999 presents fairly the receipts and disbursements of appropriated funds on a modified cash basis, which is another comprehensive basis of accounting.

**AIMD-00-155**, May 1, 2000 (6 pages). Information Technology Investment Management: An Overview of GAO's Assessment Framework (Exposure Draft).

GAO developed guidance in 1997, based primarily on the Clinger-Cohen Act, that provides a way to evaluate and assess how well a federal agency is selecting and managing its information technology resources and identifies areas in which improvement is needed. This framework for information technology investment management enhances this guidance by identifying critical processes for successful information technology investment and by organizing these processes into a framework of increasingly mature stages.

**AIMD-00-156**, May 15, 2000 (20 pages). Financial Audit: Congressional Award Foundation's 1999 and 1998 Financial Statements.

GAO audited the Congressional Award Foundation's financial statements for 1999 and 1998. The Foundation was established in 1979 to promote excellence among youth in public service, personal development, and physical fitness. GAO found that the financial statements are presented fairly in conformity with generally accepted accounting principles; the Foundation had effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 1999; and there was no reportable noncompliance in fiscal year 1999 with the laws and the regulations GAO tested.

**AIMD-00-157**, May 26, 2000 (73 pages). Financial Audit: Federal

Deposit Insurance Corporation's 1999 and 1998 Financial Statements.

GAO audited the Federal Deposit Insurance Corporation's financial statements for 1999 and 1998. In its audits of the Bank Insurance Fund, the Savings Association Insurance Fund, and the FSLIC Resolution Fund, GAO found that the financial statements of each fund were presented fairly, in conformity with generally accepted accounting principles; although some internal controls should be improved, FDIC has effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations; and there was no reportable noncompliance with laws and regulations. GAO also presents information on (1) the scope of its audits, (2) a reportable condition related to information systems control noted during GAO's 1999 audits, (3) the current status of the goodwill litigation cases, (4) the current status of the FSLIC Resolution Fund's liquidation activities, and (5) its evaluation of the Corporation's comments on a draft of this report.

**AIMD-00-169**, May 31, 2000 (15 pages). Computer Security: FAA Is Addressing Personnel Weaknesses, But Further Action Is Required.

The Federal Aviation Administration's (FAA) personnel security policy requires that background checks be done for all FAA employees and contractor employees who have some level of risk association with their jobs. GAO reported last year that the agency had failed to perform risk assessments as required and had not done background searches on all contractor employees. (See GAO/AIMD-00-55.) This report determines (1) the factors that contributed to FAA's failure to adhere to the requirements of its personnel security program that requires background searches--investigations or checks--of contractor employees commensurate with the

risk level of the tasks to be performed, (2) whether FAA's "five layers of system protection" concept is a generally accepted security framework reflective of its security policies and procedures, and (3) the extent of FAA's compliance with the requirements of its personnel security program concerning background searches for FAA and contractor employees at all agency facilities.

**AIMD-00-170**, May 31, 2000 (94 pages). Information Technology Management: SBA Needs to Establish Policies and Procedures for Key IT Processes.

As the Small Business Administration (SBA) tries to transform itself into a 21st century leading edge financial institution, it needs to identify and address operational problems that have agencywide implications. Although SBA plans to improve its key information technology process, many of the agency's policies and procedures for managing this critical area are now in draft form or not yet developed. SBA intends to pursue best practices for information technology planning, monitoring, and evaluation, but its current practices do not generally adhere to defined processes. In particular, investment management efforts are limited largely to reviewing information technology proposals, architecture related activities are carried out without a defined process, and software development and acquisition practices are often ad-hoc. In the information security area, SBA lacks centralized oversight of the activities of its field and program offices. Also, periodic risk assessments have not been done on all mission-critical systems and security training has not been given to employees and contractor staff. Human capital management efforts are limited to a non-information technology training needs survey, and a human capital assessment has not been done to identify short- and long-term information technology

knowledge skills and requirements. GAO summarized this report in testimony before Congress; see: Information Technology Management: Small Business Administration Needs Policies and Procedures to Control Key IT Processes, by Joel C. Willemssen, Director of Civil Agencies Information Systems Issues, before the Senate Committee on Small Business. GAO/T-AIMD-00-260, July 20.

**AIMD-00-174**, May 31, 2000 (41 pages). Budget Issues: Budget Enforcement Compliance Report.

This report assesses compliance by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985. GAO's assessment covers reports issued by OMB and CBO for legislation enacted during the first session of the 106th Congress, which ended in November 1999. According to CBO's final sequestration report issued in December 1999, discretionary outlays for all spending categories combined are estimated to exceed the spending limits by \$16.6 billion for fiscal year 2000. CBO estimates that a four percent sequestration would be required for the overall discretionary category. In contrast, OMB's Final Sequestration Report, issued in January 2000, estimates that no sequestration of discretionary spending will be required for fiscal year 2000. There will be no sequester in fiscal year 2000 because, by law, OMB's estimates are controlling.

**AIMD-00-175**, May 24, 2000 (25 pages). Tax Systems Modernization: Results of Review of IRS' March 7, 2000, Expenditure Plan.

For more than a decade, the Internal Revenue Service (IRS) has tried to improve service to taxpayers by modernizing its antiquated tax-processing systems, which the agency acknowledges to be "fundamentally

deficient." However, IRS' tax systems modernization efforts have been plagued by management and technical weaknesses. To address these problems, IRS requested, and Congress established, a \$506 million information technology investments account. IRS cannot spend the money until it submits an expenditure plan to Congress. This report presents the results of GAO's review of IRS' second expenditure plan, which reports on IRS' progress against commitments made in its first expenditure plan submitted last year. GAO discusses (1) IRS' progress in meeting the commitments in its first expenditure plan, (2) whether the plan satisfies the conditions spelled out in Treasury's fiscal years 1998 and 1999 appropriations acts, (3) whether the plan is consistent with GAO's open recommendations on IRS' systems modernization, and (4) whether GAO has any other observations on IRS' modernization efforts.

**AIMD-00-21.2.2**, Feb. 1, 2000 (65 pages). Core Financial System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act.

The Federal Financial Management Improvement Act of 1996 requires government agencies to implement and maintain financial management systems that substantially comply with federal management systems requirements. These requirements have been spelled out by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. JFMIP intends for the requirements to promote understanding of key financial management systems concepts and requirements, to provide a framework for establishing integrated financial management systems to support program and financial managers, and to describe the specific requirements of individual types of financial management systems. This checklist is intended to

help (1) agencies in implementing and monitoring their core systems and (2) management and auditors in reviewing core systems to determine if they substantially comply with the act. This checklist is not required to be used in assessing a core system. It is provided as a tool for use by experienced staff.

**AIMD-00-21.3.1**, Nov. 1, 1999 (21 pages). Standards for Internal Control in the Federal Government.

The Federal Managers' Financial Integrity Act of 1982 requires GAO to issue standards for internal control in government. Rapid advances in information technology have underscored the need for updated guidance on internal controls over modern computer systems. At the same time, the management of human capital is increasingly recognized as an important part of internal control. Moreover, the private sector has updated its guidance on internal controls. This update, which supersedes GAO's earlier "Standards for Internal Controls in the Federal Government," recognizes these three developments. The standards are effective beginning with fiscal year 2000.

**AIMD-00-210**, July 21, 2000 (27 pages). Financial Management: Improvements Needed in NIH's Controls Over Royalty Income.

Poor internal controls have affected the monitoring of licensees and the completeness and accuracy of royalty income received by the National Institutes of Health (NIH). In fiscal year 1999, NIH's Office of Technology Transfer (OTT) did not follow up—with one exception—on the biennial audits of licensees' sales to ensure that licensees with sales that exceed \$2 million had been properly audited. In the audited exception, GAO found that there were \$9.4 million in uncollected royalty payments, with another \$1.2 million projected. OTT also did not exercise its right to designate auditors

to conduct reviews and verifications of semiannual royalty reports and royalty payments that could provide OTT assurance that royalty income received from its licensees is based on accurate sales amounts. Additionally, OTT did not enforce its collection policies and procedures to ensure timely payment of royalty fees. NIH's Office of Financial Management system to track royalty payments is not integrated with OTT, making monthly reconciliation labor-intensive. Delays in recording royalty income in its own general ledger increase the risk that financial and budgetary reports to Treasury may be inaccurate and delay distribution of funds.

**AIMD-00-212**, Aug. 1, 2000 (19 pages). Information Technology: INS Needs to Better Manage the Development of Its Enterprise Architecture.

An enterprise architecture serves as an institutional systems blueprint that defines the terms of the organization's current and target operating environments and provides a road map for moving between the two. Although the Immigration and Naturalization Service (INS) invests hundreds of millions of dollars each year in information technology (IT), it has only recently begun to develop an enterprise architecture. A current architecture description is not complete, and a definition of a target architecture has not begun. So far, INS has focused on the technology layers of the architecture (hardware and system software computing platforms, data structures and schemas, software applications). A top-down process, which begins with the institution's mission and a business concept of operations and continues with the definition of supporting business functions, processes, and information needs and flows, is advocated by both federal and private sector architecture guidance. Moreover, INS' architecture development efforts are not managed as a formal program. No meaningful plans that provide a detailed

breakdown of the work and associated schedules, resource needs, and performance measures are included.

**AIMD-00-215**, July 6, 2000 (39 pages). Information Security: Fundamental Weaknesses Place EPA Data and Operations at Risk.

Serious and pervasive problems have rendered the Environmental Protection Agency's (EPA) agencywide information security program ineffective. GAO reported many of these weaknesses to EPA in 1997. The computer network that supports most of EPA's mission-related and financial operations is riddled with security weaknesses, and the agency has had several serious computer security incidents since early 1998 that have damaged and disrupted agency operations. Deficiencies in incident detection and handling capabilities have limited EPA's ability to fully understand or assess the nature of or the damage due to intrusions into and misuse of its computer systems. EPA's computer systems and the operations that rely on them have been highly vulnerable to tampering, disruption, and misuse from both internal and external sources. Moreover, EPA has been unable to protect sensitive business and financial data maintained on its larger computer systems. Since the close of GAO's audit in mid-February, EPA has moved aggressively to reduce the vulnerability of its systems and data and to correct the weaknesses identified. Sustaining these improvements in today's dynamic computing environment will require continuing vigilance and management attention.

**AIMD-00-217**, Aug. 10, 2000 (38 pages). Information Security: USDA Needs to Implement Its Departmentwide Information Security Plan.

The Department of Agriculture (USDA) relies on automated systems and networks to deliver billions of

dollars in programs to its customers; process and communicate sensitive payroll, financial, and market data; and maintain personal customer information. This report discusses steps that USDA has taken to improve information security and implement its August 1999 departmentwide information security plan. GAO found that USDA has developed recommendations to strengthen departmentwide information security and has hired a new Associate Chief Information Officer for Cyber-Security. Since the plan was issued, however, little progress has been made to implement the plan's other recommendations for strengthening the department's information security. Moreover, GAO found that USDA has not developed and documented a strategy to implement the action plan recommendations with established priorities and the detailed steps, time frames, milestones, and total resources needed to fully carry them out. GAO concludes that until USDA fully implements these important information security improvements, its critical assets will remain vulnerable to cyber attacks and other threats. GAO recommends that USDA develop a detailed strategy to implement the action plan and take steps that would demonstrate that information security is a departmentwide priority.

**AIMD-00-218**, July 7, 2000 (13 pages). Federal Reserve Banks: Areas for Improvement in Computer Controls.

As part of its audit of the U. S. government's fiscal year 1999 financial statements, GAO reviewed the general and application computer controls over key financial systems maintained and operated by the Federal Reserve Banks on behalf of the Department of the Treasury's Financial Management Service (FMS) and the Bureau of the Public Debt (BPD). Overall, GAO found that the Federal Reserve Banks had implemented effective general and application controls. Vulnerabilities identified involved general and

application computer controls that were not considered as having a significant adverse impact on key FMS and BPD systems, but nonetheless warrant action. These vulnerabilities relate to the entitywide security management program; access controls; system software; application software development and change controls; and, in one data center, segregation of duties. Although these vulnerabilities do not pose significant risks, corrective action would decrease the risk of inappropriate disclosure and modification of sensitive data, misuse of computer resources, or disruption of critical operations. The Federal Reserve Banks agreed with 17 of GAO's 22 findings, have corrected or are in the process of correcting those findings, and are studying the remaining five findings before undertaking corrective measures.

**AIMD-00-226**, Aug. 16, 2000 (33 pages). Information Technology: VA Actions Needed to Implement Critical Reforms.

To improve information technology (IT) investment decision-making at the Department of Veterans Affairs (VA), GAO recommends that the agency (1) establish and monitor deadlines for completing formal in-process reviews at key milestones in a project's life cycle, (2) provide decisionmakers with information on lessons learned from IT post-implementation reviews, and (3) develop and implement guidance to better manage IT projects. To fully address these provisions, VA needs to fill the position of assistant secretary for information and technology as quickly as possible, reassess its decision to delegate business process reengineering to the individual administrations, and direct the department's Chief Information Officer or designee to lead the effort to work with VA business owners to develop a logical architecture as a step toward an integrated IT architecture.

**AIMD-00-228**, Aug. 18, 2000 (69 pages). Financial Management: Review of Education's Grant back Account.

Financial management system deficiencies, inadequate systems of funds control, and manual internal control weaknesses increase the risk of waste, fraud, and abuse in the grant back program. Using the pooling method, grant recipients with multiple awards were not required to match drawdowns to specific awards; consequently, drawdown allocations between Education and the recipients did not match. Education used the grant back account to clear unreconciled differences in various grant appropriation fund balances and to adjust appropriation fund balances to ensure that they did not become negative. Since 1995, independent financial statement auditors have reported weaknesses in Education's information systems controls; this increases the risk of unauthorized access and makes Education's sensitive grant and loan data vulnerable to inadvertent or deliberate misuse. Although the grant back account was established for grant back activity, Education also used it as a suspense account for activity related to grant reconciliation efforts. The portion of the grant back account related to actual grant back activity averaged less than five percent of the total account balance in every year starting in fiscal year 1993. Education did not maintain adequate detailed records for certain grant back account activity by applicable fiscal year and appropriation.

**AIMD-00-232**, Sept. 8, 2000 (42 pages). VA Information Systems: Computer Security Weaknesses Persist at the Veterans Health Administration.

In September 1998, GAO reported that computer security weaknesses at the Department of Veterans Affairs (VA) placed critical operations, including health care delivery, at risk of misuse and disruption. Although two VA

health care systems have corrected most of the computer security weaknesses identified in 1998, serious computer security problems persist throughout the Veterans Health Administration (VHA) and the Department. These problems persist because VA had not yet fully implemented an integrated security management program and VHA had not devoted adequate resources to effectively manage computer security at its medical facilities. Consequently, financial transaction data and personal information continue to face increased risk of inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction. GAO recommends that VA: (1) ensure that remaining computer security weaknesses at each health care system are corrected in accordance with action plans developed by each of the medical facilities; and (2) provide security oversight resources as prescribed in VHA policy to effectively implement and oversee VA's computer security management program through assessing risk, implementing policies and controls, promoting awareness, and evaluating the effectiveness of information system controls at VHA facilities.

**AIMD-00-234**, Aug. 4, 2000 (57 pages). Debt Collection: Treasury Faces Challenges in Implementing Its Cross-Servicing Initiative.

According to Treasury's Financial Management Service (FMS), about 89 percent of the \$59.2 billion of debts more than 180 days delinquent were excluded from cross-servicing for fiscal year 1999. The accuracy and the completeness of amounts reported by agencies (including exclusions) were not independently verified. As of April 2000, about \$3.7 billion of the \$6.4 billion of eligible debt had been referred for cross-servicing. Many eligible debts were not promptly referred by the agencies, not referred at all, or not always eligible for cross-servicing. FMS had requested written

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debt referral plans from 22 of the 24 chief financial officers, but the plans were of limited use because they were incomprehensive, inaccurate, or incomplete. The FMS staff and some private collection agency contractors did not always follow established written standard operating procedures. Collection industry statistics as well as FMS' collection experience so far have shown that collection rates are generally higher on debts with smaller dollar balances and debts that are less delinquent. Cross-servicing fees FMS charged to agencies referring delinquent debts have not covered FMS' estimated cross-servicing costs and are not likely to in the near future.

**AIMD-00-252**, Aug. 16, 2000 (14 pages). FAA Computer Security: Concerns Remain Due to Personnel and Other Continuing Weaknesses.

This report is part of a continuing assessment of FAA's overall computer security program. FAA has a history of computer security weaknesses, including physical security management at facilities that house air traffic control systems, systems security for both operational and future systems, implementation of security policies, and personnel security. Although FAA is addressing these weaknesses, its progress has been slow in key areas. Specifically, the agency has not yet completed accrediting its facilities and systems as secure and has not yet completed background checks on thousands of contractors actively working on FAA contracts. Until it does so, the agency will remain vulnerable to intrusions and malicious attacks on its facilities, information, and resources.

**AIMD-00-258**, Sept. 25, 2000 (15 pages). Capitol Concerts: Audit of the Receipt and Use of 1999 Funding.

Since 1981, the National Park Service has sponsored an annual series of concerts by the National Symphony

Orchestra (NSO) on the Capitol grounds. The concerts, which are paid for with federal and private money, have grown significantly in terms of their size, scope, popularity, and cost. The Park Service provided NSO with federal funding to support three concerts in 1999. The funding was transferred to the Park Service from an appropriation to the Army. NSO contracted with Capital Concerts, Inc. on a reimbursable basis to handle the production and television broadcasts of the Memorial Day and July 4th concerts. Of the \$3.9 million in funding, \$2.5 million came from federal sources and \$1.4 million came from public broadcasting fees and grants and private donations. The Park Service, NSO, and Capitol Concerts received and retained most of the concert-related funding to support the concerts.

**AIMD-00-259**, Sept. 15, 2000 (24 pages). Indian Trust Funds: Improvements Made in Acquisition of New Asset and Accounting System But Significant Risks Remain.

This report addresses steps that the Department of the Interior has taken in response to earlier GAO reports on the agency's efforts to acquire and develop its Trust Asset and Accounting Management System (TAAMS). This report also reviews the business and technical risks and challenges still confronting Interior as it deploys TAAMS. GAO found that Interior has taken some positive steps to address concerns raised in GAO's 1999 report. These actions include: (1) adopting a generally accepted methodology for developing plans for mitigating risks, transitioning to the new system, and validating and maintaining the integrity of the system throughout its useful life; (2) strengthening its testing processes by expanding tests to assess how the system responds to unexpected conditions; and (3) developing an information systems architecture for Indian trust management to ensure that the trust

fund and related systems are interoperable and are cost-effective. However, GAO concluded that several significant business and technical challenges still put the TAAMS effort at considerable risk. For example, Interior still must revamp policies and procedures for the entire trust management cycle and address long-standing internal control weaknesses. Interior needs to ensure that its new contractor is following disciplined processes for developing and testing TAAMS.

**AIMD-00-262**, Aug. 30, 2000 (22 pages). District of Columbia: Status of the New Convention Center Project.

Estimated project costs for the new D.C. Convention Center rose 2.8 percent (\$22.9 million) from June 1999 to April 2000, according to the Washington Convention Center Authority (WCCA). Net changes included \$17.4 million in estimated construction costs, \$25.1 million in other estimated costs, \$.3 million in addition to the WCCA project budget, and a \$19.9 million cost savings in financing costs. With the \$22.9 million increase, excess of total estimated funding sources have been reduced to \$8.3 million. The increase in WCCA's financing plan included more than \$6 million of additional committed federal grants and \$4.9 million of administrative costs funded by WCCA's operating budget. However, WCCA's contingency (reserve funds) may be reduced if vendor contracts do not fund the \$10 million cost of certain equipment and the \$10 million included in the District of Columbia's capital budget request is not approved. Nonetheless, WCCA's contingency can absorb the \$20 million. WCCA's records indicated that \$40.5 million of dedicated taxes were collected for the first nine months of fiscal year 2000.

**AIMD-00-263**, Aug. 29, 2000 (54 pages). Financial Management: Status of Financial Management Issues at the Small Business Administration.

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This report focuses on the status of financial management issues at the Small Business Administration (SBA). GAO found that until SBA improves its financial reporting and information controls, it will be unable to provide reliable, timely information on a day-to-day basis, which is the ultimate goal of financial management initiatives in the federal government.

**AIMD-00-269**, Aug. 9, 2000 (17 pages). Bureau of the Public Debt: Areas for Improvement in Computer Controls.

Although various management and reconciliation controls help the Bureau of the Public Debt detect potential irregularities or improprieties in its financial data or transactions, such controls do not prevent threats to its computer resources or operating environment from unintentional errors or omissions, or intentional modification, disclosure, or destruction of data and programs by disgruntled employees, intruders, or hackers. These vulnerabilities increase the risk of inappropriate disclosure and modification of sensitive data and programs, misuse or damage of computer resources, or disruption of critical operations. In its fiscal year 1999 audit, GAO identified general control vulnerabilities in the Bureau's entity-wide security management program, access controls, application software development and change controls, and service continuity. The Bureau told GAO that it had corrected or was correcting these vulnerabilities.

**AIMD-00-270**, July 31, 2000 (51 pages). Information Technology: Selected Agencies' Use of Commercial Off-the-Shelf Software for Human Resources Functions.

This report examines how five agencies--the Centers for Disease Control and Prevention (CDC), the Department of Veterans Affairs (VA), the Department of Defense (DOD), the General Services Administration

(GSA), and the Department of Labor--use commercial off-the-shelf software (COTS) systems/applications to improve their human resource functions and the agencies' estimated costs and expected benefits from using COTS systems. Quantifiable benefits expected include requiring fewer employees to perform human resource functions, reducing manager time for transactions and data analysis, eliminating duplicative or multiple systems, and implementing self-service functions, such as employee changes to health and life insurance benefits. Nonquantifiable benefits expected include a more user-friendly environment, easier manager/employee access, better decision-making and data analysis, improved data accuracy, and better information sharing. Despite these expectations, four of the five agencies' systems efforts have encountered delays, while three of the four agencies have increased cost estimates. Three of the five agencies--DOD, Labor, and VA--have reportedly achieved quantifiable benefits, such as full-time equivalent reductions from their human resource COTS systems or related efforts.

**AIMD-00-282**, Sept. 15, 2000 (34 pages). Electronic Government: Government Paperwork Elimination Act Presents Challenges for Agencies.

Advances in the use of information technology and the Internet are transforming the way in which federal agencies communicate, use information, deliver services, and do business. If used effectively, these advances can help reshape government, making it more innovative, efficient, and responsive to the public. This report reviews efforts by the Office of Management and Budget (OMB) to develop guidance for implementing the Government Paperwork Elimination Act. Although the guidance being developed will help agencies implement the act, GAO concludes that agencies face several

major challenges. For example, agencies will need to: (1) use disciplined investment management practices to ensure that the full costs of providing electronic filing, recordkeeping, and transactions prompted by the act are identified and examined within the context of expected benefits; (2) adequately plan for and implement computer network and telecommunications infrastructures and technical architectures to provide the capacity and connectivity needed to support the electronic traffic generated by new or enhanced electronic offerings; (3) provide a secure computing environment to support the broad array of e-government services envisioned by the act; (4) develop adequate capabilities for creating, storing, retrieving, and, when appropriate, disposing of electronic records; and (5) overcome two basic challenges facing information technology related businesses today--a shortage of skilled workers and the necessary training and development of these workers.

**AIMD-00-288**, Sept. 29, 2000 (36 pages). Financial Management: Impact of RUS' Electricity Loan Restructurings.

The Rural Utilities Services (RUS) has exercised broad authority in restructuring the loans of two generation and transmission (G&T) borrowers, including acquisition of third-party non-RUS guaranteed debt, and providing significant concessions to the borrowers, such as noninterest bearing notes, contingent payments, and forgiveness of federal government's losses. Although RUS generally followed its policies and procedures for restructuring loans of two financially troubled borrowers, GAO found one instance in which RUS' policies were not fully used and other instances in which procedures could be improved. RUS' procedures lack detailed written criteria for determining when a borrower should

be added or removed from RUS' list of financially troubled borrowers. RUS estimated that it could lose approximately \$185 million on loans restructured for the first borrower and between \$110 and \$120 million for the second borrower. The Rural Development Service (RD) did not include in the fiscal year 1999 financial reports the estimated loss of \$185 million it anticipates will occur as a result of restructuring loans for one borrower, and included only \$30 million of the estimated \$110 to \$120 million anticipated loss on the restructured loan for the other borrower. These errors occurred because the accounting department lacked documented procedures to ensure that debt forgiveness and losses resulting from restructuring loans were properly reported in the financial statements.

**AIMD-00-290**, Sept. 12, 2000 (71 pages). Year 2000 Computing Challenge: Lessons Learned Can Be Applied to Other Management Challenges.

Although the Year 2000 (Y2K) crisis is over, it led to the development of initiatives, processes, methodologies, and experiences that can help resolve ongoing management challenges. First, Y2K underscored the value of sustained and effective bipartisan oversight by the Senate and the House of Representatives. Second, leadership, commitment, and coordination by the federal government, including periodic reporting and oversight of agency efforts, were major reasons for the government's Y2K success. Third, the President's Council on Year 2000 Conversion and individual agencies formed working partnerships with other agencies, states, other countries, and the private sector. Fourth, communication within agencies, with partners, and with the public was vital to coordinating efforts and ensuring an appropriate public response. Finally, the federal government implemented

initiatives that helped ensure that necessary staff and financial resources would be available to agencies. Specific management practices that contributed to Y2K success included top-level management attention, risk analysis, project management, development of complete information systems inventories and strengthened configuration management, independent reviews by internal auditors and independent contractors, improved testing methods and procedures, and business continuity and contingency planning. The priority both the legislative and executive branches gave to the Y2K challenge and the persistence they both showed were crucial to its successful outcome.

**AIMD-00-293**, Sept. 29, 2000 (26 pages). Single Audit: Update on the Implementation of the Single Audit Act Amendments of 1996.

The Single Audit Act of 1996, as amended, established the concept of replacing multiple grant audits with a single audit of a recipient as a whole. It focuses on the recipient's internal controls and its compliance with laws and regulations governing federal awards. The first two amendments--extending the law to cover all recipients of federal financial assistance and ensuring a more cost-beneficial threshold for requiring single audits--have largely been accomplished. Actions by single audit stakeholders have laid the foundation for effective implementation of the next four amendments: focusing audit work on programs that present the greatest financial risk to the federal government, providing for summary reporting of audit results, promoting better analyses of audit results through establishment of a federal clearinghouse and an automated data base, and providing for timely reporting of audit results--have laid the foundation for effective implementation of the next four amendments. It is still too soon to evaluate the prospects for achieving

the objective of the seventh amendment--authorizing pilot projects to further streamline the audit process and make it more useful.

**AIMD-00-295**, Sept. 6, 2000 (31 pages). Information Security: Serious and Widespread Weaknesses Persist at Federal Agencies.

Evaluations of computer security published since July 1999 continue to show that federal computer security is plagued by weaknesses that put critical operations and assets at risk. Significant weaknesses were identified in each of the 24 agencies covered by this review. These weaknesses place a broad array of federal operations and assets at risk of fraud, misuse, and disruption. For example, weaknesses at the Department of the Treasury increase the risk of fraud associated with billions of dollars of federal payments and collections. Weaknesses at the Department of Defense increase the vulnerability of various military operations that support its war-fighting capability. Information security weaknesses place confidential data at risk of inappropriate disclosure, such as the case of a Social Security Administration employee who pled guilty to unauthorized access of the administration's systems. The related investigation determined that the employee had made unauthorized queries, including obtaining earnings information for members of the local business community. Weaknesses cover the full range of computer security controls. They include inadequate security program planning and management, ineffective physical and logical access controls, ineffective software change controls, inadequate segregation of staff duties to reduce the risk of unauthorized transactions or software changes, and inadequate control over sensitive operating system software and insufficient planning to ensure continuity of computerized operations. Although most agencies have taken at least some corrective actions based on



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recommendations by GAO and agency inspectors general, more needs to be done, especially in the area of security program planning and management.

**AIMD-00-305**, Sept. 26, 2000 (22 pages). Financial Management Service: Significant Weaknesses in Computer Controls.

This report provides an overall assessment and summary of the Department of the Treasury's Financial Management Service (FMS) general and application computer controls over key financial systems it maintains and operates. It points out computer control weaknesses that, in GAO's view, place FMS' financial systems at significant risk of fraud, unauthorized disclosure and modifications of sensitive data and programs, misuse or damage to computer resources, or disruption of critical operations. GAO concludes that pervasive weaknesses in computer controls render FMS' overall security control environment ineffective in identifying, deterring, and responding to computer control weaknesses promptly. Consequently, GAO believes that billions of dollars of payments and collections are at significant risk of loss or fraud, sensitive data are at risk of inappropriate disclosure, and critical computer-based operations are vulnerable to serious disruptions. As of September 1999, FMS had corrected or mitigated the risks associated with 52 of the 94 computer control weaknesses cited by GAO in its fiscal year 1998 report.

**AIMD-00-307**, Sept. 29, 2000 (53 pages). Financial Management: Federal Financial Management Improvement Act Results for Fiscal Year 1999.

The inability to produce the data needed to efficiently and effectively manage the day-to-day operations of the federal government and provide accountability to taxpayers has been a long-standing weakness at many

federal agencies. The Federal Financial Management Improvement Act of 1996 requires the 24 major departments and agencies to adhere to certain management and accounting standards. The act also requires auditors to indicate in their audit reports whether their financial management systems comply with the act's requirements. GAO is required to report annually on the implementation of the act. This, GAO's fourth annual report, discusses: (1) whether the financial systems of the 24 major agencies substantially comply with the act's requirements; (2) agencies' plans to bring their systems into compliance; and (3) other efforts to improve the government's financial management systems. For fiscal year 1999, auditors for 21 of the 24 major agencies reported that the agencies' financial systems did not comply substantially with the act's requirements. However, the number of agencies receiving "clean," or unqualified, audit opinions on their financial statements is increasing. Fifteen of the 24 CFO Act agencies received unqualified audit opinions in fiscal year 1999, up from 12 in fiscal year 1998 and 11 in fiscal year 1997. Agencies are slowly making progress in addressing the problems caused by financial management weaknesses. However, the continued widespread noncompliance with the act shows that there is still a long way to go to achieve systems, processes, and controls that routinely generate reliable, useful, and timely information for managers and other decisionmakers.

**AIMD-00-310**, Sept. 29, 2000 (36 pages). Financial Audit: Independent and Special Counsel Expenditures for the Six Months Ended March 31, 2000.

The report presents the results of GAO audits of expenditures reported by seven offices of independent counsel, as required by law, and one office of special counsel that is authorized to fund operations from the Department of Justice's permanent, indefinite

appropriation for funding independent counsel activities. The statements of expenditures were fairly presented in all material respects, and a limited consideration of internal controls disclosed no material weaknesses. The audits included limited tests of compliance with laws and regulations, which disclosed no reportable instances of noncompliance with the laws and regulations tested.

**AIMD-00-317**, Sept. 29, 2000 (55 pages). Financial Management: Census Monitoring Board Disbursements, Internal Control Weaknesses, and Other Matters.

The Census Monitoring Board (CMB) began operations in June 1998 to monitor the 2000 Census carried out by the Census Bureau. The CMB board consists of four members appointed by the Speaker of the House and the Senate Majority Leader, referred to as the congressional CMB, and four members appointed by the President, referred to as the presidential CMB. The combined CMB disbursed about \$7.4 million from June 1998 through March 31, 2000, and another \$0.5 million from the congressional printing and binding appropriation. GAO found little documentation to substantiate possible improprieties that Members of Congress had raised concerns about. Among other fundings, no presidential CMB funds were used to print reports for the 1998 World Exposition and no evidence existed that former congressional CMB employees accessed protected census data. However, GAO did find a pattern of significant CMB internal control weaknesses related to travel, personnel, and the procurement of services, which sometimes resulted in inappropriate and wasteful practices.

**AIMD-00-318R**, Sept. 15, 2000 (15 pages). District of Columbia: Source of Funding for Needle Exchange Programs.

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This correspondence focuses on the source of funds used for the needle exchange program in the District of Columbia. GAO's work did not identify any noncompliance with the legislative prohibition against using appropriated funds for a needle exchange program in the District during fiscal year 2000. All of funds used for the program were from private contributions.

**AIMD-00-324R**, Sept. 29, 2000 (8 pages). 2000 Census: Update on Data Capture Operations and System.

This report focuses on the year 2000 Census Data Capture System (DCS). GAO noted that the Bureau of the Census has made significant progress toward completing its first-pass data capture operations as planned, and during these operations the DCS has performed as intended. It has also made progress toward modifying DCS 2000 to support second-pass data capture operations and has taken effective testing and risk management steps to ensure that the modified version of DCS 2000 is effectively implemented and performs as intended.

**AIMD-10.1.22**, Oct. 1, 1999 (16 pages). Y2K Computing Challenge: Day One Planning and Operations Guide.

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.

**AIMD-10.1.23**, May 1, 2000 (163 pages). Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity (Exposure Draft).

GAO developed guidance in 1997, based primarily on the Clinger-Cohen Act, that provides a way to evaluate and assess how well a federal agency is selecting and managing its information technology resources and identifies areas in which improvement is needed. This framework for information technology investment management enhances this guidance by identifying critical processes for successful information technology investment and by organizing these processes into a framework of increasingly mature stages.

**AIMD-21.2.5**, Apr. 1, 2000 (30 pages). Seized Property and Forfeited Assets System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act (Exposure Draft).

The Federal Financial Management Improvement Act of 1996 requires agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These requirements are spelled out in guidance issued by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. This draft checklist reflects JFMIP's revised "Seized Property and Forfeited Assets Systems Requirements" to help (1) agencies implement and monitor their seized property and forfeited asset systems and (2) managers and auditors review agency seized property and forfeited assets systems to determine if they substantially comply with the act. This checklist is not required to be used in assessing

the seized property and forfeited assets systems. It is provided as a tool for use by experienced staff.

**AIMD-21.2.6**, Apr. 1, 2000 (67 pages). Direct Loan System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act.

The Federal Financial Management Improvement Act of 1996 requires agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements. These requirements are spelled out in guidance issued by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. This checklist reflects JFMIP's revised "Direct Loan System Requirements" to help (1) agencies implement and monitor their direct loan systems and (2) managers and auditors review their direct loan systems to determine if they substantially comply with the act. This checklist is not required to be used to assess direct loan systems. It is provided as a tool for use by experienced staff.

**AIMD-21.2.7**, Aug. 1, 2000 (90 pages). Guaranteed Loan System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act (Exposure Draft).

The Federal Financial Management Improvement Act of 1996 requires that agencies maintain financial management systems that substantially comply with federal financial systems requirements, which are spelled out in guidance issued by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. GAO is issuing this checklist, which reflects JFMIP's revised Guaranteed Loan System Requirements, to help (1) agencies implement and monitor their guaranteed loan systems and (2)

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managers and auditors in reviewing agency guaranteed loan systems to determine if they substantially comply with the Act.

**AIMD-21.2.8**, May 1, 2000 (62 pages). Travel System Requirements: Checklist for Reviewing Systems Under the Federal Financial Management Improvement Act.

The Federal Financial Management Improvement Act of 1996 requires that agencies maintain financial management systems that substantially comply with federal financial systems requirements, which are spelled out in guidance issued by the Joint Financial Management Improvement Program (JFMIP) and the Office of Management and Budget. GAO is issuing this checklist, which reflects JFMIP's revised Travel System Requirements, to help (1) agencies implement and monitor their travel systems and (2) managers and auditors review their travel systems to determine if they substantially comply with the act. This checklist is not required to be used in assessing the travel system. It is provided as a tool for use by experienced staff.

**AIMD/GGD-00-49**, Dec. 16, 1999 (42 pages). Year 2000 Computing Challenge: Readiness of FBI's National Instant Criminal Background Check System Can Be Improved.

The FBI's National Instant Criminal Background Check System is a computer system that, in concert with other FBI and state-run systems, is used to do presale background checks on persons seeking to buy firearms. This report, which summarizes the information presented by GAO at a congressional briefing, evaluates the FBI's efforts to make the system Year 2000 compliant. GAO also makes recommendations designed to strengthen the Year 2000 readiness of the nation's firearm presale background check program.

**AIMD/HEHS-00-29**, Nov. 4, 1999 (67 pages). Social Security: Evaluating Reform Proposals.

This report analyzes the potential budgetary and economic effects of five Social Security reform proposals. Under the proposed Social Security Guarantee Act, current retirement income would not be reduced and could be higher; individual mutual fund accounts financed by refundable tax credits would be mandatory; and benefit payouts would remain the same as under current law or would be based on the annuitized account balance, which would be gradually returned to Old Age and Survivors Insurance and Disability (OASDI) trust funds and left to the heirs of workers who die before receiving benefits. Under the proposed 21st Century Retirement Security Act, benefits would be generally lower than under current law but a minimum benefit would be higher and formula changes would increase the benefit structure's progressivity; mandatory individual investment accounts would be modeled after the Federal Thrift Savings Plan; additional revenue would be available from changes in the cost-of-living adjustment and Social Security benefit taxation currently financing Medicare; and retiring workers could buy annuities or take a monthly pay-out with the balance after death left as a lump sum or rolled over. Under S. 1383, benefits, mandatory individual accounts, additional revenues, and account distributions on retirement and after death would have features similar to the previous proposal. Also, children would have 'KidSave' accounts from birth to age five and retiring workers would take a benefit reduction to reflect government contributions to the individual accounts. Under Congressman Kasich's plan, initial benefits would be lower because they would be indexed to prices rather than to wages; benefits from voluntary individual investment accounts would be reduced at retirement to offset

government contributions; and the transition period would be financed by a loan from the general fund to the OASDI trust funds. The President's Social Security Transfer Proposal would keep benefits at current levels and general revenues would provide addition financing. Under his USA Proposal, workers would receive a flat general tax credit and a government match on individual voluntary investment accounts financed from general revenues by means of income tax credits.

**AIMD/HEHS-00-56**, Jan. 19, 2000 (30 pages). Social Security Reform: Information on the Archer-Shaw Proposal.

This report applies GAO's criteria for assessing Social Security reform proposals to the plan outlined by Congressman Archer. GAO's report is based on an analytical framework that the agency provided to Congress last March. That framework consists of the following three criteria: the extent to which the proposal achieves sustainable solvency and how it would affect the U.S. economy and the federal budget; the balance struck between the twin goals of income adequacy (level and certainty of benefits) and individual equity (rates of return on individual contributions); and how readily such changes could be implemented, administered, and explained to the public.

**AIMD/HEHS-00-102R**, Feb. 29, 2000 (24 pages). Social Security Reform: Evaluation of the Nick Smith Proposal.

Recent proposals regarding Social Security Disability Insurance range from increasing the substantial gainful activity level established for the program's blind beneficiaries to eliminating it completely. These proposals, if enacted, would likely increase beneficiaries' work effort but would raise program costs and could widen the differences in the program's treatment of blind and nonblind

beneficiaries. Raising the level for blind persons could result in calls to increase it for nonblind persons, leading to significantly higher program costs and adverse effects on the solvency of the Social Security trust fund. Eliminating the level would fundamentally alter the purpose of the program. Other changes to work incentives being implemented or tested are likely to increase beneficiaries' work without changing the nature of the program.

**AIMD/NSIAD-00-38**, Dec. 10, 1999 (24 pages). Air Force Depot Maintenance: Analysis of Its Financial Operations.

The Air Force depot maintenance activity group provides the repair services needed to keep air force units up and running around the world. The group repairs and overhauls a wide range of items, from aircraft engines to missiles to software. For example, the Air Force reported that in 1998 the depot maintenance activity group did major overhauls on 670 aircraft, overhauled 980 engines, and repaired more than 800,000 inventory items. The report discusses (1) the Air Force activity group's price increase between fiscal years 1994 and 1999 and the primary reasons for it, (2) the activity group's financial losses during that period and the primary reasons for them, and (3) the Air Force's methods for recovering these losses.

**AIMD/NSIAD-00-185**, Aug. 15, 2000 (40 pages). Air Force Depot Maintenance: Budgeting Difficulties and Operational Inefficiencies.

The Air Force's depot maintenance activity group, operating as a working capital fund that charges fees for services based on anticipated actual costs, provides depot repair services needed to keep Air Force units operating worldwide. For years, this activity has had difficulty accurately budgeting for material costs, workforce productivity, and savings to

be achieved through productivity improvements and other reform initiatives. These difficulties have harmed financial operations, resulting in hundreds of millions of dollars in operating losses and limited delivery of timely support to customers. This report describes problems with inaccurate pricing, decline in worker productivity, and unrealized projected savings. GAO recommends ways for the Air Force to improve budget estimates and management of material costs and usage.

**AIMD/OGC-00-6**, Oct. 29, 1999 (23 pages). DC Courts: Improvements Needed in Accounting for Escrow and Other Funds.

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.

**AIMD/OSI-00-281**, Sept. 15, 2000 (50 pages). Medicare Improper Payments: While Enhancements Hold Promise for Measuring Potential Fraud and Abuse, Challenges Remain.

This report provides information on proposals by the Health Care Financing Administration (HCFA) to measure Medicare improper payments and how these proposals and initiatives will enhance HCFA's ability

to comprehensively measure improper Medicare payments and the frequency of kickbacks, false claims, and other inappropriate provider practices. A recent study by the Inspector General at the Department of Health and Human Services concluded that eight percent of the \$169.5 billion Medicare fee-for-service claim payments in fiscal year 1999 was paid improperly. Because of the breadth of health care fraud and abuse, HCFA uses various detection methods and techniques, such as contacting beneficiaries and providers and performing medical record reviews, data analyses, and third-party verification procedures. HCFA has begun three projects to measure the extent of Medicare fee-for-service improper payments—two to improve the precision of future improper payment estimates and help develop corrective actions to reduce losses and the other to test the viability of using various of investigative techniques to develop a potential fraud and abuse rate. GAO believes that HCFA's efforts to measure Medicare fee-for-service improper payments can be further enhanced with the use of additional fraud detection techniques and makes several recommendations to that effect.

**GAGAS-PV-1**, Apr. 14, 2000 (16 pages). Government Auditing Standards: Independence (Preliminary Views).

This publication invites comment on possible revisions to the "Yellow Book" involving auditor independence issues. The changes being considered would clarify issues concerning the organizational independence of government auditors. Some audit organizations have misinterpreted the current standards. The revised standards would more explicitly state the criteria for organizational independence and provide guidance for organizations that do not meet this criteria.

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**GGD/AIMD-00-64**, Feb. 29, 2000 (95 pages). Gun Control: Implementation of the National Instant Criminal Background Check System.

The FBI approved most gun purchases (72 percent) within 30 seconds after buyer information had been entered into the National Instant Criminal Background Check System (NCIS)—a computer system designed to provide presale background screening for all types of firearms bought from federal firearms licensees. The remaining 28 percent of the background checks had delayed responses. From a sample of delayed responses handled by an ad hoc selection of examiners, the FBI concluded that most of these responses (80 percent) were resolved within two hours or less and that the rest (20 percent) required several hours or days to resolve. This report (1) provides statistics on background checks, denials, and appeals; (2) describes enforcement actions taken against persons who allegedly falsify their status on firearm-purchase applications; (3) discusses the NCIS' computer system architecture, capacity management system availability, transaction response time, retention of records, monitoring activities, system security authorization, exemptions from the Privacy Act of 1974, and the prospect of making NCIS a fingerprint-base system rather than a name-based system; and (4) discusses pawnshop issues.

**GGD/AIMD-00-224**, July 11, 2000 (39 pages). Automated Teller Machines: Issues Related to Real-time Fee Disclosure.

The Gramm-Leach-Bliley Act of 1999 required GAO to explore the feasibility of providing real-time disclosure of fees charged to automated teller machine (ATM) cardholders during electronic fund transfers conducted at ATMs. Cardholders may be charged both a surcharge and a "foreign" ATM fee when they use an ATM that is not

owned by the financial institution that issued the card. Although technically feasible, real-time foreign ATM fee disclosure would require extensive restructuring by all major participants in the ATM industry. Hardware and software would have to be revised and upgraded, and functions, such as message processing and calculation of ATM fees, would have to be modified. Most industry representatives could not offer precise estimates of the costs or the time frames associated with such changes, but estimates for software and hardware changes alone ranged from \$5 million for a large third-party processor to tens of millions of dollars for large banks, with estimates from two to three years for implementation. The potential consequences for foreign fee disclosure may offset consumer benefits. Few consumer complaints have been made about fee disclosure, consumer groups' concerns are more focused on the fairness of surcharges, and surveys suggest that only a minority of ATM cardholders pay foreign fees. A requirement for real-time foreign fee disclosure could produce unintended consequences, which GAO believes could offset any potential benefits of disclosure.

**GGD/AIMD-00-319**, Sept. 20, 2000 (47 pages). Securities Pricing: Trading Volumes and NASD System Limitations Led to Decimal-Trading Delay.

In response to a Securities and Exchange Commission (SEC) order, the National Association of Securities Dealers (NASD) developed a decimal pricing system for U.S. stocks. However, NASD was unable to meet to the original implementation deadline of July 2000 because the new system lacked the capacity to process the increased trading volume that the market experienced during that time. The main reason for this problem was that the system was unable to use multiple computers to process the message traffic arising from the increased trading activity. The new

system was also unable to incorporate trading volatility. To oversee NASD's development and implementation of the new system, SEC relied on industry reports of their progress and examined the readiness of market participants for decimal trading. However, SEC did not determine in advance that NASD's systems would be unable to handle the increased trading activity.

**HEHS/AIMD-00-36**, Oct. 29, 1999 (37 pages). Combating Terrorism: Chemical and Biological Medical Supplies Are Poorly Managed.

The ability of the United States to effectively respond to terrorist attacks involving chemical or biological weapons is compromised by poor management controls and the lack of items on a list of required inventory. For example, GAO's review of stockpiles maintained by the Department of Veterans Affairs found discrepancies of more than 12 percent with this list. Although most of these discrepancies were overages, GAO also found shortages. The underlying cause of these problems is that federal agencies have lagged in implementing basic internal controls to help ensure that all medical supplies and pharmaceuticals are current, accounted for, and ready for use. The stakes will be even higher in the future as the Centers for Disease Control and Prevention (CDC) establishes the National Pharmaceutical Stockpile Program, which will set aside large quantities of antidotes and other medical supplies to be used in the event of domestic chemical and biological attacks. Although CDC is still in the early stages of developing this program, its current plan lacks comprehensive internal controls that would prevent the types of problems that GAO found at other agencies.

**HEHS/AIMD-00-132**, Apr. 28, 2000 (27 pages). Medicare Home Health Agencies: Overpayments Are Hard to Identify and Even Harder to Collect.

The Health Care Financing Administration (HCFA) has been slow to identify amounts that closed home health agencies (HHA) owe Medicare, and it collects little of the overpayments due from them after they close. HCFA plans to implement the home health prospective payment system mandated by the Balanced Budget Act of 1997, which will involve predetermined payments for home health services. This system should reduce the potential for overpayments to HHAs because payment amounts would not be adjusted retrospectively to reflect allowable agency costs. GAO's estimate of the overpayments due from the 15 closed HHAs differs significantly from an estimate HCFA reported. Using the same definitions of overpayment, GAO estimated that these agencies could owe \$68 million, one-third of HCFA's initial \$209 million estimate. HCFA's inability to accurately record and track overpayments has been a consistent weakness, documented in its financial statement audits from fiscal year 1996 through fiscal year 1999. The fiscal year 1998 audit, for example, found that HCFA lacked an integrated financial management system to track overpayments and their collection and that its procedures to help ensure that overpayments were valid and supported were inadequate. HCFA's contractors record and track overpayment activity for HHAs and other providers using fragmented and overlapping computer systems but do not always reconcile the data from these various systems. For example, contractor staff incorrectly keyed data from one of the contractor's systems into a HCFA system, erroneously reporting \$77 million in overpayments for one Texas HHA in 1998. HCFA implemented several interim measures in 1999 to improve the reliability of its overpayment information and is planning additional improvements, but they could take years to implement.

**HEHS/AIMD-00-139**, May 31, 2000 (42 pages). NIH Research:

Improvements Needed in Monitoring Extramural Grants.

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

**HEHS/AIMD-00-304**, Sept. 7, 2000 (43 pages). Medicare: HCFA Could Do More to Identify and Collect Overpayments.

In fiscal year 1999, contractors collected \$8.7 billion, or about 70 percent of the \$12.6 billion in Medicare overpayments. HCFA and its contractors used identification techniques, such as medical reviews, to ensure service appropriateness, interim payments review and audits of cost reports for providers that are paid on the basis of their costs, and reviews to determine if another entity has primary payment responsibility. However, HCFA lacks information to measure the effectiveness of contractors' overpayment identification activities. Recovery auditors use identification techniques similar to those already in use. GAO suggests that Congress consider increasing HCFA's funding to bolster its postpayment review program. Contractors transfer overpayments they cannot collect to HCFA, which has had limited collection success. HCFA officials said that they do not have the resources needed to pursue collection on the large volume of eligible debt. GAO recommends that HCFA immediately refer overpayments as they become more than 180 days delinquent to a designated debt collection center or to the Treasury Department for collection. HCFA has already recognized that specialized contractors improve overpayment identification; it now has 12 firms to assist in its program safeguard efforts. HCFA is resolving complex challenges about how to compensate the firms, handle coordination and privacy issues, and oversee the firms' activities.

**NSIAD/AIMD-00-329**, Sept. 29, 2000 (62 pages). Foreign Assistance: U.S. Food Aid Program to Russia Had Weak Internal Controls.

In December 1998, the United States responded to a Russian request for

food aid. To ensure that the objectives of the food aid program were met, the Foreign Agricultural Service implemented internal controls to track the distribution and use of the food. GAO found that the Foreign Agricultural Service internal controls were inadequate and, as a result, the Service was unable to ensure that the food aid was delivered in the agreed upon amounts to designated regions. Several factors contributed to the weak monitoring system, including the Russian government's untimely reporting of commodity distribution and the Service's ineffective commodity tracking systems. Furthermore, the Service could not guarantee that funds derived from the sale of U.S. food aid were properly collected and deposited in the Russian Pension Fund.

**RCED/AIMD-00-2**, Oct. 13, 1999 (63 pages). Forest Service: A Framework for Improving Accountability.

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.

**RCED/AIMD-00-35**, Feb. 7, 2000 (73 pages). U.S. Infrastructure: Funding Trends and Opportunities to Improve Investment Decisions.

A sound public infrastructure plays a vital role in encouraging a more productive and competitive national economy. Public facilities are also vital to immediate as well as long-term public demands for health, safety, and improved quality of life. For example, transportation systems and water supplies directly support the nation's economy by facilitating the movement and manufacture of goods. Public schools, housing, parks, and other facilities enhance the quality of life of all Americans. The United States has historically made an extraordinary investment in its infrastructure. For instance, the federal government has spent an average of \$149 billion each year since the late 1980s on the nation's infrastructure. The amount of federal spending on infrastructure has been on the decline since 1987, however. This trend is driven, in part, by lower defense spending for infrastructure and by limits imposed by deficit reduction agreements on the government's discretionary spending--the part of the budget that finances most federal spending on infrastructure. In contrast, federal spending on nondefense infrastructure has risen slightly, and spending by state and local governments continues on an upward trend. Spending on infrastructure is often intended to benefit the nation's economy, but studies on whether it has spurred economic growth have shown mixed results. Federal agencies can improve their acquisition and management of infrastructure by following the best practices of leading government and private-sector organizations. Federal agencies and Congress face several challenges in determining the appropriate levels of and effective approaches to infrastructure investment. There is a general lack of accurate, consistent information on the existing infrastructure and its future needs. Moreover, until recently, agencies have not been required to relate their planned infrastructure spending to their missions and goals, so evaluating these plans has been a

challenge for agencies and Congress. Finally, the federal budget structure does not prompt explicit debate about infrastructure spending that is intended to have long-term benefits. To better coordinate infrastructure investments to meet national, regional, and local goals and make them mutually supportive, agencies throughout the government need to reduce inefficiencies in their current investments and analyze potential investments to identify those that yield the greatest benefits in the most cost-effective way.

**RCED/AIMD-00-78**, Feb. 29, 2000 (70 pages). Intercity Passenger Rail: Amtrak Needs to Improve Its Accountability for Taxpayer Relief Act Funds.

This report reviews Amtrak's use of the Taxpayer Relief Act (TRA) funds. Specifically, GAO discusses (1) how much Amtrak has spent in TRA funds and what types of activities it has funded, (2) whether Amtrak has used TRA funds in accordance with the act, (3) what the roles of the Amtrak Reform Council and the Internal Revenue Service have been in monitoring Amtrak's use of the funds, and (4) whether Amtrak fully reports its use of the funds. Among other things, GAO found that through June 1999, Amtrak reported that it had spent about \$1.3 billion of the \$2.2 billion provided under TRA. GAO summarized this report in testimony before Congress; see: Intercity Passenger Rail: Increasing Amtrak's Accountability for Its Taxpayer Relief Act Funds, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-00-116, Mar. 15 (13 pages).

**RCED/AIMD-00-130**, June 12, 2000 (38 pages). National Airspace System: Persistent Problems in FAA's New

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Navigation System Highlight Need for Periodic Reevaluation.

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

**RCED/AIMD-00-148**, June 29, 2000 (62 pages). Highway Funding: Problems With Highway Trust Fund Information Can Affect State Highway Funds.

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

information developed by the Treasury Department and FHWA is more critical than ever before in determining accurate funding amounts to be distributed to the states each year.

### Testimony

**T-AIMD-00-7**, Oct. 6, 1999 (11 pages). Critical Infrastructure Protection: Fundamental Improvements Needed to Assure Security of Federal Operations, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Terrorism, Technology, and Government Information Subcommittee, Senate Committee on the Judiciary.

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.

**T-AIMD-00-9**, Oct. 6, 1999 (16 pages). Year 2000 Computing Challenge: Readiness of Key State-Administered Federal Programs, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the

Government Management, Information and Technology Subcommittee, House Committee on Government Reform, and Technology Subcommittee, House Committee on Science.

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 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.

**T-AIMD-00-25**, Oct. 21, 1999 (14 pages). Year 2000 Computing Challenge: State and USAID Need to Strengthen Business Continuity Planning, by Linda D. Koontz, Associate Director, Governmentwide and Defense Information Systems, before the House Committee on International Relations.

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.

**T-AIMD-00-26**, Oct. 21, 1999 (33 pages). Year 2000 Computing Challenge: Compliance Status Information on Biomedical Equipment, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Oversight and Investigations Subcommittee, House Committee on Commerce, and Health and Environment Subcommittee, House Committee on Commerce.

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.

**T-AIMD-00-27**, Oct. 26, 1999 (16 pages). Y2K Computing Challenge: Nuclear Power Industry Reported Nearly Ready; More Risk Reduction Measures Can Be Taken, by Joel C. Willemsen, Director, Civil Agencies Information Systems, and Keith Rhodes, Director, Accounting and Information Management Division, before the Technology Subcommittee, House Committee on Science, and Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

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.

**T-AIMD-00-37**, Nov. 4, 1999 (51 pages). Year 2000 Computing Challenge: Noteworthy Improvements in Readiness But Vulnerabilities Remain, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Technology Subcommittee, House Committee on Science, and Government Management, Information and

Technology Subcommittee, House Committee on Government Reform.

Critical public services provided by the government and private industry could be disrupted by the Year 2000 computing problem: from delayed financial transactions to grounded flights to power outages. GAO found that although much progress has been made to minimize these risks, more work remains at the national, federal, state, and local levels to avoid major service disruptions. Specifically, remediation must be completed, end-to-end testing done, and business continuity and contingency plans and Day One strategies developed and validated. Similar actions remain that must still be completed by the nation's key sectors, such as energy, transportation, and health care. Whether the United States successfully confronts the Year 2000 challenge will largely depend on the efforts of federal, state, and local governments as well as the private sector to work together to complete these actions.

**T-AIMD-00-39**, Oct. 28, 1999 (37 pages). Year 2000 Computing Challenge: Update on the Readiness of the Department of Veterans Affairs, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

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,

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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.

**T-AIMD-00-40**, Oct. 29, 1999 (14 pages). Year 2000 Computing Challenge: Federal Business Continuity and Contingency Plans and Day One Strategies, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform, and Technology Subcommittee, House Committee on Science.

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.

**T-AIMD-00-50**, Dec. 6, 1999 (13 pages). Financial Management: Financial Management Weaknesses at the Department of Education, by Gloria L. Jarmon, Director, Health, Education, and Human Services, Accounting and Financial Management Issues, before the Oversight and Investigations Subcommittee, House Committee on Education and the Workforce.

The Department of Education is the lead agency overseeing the more than \$73 billion that the federal government spends each year on education programs. The Department also tracks about 93 million student loans and 15 million grants. It also collects more than \$150 billion owed by students. Consequently, the Department's financial statements are an important source of information for policymakers and the public. This testimony discusses GAO's review of the independent auditors' reports of the Department's financial statement for fiscal year 1998.

**T-AIMD-00-70**, Jan. 27, 2000 (33 pages). Year 2000 Computing Challenge: Leadership and Partnerships Result in Limited Rollover Disruptions, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform, and Technology Subcommittee, House Committee on Science.

Following the date change on January 1, 2000, federal, state, and local governments as well as key sectors reported that they successfully met the Year 2000 challenge. Although Year 2000 failures occurred--most of them minor--these groups reported that almost all of these failure were mitigated, either through the correction of systems or by the implementation of contingency actions. The upshot is that few Year 2000 failures adversely affected the

public. Although the Year 2000 challenge is still not over because some key business processes have yet to be fully executed and other risky dates remain, the nation's success so far is a very positive indicator that these hurdles will also be overcome. The leadership shown by the legislative and executive branches and the partnerships formed by myriad organizations were crucial to this success. The federal government now faces the challenge of applying the lessons learned from the Year 2000 challenge to improve information technology management. This testimony discusses (1) the reporting structure established by the government to gather information on Year 2000 failures reported during the rollover period, (2) examples of Year 2000 errors and their resolution, and (3) the lessons from the Year 2000 effort that can be useful to strengthen the management of information technology activities.

**T-AIMD-00-72**, Feb. 1, 2000 (13 pages). Critical Infrastructure Protection: Comments on the National Plan for Information Systems Protection, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Terrorism, Technology, and Government Information Subcommittee, Senate Committee on the Judiciary.

Government officials are increasingly concerned about computer attacks from individuals and groups with malicious intentions, including terrorists and nations engaging in information warfare. The dramatic rise in the interconnectivity of computer systems has compounded this threat. Today, massive computer networks provide pathways among systems that, if not properly secured, can be used to gain unauthorized access to data and operations from remote locations. The National Plan for Information Systems Protection calls for strengthening the defenses against threats to critical

public and private-sector computer systems—particularly those supporting public utilities, telecommunications, finance, emergency services, and government operations. The Plan is intended to begin a dialogue and help develop plans to protect other elements of the nation’s infrastructure, including the physical infrastructure and the roles and responsibilities of state and local governments and private industry. In GAO’s view, the Plan is an important and positive step toward building the cyber defenses necessary to protect critical information and infrastructures. It (1) identifies the risks arising from the nation’s dependence on computer networks for critical services, (2) recognizes the need for the federal government to take the lead in addressing critical infrastructure risks and to serve as a model for information security, and (3) outlines key concepts and general initiatives to help achieve these goals. Opportunities exist, however, to improve the plan and address significant challenges to building the public-private partnership necessary for comprehensive infrastructure protections. GAO believes that, rather than emphasizing intrusion detection capabilities, the plan should strive to provide agencies with the incentives and the tools to implement the management controls essential to comprehensive computer security programs. Also, the plan relies heavily on legislation and requirements already in place that, as a whole, are outmoded and inadequate as well as poorly implemented by the agencies.

**T-AIMD-00-73**, Feb. 1, 2000 (24 pages). Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Budget.

The United States stands at a crossroads. After nearly 30 years of federal deficits, a combination of hard

policy choices and remarkable economic growth has led to a budget surplus. The Congressional Budget Office projects both unified and on-budget surpluses throughout the next 10 years. Continuing budget surpluses, however, will neither eliminate the need for prudent stewardship of the national economy nor absolve the government of its responsibility to make good use of taxpayer dollars. The Comptroller General’s testimony discusses selected performance challenges within federal agencies and programs and possible changes to congressional oversight to help address such problems. Drawing on the breadth of GAO’s work, the Comptroller General provides examples that respond to the following five thematic questions: What federal services could be better provided by the private sector? What federal subsidies to individuals, businesses, or state and local governments are no longer needed or poorly targeted? What overlapping or fragmented programs could be consolidated or better coordinated? What federal facilities or locations are outmoded, ineffective, or in excess to requirements? In which areas could major federal capital investments be more cost effective? In related correspondence, GAO provides a list of federal programs, projects, activities, and facilities that Congress could consider for possible termination, reduction, deferral, or reform. (See GAO/OCG-00-3R, Nov. 1.)

**T-AIMD-00-74**, May 11, 2000 (22 pages). Information Technology: Update on VA Actions to Implement Critical Reforms, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Oversight and Investigations Subcommittee, House Committee on Veterans’ Affairs.

The Department of Veterans Affairs (VA) has proposed a \$1.4 billion information technology program. GAO reported in 1998 that VA had not fully

implemented key provisions of the Clinger-Cohen Act and related information technology reforms. This testimony discusses (1) VA’s efforts to address GAO’s 1998 recommendations, (2) VA’s efforts to develop and implement a Master Veteran Record, (3) the Veterans Benefits Administration’s actions to modernize its information systems, and (4) the Veterans Health Administration’s actions to implement its Decision Support System. GAO also discusses the steps that VA has taken to improve computer security throughout the agency.

**T-AIMD-00-86**, Mar. 29, 2000 (11 pages). National Oceanic and Atmospheric Administration: National Weather Service Modernization and Weather Satellite Program, by Joel C. Willemsen, Director, Civil Agencies Information Services, before the Energy and Environment Subcommittee, House Committee on Science.

Although the National Weather Service (NWS) has nearly completed its systems modernization effort, it still faces important challenges. During the coming year, NWS plans to finish commissioning the Advanced Weather Interactive Processing System (AWIPS), the final system of the modernization effort. NWS is also developing additional AWIPS system capabilities to be implemented in the future. These additional capabilities are needed to improve radar and satellite processing and provide weather forecasters with a full range of interactive forecasting techniques, according to NWS. The agency is also developing a systems architecture to provide a blueprint for future systems acquisitions. Regarding the Geostationary Operational Environmental Satellite Program, the National Oceanic and Atmospheric Administration (NOAA) continues to deploy weather satellites to ensure adequate satellite coverage. Because of unexpected problems, however,

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satellite coverage is now at risk and will remain so until a new satellite is successfully launched. NOAA plans to launch the new satellite in May 2000.

**T-AIMD-00-96**, Feb. 17, 2000 (46 pages). Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance, by David M. Walker, Comptroller General of the United States, before the House Committee on Budget.

No matter how large the projected budget surpluses may turn out to be, the government still has a responsibility to make the most prudent use of taxpayer dollars. The question of what to do with the surplus has largely focused on such options as new spending, tax cuts, and retiring the debt. But the surplus also affords policymakers a crucial opportunity to restore the public's trust and confidence in government by addressing known performance problems in federal agencies and programs. Resolving these problems could save taxpayers billions of dollars and dramatically improve the delivery of services to the American people. For example, nine federal agencies estimate that they made improper payments of more than \$19 billion in fiscal year 1998 alone. And GAO continues to include 26 federal agencies and programs on its list of government areas at high risk for waste, fraud, abuse, and mismanagement. At the same time, many government programs were designed long ago. It seems appropriate at the start of a new century to question the relevance or "fit" of any government program in today's world. Weeding out wasteful and inefficient programs that have outlived their usefulness can provide the budgetary flexibility needed to address looming cost pressures and emerging needs, such as the impact of baby boomer retirements on the growth of Social Security and health care outlays. Also, those activities that

remain relevant may need to be updated and modernized—through redesigned formulas, enhanced cost sharing by beneficiaries, and consolidation of facilities—to improve their targeting and efficiency. The Comptroller General's testimony draws on the full breath of GAO work to highlight many examples of significant performance problems in federal agencies and programs. These examples are organized around the following four broad themes: (1) attacking waste, fraud, abuse, and mismanagement in order to reduce the risks and costs associated with delivering major federal programs; (2) improving the economy and the efficiency of federal operations by taking advantage of opportunities to restructure and streamline; (3) reassessing what the federal government does and considering the termination or revision of outdated programs and services; and (4) redefining the beneficiaries of federal programs, including who is eligible for, pays for, and benefits from a particular program.

**T-AIMD-00-97**, Feb. 17, 2000 (15 pages). Information Security: Fundamental Weaknesses Place EPA Data and Operations at Risk, by David L. McClure, Associate Director, Governmentwide and Defense Information System, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

GAO found serious and pervasive problems that essentially render the Environmental Protection Agency's (EPA) agencywide information security program ineffective. Current security program planning and management is largely a paper exercise that has done little to identify, evaluate, and mitigate risks to the agency's data and computer systems. Moreover, on the basis of its tests of computer-based controls, GAO concludes that the computer operating systems and the agencywide computer

network that support most of EPA's mission-related and financial operations are riddled with security weaknesses. Of particular concern is that many of the most serious weaknesses GAO identified—those related to inadequate protection from intrusions via the Internet and poor security planning—had been reported to EPA management in 1997 by the agency's Inspector General. The repercussions of such weaknesses are illustrated by EPA's own records, which show several serious computer security incidents in the last two years that have damaged and disrupted agency operations. GAO has also identified shortcomings in EPA's incident detection and handling capabilities that call into questions the agency's ability to fully understand and assess the nature of or damage due to its computer security breaches. The result is that EPA's computer systems are highly vulnerable to tampering, disruption, and misuse, and EPA cannot guarantee the protection of sensitive business and financial data kept on its larger computer systems or supported by its agencywide network.

**T-AIMD-00-104**, Feb. 29, 2000 (21 pages). Internal Revenue Service: Results of Fiscal Year 1999 Financial Statement Audit, by Gregory D. Kutz, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The Internal Revenue Service (IRS) has the daunting responsibility of collecting the nation's taxes, processing tax returns, and enforcing the tax laws. The size and complexity of the agency's operations—IRS has about 100,000 employees in locations across the country—present additional challenges for IRS management. Despite these challenges, IRS successfully collected about \$1.9 trillion in taxes in fiscal year 1999, processed hundreds of millions of tax

returns, and paid about \$185 billion in refunds. IRS has responded to some of the management concerns that GAO has raised in the past. However, this audit of IRS' financial statements for fiscal year 1999 found that serious problems persist. These problems include (1) deficiencies in controls to properly manage unpaid assessments, resulting in both taxpayer burden and potentially billions of dollars in lost revenue for the government; (2) poor controls over tax refunds, potentially allowing the disbursement of billions of dollars in improper refunds; (3) vulnerabilities in controls over hardcopy tax receipts and taxpayer data that increase the risk of inappropriate disclosure or loss of taxpayer data; (4) vulnerabilities in computer security that may allow unauthorized people to access, alter, or abuse sensitive IRS programs and data; (5) the failure to reconcile IRS' fund balance with Treasury records throughout fiscal year 1999; (6) inadequate systems and controls that resulted in the inability to properly account for IRS' property and equipment and related costs; (7) inadequate budgetary controls; and (8) an inadequate financial reporting process. Many of these problems have plagued IRS since GAO first began auditing the agency's financial statements in the early 1990s. These weaknesses prevented GAO from rendering an unqualified opinion on five of IRS' six financial statements. This testimony summarizes the February 2000 report, GAO/AIMD-00-76.

**T-AIMD-00-106**, Mar. 1, 2000 (16 pages). *Financial Management: Education Faces Challenges in Achieving Financial Management Reform*, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Oversight and Investigations Subcommittee, House Committee on Education and the Workforce.

The Department of Education oversees the more than \$75 billion that the federal government spends each year to support education programs. The Department is also responsible for collecting about \$175 billion owed by students. Persistent financial management problems have called into question the Department's stewardship of these assets. Beginning with the Department's first agencywide audit effort in fiscal year 1995, auditors have reported the same serious internal control weaknesses year after year. This testimony discusses (1) the Department's fiscal year 1999 financial audit results; (2) the relationship between the audit findings and the potential for waste, fraud, and abuse; and (3) the status of GAO's ongoing study of the Department's grant back account.

**T-AIMD-00-107**, Mar. 2, 2000 (15 pages). *Information Security: Comments on Proposed Government Information Act of 1999*, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Senate Committee on Governmental Affairs.

The proposed Government Information Security Act of 1999—S. 1993—seeks to strengthen information security practices throughout the federal government. GAO's work has shown that almost all government agencies are plagued by poor computer security. The dramatic rise in computer interconnectivity has increased the risk of severe disruptions to government operations. Government officials are increasingly worried about attacks from individuals and groups with malicious intentions, such as terrorists and nations engaging in information warfare. S. 1993 would update the legal framework that supports federal information security requirements and would address widespread federal information security weaknesses. In particular, the bill would prescribe a risk-based approach to information security and

independent audits of security controls. It also would approach security from a governmentwide perspective, taking steps to accommodate the varying information needs of both national security and civilian agency operations. This testimony discusses how this proposal could substantially improve the federal government's efforts to address its computer security problems. GAO also raises two additional issues—the need for better-defined control standards and centralized leadership—that, if addressed, could further strengthen security practices and oversight.

**T-AIMD-00-113**, Feb. 29, 2000 (27 pages). *SBA Loan Monitoring System: Substantial Progress Yet Key Risks and Challenges Remain*, by Joel C. Willemssen, Director, Civil Agencies Information Systems, before the Government Programs and Oversight Subcommittee, House Committee on Small Business.

The Small Business Administration (SBA) increasingly needs to monitor the activities of lenders that help deliver its programs. Annual loan approvals for the 7(a) General Business Loan Guarantee Program and the section 504 Certified Development Company Debenture Program have nearly doubled since 1992, and the loan portfolio for all its programs now exceeds \$40 billion. During that same period, SBA cut its staff by 20 percent and shifted to lenders the responsibility for key loan origination, servicing, and liquidation functions. Lenders now originate about 75 percent of new loans with little or no SBA involvement in the eligibility and credit approval processes. To improve its ability to monitor loans and lenders, SBA has proposed a loan monitoring system to help manage its loan portfolios, identify and mitigate the risks incurred through loans guaranteed by SBA, implement oversight of internal and external operations, and calculate subsidy rates. GAO reported in June 1997 that

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SBA had not undertaken the essential planning needed to develop the proposed system. (See GAO/AIMD-97-94.) Congress later required SBA to perform eight planning actions that would serve as the basis for funding the system's development and implementation. This testimony (1) examines SBA's progress in completing the mandated actions, (2) evaluates SBA's products completed so far, (3) discusses the processes used to develop these products and manage key activities, and (4) outlines steps that the agency needs to take to manage risks.

**T-AIMD-00-115**, Mar. 21, 2000 (18 pages). *Financial Management: USDA Faces Major Financial Management Challenges*, by Linda Calbon, Director, Resources, Community, and Economic Development, Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

As shown by the Inspector General's sixth disclaimer in a row on the Department of Agriculture's (USDA) consolidated financial statements, USDA continues to have serious problems in accounting for hundreds of billions of dollars in assets and budgetary resources. Before the agency can achieve financial accountability, it must overcome a host of serious financial management deficiencies cited by GAO and USDA's Office of Inspector General. This testimony focuses on problems USDA has experienced in the following five areas: (1) implementing the Federal Credit Reform Act of 1990 and related accounting standards, (2) reconciling its fund balance with Treasury accounts, (3) addressing weaknesses in the Forest Service's financial accounting and reporting, (4) correcting other material internal control weaknesses, and (5) complying with key laws and regulations. GAO also assesses the Rural Utilities

Service's electric loan program policies and procedures and the government's vulnerability to losses from direct loans or guarantees that the Service made to electric cooperatives.

**T-AIMD-00-118**, Mar. 15, 2000 (22 pages). *Medicare Financial Management: Further Improvements Needed to Establish Adequate Financial Control and Accountability*, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Although the Health Care Financing Administration (HCFA) is supposed to ensure that the billions of dollars spent on Medicare each year are managed in a fiscally responsible way, it has yet to establish adequate accountability and control over the program's financial operations. HCFA's financial management activities—from evaluation and follow-ups on audit findings to contractor monitoring and financial reporting—fall short in addressing weaknesses repeatedly cited in audits and other reviews. Unless these weaknesses are resolved, the government is at risk of substantial losses. Financial statement audits have long criticized claims contractors for internal control and financial reporting weaknesses, including failure to safeguard checks received from providers for overpayments and incorrectly recording billions of dollars owed to Medicare for such overpayments. However, HCFA's procedures for following up on audit findings and evaluating corrective actions remain insufficient. Poor monitoring of contractors' financial activities is another problem. Audit reports have also cited HCFA for inefficiencies in its internal control financial reporting practices, including a lack of documented policies and procedures. These deficiencies call into question the reliability of the data

that Congress and HCFA use to track Medicare program costs and make decisions about future funding. HCFA officials have launched several initiatives to strengthen the agency's control and accountability, such as hiring outside consultants to evaluate the contractors' internal controls. However, the agency still lacks a comprehensive strategy to ensure successful implementation of these initiatives, direct financial management activities, and sustain improvements in the long term. Without such a strategy, billions of dollars will remain vulnerable to fraud and abuse and HCFA's financial management problems will likely persist. This testimony summarizes the March 2000 GAO report, GAO/AIMD-00-66.

**T-AIMD-00-121**, Mar. 10, 2000 (15 pages). *Budget Process: Biennial Budgeting for the Federal Government*, by Susan J. Irving, Associate Director, Federal Budget Issues, before the House Committee on Rules.

Proposals have been made to move the federal budget process from an annual to a biennial cycle. The goal would be (1) to streamline the congressional budget and reduce the time that Members of Congress must spend casting seemingly repetitive votes, (2) to allow agency officials to spend more time on financial management and analyses of program effectiveness rather than on budget preparations and justifications, and (3) to help agencies better manage their operations by providing funding certainty over a two-year period. This testimony discusses state experiences with biennial budgeting, the questions of periodicity and availability of funds, and technical and implementation issues that must be considered if the federal budget is switched to a biennial cycle.

**T-AIMD-00-126**, Mar. 27, 2000 (23 pages). *Medicare Reform: Issues*

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Associated With General Revenue Financing, by Paul L. Posner, Director, Budget Issues, before the Senate Special Committee on Aging.

Recent GAO testimony before Congress has raised concerns about the expanded use of general revenues to pay for the Medicare program and has urged comprehensive reforms to help ensure the program's long-term sustainability. (See GAO/T-HEHS/AIMD-00-77, Feb. 2000, GAO/T-HEHS/AIMD-00-103, Feb. 2000, and GAO/T-AIMD/HEHS-99-236, July 1999.) Leading Medicare reform proposals that include comprehensive reforms, such as those of the President and Breaux-Frist, would use general funds as part of their financing mechanisms. Although precedent exists for using general funds in federal trust funds, the challenge today is how to structure general fund infusions so they advance, rather than impede, needed reform and fiscal discipline. The testimony discusses the specifics of Medicare's financial health and issues raised by growing reliance on general revenue financing.

**T-AIMD-00-128**, Mar. 24, 2000 (16 pages). Chief Information Officers: Implementing Effective CIO Organizations, by David L. McClure, Associate Director, Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The rapid pace of technological change and innovation has offered unprecedented opportunities for the government to improve performance, cut costs, and improve service to the public. It is increasingly critical that federal agencies have effective leadership and focused management control over the government's \$38 billion annual investment in information management and technology. Since the passage of the Clinger-Cohen Act in 1996, all 24 major

federal agencies have appointed chief information officers. Spurred by the Year 2000 computing problem, many have also begun implementing essential information management processes, such as information technology investment management controls, cost estimation processes, and information technology architecture. This testimony discusses the progress that has been made in establishing federal chief information officers and the challenges that remain to realizing these positions' long-term benefits. Along with this testimony, GAO issued a report on ways to ensure that chief information officer functions are effectively integrated into overall performance-based and accountability management approaches. (See GAO/AIMD-00-83, Mar. 2000, page 63.)

**T-AIMD-00-135**, Mar. 29, 2000 (12 pages). Federal Information Security: Actions Needed to Address Widespread Weaknesses, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

GAO's recent audit findings present a disturbing picture of the state of computer security at government agencies. GAO's work--and the work of other audit entities--has revealed that many agencies' critical operations and processes are at serious risk of disruption because of weak security practices. GAO has included computer security on its list of government areas at high risk for waste, fraud, abuse, and mismanagement. The President's plan for protecting critical infrastructure reinforces this designation. This testimony discusses steps that agencies can take immediately to strengthen their security programs as well as other actions needed to make more fundamental and long-term improvements. This testimony also discusses governmentwide actions

needed to support and encourage agency progress and congressional oversight of this progress.

**T-AIMD-00-137**, Mar. 31, 2000 (21 pages). Auditing the Nation's Finances: Fiscal Year 1999 Results Continue to Highlight Major Issues Needing Resolution, by David M. Walker, Comptroller General of the United States, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Since fiscal year 1996, the 24 major agencies and departments have had to prepare annual audited financial statements--a requirement that is critical to the success of financial management reform in the federal government. The number of agencies that have received unqualified opinions on their financial statements has risen steadily. The agencies' timeliness in issuing their financial statements has also improved. So far, 13 of the 24 major agencies have received unqualified opinions on their fiscal year 1999 financial statements; only six agencies achieved that goal in fiscal year 1996. Several agencies, most notably the Social Security Administration, have made good progress toward achieving financial management reform goals, and others have solved previously reported deficiencies in their financial statements. But several major agencies are still unable to produce auditable financial statements on a consistent basis--most notably the Defense Department, which accounts for a large share of the government's assets, liabilities, and net costs. Although clean audit opinions are essential to providing an annual public scorecard, they do not guarantee that agencies have the financial systems needed to dependably produce reliable financial information. Agency financial systems overall are in poor shape and cannot provide sound financial information for managing government operations and holding managers accountable.

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Over the long term, agencies will need to apply the information technology management framework outlined in the Clinger-Cohen Act. Continuing serious and widespread computer security weaknesses put vast federal assets at risk of misuse, financial information at risk of unauthorized modification or destruction, sensitive information at risk of inappropriate disclosure, and critical operations at risk of disruption. Another critical aspect to financial management reform is the revamping of human capital practices to build greater capacity and implementing change management to achieve the discipline needed to follow sound management and reporting practices.

**T-AIMD-00-171**, May 10, 2000 (14 pages). Information Security: "ILOVEYOU" Computer Virus Emphasizes Critical Need for Agency and Governmentwide Improvements, by Keith Rhodes, Director, Office of Computer and Information Technology Assessment, before the Technology Subcommittee, House Committee on Science.

The "ILOVEYOU" computer virus is the latest in a series of events on the Internet that have seriously disrupted computer operations in both government and private industry. Although the federal government is working to implement mechanisms to help agencies ward off such an attack, it was not effective at detecting the virus early on and warning agencies about the threat. Consequently, most agencies were affected. Some incurred damage to systems and files, and many others spent countless staff hours fending off the attack and reestablishing e-mail service. Overall, however, once they learned of the virus, agencies responded promptly and appropriately. In addition to discussing the virus, this testimony addresses its impact on federal agencies as well as measures that can be taken to mitigate the effects of future attacks, which promise to be

increasingly sophisticated and damaging and harder to detect.

**T-AIMD-00-178**, June 6, 2000 (24 pages). Financial Management: Agencies Face Many Challenges in Meeting the Goals of the Federal Financial Management Improvement Act, by Jeffrey C. Steinhoff, Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The Federal Financial Management Improvement Act of 1996 requires the 24 major federal departments and agencies to maintain financial management systems that will yield reliable, useful, and timely information needed to effectively manage the day-to-day operations of government and provide accountability to taxpayers. This testimony discusses (1) problems with agencies' systems that prevent them from meeting the act's expectations; (2) how the agencies are able to receive a "clean" or unqualified audit opinion on their financial statements even though their financial systems do not comply with the act's requirements; and (3) key elements in addressing these systems problems, including the importance of sound information technology investment and control processes.

**T-AIMD-00-180**, May 24, 2000 (19 pages). Financial Management: Education's Financial Management Problems Persist, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, and Gary T. Engel, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Education Task Force, House Committee on Budget.

The Department of Education is the lead agency responsible for overseeing the \$75 billion annual federal investment in support of education programs. The Department is also

responsible for collecting about \$175 billion owed by students. More than 8.1 million students received more than \$53 billion in federal student financial aid through programs run by Education. Education's stewardship of these assets, however, has been under question because of the agency's persistent financial management problems. Beginning with its first agencywide financial audit effort in fiscal year 1995, Education's auditors have reported the same serious internal control weaknesses each year, which have undermined the agency's ability to provide reliable financial information to decisionmakers both inside and outside the agency. This testimony discusses (1) Education's fiscal year 1999 financial audit results; (2) the relationship between the audit findings and the potential for waste, fraud, and abuse; and (3) the results of GAO's review of Education's grant back account.

**T-AIMD-00-181**, May 18, 2000 (15 pages). Critical Infrastructure Protection: "ILOVEYOU" Computer Virus Highlights Need for Improved Alert and Coordination Capabilities, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Financial Institutions Subcommittee, Senate Committee on Banking, Housing and Urban Affairs.

The "ILOVEYOU" computer virus is the latest in a series of events on the Internet that have seriously disrupted computer operations in both government and private industry. Although the federal government is working to implement mechanisms to help agencies ward off such an attack, it was not effective at detecting the virus early on and warning agencies about the threat. Consequently, most agencies were affected. Some incurred damage to systems and files, and many others spent countless staff hours fending off the attack and reestablishing e-mail service. Overall, however, once they learned of the



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**T-AIMD-00-211**, June 6, 2000 (4 pages). *Financial Audits: American Battle Monuments Commission*, by David L. Clark, Jr., Director, Audit Oversight and Liaison, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

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

**T-AIMD-00-213**, June 8, 2000 (32 pages). *Debt Collection: Treasury Faces Challenges in Implementing Its Cross-Servicing Initiative*, by Gary T. Engel, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

This testimony discusses the Department of the Treasury's progress in implementing the cross-servicing provision of the Debt Collection Improvement Act of 1996. The act includes several tools to facilitate collection of defaulted obligations to the federal government. GAO focuses

on the collection of nontax delinquent debt. Among the options available for recovering these debts are Treasury's consolidated federal payment offset program; wage garnishment; and the transfer of nontax debt over 180 days delinquent to Treasury for collection, known as "cross-servicing." GAO discusses (1) the status of nontax delinquent debts that agencies have transferred to Treasury for cross-servicing and Treasury's efforts to encourage these referrals, (2) Treasury's cross-servicing process for collecting referred debts, (3) Treasury's method for allocating debts to private collection agencies, and (4) Treasury's estimated cross-servicing costs and related fees earned on collections.

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

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

federal government may not yet have the right tools for identifying, analyzing, coordinating, and disseminating the type of information that H.R. 4246 envisions collecting from the private sector.

**T-AIMD-00-237**, June 30, 2000 (15 pages). *District of Columbia Government: Management Reform Projects Not Effectively Monitored*, by Gloria L. Jarmon, Director, Health, Education and Human Services Accounting and Financial Management Issues, before the District of Columbia Subcommittee, House Committee on Appropriations.

During the last three fiscal years, the D.C. government has proposed hundreds of management reform initiatives that were estimated to save millions of dollars as well as improve government services. As of June 2000, however, the District had reported savings of only about \$1.5 million and had not consistently tracked the status of these projects. Neither the D.C. Financial Responsibility and Assistance Authority nor the District could provide adequate details on the goals achieved for all the projects that had been reported as completed or in various stages of completion. The District lacks a systematic process to monitor these management reform projects and determine where savings or customer service improvements have been realized. Consequently, the District cannot say for certain how money earmarked for management reform has been spent or whether the key goals of these initiatives have been realized.

**T-AIMD-00-240**, July 11, 2000 (17 pages). *Federal Health Care: Comments on H.R. 4401, the Health Care Infrastructure Investment Act of 2000*, by Joel C. Willemsen, Director, Civil Agencies Information Systems, and Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Government

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Management, Information and Technology Subcommittee, House Committee on Government Reform.

H.R. 4401 would establish a Health Care Infrastructure Commission within the Department of Health and Human Services (HHS) to design, construct, and implement an immediate claim, administration, payment resolution, and data collection system that would initially be used by the Medicare part B program. However, most Medicare claims could be paid more quickly using current processes by simply eliminating the mandatory delay in paying claims. One drawback to eliminating this delay is that the Supplementary Medical Insurance Trust Fund, which funds part B, would lose some of the interest it earns on its balance. A drop in interest earnings could require additional appropriations or an increase in beneficiaries' premiums. Because a real-time claims processing system could open the process to a possible risk of improper payments, appropriate internal controls are needed. Current program safeguards, such as the edit process, must not be compromised. Because a real-time claims processing system is vulnerable to code manipulation, problem providers should be excluded from participating, and adequate documentation controls must ensure that the electronic trail is not lost or tampered with. The project's return on investment, links to a strategic plan, and evidence of compliance with the organization's overall systems architecture must also be considered as well as the possibility of computer viruses and computer attacks. Further, developing a single real-time claims processing system for both Medicare part B and the Federal Employees Health Benefits program would be challenging because the systems are so different.

**T-AIMD-00-260**, July 20, 2000 (11 pages). Information Technology

Management: Small Business Administration Needs Policies and Procedures to Control Key IT Processes, by Joel C. Willemssen, Director, Civil Agencies Information Systems, before the Senate Committee on Small Business.

As the Small Business Administration (SBA) tries to transform itself into a 21st century leading edge financial institution, it needs to identify and address operational problems that have agencywide implications. Although SBA plans to improve its key information technology process, many of the agency's policies and procedures for managing this critical area are now in draft form or not yet developed. SBA intends to pursue best practices for information technology planning, monitoring, and evaluation, but its current practices do not generally adhere to defined processes. In particular, investment management efforts are limited largely to reviewing information technology proposals, architecture related activities are carried out without a defined process, and software development and acquisition practices are often ad-hoc. In the information security area, SBA lacks centralized oversight of the activities of its field and program offices. Also, periodic risk assessments have not been done on all mission-critical systems and security training has not been given to employees and contractor staff. Human capital management efforts are limited to a non-information technology training needs survey, and a human capital assessment has not been done to identify short- and long-term information technology knowledge skills and requirements. This testimony summarizes the May 2000 report, GAO/AIMD-00-170.

**T-AIMD-00-268**, July 26, 2000 (21 pages). Critical Infrastructure Protection: Challenges to Building a Comprehensive Strategy for Information Sharing and Coordination, by Jack L. Brock, Director,

Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The unprecedented growth in use of the Internet has revolutionized the way much of the world communicates and conducts business. Without proper safeguards, this widespread interconnectivity poses enormous risks to America's computer systems and to the critical operations and infrastructures they support. For example, hostile nations or terrorists could use cyber-based tools and techniques to disrupt military operations and communications networks. According to the National Security Agency, potential adversaries are developing a body of knowledge about U.S. systems and about methods to attack these systems. Information sharing and coordination among organizations are central to producing comprehensive and practical approaches and solutions to these threats. The "ILOVEYOU" virus is a case in point. Because information sharing mechanisms were unable to provide timely warnings, many entities were caught off guard and forced to take their networks off-line for hours. Data on possible threats--viruses, hoaxes, random threats, news events, and computer intrusions--must be continually collected and analyzed. Appropriate warnings and response actions must be effectively coordinated by strong partnerships to ensure that the right data are in the right place at the right time. Jointly designed, built, and staffed mechanisms among involved parties is most likely to obtain critical buy-in and acceptance. After determining what information to collect and report, guidelines and procedures must be established. At present, there is a shortage of persons with the knowledge, skills, and abilities to undertake these efforts.

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**T-AIMD-00-314**, Sept. 11, 2000 (17 pages). Computer Security: Critical Federal Operations and Assets Remain at Risk, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

This testimony describes how the dramatic increases in computer interconnectivity, especially in use of the Internet, although beneficial, pose significant risks to computer systems and to the critical operations and infrastructure they support. It focuses on weaknesses at 24 major federal agencies and links those weaknesses to the risks they present to federal operations and assets. GAO reports that although the nature of risk varies, control weaknesses across agencies are strikingly similar. GAO describes six areas of general controls—security program management, access controls, application software development and change controls, segregation of duties, operating system controls, service continuity—and the specific weaknesses that were most widespread.

**T-AIMD-00-316**, Sept. 12, 2000 (22 pages). Federal Chief Information Officer: Leadership Needed to Confront Serious Challenges and Emerging Issues, by David L. McClure, Associate Director, Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Although the government has improved its information technology (IT) management and agencies have taken steps to address critical IT management shortcomings, agencies continue to be plagued by weaknesses in various areas. Two legislative proposals, the Chief Information Officer (CIO) of the United States Act of 2000 and the Federal Information

Policy Act of 2000, address the need for sustained and focused central leadership to improve the federal IT performance track record. This testimony describes the background of the federal government's current information resources and technology management framework, explains existing state and foreign governmentwide CIO models, discusses the federal CIO approaches each legislative proposal takes, and discusses the type of leadership responsibilities GAO believes a federal CIO should possess.

**T-AIMD-00-321**, Sept. 21, 2000 (31 pages). VA Information Technology: Progress Continues Although Vulnerabilities Remain, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

This testimony focuses on the status of the Department of Veterans Affairs' (VA) efforts in seven areas of its information technology (IT) program: improving its process for selecting, controlling and evaluating IT investments; filling the chief information officer position; developing a strategy for reengineering its business processes; completing a departmentwide integrated systems architecture; tracking its IT expenditures; implementing the Veterans Health Administration (VHA) Decision Support System and the Veterans Benefits Administration's (VBA) compensation and pension replacement project; and improving the department's computer security. Progress has been made in some of these areas, such as IT investment decision-making and selecting a chief information officer. In other areas, plans have changed—the Department no longer plans to develop an overall strategy for reengineering its business processes to function as "One VA," nor has it defined the integrated IT architecture needed to efficiently

acquire and use information systems across VA. No uniform mechanism is in place throughout VA that tracks IT spending; instead, VA's different offices use various mechanisms for tracking IT expenditures. VHA's Decision Support System and VBA's compensation and pension replacement project continue to face challenges. Although VA has begun to address computer security weaknesses, it will have few guarantees that financial information and sensitive medical records are adequately protected until it develops and implements a comprehensive, coordinated security management program.

**T-AIMD-00-323**, Sept. 19, 2000 (19 pages). Financial Management: Financial Management Challenges Remain at the Department of Education, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Oversight and Investigations Subcommittee, House Committee on Education and the Workforce.

Since 1995, auditors at the Department of Education have reported the same serious internal control weaknesses each year. These problems have undermined the agency's ability to provide reliable financial information to decision makers inside and outside the agency. Because of its financial management weaknesses, Education's accounting system was unable to perform a year-end closing process or produce automated consolidated financial statements. Staff turnover also contributed to this weakness. Furthermore, the agency was unable to provide adequate support for about \$800 million in its net position balance, and it processed many transactions from prior fiscal years as fiscal year 1999 transactions. In addition, auditors were unable to determine whether beginning balances for accounts payable and related accruals were accurate. Independent auditors for

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1999 cited weaknesses in the financial reporting process, inadequate reconciliations of financial accounting records, and inadequate controls over information systems. The auditors also reported that Education did not fully comply with three laws. The internal control weaknesses must also be addressed to reduce the potential for fraud, waste, and abuse. Areas of concern include student financial assistance programs and computer security.

**T-AIMD-00-330**, Sept. 27, 2000 (25 pages). FAA Computer Security: Actions Needed to Address Critical Weaknesses That Jeopardize Aviation Operations, by Joel C. Willemsen, Director, Civil Agencies Information Systems, before the House Committee on Science.

In the area of personnel security, the Federal Aviation Administration (FAA) appears to perform appropriate background searches for federal employees, but many top secret reinvestigations of senior personnel are past due—some by more than five years. FAA also has yet to complete background searches on thousands of contractor employees. As to facilities' physical security, FAA has identified significant weaknesses, and air traffic control (ATC) facilities have yet to be assessed and accredited as secure. FAA does not know how vulnerable the majority of its operational ATC systems is and cannot adequately protect them until it performs the appropriate risk assessments and addresses identified weaknesses. Although FAA has established an information systems security management structure, it still lacks a comprehensive security program. FAA'S efforts to ensure service continuity are limited and it has not yet fully implemented an intrusion detection capability that will allow it to quickly detect and respond to malicious intrusions.

**T-AIMD-00-334**, Sept. 27, 2000 (15 pages). Financial Management: USDA Continues to Face Major Financial Management Challenges, by Linda Calbom, Director, Accounting and Information Management Division, before the Research, Nutrition and General Legislation Subcommittee, Senate Committee on Agriculture, Nutrition, and Forestry.

During the last two years, financial managers at the Department of Agriculture (USDA) have made a commitment not only to resolve financial management weaknesses that have prevented the agency from receiving an unqualified opinion on its financial statements but also to achieve its long-term goal of financial accountability. The one notable exception involves Rural Development, one of USDA's component agencies. Rural Development has made slow progress in improving credit program costs and has missed several deadlines because of a shortage in both staff and funding resources. As a result, USDA is likely several years away from achieving financial accountability.

**T-AIMD/GGD-00-179**, May 22, 2000 (19 pages). Electronic Government: Federal Initiatives Are Evolving Rapidly But They Face Significant Challenges, by David L. McClure, Associate Director, Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Electronic commerce and business strategies made possible by the widespread Internet access and interconnected systems are transforming how organizations, both public and private, will operate in the coming decade. Spending by federal, state, and local governments on electronic government is expected to quadruple during the next five years, from \$1.5 billion today to \$6.2 billion in

2005, according to the Gartner Group. This testimony focuses on key aspects of the evolving e-government environment, including the statutory and policy framework, key efforts to implement electronic government programs, and the major challenges confronting both government and the private sector in making the transition to on-line business and service environments.

**T-AIMD/NSIAD-00-163**, May 9, 2000 (52 pages). Department of Defense: Progress in Financial Management Reform, by Jeffrey C. Steinhoff, Acting Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Financial management problems at the Defense Department (DOD)—which oversees an estimated \$1 trillion in assets, has nearly \$1 trillion in reported liabilities, and had a net cost of operations of \$378 billion in fiscal year 1999—represent the single largest obstacle that must be overcome before an unqualified opinion can be rendered on the U.S. government's consolidated financial statements. So far, no major part of DOD has been able to pass the test of an independent audit. Pervasive weaknesses in DOD's financial management systems, operations, and controls led GAO to put DOD's financial management on its 1995 list of government areas at high risk for waste, fraud, abuse, and mismanagement. DOD has made genuine progress in many areas. GAO has seen a strong commitment by the DOD Comptroller and his counterparts in the military services to address deeply rooted problems. This testimony outlines DOD's most difficult financial management challenges and describes the initiatives that are in place or planned to deal with them.

**T-AIMD/NSIAD-00-214**, June 22, 2000 (18 pages). Foreign Affairs: Effort

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to Upgrade Information Technology Overseas Faces Formidable Challenges, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the House Committee on International Relations.

The Overseas Presence Advisory Panel found that many U.S. embassies and missions are equipped with obsolete information technology systems, which prevent efficient communication and effective information sharing and storage. In particular, many systems within U.S. embassies are incapable of simple electronic communications across department lines and most are disparate and not interconnected. In the Panel's judgment, these problems, coupled with such other problems as poor facilities and outmoded administrative and human resource management practices, seriously undermine the effective representation of U.S. interests abroad. This testimony focuses on (1) the State Department's efforts to implement the Panel's recommendations and (2) the challenges and risks the Department will face as it proceeds.

**T-AIMD/NSIAD-00-264**, July 20, 2000 (24 pages). Department of Defense: Implications of Financial Management Issues, by Jeffrey C. Steinhoff, Assistant Comptroller General, before the Defense and International Affairs Task Force, House Committee on Budget.

Material financial management weaknesses at the Defense Department (DOD) continue to represent the single largest obstacle to achieving an unqualified opinion on the U. S. government's consolidated financial statements. So far, no major part of DOD has been able to pass the test of an independent audit because of pervasive weaknesses in the military's financial management systems, operations, and controls. The lack of such key controls and information not only hampers DOD's

ability to produce timely and accurate financial information but also impairs efforts to improve the economy and efficiency of its operations. DOD has made genuine progress in many areas, and the DOD Comptroller and his counterparts have shown a strong commitment to addressing the department's serious financial management problems. However, major problems remain that are pervasive, long-standing, deeply rooted, and complex in nature.

**T-AIMD/OSI-00-251**, July 12, 2000 (32 pages). Medicare Improper Payments: Challenges for Measuring Potential Fraud and Abuse Remain Despite Planned Enhancements, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Task Force on Health Care, House Committee on the Budget.

Results from a recent Department of Health and Human Services (HHS) Office of the Inspector General (OIG) study indicate that, of the \$164 billion in fiscal year 1999 Medicare fee-for-service claim payments, a projected \$13.5 billion was paid improperly for reasons ranging from inadvertent errors to outright fraud and abuse. Because the OIG's methodology was not designed to identify all types of potentially fraudulent or abusive activity, it does not estimate the full extent of improper Medicare fee-for-service payments. However, the Health Care Financing Administration (HCFA) has begun three projects that could enhance HCFA's ability to uncover potential fraud and abuse and to determine the extent of the payments attributable to potential fraud and abuse. In addition, the use of carefully selected detection techniques to identify potential fraud could help HCFA arrive at a more comprehensive measurement of improper payments and develop cost-effective internal controls to combat them.

**T-GGD/AIMD-00-91**, Feb. 15, 2000 (15 pages). 2000 Census: Status of Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

In a little more than six weeks—on Census Day (April 1, 2000)—the decade-long process of researching, planning, testing, and evaluating procedures for conducting the nation's largest peace-time mobilization will come to a close. At this critical juncture, it is important to examine the state of the census, the progress made to ensure a complete and accurate enumeration, and the level of risk that remains. Two recent GAO reports discussed operational uncertainties that threaten a successful population count. (See GAO/GGD-00-6, Dec. 1999, and GAO/AIMD-00-61, Feb. 2000.) This testimony elaborates on the following three operational uncertainties highlighted in these reports: (1) achieving the Census Bureau's mail response rate objective, (2) collecting accurate and timely data from nonrespondents, and (3) conducting data capture options.

**T-GGD/AIMD-00-119**, Mar. 14, 2000 (16 pages). 2000 Census: Update on Essential Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This report updates the status of key census-taking operations. GAO discusses developments in such essential areas as (1) outreach and promotion, (2) field follow-up operations, and (3) data capture. GAO also discusses steps that the Bureau has taken to help ensure that the census questionnaires do not contain the same misprint in mailing addresses found in the 120 million advance notification letters sent out recently.

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**T-GGD/AIMD-00-133**, Mar. 28, 2000 (45 pages). Tax Administration: IRS' 2000 Tax Filing Season and Fiscal Year 2001 Budget Request, by James R. White, Director, Tax Policy and Administration Issues, before the Oversight Subcommittee, House Committee on Ways and Means.

GAO makes several points about the 2000 tax filing season. The Internal Revenue Service (IRS) made several important changes to its tax-processing systems before the 2000 filing season, and those systems have not experienced significant problems. The use of electronic filing continues to grow, and telephone service has improved, although it has yet to reach the level of service achieved in 1998. IRS has requested \$8.9 billion for fiscal year 2001, a nine-percent increase over the agency's operating level for fiscal year 2000. IRS has also requested a supplemental appropriation of \$39.8 million to increase staffing levels in several of the agency's programs. Although many aspects of the initiative seem appropriate, GAO is concerned (1) about IRS' ability to implement the initiative given its past history of being unable to fill enforcement positions funded by Congress and (2) that the initiative would increase staffing for IRS' toll-free telephone assistance program. Congress should consider withholding approval of the requested increase for telephone service until IRS provides a more realistic level of the service that it expects to provide in fiscal year 2001. IRS' request included \$1.58 billion for its information systems appropriation and \$494 million for its multiyear capital account. The \$494 million request is not adequately justified, and Congress should consider denying the request and directing IRS to develop a credible and verifiable budget request for the capital account. Finally, GAO is concerned that IRS' budget request does not provide clear links between the resources being requested and expected results.

**T-GGD/AIMD-00-136**, Apr. 5, 2000 (17 pages). 2000 Census: Progress Report on the Mail Response Rate and Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This testimony focuses on the mail response rate and its implications for the timely and accurate completion of the Bureau's nonresponse follow-up workload. GAO also discusses the status of specific enumeration efforts that have taken place during the last month, including (1) update/leave, a procedure used to count people in small towns and rural areas; (2) Service Based Enumeration, used to count persons with no usual residence; and (3) Questionnaire Assistance Centers, which are designed to help people, especially those who speak little English, complete their census forms. GAO also discusses how well the Bureau's data capture centers are handling production-level workloads.

**T-GGD/AIMD-00-141**, Apr. 7, 2000 (27 pages). Office of Management and Budget: Future Challenges to Management, by David M. Walker, Comptroller General of the United States, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

In earlier testimony before Congress (GAO/T-GGD/AIMD-99-65, Feb. 1999), GAO discussed in detail the Office of Management and Budget's (OMB) effectiveness in a range of specific management areas. The Comptroller General's statement builds on this by emphasizing the broader challenges facing the nation and the federal government and their implications for central leadership approaches, in general, and for OMB, in particular.

**T-GGD/AIMD-00-144**, Apr. 10, 2000 (14 pages). IRS Modernization:

Business Practice, Performance Management, and Information Technology Challenges, by Margaret T. Wrightson, Associate Director, Tax Policy and Administration Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The Internal Revenue Service (IRS), acknowledging its serious, long-standing management problems and its history of ineffective attempts to deal with them, has revised its mission statement to more fully embrace customer service and fairness to taxpayers as core organizational values. IRS has also launched a modernization strategy that encompasses major changes in the agency's organizational structure, business practices, human capital and performance management systems, and information systems. The magnitude of this modernization effort makes it a high-risk venture that will take years to fully implement. Although IRS has taken important steps during the last year, some of its most important and difficult work lies ahead. This testimony discusses the business practice, performance management, and information technology challenges facing IRS.

**T-GGD/AIMD-00-150**, Apr. 20, 2000 (11 pages). U.S. Customs Service: Observations on Selected Operations and Program Issues, by Laurie Ekstrand, Director, Administration of Justice Issues, and Randolph C. Hite, Associate Director, Governmentwide and Defense Information Systems Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

This testimony provides GAO's observations on (1) the Customs Service's development of a Resource Allocation Model, (2) an Automated Commercial Environment, and (3) a recently issued GAO report on

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Customs' personal searches of airline passengers. (See GAO/GGD-00-38, Mar. 2000.) These three issues are all extremely important to optimizing the quality and efficiency of Customs' operations.

**T-GGD/AIMD-00-154**, May 3, 2000 (11 pages). IRS Modernization: Long-term Effort Under Way, but Significant Challenges Remain, by James R. White, Director, Tax Policy and Administration Issues; Randolph C. Hite, Associate Director, Governmentwide and Defense Information Systems Issues; and Gregory D. Kutz, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform;

Congress passed the IRS Restructuring and Reform Act of 1998 to signal its concern that the Internal Revenue Service (IRS) had been overemphasizing revenue production at the expense of fairness and consideration of taxpayer interests. The act mandated certain taxpayer protections as well as more fundamental changes to the agency's mission and organizational structure. GAO testified that IRS is as challenged today as it was two years ago, when the legislation was passed. IRS continues to face serious operational problems in two key areas: enforcement and customer service. For example, shortcomings in the management of billions of dollars of unpaid tax assessments have placed a burden on taxpayers and caused the government to lose potentially billions of dollars in revenue. Also, taxpayers remain frustrated by their inability to reach IRS by telephone. IRS has developed a massive modernization effort to address its long-standing problems, but significant challenges remain in the areas of performance management and information systems modernization.

**T-GGD/AIMD-00-164**, May 11, 2000 (19 pages). 2000 Census: Status of Nonresponse Follow-up and Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This testimony updates the status of the 2000 census. Overall, initial Census Bureau data on the conduct of the decennial count is encouraging, with major operations reportedly proceeding on schedule and generally performing as planned. Particularly noteworthy is the 65 percent initial response rate, which surpassed expectations. The Bureau is now working on nonresponse follow-up—the largest, most complex, and costly part of the entire census. This testimony focuses on the progress of the nonresponse follow-up, paying particular attention to the response rate, its impact on the nonresponse follow-up workload, and the Bureau's inability to complete nonresponse follow-up on schedule while maintaining data quality. GAO also discusses the Bureau's efforts to redeliver questionnaires initially found to be undeliverable and the status of the Bureau's data capture operations.

**T-GGD/AIMD-00-167**, May 9, 2000 (15 pages). Debt Collection: Barring Delinquent Taxpayers From Receiving Federal Contracts and Loan Assistance, by Cornelia M. Ashby, Associate Director, Tax Policy and Administration Issues, and Gregory D. Kutz, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

H.R. 4181 is proposed legislation that would ban delinquent federal debtors, including delinquent taxpayers, from obtaining contracts with government

agencies. The bill would also generally preclude delinquent taxpayers from obtaining federal loans (other than disaster loans) or loan insurance or guarantees. GAO supports the idea of barring delinquent taxpayers from receiving federal contracts, loans, loan guarantees, and insurance. In fact, as far back as 1992, GAO urged Congress to consider whether tax compliance should be a prerequisite for receiving a federal contract. However, GAO cautions that there are significant implementation issues with H.R. 4181, particularly with respect to the federal acquisition process, and GAO recommends a phased-in implementation of the provisions and additional standards for when delinquent taxpayers should be barred.

**T-GGD/AIMD-00-256**, July 20, 2000 (21 pages). Small Business Administration: Steps Taken to Better Manage Its Human Capital, but More Needs to Be Done, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, before the Senate Committee on Small Business.

The Small Business Administration (SBA) has developed a shared vision, which includes transitioning its employees from making and servicing loans to primarily reaching out to new markets and overseeing its private-sector partners. SBA has also begun to take steps to better manage its human capital activities, including workforce planning efforts. More needs to be done, however, including (1) completing its efforts to identify the knowledge, skills, abilities, and other characteristics its employees will need to perform successfully in SBA's new business environment; (2) estimating the number of employees with those skills who will be needed; (3) developing a succession plan for senior leaders and reinstating candidate development programs for these leaders; and (4) ensuring that employees receive adequate training to perform their jobs well. Although SBA

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plans to develop a workforce transformation plan by October 2000, it could take years to fully implement it.

**T-HEHS/AIMD-00-43**, Nov. 9, 1999 (20 pages). Social Security: The President's Proposal, by David M. Walker, Comptroller General of the United States, before the House Committee on Ways and Means.

The President's Social Security transfer proposal, embodied in S. 1831 and H.R. 3165, would not in any way reform the basic Social Security program, although the administration is committed to long-term reform. The proposal seeks to increase the likelihood that projected unified surpluses would be preserved for Social Security and debt reduction. It would provide additional program funding by transferring general funds to the Old Age and Survivors Insurance and Disability Insurance trust funds. This shift in program financing would reduce publicly held debt but would not modify the program's underlying commitments for the future. The proposed transfer, by extending trust fund solvency, could create complacency about the program's financing, making it more difficult to engage in substantive program reform.

**T-HEHS/AIMD-00-59**, Mar. 8, 2000 (4 pages). Combating Terrorism: Chemical and Biological Medical Supplies Are Poorly Managed, by Cynthia Bascetta, Associate Director, Veterans' Affairs and Military Health Care Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

This testimony draws on a recent GAO report on the management of federal medical stockpiles that would be used to treat civilians in a chemical or biological terrorist attack. (See GAO/HEHS/AIMD-00-36, Oct. 1999.) GAO highlights the problems that it

found with the management of the stockpiles, discusses the results of its actual count of stockpiled supplies, and provides information on the progress made since GAO's last report was issued.

**T-HEHS/AIMD-00-75**, Feb. 10, 2000 (29 pages). SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges, by Cynthia M. Fagnoni, Director, Education, Workforce and Income Security Issues, before the Human Resources Subcommittee, House Committee on Ways and Means, and Social Security Subcommittee, House Committee on Ways and Means.

The Social Security Administration (SSA) will be challenged to maintain a high level of service to the public in the next decade and beyond. Demand for services is expected to grow significantly. At the same time, the expectations and needs of SSA's customers are changing. Some want faster, more convenient service, while others, such as non-English speakers and the many beneficiaries with mental impairments, may require additional help from SSA staff. SSA's ability to respond to these challenges will be difficult because the number of SSA employees who retire is expected to peak at the same time that large increases will occur in applications for benefits. Although GAO has recommended since 1993 that SSA prepare a service delivery plan, the agency is only now beginning to develop a broad vision for customer service for 2010. In the meantime, SSA is counting on efficiencies from technology to help it cope with its rising workload. SSA has had mixed success with its information technology initiatives, however, and the benefits from its technology investments have largely been unclear. On the other hand, SSA's efforts to prepare for the rising number of retirements among its own workforce and changing customer needs and expectations have shown

more promise, although many initiatives are still in the early stages and much work remains. SSA needs to fully assess the skills that its workforce will need to serve its customers in the future. SSA also needs to ensure continuity in leadership through ongoing succession planning efforts. Without a vision for future service followed by a more detailed service delivery plan, SSA cannot be sure that its investments in technology and human capital—that is, its workforce—are consistent with and fully support its future approach to delivering services.

**T-HEHS/AIMD-00-77**, Feb. 8, 2000 (20 pages). Medicare: Program Reform and Modernization Are Needed But Entail Considerable Challenges, by David M. Walker, Comptroller General of the United States, before the Senate Special Committee on Aging.

The Comptroller General's statement discusses the competing concerns at the heart of the Medicare reform debate and provides a conceptual framework for evaluating the possible combinations of reform options. To qualify as meaningful reform, a proposal should make a significant down payment toward ensuring Medicare's long-range financial integrity and sustainability—the most critical issues facing the program. Fundamental reforms are vital to reducing the program's growth, which threatens to absorb ever-increasing shares of the nation's budgetary and fiscal resources. At the same time, Medicare is outmoded from a programmatic perspective. To address the need for an updated benefit package and adequate tools to moderate program spending, proposals have been advanced that would expand benefits while introducing changes to make beneficiaries more cost-conscious and incentives to make health care providers efficient. Ideally, the unfunded promises associated with today's program should be addressed before or concurrent with



proposals to add new ones, such as prescription drug coverage. To so otherwise might be politically attractive but not fiscally prudent. If benefits are added, policymakers need to consider targeting strategies to fully offset their costs. Because of the size of Medicare's unfunded liability, it is realistic to expect that reforms intended to bring down future costs will have to proceed incrementally. As reform options come under greater scrutiny, the importance of design details should not be overlooked. GAO's work on efforts to implement recent reforms suggests that those details will determine whether reform options will be both effective and acceptable.

**T-HEHS/AIMD-00-99**, Feb. 15, 2000 (20 pages). Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by David M. Walker, Comptroller General of the United States, before the Health Subcommittee, House Committee on Ways and Means.

Concerns are growing about gaps in the Medicare program, most notably the lack of outpatient prescription drug coverage, which may leave the most vulnerable program beneficiaries with high out-of-pocket costs that they can ill afford. Nearly one-third of Medicare beneficiaries lacked prescription drug coverage in 1996. At the same time, however, the long-term cost pressures confronting the Medicare program are considerable. A consensus appears to be emerging that substantive financing and programmatic reforms are needed to put Medicare on a sound footing in the future. These reforms are vital to reducing the program's growth, which threatens to consume ever-larger shares of the nation's budgetary and economic resources. Continuing economic prosperity and projected federal surpluses provide an opportunity to address the structural imbalances in Medicare, Social Security, and other entitlement

programs. Congress faces the difficult decision of how best to guarantee the Medicare program's sustainability while being mindful of the plight of many seniors who cannot afford the latest pharmaceutical breakthroughs. Congress and the President may ultimately decide to include some form of prescription drug coverage as part of Medicare reform. Care must be taken, however, to ensure that any expansion of the program is accompanied by other programmatic reforms that will sustain Medicare's long-term financial integrity. This testimony discusses (1) the factors contributing to the growth in prescription drug spending and efforts to control that growth and (2) the design and implementation issues associated with proposals to improve seniors' access to affordable prescription drugs.

**T-HEHS/AIMD-00-100**, Feb. 16, 2000 (20 pages). Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Health and Environment Subcommittee, House Committee on Commerce.

Concerns are growing about gaps in the Medicare program, most notably the lack of outpatient prescription drug coverage, which may leave the most vulnerable program beneficiaries with high out-of-pocket costs that they can ill afford. Nearly one-third of Medicare beneficiaries lacked prescription drug coverage in 1996. At the same time, however, the long-term cost pressures confronting the Medicare program are considerable. A consensus appears to be emerging that substantive financing and programmatic reforms are needed to put Medicare on a sound footing in the future. These reforms are vital to reducing the program's growth, which threatens to consume ever-larger shares of the nation's budgetary and economic resources. Continuing

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**T-HEHS/AIMD-00-103**, Feb. 24, 2000 (23 pages). Medicare Reform: Leading Proposals Lay Groundwork, While Design Decisions Lie Ahead, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance.

The Comptroller General's statement focuses on two leading Medicare reform proposals: the President's Plan to Modernize and Strengthen Medicare for the 21st Century and S.1895, commonly known as the Breaux-Frist proposal. Both proposals recognize the need for more comprehensive reform—a position consistent with GAO's belief that the unfunded promises associated with today's program should be addressed before adding new benefits, such as prescription drug coverage. Such additions must be considered in the context of broader efforts to correct Medicare's current fiscal imbalance and sustain the long-term viability of this popular program. Also,

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any reform package should include a mechanism to monitor aggregate program costs over time and establish funding thresholds that would trigger a call for fiscal action. In the case of both proposals, the details will need to be worked out. And those details will determine whether the reforms will be effective and acceptable.

**T-HEHS/AIMD-00-146**, May 18, 2000 (20 pages). Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing, by Cynthia Bascetta, Associate Director, Veterans' Affairs and Military Health Care Issues, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

Claims processing in the disability compensation program is done by the Veterans Benefits Administration (VBA). Congress, the Department of Veterans Affairs, and veterans' service organizations have been concerned about the program for years. The concerns have focused on the backlogs of claims, long waits for disability decisions, and the poor quality of these decisions, all of which have undermined the quality of service provided to veterans. VBA's problems with large backlogs and long waits for decisions have not improved, despite years of studying these problems. Moreover, VBA's new quality measurement system shows that nearly one-third of its decisions are incorrect or have technical or procedural errors. Many performance problems stem from the process's complexity, which is growing as the number of service-connected disabilities per veteran increases and judicial review requires more procedures and documentation. Although VBA has begun several efforts to streamline its claims-processing performance, it is unclear how much improvement will result. Also, VBA may need to collect and analyze additional case-specific data to better understand its claims-

processing problems and better target its corrective actions. Furthermore, because some issues affecting VBA's performance are a function of program design, more fundamental changes may have to be considered to realize significant improvements.

**T-HEHS/AIMD-00-166**, June 14, 2000 (15 pages). Social Security Administration: Paying Attorneys Who Represent Disability Applicants, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

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

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

**T-NSIAD/AIMD-00-116**, Mar. 8, 2000 (15 pages). Defense Acquisitions: Observations on the Procurement of the Navy/Marine Corps Intranet, by Allen Li, Associate Director, Defense Acquisitions Issues, and Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Military Readiness Subcommittee, House Committee on Armed Services, and Military Research and Development Subcommittee, House Committee on Armed Services.

The Navy's strategy for acquiring and implementing a Navy/Marine Corps Intranet has several weaknesses that put this effort at unnecessary risk. The Navy/Marine Corps Intranet is intended to serve about 360,000 users in the United States, Guantanamo Bay, Puerto Rico, and Iceland. The Navy plans to acquire intranet capabilities from commercial vendors, which will own and maintain all required desktop and network hardware and software and provide all required information technology services. The Navy has been working to award a contract in June 2000—an aggressive deadline set by the military services in order to have initial intranet capabilities available by December 2001. However, the Navy's request for proposals was issued without (1) developing a formal analysis of program alternatives and completing a business case analysis to determine an appropriate acquisition strategy for the proposed Intranet; (2) resolving key program issues, such as how the intranet is to be managed within the Navy, how it will be funded, and how its information technology and other personnel may be affected by the Intranet; and (3) taking risk mitigation steps, such as testing the proposed approach on a smaller scale.

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GAO also cites several shortcomings in the Office of the Secretary of Defense's oversight of the Navy Intranet effort.

**T-NSIAD/AIMD-00-254**, July 19, 2000 (14 pages). State Department: Progress and Challenges in Managing for Results, by Benjamin F. Nelson, Director, International Relations and Trade Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

The State Department recognizes many of its critical management challenges and has devoted substantial resources to overcoming them. State has made considerable progress in many difficult areas but still faces significant obstacles. Specifically, State needs to improve the security of U.S. personnel and facilities at overseas locations in a cost-effective and timely manner. It also needs to determine the right size and location of the U.S. overseas presence to both improve the efficiency of operations and reduce the security burden. In addition, State should better utilize the Government Performance and Results Act by demonstrating its level of success in achieving desired outcomes or the way in which its actions actually led to achieving desired goals. State had made many improvements in its information and financial management systems but faces continuing challenges in working with U.S. agencies operating overseas to standardize information capabilities and to correct weaknesses in its information security and financial management systems.

**T-RCED/AIMD-00-87**, Feb. 3, 2000 (20 pages). Federal Aviation Administration: Challenges in Modernizing the Agency, by Gerald Dillingham, Associate Director, Transportation Issues, before the Transportation Subcommittee, Senate Committee on Appropriations, and Senate Committee on Budget.

U.S. airspace carries by far the largest volume of air traffic in the world—a volume that is expected to rise significantly within the decade. If not managed effectively, this projected growth could affect safety and cause aviation gridlock. The limited window of opportunity to address this situation has prompted the Federal Aviation Administration (FAA) to undertake efforts to improve its performance and Congress to provide the agency with greater flexibility in procurement and personnel matters. Continuing dissatisfaction with FAA's efforts, however, has led to proposals to overhaul the agency's organizational structure. This testimony (1) highlights the key areas that have hampered FAA's ability to achieve desired outcomes, (2) discusses various proposals for restructuring the agency, and (3) describes the steps that FAA and Congress can take to help the agency address its challenges more effectively and efficiently.

**T-RCED/AIMD-00-93**, Feb. 16, 2000 (11 pages). Forest Service: Status of Efforts to Improve Accountability, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Interior and Related Agencies Subcommittee, House Committee on Appropriations.

This testimony, which draws on two recent reports (GAO/RCED/AIMD-00-2, Oct. 1999, and GAO/RCED-99-2, Dec. 1998) and ongoing GAO work, discusses the status of efforts by the Forest Service to achieve accountability for the tax dollars appropriated to it to carry out its mission. GAO summarizes the (1) actions that the agency has taken to improve its financial and performance accountability, (2) remaining hurdles to those improvements, and (3) strategies that the agency is developing to overcome these hurdles.

**T-RCED/AIMD-00-142**, Apr. 6, 2000 (16 pages). Aviation Security: Vulnerabilities Still Exist in the

Aviation Security System, by Gerald Dillingham, Associate Director, Transportation Issues, before the Aviation Subcommittee, Senate Committee on Commerce, Science and Transportation.

This testimony discusses the Federal Aviation Administration's efforts to implement and improve security in the air traffic control computer systems and airport passenger screening checkpoint areas. GAO's testimony is based on earlier reports on computer security and on ongoing work in this area. GAO identifies security problems in both the air traffic control computer systems and in the performance of checkpoint screeners.

## **GGD**

**AIMD/GGD-00-49**, Dec. 16, 1999 (42 pages). Year 2000 Computing Challenge: Readiness of FBI's National Instant Criminal Background Check System Can Be Improved.

The FBI's National Instant Criminal Background Check System is a computer system that, in concert with other FBI and state-run systems, is used to do presale background checks on persons seeking to buy firearms. This report, which summarizes the information presented by GAO at a congressional briefing, evaluates the FBI's efforts to make the system Year 2000 compliant. GAO also makes recommendations designed to strengthen the Year 2000 readiness of the nation's firearm presale background check program.

**GGD-00-1**, Oct. 14, 1999 (51 pages). IRS Employee Evaluations: Opportunities to Better Balance Customer Service and Compliance Objectives.

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.

**GGD-00-3**, Oct. 29, 1999 (55 pages). Long-Term Capital Management: Regulators Need to Focus Greater Attention on Systemic Risk.

In 1998, Long-Term Capital Management (LTCM)—one of the largest U.S. hedge funds—lost more than 90 percent of its capital. The Federal Reserve concluded that rapid liquidation of LTCM's trading positions and related positions of other market participants might pose a significant threat to already unsettled global financial markets. As a result, the Fed arranged a private sector

recapitalization to prevent LTCM's collapse. The circumstances surrounding LTCM's near collapse and recapitalization raised questions that go beyond the activities of LTCM and hedge funds to how federal financial regulators fulfill their supervisory responsibilities and whether all regulators have the necessary tools to identify and address potential threats to the financial system. This report discusses (1) how LTCM's positions became large and leveraged enough to be deemed a potential systemic threat, (2) what federal regulators know about LTCM and when they found out about its problems, (3) what the extent of coordination among regulators was, and (4) whether regulatory authority limits regulators' ability to identify and mitigate potential systemic risk.

**GGD-00-4**, Nov. 29, 1999 (111 pages). IRS Seizures: Needed for Compliance but Processes for Protecting Taxpayer Rights Have Some Weaknesses.

To collect unpaid taxes in 1997, the Internal Revenue Service (IRS) seized property from 8,300 delinquent taxpayers who owed the federal government about \$1.1 billion. GAO found that IRS' use of its seizure authority produced mixed results in terms of targeting the most noncompliant taxpayers and then bringing them into compliance. Seizures target the more noncompliant taxpayers statistically, the greater the amount of unpaid taxes or the number of outstanding tax delinquencies, the greater the likelihood of seizure. The likelihood of seizure varied by location. Seizures were as much as 17 times more likely for delinquent taxpayers in some IRS district offices than in others. Many seizures improved compliance with the tax laws (42 percent of taxpayers had their full tax liability resolved after IRS seized their assets), although some seizures produced little for the government. For 22 percent of affected taxpayers, the seizures generated little revenue for the government and

contributed little to resolving the taxpayers' delinquencies. In reviewing seizure cases, GAO found examples in which IRS revenue officers' use of discretion in deciding whether and how to conduct a seizure was questionable. For example, in one case, IRS seized two assets from a taxpayer, both of which were disproportionately greater in value than the amount needed to satisfy the taxes owed. IRS' use of seizure authority is in transition while the agency adapts to the requirements of the IRS Restructuring and Reform Act, which is designed to better protect taxpayers from unwarranted collections if other collection alternatives are available. GAO's review of IRS' processes for protecting the rights of taxpayers in planning and conducting seizures found implementation breakdowns and, in some instances, inadequate process requirements. Because the impact of seizures on taxpayers can be severe and the number of seizures are likely to rise in the future, GAO makes recommendations to deal with the weaknesses that persist in IRS' collection process.

**GGD-00-5**, Nov. 29, 1999 (19 pages). IRS Seizures: Limited Progress in Eliminating Asset Management Control Weaknesses.

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

this job. GAO found that, as of October 1999, IRS had not finalized plans for removing revenue officers from its process for selling seized assets. A GAO review of a nationwide sample of seizure cases found that basic internal control weaknesses cited in 1992 persist. Regardless of whether seized assets are done “in-house” by an IRS specialist or by a private contractor, IRS must have controls to provide accountability over seized assets, security for those assets, sales practices that protect the interests of the government and taxpayers, and information to assist management oversight. Without these controls, the interests of taxpayers who have their assets seized may suffer—for example, from asset sales that fail to maximize net proceeds

**GGD-00-6**, Dec. 14, 1999 (39 pages). 2000 Census: Contingency Planning Needed to Address Risks That Pose a Threat to a Successful Census.

With less than four months remaining until Census Day (Apr. 1, 2000), significant uncertainties continue to surround the Census Bureau’s efforts to boost participation in the census and to collect timely and accurate field data from nonrespondents. Obtaining adequate public participation is a huge challenge, one with implications for the size of the nonresponse follow-up workload. Data quality and scheduling could be affected if the nonresponse follow-up workload is greater than expected or the Bureau has difficulty in filling the number of enumerator positions that it estimates will be needed for this job. These uncertainties raise concerns that the 2000 Census may be less accurate than the 1990 Census. As a result, the Bureau needs to have contingency plans in place to mitigate the impact of a lower-than-expected response rate. Because so little time remains and senior Bureau managers will be devoting most of their attention to carrying out the census plans that are already in place, such contingency

plans will be most useful if they focus on the critical challenges and trade-offs that the Bureau will face as the need to balance schedule pressures with the need to protect data quality. Its response rate goals are not met. Also, even though the Bureau has already taken steps to expand the census applicant pool, additional statutory measures could be needed, given the Bureau’s history of staffing problems and the magnitude of the Bureau’s staffing challenge for 2000.

**GGD-00-7**, Mar. 16, 2000 (31 pages). Tax Administration: IRS’ Use of Nonaudit Contacts.

More than 123 million taxpayers filed income tax returns in 1998. For most, this was the end of their interaction with the Internal Revenue Service (IRS) for the year. However, IRS audits about one percent of taxpayers with respect to the tax liability reported on their returns. IRS also uses several types of nonaudit contacts to notify millions of additional taxpayers about potential errors in their reported tax liability. IRS has provided little information publicly on these nonaudit contacts. This report discusses the major types of nonaudit contacts with taxpayers: the math error program, underreport program, and notices sent to taxpayers about duplicate social security numbers and potential errors on self-employment taxes.

**GGD-00-10**, Oct. 28, 1999 (63 pages). Managing for Results: Strengthening Regulatory Agencies’ Performance Management Practices.

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

**GGD-00-11**, May 22, 2000 (27 pages). Tax Administration: IRS Is Working to Improve Its Estimates of Compliance Burden.

Taxpayers spend considerable time and money complying with federal income tax rules. Although much of this compliance burden is associated with the tax code, some of it is also linked to the actions of the Internal Revenue Service (IRS). Reliable estimates of the burdens imposed by such compliance could help Congress reduce those burdens and help IRS develop measures of its own performance, making better informed resource allocation decisions within the agency and meeting reporting requirements under the Paperwork Reduction Act. This report (1) describes IRS’ overall strategy to improve its methodology for estimating compliance burden, (2) describes what IRS has done to implement its overall strategy and how IRS expects to improve its methodology, and (3) determines whether IRS expects that its new methodology will be able to measure the burden associated with the complex tax rules identified in IRS’ forthcoming first annual report on tax complexity.

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**GGD-00-12**, Oct. 12, 1999 (27 pages).  
General Services Administration:  
STAR-PBS' New Program for Tracking  
and Managing Real Property.

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.

**GGD-00-14**, Oct. 12, 1999 (27 pages).  
Crime Technology: Department of  
Defense Assistance to State and Local  
Law Enforcement Agencies.

This report provides information on crime technology assistance provided by the Defense Department (DOD) to state and local law enforcement agencies during fiscal years 1996 through 1998. GAO categories the assistance into the following three areas: (1) grants of other types of direct federal funding; (2) access to support services and systems, such as counterdrug or other intelligence centers; and (3) in-kind transfers of equipment or other assets. GAO also identifies several DOD research and development efforts that may have indirectly benefited state and local law enforcement agencies.

**GGD-00-16**, Nov. 3, 1999 (51 pages).  
Large Bank Mergers: Fair Lending  
Review Could be Enhanced With  
Better Coordination.

The fair lending laws prohibit discrimination on the basis of an applicant's race, color, religion, gender, national origin, or other characteristics. In recent years, mergers between several of the nation's largest banks have prompted consumer and community groups to raise fair lending concerns. This report (1) describes the fair-lending issues raised by consumer and community groups during the application process for six larger bank holding company mergers and (2) assesses the Federal Reserve Board's consideration of those issues. GAO provides information on actions that regulators have taken in response to earlier GAO recommendations on fair lending. GAO also provides information on emerging fair-lending issues related to credit scoring, automated loan underwriting, and mortgage brokers. In each of the six mergers GAO reviewed, consumer and community groups raised the issue of perceived high loan denial and low lending rates to minorities by the mergers. The Fed considered these fair-lending issues in the six merger cases by collecting, reviewing, and analyzing information from various sources, including the bank holding companies involved in the mergers and other federal and state agencies. The Fed did not routinely contact the Federal Trade Commission or the Department of Housing and Urban Development about the six mergers despite their fair lending enforcement responsibilities.

**GGD-00-17**, Dec. 15, 1999 (19 pages).  
Food and Drug Administration  
Facility: Requirements for Building on  
a Floodplain Met.

The Food and Drug Administration plans to build a facility in College Park, Maryland, to house its Center for Food Safety and Applied Nutrition. This report provides information on (1) the authority of the General Services Administration to build this new facility in College Park, (2) whether the requirements for building on a

floodplain have been met, and (3) the planned placement of computers in the basement of the new building. On this last point, GAO discusses whether steps have been taken to reduce the risk of damage from water seeping into the basement and whether the staff of the Center participated in the decision to place the computer operations in the basement.

**GGD-00-22**, Dec. 28, 1999 (87 pages).  
Women In Prison: Issues and  
Challenges Confronting U.S.  
Correctional Systems.

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

**GGD-00-23**, Dec. 15, 1999 (59 pages).  
Customs Service Modernization:  
Impact of New Trade Compliance  
Strategy Needs to Be Assessed.

The Customs Modernization and Informed Compliance Act fundamentally changed the relationship between importers and the Customs Service by making the importers legally responsible for declaring the value, classification, and rate of duty applicable to merchandise being imported into the United States.

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Customs is responsible for determining the final classification and value of imported merchandise. The act also gave Customs and importers a shared responsibility for ensuring compliance with trade laws. To carry out these new responsibilities, Customs has developed an informed compliance strategy. This report (1) assesses the status of Customs' implementation of the informed compliance strategy and (2) determines whether trade compliance under the new program has improved.

**GGD-00-28**, Jan. 31, 2000 (31 pages). Human Capital: Key Principles From Nine Private Sector Organizations.

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

**GGD-00-30**, Nov. 1, 1999 (87 pages). Survey Methodology: An Innovative Technique for Estimating Sensitive Survey Items.

This staff study discusses an innovative technique that GAO has devised for collecting data on sensitive policy-relevant topics. The “three card method” is designed to collect sensitive information in large-scale surveys. It is intended to allow estimation of the needed statistics while maximizing response privacy and reducing “question threat.” If successful, this technique might eventually fill in key data gaps and improve statistics that would be helpful in making public policy decisions. GAO's main goal is to spur interest in—and, where appropriate, encourage more development and testing of—this promising, albeit not yet fully validated, technique.

**GGD-00-31**, Nov. 9, 1999 (19 pages). U.S. Postal Service: Changes Made to Improve Acceptance Controls for Business Mail.

The Postal Service discounts postage rates to customers who barcode and presort their business mail before submitting it in bulk quantities to the Service for processing. GAO reported in 1996 that the Service lacked adequate controls to ensure that customers had properly prepared their business mail and were, in fact, eligible to receive the discounted postal rates. (See GAO/GGD-96-126.) This follow-up report found that the Service made changes to its controls over the acceptance of business mail. These changes are generally along the lines that GAO recommended in 1996, and its controls overall appear to have improved. However, the Service lacks information on how well its controls are working Servicewide and cannot guarantee that it is collecting all the revenue due from its business mail operations.

**GGD-00-35**, Jan. 26, 2000 (35 pages). Managing for Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress.

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

**GGD-00-37**, Dec. 15, 1999 (79 pages). Tax Administration: IRS' 1999 Tax Filing Season.

During the 1999 tax filing season, the Internal Revenue Service (IRS) met or exceeded several of its performance measure goals. However, IRS fell short in two key areas: the ability of taxpayers to access IRS' toll-free telephone service and the quality of IRS' answers to taxpayers who called with tax law questions. Also, IRS' accomplishment in a third wreath the timeliness of refunds for paper retransmitted questions about the agency's timeliness that IRS could not answer. Other significant findings from the 1999 tax filing season included the following: IRS enhanced the availability of its walk-in service by increasing Saturday hours and making services more convenient for taxpayers who did not have easy

access to a walk-in office. Use of IRS' World Wide Web site rose significantly during the 1999 tax filing season. IRS stopped millions of dollars in erroneous claims for the earned income credit in 1999 by validating social security numbers and scrutinizing some claims. Of the nearly 126 million tax returns filed in 1999, 29.3 million, or 23 percent, were filed electronically. IRS launched several initiatives directed at making electronic filing paperless and thus more appealing to potential users. Twenty percent of the returns filed in 1999 included the new child tax credit. Many of these taxpayers, however, miscalculated the credit amount, and many other taxpayers who were eligible for the credit failed to claim it. IRS made significant changes to the computer systems that it uses to process returns and remittances without any discernable processing disruptions.

**GGD-00-38**, Mar. 17, 2000 (87 pages). U.S. Customs Service: Better Targeting of Airline Passengers for Personal Searches Could Produce Better Results.

Concerns have been raised about the U.S. Customs Service's selection or "targeting" of airline passengers suspected of carrying contraband, such as illegal drugs, into the country. GAO found that inspectors chose passengers for further examination on the basis of Customs' policies and procedures and their professional judgment and experience. Of those selected for additional examination, about 102,000 passengers were subjected to some form of personal search, which ranged from frisking to x-ray exams to strip searches. Passengers of some races and gender were more likely than others to be subjected to more intrusive forms of personal searches after they had been frisked. Most strikingly, African-American women who were U.S. citizens were more than nine times more likely than white women who

were U.S. citizens to be x-rayed in fiscal year 1998. But the results of the x-rays showed that these African-American women were less than half as likely as white women to be carrying contraband.

**GGD-00-39**, Dec. 17, 1999 (43 pages). Border Patrol Hiring: Despite Recent Initiatives, Fiscal Year 1999 Hiring Goal Was Not Met.

Although the Immigration and Naturalization Service (INS) met its goal of increasing the strength of the Border Patrol by 1,000 agents in both 1997 and 1998, it saw an increase of only 369 agents in 1999 because it was unable to recruit enough qualified applicants and retain them through the hiring process. Although INS attracts large numbers of applicants, few who apply to the Border Patrol successfully complete the application process. Some fail to pass the rigorous entry examination, medical examination, or background check, while others withdraw from the process. INS assigns all new Border Patrol agents to the southwest border, where 92 percent of all agents are stationed. As hiring has increased, the experience level of Border Patrol agents has declined agencywide, as well as along the southwest border. The percentage of agents along the southwest border with two years of experience or less tripled from 14 percent to 39 percent between 1994 and 1998. Also, most of the southwest border sectors saw an increase in the average number of nonsupervisory agents assigned to each GS-12 supervisory agent. By relying on a temporary training facility in Charleston, South Carolina, the Border Patrol Academy has been able to provide newly hired agents with the required training and, according to a Border Patrol official, is prepared to meet the training needs associated with future growth.

**GGD-00-40**, Jan. 31, 2000 (35 pages). Postal Issues: The Department of

State's Implementation of Its International Postal Responsibilities.

The State Department assumed primary responsibility for U.S. policy on Universal Postal Union (UPU) matters in 1998. State has made progress in implementing its new responsibilities by consulting with the Postal Service, other federal agencies, postal users, private providers of international postal services, and the public. Also, State clearly signaled changes in U.S. policy on UPU reform. Despite this progress, opportunities exist for State to improve its process for developing U.S. policy on these matters and the institutional continuity and expertise of its staff. For example, GAO found shortcomings in the timing and notifications for public meetings and the distribution of documents discussed at those meeting that may have limited opportunities for stakeholders to provide meaningful input. GAO recommends that State establish a more structured, timely, and open process for developing U.S. policy on UPU matters. Also, State should provide sufficient staff continuity and expertise to handle its UPU responsibilities. It is unclear, however, how State plans to address GAO's recommendations. GAO summarized this report in testimony before Congress; see: Postal Issues: The Department of State's International Postal Responsibilities, 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-00-63, Mar. 9 (eight pages).

**GGD-00-41**, Mar. 13, 2000 (59 pages). Racial Profiling: Limited Data Available on Motorist Stops.

Available analyses of racial profiling of motorists by law enforcement—that is, using race as a key factor in deciding whether to make a traffic stop—are limited to five quantitative analyses that contain methodological



limitations. These analyses provide no conclusive empirical data to determine the extent to which racial profiling may occur. However, the cumulative results of the analyses indicate that, in relation to the populations to which they were compared, African American motorists, and minority motorists in general, were more likely than whites to be stopped on the roadways studied. Because of methodological weaknesses in the existing analyses, GAO cannot determine whether the rate at which African Americans or other minorities are stopped is disproportionate to the rate at which they commit violations that put them at risk of being stopped. GAO believes that more and better research should be done on the racial characteristics of persons who commit the types of violations that may result in stops. So far, little empirical information exists at the federal, state, or local levels to provide a clear picture of the existence or prevalence of racial profiling. Data collection efforts that are planned or under way should provide more data in the next several years to help shed light on this issue.

**GGD-00-42**, Dec. 20, 1999 (43 pages). Year 2000: Insurance Regulators Have Accelerated Oversight, but Some Gaps Remain.

Under a long-standing division of responsibilities between federal and state regulators, state insurance regulators have the primary responsibility for overseeing the insurance industry. In March 1999, GAO reported that state insurance regulators were generally not as aggressive in their oversight of the industry's Year 2000 readiness as were the banking and securities regulators. (See GAO/T-GGD-99-56.) Of particular concern was the limited attention given to validating the status of Year 2000 preparedness among insurance companies. This report (1) updates GAO's assessment of state regulatory oversight of the insurance industry's

preparations for the Year 2000 date change and (2) discusses the status of the industry's Year 2000 readiness.

**GGD-00-43**, May 9, 2000 (43 pages). On-Line Trading: Better Investor Protection Information Needed on Brokers' Web Sites.

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

an estimated 8 million additional on-line trading accounts could be opened by the year 2001.

**GGD-00-44**, Dec. 21, 1999 (15 pages). Olympic Games: Preliminary Information on Federal Funding and Support.

At least 24 federal organizations provided or planned to provide about \$2.1 billion in 1999 dollars for Olympic projects and activities for the Los Angeles and Atlanta Summer Olympic Games and the upcoming Salt Lake City Winter Olympic Games. About \$530 million was reported to have been provided or planned for projects and activities solely related to the planning and staging of the Olympics, including safety and security as well as transportation services. The remaining \$1.6 billion was spent or planned for projects, such as highway construction, transit system development, and other capital projects, that the host cities of Atlanta and Salt Lake City wanted to have completed in time for the Olympic Games. Federal and state officials said that they identified these projects as Olympic-related because their completion was generally accelerated to improve transportation services and avoid construction during the Olympic Games. These officials said that most of the federal funding for these projects would have been eventually provided to the host city regardless of the Olympic Games. Concerning the 1984 Olympic Games in Los Angeles, federal funding and support totaled about \$75 million and involved 11 federal organizations. Unlike the federal support for later Olympics, the federal organizations reported little funding and support for capital projects to prepare Los Angeles for the 1984 Summer Olympic Games. Most of the federal funding and support that agencies reported providing to the 1996 Summer Olympic Games in Atlanta and planned for the 2002 Winter Olympic Games is reported to be for infrastructure projects to

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prepare the host city for the Olympics projects that will also benefit the host city and state after the Games have ended.

**GGD-00-45**, Feb. 16, 2000 (19 pages). Structured Settlements: The Department of Justice's Selection and Use of Annuity Brokers.

The federal government solicits the services of private brokers to help structured settlements with claimants in lawsuits against federal agencies. Because private brokers can earn lucrative commissions from insurance companies, the Justice Department has issued policy and guidance to promote fairness and avoid the appearance of favoritism in choosing these brokers. Justice officials told GAO that the agency's policies and guidelines permit some discretion and that, when selecting a broker, they generally relied on such factors as reputation, past experience, knowledge, and location. However, Justice officials were unable to explain why attorneys selected particular brokers to settle specific cases because Justice did not require documentation of these decisions. Overall, the six federal agencies GAO surveyed described policies and guidance in selecting structured settlement brokers that were similar to those of Justice. Like Justice, however, none of the agencies required their attorneys to document their reasons for picking a specific broker. GAO's review of the list of the structured settlement brokerage companies used by Justice and the number of settlements assigned to each company showed that Justice chose a handful of companies to handle most of its structured settlement business. Between May 1997 and May 1999, 70 percent of 242 claims totaling \$236 million were awarded to four brokerage companies.

**GGD-00-46**, Jan. 21, 2000 (23 pages). Financial Regulatory Coordination:

The Role and Functioning of the President's Working Group.

Following the highly publicized losses experienced by a large leveraged hedge fund in 1988 and the potential implications for worldwide financial markets, questions began to be raised about the role and functioning of the President's Working Group on Financial Markets. The Working Group was created by an executive order in response to the 1987 stock market crash, although since 1994 the Working Group has served as a mechanism to coordinate regulatory responses to various market events that have arisen. This group is composed of the Secretary of the Treasury and the chairs of the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, and the Commodity Futures Trading Commission. This report discusses (1) whether the issues listed for consideration by the Working Group by the executive order have been considered, (2) what additional issues have been considered by the Working Group and how they were identified, and (3) the nature of coordination and cooperation within the Working Group and the views of Members of Congress and Working Group participants about whether it needs to be formalized in statute.

**GGD-00-47**, Feb. 25, 2000 (15 pages). 2000 Census: Actions Taken to Improve the Be Counted and Questionnaire Assistance Center Programs.

The Census Bureau has added several initiatives to improve the accuracy and completeness of the population count in the 2000 Census. These initiatives include the "Be Counted" program as well as walk-in Questionnaire Assistance Centers. The Be Counted program is designed to count people who believe that they did not receive a census questionnaire, or who were otherwise omitted from the census. Aimed at traditionally hard-to-

enumerate population groups, the Be Counted program is to make its forms available in various public locations, such as community centers, churches, and businesses. Questionnaire Assistance Centers are to help people—especially those who speak little or no English—complete their census questionnaires by providing assistance in several languages on a walk-in basis. The centers are also to distribute Be Counted forms. This report provides information on the status of these two programs, focusing on the steps that the Bureau has taken to address shortcomings that it encountered during the dress rehearsal.

**GGD-00-48**, Jan. 24, 2000 (59 pages). Risk-Focused Bank Examinations: Regulators of Large Banking Organizations Face Challenges.

Examinations by federal banking regulators are intended to assess the safety and the soundness of banks and identify conditions that may require prompt action to remedy unsafe and unsound banking practices. In recent years, banking regulators have begun emphasizing an institution's internal control systems and the way it manages and controls its risks, rather than determining whether a bank was operating in a safe and sound manner at a specific point in time. This evolution to a risk-focused approach responds to rapid changes in the banking industry and the speed with which an institution's risk profile can change. This approach is particularly important because, in recent years, major consolidations have produced several large, complex banking organizations with diverse risks and sophisticated risk-management systems. This trend can be expected to continue as the result of recent landmark legislation that allows banks, securities firms, and insurance companies to acquire one another. This report studies the risk-focused approaches used by the Federal Reserve and the Office of the Comptroller of the Currency (OCC).

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GAO (1) describes the general characteristics of the regulators' risk-based approach to examinations of large, complex banks, explaining how they differ from past examination practices; (2) compares the implementation of the risk-focused approaches of the Fed and OCC; and (3) identifies the challenges faced by both agencies as they continue to implement their examination programs for large, complex banks.

**GGD-00-50**, Feb. 1, 2000 (47 pages). Consumer Price Index: Update of Boskin Commission's Estimate of Bias.

Between December 1996, when the Boskin Commission issued its final report estimating that the Consumer Price Index (CPI) overestimates the cost-of-living by 1.1 percentage points annually, and June 1999, when GAO began this review, the Bureau of Labor Statistics (BLS) made seven methodological changes that affected the calculation of the CPI. BLS also announced three methodological changes that it planned to implement. Four former members of the Boskin Commission said that the seven methodological changes have reduced some of the bias in the CPI, although they had different views on the extent of the remaining bias. Their estimates of the remaining bias ranged from 0.73 to 0.9 percentage points annually. The former Boskin Commission members believe that most of the remaining bias is due to "new products/quality change bias." According to the Commission, this type of bias occurs when new products are not included in the CPI or when they are included after a long delay, which results in the CPI not capturing price decreases that often occur after a product's introduction in the marketplace. New products/quality change bias also occurs when the CPI does not adequately measure the portion of a price increase that is due to an improvement in the quality of a product or service instead of to a rise in the cost of living.

**GGD-00-52**, Feb. 4, 2000 (19 pages). Managing for Results: Challenges Agencies Face in Producing Credible Performance Information.

In the past, congressional policymaking, spending decisions, and oversight as well as agencies' decisionmaking have all been seriously handicapped by the lack of clear goals and sound performance information at federal agencies. To remedy that situation, the Government Performance and Results Act of 1993 requires agencies to set multiyear strategic goals, measure progress toward achieving those goals, and report on their progress. Agencies' annual performance reports are intended to provide important information to agency managers, policymakers, and the public on what each agency accomplished with the resources it was given. This report identifies some of the challenges that agencies face in producing credible performance information and how those challenges may affect performance reporting—the next phase in implementing the Results Act. GAO (1) discusses whether the weaknesses it has identified in agencies' performance plans imply challenges for the performance reports, (2) illustrates some of the challenges agencies face in producing credible performance data, and (3) describes how performance reports can be used to address data credibility issues.

**GGD-00-54**, Mar. 28, 2000 (23 pages). Tax Administration: Tracking Taxpayer Information About IRS Notices Could Reduce Burden.

In fiscal year 1998, the Internal Revenue Service (IRS) sent more than 80 million notices to taxpayers about various enforcement actions, such as audits or demands for payment of past due tax debts. Taxpayers who disagreed with or did not understand how to respond to a notice could call IRS toll-free. IRS received upwards of 20 million calls about notices in fiscal

year 1998. Members of Congress have raised concerns about the burden imposed on taxpayers and questioned whether information obtained during taxpayer telephone calls could be useful in understanding the causes of various problems, such as confusing instructions or incorrect information. This report discusses (1) whether IRS tracks information about notices from taxpayers who call IRS and (2) if not, whether such a tracking could be useful and feasible.

**GGD-00-55**, Apr. 14, 2000 (15 pages). Tax Administration: Multiple Collection Notices Sent to Individual Taxpayers.

The Internal Revenue Service (IRS) has sent millions of collection notices to taxpayers each year requesting payment of tax assessments and related penalties and interest. Some taxpayers have complained that IRS sent collection notices for the same tax assessment after the payment has been made—a practice that incurs unnecessary costs for the agency and imposes burdens on taxpayers. GAO found that 39 percent of the nearly 15 million taxpayers who were sent collection notices from January through November 1999 received multiple collection notices for the same assessment. IRS sent almost all of these multiple notices because, according to IRS records, it had not received payment of the tax assessments in full. Yet, in the case of five percent of these taxpayers (270,000 individuals), IRS sent at least one notice after the agency had received payment in full of the assessment. IRS provided several explanations for why it sent notices after full payments. Some taxpayers paid too late to stop a subsequent notice. Others paid on time, but IRS did not record the payment soon enough to stop a subsequent notice. In other cases, an error by IRS or the taxpayer, such as recording a payment in the wrong account or using the wrong social security number, caused

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IRS to send a notice after a full payment.

**GGD-00-56**, Apr. 12, 2000 (71 pages).  
Gun Control: Options For Improving the National Instant Criminal Background Check System.

This report provides information on the effectiveness of the Brady Act's phase I (interim Brady) and phase II (permanent Brady) provisions in preventing the sale of firearms to prohibited persons, such as criminals or illegal aliens. Under interim Brady, which went into effect in 1994 and applied only to handguns, background checks were generally to be done by the chief law enforcement officer in the purchaser's residence community. During phase I, handguns were not to be transferred for five business days (a waiting period) unless the dealer received approval from the applicable state or local chief law enforcement officer before that time. Under permanent Brady, background checks generally are to be done using a computerized system.

**GGD-00-59**, Mar. 16, 2000 (55 pages).  
EPA Paperwork: Burden Estimate Increasing Despite Reduction Claims.

The Environmental Protection Agency (EPA), like other federal agencies, collects information from the public. EPA uses this information to help ensure compliance with the agency's regulations, to evaluate the effectiveness of its programs, and to determine eligibility for program benefits. However, EPA's information collection efforts impose a substantial burden on the public, and small businesses contend that they are particularly affected by government paperwork. This report (1) describes the general dimensions of EPA's paperwork requirements and the agency's progress toward reducing the burden that those requirements impose, (2) describes EPA's process for developing paperwork burden-hour estimates for its largest information

collections as of September 1998 and gauges the credibility of those estimates, and (3) describes EPA's largest paperwork burden-hour reductions between September 1995 and September 1998 and gauges the credibility of those reductions. GAO also provides information on EPA's Reinventing Environmental Information Initiatives and the agency's new Office of Environmental Information.

**GGD-00-61**, Feb. 24, 2000 (39 pages).  
Securities Operations: Day Trading Requires Continued Oversight.

Day trading among less experienced investors is an evolving segment in the securities industry. Day traders represent less than 1/10th of one percent of all persons who bought or sold securities. They are, however, a growing part of trading on the Nasdaq, accounting for as much as 15 percent of total Nasdaq volume. These individuals all traded at specialized day trading firms. Some firms encourage anyone who wants to be a day trader, and has the necessary capital, to use the firm's systems and facilities to trade. These traders risk losing their own money. Other firms stress that they are only interested in qualified, professional traders. These traders risk the firms' capital, not their own, and can be fired if they lose significant sums. Some firms use a combination or variation of these strategies. The effects of day trading on both individual traders and the markets as a whole are unclear. Day trading is risky, and state regulators have reported that most day traders they investigated lost money. However, officials at day trading centers GAO visited said that although most people lose money at first, most of their experienced traders made money. From a market standpoint, day traders' access to the markets provides direct competition for market makers and institutional traders that may benefit all individual investors, but day traders' frequent trading could also

make market prices more volatile. Federal regulators, such as the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD), have taken steps to address the risks of day trading. They are concerned that firms have been advertising day trading as a profitable strategy without fairly disclosing its risks. The rule violations found most frequently at day trading firms involve supervisory procedures, net computations, and advertising. Regulators have also found violations involving margin and lending issues. Some of the day trading firms GAO visited recognize these regulatory concerns and said that they have taken steps to provide better disclosure; screen prospective traders; and restrict some activities, such as customer-to-customer lending. GAO recommends that SEC and NASD evaluate the implications of day trading for the integrity of the market after decimal trading is introduced. GAO also recommends that SEC do at least one more cycle of targeted examinations of day trading firms to ensure that the firms take the corrective actions they have proposed in response to earlier examination findings.

**GGD-00-65**, Apr. 7, 2000 (47 pages).  
Tax Administration: IRS' Levy of Federal Payments Could Generate Millions of Dollars.

Many taxpayers who are delinquent in paying their federal taxes are receiving billions of dollars in federal payments each year, from Social Security to payments for goods and services provided to government agencies. To help the Internal Revenue Service (IRS) collect these delinquent tax debts, in 1997 Congress gave IRS the authority to continuously levy up to 15 percent of some federal payments made to delinquent taxpayers. GAO's analysis of records from the Internal Revenue Service (IRS) and Treasury's Financial Management Service (FMS) found that more than 264,000

taxpayers with delinquent tax liabilities of \$2.8 billion received federal payments totaling \$2.1 billion that could have been subject to a continuous levy if the levy program had been in place at that time. GAO estimates that IRS could have generated nearly \$500 million in annual revenues from these levies at a cost of about \$35 million each year. Although the continuous levy program has the potential to raise significant revenues, the program will not reach its full potential when it is initially implemented. According to officials at IRS and the Financial Management Service, both agencies plan to adopt controls for the program that are intended to prevent inappropriate levies. However, IRS has not planned any new procedures to ensure that taxpayers receive timely refunds in any instances in which these controls fails. Several changes to the continuous refund levy could yield millions of dollars in additional tax revenue.

**GGD-00-66**, Feb. 18, 2000 (35 pages). Acquisition Reform: GSA and VA Efforts to Improve Training of Their Acquisition Workforces.

Members of Congress have raised concern that the acquisition workforce in federal agencies—personnel responsible for billions of dollars of government procurement expenditures each year—may lack the training needed to do their jobs. This report discusses whether (1) the General Services Administration (GSA) and the Department of Veterans Affairs (VA) have assurances that their acquisition workforces met federal training requirements and whether contracting officers at one GSA and one VA field location met each agency's training requirements; (2) the Office of Federal Procurement Policy had sought to ensure that civilian agencies collected and maintained standardized acquisition workforce information, as required by the 1996 Clinger-Cohen Act; and (3) GSA and VA

were taking steps to comply with the funding requirements of the Clinger-Cohen Act.

**GGD-00-68**, Apr. 14, 2000 (31 pages). Competitive Contracting: The Understandability of FAIR Act Inventories Was Limited.

The Federal Activities Inventory Reform (FAIR) Act of 1998 requires government agencies to submit each year to the Office of Management and Budget inventories of activities that, in the judgment of the agency head, are not inherently governmental functions. This report describes the initial implementation of the FAIR Act and examine inventories of inherently governmental activities at the following agencies: the Departments of Commerce and Transportation, the General Services Administration, and the Environmental Protection and Federal Emergency Management Agencies. GAO (1) describes the act's initial implementation, (2) analyzes the clarity and understandability of FAIR act inventories at the five agencies, (3) examines the extent to which these agencies exempted commercial activities from competition, and (4) identifies supplemental information that enhances the understandability of the agencies' inventories.

**GGD-00-69**, Feb. 22, 2000 (14 pages). Police Corps: Some Problems Resolved, But Most Positions Remain Unfilled.

The Police Corps program was established to help local and state law enforcement agencies increase the number of officers with advanced education and training assigned to community patrol. The program offers competitive scholarships of up to \$7,500 a year with a lifetime maximum of \$30,000 to college students who agree to earn a Bachelor's Degree and then agree to serve as police officers on a beat for a least four years. GAO found that the Police Corps program has gotten off to a slower-than-

expected start, and most participant slots remained unfilled. As of September 1999, about 43 percent of the 1,007 positions funded for fiscal years 1996 through 1998 had been filled. This situation was due to various causes, from the failure of the Community Oriented Policing Services Office to provide federal administrative funds and adequate staffing for the program to the fact that the Police Corps statute did not provide funding for states' administrative and recruiting costs. The Community Oriented Policing Services Office transferred the Office of the Police Corps to the Office of Justice Programs in December 1998. Although the Office of Justice Programs has made significant progress in obligating funds and establishing interagency agreements with the participating states, it is too soon to tell whether the Office of Justice Programs will succeed in filling more participant slots and continue to provide guidance.

**GGD-00-70**, Apr. 14, 2000 (51 pages). Whistleblower Protection: VA Did Little Until Recently to Inform Employees About Their Rights.

There is a consensus among experts in organizational culture that an organization's beliefs and values affect the behavior of its members. If employees believe that an organization's culture may not protect them from reprisal or may even support reprisal, they may hesitate to come forward to report misconduct. This report provides information on the awareness and level of confidence that employees at the Department of Veterans Affairs (VA), particularly medical employees, have about whistleblower protection. GAO (1) reviews steps that VA has taken since the passage of the 1994 Whistleblower Protection Act amendments to inform its employees about their rights to protection against reprisal when reporting misconduct, (2) evaluates the extent to which VA employees are

aware of their rights to such protection, and (3) evaluates the extent to which VA employees are willing to report misconduct in VA operations should they become aware of it. GAO also provides information on the number and the disposition of whistleblower reprisal complaints filed by VA workers with agencies responsible for providing whistleblower protection.

**GGD-00-75BR**, Apr. 12, 2000 (67 pages). D.C. Courts: Implementation of Personnel Policies Requires Further Attention From the Courts' Leadership.

This report examines the personnel management policies and practices of the District of Columbia Courts. Some Court employees have criticized those practices, alleging that they are unfair and at odds with the Courts' policies on personnel management. An earlier GAO report discussed how the Courts determine the adequacy of nonjudicial staff levels. (See GAO/GGD-99-162, Aug. 1999.) This report examines whether (1) the Court's applicable policies for six basic personnel functions—performance evaluations, promotions, disciplinary measures, training, job classifications, and equal employment opportunity—were consistent with commonly accepted personnel management principles and (2) the Courts generally adhered to their policies when implementing these functions.

**GGD-00-76**, Mar. 30, 2000 (35 pages). U.S. Postal Service: Diversity in the Postal Career Executive Service.

Women and minorities made about 35 percent of the Postal Service's executive ranks at the end of fiscal year 1999. In comparison, women and minorities made up about 58 percent of the Postal Service's overall workforce. During the last five years, women and minority representation in the Postal Career Executive Service rose by about four percentage points.

With respect to selections for Postal Service executive positions in fiscal year 1999, women and minorities represented about 33 percent of Postal Service executives before the selections, and they were chosen for 25, or about 42 percent, of the 59 selections for executive jobs. The Postal Service has several efforts planned or under way to increase diversity among its Postal Career Executive Service.

**GGD-00-78**, Apr. 27, 2000 (67 pages). Impact of Gambling: Economic Effects More Measurable Than Social Effects.

Forty-eight states had some form of legalized gambling as of 1999. The estimated revenue from legalized gambling totaled more than \$54 billion in 1998. This report (1) examines the June 1999 findings of the National Gambling Impact Study Commission on the economic and social effects on communities and families and (2) explores issues raised by a case study involving Atlantic City, New Jersey, a gambling destination since the 1970s. GAO discusses the economic impacts of gambling, particularly on employment, bankruptcy, tax revenues, and community investment; the social effects of gambling; the prevalence of pathological gambling; and whether communities offer incentives to attract gambling establishments.

**GGD-00-80**, Apr. 28, 2000 (51 pages). Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed.

The breast cancer research stamp was the first stamp ever issued by the Postal Service to raise money for a nonpostal purpose—in this case medical research on breast cancer. The stamp is a "blockbuster" commemorative stamp that costs 40 cents, or seven cents above the cost of a regular first-class postage stamp. The Postal Service is authorized to deduct from the seven-cent surcharge its costs

to print, sell, and distribute the stamp. GAO found that it is unclear how much it cost to develop and sell the stamp because the Postal Service did not track these expenses. Postal officials said that these costs were inconsequential or immaterial and it would have been too expensive to track them. In March, the Postal Service reported that the bulk of its costs to develop and sell the stamp through the end of 1999 was \$5.9 million. About \$5.4 million of these costs were recovered through the 33-cent first-class portion of the stamp, and the remaining \$482,000 had been recouped from the surcharge revenues. GAO was concerned that the Postal Service had not formalized its criteria for determining what costs would be recouped from the surcharge revenue and was not consistently applying its informal criteria, which changed over time. In response to GAO's recommendation, the Postal Service indicated that it would formalize and consistently apply its cost recovery criteria. The Postal Service plans to recoup costs from the surcharge revenue that were over and above the costs normally incurred with a "blockbuster" commemorative stamp issue or a new postal product. The U.S. Mint's experiences offer lessons that may be applicable to semipostals, because there are many similarities between the two. In the mid-1990s, GAO reviewed the commemorative coin program and found that some coins were unpopular and did not sell well. GAO also found that as the number of commemorative coins proliferated, the market became saturated and sales fell. As sales fell, the U.S. Mint was unable to cover its costs on some commemorative coin programs. GAO summarized this report in testimony before Congress; see: Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on International Security, Proliferation,

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and Federal Services, Senate Committee on Governmental Affairs. GAO/T-GGD-00-137, May 25 (11 pages).

**GGD-00-81**, Apr. 28, 2000 (23 pages). Tax Administration: IRS' Implementation of the Restructuring Act's Personnel Flexibility Provisions.

The IRS Restructuring and Reform Act of 1998 granted IRS greater flexibility for handling personnel issues. Among other things, the act requires IRS to create a new performance management system; terminate employees for specific types of misconduct, such as lying under oath in a taxpayer matter; eliminate the use of enforcement statistics in employee evaluations; and develop a new training plan that emphasizes customer services. Other provisions give the agency greater discretionary authority in hiring, paying, and recruiting staff. This report discusses the status of IRS' implementation of these provisions. GAO also discusses tax administration concerns that have arisen in connection with the implementation.

**GGD-00-82**, Mar. 31, 2000 (31 pages). Small Businesses: Limited Information Available on Contract Bundling's Extent and Effects.

Federal agencies have been combining existing government contracts into fewer contracts in order to streamline the procurement process and cut costs. This process is known as contract consolidation. Congress and small business advocates have been concerned that contract consolidation may harm small businesses' ability to compete for contracts. Contracts that are consolidated to such an extent that they present a barrier to small businesses' ability to compete for them are considered to be "bundled contracts." This report discusses (1) whether the government has met the governmentwide goal of awarding 23 percent of its federal prime contracts to small businesses, (2) what the

federal government knows about the extent of contract bundling and its effect on small businesses, and (3) the Small Business Administration's efforts to oversee contract bundling by federal agencies.

**GGD-00-83**, Mar. 24, 2000 (23 pages). Tax Administration: IRS' Low-Income Taxpayer Clinic Program.

Under the Low-Income Taxpayer Clinic Program, the Internal Revenue Service (IRS) is authorized to award matching grants to organizations that (1) provide legal assistance to low-income taxpayers in controversies with IRS or (2) inform persons for whom English is a second language of their tax rights and responsibilities. This report discusses (1) the steps that IRS has taken to implement the program, (2) the key tax problems facing low-income taxpayers served by the clinics and the reasons for these problems, (3) the role that the program plays in addressing these taxpayers' problems, and (4) other steps that IRS or Congress could take to address the types of tax problems that the clinics now face.

**GGD-00-84**, Apr. 14, 2000 (11 pages). Tax Administration: IRS' Low-Dollar Notices Sent to Individual Taxpayers.

Of the more than 31 million computer-generated notices that the Internal Revenue Service (IRS) sent to taxpayers in 1999, about 1.5 million were for small amounts of money—amounts due of less than \$5 or refunds of less than \$1. The agency spends about \$0.42 to prepare and mail out these low-dollar notices. The cost rises an additional \$1.30 if IRS needs to process a payment received from a taxpayer because of the original notice, and by another \$14.32 if it needs to respond to a taxpayer inquiry about the notice. IRS sends low-dollar notices to taxpayers because of statutory requirements, such as to correct a math error or issue a notice of deficiency, or in accordance with

the IRS Internal Revenue Manual. These notices, which inform taxpayers of any changes to their account, are sent regardless of the dollar amounts involved. IRS is aware of the potential burden imposed on taxpayers in dealing with low-dollar notices and has formed an internal task team to study the issue and identify possible improvements.

**GGD-00-85**, Apr. 21, 2000 (23 pages). Tax Administration: IRS' Implementation of the Restructuring Act's Taxpayer Protection and Rights Provisions.

Passage of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 signaled Congress' strong concerns that the agency was not affording taxpayers the protection and the rights they deserve. This report describes the status of IRS' implementation of the taxpayer protection and rights provisions in the act. GAO (1) describes the status of IRS' implementation of the act's provisions and (2) determines what, if any, tax administration and other concerns IRS has identified in implementing the provisions.

**GGD-00-86**, Apr. 7, 2000 (31 pages). District of Columbia: Issues Related to the Youngstown Prison Report and Lorton Closure Process.

In response to disturbances at a contract prison facility in Youngstown, Ohio, the Office of the Corrections Trustee for the District of Columbia made several recommendations in a 1988 report. Also, the Lorton facility that houses prisoners from the District of Columbia is closing, and those inmates are being transferred to the federal Bureau of Prisons. In addition to requiring the closing of the Lorton facility, the National Capital Revitalization and Self-Government Improvement Act of 1997 required the Bureau of Prisons to house at least 2,000 D.C. inmates in private contract facilities by the end of 1999. This

report discusses (1) the D.C. Department of Corrections' response to the Trustee's recommendations; (2) the Bureau of Prisons' efforts to comply with the privatization requirements of the Revitalization Act; and (3) any challenges associated with closing Lorton by the December 31, 2001, deadline set by law.

**GGD-00-87**, May 2, 2000 (23 pages).  
District of Columbia: Management Issues Concerning Two District Leases.

Members of Congress have raised concern about alleged waste and mismanagement in the District of Columbia's leasing practices. This report focuses on two leases—one for two buildings to be used as homeless shelters that have stood vacant since 1992 and the other a reportedly underused facility initially used as a drug treatment clinic. GAO determines (1) whether the person or persons who approved the leases were authorized to do so; (2) the current status of the properties, leases, costs, and utilization; and (3) the steps the District has taken or is taking to help ensure that leased properties, in general, are effectively managed and used.

**GGD-00-88**, Apr. 14, 2000 (15 pages).  
General Services Administration:  
Leasing Practices in Selected Regions.

This report reviews the process used by the General Services Administration's (GSA) Public Buildings Service to procure leased space for federal agencies. Members of Congress have raised concerns about possible limitations on competition during the lease solicitation process. GAO (1) identifies the approaches that three of GSA's 11 offices—Philadelphia, Pennsylvania; Atlanta, Georgia; and Washington, D.C.—used to lease space, including how each region determines an agency's space requirements, identifies and assesses potential space, and communicates with actual

offerors, and (2) assesses the effect of solicitation practices on competition.

**GGD-00-89**, Apr. 6, 2000 (47 pages).  
CFTC and SEC: Issues Related to the Shad-Johnson Jurisdictional Accord.

In 1981, the Commodities Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC) entered into an agreement, known as the Shad-Johnson Jurisdictional Accord, that prohibits futures trading on single stocks and on some stock indexes. The prohibitions reflect concerns that such futures could be used as substitutes for single stocks to circumvent securities laws and regulations. This report analyzes (1) the extent to which U.S. securities, foreign futures, and over-the-counter markets trade stock-based derivatives that are economically similar to the futures prohibited from trading by the accord; (2) the potential effect of the accord's trading prohibitions on derivatives market participants; (3) concerns about calls to repeal the accord's trading prohibitions; and (4) jurisdictional and other approaches to addressing these concerns.

**GGD-00-92**, Apr. 7, 2000 (19 pages).  
New Dollar Coin: Public Perception of Advertising.

Members of Congress have raised concerns that the U.S. Mint's promotion of its new dollar coin as a "golden dollar" might mislead the public into thinking that the coin actually contains gold. GAO contracted with a national market research firm to survey a sample of more than 1,000 U.S. adults on whether they had seen any advertising on the new dollar coin and, if so, whether they believed that the coin contained any gold. The survey found that 57 percent of the adults had seen or heard advertising on the new dollar coin as of March 2000. Thirteen percent of respondents believed that the new coin contained gold.

**GGD-00-97**, May 26, 2000 (62 pages).  
Northern Mariana Islands: Procedures for Processing Aliens and Merchandise.

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

**GGD-00-98**, Mar. 30, 2000 (27 pages).  
Federal Buildings: Billions Are Needed for Repairs and Alterations.

Billions of dollars are needed for repairs and alterations at federal buildings. This situation is not new. Nearly a decade ago, GAO reported that federal buildings had suffered from years of neglect and, as a result, about \$4 billion was needed to bring these structures up to standard. (See GAO/GGD-91-57, May 1991.) GAO recommended that the General Services Administration (GSA) adopt a more strategic approach to managing repairs and alterations, improve program data, and explore financing opportunities for repair and alteration needs. GSA has yet to fully implement those suggestions. GSA officials recognize that more needs to be done to effectively respond to growing demands for repairs and alterations. GSA has several initiatives under way that, if fully developed and effectively implemented, could satisfy GAO's earlier recommendations, lead to better program oversight, and promote a more strategic approach to meeting repair and alterations needs. GAO summarized this report in testimony before Congress; see: Federal



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Buildings: Billions Are Needed for Repairs and Alterations, by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on Economic Development, Public Buildings, Hazardous Materials, and Pipeline Transportation, House Committee on Transportation and Infrastructure. GAO/T-GGD-00-73, Apr. 11 (11 pages).

**GGD-00-99**, May 5, 2000 (47 pages). Commodity Exchange Act: Issues Related to the Regulation of Electronic Trading Systems.

New technology has resulted in the development and the use of electronic systems that are changing the way that derivatives are traded. Although these systems have benefitted the derivatives markets and their participants, they have also raised regulatory concerns, including questions about the appropriate regulation of electronic trading systems for exchange-traded futures and over-the-counter derivatives. This report answers the following questions: How is technology being used in the exchange-trade futures market, and what concerns does this raise under the Commodity Exchange Act? How is technology being used in the over-the-counter derivatives market, and what concerns does this raise under the Act? What alternatives have been suggested to address the concerns raised under the Act by the use of technology in the exchange-traded futures and over-the-counter derivatives markets?

**GGD-00-100**, May 2, 2000 (23 pages). Federal Employees' Health Program: Reasons Why HMOs Withdrew in 1999 and 2000.

In plan years 1999 and 2000, 136 health maintenance organizations (HMO) withdrew from the Federal Employees' Health Benefits Program. The factors most often cited for HMO withdrawals from the program in those two years were insufficient enrollments,

unpredictable plan use/excessive risk, and noncompetitive premium rates. An adequate enrollment base is perhaps one of the most important requirements for a plan to sustain its operations. Plan enrollment information showed that 46 of the 62 HMOs that withdrew from the program in 2000 actually increased enrollments between 1998 and 1999, 12 plans lost enrollment those years, and four plans only had enrollment data for one year. Of the 46 HMOs that increased enrollments, these increases numbered less than 100 enrollees for 26 of them. In addition, of the 62 plans that withdrew in 2000, 26 had fewer than 300 enrollees—a level at which the Office of Personnel Management has authority to terminate a plan's participation in the program.

**GGD-00-101BR**, May 31, 2000 (59 pages). Campaign Finance Task Force: Problems and Disagreements Initially Hampered Justice's Investigation.

The Campaign Finance Task Force was established by Attorney General Janet Reno to investigate allegations of illegal fundraising during the 1996 presidential election. Following its creation, the Task Force faced several management challenges and operational problems. Notably, the working relationship between the Justice Department and the FBI was strained and hampered by mutual concerns of trust, with DOJ attorneys and FBI investigators disagreeing over which investigative approach to take. To get the investigation on track, in the fall of 1997, DOJ and the FBI changed the Task Force's leadership, streamlined the Task Force's oversight structure, and committed additional staff and information management resources. The Task Force has launched 121 investigations as of the end of 1999. It has begun 24 prosecutions, and 15 persons and one corporation have been convicted as of March 2000. Through fiscal year 1999, DOJ and the FBI estimated that they

have spent \$31.2 million on the Task Force.

**GGD-00-103**, May 1, 2000 (35 pages). Alien Smuggling: Management and Operational Improvements Needed to Address Growing Problem.

Immigration and Naturalization Service (INS) data show that during the last two fiscal years, alien smuggling has increased, and INS predicts that the smuggling will continue to grow. INS issued an anti-smuggling strategy in 1997 that contains domestic and international components. The domestic component calls for (1) INS to focus its investigations on major smuggling operations and (2) INS' anti-smuggling investigative field units to coordinate their activities and share anti-smuggling intelligence with each other. INS' initial efforts will be directed at South/Central Texas, which is one of the three major alien smuggling corridors in the United States. The international component calls for INS to cooperate with foreign governments to disrupt alien smuggling in countries that are either major sources of illegal immigration or transit routes for aliens seeking to enter the United States. Several factors may have impeded INS' ability to implement and evaluate the effectiveness of the domestic component of its strategy. These factors include a lack of program coordination, the absence of an automated case-tracking and management system, and limited performance measures. INS' intelligence program has been impeded by a lack of understanding among field staff on how to report intelligence information, a lack of staff to carry out intelligence work at most INS district offices, and a cumbersome process of organizing data that does not allow for rapid retrieval and analysis. As a result, INS is limited in its ability to identify targets for enforcement and to focus its resources on efforts that would have the greatest impact. In the international area, INS

may not be having more than a temporary impact on alien smuggling overseas. Impediments in this area include corruption among some foreign officials and the lack of laws against alien smuggling in some countries. Without improvements in its programs, INS' ability to disrupt and deter increasingly sophisticated and organized alien smugglers and dismantle their operations will continue to be hampered.

**GGD-00-106**, Mar. 29, 2000 (23 pages). Managing for Results: Barriers to Interagency Coordination.

Virtually all the results that the federal government hopes to achieve require the coordinated effort of two or more agencies. This shared responsibility is the result of several factors, including the piecemeal evolution of federal programs and the complexity of public needs. GAO's work has shown repeatedly that mission fragmentation and overlap are widespread in the government and that crosscutting program efforts are poorly coordinated. Without such coordination, scarce funds are wasted, program customers are confused and frustrated, and the overall effectiveness of federal programs is undermined. This report (1) provides an overview of programs in which GAO identified mission fragmentation and overlap in 1998 and 1999; (2) discusses barriers to interagency coordination cited in GAO reports issued during the past decade; and (3) summarizes potential strategies for improving the effectiveness and efficiency of crosscutting programs.

**GGD-00-107**, Apr. 14, 2000 (31 pages). District of Columbia Government: Performance Report's Adherence to Statutory Requirements.

The Mayor of the District of Columbia is required to issue no later than March 1 of each year a performance accountability plan with goals for the next fiscal year. The District must also

issue a performance accountability report on the performance achieved during the previous fiscal year compared to the planned performance in that year's plan. GAO must evaluate each of the annual performance reports and provide comments to Congress no later than April 15. This report presents GAO's comments on the Mayor's performance report for fiscal year 1999, which was due on March 1, 2000, but was issued on March 7, 2000.

**GGD-00-113BR**, May 12, 2000 (55 pages). Senior Executive Service: Retirement Trends Underscore the Importance of Succession Planning.

The federal government, as a whole, may need to replace a substantial number of career members of the Senior Executive Service (SES) who will become eligible to retire between September 1999 and September 2005. GAO's analysis of a group of nearly 6,000 career SES members showed that 71 percent will reach regular retirement eligibility as of the end of fiscal year 2005. The proportion of career SES members employed in selected agencies and job series who will be eligible to retire by the end of fiscal year 2005 varies and differs from the governmentwide rate of 71 percent. For instance, the Department of Veterans Affairs will have the highest SES regular retirement eligibility rate--82 percent--while the eligibility rates at the Environmental Protection Agency and the Nuclear Regulatory Commission will be among the lowest. These projected retirement trends show that the government's senior executive ranks are aging. These trends underscore the importance of SES succession planning because the SES retirements will result in a loss of leadership continuity, institutional knowledge, and expertise throughout government.

**GGD-00-115**, June 15, 2000 (79 pages). Securities Arbitration: Actions

Needed to Address Problem of Unpaid Awards.

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

**GGD-00-117**, May 24, 2000 (91 pages). State and Federal Prisoners: Profiles of Inmate Characteristics in 1991 and 1997.

According to the Bureau of Justice Statistics, between 1990 and 1998 the rate of incarceration in American prisons rose from 292 to 461 sentenced inmates for every 100,000 residents.

During that same period, the number of prisoners rose from about 774,000 to about 1,302,00—an average annual increase of 6.7 percent. This report analyzes survey data collected from prisoners by the Bureau on personal demographics, family background, criminal record, drug history, and participation in treatment by state and federal inmates in 1998 to determine any differences between state and federal inmates or by current offense type, race, or gender. GAO also compared 1991 and 1997 data to determine any changes in inmate profiles of state and federal prisoners or by offense type, race, or gender. In 1997, most state and federal prisoners were male, minority, and unmarried and employed in the month before arrest. Comparing 1991 and 1997, the primary change in personal demographics for state prisoners was their age 32 percent were more than 35 in 1991, compared with 42 percent in 1997. For federal prisoners, the most significant change was racial composition: in 1991, whites comprised 38 percent and blacks 30 percent of inmates, compared with 30 percent whites and 38 percent blacks in 1997. In comparing state prisoners with federal prisoners, one of the biggest differences was in the type of crime for which they were imprisoned. For example, drug offenders accounted for more than 60 percent of federal inmates in 1997 but only 20 percent of state inmates, while violent offenders accounted for 47 percent of state inmates compared with 15 percent of federal inmates in 1997.

**GGD-00-125**, May 25, 2000 (19 pages). Federal Pensions: Judicial Survivors' Annuities System Costs.

The Judicial Survivors' Annuities System (JSAS) is one of several survivor benefit plans applicable to specific groups of federal workers. JSAS provides annuities to the surviving spouse and dependent children of deceased federal judges and other judicial officials. GAO is

required to review JSAS' costs every three years and determine whether the participants' contributions covered one-half of the costs. If the contributions are less than one-half of these costs, GAO is to determine what adjustments would be needed to achieve the 50-percent figure. GAO issued its first report on this subject in 1997. (See GAO/GGD-97-87.)

**GGD-00-126**, June 7, 2000 (127 pages). Mutual Fund Fees: Additional Disclosure Could Encourage Price Competition.

GAO was unable to determine the extent to which the growth in mutual fund assets during the 1990s provided the opportunity for mutual fund advisers to reduce fees on the funds they operated because most fund advisers' costs are not collected or disclosed. Using data provided by the mutual fund industry association, GAO found that the 480 percent growth in total revenues for advisers and other service providers for stock and bond funds was commensurate with the total 490 percent asset growth in those funds between 1990 and 1998. Studies have also found a mixed trend in fees across the industry. Although the largest mutual funds generally grew faster than the industry average, their average expense ratios declined for stock funds but not for bond funds. Asset growth usually resulted in lower expense ratios, but not all funds made reductions. Moreover, the mutual fund industry generally does not try to compete on the basis of fees. Although mutual funds disclose most charges for financial services in dollars, they do not provide amounts paid by individual investors in dollars. Furthermore, mutual fund fees are not a primary consideration for investors. Mutual fund directors are required to review fees but mutual funds' organizational structure embodies conflict of interest over fees. This conflict arises because the adviser has the incentive to maximize its own revenues; however, such action could

come at the expense of the shareholders.

**GGD-00-142**, June 30, 2000 (47 pages). U.S. Postal Service: Diversity in District Management-Level Positions.

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

**GGD-00-145**, Sept. 21, 2000 (80 pages). Reinventing Government: Status of NPR Recommendations at 10 Federal Agencies.

As it seeks to "reinvent itself," the federal government confronts the challenge of effectively addressing several emerging issues, including the impact of globalization, technological innovations, demographic shifts, and changing security threats in a post-Cold War world. This report discusses: (1) the factors influencing the reform efforts of the National Partnership for Reinventing Government (NPR), (2) the status of efforts by 10 agencies to implement the NPR's recommendations, and (3) the results that the 10 agencies achieved by implementing those recommendations. GAO found that the effects of NPR cannot be isolated from those of other reform efforts to improve government

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performance. The 10 agencies believed that almost 90 percent of the 72 recommendations GAO reviewed were either fully or partially implemented.

**GGD-00-146**, June 16, 2000 (15 pages). IRS' 2000 Tax Filing Season: IRS Measures Show Tax Processing Systems Performed Slightly Better Than in 1999.

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

**GGD-00-147**, June 30, 2000 (27 pages). Information Policy: NTIS' Financial Position Provides an Opportunity to Reassess Its Mission.

The National Technical Information Service (NTIS), part of the Commerce Department, has been for more than 55 years a principal collector and disseminator of federal research, scientific, and technical reports to the public. But during the last several years, many federal agencies have begun to make their reports publicly available at no charge by using the Internet. Revenues from NTIS sales of reports have declined, and its solvency beyond the year 2003 is in doubt. Policymakers may want to address the question of whether the government still needs NTIS. To help in this

assessment, congressional committees could benefit from the annual financial and operational reports that Commerce is required to submit to Congress but has not submitted since 1995. GAO also found that NTIS' World News Connection, which provides for a fee an online foreign news service, does fall within the agency's mission to disseminate technical information, but that it may have a detrimental effect on private sector firms offering similar service because NTIS does not pay to obtain or translate foreign news or pay taxes as private firms do.

**GGD-00-151**, June 23, 2000 (27 pages). Customs Service: Information on the Design of the Self-Inspection Program.

The Customs' Self-inspection Program (SIP) provides a mechanism for management oversight of programs and processes and is intended to build accountability and foster integrity throughout the Customs Service. Features of the program include ownership of the program at all levels, scope that covers operational and administrative areas, use of an independent body to validate self-assessments, use of uniform worksheets that contain questions about essential control points for managers, funneling of results up the chain of command, and performance of self-inspections according to a set schedule. On the basis of the first SIP cycle, Customs revised the worksheets to include (1) specific directions about who should complete them, (2) detailed sampling methodology and instructions, (3) citations to references for most questions, and (4) reworded questions designed to be more specific and less confusing. Two other program design issues have emerged: (1) Customs lacks automated systems to analyze SIP results and (2) the Assistant Commissioner for the Office of Field Operations decided to exercise the discretion to complete worksheets every six months; instead worksheets are completed on a yearly

basis. Although a deviation from the original plan, it is similar to other organizations GAO looked at.

**GGD-00-158**, June 30, 2000 (35 pages). Department of Veterans Affairs: Credit Costs and Risks of Proposed VA Small Business Loan Guarantee Program.

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

**GGD-00-159**, June 23, 2000 (67 pages). Banking Taxation: Implications of Proposed Revisions Governing S-Corporations on Community Banks.

Banks represent a small percentage of all S-corporations (so called because they meet the requirements of subchapter S of the Internal Revenue Code—including the businesses that must be a domestic corporation with only one class of stock and no more than 75 shareholders, all of whom must be individuals who agree to the S status). S-corporations pass through corporate income and losses to their shareholders for federal tax purposes. As of the end of 1999, there were about 1,300 S-corporation banks—about 13 percent of all banks and thrifts in the United States (holding about two percent of total bank assets), mostly located in Minnesota, Texas, Iowa, Illinois, and Kansas. This report responds to a congressional mandate requiring GAO to analyze possible revisions to the rules governing S-corporations and the potential impact of those changes primarily on

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community banks' decisions to elect S-corporation status.

**GGD-00-161**, Aug. 22, 2000 (39 pages).  
Customer Service: Human Capital Management at Selected Public and Private Call Centers.

Most Americans use the telephone to contact federal agencies. As a result, call centers and the people who work in them play an important role in shaping public perceptions about the quality of government customer service. A basic measure of successful customer service is whether phones are being answered promptly, accurately, and courteously. This report discusses telephone customer service operations at organizations that have noteworthy or innovative strategies and practices and that handle calls dealing with complex subjects comparable to those of the Internal Revenue Service (IRS). GAO's objectives were to identify human capital needs as part of developing management strategies and practices to meet missions and goals; implement human capital strategies and practices and to evaluate human capital strategies and practices to continuously improve their operations. Of the 11 organizations GAO studied, the following three themes emerged: (1) human capital needs were based on clearly articulated service-level goals; (2) the goals of the call centers were supported by top leadership who understood telephone customer service, and (3) managers reassessed human capital needs.

**GGD-00-166**, Aug. 10, 2000 (47 pages).  
Tax Administration: IRS Faces Several Challenges as It Attempts to Better Serve Small Businesses.

As part of its plan to fully embrace customer service as a core organizational value, the IRS is restructuring operations around specific groups of taxpayers. One new organizational unit, the Small Business and Self-Employed Operating Division,

will focus on the needs of small business. According to IRS, small businesses are more likely than other taxpayers to have compliance problems. They may not always have the resources needed to deal with filing, reporting, and deposit requirements placed on them or complex tax issues such as employment taxes and depreciation. Many small businesses are unaware of IRS services developed specifically for small businesses or are reluctant to go to the IRS for help. Structured along functional and geographic lines, IRS has not operated in a way that best enables it to serve small businesses. Its focus on back-end correction of problems versus up-front prevention is problematic for small businesses that need assistance up front and that, absent that help, are at a high risk of going out of business if problems arise.

**GGD-00-168**, Aug. 14, 2000 (35 pages).  
Tax Administration: IRS' Advance Pricing Agreement Program.

Under an advance pricing agreement (APA) program, the Internal Revenue Service (IRS) and taxpayers agree on the methods to determine the prices that related companies charge each other when transferring goods and services over a specific period. Unilateral APAs are between IRS and specific taxpayers; bilateral APAs concern negotiations with tax authorities in foreign countries that have income tax treaties with the United States. Taxpayers agree to submit annual reports that demonstrate compliance with terms of the agreement. According to an IRS official, most taxpayers in the program were large corporations spread across many industries. As of September 1999, 10 percent of the 1,245 large corporate taxpayers with international related parties had an approved agreement or one pending. This 10 percent accounted for 42 percent of the dollar value of the intercompany transactions. IRS did not consistently meet its timeliness targets for

processing unilateral APAs and the first phase of bilateral APAs. Of the 211 annual reports reviewed between October 1995 and September 1999, only 15 reports involving 11 taxpayers caused IRS to adjust or consider adjusting tax returns.

**GGD-00-169**, Aug. 14, 2000 (31 pages).  
Pension Plans: IRS Programs for Resolving Deviations From Tax-Exemption Requirements.

By extending tax-exempt status to qualified pension plans, the nation's tax laws have been used both to promote the establishment of employer-sponsored pension plans and to regulate those plans. Internal Revenue Service (IRS) records for the most recent available year (1997) indicated that there were about 965,000 private, employer-sponsored, tax-qualified pension plans for about 127 million participants that amassed assets totaling about \$3.6 trillion. For plans that might be at risk of losing their tax-exempt status because of deviations from tax code requirements, the IRS has developed two programs to encourage plan sponsors to: (1) detect and correct deviations; (2) report those corrections to IRS for approval; and (3) pay a compliance fee. For IRS qualification failure case closings in fiscal year 1999, 42 percent of 1,802 pension plans had plan document failures, 66 percent had one operational failure, less than two percent had demographic failures, and nine percent had both operational and document failures. Pension plan sponsors were assessed monetary sanctions that GAO estimated were 10 times greater than the compliance fee that could have been assessed had the plan sponsors reported the qualification failures to IRS for supervised correction. IRS and pension experts thought that existing IRS programs could be enhanced.

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**GGD-00-171**, July 24, 2000 (31 pages). U.S. Attorneys: Laws, Rules, and Policies Governing Political Activities.

U.S. Attorneys are prohibited from actively participating in Hatch Act partisan political activities. The Attorney General has sent policy memorandums and made restrictions similar to those imposed by statute on all federal employees before the Hatch Act Reform Amendments of 1993. For example, U.S. attorneys cannot speak at political functions or actively participate in fund-raising. With Department of Justice (DOJ) approval, they can attend fund-raisers and they can contribute to candidates, so long as their donation is not promoted. There have been no investigations of Hatch Act violations since 1995, according to DOJ officials. In January 2000, DOJ began tracking U.S. Attorney Office inquiries for advice and approval about issue-oriented political activities. In May 2000, DOJ revised the U.S. Attorneys' Manual to include DOJ approval before advocating passage or defeat of state or local legislation, the need to be sensitive to public perception of the proper role, and the limits of federal prosecutors. Over the years, Congress has restricted the use of federal funds for political activities.

**GGD-00-174**, Aug. 11, 2000 (15 pages). Confirmation of Political Appointees: Eliciting Nominees' Views on Leadership and Management Issues.

Members of Congress have raised concerns that some political appointees in the Executive Branch lack the leadership and management skills needed to successfully address the challenges facing federal agencies. This report suggests questions to assist the Senate in its constitutional role of confirming nominees to help ensure that future political appointees have the requisite skills to be results-oriented leaders and managers. The questions cover the following four areas: results-oriented

decisionmaking, financial management, information and technology management, and human capital management.

**GGD-00-176**, Sept. 1, 2000 (106 pages). Illegal Aliens: Opportunities Exist to Improve the Expedited Removal Process.

In fiscal year 1999, Immigration and Naturalization Service (INS) inspectors generally complied with the requirements of the expedited removal process, whereby aliens who have made false representations about themselves or who do not have visas or passports are removed from the United States. In the Los Angeles, Miami, and New York asylum offices, all cases concerning credible fear of persecution or torture were documented appropriately. In cases where aliens wished to withdraw a claim of fear of persecution or torture, they did not have to cite a reason for recanting until July 2000, when, after discussions with GAO, reason for recanting became a requirement. According to GAO's survey, an estimated 78 percent of the aliens determined to have a credible fear of persecution or torture were released from detention.

**GGD-00-180**, Aug. 15, 2000 (31 pages). Alternative Minimum Tax: An Overview of Its Rationale and Impact on Individual Taxpayers.

This report is a nontechnical primer on the alternative minimum tax (AMT) for individuals, which is extended to help ensure that high-income individuals do not avoid significant tax liability. AMT is a separate tax system that parallels the regular individual income tax system. The Department of the Treasury estimated that about 17 million taxpayers would pay additional taxes under AMT by 2010. A minimum tax was first enacted in 1969 after the Secretary of the Treasury report that 155 high-income individuals paid no federal income tax in 1966. AMT is

expected to affect about 1.3 million taxpayers—about 1.3 percent of all taxable returns—and generate a projected \$5.8 billion in additional tax liability in 2000. AMT is not indexed to account for inflation and the legislation that excludes personal tax credits from AMT rules will expire in 2001. AMT features are expected to have increasing budgetary significance in future years. It is projected to shift from affecting mostly higher-income individuals to more middle-income taxpayers between 2000 and 2010 and may also affect some economic incentives created by the regular tax system.

**GGD-00-181**, Sept. 7, 2000 (30 pages). U.S. Customs Service: OR&R Needs to Resolve Timeliness and Data Problems Involving Headquarters Rulings.

This report focuses on the timeliness with which the Customs Service's Office of Regulations and Rulings (OR&R) issues rulings on such things as the proper classification and valuation of imported goods. GAO found that OR&R continues to have significant problems issuing the majority of headquarters rulings within the 120-day goal it has set as a benchmark for issuing timely rulings. It appears that delays are caused by various factors, including the need for additional information when processing rulings and the mishandling of requests by OR&R and its customers. However, OR&R acknowledges that it has had problems because of staffing shortages and workload demands. OR&R has taken steps to correct problems with its Legal Case Inventory System, but problems persist.

**GGD-00-183**, Sept. 8, 2000 (99 pages). Olympic Games: Federal Government Provides Significant Funding and Support.

The federal government provides significant funding and support for the Olympic Games when they are held in

the United States. Twenty-four federal agencies provided nearly \$2 billion—in 1999 dollars—for the 1984 and 1996 Summer Olympic Games and the 2002 Winter Olympic Games. However, no governmentwide law or policy exists that defines the federal government’s overall role in funding and supporting the Olympic Games that are hosted in the United States. Nor is there a single federal agency that oversees and monitors the federal funding and support provided for the Olympic Games. Federal agencies have helped support the Olympic Games in response to requests for federal assistance from state and local governments and Olympic organizing committees. Federal assistance is provided because these entities have not had enough resources to provide for the infrastructure improvements necessary to prepare the host city or to plan and stage all aspects of the Olympic Games when hosted in the United States.

**GGD-00-185**, Sept. 29, 2000 (15 pages). Immigration Benefits: INS Not Making Timely Deposits of Application Fees.

One of the Immigration and Naturalization Service’s (INS) primary functions is to provide services or benefits that facilitate entry, residence, employment, and naturalization of legal immigrants. To recover the costs that it incurs in providing benefits, INS is authorized to charge fees to recipients of INS services. Federal agencies, including INS, are generally required by Department of the Treasury regulations to deposit fees totaling \$5,000 or more on the same day or the day after they are collected. This report discusses: (1) the extent to which INS made timely deposits of fees collected from aliens who applied for benefits; and (2) the potential costs to the government if INS deposits were not timely. Because INS data were incomplete, GAO was unable to fully determine the extent to which INS complied with Treasury regulations

requiring deposit on the same or next day after collection. However, in fiscal year 1999, INS service centers generally did not make timely fee deposits. According to GAO’s conservative estimate, the resulting interest cost to the government, or the cost of interest incurred on debt or other obligations, was about \$640,000 in fiscal year 1999.

**GGD-00-187**, Aug. 14, 2000 (31 pages). Department of Justice: Information on the Office of Professional Responsibility’s Operations.

The Department of Justice states that its attorneys should be held to the highest ethical standards; but Congress, judges, and the media have voiced concerns about the professionalism and conduct of some attorneys at Justice. As a result, GAO reviewed Justice’s Office of Professional Responsibility (OPR), which is responsible for investigating allegations of misconduct involving Justice attorneys. GAO determined: (1) how OPR conducts its inquiries; (2) the extent of OPR’s workload and budget; (3) the range of disciplinary action and procedures if misconduct is found; (4) OPR’s oversight relationship with other Justice components; and (5) the extent to which OPR implemented GAO’s earlier recommendations. GAO found that OPR is following its procedures and internal controls for conducting inquiries into allegations of misconduct by Justice attorneys. OPR’s workload and the number of staff have remained fairly level during the past four fiscal years. Administrative disciplinary actions for professional misconduct can range from an oral reprimand to termination of employment. Justice OPR monitors the investigative activities of the OPRs for FBI and DEA and relies on their monthly status reports to stay abreast of their activities in their 1992 and 1994 reports.

**GGD-00-188**, Sept. 7, 2000 (78 pages). U.S. Postal Service: Postal Activities

and Laws Related to Electronic Commerce.

The United States Postal Service (USPS) has defined e-commerce initiatives to include products and services that: (1) require the use of the Internet; and (2) generate revenues for USPS from user charges or license fees. It has identified seven e-commerce initiatives intended to facilitate the movement of messages, merchandise, and money. For example, USPS has introduced PosteCS, an Internet-based global document delivery system. The Stamps Online initiative allows purchase of stamps and other philatelic products. USPS introduced its eBillPay initiative, an electronic bill presentment and payment service, in April 2000. In the development stage, USPS is working on an electronic mailbox, which could link electronic and physical addresses. GAO found, however, that USPS provided inconsistent information on the status of its initiatives, did not always adhere to its process requirements, and its financial data were inaccurate and incomplete. USPS believes that it has broad statutory authority to offer e-commerce products and service. The Postal Inspection Service, which is responsible for enforcing postal laws, has authority and responsibility to investigate violations of law that involve USPS e-commerce products and services. GAO summarized this report in testimony before Congress; see: U.S. Postal Service: Electronic Commerce and Legal Matters by Bernard L. Ungar, Director of Government Business Operations Issues, before the Subcommittee on International Security, Proliferation, and Federal Services, Senate Committee on Governmental Affairs. GAO/T-GGD-00-195, Sept. 7 (13 pages).

**GGD-00-190**, Sept. 29, 2000 (79 pages). Small Business: Efforts to Facilitate Equity Capital Formation.

This report discusses the access of U.S. small businesses to equity capital financing and describes the Small Business Administration's Office of Advocacy (SBA-OA) estimate of their perceived needs for equity capital financing. GAO studied recent trends in small business equity capital financing and the potential effects of market practices and securities law regulations on such financing. From the results of this study, SBA-OA estimated that about 10 percent of the businesses started in a year would need equity capital, as well as about 25 percent of faster growing small businesses. Available data are insufficient for updating the estimate of small businesses' equity capital needs, but indicate for the 1994-1999 period that the level of small business equity financing increased dramatically. The equity capital formation in the unregulated equity capital market is affected by market practices, which reflect the efforts of investors and other market participants to maximize returns and to manage risks on investments. In addition to simplifying registrations and exemptions, federal and state governments have tried to reduce the regulatory burden and costs for small businesses seeking equity capital financing in the regulated securities markets.

**GGD-00-191**, Sept. 5, 2000 (66 pages). Internet Privacy: Agencies' Efforts to Implement OMB's Privacy Policy.

By issuing its 1999 guidance, the Office of Management and Budget (OMB) took an important step in bringing the federal government's protection of an individual's privacy in line with current technological advancements by providing guidance to agencies for addressing the collection of on-line personal information through the on-line posting of privacy policies. Sixty-seven of the 70 executive agencies GAO reviewed in 2000 had privacy policies on their web sites that were clearly labeled and easily accessed.

Sixty-three of 70 agencies explained that they automatically collected information when individuals visited their web sites through the use of logs (date/time of access, pages visited, etc.).

**GGD-00-192**, Sept. 27, 2000 (119 pages). Civil Rights Division: Selection of Cases and Reasons Matters Were Closed.

This report focuses on the Department of Justice's Civil Rights Division's (CRT) approach to its selection of cases and reasons why matters were closed. GAO reviewed the case selection in CRT's Housing and Civil Enforcement, Employment Litigation, and Voting sections. According to officials in these sections, CRT lacks written procedures for selecting cases to pursue. To determine CRT's approach for selecting cases to pursue, GAO reviewed 21 Employment Litigation Cases that were initiated during fiscal year (FY) 1998. GAO's review of the Employment Litigation section case files showed that several of the discretionary cases targeted a particular type of discrimination that involved complaints based on sexual harassment. To determine why matters were closed, GAO reviewed the population of 54 Housing and Civil Enforcement section closed matters and 22 Voting section closed matters initiated in FY 1998. For cases involving the Employment Litigation section, GAO reviewed a statistically representative sample of 64 closed matters from the population of 149 closed employment matters in FY 1998. Further investigation was based on factors such as whether the matter could affect a larger population, target enforcement in a particular location, target a particular type of discrimination, or result in a change of policies or practices that were discriminatory.

**GGD-00-193**, Sept. 20, 2000 (39 pages). Regulatory Flexibility Act:

Implementation in EPA Program Offices and Proposed Lead Rule.

The Office of Prevention, Pesticides and Toxic Substances (OPPTS) implements the current Regulatory Flexibility Act (RFA) guidance document with what appears to be a high threshold for what constitutes a significant economic impact on a substantial number of small entities (SEISNSE). This report: (1) reviews guidance that OPPTS and the Environmental Protection Agency's (EPA) three other major program offices have used during the past 10 years to determine whether their proposed rules could be certified as not having a SEISNSE, (2) compares the rate at which OPPTS certified that its substantive proposed rules published during 1994 through 1999 would not have a SEISNSE with the rates in EPA's other major program offices, and (3) discusses the methodology that OPPTS used in the economic analysis for the proposed lead rule. GAO found that OPPTS and EPA's other major program offices have adopted three very different sets of guidance documents during the past 10 years to determine if their proposed rules could be certified as not having a SEISNSE. The RFA certification rate in OPPTS and in each of the three other major program offices increased after the implementation of the Small Business Regulatory Enforcement Fairness Act in 1996. According to the summary of the draft revised economic analysis, OPPTS expected that the proposed lead rule would affect more than 8,600 small companies and that as many as 464 of them would experience first-year compliance costs of at least one percent of their annual revenues. Therefore, if OPPTS had used this analytic approach and the discretion permitted in EPA's RFA guidance, it could have chosen not to certify the rule. The Office's initial and draft revised analyses and the conclusions that it based on those analyses were



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within the discretion permitted under the RFA and the EPA guidance.

**GGD-00-197R**, Sept. 25, 2000 (17 pages). Observations on the Fiscal Year 1999 Annual Program Performance Report and Fiscal Years 2000 and 2001 Annual Performance Plans for Selected Science Agencies Within the Department of Commerce.

This correspondence analyzes the fiscal year 1999 annual program performance report and fiscal years 2000 and 2001 annual performance plans for selected science agencies within the Department of Commerce. GAO discusses whether: (1) the National Oceanic and Atmospheric Administration (NOAA) and the Technology Administration (TA) sections of Commerce's FY 1999 performance report and FY 2000 and FY 2001 performance plans told a coherent story in addressing science issues, (2) NOAA's and TA's performance goals, budgetary and full time equivalent staffing resource requirements identified in Commerce's FY 2001 performance plan linked to those in NOAA's and TA's sections of Commerce's FY 2001 congressional budget submission, and (3) the NOAA and TA sections of Commerce's FY 2001 performance plan addressed the weaknesses that GAO identified in its review of Commerce's FY 2000 performance plan. The NOAA and TA sections of Commerce's performance report and performance plans address science issues in a generally coherent and consistent manner. The NOAA and TA described their performance goal strategies or objectives, supporting activities, and crosscutting activities in the FY 2000 and FY 2001 plans, and these descriptions also remained essentially unchanged. Additionally, performance measures were not always established for NOAA's or TA's contribution to department wide initiatives, nor were measures established for their respective bureau-specific initiatives. GAO's review of the NOAA and TA sections of

the FY 2001 plan and their sections of the FY 2001 budget submission showed that performance goals, budgetary resources, and FTE levels were the same in those two documents in most cases but differed to some degree in other cases. On the basis of its examination of the FY 2001 plan, GAO believes that Commerce has addressed some, but not all, of the weaknesses GAO identified when examining the previous year's plan. Those weaknesses involved strategies, resources, and performance data verification and validation as well as performance measures.

**GGD-00-198**, Sept. 19, 2000 (75 pages). Insurance Regulation: Scandal Highlights Need for Strengthened Regulatory Oversight.

Despite being barred from the securities industry, Martin Frankel is alleged to have anonymously acquired and controlled insurance companies in several states and to have exercised secret control over a small securities firm, using it to take custody of insurance company assets and provided false documents on investment activity. He allegedly diverted these assets to other accounts he controlled to support the scam and his lavish lifestyle. Weaknesses in insurance regulatory oversight, including inadequate analysis of security investments and failure to detect misappropriation of assets, delayed detection of the scam. GAO has noted regulatory weaknesses in regard to change of ownership approvals, route financial analyses, and periodic on-site examinations. Furthermore, the National Association of Insurance Commissioners lacks effective interstate coordination oversight of entities under holding companies and has gaps in control to prevent the migration of unscrupulous securities brokers to other sectors of the financial services industry. The Gramm-Leach-Bliley Act of 1999 underscores the importance of consultation and information-sharing

among federal financial regulators and state insurance regulators. Regulators recognize the need to improve their coordination and have taken or plan to take several measures. GAO summarized this report in testimony before Congress; see: Insurance Regulation: Scandal Highlights Need for States to Strengthen Regulatory Oversight, by Richard J. Hillman, Associate Director for Financial Institutions and Market Issues, before the House Subcommittee on Finance and Hazardous Materials, Committee on Commerce. GAO/T-GGD-00-209, Sept. 19 (16 pages).

**GGD-00-199R**, Sept. 29, 2000 (13 pages). Federal Lobbying: China Permanent Normal Trade Relations (PNTR) Lobbying Activities and Costs.

This correspondence focuses on whether the efforts of the White House China Trade Relations Working Group and selected agencies violated federal anti-lobbying laws. GAO reviewed documents provided by the White House and agencies in the Working Group through August 2000. GAO did not find any violations of the antilobbying restrictions, aside from one violation that involved a minimal expenditure of appropriated funds.

**GGD-00-201**, Sept. 29, 2000 (46 pages). Border Patrol: Procurement of MD 600N Helicopters Should Be Reassessed.

The U.S. Border patrol is procuring a new type of helicopter—the MD 600N—to replace its aging helicopter fleet. The MD 600N is expected to meet various air operations requirements, such as low and slow surveillance and transport of agents. This report provides information and analysis on the MD 600N procurement and whether the MD 600N has been effective in safely supporting the Border Patrol's primary air operations mission. Most Border Patrol pilots experienced in flying the MD 600N and most sector chiefs had strong

reservations about the helicopter's suitability for key missions. The pilots were also concerned with the aircraft's safety, citing difficulty in performing emergency maneuvers. Two of the three law enforcement agencies with MD 600Ns that GAO spoke with shared many of the same concerns. GAO recommends that INS: (1) address issues raised by pilots and mechanics before buying more MD 600Ns; and (2) reassess its purchase decision.

**GGD-00-203**, Sept. 8, 2000 (18 pages). Federal Advertising Contracts: Agencies Have Discretion in Setting Work Scope and Requirements.

This report reviews federal advertising contracts awarded to advertising firms. GAO found that agencies have some discretion in selecting which firm will be awarded a contract. However, the number of small disadvantaged businesses being awarded contracts seems to be decreasing. This demographic is possibly being restricted by the contractor requirements in the solicitations, where agencies have broad discretion in establishing work requirements. GAO found that specific contractor requirements seemed to be consistent with the scope of work requirements they outlined in solicitations.

**GGD-00-204**, Sept. 29, 2000 (31 pages). Program Evaluation: Studies Helped Agencies Measure or Explain Program Performance.

This report focuses on the need of congressional and federal agency decision-makers to evaluate information about how well federal programs are working, both to manage programs effectively and to help decide how to allocate limited federal resources. The evaluations helped the agencies improve their measurement of program performance or understanding of performance and how it might be improved—some studies did both. Four agencies drew on evaluations to explain the reasons

for observed performance or identify ways to improve performance. Three agencies compared their program's results with estimates of what might have happened in the program's absence in order to assess their program's net impact or contribution to results. In other cases, agencies initiated special studies because they faced challenges in collecting outcome data on an ongoing basis. One department wide study was initiated in order to direct attention to an issue that cut across program boundaries and agencies' responsibilities.

**GGD-00-205**, Sept. 18, 2000 (19 pages). Personnel Practices: Career Appointments Granted Political Appointees From October 1998 Through June 2000.

Fifty-seven former political appointees and legislative branch employees were converted to career positions during the 21 months from October 1998 through June 2000. Most of the 57 appointments were at the Departments of Justice (13), Energy (7), Commerce (7), Defense (5), and Labor (5). Ten of the 57 went to career positions in the Senior Executive Service and 38 went to career General Schedule positions, usually at pay grades 13, 14, and 15. Appointments were often made to newly established positions. For 41 of the 57 appointments, the individuals who were appointed were already working at the agencies that appointed them. For 25 of 56 appointments (no data was available on one appointment), new and old salaries were identical or within \$1,000. For 31 appointments, the new salary was either higher (17 cases) or lower (14 cases) by more than \$1,000.

**GGD-00-207**, Sept. 19, 2000 (23 pages). U.S. Postal Service: Enhancements Needed in Performance Planning and Reporting.

Some aspects of the U.S. Postal Service's fiscal year 1999 performance report were not as straightforward and

clearly stated as intended by the Government Performance and Results Act of 1993 (GPRA). For example, the Service highlighted results for timely delivery of first-class mail. The service met, but did not exceed its goal for on time overnight delivery and fell a little short of its goal for 2- and 3-day deliveries. Such information had to be gleaned from detailed text in the report. Some aspects of the Service's fiscal year 2001 preliminary performance plan were not as comprehensive as they had been in earlier plans. Several prior years' subgoals were not carried forward into the 2001 preliminary plan; criteria for achieving goals were unclear; strategies to accomplish results were incomplete; information in prior years' plans was not updated; and little or no explanation was given on why the plan lacked baseline data for some quantitative indicators.

**GGD-00-210R**, Sept. 29, 2000 (21 pages). Implementation of the Federal Vacancies Reform Act of 1998.

This correspondence assesses the implementation of the Federal Vacancies Reform Act of 1998, which is intended to create a clear process and a time limit for the temporary placement in those executive agency positions that require presidential appointment and Senate confirmation (PAS positions). GAO determined whether agencies were notifying Congress and GAO of all reportable vacancies and temporary appointments in a timely manner, and whether or not they adhered to the 210 day time limit for temporary service. GAO determined that most of those vacancies and acting officials had been reported to GAO. Twenty instances of nonreporting represented about 17 percent of the 118 reportable vacancies and acting officials, but GAO received 12 of the 20 notices by September 2000. Eleven agencies were more likely to notify GAO of a vacancy and less likely to notify GAO of an acting official. The reporting records

of the 11 agencies varied, ranging from five agencies reporting all vacancies and acting officials to GAO, to one agency reporting less than half by July 2000. Many of the vacancy and acting official notices that GAO received between November 1998 and July 2000 took four or more weeks to arrive, counting from the date the vacancy or acting service began. This was the case for 56 percent of the vacancy notifications and 47 percent of the acting official notifications. The timeliness of the notices has improved since the first several months after the Vacancies Reform Act took effect. GAO also found that three acting officials—two Acting Inspectors General and one Acting Chief Financial Officer—had served longer in these positions than the Vacancies Reform Act permits.

**GGD/AIMD-00-64**, Feb. 29, 2000 (95 pages). Gun Control: Implementation of the National Instant Criminal Background Check System.

The FBI approved most gun purchases (72 percent) within 30 seconds after buyer information had been entered into the National Instant Criminal Background Check System (NCIS)—a computer system designed to provide presale background screening for all types of firearms bought from federal firearms licensees. The remaining 28 percent of the background checks had delayed responses. From a sample of delayed responses handled by an ad hoc selection of examiners, the FBI concluded that most of these responses (80 percent) were resolved within two hours or less and that the rest (20 percent) required several hours or days to resolve. This report (1) provides statistics on background checks, denials, and appeals; (2) describes enforcement actions taken against persons who allegedly falsify their status on firearm-purchase applications; (3) discusses the NCIS' computer system architecture, capacity management system availability, transaction response time,

retention of records, monitoring activities, system security authorization, exemptions from the Privacy Act of 1974, and the prospect of making NCIS a fingerprint-base system rather than a name-based system; and (4) discusses pawnshop issues.

**GGD/AIMD-00-224**, July 11, 2000 (39 pages). Automated Teller Machines: Issues Related to Real-time Fee Disclosure.

The Gramm-Leach-Bliley Act of 1999 required GAO to explore the feasibility of providing real-time disclosure of fees charged to automated teller machine (ATM) cardholders during electronic fund transfers conducted at ATMs. Cardholders may be charged both a surcharge and a "foreign" ATM fee when they use an ATM that is not owned by the financial institution that issued the card. Although technically feasible, real-time foreign ATM fee disclosure would require extensive restructuring by all major participants in the ATM industry. Hardware and software would have to be revised and upgraded, and functions, such as message processing and calculation of ATM fees, would have to be modified. Most industry representatives could not offer precise estimates of the costs or the time frames associated with such changes, but estimates for software and hardware changes alone ranged from \$5 million for a large third-party processor to tens of millions of dollars for large banks, with estimates from two to three years for implementation. The potential consequences for foreign fee disclosure may offset consumer benefits. Few consumer complaints have been made about fee disclosure, consumer groups' concerns are more focused on the fairness of surcharges, and surveys suggest that only a minority of ATM cardholders pay foreign fees. A requirement for real-time foreign fee disclosure could produce unintended consequences,

which GAO believes could offset any potential benefits of disclosure.

**GGD/AIMD-00-319**, Sept. 20, 2000 (47 pages). Securities Pricing: Trading Volumes and NASD System Limitations Led to Decimal-Trading Delay.

In response to a Securities and Exchange Commission (SEC) order, the National Association of Securities Dealers (NASD) developed a decimal pricing system for U.S. stocks. However, NASD was unable to meet to the original implementation deadline of July 2000 because the new system lacked the capacity to process the increased trading volume that the market experienced during that time. The main reason for this problem was that the system was unable to use multiple computers to process the message traffic arising from the increased trading activity. The new system was also unable to incorporate trading volatility. To oversee NASD's development and implementation of the new system, SEC relied on industry reports of their progress and examined the readiness of market participants for decimal trading. However, SEC did not determine in advance that NASD's systems would be unable to handle the increased trading activity.

**GGD/HEHS-00-153**, July 31, 2000 (91 pages). Anti-Drug Media Campaign: ONDCP Met Most Mandates, but Evaluations of Impact Are Inconclusive.

The Office of National Drug Control Policy's (ONDCP) National Youth Anti-Drug Media Campaign has been proposed as a nearly \$1 billion federal effort over five years to combat rising drug use among the nation's youth. This report discusses (1) whether ONDCP provided timely financial reports to Congress, how money for paid advertising was managed and disbursed, and whether ONDCP complied with statutory requirements on the obligation of funds; (2) what ONDCP has done to develop and

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implement guidelines for the campaign in response to requirements mandated by law; and (3) whether the evaluation designs for phases I through III were appropriate, how well phase I and II evaluations were implemented, and how effective phases I and II of the campaign were in influencing group awareness of different types of paid anti-drug messages and drug attitudes.

**GGD/NSIAD-00-105**, Mar. 1, 2000 (83 pages). The Euro: Implications for the United States—Answers to Key Questions.

Eleven of the 15 countries in the European Union (EU) adopted the euro as a common currency in January 1999. Monetary union has created a large economic entity in Europe that could emerge as a powerful force in world economic and financial markets. This development has raised questions about the euro's impact on the United States, from the dollar's role as an international currency to U.S. trade and the relative attractiveness of the United States to foreign investors. This report answers the following questions: (1) What is the euro and why is Europe moving to it now? (2) What are the potential effects of the euro on the dollar? (3) What are the potential monetary and exchange rate effects of the euro? (4) What are the implications of the euro for financial markets and institutions and their regulation? (5) What are the euro's implications for U.S. trade and investment with Europe? (6) What are the implications of the euro for international economic policymaking?

**GGD/NSIAD-00-244**, Sept. 29, 2000 (47 pages). Competitive Contracting: Agencies Upheld Few Challenges and Appeals Under the FAIR Act.

The Federal Activities Inventory Reform (FAIR) Act directs agencies to develop annual inventories of activities done by their employees that are not inherently governmental. OMB Circular A-76 provides guidance on

what types of activities are commercial and has guidelines for determining whether it is more effective to do the commercial activities in-house or contract them out to the private sector. The 24 major agencies named by Chief Financial Officers Act identified about 900,000 full-time equivalent positions that did commercial activities, but more than half were exempted from consideration for competition at the time the inventories were compiled. These agencies received and responded to a total of 332 challenges and 96 appeals to their 1999 FAIR Act inventories from interested parties. Agencies challenged by private industry indicated that they did not plan to consider many of the commercial activities on their inventories for competition. In contrast, almost all employee challenges and appeals concerned the inclusion of activities that the employees contended were inherently governmental. Agencies sustained 20 of the 332 challenges and denied the rest. Three of the 96 appeals were successful.

**GGD/OCE-00-165**, June 30, 2000 (67 pages). Sales Taxes: Electronic Commerce Growth Presents Challenges; Revenue Losses Are Uncertain.

Although the states can impose a tax on residents' purchases from out-of-state vendors, they cannot impose an obligation on those vendors to collect the tax unless the vendor has a substantial presence—called a nexus—in the state. For sales without nexus, purchasers are legally required to remit the tax, but purchaser compliance is generally much lower than seller compliance. Therefore, at this time, portions of sales and use taxes can be avoided. In 1999, state and local governments collected \$203 billion in general sales tax revenues. On average, general sales taxes account for 33 percent of state and 11 percent of local tax revenues. Little

empirical data exist on the key factors needed to calculate the amount of sales and use revenues that state and local governments lose on Internet and other remote sales. GAO constructed scenarios representing different assumptions about the important determinants of the loss. Under all scenarios, the size of tax loss from Internet sales for 2000 is less than two percent of aggregate general sales tax revenues. Under the scenario for 2003, the size of the tax loss from Internet sales ranged from less than one percent to about five percent. The results of GAO's scenarios highlight the importance of developing better data about Internet tax losses. Even with better data, the rapid and fundamental nature of innovations in electronic commerce means that policymaking regarding the tax treatment of Internet sales will be done in an environment of significant uncertainty.

**GGD/OGC-00-18**, Dec. 30, 1999 (44 pages). Department of Education: Compliance With the Federal Advisory Committee Act and Lobbying Restrictions.

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

**GGD/OGC-00-62**, Feb. 25, 2000 (27 pages). Disaster Assistance: Issues Related to the Development of FEMA's Insurance Requirements.

The Federal Emergency Management Agency (FEMA) has proposed that funding under the Public Assistance Program for buildings damaged in a disaster be limited to those state and local agencies and other public entities that maintain specified minimum levels of insurance coverage. The draft regulation is intended to remove a disincentive under current rules for such entities to both carry insurance and manage their risk of disasters, according to FEMA. FEMA's draft regulation could have significant financial implications for states, municipalities, and private nonprofit hospitals and universities. This report evaluates FEMA's efforts to develop its draft insurance regulations. GAO (1) determines the extent to which FEMA obtained and incorporated input for state and local agencies and public entities likely to be affected by the draft regulation; (2) evaluates FEMA's compliance with Executive Order 12866, the Regulatory Flexibility Act, and applicable guidance governing the rulemaking process; and (3) assesses FEMA's internal rulemaking processes and procedures.

**GGD/OGC-00-72**, Apr. 17, 2000 (99 pages). Bid Protests: Characteristics of Cases Filed in Federal Courts.

Currently, an individual or business can file a protest challenging a federal contract award or the procedure under which the offers were solicited. Protests may be filed before or after the contract is awarded. Under the Administrative Dispute Resolution Act of 1996, the 94 U.S. district courts and the United States Court of Federal Claims have the same jurisdiction to decide bid protest cases. District courts and the U.S. Court of Federal Claims may grant any relief that they consider appropriate, although monetary relief is limited to bid preparation and proposal costs. District court jurisdiction for bid protest cases is scheduled to expire on January 1, 2001. Some groups support this development. Others oppose it.

This report reviews the cases, particularly the small business cases, that have been filed in district courts and the U.S. Court of Federal Claims since the act took effect at the end of 1996. GAO (1) identifies the number of bid protests filed in the U.S. district courts and the U.S. Court of Federal Claims between January 1997 and April 1999 that were filed by small businesses, the type of agencies involved (civilian or defense), and the amount of the procurement at issue; (2) identifies the perceived advantages and disadvantages, particularly for small businesses, of filing bid protests in each judicial forum; and (3) provides information on the characteristics of the district courts' and U.S. Court of Federal Claims' bid protest cases, particularly those filed by small businesses, that could be used to assess perceived advantages and disadvantages.

**GGD/OSI-00-139**, July 11, 2000 (67 pages). Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials.

From fiscal years 1997 through 1999, 42 executive branch positions at 31 executive branch agencies—including all 14 Cabinet secretaries, four deputy or under secretaries, and 24 other high-ranking officials (mainly heads of agencies)—had security protection. Personnel from 27 different agencies protected them: 36 officials by their own agencies or departments and six from other agencies or departments, such as the Secret Service and the Marshals Service. Protective personnel increased 73 percent from fiscal year 1997 through 1999. Funding rose from \$19.1 million in 1997 to \$28.5 million in 1999, largely due to increased travel. Only the Secret Service and State Department have specific statutory authority to protect executive branch officials. Agencies reported that their officials received different levels and frequency of protection and that protection was needed to respond to

possible and actual threats. Most agencies favored establishing a repository of protective intelligence to facilitate sharing of threat information about their officials. Also, agencies reported that their protective personnel received different amounts of protection training and from different sources. Field staff received less training than did the agencies' full-time personnel based in Washington. Most agencies favored establishing a standardized protection training program. Most agencies opposed centralizing security protection under one agency. No single agency or official is responsible for handling issues relating to routine protection of executive branch officials. This fragmentation has serious implications because 14 of the protected officials are in the line of presidential succession. Moreover, the lack of thorough threat assessments documenting the level of protection needed makes it difficult to determine the basis for and reasonableness of protection being given. GAO summarized this report in testimony before Congress; see: Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials by Bernard L. Ungar, Director of Government Business Operations and Robert H. Hast, Assistant Comptroller General for Special Investigations, before the Subcommittee on Criminal Justice Oversight, Senate Committee on the Judiciary. GAO/T-GGD/OSI-00-177, July 27 (10 pages).

**NSIAD/GGD-00-186**, Aug. 15, 2000 (20 pages). Space Shuttle: Human Capital and Safety Upgrade Challenges Require Continued Attention.

Several internal NASA studies have shown that downsizing has harmed the shuttle program's workforce. Many key areas lack enough qualified workers, and the remaining workforce shows signs of overwork and fatigue. Forfeited leave, absences from training courses, and stress-related employee

assistance visits are all on the rise. More than twice as many workers are more than 60 years old than are under 30 years old, jeopardizing the program's ability to hand off leadership to the next generation. This situation also poses significant shuttle program flight-safety risks, according to NASA. To revitalize its workforce, NASA has ended its downsizing plans and has begun to hire new staff. It has started an overall workforce review to examine personnel needs, barriers, and reforms to address long-term requirements. During the next five years, NASA plans to develop and institute various safety and supportability upgrades. The program's success, however, depends on NASA's ability to overcome programmatic and technical challenges, such as a demanding schedule and undefined design and workforce requirements. Continued management emphasis will be critical to the success of NASA's human capital planning.

**RCED/GGD-00-79**, Feb. 14, 2000 (90 pages). Northern Mariana Islands: Garment and Tourist Industries Play a Dominant Role in the Commonwealth's Economy.

The Commonwealth of the Northern Mariana Islands is a U.S. territory with commonwealth status in the western Pacific. The covenant establishing the Commonwealth of the Northern Mariana Islands places them under U.S. sovereignty and grants U.S. citizenship to people born there, but pledges self-government for local affairs. The Islands control their own immigration policy and set their own minimum wage, which, at \$3.05 per hour, is substantially below the minimum wage in the United States. Businesses in the Islands, particularly in the garment and tourist industries, employ many foreign workers who have work permits that do not lead to citizenship. This report answers the following questions: What has been the impact of the garment and tourist

industries and the use of foreign workers on the economy of the Mariana Islands? How do the revenue-raising efforts of the Mariana Islands and the payments that they receive from the U.S. Treasury compare with those of other U.S. territories and freely associated states? How do the taxes and fees paid by the garment industry in the Mariana Islands, expressed as a percentage of gross receipts, compare with the taxes and fees paid by the garment industry in the United States?

**RCED/GGD-00-220**, Sept. 29, 2000 (69 pages). Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities.

In 1995, GAO identified federal programs that supported economic development to determine if these programs would more directly fund economic development activities, including the level of financial support that they provide, and compared selected aspects of these programs, such as program applicants, to identify areas of potential overlap. Ten agencies and 27 subagency units administer 73 programs that can be used to support one or more of the six activities that GAO identified as being directly related to economic development. Specifically, for 30 of the programs—those for which, agencies could provide more detailed obligation information—about \$7 billion was obligated to support one or more of the six economic development activities for fiscal year 1999. In each of the six activity areas, GAO identified programs that fund a similar activity and also have the same applicants. However, GAO identified overlap among many federal programs that support economic development. Additional information is needed to determine whether that overlap resulted in the inefficient or ineffective delivery of the programs involved.

## Testimony

**T-AIMD/GGD-00-179**, May 22, 2000 (19 pages). Electronic Government: Federal Initiatives Are Evolving Rapidly But They Face Significant Challenges, by David L. McClure, Associate Director, Governmentwide and Defense Information Systems, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Electronic commerce and business strategies made possible by the widespread Internet access and interconnected systems are transforming how organizations, both public and private, will operate in the coming decade. Spending by federal, state, and local governments on electronic government is expected to quadruple during the next five years, from \$1.5 billion today to \$6.2 billion in 2005, according to the Gartner Group. This testimony focuses on key aspects of the evolving e-government environment, including the statutory and policy framework, key efforts to implement electronic government programs, and the major challenges confronting both government and the private sector in making the transition to on-line business and service environments.

**T-GGD-00-2**, Oct. 21, 1999 (31 pages). U.S. Postal Service: Challenges to Sustaining Performance Improvements Remain Formidable on the Brink of the 21st Century, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Postal Service Subcommittee, House Committee on Government Reform.

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.

**T-GGD-00-24**, Oct. 20, 1999 (11 pages). National Archives: The Challenge of Electronic Records Management, by L. Nye Stevens, Director, Federal Management and Workforce Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

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.

**T-GGD-00-26**, Oct. 15, 1999 (14 pages). Management Reform: Elements of Successful Improvement Initiatives, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, and James R. White, Director, Tax Policy and Administration Issues, before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

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.

**T-GGD-00-32**, Nov. 9, 1999 (15 pages). Money Laundering: Observations on Private Banking and Related Oversight of Selected Offshore Jurisdictions, by Thomas J. McCool, Director, Financial Institutions and Markets Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

This testimony provides an overview of money laundering in relation to private banking and highlights some regulatory issues involving the vulnerability of selected offshore jurisdictions to money laundering. GAO focuses on the following four areas: regulators' oversight of private banking in general, regulators' oversight of private banking in selected offshore jurisdictions, barriers that have hampered regulators' oversight of offshore banking, and future challenges that confront regulators' efforts to combat money laundering in offshore jurisdictions.

**T-GGD-00-33**, Oct. 28, 1999 (11 pages). Community Policing: Observations on the COPS Program Midway Through Program Implementation, by Richard M. Stana, Associate Director, Administration of Justice Issues, before the Crime Subcommittee, House Committee on the Judiciary.

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

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

**T-GGD-00-34**, Oct. 28, 1999 (11 pages). Competitive Contracting: Preliminary Issues Regarding FAIR Act Implementation, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

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.

**T-GGD-00-53**, Feb. 2, 2000 (9 pages). IRS Restructuring Act: Implementation Under Way but Agency Modernization Important to Success, by James R. White, Director, Tax Policy and Administration Issues, before the Senate Committee on Finance.

This testimony discusses the Internal Revenue Service's (IRS) progress in implementing the taxpayer rights and protections mandated by the IRS Restructuring and Reform Act of 1998. The act was passed in response to concerns that IRS had been overemphasizing revenue production and compliance at the expense of fairness and consideration of taxpayer interests. GAO found that IRS has made a concerted effort to implement the taxpayer protection provisions. In some cases, implementation is not complete, and in others, it is too soon to tell whether implementation will be successful. IRS has had difficulty in implementing some of the act's mandates. These problems include determining when enforced collection actions, such as the seizure of taxpayers' assets, are appropriate and responding to requests for relief under the innocent spouse provisions. GAO believes that IRS' efforts to modernize its organizational structure, performance management system, and information systems are heading the agency in the right direction. If successful, IRS' modernization efforts should create an agency culture dedicated to serving the public and spur efficiency improvements throughout the agency. Both are necessary for culture change to institutionalize taxpayer service as a core value, and efficiency gains to allow IRS to better target its resources to promote compliance and taxpayer service. resources to promote compliance and taxpayer service.

**T-GGD-00-63**, Mar. 9, 2000 (8 pages). Postal Issues: The Department of State's International Postal Responsibilities, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Postal Service Subcommittee, House Committee on Government Reform.

The State Department assumed primary responsibility for U.S. policy on Universal Postal Union (UPU) matters in 1998. State has made

progress in implementing its new responsibilities by consulting with the Postal Service, other federal agencies, postal users, private providers of international postal services, and the public. Also, State clearly signaled changes in U.S. policy on UPU reform. Despite this progress, opportunities exist for State to improve its process for developing U.S. policy on these matters and the institutional continuity and expertise of its staff. For example, GAO found shortcomings in the timing and notifications for public meetings and the distribution of documents discussed at those meeting that may have limited opportunities for stakeholders to provide meaningful input. GAO recommends that State establish a more structured, timely, and open process for developing U.S. policy on UPU matters. Also, State should provide sufficient staff continuity and expertise to handle its UPU responsibilities. It is unclear, however, how State plans to address GAO's recommendations. This testimony summarized the January 2000 GAO report, GAO/GGD-00-40.

**T-GGD-00-73**, Apr. 11, 2000 (11 pages). Federal Buildings: Billions Are Needed for Repairs and Alterations, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Economic Development, Public Buildings, Hazardous Materials and Pipeline Transportation Subcommittee, House Committee on Transportation and Infrastructure.

Billions of dollars are needed for repairs and alterations at federal buildings. This situation is not new. Nearly a decade ago, GAO reported that federal buildings had suffered from years of neglect and, as a result, about \$4 billion was needed to bring these structures up to standard. (See GAO/GGD-91-57, May 1991.) GAO recommended that the General Services Administration (GSA) adopt a more strategic approach to managing repairs and alternations, improve



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program data, and explore financing opportunities for repair and alteration needs. GSA has yet to fully implement those suggestions. GSA officials recognize that more needs to be done to effectively respond to growing demands for repairs and alterations. GSA has several initiatives under way that, if fully developed and effectively implemented, could satisfy GAO's earlier recommendations, lead to better program oversight, and promote a more strategic approach to meeting repair and alterations needs. This testimony summarized the March 2000 report, GAO/GGD-00-98.

**T-GGD-00-77**, Mar. 9, 2000 (21 pages). Human Capital: Managing Human Capital in the 21st Century, by David M. Walker, Comptroller General of the United States, before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

The federal government counts some 1.8 million employees on its payroll. These workers are the government's greatest asset—its human capital. The landmark federal management reforms of the 1990s signaled the start of a new era in which federal agencies are being held accountable for results. The reforms addressed several key elements of modern performance management: financial management, information technology management, and results-oriented goal-setting and performance measurement. The government's human capital management, the "people factor," has been notably absent from this strategy, however. Given the federal downsizing that has occurred during the past decade, widespread inattention to strategic human capital management may be jeopardizing the government's ability to economically and effectively deliver products and services to the public. Serious concerns are being raised about the aging of the federal workforce, the rise in retirement eligibilities, and steps needed to

ensure effective succession planning. The size and shape of the federal workforce, its skills needs and imbalances, and agencies' approaches to managing performance and incentives all need greater attention. Designing, implementing, and maintaining effective human capital strategies will be critical to improving the performance of government and holding federal agencies accountable for their promises to the taxpayers. In this regard, leading private sectors organizations have some important lessons to offer, but it will be the federal government's job to craft human capital systems that deliver for the American people.

**T-GGD-00-95**, Mar. 22, 2000 (24 pages). Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight, by David M. Walker, Comptroller General of the United States, before the Rules and Organization Subcommittee, House Committee on Rules.

The Government Performance and Results Act arose, in part, out of Congress' frustration that its policy and spending decisions and oversight had been handicapped by a lack of precise information on program goals, performance, and costs. Today, agencies must set multiyear strategic goals and corresponding annual goals, measure their performance, and report on their results. The implementation of the act is now at a critical point. By the end of March, agencies are to publish annual performance reports that, for the first time, will provide an overall picture of the performance of federal programs. The information becoming available as a result of the act also affords an opportunity to reexamine what government does, how it does it, and who benefits. In short, the act has the potential to ensure that the government delivers the results that the American people expect and deserve. The Comptroller General's testimony provides an overview of the

act's implementation across the executive branch, discusses how the House of Representatives has used the act to improve program oversight and decisionmaking, and suggests ways to use the act to address some of the critical program and management issues confronting the government.

**T-GGD-00-96**, Mar. 1, 2000 (15 pages). Securities Pricing: Progress and Challenges in Converting to Decimals, by Davi M. D'Agostino, Associate Director, Financial Institutions and Markets Issues, before the Finance and Hazardous Materials Subcommittee, House Committee on Commerce.

Although the securities markets have made progress in preparing for decimal trading, some key challenges must still be overcome if decimal trading is to be implemented successfully. The capacity study commissioned by the Securities Industry Association projected that decimal trading is likely to significantly increase trade and quotation message traffic, so a primary challenge will be to ensure that the industry's communications and processing systems have enough capacity. The options markets and the Nasdaq face the greatest difficulty in preparing for the increased message traffic arising from decimal trading. Other steps that must be taken in preparation for decimal trading include developing market standards and implementation procedures, ensuring that market participants' systems are ready to process decimal prices, and revising all the rules that govern trading. These steps are still incomplete, however, and, in some cases, progress has been hampered by other issues, including an ongoing antitrust investigation of the options markets.

**T-GGD-00-104**, Mar. 29, 2000 (14 pages). Equal Employment Opportunity: Discrimination Complaint Caseloads and Underlying Causes Require EEOC's Sustained

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Attention, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, before the Civil Service Subcommittee, House Committee on Government Reform.

Following a decade of rising discrimination complaint caseloads, growing backlogs, and lengthening delays in processing individual cases, the Equal Employment Opportunity Commission (EEOC) has begun taking steps, under new regulations, to better manage the complaint process. The agency has also begun to address problems with the completeness and reliability of the data that it collects from agencies and reports to the public. Both efforts are part of EEOC's Comprehensive Enforcement Program, announced in August 1999. At the broader level, the program includes plans to help address the root causes of employee complaints: discrimination and other sources of conflict in the federal workplace. All of these efforts are encouraging, but they will require a sustained commitment and follow-through on the part of EEOC if the agency is to achieve meaningful results.

**T-GGD-00-112**, Apr. 6, 2000 (43 pages). *Federal Prisons: Containing Health Care Costs for an Increasing Inmate Population*, by Richard M. Stana, Associate Director, Administration of Justice Issues, before the Criminal Justice Subcommittee, Senate Committee on the Judiciary.

The growing federal prison population has been accompanied by rising health care costs for inmates. The Bureau of Prison's costs to treat inmates have soared from \$137.6 million in 1990 to \$372.1 million in 1999—an average annual increase of 8.6 percent. Since the early 1990s, the Bureau has tried to increase the efficiency and the economy of health care delivery to prisoners through various cost-containment initiatives, such as

restructuring medical staffing, obtaining discounts by buying in bulk, leveraging resources through cooperative efforts with other governmental entities, and even privatizing medical services at some facilities. To further control costs, the Bureau recently proposed two legislative changes. The first—a prisoner copayment provision—would authorize the Bureau to collect a fee of not less than \$2 every time a prisoner requests a health care visit. The second provision would build on the federal government's extensive experience in establishing payment rates for inpatient hospital services through Medicare's prospective payment system. That is, Medicare's prospective rates could be adopted to serve as caps for the Bureau's payments to community hospitals that care for federal prisoners. GAO notes that the Bureau might be able to save additional money by negotiating more cost-effective contracts with community hospitals that provide medical care to inmates.

**T-GGD-00-114**, Apr. 12, 2000 (19 pages). *Paperwork Reduction Act: Burden Increases at IRS and Other Agencies*, by Nancy R. Kingsbury, Acting Assistant Comptroller General, before the National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee, House Committee on Government Reform.

Although the Paperwork Reduction Act of 1995 anticipated a 30-percent reduction in federal paperwork between fiscal years 1995 and 1999, preliminary data show that paperwork actually rose during that period. The increase is primarily due to the Internal Revenue Service. Federal agencies identified 710 violations of the act during fiscal year 1999—a decline from the 872 violations identified a year earlier. Problems in last year's data, however, make it unclear whether the number of violations is really going down. And even if the number of violations is

going down, 710 violations is far too many, in GAO's view. GAO believes that the Office of Management and Budget can do more to ensure that agencies do not use information collections without proper clearance. GAO also believes that other federal agencies have a role to play in reducing the number of violations.

**T-GGD-00-118**, May 2, 2000 (12 pages). *Human Capital: Using Incentives to Motivate and Reward High Performance*, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

This testimony discusses the role of incentive programs in motivating and rewarding federal employees to achieve high performance in support of agency missions and goals. GAO found that federal agencies have broad statutory and regulatory authority to design and implement various incentive programs, including monetary and nonmonetary incentives. No one incentive program is optimal for all situations. Second, the use of monetary incentive programs has varied over time and across agencies. During the last five years, agencies have made less use of their performance awards and greater use of other monetary incentives. The proportion of employees who received monetary performance awards ranged from less than one percent to as much as 75 percent of an agency's workforce. Little is known about the use of nonmonetary incentives because they are harder to measure and generally not documented. Finally, some agencies regularly monitor and evaluate the effectiveness of their incentive programs; however, many others have reported that they did not know whether their incentive programs were effective in motivating their employees to exceed

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expectations in support of missions and goals.

**T-GGD-00-128**, May 4, 2000 (19 pages). Management Reform: Continuing Attention Is Needed to Improve Government Performance, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

Since it was launched in 1993 under the leadership of the Vice President, the National Performance Review (NPR) has sought to "make government work better and cost less and to get the results Americans care about." NPR has been one of the longest, and most well-known, executive branch management reform efforts in U.S. history. GAO assessed NPR's recommendations in 1993, 1994, and 1996, and GAO is now reviewing selected NPR recommendations. This testimony summarizes GAO's work on selected aspects of NPR. This testimony also draws on the agency's large body of work on management issues, highlighting some of the more important management challenges confronting Congress and the administration.

**T-GGD-00-131**, May 18, 2000 (14 pages). Human Capital: Design, Implementation, and Evaluation of Training at Selected Agencies, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, before the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs.

During the 1990s, many federal agencies cut back on hiring new staff to reduce the number of employees on the payroll and to meet downsizing goals. As a result, these agencies also reduced the influx of new people with

new knowledge and skills that agencies needed to help build and sustain excellence. Moreover, anecdotal evidence on overall federal spending on training indicates that, in trying to save on workforce-related costs, agencies cut back on training investments needed if their smaller workforces were to make up for institutional losses in knowledge and skills. Agencies may need to take a fresh look at their training needs today. This report provides information on (1) how high-performing organizations approach the design and implementation of their training and development programs and (2) the design, implementation, and evaluation of training and development programs at four federal agencies—the Defense Finance and Accounting Service, the Health Care Financing Administration, the Immigration and Naturalization Service, and the State Department.

**T-GGD-00-137**, May 25, 2000 (11 pages). Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed, by Bernard L. Ungar, Director, Government Business Operations Issues, before the International Security, Proliferation and Federal Services Subcommittee, Senate Committee on Governmental Affairs.

The breast cancer research stamp was the first stamp ever issued by the Postal Service to raise money for a nonpostal purpose—in this case medical research on breast cancer. The stamp is a "blockbuster" commemorative stamp that costs 40 cents, or seven cents above the cost of a regular first-class postage stamp. The Postal Service is authorized to deduct from the seven-cent surcharge its costs to print, sell, and distribute the stamp. GAO found that it is unclear how much it cost to develop and sell the stamp because the Postal Service did not track these expenses. Postal officials said that these costs were inconsequential or immaterial and it

would have been too expensive to track them. In March, the Postal Service reported that the bulk of its costs to develop and sell the stamp through the end of 1999 was \$5.9 million. About \$5.4 million of these costs were recovered through the 33-cent first-class portion of the stamp, and the remaining \$482,000 had been recouped from the surcharge revenues. GAO was concerned that the Postal Service had not formalized its criteria for determining what costs would be recouped from the surcharge revenue and was not consistently applying its informal criteria, which changed over time. In response to GAO's recommendation, the Postal Service indicated that it would formalize and consistently apply its cost recovery criteria. The Postal Service plans to recoup costs from the surcharge revenue that were over and above the costs normally incurred with a "blockbuster" commemorative stamp issue or a new postal product. The U.S. Mint's experiences offer lessons that may be applicable to semipostals, because there are many similarities between the two. In the mid-1990s, GAO reviewed the commemorative coin program and found that some coins were unpopular and did not sell well. GAO also found that as the number of commemorative coins proliferated, the market became saturated and sales fell. As sales fell, the U.S. Mint was unable to cover its costs on some commemorative coin programs. This testimony summarizes the April 2000 report, GAO/GGD-00-80.

**T-GGD-00-138**, May 23, 2000 (12 pages). Tax Administration: IRS' Efforts to Serve Small Business Taxpayers, by Cornelia M. Ashby, Associate Director, Tax Policy and Administration Issues, before the Senate Committee on Small Business.

About 40 million small businesses and self-employed taxpayers in the United States are responsible for remitting half of the taxes collected by the Internal Revenue Service (IRS). The

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IRS Restructuring and Reform Act of 1998 requires IRS to place more emphasis on providing better service to taxpayers. This testimony discusses the factors that complicate small business' efforts to comply with the tax laws and IRS' efforts to provide better service to this important group of taxpayers.

**T-GGD-00-163**, June 21, 2000 (15 pages). Gun Control: Improving the National Instant Criminal Background Check System, by Laurie Ekstrand, Director, Administration of Justice Issues, before the Senate Committee on the Judiciary.

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

**T-GGD-00-173**, June 30, 2000 (11 pages). District of Columbia Receivership: Selected Issues Related to Medical Services at the D.C. Jail, by Laurie Ekstrand, Director, Administration of Justice Issues, before the District of Columbia Subcommittee, House Committee on Government Reform.

The D.C. Jail's medical care facility was placed under court-ordered receivership in August 1995 after the District was held in contempt for repeatedly failing to carry out court

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

**T-GGD-00-175**, July 12, 2000 (9 pages). Federal Real Property: Views on Management Reform Proposals, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

S. 2805 would require the General Services Administration (GSA) to take a leadership role--in collaboration with the heads of federal landholding agencies--to publish and maintain a current set of real property asset management principles. H.R. 3285 would require GSA to establish performance measures to track executive branch agencies' progress in achieving property management objectives and would compare the government's performance with that of the private sector. S.2805 would also provide for a Senior Real Property Officer who would oversee all real property asset management activities and would work with the respective agency's Chief Financial Officer, Chief Information Officer, and head of

human resources. The Senior Real Property Officer should be qualified through education, training, experience, and certification. A comprehensive, reliable listing of federal properties, as envisioned by S. 2805, is essential to overseeing and managing the government's large portfolio of federal assets. The bill also would amend current law to allow each agency to retain the proceeds of real property sales and deposit them into agency capital asset accounts for real property needs. The bill would also provide property managers with four new enhanced management tools: (1) interagency transfers or exchanges, (2) sales to or exchanges with nonfederal sources, (3) subleases, and (4) outleases. However, the 20-year limitation generally placed on outleases could significantly reduce the usefulness of this tool for properties that are historically significant or in economically depressed areas.

**T-GGD-00-178**, July 20, 2000 (15 pages). Managing for Results: Continuing Challenges to Effective GPRA Implementation, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The challenges to implementing the Government Performance and Results Act are many. Each agency must focus on the results it wants to achieve, not the products it produces and the process used to produce them. Agencies must coordinate crosscutting programs, thereby reducing mission fragmentation and program overlap. For example, eight federal agencies now run 50 programs for the homeless. Agencies are to show relationships between budgetary resources and performance goals. They must also show how daily operations lead to results. Most fiscal year 2000 performance plans do not sufficiently

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address how to strategically manage their people (human capital). The systematic integration of human capital planning and program planning—a critical component of high-performing organizations—is not being adequately and uniformly addressed across the federal government. Agencies are also to resolve all mission-critical management challenges and program risks, not just some of them. Agencies need reliable information during their planning efforts to set realistic goals and, later, to gauge their progress toward achieving these goals. For example, program evaluation provides vital information about the contributions that programs have made to results. Agencies must accurately record and report financial management data on both a year-end and ongoing basis. It is imperative to continuously improve internal controls and underlying financial management information systems.

**T-GGD-00-182**, July 25, 2000 (7 pages). Housing Enterprises: The Roles of Fannie Mae and Freddie Mac in the U.S. Housing Finance System, by Thomas J. McCool, Director, Financial Institutions and Markets Issues, before the Task Force on Housing and Infrastructure, House Committee on Budget.

The efforts of Fannie Mae and Freddie Mac have successfully lowered mortgage cost and increased home ownership in the United States. However, these two government-sponsored enterprises had combined debt and mortgage-backed securities liabilities of more than \$2 trillion at the end of 1999. The enterprises' close relationship with the federal government and their federal charters provide them with advantages. First is the perception in the financial markets that the government would not allow the enterprises to fail, thus allowing them to borrow at relatively lower cost than private firms. Their charters also exempt them from paying state and

local income taxes and some of the fees charged by the Securities and Exchange Commission for securities. Each enterprise has a \$2.25 billion conditional line of credit with the Department of the Treasury. Federal sponsorship creates significant risks and costs because taxpayers might end up paying part of that more than \$2 trillion debt. The 1992 Federal Housing Enterprises Financial Safety and Soundness Act established the Office of Federal Housing Enterprise Oversight to ensure adequate capitalization and safe operations. The act also provided the Department of Housing and Urban Development with additional regulatory authority to ensure that the enterprises fulfill their housing finance mission.

**T-GGD-00-195**, Sept. 7, 2000 (13 pages). U.S. Postal Service: Electronic Commerce Activities and Legal Matters, by Bernard L. Ungar, Director, Government Business Operations Issues, before the International Security, Proliferation and Federal Services Subcommittee, Senate Committee on Governmental Affairs.

The United States Postal Service (USPS) has defined e-commerce initiatives to include products and services that: (1) require the use of the Internet; and (2) generate revenues for USPS from user charges or license fees. It has identified seven e-commerce initiatives intended to facilitate the movement of messages, merchandise, and money. For example, USPS has introduced PosteCS, an Internet-based global document delivery system. The Stamps Online initiative allows purchase of stamps and other philatelic products. USPS introduced its eBillPay initiative, an electronic bill presentment and payment service, in April 2000. In the development stage, USPS is working on an electronic mailbox, which could link electronic and physical addresses. GAO found, however, that USPS provided inconsistent information on the status of its initiatives, did not

always adhere to its process requirements, and its financial data were inaccurate and incomplete. USPS believes that it has broad statutory authority to offer e-commerce products and service. The Postal Inspection Service, which is responsible for enforcing postal laws, has authority and responsibility to investigate violations of law that involve USPS e-commerce products and services. This testimony summarizes the September report, GAO/GGD-00-188.

**T-GGD-00-200**, Sept. 12, 2000 (39 pages). Government-Sponsored Enterprises: Creation of a Single Housing GSE Regulator, by Thomas J. McCool, Director, Financial Institutions and Market Issues, before the Capital Markets, Securities and GSEs Subcommittee, House Committee on Banking and Financial Services.

This testimony discusses H.R.3703 and other issues related to the housing government-sponsored enterprises (GSE). GAO supports a single housing GSE regulator for Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System and concludes that selecting a "stand-alone" agency with a governing board would better ensure the independence and prominence of the regulator and allow it to act independently of the influence of the housing GSEs, which are large and politically influential. This testimony: (1) discusses the advantages and the disadvantages of creating a single housing GSA regulator; (2) discusses Fannie Mae, Freddie Mac, and its regulators; and (3) summarizes GAO's 1998 review of the Federal Housing Finance Board, which regulates the safety and soundness and the mission of the Federal Home Loan Bank System.

**T-GGD-00-206**, Sept. 19, 2000 (25 pages). U.S. Postal Service: Sustained Attention to Challenges Remains Critical, by Bernard L. Ungar, Director,

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Government Business Operations Issues, before the Postal Service Subcommittee, House Committee on Government Reform.

Several continuing challenges facing the U.S. Postal Service include improving productivity, controlling costs, enhancing revenues, and improving labor-management relations. Long-term increases in productivity will be essential for the Service's future success. The Service recently reported that its productivity for fiscal year 2000 through mid-August had increased 2.2 percent. Although the largest increase since 1993, it would translate into a cumulative increase of 1.5 percent over the past decade. Questions for continued oversight include how and when the Service expects to achieve breakthrough productivity. Another issue is whether the Service, unions, and management associations will be able to find common ground to address long-standing problems in the workplace that may impede the Service's ability to improve productivity. GAO also has continued concern about the quality and transparency of the Service's performance information. Other stakeholders have also raised concerns about the potential effect of competition—particularly from the Internet—on universal postal service.

**T-GGD-00-209**, Sept. 19, 2000 (16 pages). Insurance Regulation: Scandal Highlights Need for States to Strengthen Regulatory Oversight, by Richard J. Hillman, Associate Director, Financial Institutions and Market Issues, before the Finance and Hazardous Materials Subcommittee, House Committee on Commerce.

Despite being barred from the securities industry, Martin Frankel is alleged to have anonymously acquired and controlled insurance companies in several states and to have exercised secret control over a small securities firm, using it to take custody of

insurance company assets and provided false documents on investment activity. He allegedly diverted these assets to other accounts he controlled to support the scam and his lavish lifestyle. Weaknesses in insurance regulatory oversight, including inadequate analysis of security investments and failure to detect misappropriation of assets, delayed detection of the scam. GAO has noted regulatory weaknesses in regard to change of ownership approvals, route financial analyses, and periodic on-site examinations. Furthermore, the National Association of Insurance Commissioners lacks effective interstate coordination oversight of entities under holding companies and has gaps in control to prevent the migration of unscrupulous securities brokers to other sectors of the financial services industry. The Gramm-Leach-Bliley Act of 1999 underscores the importance of consultation and information-sharing among federal financial regulators and state insurance regulators. Regulators recognize the need to improve their coordination and have taken or plan to take several measures. This testimony summarized the September report, GAO/GGD-00-198.

**T-GGD/AIMD-00-91**, Feb. 15, 2000 (15 pages). 2000 Census: Status of Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

In a little more than six weeks—on Census Day (April 1, 2000)—the decade-long process of researching, planning, testing, and evaluating procedures for conducting the nation's largest peace-time mobilization will come to a close. At this critical juncture, it is important to examine the state of the census, the progress made to ensure a complete and accurate enumeration, and the level of risk that remains. Two recent GAO reports

discussed operational uncertainties that threaten a successful population count. (See GAO/GGD-00-6, Dec. 1999, and GAO/AIMD-00-61, Feb. 2000.) This testimony elaborates on the following three operational uncertainties highlighted in these reports: (1) achieving the Census Bureau's mail response rate objective, (2) collecting accurate and timely data from nonrespondents, and (3) conducting data capture options.

**T-GGD/AIMD-00-119**, Mar. 14, 2000 (16 pages). 2000 Census: Update on Essential Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This report updates the status of key census-taking operations. GAO discusses developments in such essential areas as (1) outreach and promotion, (2) field follow-up operations, and (3) data capture. GAO also discusses steps that the Bureau has taken to help ensure that the census questionnaires do not contain the same misprint in mailing addresses found in the 120 million advance notification letters sent out recently.

**T-GGD/AIMD-00-133**, Mar. 28, 2000 (45 pages). Tax Administration: IRS' 2000 Tax Filing Season and Fiscal Year 2001 Budget Request, by James R. White, Director, Tax Policy and Administration Issues, before the Oversight Subcommittee, House Committee on Ways and Means.

GAO makes several points about the 2000 tax filing season. The Internal Revenue Service (IRS) made several important changes to its tax-processing systems before the 2000 filing season, and those systems have not experienced significant problems. The use of electronic filing continues to grow, and telephone service has improved, although it has yet to reach the level of service achieved in 1998.

IRS has requested \$8.9 billion for fiscal year 2001, a nine-percent increase over the agency's operating level for fiscal year 2000. IRS has also requested a supplemental appropriation of \$39.8 million to increase staffing levels in several of the agency's programs. Although many aspects of the initiative seem appropriate, GAO is concerned (1) about IRS' ability to implement the initiative given its past history of being unable to fill enforcement positions funded by Congress and (2) that the initiative would increase staffing for IRS' toll-free telephone assistance program. Congress should consider withholding approval of the requested increase for telephone service until IRS provides a more realistic level of the service that it expects to provide in fiscal year 2001. IRS' request included \$1.58 billion for its information systems appropriation and \$494 million for its multiyear capital account. The \$494 million request is not adequately justified, and Congress should consider denying the request and directing IRS to develop a credible and verifiable budget request for the capital account. Finally, GAO is concerned that IRS' budget request does not provide clear links between the resources being requested and expected results.

**T-GGD/AIMD-00-136**, Apr. 5, 2000 (17 pages). 2000 Census: Progress Report on the Mail Response Rate and Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This testimony focuses on the mail response rate and its implications for the timely and accurate completion of the Bureau's nonresponse follow-up workload. GAO also discusses the status of specific enumeration efforts that have taken place during the last month, including (1) update/leave, a procedure used to count people in small towns and rural areas; (2)

Service Based Enumeration, used to count persons with no usual residence; and (3) Questionnaire Assistance Centers, which are designed to help people, especially those who speak little English, complete their census forms. GAO also discusses how well the Bureau's data capture centers are handling production-level workloads.

**T-GGD/AIMD-00-141**, Apr. 7, 2000 (27 pages). Office of Management and Budget: Future Challenges to Management, by David M. Walker, Comptroller General of the United States, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

In earlier testimony before Congress (GAO/T-GGD/AIMD-99-65, Feb. 1999), GAO discussed in detail the Office of Management and Budget's (OMB) effectiveness in a range of specific management areas. The Comptroller General's statement builds on this by emphasizing the broader challenges facing the nation and the federal government and their implications for central leadership approaches, in general, and for OMB, in particular.

**T-GGD/AIMD-00-144**, Apr. 10, 2000 (14 pages). IRS Modernization: Business Practice, Performance Management, and Information Technology Challenges, by Margaret T. Wrightson, Associate Director, Tax Policy and Administration Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The Internal Revenue Service (IRS), acknowledging its serious, long-standing management problems and its history of ineffective attempts to deal with them, has revised its mission statement to more fully embrace customer service and fairness to taxpayers as core organizational values. IRS has also launched a modernization strategy that

encompasses major changes in the agency's organizational structure, business practices, human capital and performance management systems, and information systems. The magnitude of this modernization effort makes it a high-risk venture that will take years to fully implement. Although IRS has taken important steps during the last year, some of its most important and difficult work lies ahead. This testimony discusses the business practice, performance management, and information technology challenges facing IRS.

**T-GGD/AIMD-00-150**, Apr. 20, 2000 (11 pages). U.S. Customs Service: Observations on Selected Operations and Program Issues, by Laurie Ekstrand, Director, Administration of Justice Issues, and Randolph C. Hite, Associate Director, Governmentwide and Defense Information Systems Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

This testimony provides GAO's observations on (1) the Customs Service's development of a Resource Allocation Model, (2) an Automated Commercial Environment, and (3) a recently issued GAO report on Customs' personal searches of airline passengers. (See GAO/GGD-00-38, Mar. 2000.) These three issues are all extremely important to optimizing the quality and efficiency of Customs' operations.

**T-GGD/AIMD-00-154**, May 3, 2000 (11 pages). IRS Modernization: Long-term Effort Under Way, but Significant Challenges Remain, by James R. White, Director, Tax Policy and Administration Issues; Randolph C. Hite, Associate Director, Governmentwide and Defense Information Systems Issues; and Gregory D. Kutz, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management,

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Information and Technology  
Subcommittee, House Committee on  
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Congress passed the IRS Restructuring and Reform Act of 1998 to signal its concern that the Internal Revenue Service (IRS) had been overemphasizing revenue production at the expense of fairness and consideration of taxpayer interests. The act mandated certain taxpayer protections as well as more fundamental changes to the agency's mission and organizational structure. GAO testified that IRS is as challenged today as it was two years ago, when the legislation was passed. IRS continues to face serious operational problems in two key areas: enforcement and customer service. For example, shortcomings in the management of billions of dollars of unpaid tax assessments have placed a burden on taxpayers and caused the government to lose potentially billions of dollars in revenue. Also, taxpayers remain frustrated by their inability to reach IRS by telephone. IRS has developed a massive modernization effort to address its long-standing problems, but significant challenges remain in the areas of performance management and information systems modernization.

**T-GGD/AIMD-00-164**, May 11, 2000 (19 pages). 2000 Census: Status of Nonresponse Follow-up and Key Operations, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Census Subcommittee, House Committee on Government Reform.

This testimony updates the status of the 2000 census. Overall, initial Census Bureau data on the conduct of the decennial count is encouraging, with major operations reportedly proceeding on schedule and generally performing as planned. Particularly noteworthy is the 65 percent initial response rate, which surpassed

expectations. The Bureau is now working on nonresponse follow-up—the largest, most complex, and costly part of the entire census. This testimony focuses on the progress of the nonresponse follow-up, paying particular attention to the response rate, its impact on the nonresponse follow-up workload, and the Bureau's inability to complete nonresponse follow-up on schedule while maintaining data quality. GAO also discusses the Bureau's efforts to redeliver questionnaires initially found to be undeliverable and the status of the Bureau's data capture operations.

**T-GGD/AIMD-00-167**, May 9, 2000 (15 pages). Debt Collection: Barring Delinquent Taxpayers From Receiving Federal Contracts and Loan Assistance, by Cornelia M. Ashby, Associate Director, Tax Policy and Administration Issues, and Gregory D. Kutz, Associate Director, Governmentwide Accounting and Financial Management Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

H.R. 4181 is proposed legislation that would ban delinquent federal debtors, including delinquent taxpayers, from obtaining contracts with government agencies. The bill would also generally preclude delinquent taxpayers from obtaining federal loans (other than disaster loans) or loan insurance or guarantees. GAO supports the idea of barring delinquent taxpayers from receiving federal contracts, loans, loan guarantees, and insurance. In fact, as far back as 1992, GAO urged Congress to consider whether tax compliance should be a prerequisite for receiving a federal contract. However, GAO cautions that there are significant implementation issues with H.R. 4181, particularly with respect to the federal acquisition process, and GAO recommends a phased-in implementation of the provisions and

additional standards for when delinquent taxpayers should be barred.

**T-GGD/AIMD-00-256**, July 20, 2000 (21 pages). Small Business Administration: Steps Taken to Better Manage Its Human Capital, but More Needs to Be Done, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, before the Senate Committee on Small Business.

The Small Business Administration (SBA) has developed a shared vision, which includes transitioning its employees from making and servicing loans to primarily reaching out to new markets and overseeing its private-sector partners. SBA has also begun to take steps to better manage its human capital activities, including workforce planning efforts. More needs to be done, however, including (1) completing its efforts to identify the knowledge, skills, abilities, and other characteristics its employees will need to perform successfully in SBA's new business environment; (2) estimating the number of employees with those skills who will be needed; (3) developing a succession plan for senior leaders and reinstating candidate development programs for these leaders; and (4) ensuring that employees receive adequate training to perform their jobs well. Although SBA plans to develop a workforce transformation plan by October 2000, it could take years to fully implement it.

**T-GGD/NSIAD-00-120**, Mar. 9, 2000 (16 pages). Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, and Barry W. Holman, Associate Director, Defense Management Issues, before the Military Readiness Subcommittee, House Committee on Armed Services, and Civil Service Subcommittee, House Committee on Government Reform.



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This testimony discusses civilian personnel downsizing at the Defense Department and suggests a framework that could be useful in approaching the military's future human capital management challenges. GAO (1) provides some perspectives on why this is an opportune time to consider human capital management in DOD and (2) discusses the human capital self-assessment checklist that GAO has developed to help agency leaders focus on improving their management of their most important resources: the people who carry out the agency's mission.

**T-GGD/OGC-00-157**, June 8, 2000 (13 pages). Regulatory Reform: Procedural and Analytical Requirements in Federal Rulemaking, by Robert Murphy, General Counsel, before the Regulatory Reform and Paperwork Reduction Subcommittee, House Committee on Small Business.

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

considered burdensome by the regulated community were required by the statute being implemented.

**T-GGD/OSI-00-19**, Oct. 7, 1999 (19 pages). General Services Administration: Status of Efforts to Improve Management of Building Security Upgrade Program, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

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.

**T-GGD/OSI-00-177**, July 27, 2000 (10 pages). Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials, by Bernard L. Ungar, Director, Government Business Operations Issues, and Robert H. Hast, Acting Assistant Comptroller General, before the Criminal Justice Oversight Subcommittee, Senate Committee on the Judiciary.

From fiscal years 1997 through 1999, 42 executive branch positions at 31 executive branch agencies—including all 14 Cabinet secretaries, four deputy or under secretaries, and 24 other high-ranking officials (mainly heads of agencies)—had security protection. Personnel from 27 different agencies protected them: 36 officials by their own agencies or departments and six from other agencies or departments, such as the Secret Service and the Marshals Service. Protective personnel increased 73 percent from fiscal year 1997 through 1999. Funding rose from \$19.1 million in 1997 to \$28.5 million in 1999, largely due to increased travel. Only the Secret Service and State Department have specific statutory authority to protect executive branch officials. Agencies reported that their officials received different levels and frequency of protection and that protection was needed to respond to possible and actual threats. Most agencies favored establishing a repository of protective intelligence to facilitate sharing of threat information about their officials. Also, agencies reported that their protective personnel received different amounts of protection training and from different sources. Field staff received less training than did the agencies' full-time personnel based in Washington. Most agencies favored establishing a standardized protection training

program. Most agencies opposed centralizing security protection under one agency. No single agency or official is responsible for handling issues relating to routine protection of executive branch officials. This fragmentation has serious implications because 14 of the protected officials are in the line of presidential succession. Moreover, the lack of thorough threat assessments documenting the level of protection needed makes it difficult to determine the basis for and reasonableness of protection being given. This testimony summarizes the July 2000 report, GAO/GGD/OSI-00-139.

**T-GGD/RCED-00-134**, Mar. 22, 2000 (11 pages). *Managing for Results: Challenges in Producing Credible Performance Information*, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

This testimony presents information on the challenges that federal agencies face in producing credible performance information and how those challenges may affect performance reporting. GAO recently reported that it is unlikely that agencies will have the reliable information needed to assess whether goals are being met or specifically how performance can be improved. (See GAO/GGD-00-52, Feb. 2000.) This testimony (1) provides a governmentwide perspective on the credibility of agencies' performance information; (2) discusses some of the challenges faced by agencies, including the Department of Transportation, the Environmental Protection Agency, and the General Services Administration, in producing credible performance data; and (3) highlights how agencies can use their performance reports to address data credibility issues.

## HEHS

**AIMD/HEHS-00-29**, Nov. 4, 1999 (67 pages). *Social Security: Evaluating Reform Proposals*.

This report analyzes the potential budgetary and economic effects of five Social Security reform proposals. Under the proposed Social Security Guarantee Act, current retirement income would not be reduced and could be higher; individual mutual fund accounts financed by refundable tax credits would be mandatory; and benefit payouts would remain the same as under current law or would be based on the annuitized account balance, which would be gradually returned to Old Age and Survivors Insurance and Disability (OASDI) trust funds and left to the heirs of workers who die before receiving benefits. Under the proposed 21st Century Retirement Security Act, benefits would be generally lower than under current law but a minimum benefit would be higher and formula changes would increase the benefit structure's progressivity; mandatory individual investment accounts would be modeled after the Federal Thrift Savings Plan; additional revenue would be available from changes in the cost-of-living adjustment and Social Security benefit taxation currently financing Medicare; and retiring workers could buy annuities or take a monthly pay-out with the balance after death left as a lump sum or rolled over. Under S. 1383, benefits, mandatory individual accounts, additional revenues, and account distributions on retirement and after death would have features similar to the previous proposal. Also, children would have <sup>1</sup>KidSave<sup>o</sup> accounts from birth to age five and retiring workers would take a benefit reduction to reflect government contributions to the individual accounts. Under Congressman Kasich's plan, initial benefits would be lower because they would be indexed to prices rather than to wages; benefits from voluntary

individual investment accounts would be reduced at retirement to offset government contributions; and the transition period would be financed by a loan from the general fund to the OASDI trust funds. The President's Social Security Transfer Proposal would keep benefits at current levels and general revenues would provide addition financing. Under his USA Proposal, workers would receive a flat general tax credit and a government match on individual voluntary investment accounts financed from general revenues by means of income tax credits.

**AIMD/HEHS-00-56**, Jan. 19, 2000 (30 pages). *Social Security Reform: Information on the Archer-Shaw Proposal*.

This report applies GAO's criteria for assessing Social Security reform proposals to the plan outlined by Congressman Archer. GAO's report is based on an analytical framework that the agency provided to Congress last March. That framework consists of the following three criteria: the extent to which the proposal achieves sustainable solvency and how it would affect the U.S. economy and the federal budget; the balance struck between the twin goals of income adequacy (level and certainty of benefits) and individual equity (rates of return on individual contributions); and how readily such changes could be implemented, administered, and explained to the public.

**AIMD/HEHS-00-102R**, Feb. 29, 2000 (24 pages). *Social Security Reform: Evaluation of the Nick Smith Proposal*.

Recent proposals regarding Social Security Disability Insurance range from increasing the substantial gainful activity level established for the program's blind beneficiaries to eliminating it completely. These proposals, if enacted, would likely increase beneficiaries' work effort but would raise program costs and could

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widen the differences in the program's treatment of blind and nonblind beneficiaries. Raising the level for blind persons could result in calls to increase it for nonblind persons, leading to significantly higher program costs and adverse effects on the solvency of the Social Security trust fund. Eliminating the level would fundamentally alter the purpose of the program. Other changes to work incentives being implemented or tested are likely to increase beneficiaries' work without changing the nature of the program.

**GGD/HEHS-00-153**, July 31, 2000 (91 pages). Anti-Drug Media Campaign: ONDCP Met Most Mandates, but Evaluations of Impact Are Inconclusive.

The Office of National Drug Control Policy's (ONDCP) National Youth Anti-Drug Media Campaign has been proposed as a nearly \$1 billion federal effort over five years to combat rising drug use among the nation's youth. This report discusses (1) whether ONDCP provided timely financial reports to Congress, how money for paid advertising was managed and disbursed, and whether ONDCP complied with statutory requirements on the obligation of funds; (2) what ONDCP has done to develop and implement guidelines for the campaign in response to requirements mandated by law; and (3) whether the evaluation designs for phases I through III were appropriate, how well phase I and II evaluations were implemented, and how effective phases I and II of the campaign were in influencing group awareness of different types of paid anti-drug messages and drug attitudes.

**HEHS-00-1**, Dec. 22, 1999 (32 pages). Foster Care: States' Early Experiences Implementing the Adoption and Safe Families Act.

The Adoption and Safe Families Act of 1997 led to fundamental changes in the way that the nation's foster care

system is managed. Previously, some foster children languished in temporary, out-of-home care while prolonged efforts were made to reunite them with their biological families. States are now required to find these children a safe, permanent home more quickly. This report discusses states' early efforts to implement the act's provisions. GAO describes (1) how the states have responded to the act regarding legal, administrative, and other changes that social workers may need to make in their day-to-day practice of handling welfare cases; (2) the status of states' implementation of the two provisions related to making timely permanency decisions for those foster children who are unable to safely return home; and (3) the steps that the Department of Health and Human Services has taken to assist states and monitor the implementation of these two provisions.

**HEHS-00-2**, Nov. 22, 1999 (31 pages). Supplemental Security Income: Incentive Payments Have Reduced Benefit Overpayments to Prisoners.

As a result of welfare reform, the Social Security Administration (SSA) now has a new way to identify ineligible prisoners receiving Supplemental Security Income (SSI) payments. Today, SSA receives information from 210 additional prisons, preventing about \$3.6 million in erroneous payments to inmates and identifying about \$3.3 million in potentially recoverable overpayments already made. Also, SSA now receives some data on prisoners more frequently and in a format more usable than before, preventing at least \$2.7 million in erroneous payments. SSA has also prevented \$1.6 million in erroneous overpayments and identified \$1.4 million in potentially recoverable overpayments for the Old Age and Survivors Insurance and Disability Insurance programs. It has developed new electronic monitoring and control systems for inmate data

and makes these data available to other federal and state agencies for their assistance programs, such as the Food Stamp program, which may help them improve the accuracy of their payments. Arguments that the program's \$10 million cost is high are balanced against benefits that are likely to enhance the operation of SSI and other federal programs for years to come.

**HEHS-00-3**, Nov. 17, 1999 (28 pages). Consumer Product Safety Commission: Additional Steps Needed to Assess Fire Hazards of Upholstered Furniture.

To establish a flammability standard for chairs, sofas, and other upholstered furniture, the Consumer Product Safety Commission quantifies the fire hazards using (1) national estimates of the total number of fires in four general categories and the extent of losses that do not reflect specific types of fires, such as those from upholstered furniture, and (2) detailed information about specific types of fires within a portion of all U.S. fires. At present, the Commission cannot ensure that its methodology provides a complete picture of the national fire losses that the potential standard would address because, among other things, (1) it has not developed a statement of precision for the estimated losses from upholstered furniture fires and therefore cannot disclose the range of the standard's possible benefits and (2) its methodology for calculating fire losses has the effect of including losses that the standard is not likely to address, such as losses from fires that are intentionally set. GAO recommends that as the Commission continues to consider the need for a mandatory flammability standard for upholstered furniture, it do more analyses to identify the level of imprecision in its methodology's fundamental assumptions and apply any necessary revisions to its cost-benefit analysis.

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**HEHS-00-4**, Oct. 15, 1999 (51 pages). Migrant Children: Education and HHS Need to Improve the Exchange of Participant Information.

The Department of Education's Migrant Education Program (MEP) and the Department of Health and Human Services' (HHS) Migrant Head Start Program (MHS) provide a range of health, educational, nutritional, and social services to migrant children. MEP's primary goal is to give the children of migrant crop workers a chance to meet the same state educational standards as other children. Its services vary across states, districts, and schools. MHS funds infant and preschool centers that serve the preschool-age children of migrant crop workers. MHS's narrower population definition results in service gaps for some preschool children and for children of different ages in the same family. A broader definition would mean that MEP and MHS could work together to provide more orderly transitions for children moving from MHS into school and greater service coverage for all the children in a family. Analysis of the adequacy and the targeting of MHS's resources and federal leadership to develop a system for each program to support the exchange of essential student information and coordination of services are needed. Neither Education nor HHS has measured how well the two programs are achieving their goals. GAO believes that it would be economically feasible to include a sample of migrant children in ongoing national data collection efforts. GAO recommends that the types of activities included in MHS's definition of agricultural work be expanded to harmonize with those included in MEP's definition. GAO also recommends that both Education and HHS develop nationwide systems to transmit children's tracking information and that they include studies that measure MEP's and MHS's outcomes in their research and evaluation plans.

**HEHS-00-5**, Oct. 15, 1999 (28 pages). Medical Malpractice: Effects of Varying Laws in the District of Columbia, Maryland, and Virginia.

Many states changed their tort law in the past 25 years in order to reduce malpractice insurance premiums, but the evidence of the effect of the changes is too limited to allow reliable cost savings estimates. Maryland and Virginia both adopted tort reform--albeit using different approaches--but the District of Columbia has not. How the differences have affected malpractice costs is unclear. Limited data show that the median payment for a malpractice claim for physicians in 1996-98 was \$200,000 in the District, \$150,000 in Baltimore, and \$112,500 in Richmond. Also, premiums for obstetrics and gynecology were higher in Baltimore than in the District but lower for internal medicine and general surgery, which were lowest in Richmond. Relative to Baltimore or Richmond, high malpractice claim payments or insurance premiums did not reduce the number of physicians in the District, which increased per 100,000 people by about 24 percent between 1985 and 1997.

**HEHS-00-6**, Nov. 4, 1999 (45 pages). Nursing Home Care: Enhanced HCFA Oversight of State Programs Would Better Ensure Quality.

The Health Care Financing Administration (HCFA) oversees how well each state agency ensures quality care in nursing homes, but the mechanisms HCFA uses are of limited scope and effectiveness. Because the mechanisms are not applied consistently in HCFA's 10 regional offices, HCFA lacks sufficient, consistent, and reliable data with which to evaluate the effectiveness of state agencies' performance or the success of its recent initiatives to improve nursing home care. HCFA cannot be certain whether some states are failing to identify serious deficiencies that harm nursing home

residents. HCFA also lacks an adequate array of effective sanctions to encourage state agencies to correct serious or widespread problems. GAO recommends that HCFA improve (1) the scope and the rigor of its oversight process through the state surveys and (2) the consistency in how it holds state survey agencies accountable by standardizing procedures for selecting state surveys and conducting federal monitoring surveys. GAO summarized this report in testimony before Congress; see: Nursing Homes: HCFA Should Strengthen Its Oversight of State Agencies to Better Ensure Quality Care, by William J. Scanlon, Director of Health, Financing, and Public Health Issues, before the Senate Special Committee on Aging. GAO/T-HEHS-00-27, Nov. 4 (10 pages).

**HEHS-00-7**, Oct. 14, 1999 (54 pages). Child Care: How Do Military and Civilian Center Costs Compare?

In the military's child development program, fees paid by parents fund the salaries of caregivers. Federal dollars pay for supplies, equipment, staff training, and some staff salaries. The Air Force is the only service whose centers all meet the accreditation standards of the National Association for the Education of Young Children. The hourly cost of child care is about 20 percent higher in Air Force centers than in civilian centers of comparable quality because Air Force labor costs are higher and because a higher proportion of the children are younger than three years old. Adjusting estimated costs to account for differences in age, the cost per child-hour is about seven percent higher in Air Force centers than in civilian centers. The Air Force pays its centers' caregivers an average of \$11.20 per hour in salaries and benefits, \$1.04 more than civilian centers pay. GAO concludes that, with adjustments for age distribution, the costs of high-quality child care in Air Force and civilian centers are not substantially different.

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**HEHS-00-8**, Dec. 22, 1999 (44 pages).  
Vaccine Injury Compensation:  
Program Challenged to Settle Claims  
Quickly and Easily.

Although routine vaccinations have reduced by 95 percent the number of Americans who contract a number of infectious diseases, sometimes a vaccine can have severe side effects, including death and disabling conditions that require lifetime medical care. In the 1980s, lawsuits stemming from such incidents threatened to affect the availability and the cost of vaccines as well as the development of new ones. To address this problem, Congress created the Vaccine Injury Compensation Program, which requires people who believe they have been injured by a vaccine to file a claim with the program rather than sue the vaccine manufacturer or those who administered the vaccine. The program uses a vaccine injury table, which is intended to minimize the difficulties that petitioners have in proving that the injury resulted from a vaccine. By contrast, in a lawsuit, the injured party bears the burden of proving that the vaccine caused injury. GAO found that although the program appears to provide an easier process for obtaining compensation than the traditional civil tort system, the process has not been as quick or as easy as expected. Processing most claims under the program takes more than two years. In 1990, when a filing deadline neared for injury claims relating to vaccinations received before October 1988, the number of claims soared to more than 3,200. This influx created a large backlog of claims, which the Department of Health and Human Services (HHS) is still trying to resolve. Also, as the program received more funding for staff and experts to defend claims, the government increasingly challenged claims in which the cause of injury was in doubt. As a result, petitioners needed more information and time to prepare cases, which resulted in processing times that were

much longer than envisioned when the program began. HHS' recent changes to the vaccine injury table will make the process easier for some people to obtain compensation, but it will make it harder for a larger number to do so. The program trust fund has grown to \$1.3 billion, primarily because the income from vaccine excise taxes has been higher than payments for claims and associated administrative costs and because interest has been accruing on the fund's balance.

**HEHS-00-9**, Apr. 7, 2000 (48 pages).  
Medicare Home Health Care:  
Prospective Payment System Will  
Need Refinement as Data Become  
Available.

The Balanced Budget Act of 1997 requires the development of a prospective payment system (PPS) to replace cost-based payments for home health agencies (HHA). The act outlines general terms for the HHA PPS, specifying that it pay a fixed, predetermined amount for a unit of service, adjusted for patient characteristics that affect the costs of providing care. GAO assessed the Health Care Financing Administration's (HCFA) research and demonstration projects related to the design of the PPS. The research did little to explain the variation in service costs and patterns of care that is not tied to therapy service use, which is useful in evaluating the effects of the PPS on beneficiaries' access and quality of care. The proposed HHA PPS would create strong financial incentives that could cause providers to compromise quality of care and could result in unintended increases in Medicare home health spending. Extensive monitoring of home health service delivery would be likely to be required, but such monitoring is complicated by the lack of accepted standards for home health care. Uncertainties about the appropriate specification of key design features and providers' responses to the PPS suggest moderating the effect of a

largely untested PPS. Until data are available to refine the PPS to ensure appropriate access and payment levels, a risk-sharing approach could moderate unintended changes and would be appropriate to protect beneficiaries, HHAs, and the Medicare program. Key PPS features may need to be modified as experience is gained and more data become available, analyzed, and assessed.

**HEHS-00-10**, Nov. 1, 1999 (48 pages).  
Defense Health Care: Tri-Service  
Strategy Needed to Justify Medical  
Resources for Readiness and  
Peacetime Care.

The Department of Defense (DOD) needs to apply a tri-service strategy nationwide to account for the resources its military treatment facilities in the national capital area need for both readiness and peacetime care. By also considering resources available in the local civilian community, DOD would then have a systematic basis to justify budget requests. In the 1990s, DOD and the services' surgeons general implemented DOD's managed care program, reduced the number of medical personnel, consolidated graduate medical education programs, established partnerships with the Department of Veterans Affairs, and undertook several other improvement initiatives. Recent efforts include a project to develop a tri-service strategy to account for current and projected beneficiary populations, focus on the military health system's basic wartime and peacetime care missions, and optimally seek to realign military treatment facilities' staffing and resource allocations. GAO suggests that DOD top management continue to scrutinize this project and periodically report to Congress on progress being made.

**HEHS-00-11**, Nov. 15, 1999 (29 pages).  
Education and Care: Early Childhood  
Programs and Services for Low-  
Income Families.

The federal government, primarily through the Department of Health and Human Services and the Department of Education, spent about \$11 billion in 1999 on a range of programs for early childhood care and education for low-income children. The states spent nearly \$4 billion. Thirty-two states funded preschool programs, 15 supplemented Head Start funds, and 19 had child care programs that provided funding to communities. Educationally oriented services were the most common in centers and homes. Low-income families nevertheless found it hard to obtain infant and toddler care, care for children with special needs (such as those with physical disabilities), and care during evenings and weekends. Three major barriers included cost, availability, and accessibility to providers. Some states and localities using collaborative initiatives report varying degrees of success at increasing the availability of care, depending on different eligibility requirements, concerns about losing program authority, and lack of information or funding for collaboration. Infant and toddler care, care during nonstandard hours, and care for children with special needs have the greatest need for support.

**HEHS-00-12**, Nov. 19, 1999 (53 pages). Foster Care: HHS Could Better Facilitate the Interjurisdictional Adoption Process.

About 8,000 children, or about 1.5 percent of foster children, are legally available for adoption at any given time and are waiting for an adoptive home but have no prospects because they are older, need to be placed with siblings, or have other special considerations. Because they are difficult to find permanent placements for, they may be candidates for placement across state and county jurisdictions. Although some steps in the adoption process are beyond public welfare agencies' legal authority to change, they have directed their efforts toward recruiting adoptive

families, using traditional methods in new ways. For example, the state agencies enter into contracts with agencies in other states to conduct recruitment activities in geographic areas outside their jurisdiction, and use Internet Web sites to publicize children and recruit families. Nonprofit groups working to improve interjurisdictional adoption processes have targeted their efforts at the nationwide recruitment of adoptive homes for hard-to-place foster children who are waiting and at issues related to improving the use of home studies and the Interstate Compact on the Placement of Children (ICPC), a uniformly enacted statute that provides the legal framework for placing children in adoptive homes across state lines. The Department of Health and Human Services could help improve aspects of the adoption process that are beyond the agencies' legal authority, such as better coordinating its guidelines for state legislation on the termination of parental rights and assistance to the states on ICPC issues.

**HEHS-00-13**, Nov. 10, 1999 (33 pages). Foster Care: Effectiveness of Independent Living Services Unknown.

The Independent Living Program, which is funded by federal, state, and local tax dollars, is designed to help young people move from foster care to independent living. The program encourages them to complete high school or pass the General Educational Development test and attend postsecondary schools. The program also helps them find and keep employment and provides classes in daily living skills, such as money management, hygiene, housekeeping, and nutrition, and provides tips on how to interact with adults, such as managing conflict. However, state and local administrators say that not all the assistance youths need is always available. Some programs are not linked with employers, cannot offer

skills practice in real-life settings, or fall short on supervised practice living arrangements. Few national or local studies have assessed the effectiveness of independent living services. Only one national study has been completed, and only a few of the states studies have tried to measure the ability of youths to become self-sufficient. The Department of Health and Human Services (HHS), which oversees the program, has no method for reviewing the states' progress in helping youths make the transition from foster care, and the content and quality of the states' annual program reports HHS relies on vary and contain little information on program outcomes. HHS issued a contract in 1988 to analyze a decade's worth of annual program reports to find models for states to follow and measures to take for improving reporting and evaluation.

**HEHS-00-16**, Dec. 21, 1999 (30 pages). VA Health Care: Laundry Service Operations and Costs.

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

**HEHS-00-17**, Nov. 19, 1999 (21 pages). VA Health Care: Food Service Operations and Costs at Inpatient Facilities.

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The Department of Veterans Affairs (VA) spent about \$429 million to provide food services at 172 of its 175 inpatient health care locations in fiscal year 1998. Although some of this money went for nutrition needs assessments, counseling, and other patient-related activities, most—\$337 million—was spent on preparing and distributing meals. Production and delivery costs averaged \$24.50 per patient; daily costs at individual locations ranged from \$8 to \$51. The differences reflect the different requirements of, for example, hospitals and nursing homes. In the same year, 27 VA locations raised \$739,000 by using excess food capacity to provide food services for 44 non-VA organizations, including nonprofit groups and federal, state, and local government agencies.

**HEHS-00-20**, Dec. 10, 1999 (25 pages). Medicaid and Special Education: Coordination of Services for Children With Disabilities Is Evolving.

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

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

**HEHS-00-21**, Jan. 18, 2000 (47 pages). Adverse Drug Events: The Magnitude of Health Risk Is Uncertain Because of Limited Incidence Data.

About 2.7 billion prescriptions were filled in the United States in 1998. Although prescription drugs have great clinical benefits, serious adverse drug events can lead to hospitalization, disability, and even death. Adverse drug events are caused by harmful drug reactions or by medication errors committed by health care professionals and patients. Two factors that can increase the risk of a patients' suffering from an adverse drug event are illness severity and intensity of treatment, including taking several drugs simultaneously. Although it is clear that a wide range of commonly used drugs cause adverse drug events with potentially serious consequences for patients, relatively little is known about their frequency. Data routinely collected on adverse drug events during clinical trials or after drugs are marketed are intended to identify the adverse drug events that are associated with particular drugs and do not focus on their frequency. Information on the overall incidence of adverse drug events from all drugs has been limited to a few research studies that typically examined the experience of patients in one of two specific institutions—generally hospitals or sometimes nursing homes—leaving the overall incidence of adverse drug events in outpatient care largely unexplored. Greater understanding of certain factors that affect the likelihood of adverse drug events has led researchers and patient safety advocates to suggest a range of measures to decrease their number

and severity. These proposals range from better communication between doctors and patients about the risks and benefits of medications to accelerating research on the safety of marketed drugs. Suggestions for reducing medication errors include developing computerized prescribing and dispensing systems to detect possible errors, increasing the role of pharmacists as advisers to physicians and as monitors of drug therapy, and improving health care providers' pharmaceutical education. GAO summarized this report in testimony before Congress; see: Adverse Drug Events: Substantial Problem but Magnitude Uncertain, by Janet Heinrich, Associate Director for Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions. GAO/T-HEHS-00-53, Feb. 1 (18 pages).

**HEHS-00-23**, Dec. 14, 1999 (30 pages). Skilled Nursing Facilities: Medicare Payment Changes Require Provider Adjustments But Maintain Access.

In 1998, Medicare began the transition to a prospective payment system for skilled nursing facility services provided to Medicare beneficiaries. Medicare began paying fixed, preset rates for each day of care a major change from the former system of cost-based reimbursement. GAO found that the ability of Medicare beneficiaries to obtain needed care does not appear to have decreased since the implementation of the prospective payment system, although some patients may stay longer in the hospital before being admitted to a nursing home or may receive care from other post-acute-care providers. The new system does appear, however, to have affected the willingness or ability of some nursing homes to accept some types of Medicare patients. Hospital discharge planners report that facilities are reluctant to admit patients needing high-cost services, including some expensive

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drugs and infusion therapy, because they believe that Medicare payments for these patients may be too low. GAO also found that nursing homes prefer Medicare patients needing short-term rehabilitation, raising concerns that payments for these patients may be too high. Although the new payment system has significantly changed financial incentives, GAO concludes that aggregate payments to providers are adequate, given that inflated costs were used to establish the per diem payment rates. However, the case-mix classification system used to adjust payments to reflect the needs of patients may not appropriately allocate payments across patients and providers. GAO notes that the preferred provider system is only one of several factors contributing to the poor financial performance of Sun Healthcare Group, Inc., and Vencor, Inc., two corporations that run a large number of nursing homes.

**HEHS-00-25**, Dec. 10, 1999 (22 pages). Public Education: Title I Services Provided to Students With Limited English Proficiency.

The number of students with limited English skills has soared during the last decade. Between 1990 and 1997, the most recent year for which data are available, the number of students with limited English proficiency has risen by 57 percent to about 3.5 million. The federal government has tried to help states and localities improve education for all types of disadvantaged children, including those who speak English with difficulty, by funding programs to help these children achieve high academic standards, primarily through title I of the Elementary and Secondary Education Act of 1965. This report answers the following questions: How many students with limited English proficiency are being served through targeted and schoolwide title I programs? How are these students being served through targeted and schoolwide title I programs? How

many title I teachers in schools serving students with limited English proficiency are bilingual or have other specialized training in teaching these students? What accommodations do states allow for these students in taking academic assessments, including offering tests in their native language, and to what extent are they participating in academic assessments?

**HEHS-00-28**, Jan. 24, 2000 (38 pages). Child Care: State Efforts to Enforce Safety and Health Requirements.

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

**HEHS-00-31**, Jan. 25, 2000 (22 pages). Medicare: Lessons Learned From HCFA's Implementation of Changes to Benefits.

Medicare has undergone many changes as Congress has expanded and modernized the program. The Health Care Financing Administration's (HCFA) implementation of these changes has sometimes created program vulnerabilities. As a result, dishonest or unknowing providers have submitted claims for inappropriate service, unknowledgeable contractors have processed these claims, and HCFA has sometimes paid more than it should have. The Balanced Budget Act of 1997 set in motion additional changes that were intended to modernize the Medicare program, expand benefits, and extend the life of the Medicare trust fund. HCFA faces the challenge of implementing the act's provisions in a way that ensures beneficiaries' access to covered services without compromising the program's fiscal integrity. This report compares (1) HCFA's implementation of the expansion of the partial hospitalization benefit and (2) HCFA's implementation of the more recent changes under the act to determine whether HCFA is acting upon lessons learned from the partial hospitalization program.

**HEHS-00-32**, Jan. 28, 2000 (22 pages). Veterans' Benefits: Independent Review Could Improve Credibility of Radiation Exposure Estimates.

Some of the 200,000 active-duty military personnel who participated in atmospheric nuclear tests between 1945 and 1962 were exposed to potentially harmful doses of radiation. During the last 20 years, veterans with diseases that they attribute to radiation exposure have filed claims for monetary compensation with the Department of Veterans Affairs (VA). Veterans can receive compensation for 16 types of cancer without



documenting the radiation dose because VA presumes these cancers to be directly linked to the veterans' exposures. For other cancers and some nonmalignant ailments, the Defense Department (DOD) estimates, or "reconstructs," the radiation dose using such information as the duties and locations of veterans and their units during the atmospheric testing, the type and the quantity of radiation released from the explosives, and readings from the film badges worn by veterans and from other devices used to measure radiation doses in the vicinity. VA uses the results of these dose reconstructions to decide compensation claims. This report (1) reviews studies that assess the validity of dose reconstructions for estimating veterans' radiation exposures and discusses the issue with experts and other knowledgeable individuals, (2) determines what activities are in place to oversee the dose reconstruction process, and (3) examines alternatives for deciding veterans' claims for compensation related to radiation exposures.

**HEHS-00-33**, Feb. 15, 2000 (29 pages). National Service Programs: Two AmeriCorps Programs' Funding and Benefits.

AmeriCorps—the largest national and community service program since the Civilian Conservation Corps of the 1930s—is now in its sixth year of operation. AmeriCorps consists of four programs that help participants pay for postsecondary education in exchange for doing community service. AmeriCorps estimates that it spent \$477 million in fiscal year 1999 to support about 53,000 AmeriCorps participants. Because of continuing congressional concerns about the average annual cost per AmeriCorps participant, GAO identified and compared these per participant costs with other similar groups providing community service. This report provides information on participant costs for both the AmeriCorps

State/National and AmeriCorps National Civilian Community Corps programs. GAO provides cost and other data for the 1998-99 program year, including information on overhead expenses, education awards, and child care benefits.

**HEHS-00-34**, Dec. 14, 1999 (21 pages). VA Health Care: VA's Management of Drugs on Its National Formulary.

The Department of Veterans Affairs (VA) spent more than \$1.8 billion to provide pharmacy benefits to veterans in fiscal year 1999. To help manage its pharmacy benefit, VA maintains a list of drugs—known as the national formulary—that its doctors are expected to use when prescribing drugs for veterans. VA provides free outpatient pharmacy services to veterans receiving medications for the treatment of service-connected conditions and to veterans whose income does not exceed the maximum VA pension, regardless of a drug's formulary status. Other veterans may be charged \$2 for each 30-day supply of medication. This report discusses how VA manages its national formulary and how drugs other than those on the national formulary are made available to veterans.

**HEHS-00-35**, Jan. 31, 2000 (44 pages). Medicare Subvention Demonstration: Enrollment in DOD Pilot Reflects Retiree Experiences and Local Markets.

Many military retirees would like to use their Medicare benefits at military medical facilities, but federal law does not allow Medicare to pay the Defense Department (DOD). Many retirees can get health care at military facilities only when space is available and cannot rely on them for comprehensive, continuous care. DOD is willing to provide such care to these retirees if the law is changed so that Medicare could reimburse DOD. In light of these concerns, recent legislation authorized a three-year, six-

site demonstration project, called Medicare subvention, which allows Medicare-eligible military retirees to enroll in a new, DOD-run health maintenance organization (HMO). Medicare can pay DOD for the health care provided to retirees enrolled in the demonstration project, subject to certain conditions. The demonstration's goal is to implement an alternative for delivering accessible and quality care to these "dual-eligible" retirees without increasing the cost to Medicare or DOD. This report examines enrollment in DOD's pilot HMOs for seniors. GAO discusses (1) how successful the demonstration has been in enrolling eligible beneficiaries, (2) what influenced retirees to join DOD's pilot HMOs, and (3) what factors accounted for differences in enrollment rates across demonstration sites.

**HEHS-00-37**, Mar. 3, 2000 (65 pages). Medicaid Managed Care: Challenges in Implementing Safeguards for Children With Special Needs.

The Health Care Financing Administration (HCFA) and the states face significant challenges in implementing safeguards under the Balanced Budget Act of 1997 for children with special needs who are mandatorily enrolled in capitated Medicaid managed care. Some states may have difficulty complying with the act and may have to expand their definitions of children with special needs to include all the act's categories. An additional challenge will be to assess whether and how to adapt generic safeguards for special needs populations to the unique needs of children. HCFA is making progress in tailoring its waiver review to require states to explicitly focus on children with special needs as a discrete population. HCFA recognizes that continued research and examination of the states' best practices can help it improve its waiver review criteria and provide technical assistance to states regarding the most useful safeguards.

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**HEHS-00-38**, Feb. 28, 2000 (22 pages).  
Early Childhood Programs:  
Characteristics Affect the Availability  
of School Readiness Information.

The federal government spent about \$14 billion in 1997 on programs devoted to early childhood education and care. These programs have various goals and provide different services and support to children and their families. Because of this large federal investment and the attention now being given to early childhood experiences, there is interest in the effectiveness of early childhood education and care programs, especially with respect to preparing children to enter school-known as "school readiness." This report (1) categorizes federal early childhood education and care programs for a better understanding of the federal involvement in achieving school readiness and (2) discusses available information on the effectiveness of selected programs in contributing to school readiness.

**HEHS-00-39**, Mar. 10, 2000 (49 pages).  
Community Health Centers: Adapting  
to Changing Health Care Environment  
Key to Continued Success.

GAO did not find an overall decline in Medicaid patients or Medicaid revenues at federal community and migrant health centers, which provide primary and preventive health care services for low-income people living in medically underserved areas. Given the challenges of Medicaid managed care, however, GAO urges that the Health Resources and Services Administration (HRSA) either improve the financial information reported in its Uniform Data System and administrative database of self-reported information from the centers or develop a better way to use the information from the centers' financial audits. GAO recommends that HRSA establish for the centers a systematic best practices program for their learning. GAO recommends that HRSA

determine the cost-effectiveness of the centers' seeking accreditation from the Joint Commission on Accreditation of Healthcare Organizations rather than remaining with HRSA's own review process.

**HEHS-00-41**, Mar. 3, 2000 (33 pages).  
School Facilities: Construction  
Expenditures Have Grown  
Significantly in Recent Years.

Annual spending on elementary and secondary school construction rose by 39 percent in fiscal years 1991-97 to about \$25 billion. Most of the increase was for the construction of buildings; spending on land and portable classrooms showed a net decline. Most contract spending was for new facilities and additions to existing facilities rather than renovations. Average annual construction expenditures per pupil ranged from \$934 in Nevada to \$37 in Connecticut. States with the largest expenditures per pupil tended to have the highest enrollment growth rates and vice versa. Although the largest source of funding for school construction is generally local construction bonds, nationwide data on how the amounts and the portions of funds are divided between states and localities are unavailable. Most states combine state and local funding to support school construction, but 15 states provided little or no funding in 1998-99.

**HEHS-00-42**, June 9, 2000 (46 pages).  
Foster Care: HHS Should Ensure That  
Juvenile Justice Placements Are  
Reviewed.

Juvenile justice placements constitute a small proportion of all title IV-E placements. The states have occasionally claimed reimbursement for juvenile justice placements at facilities that were not eligible for such reimbursement and, in many of the title IV-E funded cases GAO reviewed, the facilities served primarily children in the juvenile justice system. According to the Department of Health

and Human Services (HHS), the states find it particularly difficult in juvenile justice cases to meet title IV-E procedural requirements intended to protect children's welfare. It is important that HHS exercise adequate oversight of title IV-E funded juvenile justice placements to determine the extent to which title IV-E funding is appropriately used and procedural requirements are met in these cases. To do this, HHS needs sufficient information about (1) facility eligibility and compliance with procedural requirements in individual title IV-E funded juvenile justice cases and (2) the state and county systems used to determine whether the facilities in title IV-E funded juvenile justice cases are eligible for title IV-E funding, as well as systems used to help ensure that procedural requirements are met in these cases. Although the states have primary responsibility for making title IV-E facility eligibility decisions and meeting procedural requirements in juvenile justice placements, HHS, as the ultimate steward of title IV-E funds, has the responsibility to exercise close oversight of the use of those funds. Collecting such information will allow HHS to identify the nature and the magnitude of any problems that may exist in these cases.

**HEHS-00-44**, Mar. 31, 2000 (60 pages).  
Welfare Reform: State Sanction  
Policies and Number of Families  
Affected.

Under the Temporary Assistance for Needy Families (TANF), families receive cash benefits in exchange for such work-related activities as job searches, vocational training, and subsidized or unsubsidized employment. Recipients also may be required to undertake other efforts to improve their lives, such as obtaining a high school diploma, enrolling in parenting education, entering drug treatment, or ensuring that their children are immunized and attend school. Families who do not comply lose all or part of their cash benefits

and may jeopardize other public benefits as well. Although sanction rates in the states during 1998 were low, about 135,800 families nationwide were under sanctions in an average month during that year. State studies of these families indicate that they tended to have adults with lower levels of education and less work experience than did the TANF population in general. When TANF payments stopped, these families tended to rely on friends or relatives for support rather than income from a job. The characteristics of families affected by sanctions lend additional support to recent recommendations from Health and Human Services' Office of the Inspector General intended to help ensure that families understand their work and other responsibilities under TANF and the penalties for not meeting them.

**HEHS-00-46**, Mar. 23, 2000 (41 pages). Medicare Contractors: Further Improvement Needed in Headquarters and Regional Office Oversight.

In overseeing Medicare claims administration contractors, the Health Care Financing Administration (HCFA) is not able to ensure effective accountability without a formal process for evaluating regional office performance. To do this, it would need to set expectations and develop standards for assessing regional offices' oversight performance, provide them with constructive feedback, and make comparative performance information available to HCFA's Administrator. It would also need to decide how to deal with regions whose performance is less than satisfactory. GAO recommends that HCFA use a consistently applied risk assessment methodology to help ensure that agency resources are used effectively and that it consolidate its review information and keep it up to date. HCFA should also identify and share best oversight practices among all reviewers.

**HEHS-00-48**, Apr. 27, 2000 (85 pages). Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort.

GAO examined the ability of the states' automated systems to provide information needed for state and local officials to help low-income individuals with children obtain employment and become economically independent. GAO found that better systems would help ensure that the intended goals and requirements of Temporary Assistance for Needy Families (TANF), such as promoting work and enforcing the five-year time limit on aid, are met. Many of the obstacles states face may be best addressed at the state level, such as the need for collaboration among state and local agencies. However, coordinated federal action would help address several of the obstacles the states encounter as they take steps to improve their automated systems for social programs. However, no group or organization formally brings together the array of federal agencies involved in welfare reform to help devise solutions to the issues the states face in improving their welfare and welfare-related automated systems. Health and Human Services could play a pivotal role in orchestrating such a broad-based collaborative approach by bringing representatives of key federal agencies and other organizations together to work on these issues.

**HEHS-00-49**, Mar. 31, 2000 (29 pages). Private Health Insurance: Cooperatives Offer Small Employers Plan Choice and Market Prices.

Small employer purchasing cooperatives were an important part of efforts by several states during the 1990s to improve the health insurance options of small groups. Established by state legislation or by private employer associations, cooperatives seek to provide small employers with some of the same advantages larger

employers have in offering health insurance, such as administrative simplicity, choice of multiple insurers and benefit packages, and leverage in negotiating lower premiums. Cooperatives can provide small employers' employees with a better choice of health plans offering standardized benefits and can offer employers fewer administrative hurdles to obtaining health insurance. However, in general, existing cooperatives have not significantly reduced premiums for employers or employees, and not all existing cooperatives have successfully attracted and retained insurers willing to participate within the constraints of a cooperative or have avoided enrolling a disproportionate share of firms with higher-risk individuals. Key to the cooperatives' viability is how benefit offerings, premiums, and requirements for insurers affect the distribution of risk among enrollees—that is, the extent to which the cooperative and the insurers disproportionately attract and retain healthy, low-cost enrollees or less healthy, higher-cost enrollees. Several cooperatives have either ceased operations or faced declining participation by insurers and employers, and even the largest cooperatives have attained only a small share of the health insurance market for small employers. As new forms of pooled purchasing arrangements designed for small employers are proposed that operate under different regulatory and market conditions, the cooperatives' experiences can provide meaningful insights. However, differences in the design and regulatory environment of the proposed Healthmarts and the existing cooperatives mean that it might not be possible to generalize from their experiences for the new pooled purchasing arrangements.

**HEHS-00-50**, Feb. 15, 2000 (29 pages). Drug Abuse Treatment: Efforts Under Way to Determine Effectiveness of State Programs.

The federal governments spends hundreds of millions of dollars on drug abuse treatment through the substance abuse prevention and treatment block grant program. Although the Substance Abuse and Mental Health Services Administration (SAMHSA) monitors state expenditures to determine whether block grant funds are used in accordance with statutory requirements, this type of monitoring is not designed to determine what impact state drug abuse treatment programs are having on the lives of clients. Some states are assessing the effectiveness of their treatment programs by using outcome indicators. SAMHSA officials believe that collecting uniform data on client outcomes at the state level is essential to determine the effectiveness of drug abuse treatment programs supported with federal money and to report the information to Congress. SAMHSA is trying to determine the availability of client outcome data from all states, and it has awarded grants to some states to help them improve their data collection systems. These efforts should help identify states' views on and some of the complexities associated with collecting and reporting outcome data. SAMHSA's efforts should help determine what additional actions are needed to get uniform reporting on the results of drug abuse treatment programs supported by the block grant program. GAO summarized this report in testimony before Congress; see: Drug Abuse: Efforts Under Way to Determine Treatment Outcomes, by Janet Heinrich, Associate Director for Health Financing and Public Health Issues, before the Subcommittee on Criminal Justice, Drug Policy, and Human Resources, House Committee on Government Reform. GAO/T-HEHS-00-60, Feb. 17 (11 pages).

**HEHS-00-52**, May 17, 2000 (56 pages). VA and Defense Health Care: Evolving Health Care Systems Require Rethinking of Resource Sharing Strategies.

The criteria and conditions that make resource sharing cost-effective for the Department of Veterans Affairs (VA) and the Department of Defense (DOD) need to be reviewed and the strategies for sharing rethought. Several questions require answers. Does treatment of TRICARE patients in VA medical centers result in a lower overall cost for the government than contracting with private providers? Would requiring that the medical centers be considered the equivalent of military treatment facilities yield a more efficient and cost-effective way to provide needed care to beneficiaries? Are there additional joint contracting opportunities that would provide needed services to VA's and DOD's populations more cost-effectively than each agency providing such care itself? If sharing is to be optimized, can significant and long-standing barriers be overcome, such as the need for processes that facilitate billing, reimbursement, budgeting, and the timely approval of sharing agreements? VA and DOD need to work in concert to answer such questions. However, reaching timely agreement could prove difficult given the different business models VA and DOD use to provide health care services to their beneficiaries. Therefore, GAO advises that if an agreement is not reached, Congress may need to provide guidance to VA and DOD that clarifies the criteria, conditions, and collaboration. GAO also identifies specific steps each agency needs to take to stabilize the current sharing program until its direction, goals, structure, and criteria can be reassessed. GAO summarized this report in testimony before Congress; see: VA and Defense Health Care: Rethinking of Resource Sharing Strategies Is Needed, by Stephen P. Backhus, Director of Veterans' Affairs and Military Health Care Issues, before the House Subcommittee on Health, Committee on Veterans Affairs. GAO/T-HEHS-00-117, May 17 (8 pages).

**HEHS-00-54**, Mar. 1, 2000 (51 pages). HIV/AIDS: Use of Ryan White CARE Act and Other Assistance Grant Funds.

This report discusses the following three programs: the Ryan White Comprehensive AIDS Resources Emergency Act (CARE) of 1990 run by the Department of Housing and Human Services, the Centers for Disease Control and Prevention's (CDC) HIV/AIDS prevention grants, and the Department of Housing and Urban Development's Housing Opportunities for Persons Living With AIDS. GAO found that funds provided by the CARE Act serve vulnerable groups in higher proportions than their representation in the AIDS population and that its drug assistance services are reaching the rural AIDS population in proportion to the AIDS cases in rural areas. Most CARE Act funds go to medical treatment and medications. About two-thirds of CDC's fiscal year 1998 HIV prevention funds to states, localities, schools, and organizations were used for health education and risk reduction, public information, evaluation research, capacity building and infrastructure development, and community planning. About two-thirds of the HUD program's funds were used in 1994-98 for housing assistance. Urban areas generally receive higher funding per AIDS case when an area is designated as an eligible metropolitan area. GAO found that the compensation for administrators of organizations that received federal HIV/AIDS funds was generally comparable to that of administrators of similar nonprofit organizations.

**HEHS-00-55**, Mar. 30, 2000 (42 pages). Education Discretionary Grants: Awards Process Could Benefit From Additional Improvements.

Congress set aside 1.7 billion for 88 discretionary grant programs in fiscal year 1999. In awarding this grant money to state and local education agencies, school districts, colleges and universities, and other organizations,

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the Department of Education relies on the results of peer reviews, in which a panel of experts evaluate the merit of grant applications. GAO found that the Department has corrected some past weaknesses that have plagued its peer review process, but others remain that could affect its actual or perceived fairness. The Department rarely analyzes peer reviewers' feedback, tracks peer reviewers' performance, or assesses the implications of variations in average scores among review panels. A greater effort in these areas could help the Department identify problems and improve its peer review process.

**HEHS-00-57**, Apr. 21, 2000 (35 pages). Disabled Veterans' Care: Better Data and More Accountability Needed to Adequately Assess Care.

The Department of Veterans Affairs (VA) concluded in its annual report for fiscal year 1998 that it had maintained its mandated capacity to provide reasonable access to needed specialized care and rehabilitative services to veterans with spinal cord dysfunction, blindness, amputations, or mental illness. However, VA's data are not sufficient to support that conclusion because of extensive data problems, such as the use of unreliable proxy measures to identify veterans with special disabilities. Moreover, VA based its conclusion on national statistics that indicated that more special disability veterans were served with fewer resources expended in 1998 than in 1996. However, there is considerable variability among the Veterans Integrated Service Networks (VISN) and, in fact, some VISNs reported serving fewer veterans. In addition, VA attributed reduced expenditures and the use of fewer resources to efficiency gains, but because it lacks outcome measures, VA cannot tell whether it has maintained, enhanced, or diminished the quality of care. VA faces challenges in maintaining its capacity to serve special disability populations. In

particular, the lack of a single VA headquarters unit accountable for ensuring compliance with the capacity legislation may have caused delays in monitoring and investigating locations where capacity appears to have declined and in fully implementing congressionally mandated performance standards for VA employees responsible for allocating and managing special disability program resources. To ensure compliance with the capacity legislation, GAO recommends that VA designate a single office to be accountable for fully implementing the mandate to maintain capacity in special disability programs.

**HEHS-00-62**, Apr. 12, 2000 (24 pages). VA Health Care: Changes in Medical Residency Slots Reflect Shift to Primary Care.

During the last three academic years, the Department of Veterans Affairs (VA) has realigned its graduate medical education program and achieved its goal of training 48 percent of its residents in primary care. It eliminated 251 residency slots in specialty care and converted 714 specialty residency slots to primary care slots, reducing the number of residency slots from 8,910 to 8,659. The major reasons for the changes were VA's decision to increase primary care residency slots and decrease specialty slots and medical schools' decisions to restructure their programs to meet changing demands for physicians or accreditation requirements. VA and medical school officials characterized the changes as mutually beneficial because they were consistent with current health care practices nationally. The changes have not disrupted training, according to VA and medical school officials at six facilities GAO visited. When VA reduced the number of residency slots, those slots generally reappeared at other hospitals affiliated with the medical schools. VA and medical school officials said that some training opportunities also exist

at VA's community-based outpatient clinics. However, VA is not pursuing the establishment of such slots because (1) opportunities exist for primary care training in outpatient clinics at VA hospitals, (2) remote community-based clinics present a commuting problem for the residents, and (3) the physicians who would be required to supervise and train residents at the remote clinics might not be able to obtain faculty status at the medical schools.

**HEHS-00-65**, Apr. 7, 2000 (19 pages). Veterans' Benefits: Promising Claims-Processing Practices Need to Be Evaluated.

Under the direction of the Veterans Benefits Administration (VBA), 58 regional offices of the Department of Veterans Affairs receive and process veterans' compensation and pension disability claims. Responding to a GAO survey, 55 regional offices reported 238 practices that they believe have improved the accuracy of their disability decisions and remand rates. GAO grouped these into four areas: (1) efforts to improve staff training, guidance, or accountability; (2) changes in the supervisory or staffing structure; (3) efforts to develop evidence accurately and fully; and (4) efforts to communicate more effectively with veterans. VBA has taken some steps to identify potentially promising practices but has neither followed up on this effort nor developed a system for evaluating such practices and disseminating the results to regional offices. Regional offices reported various practices that they believe have helped improve their claims-processing performance, but regional office and VBA officials agreed that it would be helpful if VBA evaluated and identified best practices so that regional offices could use their limited resources to try only the most promising ones. VBA is in the initial stages of planning a system for evaluating promising practices but has

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not established specific time periods for developing and implementing it.

**HEHS-00-67**, Mar. 31, 2000 (36 pages). Vaccine Injury Trust Fund: Revenue Exceeds Current Need for Paying Claims.

The Vaccine Injury Compensation Program pays medical and other expenses for people who have been harmed because of adverse reactions to vaccinations against such diseases as measles and polio. People seeking compensation for vaccine injuries must file a claim with the program, instead of suing the vaccine manufacturer. GAO found that two vaccines (one for whooping cough and the other for polio), which account for 88 percent of the trust fund payments for injury claims through 1999, are being phased out of use in the United States. Vaccines against four diseases have been added to the program since 1997, but, as of December 1999, only six of the 285 claims filed related to these vaccines had been adjudicated, and only one \$600 payment for attorney fees had been made from the trust fund. For the remaining claims, program officials were either waiting for petitioners to submit missing information or were still processing them. Current annual appropriations to reimburse agencies from the trust fund for administrative expenses—about \$9.6 million—appear to be enough to meet agency needs. The \$1.46 billion trust fund balance appears to be more than adequate, given the experience so far for claims payments and related administrative costs.

**HEHS-00-72**, Apr. 12, 2000 (44 pages). Oral Health: Dental Disease Is a Chronic Problem Among Low-Income Populations.

GAO's analysis of the most recent national health surveys (1994-97) found that low-income people have disproportionately high levels of dental disease. Poor children had five

times more untreated dental cavities than did children in wealthier families, and poor adults were much more likely to have lost six or more teeth to decay and gum disease than were their higher-income peers. Minorities also suffered high levels of dental disease. Dental problems not only cause pain and infection but lead to millions of lost school days and workdays each year. Although every state Medicaid program offers dental coverage for children and most programs cover adults eligible for Medicaid, the use of dental services by low-income people is low. States are required to provide comprehensive dental benefits for children enrolled in Medicaid, and the State Children's Health Insurance Program provides variable but often substantial levels of dental coverage to eligible low-income children in all but two states. Adult dental services, although optional under Medicaid, are covered to some extent in about two-thirds of the states. The availability of coverage does not, in itself, however, bridge the income gap and increase the likelihood of a visit to the dentist. For example, GAO's analysis of 1995 Medicaid claims data showed that only 29 percent of enrolled adults had visited the dentist in the preceding year, less than half the rate of higher-income adults. National survey data also showed that poor children and adults visited the dentist at about half the rate of their higher-income counterparts in 1996—numbers that have essentially remained unchanged since 1977.

**HEHS-00-73**, Mar. 31, 2000 (11 pages). Medicare Fraud and Abuse: DOJ Has Made Progress in Implementing False Claims Act Guidance.

Health care fraud in the United States costs taxpayers billions of dollars each year. A key weapon against health care fraud is the False Claims Act, which allows the Justice Department to bring civil enforcement actions and seeks significant damages and penalties against providers who knowingly

submit fraudulent bills to Medicare, Medicaid, and other federal health programs. The government collected more than \$490 million from health care fraud settlements, judgments, and administrative actions in 1999. The Justice Department's use of the act, however, has been controversial. The hospital industry has alleged that a Justice Department investigation of hospitals nationwide has been unfair and overzealous. The Justice Department responded by issuing guidance to its staff on the appropriate use of the act in civil health care matters. In a July 1999 report, GAO found that the Justice Department's process for assessing compliance at U.S. Attorney's Offices appeared superficial and that implementation of the guidance varied among the U.S. Attorney's Offices. GAO recommended that the Justice Department improve its oversight. This report discusses what has been done in response to GAO's earlier recommendations. This report also focuses on the most controversial of the four national initiatives—Laboratory Unbundling.

**HEHS-00-76**, June 30, 2000 (60 pages). Contingent Workers: Incomes and Benefits Lag Behind Those of Rest of Workforce.

The contingent workforce comprises many types of workers, from highly paid management consultants to low-paid service sector employees. No consensus exists on which categories of workers should be included in the definition. Estimates of the size of the contingent workforce range from five percent to 30 percent. Many of these workers have low family incomes—often below the federal poverty threshold. Contingent workers are also less likely than the rest of the workforce to receive health insurance and pension benefits through their employers, either because they are not offered benefits or they lack the number of hours of employment necessary to qualify. Also, many contingent employees, particularly

those with low family incomes, do not participate because of the cost of the plans. Workers who are not employees— independent contractors and other self-employed workers—are generally not covered by key laws designed to protect workers. Moreover, it can be difficult to determine whether workers are employees or independent contractors, and some employers misclassify workers as independent consultants who do not have to be offered benefits. Advocates for contingent workers are calling for legislation that would require employers to offer comparable benefits to all employees. Employers might reduce employees' salaries or hire fewer workers to cover the costs of providing benefits. Another proposal would create associations of people in similar jobs that could buy insurance as a group. Still other proposals are designed to increase workers' access to health insurance and retirement benefits by providing tax breaks for the cost of premiums and retirement-related savings accounts.

**HEHS-00-78**, Apr. 28, 2000 (43 pages). Early Education and Care: Overlap Indicates Need to Assess Crosscutting Programs.

Sixty-nine federal programs provided or supported education and care for children younger than age five in fiscal year 1999. The Department of Education and the Department of Health and Human Services (HHS) ran most of them. Twenty-nine of the 69 programs provided education and care as a program purpose, as in the Child Care Development Fund (CCDF), or as an allowable activity, as in the Native American Employment and Training Program, or facilitated them in some way, as in the National School Lunch Program. Spending on early childhood education and care varied widely: Of the 21 programs that provided data, about half spent 40 percent or more of their budgets on education and care

for children younger than age five. The other programs that provided data spent 13 percent or less of their budgets for this purpose. The 29 programs spent at least \$9 billion to provide education and care to children younger than age five in fiscal year 1999. Three HHS programs—Head Start, CCDF, and Temporary Assistance to Needy Families—accounted for about \$8 billion of the \$9 billion. The 29 programs targeted poor children, children with special needs, and members of certain native populations. Some of the smaller programs focused on narrower groups, such as children with disabilities. The programs were generally allowed to provide a broad range of services: health, dental, mental health, social, parental, and nutritional services; speech and hearing assessments; and disability screening. Four programs actually provided most of these services to a high proportion of the participants younger than age five. Mission fragmentation and program overlap, although sometimes necessary to meet federal priorities, can create an environment in which programs do not serve participants efficiently and effectively. To address these issues, policymakers could coordinate, integrate, or consolidate programs. To identify the best method for addressing inefficiencies among fragmented and overlapping programs, policymakers need to know whether programs are fulfilling a unique role, are redundant, or are being administered in the most effective way to meet strategic goals. Information required by the Government Performance and Results Act should answer some of these questions.

**HEHS-00-79**, July 5, 2000 (57 pages). Medicare Payments: Use of Revised "Inherent Reasonableness" Process Generally Appropriate.

In 1998, Medicare paid at least \$5.9 billion for medical equipment and supplies on behalf of beneficiaries who live at home or in long-term-care

facilities. The Health Care Financing Administration (HCFA) is authorized to use a revised inherent reasonableness process to adjust Medicare payments by up to 15 percent a year for medical equipment and supplies. GAO found that HCFA acted properly in issuing an interim final rule to implement the inherent reasonableness provision. GAO also found that using retail surveys as a basis for adjusting Medicare payments is a sound concept for pricing products that can be bought in retail outlets. Survey data clearly showed that Medicare payments are much higher than the median surveyed retail prices for five of the products reviewed: lancets, eyeglass frames, urinary catheters, and two types of catheter insertion trays. As a result, payment reductions of up to 15 percent are justified for these items. Retail surveys may not be the best way to set payments for items not generally sold at retail prices, such as enteral formulas. For such products, using wholesale prices plus a reasonable markup may be a better approach. Fewer suppliers may be willing to provide these items to beneficiaries at the lower payment rates. However, because retail prices, which include retailers' costs for both acquisition and service, were used to establish the proposed reductions, GAO believes that access to these products is not likely to be significantly affected.

**HEHS-00-80**, May 2, 2000 (78 pages). Toxic Chemicals: Long-Term Coordinated Strategy Needed to Measure Exposures in Humans.

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

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

**HEHS-00-85**, Mar. 31, 2000 (24 pages). Implementation of HIPAA: Progress Slow in Enforcing Federal Standards in Nonconforming States.

Nearly four years after the Health Insurance Portability and Accountability Act of 1996 (HIPAA) became law, the Health Care Financing Administration (HCFA) continues to be in the early stages of fully identifying where federal enforcement will be required. HCFA has assumed regulatory activities, such as reviewing carrier policies and marketing practices, in the three states that had voluntarily notified HCFA of their failure to enforce HIPAA. HCFA has also identified more than 20 states where it questions whether they have conforming laws, but it is still determining whether they are enforcing the standards through other regulatory means or whether other

states' laws fully conform with federal standards. Agency officials did not provide explicit time periods for completing these reviews, and until they are complete, HCFA is largely reacting to consumers' complaints as a means of fulfilling its statutory mandate. Although nearly 600 self-funded state and local government plans have opted out of at least one of the federal standards, HCFA has yet to fully determine its enforcement responsibilities among the remaining nonfederal government plans and is instead relying on complaints from enrollees to identify compliance problems. The final regulations on HIPAA's nondiscrimination provisions are being reviewed by HCFA and the Departments of Labor and the Treasury and should be issued in the summer of 2000.

**HEHS-00-86**, Apr. 14, 2000 (32 pages). Medicaid and SCHIP: Comparisons of Outreach, Enrollment Practices, and Benefits.

In a sample of 10 states, GAO found that Medicaid and State Children's Health Insurance (SCHIP) programs have similar outreach mechanisms but differ in the way that they enroll children and in the scope of benefits they offer. Some information that is required for determining Medicaid eligibility is not required for SCHIP. Half the states required ore documentation for Medicaid than for SCHIP, and states often required more documentation for Medicaid than was federally required. States have the flexibility under federal law to streamline requirements for Medicaid and SCHIP. All 10 states reported policies and procedures to help ensure that eligible children were appropriately enrolled in Medicaid rather than SCHIP, but the ease with which Medicaid-eligible children were enrolled varied. In some cases, persons applying for Medicaid for their children were required to fill out additional forms or appear in person in order to determine eligibility and

obtain coverage. A review of the states' SCHIP programs found that they offer many of the same benefits as Medicaid for dental care, hearing, mental health, prescription drugs, and vision but impose more limits on them.

**HEHS-00-89**, June 1, 2000 (57 pages). Title I Program: Stronger Accountability Needed for Performance of Disadvantaged Students.

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



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are most effective in closing students' achievement gaps.

**HEHS-00-90**, May 31, 2000 (24 pages). Veterans' Health Care: VA Needs Better Data on Extent and Causes of Waiting Times.

Anecdotal information on veterans' waits for outpatient health care--and the locations and clinics where they wait the longest--has led officials from the Department of Veterans Affairs (VA) and representatives from veteran service organizations to believe that waiting times are often too long. Over the past 10 months, VA has initiated two efforts to gather comprehensive data from its facilities on outpatient waiting time. The first effort, begun in June 1999, produced incomplete and inaccurate data, in part because of the differences in facilities' scheduling of appointments. The second, significantly better effort, begun in December 1999, was designed to improve the data's reliability by measuring the average time taken to schedule an appointment for an entire month; this new method should provide VA with more complete and accurate data. VA has also acted to reduce the time veterans must wait for outpatient appointments. It hired a private contractor to develop and implement techniques to reduce waiting times at selected clinics in VA facilities nationwide and plans to spend \$400 million in fiscal year 2001 to improve the timeliness of service, patient access to telephone care, and timely access to clinical information. However, VA's lack of reliable data raises concerns about whether it has an adequate basis on which to design these initiatives. GAO recommends that VA identify the extent and causes of waiting time problems and monitor and track expenditures for addressing them.

**HEHS-00-94**, Aug. 18, 2000 (48 pages). Medicare and Medicaid: Implementing State Demonstrations for Dual Eligibles Has Proven Challenging.

"Dual eligibles" refers to low-income Medicare beneficiaries who also qualify for full Medicaid benefits. These eligibles often receive benefits from two sets of providers, and an estimated 97 percent of dual eligibles receive their benefits under Medicare's fee-for-service option. Some states are considering making one managed care plan responsible for the delivery of all covered services. Two states (Minnesota and Wisconsin) are enrolling dual eligibles into an integrated care program and two more (New York and Massachusetts) plan to do so in 2001. States are emphasizing service delivery in beneficiaries' homes and targeting different segments of the dual-eligible population compared with PACE, which enrolls only people who are at risk of nursing home placement. Finding the overall challenges of integration too great, Florida and Texas are developing projects integrating Medicaid acute- and long-term care services only. Colorado is pursuing a program that avoids the use of waivers. Difficulty in reaching agreement on an appropriate Medicare payment methodology for integrated care programs was an important factor that delayed the approval of state waiver applications. Payment rates should adequately compensate health plans for differences in frailty among dual eligibles while meeting OMB's requirement that Medicare demonstrations not increase federal Medicare expenditures.

**HEHS-00-95**, May 10, 2000 (64 pages). Mental Health Parity Act: Despite New Federal Standards, Mental Health Benefits Remain Limited.

GAO surveyed employers in the 26 states and the District of Columbia that did not have state laws that were more comprehensive than the federal Mental Health Parity Act as of July 1999. Eighty-six percent of the responding employers reported that as of December 1999 their plans complied with the federal parity requirement

that annual and lifetime dollar limits for mental health benefits be no more restrictive than those for all medical and surgical benefits. Fourteen percent of plans were noncompliant; in 1996, before the parity law was enacted, only about 55 percent reported offering parity in dollar limits. Although most employers' plans now have parity in dollar limits for mental health coverage, 87 percent of those that comply contain at least one other plan feature that is more restrictive for mental health benefits than for medical and surgical benefits. For example, about 65 percent of the plans restrict the number of covered outpatient office visits and hospital days for mental health treatment more than those for other health treatment. In addition, many employers may have adopted newly restrictive mental health benefit design features since 1996, specifically to offset the more generous dollar limits they adopted as a result of the federal law. About two-thirds of these newly compliant employers changed at least one other mental health benefit design feature to a more restrictive one compared with only about one-fourth of the employers that did not change their dollar limits. The law appears to have had a negligible effect on claims costs. Federal agencies have made varying progress in performing their oversight roles under the parity law. The Department of Labor is in the process of expanding its oversight role. The Health Care Financing Administration has not yet fully determined the nature and the extent of its oversight responsibilities. GAO summarized this report in testimony before Congress; see: Mental Health Parity Act: Employers' Mental Health Benefits Remain Limited Despite New Federal Standards, by Kathryn G. Allen, Associate Director for Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor, and Pensions. GAO/T-HEHS-00-113, May 18 (11 pages).

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**HEHS-00-96**, May 2, 2000 (37 pages). Women's Health: NIH Has Increased Its Efforts to Include Women in Research.

The National Institutes of Health (NIH) has made significant progress toward the goal of including women and minorities in research. For the policy to have its intended effect, however, NIH needs to expand its focus beyond simple inclusion and to ensure that, when it is scientifically appropriate, researchers conducting clinical trials enroll populations and analyze study data in ways that enable them to learn whether interventions affect women and men differently. NIH staff, peer reviewers, and advisory council members should carry out this dimension of the inclusion policy as conscientiously as they attend to its other components. For example, when NIH initiates a phase III clinical trial through a request for application or proposal, unless NIH officials have determined that this particular trial is exempt from the requirement, the request should inform the applicants that they should design the trial to allow for a valid analysis of differences between women and men. As reviewers examine each application to receive funding for a phase III clinical trial, they need to explicitly consider whether the study should be structured to allow for analysis by sex. Also, NIH's tracking system is an important tool for monitoring the implementation of the inclusion policy, and the system is beginning to capture more information, such as enrollment targets, that will help assess the policy's success. NIH's recent steps to improve the system and move toward increased electronic reporting should help improve the accuracy and the timeliness of the data and improve the system's ability to measure progress. However, follow-up training on the requirements and the purpose of the tracking system is needed. Finally, NIH's data on spending on women's health must be interpreted with care. Determining which expenditures affect women's health is so complex

and imprecise that it is easy to overstate or understate the extent of NIH's efforts. The nature of scientific inquiry makes it impossible to predict all the effects of research, and this is especially true for the basic research that makes up a large part of NIH's portfolio.

**HEHS-00-98**, June 2, 2000 (74 pages). Chronic Fatigue Syndrome: CDC and NIH Research Activities Are Diverse, but Agency Coordination Is Limited.

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

**HEHS-00-107**, June 30, 2000 (23 pages). Title III, Older Americans Act: Administration on Aging Funding Method Underfunds High-Elderly-Growth States.

The Department of Health and Human Service's (HHS) Administration on Aging (AOA) uses a procedure for distributing funds under Title III of the Older Americans Act that results in unequal funding per elderly person across states to a much greater degree than would be the result using the statutory formula. For example, using AOA's approach, Arizona's fiscal year 2000 funding per elderly person is 33 percent less than Iowa's, while strict adherence to the statute would result in a 5-percent difference. Under the AOA procedure, most states with above-average growth in number of elderly residents received less funding than called for by the statute. Using the statutory rather than the AOA method would redirect \$27 million of title III fiscal year 2000 state allotment funds (3.3 percent) to states that have experienced above-average growth in their elderly populations. GAO suggests that if Congress wants to ensure that priority be given to current data on states' elderly populations in distributing title III funds, it could amend the statute to require that funds be distributed in that way.

**HEHS-00-110**, July 12, 2000 (44 pages). Math and Science Education: Comprehensive Information About Federally Funded Materials Not Available.

The federal government invested an estimated \$2.5 billion in mathematics and science education in fiscal year 1999. The Department of Education and the National Science Foundation supported the development of two-thirds of the 210 projects identified at the 11 agencies surveyed and worked with other agencies through an informal network of individuals involved in the development of materials. Overall, the materials

incorporated the use of computer software and the Internet, and projects tended to focus on science rather than math. Agencies used various approaches to develop, promote awareness of, and distribute mathematics and science materials for kindergarten through 12th grade as part of their goal to increase public awareness, not to improve math and science education. Agencies also tended to disseminate their own information about materials rather than coordinating with other agencies; however, there is a trend toward making materials available through the Internet. No single comprehensive resource for all federally sponsored materials is available to educators seeking to make informed decisions about the materials, nor is there is information available about the quality of federally developed math and science materials. About half of the 61 materials available in fiscal year 1999 had been assessed by June 2000.

**HEHS-00-114**, June 23, 2000 (36 pages). Medicare Quality of Care: Oversight of Kidney Dialysis Facilities Needs Improvement.

The oversight of end-stage renal disease (ESRD) facilities needs improvement. Increasing the budget of the Health Care Financing Administration (HCFA) for inspecting ESRD facilities should help improve oversight, as would putting some teeth into the enforcement process. One way to give facilities more incentives to stay in compliance with Medicare reimbursement policies would be to have available the kinds of monetary penalties that can be used when nursing homes are found to have severe or repeated serious deficiencies. For example, HCFA can fine nursing homes, and the fines are not forgiven when the facility corrects its problems. Another way to strengthen oversight would be for state agencies and ESRD's networks to share information on complaints and known quality-of-care problems at

specific facilities. This would help target inspection resources where they are most needed. HCFA's efforts to use available outcome data for targeting its survey efforts might also eventually help in this regard, but more testing and evaluation are needed to help ensure that the data used are sufficient to predict noncompliance with Medicare's quality standards. GAO summarized this report in testimony before Congress; see: Medicare Quality of Care: Oversight of Kidney Dialysis Facilities Needs Improvement, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Special Committee on Aging. GAO/T-HEHS-00-136, June 26 (7 pages).

**HEHS-00-115**, July 17, 2000 (35 pages). Rural Ambulances: Medicare Fee Schedule Payments Could Be Better Targeted.

Supplying prompt ambulance services around the clock is particularly difficult in some rural areas because these providers serve a large geographic area with a low population density, resulting in significant overhead costs. To reduce costs, they must often maintain a volunteer staff. Mileage reimbursement is crucial to these providers because their ambulance trips are longer than those of their urban counterparts. In addition, because of the scarcity of hospitals, beneficiaries are sometimes taken to hospitals that do not allow Medicare reimbursement. The proposed Medicare fee schedule will alter the way rural ambulance providers are paid. Variations in payment rates will be eliminated, and providers that transport beneficiaries in rural areas will receive enhanced payments to sustain service in sparsely populated areas. GAO recommends that the Health Care Financing Administration refine the payment adjuster to better target the necessary fixed costs of providers in rural areas. A review of 1998 claims data reveals that payment denials have varied

widely among carriers, resulting in unequal coverage for Medicare beneficiaries. Different practices among carriers, differences in local policies, and carriers' failure to apply the coverage appropriately may have contributed to the variation in claim denials.

**HEHS-00-116**, June 30, 2000 (75 pages). Department of Labor: Administering the Labor-Management Reporting and Disclosure Act.

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

**HEHS-00-118**, Aug. 7, 2000 (20 pages). Prescription Drugs: Expanding Access to Federal Prices Could Cause Other Price Changes.

Federal agencies, state Medicaid programs, and many nonfederal public health groups have access to prescription drugs through the federal supply schedule (FSS) at substantially lower prices than do many other purchasers. These prices are the same or lower than those drug manufacturers charge their most-favored private purchasers. Manufacturers must also sell brand-name drugs listed on the FSS to four federal purchasers--Veterans' Affairs,

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the Department of Defense, the Public Health Service, and the Coast Guard—at a price at least 24 percent lower than the nonfederal average manufacture price, a ceiling price that is lower than the FSS price. Mandating that federal prices for outpatient prescription drugs be extended to a large group of purchasers, such as Medicare beneficiaries, could lower the prices they pay but could raise prices for others. Because federal prices are generally based on prices paid nonfederal purchasers, manufacturers would have to raise prices to these purchasers in order to raise the federal prices. The extent to which prices would change would vary by drug and would depend on such factors as the number of Medicare beneficiaries affected, the price sensitivity of nonfederal purchasers, and the price sensitivity of private purchasers.

**HEHS-00-119**, Sept. 13, 2000 (69 pages). Benefit and Loan Programs: Improved Data Sharing Could Enhance Program Integrity.

This report focuses on how improvements in data sharing among federal agencies could enhance program integrity in benefit and loan programs. Because many benefit and loan programs require the same information, it is more efficient for them to share that data with one another rather than requiring each program to gather and verify similar data. However, several legal issues concerning data privacy and security may limit agencies' ability to share data. Federal action to improve data sharing and program coordination, particularly across states, while protecting the confidentiality of sensitive data could help to overcome weaknesses in the program eligibility determination process.

**HEHS-00-122**, July 28, 2000 (46 pages). Welfare Reform: Work-Site-Based Activities Can Play an Important Role in TANF Programs.

Under welfare reform, adults who receive assistance under the Temporary Assistance for Needy Families (TANF) program for more than two years must participate in work or work-related activities. These activities fall into three categories: those that focus on finding a job, those that take place in a classroom, and those that take place at the work site. This report addresses work-site activities. Many policymakers expect that as federal participation rises and as state welfare caseloads are increasingly comprised of the most difficult to employ—or if the economy falters—states will rely more heavily on work-site activities to meet federal work requirements or states' own welfare reform goals. To help Congress better understand work-site activities now in place and the role they may play as TANF evolves, this report reviews (1) the key characteristics of work-site activities that states and localities are using in their TANF programs, (2) the key challenges to implementing and administering work-site activities and some of the ways that states and localities have addressed these challenges, and (3) the effects that work-site activities have had on participants' ability to make the transition to unsubsidized employment and on their communities.

**HEHS-00-123**, June 20, 2000 (32 pages). Single-Use Medical Devices: Little Available Evidence of Harm From Reuse, but Oversight Warranted.

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

difficult to implement. Because the demonstrated health risks from SUD reprocessing are small, it may also have only a limited effect on public health. GAO summarized this report in testimony before Congress; see: Medical Devices: Reprocessing and Reuse of Devices Labeled Single-Use, by Janet Heinrich, Associate Director of Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor, and Pensions. GAO/T-HEHS-00-143, June 27 (nine pages).

**HEHS-00-130**, Sept. 18, 2000 (58 pages). Pension Benefit Guaranty Corporation: Contracting Management Needs Improvement.

The Pension Benefit Guaranty Corporation (PBGC) sought to address a backlog of hundreds of thousands of pending benefit determinations by contracting for services. However, PBGC has not linked its contracting decisions to longer-term strategic planning considerations. Also, PBGC's procurement planning and execution processes do not stimulate competition for contract awards and they do not have sufficient rationale for contracts awarded. PBGC also does not adequately monitor the performance of contractors in the field and has a weak quality assurance review process. The broader management issues and day-to-day operational problems that GAO identified in PBGC's contracting practices could affect its ability to efficiently and cost-effectively serve the financial needs of millions of pension plan participants. GAO summarized this report in testimony before Congress; see: Pension Benefit Guaranty Corporation: Contract Management Needs Improvement by Barbara D. Bovbjerg, Associate Director for Education, Workforce and Income Security Issues, before the Senate Special Committee on Small Business and the Senate Committee on Small Business. GAO/T-HEHS-00-199, Sept. 21 (15 pages).

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**HEHS-00-131**, Aug. 22, 2000 (36 pages). Pension Plans: Characteristics of Persons in the Labor Force Without Pension Coverage.

About 53 percent of the employed labor force lacked a pension plan in 1998, a decrease of 5 percentage points from a decade earlier. The economic expansion since 1991 may have encouraged companies to offer pensions as part of their compensation packages and may have increased interest in pension coverage by persons in the labor force. About 39 percent of the employed labor force lacked a pension plan because their firms did not sponsor a plan, while 14 percent were ineligible or chose not to participate in their firm's plan. About 85 percent of those who do not have a pension plan had relatively low income, were employed part-time or part of the year, worked for a relatively small firm, or were relatively young. About 48 percent of retirees lacked pension income or annuities in 1998. These retirees were more likely to be single, female, less educated, and nonwhite. About 21 percent of retired persons without pension income had incomes below the federal poverty threshold, compared with three percent with pension income.

**HEHS-00-137**, July 14, 2000 (12 pages). Military Health Care: Factors Affecting Contractors' Ability to Schedule Appointments.

GAO analyzed data for appointment scheduling in the four TRICARE regions in November 1999 and found that only about one-quarter of the TRICARE contractors have appointment-making responsibility. In general, these contractors scheduled a higher percentage of appointments for clinics that provide primary care services than for those that provide specialty care. In the four regions, DOD and its military treatment facilities (MTFs) have restricted the types and numbers of appointments available to the contractors for

scheduling because some professional staff do not trust contractors to accurately schedule appointments and to ensure that any medical instructions—like fasting—be provided before the visit. When comparing like clinics within different MTFs, the percentage of appointments scheduled by contractors varies substantially. When there are DOD and MTF restrictions, beneficiaries requesting appointments from the contractor may be transferred to the MTF clinic or told to call the MTF directly. Although DOD is reducing and standardizing the number of appointment types and names used throughout the military care health system, DOD has not yet decided on or implemented a more uniform process for making appointments.

**HEHS-00-140**, Aug. 10, 2000 (53 pages). Prescription Drugs: Many Factors Affected FDA's Approval of Selected "Pipeline" Drugs.

The Drug Price Competition and Patent Term Restoration Act of 1984 seeks to expand the availability of more effective and affordable drugs by providing the generic drug industry with a simplified and faster review process and brand-name drug companies with an extension of the existing 17-year patent protection. At the time of the law's enactment, drugs for which a patent had been issued and human trials begun were considered "pipeline" drugs and were limited to two-year patent extensions. Legislation (H. R. 1598 and S.1172) has been introduced to allow manufacturers of pipeline drugs to apply for a patent extension beyond that two-year limit. This report compares FDA review and approval times of pipeline drugs with other drugs and examines whether the two-year patent extension granted to pipeline drugs under current law is based on the average length of time for FDA approval of new drug applications. GAO found that approval times for the pipeline drugs on which

the study focused were significantly longer than the corresponding average approval times, ranging from 17 to 65 months longer than the average time for comparable pipeline drugs. In general, delays in FDA approval resulted from concerns about safety and efficacy, chemical properties, and manufacturing procedures. Specific concerns varied by drug. Concerning the basis for the patent-extension limit, the legislative history of the 1984 Act does not clarify why a two-year limit for patent extension was chosen for pipeline drugs or why a five-year limit was chosen for other drugs.

**HEHS-00-141**, Aug. 31, 2000 (47 pages). Private Pensions: "Top-Heavy" Rules for Owner-Dominated Plans.

The federal government has for many years granted tax incentives as a way of encouraging the formation of private pension plans. These pension laws and regulations intended to ensure that workers benefit equitably from their pension plans. The key differences between top-heavy rules and the general rules for nondiscrimination and vesting in contributions and benefits. The most recent data available for GAO analysis on the characteristics of new plans that report being top-heavy, and what is known about the overall effects of top-heavy rules on numbers of plans and participants and on employer costs. New plans reporting top-heavy status tend to be small, defined contribution plans in the service sector of the economy. Little is known about the overall effects of top-heavy rules on plan formation. GAO found no research that has quantified the overall effects of top-heavy rules on the number of pension plans and participants.

**HEHS-00-144**, Aug. 31, 2000 (24 pages). Worker Protection: OSHA Inspections at Establishments Experiencing Labor Unrest.

During fiscal years 1994 through 1998, establishments experiencing labor unrest were about 6.5 times more likely to be inspected by the Occupational Safety and Health Administration (OSHA). The statutory requirement that OSHA investigate valid complaints and OSHA's policy to investigate a fatality or catastrophe may be related to the higher rate of inspection for establishments experiencing labor unrest. About 68 percent of approximately 1,900 OSHA inspections done each year resulted from complaints, fatalities, or catastrophes. About 76 percent of the establishments with labor unrest inspected by OSHA for fiscal year 1994 through 1998 were unionized. OSHA may delay programmed inspections during periods of labor unrest, which would prevent OSHA inspectors from witnessing actual work operations, but OSHA rarely delays such inspections because inspections resulting from valid complaints, fatalities, or catastrophes must be performed, regardless of whether labor unrest exists.

**HEHS-00-148**, Sept. 12, 2000 (27 pages). Interscholastic Athletics: School Districts Provide Some Assistance to Uninsured Student Athletes.

Because participation in sports carries the risk of injury, some students who lack health insurance may be unable to participate in school-based athletic programs. GAO found that 28 percent of high school students in Texas and six percent in Massachusetts are uninsured. GAO could find no national, state, or local data on uninsured students who have been prevented from participating in sports. Although 10 states and the District of Columbia require student health insurance before joining an athletic program, 39 other states leave the decision to the local district. Sixteen of the 18 school districts GAO reviewed provided free catastrophic athletic accident insurance to all students. Two districts

were self-insured. All school districts reviewed had adopted strategies to provide access to low-cost athletic insurance. In eight school districts, free supplemental athletic accident insurance was automatic; in nine school districts, parents had the option of buying low-cost athletic accident insurance. One district covered all medical costs of an athletic-related injury. Private hospitals and clinics sometimes help local school districts by offering free medical services for sports-related injuries.

**HEHS-00-149**, Sept. 11, 2000 (41 pages). Oral Health: Factors Contributing to Low Use of Dental Services by Low-Income Populations.

Despite steps taken by the federal government to make dental care more available to poor people—primarily through Medicaid and the State Children's Health Insurance Program (SCHIP)—the use of dental services remains low for many. This report discusses factors that explain low dental service use by Medicaid and SCHIP beneficiaries and the role of other federal safety-net programs in improving access to dental care. Although several factors contribute to low use of dental services among low-income beneficiaries, the major one is finding dentists to treat them. Some low-income people live in areas where dental providers are in short supply. In areas where dental care for the rest of the population is readily available, dentists cite low payment rates, administrative requirements, and patient issues such as frequently missed appointments as the reasons why they do not treat more Medicaid patients. This report discusses four other major federal programs that target services or providers to underserved or special populations with poor dental health—the Health Center program, National Health Service Corps, Indian Health Service (IHS) dental program, and IHS loan repayment program.

**HEHS-00-155**, Sept. 28, 2000 (56 pages). VA Research: Protections for Human Subjects Need to Be Strengthened.

The Department of Veterans Affairs (VA) has adopted a system of protections for human research subjects but has had substantial problems with its implementation. For example, medical centers did not comply with all regulations to protect the rights and welfare of research participants. Specifically, VA headquarters has not provided medical center research staff with adequate guidance on protections for human subjects. Insufficient monitoring and oversight of local human subject protections have permitted noncompliance with regulations to go undetected and uncorrected. VA has not ensured that funds needed to for human subject protections are allocated for that purpose at the medical centers. To VA's credit, substantial corrective actions have been implemented at three medical centers in response to sanctions by regulatory agencies taken against their human research programs, but VA's systemwide efforts at improved protections have been slow to develop. Despite some difficulties, these three medical centers have made progress and each has resumed human research activities. Also, VA has established an Office of Research Compliance and Assurance to monitor human subject protections. GAO summarized this report in testimony before Congress; see: VA Research: System for Protecting Human Subjects Needs Improvement, by Victor S. Rezendes, Assistant Comptroller General for Health, Education, and Human Services Issues, before the Subcommittee on Oversight and Investigation, House Committee on Veterans' Affairs. GAO/T-HEHS-00-203, Sept 28, (11 pages).

**HEHS-00-156**, Sept. 8, 2000 (45 pages). Public Education: Commercial Activities in Schools.

Commercial activities in U.S. public elementary and secondary schools have been increasingly visible during the past decade, a period characterized by tight school budgets. As visibility has increased, so have concerns about commercial activities that generate cash, equipment, and other types of assistance and their potential effects on students. Commercial activities include the sale of products; direct advertising on school property; indirect advertising, such as corporate sponsorship of educational materials or teacher training; and market research. Despite growing concerns, little is known about the laws and policies that govern commercial activities in U.S. schools. GAO found that state laws and regulations governing commercial activities in public schools are not comprehensive and that, in most states, local school officials are responsible for making decisions about commercial activities in the public schools. Only five states have comprehensive laws. The visibility, profitability, and type of commercial activities allowed in public schools vary widely, with high schools having more commercial activities than middle or elementary schools. Product sales—primarily soft drink sales under exclusive contracts and short-term fundraising sales (gift-wrap, candy, etc.)—were the most common and lucrative types of commercial activity, although they were a very small part of districts' budgets. The most visible examples of direct advertising appeared on the soft drink machines and high school billboards and names of businesses that had contributed to sports programs. Advertisements were also delivered through school media. Officials from participating schools said that the benefits of having free technology outweighed any negative aspects of the news shows and commercials that were shown. Indirect advertising, such as corporate-sponsored curricula, were generally used for teaching a specific unit for a specific length of time. None of the

schools GAO visited reported engaging students in market research.

**HEHS-00-157**, Sept. 7, 2000 (60 pages). H-1B Foreign Workers: Better Controls Needed to Help Employers and Protect Workers.

The H-1B visa program allows employers to hire skilled foreign workers for as long as six years to fill hundreds of thousands of jobs in the computer programming, engineering, education, and medical fields. In fiscal year 1999, these workers had a median age of 28 and were offered a median salary of \$45,000; almost half were born in India. GAO found that the Department of Labor's limited legal authority to enforce program requirements—and weaknesses in the Immigration and Naturalization Service's (INS) administration—leave the H-1B program vulnerable to abuse. For example, Labor can certify that an employer's application form for H-1B workers is error free, but it has no authority to verify the information on the form. Labor cannot take enforcement action even if it believes that employers are violating the law. INS is responsible for ensuring that H-1B that positions are specialty occupations and that workers granted entry are qualified for those jobs. INS staff are judged on the number of H-1B requests processed; they do not analyze a petitioner's merit. Labor and the National Science Foundation are trying to improve the information technology skills of the U.S. workforce through retraining programs for new and existing employees and through more computer training and mentoring for students in elementary and secondary schools.

**HEHS-00-161**, Aug. 23, 2000 (38 pages). Medicare+Choice: Payments Exceed Cost of Fee-for-Service Benefits, Adding Billions to Spending.

Medicare+Choice has not yielded savings for Medicare because its plans

attract a disproportionate selection of healthier and less-expensive beneficiaries relative to traditional fee-for-service (FFS) Medicare—a phenomenon known as favorable selection. The program spent about \$3.2 billion, or 13.2 percent, more on health plan enrollees than if enrollees had received services through traditional FFS Medicare. Although the Health Care Financing Administration (HCFA) introduced a new methodology to adjust payments for beneficiary health status, it may ultimately remove less than half of the excess payments caused by favorable selection. Spending forecast errors built into plan payment rates and provisions in the Balanced Budget Act caused an additional \$2 billion, or eight percent, in excess payments to plans. Although all of the 210 plans in the study received excess payments, the percentage of estimated excess payments varied substantially among plans. The largest estimated excess payment totaled \$334 million, or 40 percent more than Medicare would have paid in an FFS plan. Nine plans received payments below their enrollees' expected FFS costs. When excess payments due to forecast error are included, only two of the 210 plans were paid less—\$1.7 million and \$175,000—than its enrollees' expected FFS costs.

**HEHS-00-162**, Sept. 6, 2000 (26 pages). State Pharmacy Programs: Assistance Designed to Target Coverage and Stretch Budgets.

All state pharmacy programs provide benefits for low-income elderly residents, but specific eligibility rules differ and the amount of cost sharing varies widely across programs. States attempt to provide access to drugs and manage program costs through coverage restrictions such as dollar caps on benefits, deductibles, copayments, and limits on the types of drugs covered. All state programs obtain rebates from drug manufacturers; most state programs

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receive manufacturers' rebates that are calculated on terms similar to rebates under the Medicaid program. To administer the program, states have developed adequate systems to administer benefits and coordinate payment with and recovering payment from other insurers. They have also tried to remove the stigma associated with assistance programs. However, administering programs using Medicaid systems allows states to avoid duplicating program functions, such as eligibility determination and claims processing and adjudication.

**HEHS-00-163**, Sept. 12, 2000 (28 pages). Charter Schools: Limited Access to Facility Financing.

Policy makers are concerned that funding limitations may hinder the growth of future charter schools. This report determines: (1) the degree to which charter schools have access to traditional public school facility financing (2) whether alternative sources of facility financing are available to charter schools and (3) potential options available to the federal government if it were to assume a larger role in character school facility financing. GAO found that charter schools generally lack access to the most common source of facility financing for public schools—municipal bonds. Several sources of facility financing exist for charter schools, including education funds from the state, loans, and private donations. If the federal government decides to assume a broader role in financing facilities for charter schools, various mechanisms are available. They include grants, direct loans, loan guarantees, loan pools, tax-exempt bonds, and tax credits, each of which could have different fiscal and planning implications for the federal government. Moreover, greater federal assistance would change the nature of the federal government's relationship with traditional and charter schools as well as with the local and state governments that are primarily

responsible for purchasing, constructing, renovating, and leasing school buildings.

**HEHS-00-168**, Aug. 31, 2000 (26 pages). Education for Disadvantaged Children: Research Purpose and Design Features Affect Conclusions Drawn From Key Studies.

The ongoing Longitudinal Evaluation of School Change and Performance (LESCP) is due to be completed in 2001. Although some expected LESCP to serve as a vehicle for evaluating Title I's effectiveness—as the 1997 prospects study had been—others expected it to evaluate specific educational reform policies or changes in instructional practice. This lack of agreement created unclear expectations for the study. LESCP and the prospects study used similar processes for contracting out data collection and analysis, obtaining comments from review panels, and releasing the results. Both obtained advice from two panels of experts. The three- to four-year longitudinal data collection and the complexity of the implementation posed challenges for providing study results in time to meet Congress' five-year reauthorization schedule; thus the Department of Education issued interim reports to Congress. The prospect study's large, representative sample supported fairly strong conclusions about the effect of Title I but did not allow researchers to definitively measure how students would have performed had they no access to Title I services. Depth of information in the LESCP study is liable to be a key strength, but because its sample is small, its conclusions on Title I evaluation, standards-based reform, or instructional practices are likely to be affected.

**HEHS-00-169**, Sept. 29, 2000 (63 pages). Medicaid Managed Care: States' Safeguards for Children With Special Needs Vary Significantly.

Since the mid-1990s, the states have accelerated the enrollment of children with special needs in capitated Medicaid managed care programs, which provide medical care to beneficiaries for a fixed, per-person fee. States view capitated care, with its emphasis on primary care, restricted access to specialists, and control of services, as a way to contain cost growth and provide the general Medicaid population with consistent preventive and primary care. However, these same features may be less appropriate for children with special needs, who often require highly specialized and costly medical services. The Balanced Budget Act of 1997 requires states to obtain federal approval before enrolling these children in capitated Medicaid managed care programs; state Medicaid agencies can mandate enrollment for most other beneficiaries without seeking such approval. This report: (1) presents data on the extent to which states are enrolling children with special needs, as defined by the act, in capitated managed care plans, and (2) assesses the scope and effectiveness of safeguards that states have introduced to ensure that children with special needs receive appropriate care within Medicaid managed care.

**HEHS-00-170**, Sept. 25, 2000 (22 pages). Higher Education: Trustee Arrangements Serve Useful Purpose in Student Loan Market.

In fiscal year 1999, lenders participating in the Federal Family Education Loan Program (FFELP) loaned \$20 billion to college students. Because some lenders do not qualify as eligible lenders under the Higher Education Act of 1965, they can only be an eligible lender under a trustee arrangement. The act was amended in 1998, and eligible lenders can now serve as a trustee, but they must meet statutory requirements. GAO studied the number and cost of trustee arrangements, the benefits and



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protections afforded the federal government through use of trustee arrangements, and the effect of trustee arrangements on market participation and the availability of student loans. The Department of Education reports that about 125 trustee arrangements exist between 16 eligible lender trustees and 31 ineligible lenders, amounting to \$25.3 billion in outstanding loans. Trustee arrangements come with some protections to ensure the federal government's investment in FFELP is secure while allowing ineligible lenders to participate. Both eligible and ineligible lenders believe that market participation and availability are positively affected by trustee arrangements. GAO recommends that Education clarify its interpretation of the act's trustee provision.

**HEHS-00-171**, Sept. 20, 2000 (18 pages). Title I Preschool Education: More Children Served, but Gauging Effect on School Readiness Difficult.

During the 1999-2000 school year, an estimated 17 percent of the school districts that received Title I funds spent \$407 million on preschool services. These school districts used this money to serve an estimated 313,000 preschool children; almost all the children were between the ages of 3 and 5 and received other federal, state, and local funding. The remaining 83 percent that did not use their funds cited a greater need to use Title I funds for older children. Currently, the Department of Education lacks the information needed to measure the effectiveness of Title I, and GAO recommends that the agency explore the feasibility of isolating and measuring Title I's effectiveness on school readiness.

**HEHS-00-172**, Aug. 31, 2000 (34 pages). Defense Health Care: Resources, Patient Access, and Challenges in Europe and the Pacific.

To provide health care to beneficiaries in Europe and the Pacific in fiscal year 1999, the Department of Defense (DOD) spent about \$463 million on hospital and clinic operations, maintenance, and inter-facility transport and about \$609 million to compensate military personnel who work at military treatment facilities (MTFs). MTFs in Europe have established formal host provider networks that serve TRICARE beneficiaries. TRICARE Pacific relies on State Department resources and a contractor to arrange health care for many remote beneficiaries. DOD generally relies on local certification and licensing practices to determine network physician and facility qualifications. To ensure quality of care, DOD and the State Department rely on local standards and patient feedback. Beneficiaries have better access to medical care with the implementation of TRICARE overseas and the increased use of host nations to augment MTF care. Most scheduled appointments meet the TRICARE access standards governing waiting times. MTF specialty care appointments are not always available; referrals are then made to local providers. DOD's overseas medical system faces many challenges as DOD seeks to maintain access to care for beneficiaries, replace the aeromedical evacuation system, and identify family members of active duty personnel with significant health problems.

**HEHS-00-174R**, Sept. 15, 2000 (28 pages). Medicare Hospital Payment: PPS Includes Several Policies Intended to Help Rural Hospitals.

Medicare's prospective payment system (PPS) comprises several policies intended to help rural hospitals. There are major special payment provisions enacted to adjust Medicare payments to rural hospitals. Despite these provisions, rural hospitals, on average, have not fared as well as their urban counterparts under PPS. GAO provided information

on the inventory of the major special payment provisions available to rural hospitals under (PPS) and the inpatient financial performance of these hospitals under PPS. Two-thirds of rural hospitals obtain some sort of special status to modify their Medicare PPS payments. The rural hospitals with special designations generally have fared better than other rural hospitals. Although as a group, they have still experienced consistently poorer financial performance under Medicare's PPS than have urban hospitals. There is considerable variation in performance behind this average, and many rural hospitals operate at a loss in providing Medicare inpatient services.

**HEHS-00-175**, Sept. 11, 2000 (34 pages). Children and Pesticides: New Approach to Considering Risk Is Partly in Place.

The Food Quality Protection Act of 1996 requires the Environmental Protection Agency (EPA) to reevaluate existing tolerances for pesticide residues in foods within 10 years. EPA must apply an additional 10-fold safety factor in setting tolerances to ensure that food is safe for children and that children will not be harmed from aggregate exposure to pesticides in food and drinking water or from residential sources. The agency must consider available information on the cumulative effects on children of pesticides that act in a similar harmful way. EPA found that the use of chlorpyrifos Dursban (part of a group of pesticides known as organophosphates) on foods frequently eaten by children needs to be reduced and that the household use of this pesticide needs to be eliminated. EPA has not completed aggregate exposure reviews for all 39 organophosphates, but a cumulative assessment will be required for the group. EPA has made progress in reassessing existing tolerances for pesticide residues, but relatively few of the allowable limits have changed as a

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result of the act's new requirements. EPA is giving priority to high-risk chemicals.

**HEHS-00-176**, Sept. 8, 2000 (40 pages). Medicare Home Health Care: Prospective Payment System Could Reverse Recent Declines in Spending.

The 48-percent reduction in Medicare home health care spending in the wake of passage of the Balanced Budget Act of 1997 was due to sharp declines in both the numbers of users and services used. Declines were the greatest for the agencies and patients who used the most services. States that had the highest levels of service use in 1996 saw larger declines than did other states, and declines in rural areas were larger than in cities. Changes in home health utilization occurred in part because of Medicare payment policies mandated by the act. The new prospective payment system (PPS) rates—based on the historically high 1998 utilization—will likely be generous compared with current use patterns. Some agencies may respond by increasing services to beneficiaries, while others may maintain their reduced service levels, resulting in overpayments relative to services delivered. This could cause total Medicare home health spending to rise. GAO recommends that HCFA adopt a risk-sharing arrangement with PPS, which would limit aggregate home health agency Medicare gains or losses.

**HEHS-00-179**, Sept. 26, 2000 (36 pages). Social Security Administration: Longstanding Problems in SSA's Letters to the Public Need to Be Fixed.

The Social Security Administration (SSA) sends millions of letters each year to notify applicants and recipients about eligibility for or changes in benefits. These letters have excluded essential details needed to understand its decisions, presented information in an illogical order, and required

complex analyses to reconstruct benefit payments. Specifically, one or more of the following key points were missing: (1) the reason why SSA sent the letter; (2) the basis for its decision; (3) the financial effect of the decision on the recipient; or (4) the recourse available to the person. For many of the problems, SSA has not taken any corrective action and has repeatedly rescheduled plans to make comprehensive changes. In September 1999, a federal court ordered SSA to develop and implement a plan to improve its Supplemental Security Income letters, prompting SSA to begin a major, multiyear initiative to improve its letters. GAO summarized this report in testimony before Congress; see: Social Security Administration: SSA's Letters to the Public Remain Difficult to Understand, by Barbara D. Bovbjerg, Associate Director for Education, Workforce, and Income Security Issues, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HEHS-00-205, Sept. 26 (13 pages).

**HEHS-00-180**, Sept. 11, 2000 (68 pages). West Nile Virus Outbreak: Lessons for Public Health Preparedness.

In the fall of 1999, the mosquito-borne West Nile virus killed seven people in the New York City area and made dozens more very sick. This report chronicles the outbreak and examines the public health community's response to it. Although the West Nile outbreak is considered to have been a natural occurrence, it provides lessons about detecting and responding to an act of biological terrorism. Key lessons focus on the importance of local disease surveillance and response systems; improved communication among public health agencies; links between public and animal health agencies; ensuring adequate laboratory capabilities; and recognition of public health preparedness as a key element of bioterrorism preparedness.

**HEHS-00-182**, Sept. 18, 2000 (51 pages). Medicare: More Beneficiaries Use Hospice but for Fewer Days of Care.

Nearly 360,000 Medicare beneficiaries enrolled in a hospice program in 1998, more than twice the number that chose hospice care in 1992. Although cancer patients account for more than half of Medicare hospice patients, growth in use has been particularly strong among individuals with other diagnoses, such as heart disease, lung disease, stroke, and Alzheimer's disease. Many are doing so closer to the time of death; the average period of hospice care fell from 74 days in 1992 to 59 days in 1998. Greater federal scrutiny of compliance with program eligibility requirements may have contributed to a decline in beneficiaries' average number of days of hospice care. Between 1992 and 1999, the number of hospices participating in Medicare rose 82 percent, with large providers and those in the for-profit sector accounting for a greater proportion of the services delivered. At the same time, hospice industry officials report cost pressures from declining patient enrollment and increased use of more expensive forms of palliative care, such as radiation and chemotherapy, for pain relief.

**HEHS-00-183**, Sept. 7, 2000 (67 pages). Medicare+Choice: Plan Withdrawals Indicate Difficulty of Providing Choice While Achieving Savings.

Of 309 plans serving Medicare beneficiaries at the end of 1999, 99 plans terminated their contracts or reduced the number of counties they served for the 2000 contract year, and 118 have announced they will terminate their contracts or reduce service areas for the 2001 contract year. These withdrawals affected about 328,000 enrollees in 2000 and will affect nearly 1 million enrollees in 2001. A disproportionate number of enrollees live outside major urban

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areas. Some of these enrollees will have no other Medicare managed care option available and will either have to switch to a nonmanaged care option or return to traditional fee-for-service Medicare. Many plans have attracted beneficiaries who have lower-than-average expected health care costs, while Medicare+Choice payments are based on the expected cost of beneficiaries with health care needs. Many plans also reported that Medicare's payment rates substantially increased their own estimated costs of providing Medicare-covered benefits. The magnitude of rate increases needed to make participating in Medicare a sufficiently attractive business option for some plans may not be reasonable in light of countervailing pressures to make the Medicare program financially sustainable for the long term.

**HEHS-00-185**, Sept. 29, 2000 (64 pages). Private Pensions: Implications of Conversions to Cash Balance Plans.

There has been recent controversy concerning how conversions of traditional defined benefit pension plans to cash balance plans can affect workers, especially those nearing retirement. Employer-provided pensions are an important source of income for many retired persons. To encourage employers to establish and maintain pension plans for their employees; the federal government provides special tax treatment under the Internal Revenue Code (IRC) for plans that meet certain requirements. GAO addressed several aspects which includes: (1) the prevalence and major features of cash balance plans, and reasons why firms adopt them; (2) how the use of cash balance plans affect the pension benefits for workers of different ages and tenure, particularly after conversion; and (3) what information employers converting to cash balance plans typically provide to plan participants and how disclosure might be improved. Firms in many sectors of the economy sponsor these

plans but there is greater awareness found in the financial services, health care, and manufacturing industries. Cash balance plans provide a larger share of a participant's accumulated benefit earlier in a career, compared with a traditional defined benefit plan that is based on final average pay. As a result, conversions can increase the value of some workers' benefits, especially younger or short-tenured workers who leave firms before retirement. Unlike traditional defined benefit plans, cash balance plans can result in a declining rate of normal retirement benefit accrual over time.

**HEHS-00-187**, Sept. 14, 2000 (40 pages). Social Security Reform: Implications for Private Pensions.

Social Security and private pensions are key sources of retirement income that are linked through the employer costs associated with the compensation provided to workers. Many plans incorporate Social Security benefits into their plan design, and plan provisions may be linked to Social Security's normal retirement age or eligibility criteria for disability benefits. The effect of any specific Social Security reform will depend on the nature of the change (e.g., increase in payroll taxes, a cut in benefits, and a time frame for implementation). Factors such as the firm's size, the type of pension offered, and the economic status of the worker will shape employers' and workers' responses to reform. In reaction to increasing the normal retirement age for Social Security, employers could face added pension costs for subsidizing early retirement and may redesign their plans. Workers may respond to reforms that increase contributions or reduce benefits by increasing participation in 401(k) plans or saving through other vehicles. As for the design and implementation of individual accounts, they will affect employer costs and could present substantial challenges in coordinating pension plans with individual accounts

within the current regulatory framework for pensions.

**HEHS-00-197**, Sept. 28, 2000 (83 pages). Nursing Homes: Sustained Efforts Are Essential to Realize Potential of the Quality Initiatives.

Recent federal quality initiatives have generated a host of nursing home oversight efforts that need continued federal and state attention to reach their full potential. Efforts to improve federal oversight of states' quality assurance activities are unfinished or need refinement. States have begun to use the new methods introduced by the initiatives to spot serious deficiencies when conducting surveys, but additional steps needed may not be introduced until 2002 or 2003. Efforts to reduce the predictable timing of surveys, so as to minimize the homes' covering up problems, have been modest. Results showed a marginal increase nationwide in the proportion of homes with documented actual harm and immediate jeopardy deficiencies. States that GAO reviewed were not yet investigating all complaints that alleged actual harm to a resident within 10 days, as now required by the Health Care Financing Administration (HCFA). HCFA has also strengthened its enforcement tools to sanction nursing homes that are cited for actual harm and immediate jeopardy violations. Additional funds were provided in fiscal years 1999 and 2000 to hire new staff to reduce the large number pending appeals by nursing homes and to collect assessed fines faster. GAO summarized this report in testimony before Congress; see: Nursing Homes: Success of Quality Initiatives requires Sustained Federal and State Commitment, by William J. Scanlon, Director of Health Financing and Public Health Issues, before the Senate Special Committee on Aging. GAO/T-HEHS-00-209, Sept. 28 (15 pages).

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**HEHS-00-207**, Sept. 29, 2000 (45 pages). Cash Balance Plans: Implications for Retirement Income.

Recently, firms expressed concern about information on cash balance plans for retirement income. Recognizing that pensions are an important source of income for many retirees, Congress provides special tax treatment under the Internal Revenue Code for pension plans that meet certain qualification requirements. GAO describes the: (1) prevalence and features of cash balance plans; (2) factors employers considered in making a decision about whether or not to use a cash balance formula; (3) effects of using cash balance formulas on the adequacy of individual workers' retirement income; and (4) effects of current disclosure practices on plan participants' ability to address issues regarding the adequacy of their retirement fund. Most firms GAO surveyed had at least considered adopting such a plan because cash balance plans have had high visibility in recent years. These firms reported that their decisions to adopt or not to adopt a cash balance plan were based on many factors, including corporate philosophy, the need to remain competitive, and the potential impact on workers. Cash balance plans offer both opportunities and challenges to workers seeking to ensure adequate retirement income and generally are structured such that workers accrue benefits earlier in their careers than they would under most traditional defined benefit plans. GAO concluded that there was a wide variation in the quantity and quality of information that firms provided to participants in cash balance plans.

**HEHS/AIMD-00-36**, Oct. 29, 1999 (37 pages). Combating Terrorism: Chemical and Biological Medical Supplies Are Poorly Managed.

The ability of the United States to effectively respond to terrorist attacks involving chemical or biological

weapons is compromised by poor management controls and the lack of items on a list of required inventory. For example, GAO's review of stockpiles maintained by the Department of Veterans Affairs found discrepancies of more than 12 percent with this list. Although most of these discrepancies were overages, GAO also found shortages. The underlying cause of these problems is that federal agencies have lagged in implementing basic internal controls to help ensure that all medical supplies and pharmaceuticals are current, accounted for, and ready for use. The stakes will be even higher in the future as the Centers for Disease Control and Prevention (CDC) establishes the National Pharmaceutical Stockpile Program, which will set aside large quantities of antidotes and other medical supplies to be used in the event of domestic chemical and biological attacks. Although CDC is still in the early stages of developing this program, its current plan lacks comprehensive internal controls that would prevent the types of problems that GAO found at other agencies.

**HEHS/AIMD-00-132**, Apr. 28, 2000 (27 pages). Medicare Home Health Agencies: Overpayments Are Hard to Identify and Even Harder to Collect.

The Health Care Financing Administration (HCFA) has been slow to identify amounts that closed home health agencies (HHA) owe Medicare, and it collects little of the overpayments due from them after they close. HCFA plans to implement the home health prospective payment system mandated by the Balanced Budget Act of 1997, which will involve predetermined payments for home health services. This system should reduce the potential for overpayments to HHAs because payment amounts would not be adjusted retrospectively to reflect allowable agency costs. GAO's estimate of the overpayments due from the 15 closed HHAs differs significantly from an estimate HCFA

reported. Using the same definitions of overpayment, GAO estimated that these agencies could owe \$68 million, one-third of HCFA's initial \$209 million estimate. HCFA's inability to accurately record and track overpayments has been a consistent weakness, documented in its financial statement audits from fiscal year 1996 through fiscal year 1999. The fiscal year 1998 audit, for example, found that HCFA lacked an integrated financial management system to track overpayments and their collection and that its procedures to help ensure that overpayments were valid and supported were inadequate. HCFA's contractors record and track overpayment activity for HHAs and other providers using fragmented and overlapping computer systems but do not always reconcile the data from these various systems. For example, contractor staff incorrectly keyed data from one of the contractor's systems into a HCFA system, erroneously reporting \$77 million in overpayments for one Texas HHA in 1998. HCFA implemented several interim measures in 1999 to improve the reliability of its overpayment information and is planning additional improvements, but they could take years to implement.

**HEHS/AIMD-00-139**, May 31, 2000 (42 pages). NIH Research: Improvements Needed in Monitoring Extramural Grants.

The National Institutes of Health (NIH) has developed policies and procedures for assessing scientific progress and ensuring the effective financial management of its extramural grant programs, but its system of internal controls could be strengthened. The flexibility that NIH's institutes and grantees have in implementing its policies and procedures for administering grants tends toward a lack of important information on scientific progress and inventions developed in a grant's last year as well as on unobligated funds that could be recovered for rebudgeting within the

federal government. GAO identified areas where controls over financial management in the oversight and the monitoring of grantees could be strengthened. For example, NIH does not always receive and use the single audit reports the Office of Management and Budget requires, a key tool for financial management oversight. Other areas in internal controls that could be strengthened include the discrepancies GAO found between grant award amounts reported in key NIH systems, which increase the risk of inaccuracies and improper authorization of grant funds. In its fiscal year 1999 audit report on internal controls, the independent public accountant responsible for the financial audit of NIH identified a material weakness in the analysis and the development of financial statements that included a weakness related to the financial management of grants. Regarding NIH's use of fiscal year 1999 appropriations, NIH allocated about the same percentage of funds to extramural research as it did in fiscal year 1998. Appropriations allocated for extramural research grants accounted for about \$1.4 billion of the nearly \$2 billion increase in NIH's appropriations, or about 70 percent.

**HEHS/AIMD-00-304**, Sept. 7, 2000 (43 pages). Medicare: HCFA Could Do More to Identify and Collect Overpayments.

In fiscal year 1999, contractors collected \$8.7 billion, or about 70 percent of the \$12.6 billion in Medicare overpayments. HCFA and its contractors used identification techniques, such as medical reviews, to ensure service appropriateness, interim payments review and audits of cost reports for providers that are paid on the basis of their costs, and reviews to determine if another entity has primary payment responsibility. However, HCFA lacks information to measure the effectiveness of contractors' overpayment

identification activities. Recovery auditors use identification techniques similar to those already in use. GAO suggests that Congress consider increasing HCFA's funding to bolster its postpayment review program. Contractors transfer overpayments they cannot collect to HCFA, which has had limited collection success. HCFA officials said that they do not have the resources needed to pursue collection on the large volume of eligible debt. GAO recommends that HCFA immediately refer overpayments as they become more than 180 days delinquent to a designated debt collection center or to the Treasury Department for collection. HCFA has already recognized that specialized contractors improve overpayment identification; it now has 12 firms to assist in its program safeguard efforts. HCFA is resolving complex challenges about how to compensate the firms, handle coordination and privacy issues, and oversee the firms' activities.

**HEHS/OSI-00-69**, Apr. 5, 2000 (57 pages). Medicare in Schools: Improper Payments Demand Improvements in HCFA Oversight.

Schools are an important service delivery and outreach point for Medicaid because one-third of those eligible for Medicaid are school-aged children. Even when schools do not directly provide Medicaid-covered health services, they can help identify, refer, screen, and assist in enrolling Medicaid-eligible children. Outreach and identification activities help ensure that the most vulnerable children receive routine preventive health care, primary care, and treatment. Most states are seeking Medicaid funds to help them provide medically related services to disabled children and direct children to appropriate health services. However, controls over the various approaches to submitting claims for Medicaid reimbursement for school-based health services and administrative

activities are poor. Oversight by the Health Care Financing Administration has failed to ensure an appropriate balance between the states' demands for flexible, administratively simple systems and the need to account for whether federal funds being used as intended. The result is confusing and inconsistent guidance across the regions and failure to prevent improper practices and claims in some states. Without adequate controls and consistent oversight, Medicaid is vulnerable to paying for unneeded and undelivered services and activities. Weak agency oversight has created an environment ripe for opportunism and fraud.

## Testimony

**T-HEHS-00-14**, Oct. 1, 1999 (19 pages). Medicare: Better Information Can Help Ensure That Refinements to BBA Reforms Lead to Appropriate Payments, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Health Subcommittee, House Committee on Ways and Means.

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

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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.

**T-HEHS-00-22**, Oct. 21, 1999 (22 pages). Social Security Disability: SSA Has Had Mixed Success in Efforts to Improve Caseload Management, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means, and Human Resources Subcommittee, House Committee on Ways and Means.

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.

**T-HEHS-00-26**, Oct. 26, 1999 (12 pages). Mental Health: Extent of Risk From Improper Restraint or Seclusion Is Unknown, by Leslie Aronovitz,

Associate Director, Health Financing and Public Health Issues, before the Senate Committee on Finance.

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. This report summarizes the September 1999 report, GAO/HEHS-99-176.

**T-HEHS-00-27**, Nov. 4, 1999 (10 pages). Nursing Homes: HCFA Should Strengthen Its Oversight of State Agencies to Better Ensure Quality Care, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

The Health Care Financing Administration (HCFA) oversees how well each state agency ensures quality care in nursing homes, but the mechanisms HCFA uses are of limited scope and effectiveness. Because the mechanisms are not applied consistently in HCFA's 10 regional offices, HCFA lacks sufficient, consistent, and reliable data with which to evaluate the effectiveness of state agencies' performance or the success of its recent initiatives to improve nursing home care. HCFA cannot be certain whether some states are failing to identify serious deficiencies that harm nursing home residents. HCFA also lacks an adequate array of effective sanctions to encourage state agencies to correct serious or widespread problems. GAO recommends that HCFA improve (1) the scope and the rigor of its oversight process through the state surveys and (2) the consistency in how it holds state survey agencies accountable by standardizing procedures for selecting state surveys and conducting federal monitoring surveys. This testimony summarizes the November 1999 GAO report, GAO/HEHS-00-6.

**T-HEHS-00-30**, Nov. 9, 1999 (20 pages). Medicaid: Federal and State Leadership Needed to Control Fraud And Abuse, by Leslie Aronovitz, Associate Director, Health Financing and Public Health Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Medicaid fraud schemes cross state lines and enforcement jurisdictions, engaging the different or competing priorities of federal, state, and local agencies in efforts to investigate, prosecute, and enforce program compliance. Essential components of an effective strategy with program integrity include coordinating the efforts of the multiple players, investing in preventive strategies, and dedicating adequate resources to fraud control units. The Health Care

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Financing Administration, the federal agency that runs Medicaid, established a fraud and abuse national initiative in 1997 to bring together groups at the state level to provide training, share information, and address common concerns. Despite HCFA's efforts to facilitate the states' activities, questions remain about its role as a steward of Medicaid funds.

**T-HEHS-00-51**, Jan. 25, 2000 (10 pages). Elementary and Secondary Education: Flexibility Initiatives Do Not Address Districts' Key Concerns About Federal Requirements, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the House Committee on Education and the Workforce.

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

**T-HEHS-00-53**, Feb. 1, 2000 (18 pages). Adverse Drug Events: Substantial Problem but Magnitude Uncertain, by Janet Heinrich, Associate Director, Health Financing

and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions.

About 2.7 billion prescriptions were filled in the United States in 1998. Although prescription drugs have great clinical benefits, serious adverse drug events can lead to hospitalization, disability, and even death. Adverse drug events are caused by harmful drug reactions or by medication errors committed by health care professionals and patients. Two factors that can increase the risk of a patients' suffering from an adverse drug event are illness severity and intensity of treatment, including taking several drugs simultaneously. Although it is clear that a wide range of commonly used drugs cause adverse drug events with potentially serious consequences for patients, relatively little is known about their frequency. Data routinely collected on adverse drug events during clinical trials or after drugs are marketed are intended to identify the adverse drug events that are associated with particular drugs and do not focus on their frequency. Information on the overall incidence of adverse drug events from all drugs has been limited to a few research studies that typically examined the experience of patients in one of two specific institutions—generally hospitals or sometimes nursing homes—leaving the overall incidence of adverse drug events in outpatient care largely unexplored. Greater understanding of certain factors that affect the likelihood of adverse drug events has led researchers and patient safety advocates to suggest a range of measures to decrease their number and severity. These proposals range from better communication between doctors and patients about the risks and benefits of medications to accelerating research on the safety of marketed drugs. Suggestions for reducing medication errors include developing computerized prescribing and dispensing systems to detect possible errors, increasing the role of

pharmacists as advisers to physicians and as monitors of drug therapy, and improving health care providers' pharmaceutical education. This testimony summarizes the January 2000 report, GAO/HEHS-00-21.

**T-HEHS-00-60**, Feb. 17, 2000 (11 pages). Drug Abuse: Efforts Under Way to Determine Treatment Outcomes, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Criminal Justice, Drug Policy and Human Resources Subcommittee, House Committee on Government Reform.

The federal governments spends hundreds of millions of dollars on drug abuse treatment through the substance abuse prevention and treatment block grant program. Although the Substance Abuse and Mental Health Services Administration (SAMHSA) monitors state expenditures to determine whether block grant funds are used in accordance with statutory requirements, this type of monitoring is not designed to determine what impact state drug abuse treatment programs are having on the lives of clients. Some states are assessing the effectiveness of their treatment programs by using outcome indicators. SAMHSA officials believe that collecting uniform data on client outcomes at the state level is essential to determine the effectiveness of drug abuse treatment programs supported with federal money and to report the information to Congress. SAMHSA is trying to determine the availability of client outcome data from all states, and it has awarded grants to some states to help them improve their data collection systems. These efforts should help identify states' views on and some of the complexities associated with collecting and reporting outcome data. SAMHSA's efforts should help determine what additional actions are needed to get uniform reporting on the results of drug abuse treatment programs

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supported by the block grant program. This testimony summarizes the February 2000 report, GAO/HEHS-00-50.

**T-HEHS-00-61**, Feb. 9, 2000 (12 pages). Adverse Events: Surveillance Systems for Adverse Events and Medical Errors, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Health and Environment Subcommittee, House Committee on Commerce; Health Subcommittee, House Committee on Veterans' Affairs; and Oversight and Investigations Subcommittee, House Committee on Commerce.

Adverse events are injuries to patients caused by medical treatment. Medical errors are mistakes in medical care that may or may not harm a patient. Identifying adverse events and evaluating their causes are important parts to any strategy to reduce harm to patients. Several recent GAO reports have considered surveillance systems for medical products, particularly drugs and medical devices. (See GAO/HEHS-00-21, Jan. 2000, and GAO/HEHS-97-21, Jan. 1997.) GAO testified that although adverse events are recognized as a serious problem, the full magnitude of their threat to the American public is unknown. At the same time, gathering valid and useful information on adverse events is extremely difficult. For example, systems that rely on health care providers to take the initiative to make a report suffer from serious limitations. Moreover, many of the injuries that patients suffer as a result of medical treatment do not stem from errors but reflect the inherent risks of treatments that are administered correctly. It can be difficult to identify these adverse reactions and distinguish them from medical errors or from the course of a patient's underlying illness.

**T-HEHS-00-68**, Mar. 6, 2000 (13 pages). Medicare: Few Beneficiaries

Use Colorectal Cancer Screening and Diagnostic Services, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

Only nine percent of fee-for-service Medicare beneficiaries age 50 or older receive recommended annual fecal occult blood testing for colorectal cancer. About two percent receive sigmoidoscopy testing. Women use colorectal cancer screening and diagnostic services slightly more than men, whites somewhat more than African Americans, Asians, and Hispanics. Enrollees in managed care plans are at least as likely to use these services as fee-for-service Medicare beneficiaries. Key among the reasons for the low use of screening and diagnostic services are poor patient awareness of recommendations and coverage for screening, physicians' reluctance to perform the procedures because of their time and complexity, and the lack of monitoring systems to encourage their use. GAO concludes that there is room for better outreach and education. GAO finds that efforts are under way to enhance public awareness of the risks of colorectal cancer and the benefits of screening.

**T-HEHS-00-74**, Mar. 9, 2000 (13 pages). Medicare: HCFA Faces Challenges to Control Improper Payments, by Leslie Aronovitz, Associate Director, Health Financing and Public Health Issues, before the Labor, Health and Human Services, and Education Subcommittee, Senate Committee on Appropriations.

Both the traditional Medicare program and Medicare+Choice contain major information gaps that impede the ability of the Health Care Financing Administration (HCFA) to minimize program losses attributable to improper payments to claims administration contractors. HCFA does not have a clear picture of how the contractors perform with respect to fee-for-service payments, which

totaled \$171 billion in fiscal year 1999, or the newly designed payment systems. HCFA similarly lacks data to monitor the appropriateness of payments made to Medicare+Choice health plans and the services the enrollees receive. HCFA's systems for collecting and analyzing data on beneficiaries' use of services are seriously outmoded.

**T-HEHS-00-81**, Mar. 23, 2000 (17 pages). Health Care Access: Programs for Underserved Populations Could Be Improved, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Public Health and Safety Subcommittee, Senate Committee on Health, Education, Labor and Pensions.

The Community and Migrant Health Center program and the National Health Service Corps, administered by the federal Health Resources and Services Administration (HRSA), are designed, respectively, to increase the availability of primary and preventive health care services for low-income people living in medically underserved areas and to offer scholarships and educational loan repayments for health care professionals, some of whom, in turn, agree to work in these centers. GAO found that HRSA could increase the centers' effectiveness by establishing a systematic best practices program for their learning and by improving the completeness and accuracy of the data it uses to monitor them. Also, the Health Care Financing Administration could help ensure the centers' ability to continue serving Medicaid beneficiaries and uninsured persons by monitoring state Medicaid programs' compliance with federal requirements for reimbursing the centers. Shifting resources would help provide more National Health Service Corps loan repayments, and a better system is needed for identifying and measuring where health care professional placements are needed.



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**T-HEHS-00-82**, Mar. 23, 2000 (12 pages). Social Security Disability Insurance: Raising the Substantial Gainful Activity Level for the Blind, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

Recent proposals regarding Social Security Disability Insurance range from increasing the substantial gainful activity level established for the program's blind beneficiaries to eliminating it completely. These proposals, if enacted, would likely increase beneficiaries' work effort but would raise program costs and could widen the differences in the program's treatment of blind and nonblind beneficiaries. Raising the level for blind persons could result in calls to increase it for nonblind persons, leading to significantly higher program costs and adverse effects on the solvency of the Social Security trust fund. Eliminating the level would fundamentally alter the purpose of the program. Other changes to work incentives being implemented or tested are likely to increase beneficiaries' work without changing the nature of the program.

**T-HEHS-00-83**, Apr. 11, 2000 (10 pages). Preschool Education: Federal Investment for Low-Income Children Significant but Effectiveness Unclear, by Marnie S. Shaul, Associate Director, Education, Workforce, and Income Security Issues, before the Children and Families Subcommittee, Senate Committee on Health, Education, Labor and Pensions.

Each year, the federal government provides about \$4.6 billion for preschool education and about \$4.4 billion for federal block grants, such as the Child Care Development Fund, some of which is used for preschool education. State governments provide about \$2 billion annually to support preschool programs. Head Start, run

by the Department of Health and Human Services (HHS), and Even Start, run by the Department of Education, focus on developing cognitive and other skills needed to prepare children for school. In addition, in some communities title I funds, which support elementary and secondary education programs for economically and educationally disadvantaged children, are also used for preschool programs. Given the considerable federal investment, it is important to know how effectively the different programs prepare children for school. Although Head Start and Even Start studies have shown that the skills of participating children have improved, the studies have not provided definitive results on the extent to which these improvements can be attributed to the programs. However, HHS and Education are making progress in assessing the effectiveness of their preschool programs. In contrast, the effectiveness of block grant funds is not being evaluated for school readiness because it is not a primary goal of these programs.

**T-HEHS-00-84**, Mar. 22, 2000 (10 pages). Prescription Drug Benefits: Applying Private Sector Management Methods to Medicare, by William J. Scanlon, Director Health Financing and Public Health Issues, Health, Education, and Human Services Division, before the Senate Committee on Finance.

In earlier congressional testimony, GAO has emphasized the need to make prescription drugs more affordable to Medicare beneficiaries who lack coverage by expanding access to group rates, extending discounts associated with group purchasing, and targeting government subsidies for those most in need. Doing this will require incorporating cost-control methods. To control prescription drug costs, the private sector has developed and refined techniques implemented in some Medicare+Choice plans and

private health plans. Applying them to the Medicare population would require adaptations that might diminish their effectiveness. Medicare drug coverage should be designed and implemented in a way that minimizes Medicare's financial implications and maximizes the positive effects of beneficiaries' coverage.

**T-HEHS-00-88**, Apr. 5, 2000 (10 pages). VA Health Care: VA Is Struggling to Address Asset Realignment Challenges, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Health Subcommittee, House Committee on Veterans' Affairs.

In March 1999, GAO reported that the Veterans Health Administration (VHA) could enhance veterans' health care benefits if it reduced spending on underused, inefficient, or obsolete buildings and used the savings to provide health care more efficiently in modern facilities both at existing locations or at new locations closer to where veterans live. VHA agreed and committed to realigning its portfolio of health care assets. It agreed to implement a strategic planning process that would systematically study all its medical care markets in order to develop capital asset realignment plans. VA's Capital Investment Board would use these plans to determine the best investment opportunities. Last year, GAO reported that VHA had made little progress and estimated the opportunity cost of delay to be as high as \$1 million a day. VHA's efforts had focused primarily on discussions among VHA officials, Department of Veterans Affairs (VA) officials, and stakeholders such as veterans' service organizations regarding a conceptual framework for its asset realignment process. VHA reported then that its realignment process would be operational by September 1999. GAO is concerned that VHA's slow progress needlessly delays critical decisions and the opportunity to reinvest resources to

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enhance veterans' future health care. The weaknesses in VHA's realignment process, once implemented, will not necessarily produce, within a reasonable time period, capital asset plans that are in the best interest of veterans and taxpayers. If a capital asset realignment process is patterned after the Capital Investment Board's decisionmaking model, it would be less likely to replicate VHA's Chicago experience. Because VHA is struggling to reach a sound realignment decision in Chicago and complete the design of a systemwide realignment process and because VA's Capital Investment Board has a model that could address many of VHA's weaknesses, VA should consider transferring the asset planning responsibility to the Board. The daily cost of delayed decisions is unacceptably high.

**T-HEHS-00-91**, Apr. 6, 2000 (10 pages). VA Health Care: VA Is Struggling to Respond to Asset Realignment Challenges, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

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**T-HEHS-00-93**, Apr. 6, 2000 (5 pages). Medicare: Concerns About HCFA's Efforts to Prevent Fraud by Third-Party Billers, by Leslie Aronovitz, Associate Director, Health Financing and Public Health Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

To help ensure the integrity of Medicare, the Health Care Financing Administration (HCFA) and its contractors need to develop reliable and sophisticated approaches to identify potentially fraudulent billing practices. It is especially important that they be able to match up third-

party billers with the providers they represent so contractors can identify potentially questionable billing patterns and subject these claims to more scrutiny. Although HCFA has various efforts under way to better identify providers' questionable claims and their associated third-party billers, there continue to be gaps in its safeguards. HCFA needs to complete its provider recertification program as soon as possible so that it will have comprehensive information on all Medicare providers and their billers. GAO is also concerned about inherent problems with data reliability.

**T-HEHS-00-101**, Apr. 11, 2000 (14 pages). Social Security: Providing Useful Information to the Public, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

The Social Security Administration's (SSA) individualized social security statement, which provides the public with basic information on their social security benefits, can be an important tool in personal financial planning. GAO recommended that SSA improve the layout and design of the statement it issued in 1996 and simplify its explanations. GAO also recommended that SSA explore alternative formats for the statement. On the basis of information it gathered from prototypes, focus groups, and a public opinion survey, SSA developed a new four-page statement for its fiscal year 2000 mailing that is much improved. The newly revised statement does a better job of providing basic information to individual workers. Adding the explanations necessary to fairly portray rates of return, however, would significantly increase the length of the statement and undermine efforts to simplify it, increasing the risk that recipients would neither read nor fully understand it.

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**T-HEHS-00-105**, May 3, 2000 (10 pages). Fair Labor Standards Act: White-Collar Exemptions Need Adjustments for Today's Work Place, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Workforce Protections Subcommittee, House Committee on Education and the Workforce.

The Fair Labor Standards Act sets minimum wage and hour standards for most American workers, exempting "white-collar" executive, administrative, and professional workers. Shifts in the American economy since the law's enactment affect these exemptions in today's work place, and the regulations underpinning the exemptions have changed. Employer and employee representatives believe that adjustments are needed to update the regulatory structure. Their concerns about the operation of the exemptions involve all aspects of the regulations--the salary-basis test, the salary-test levels, and the duties requirements. The Department of Labor has not updated these tests in decades, and although it made some attempts to revise the regulations in the 1980s, it is reluctant to revise them because of the difficulty of getting consensus. However, given the economic changes in the 62 years since the act's passage, it is important to readjust these tests. To avoid a piecemeal approach to reform, GAO recommends that the Department comprehensively review the regulations and make needed adjustments to meet the needs of the modern work place.

**T-HEHS-00-106**, Apr. 26, 2000 (20 pages). Privacy Standards: Issues in HHS' Proposed Rule on Confidentiality of Personal Health Information, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions.

The Department of Health and Human Services (HHS) issued proposed regulations in November 1999 to help ensure the confidentiality of patient data, as required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA). GAO found that HHS' regulatory strategies appear to be consistent with HIPAA's goal of protecting the privacy of health information and are legally permissible. By requiring that entities directly regulated by the rule--health plans, health care providers, and health care clearinghouses--control the information practices of entities with which they do business, HHS has attempted to fill an otherwise significant gap in privacy protection. HHS has covered the "paper progeny" of electronically maintained or transmitted health information--the privacy protections extended to individuals by HIPAA would be easy to circumvent if protected health information in an electronic record lost its protection merely by being printed. HHS' decision to build flexibility into the proposed rule by allowing the implementation of the standards to vary on the basis of an organization's size is also within its authority. Comments from many of the entities that will have to implement the policies reflect two overriding themes. First is a widespread acknowledgment of the importance of protecting the privacy of medical records. Second is a fundamental difference in the groups' positions that reflects the conflicts that sometimes arise between privacy and competing goals.

**T-HEHS-00-108**, May 4, 2000 (16 pages). Medicare: 21st Century Challenges Prompt Fresh Thinking About Program's Administrative Structure, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Committee on Finance.

Key problems that undermine the ability of the Health Care Financing Administration (HCFA) to manage

Medicare effectively can be solved. Currently, no one senior official in HCFA is responsible for managing only Medicare; instead, HCFA's Administrator oversees Medicaid and other state-centered programs' worthy competitors for agency management attention. Frequent changes in agency leadership make it difficult to develop and implement a consistent long-term vision. And constraints on HCFA's ability to acquire appropriate resources and expertise limit its ability to modernize Medicare's operations and carry out the program's growing responsibilities. Elements of recent Medicare reform proposals, together with alternatives from other federal agencies, suggest ways of addressing the focus, leadership, and capacity issues. Options could include creating an entity that would administer Medicare without any non-Medicare responsibilities; establishing a tenure for the program's administrator that, at minimum, would overlap presidential terms; and granting the entity administering Medicare greater operational flexibility.

**T-HEHS-00-109**, May 5, 2000 (16 pages). Foster Care: Status of the District of Columbia's Child Welfare System Reform Efforts, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the District of Columbia Subcommittee, House Committee on Government Reform.

In 1995, the U.S. District Court for the District of Columbia removed the child welfare agency from the auspices of the District's Department of Human Services and local government control, putting a child welfare receivership in place. The receiver has begun to develop and implement a new child welfare information system that began operating in October 1999 and established a training project in January 1999 to enhance caseworker skills. The receiver acknowledges that changes so far address about half of the requirements of the court's order;

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however, addressing those requirements alone cannot resolve the many systemic challenges that permeate the child welfare system. Many of the problems facing the District's system are similar to those faced by other jurisdictions around the country, and long-standing systemic weaknesses, such as poor working relationships among the agencies and the courts, hamper child welfare agencies' capacity to protect children. To achieve tangible progress, private foster care providers, the court system, and other local government agencies that have a role in keeping children safe must have effective working relationships. Some jurisdictions have fostered collaboration by creating multidisciplinary advisory groups that work to resolve turf battles and dispel mistrust or by pooling state and federal funds to gain leverage in obtaining needed resources. The receivership is intended to be a temporary vehicle for correcting specific problems, and the court and the District of Columbia will at some point need to determine when it should end and the child welfare agency should transfer back to local government. However, District officials and child welfare experts familiar with the District agree that the collaboration that is key to protecting children is not yet fully developed in the District.

**T-HEHS-00-111**, May 9, 2000 (8 pages). Social Security: Use of the Social Security Number is Widespread, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

The social security number was created in 1936 as a way to track workers' earnings and eligibility benefits. Today, more than 277 million persons have a unique social security number, and these numbers are used for myriad purposes unrelated to

social security. Both private businesses and government agencies often ask people for their social security numbers, in some cases because they are required to, in others because they are a convenient way to track and exchange information. Perceived widespread sharing of personal information and instances of identity theft have heightened public concern about the use of social security numbers. This testimony describes (1) federal laws and regulations directing the numbers' use, (2) the nonfederal purposes for which the number is used, and (3) what businesses and state government believe the impact would be if federal laws were passed to limit the use of social security numbers.

**T-HEHS-00-112**, May 11, 2000 (10 pages). Prescription Drugs: Adapting Private Sector Management Methods for a Medicare Benefit, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Health Subcommittee, House Committee on Ways and Means.

Including outpatient prescription drug coverage would have substantial consequences for the cost of Medicare. One study has suggested that it would add 7.2 to 10 percent annually to Medicare's outlays. Prescription drugs would have to be made more affordable to beneficiaries who lack coverage by expanding access to group rates, extending discounts associated with group purchasing, and targeting government subsidies for those most in need. To the extent that this would be accomplished through expanding Medicare's benefit package, cost-control methods would need to be incorporated into the management of the benefit. The private sector has developed and refined techniques to control prescription drug costs that have been implemented in some Medicare+Choice plans and private health plans. Applying these techniques to the larger Medicare population would require adaptations

that could diminish their effectiveness. Private sector tools for controlling drug expenditures provide options but applying them effectively to Medicare presents a number of challenges: (1) the size of the Medicare program and the need for transparency in its actions may reduce the effectiveness of some cost control techniques; (2) using private-sector entities to implement a Medicare drug benefit introduces concerns related to beneficiary equity and concentrating market power; (3) private-sector management tools require a capacity to process and scrutinize a large number of claims more quickly than is typical of the traditional Medicare program; and (4) strategies involving coverage restrictions impose an obligation to provide beneficiaries with adequate information.

**T-HEHS-00-113**, May 18, 2000 (11 pages). Mental Health Parity Act: Employers' Mental Health Benefits Remain Limited Despite New Federal Standards, by Kathryn Allen, Associate Director, Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions.

GAO surveyed employers in the 26 states and the District of Columbia that did not have state laws that were more comprehensive than the federal Mental Health Parity Act as of July 1999. Eighty-six percent of the responding employers reported that as of December 1999 their plans complied with the federal parity requirement that annual and lifetime dollar limits for mental health benefits be no more restrictive than those for all medical and surgical benefits. Fourteen percent of plans were noncompliant; in 1996, before the parity law was enacted, only about 55 percent reported offering parity in dollar limits. Although most employers' plans now have parity in dollar limits for mental health coverage, 87 percent of those that comply contain at least one other plan feature that is more restrictive for

mental health benefits than for medical and surgical benefits. For example, about 65 percent of the plans restrict the number of covered outpatient office visits and hospital days for mental health treatment more than those for other health treatment. In addition, many employers may have adopted newly restrictive mental health benefit design features since 1996, specifically to offset the more generous dollar limits they adopted as a result of the federal law. About two-thirds of these newly compliant employers changed at least one other mental health benefit design feature to a more restrictive one compared with only about one-fourth of the employers that did not change their dollar limits. The law appears to have had a negligible effect on claims costs. Federal agencies have made varying progress in performing their oversight roles under the parity law. The Department of Labor is in the process of expanding its oversight role. The Health Care Financing Administration has not yet fully determined the nature and the extent of its oversight responsibilities. This testimony summarizes the May 2000 report, GAO/HEHS-00-95.

**T-HEHS-00-117**, May 17, 2000 (8 pages). VA and Defense Health Care: Rethinking of Resource Sharing Strategies is Needed, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Health Subcommittee, House Committee on Veterans' Affairs.

The criteria and conditions that make resource sharing cost-effective for the Department of Veterans Affairs (VA) and the Department of Defense (DOD) need to be reviewed and the strategies for sharing rethought. Several questions require answers. Does treatment of TRICARE patients in VA medical centers result in a lower overall cost for the government than contracting with private providers? Would requiring that the medical centers be considered the equivalent

of military treatment facilities yield a more efficient and cost-effective way to provide needed care to beneficiaries? Are there additional joint contracting opportunities that would provide needed services to VA's and DOD's populations more cost-effectively than each agency providing such care itself? If sharing is to be optimized, can significant and long-standing barriers be overcome, such as the need for processes that facilitate billing, reimbursement, budgeting, and the timely approval of sharing agreements? VA and DOD need to work in concert to answer such questions. However, reaching timely agreement could prove difficult given the different business models VA and DOD use to provide health care services to their beneficiaries. Therefore, GAO advises that if an agreement is not reached, Congress may need to provide guidance to VA and DOD that clarifies the criteria, conditions, and collaboration. GAO also identifies specific steps each agency needs to take to stabilize the current sharing program until its direction, goals, structure, and criteria can be reassessed. This testimony summarizes the May 2000 report, GAO/HEHS-00-52.

**T-HEHS-00-120**, May 18, 2000 (8 pages). Social Security: Government and Other Uses of the Social Security Number are Widespread, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

The social security number was created in 1936 as a way to track workers' earnings and eligibility benefits. Today, more than 277 million persons have a unique social security number, and these numbers are used for myriad purposes unrelated to social security. Both private businesses and government agencies often ask people for their social

security numbers, in some cases because they are required to, in others because they are a convenient way to track and exchange information. Perceived widespread sharing of personal information and instances of identity theft have heightened public concern about the use of social security numbers. This testimony describes (1) federal laws and regulations directing the numbers' use, (2) the nonfederal purposes for which the number is used, and (3) what businesses and state government believe the impact would be if federal laws were passed to limit the use of social security numbers.

**T-HEHS-00-121**, May 25, 2000 (23 pages). DOD and VA Health Care: Jointly Buying and Mailing Out Pharmaceuticals Could Save Millions of Dollars, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

The Department of Veterans Affairs (VA) and Department of Defense (DOD) are the largest direct federal drug purchasers, although their combined purchases are less than two percent of total domestic drug sales. They enjoy varying, but significant, discounts on their drug purchases, the largest when they contract jointly to purchase the same drugs for their systems and through their separate national contracts with drug makers. However, their joint and separate contracting have been limited. Only about 19 percent of VA and DOD combined drug purchases are made through such contracts; most are made at far smaller discounts. If they could jointly contract for most of the 30 drug classes that now make up about two-thirds of their combined drug purchases, they could save hundreds of millions of dollars annually. Obstacles to overcome include DOD's need to develop a national drug formulary and the departments' need

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to mitigate their institutional competitiveness and pursue such joint actions as drug contracting. For example, DOD is considering commercially contracting for its hospital pharmacies refills-by-mail workloads, even though VA has a highly efficient system that could meet DOD's needs and achieve savings in the process. Interventions may be needed to mitigate agency rivalries.

**T-HEHS-00-134**, June 15, 2000 (20 pages). H-2A Agricultural Guestworkers: Status of Efforts to Improve Program Services, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Immigration and Claims Subcommittee, House Committee on the Judiciary.

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

applications processing and to improve protections for domestic and H-2A agricultural workers.

**T-HEHS-00-136**, June 26, 2000 (7 pages). Medicare Quality of Care: Oversight of Kidney Dialysis Facilities Needs Improvement, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

The oversight of end-stage renal disease (ESRD) facilities needs improvement. Increasing the budget of the Health Care Financing Administration (HCFA) for inspecting ESRD facilities should help improve oversight, as would putting some teeth into the enforcement process. One way to give facilities more incentives to stay in compliance with Medicare reimbursement policies would be to have available the kinds of monetary penalties that can be used when nursing homes are found to have severe or repeated serious deficiencies. For example, HCFA can fine nursing homes, and the fines are not forgiven when the facility corrects its problems. Another way to strengthen oversight would be for state agencies and ESRD's networks to share information on complaints and known quality-of-care problems at specific facilities. This would help target inspection resources where they are most needed. HCFA's efforts to use available outcome data for targeting its survey efforts might also eventually help in this regard, but more testing and evaluation are needed to help ensure that the data used are sufficient to predict noncompliance with Medicare's quality standards. This testimony summarizes the June 2000 report, GAO/HEHS-00-114.

**T-HEHS-00-138**, June 22, 2000 (7 pages). Defense Health Care: Opportunities to Reduce TRICARE Claims Processing and Other Costs, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Defense and

International Affairs Task Force, House Committee on Budget.

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

**T-HEHS-00-143**, June 27, 2000 (9 pages). Medical Devices: Reprocessing and Reuse of Devices Labeled Single-Use, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Senate Committee on Health, Education, Labor and Pensions.

Some single-use medical devices (SUD) can be safely reprocessed if appropriate cleaning, testing, and sterilization procedures are carefully followed. However, SUD reprocessing

is not invariably safe, and relatively little is known about the practice of SUD reprocessing in health care institutions. The Food and Drug Administration has therefore taken steps to increase its oversight of SUD reprocessing. Nonetheless, the new framework does not treat all types of reprocessors consistently and will be difficult to implement. Because the demonstrated health risks from SUD reprocessing are small, it may also have only a limited effect on public health. This testimony summarizes the June 2000 report, GAO/HEHS-00-123.

**T-HEHS-00-145**, June 29, 2000 (21 pages). Workforce Investment Act: Implementation Status and the Integration of TANF Services, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Human Resources Subcommittee, House Committee on Ways and Means, and Postsecondary Education, Training, and Life-Long Learning Subcommittee, House Committee on Education and the Workforce.

The states have been delayed in implementing steps under the Workforce Investment Act related to establishing formal agreements between partners at one-stop centers. To support the one-stop system the act requires, the states used multiple federal funding streams to report during fiscal year 2000, with the top funding sources most often coming from the Department of Labor's programs, such as the act, the Employment Service, and Unemployment Insurance. Although the Temporary Assistance for Needy Families (TANF) block grant is an optional partner, links between it and the act are being forged in most states. As the states and localities have attempted to integrate their services, they report having confronted several challenges: (1) building partnerships with other agencies, as required under the act; (2) developing the infrastructure to support an integrated

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

**T-HEHS-00-150**, July 11, 2000 (10 pages). Ryan White Care Act: Opportunities to Enhance Funding Equity, by Janet Heinrich, Associate Director, Health Financing and Public Health Issues, before the Health and the Environment Subcommittee, House Committee on Energy and Commerce.

The distribution of federal resources needs to reflect the changing nature of the HIV/AIDS epidemic. New medicines and treatments have lengthened the life expectancy of infected persons. Before the 1996 reauthorization of the Ryan White CARE Act, which replaced cumulative AIDS case counts with estimates of living AIDS cases, the areas of the country with the longest experience with the disease benefited most from using cumulative case counts. HIV counts have not been considered in the funding formulas. Today, only about 60 percent of the states include HIV cases that have not progressed to AIDS. To ensure that the formulas provide an equitable distribution of funds, all states would need to report HIV cases. All states are expected to be reporting new HIV cases by 2003. Currently, states with an eligible metropolitan area (EMA) receive more funds than those who do not have an EMA. States such as California and New York, for example, received \$5,240 per case, or 60 percent more than states without an EMA. Finally, a hold-harmless provision in the 1996 reauthorization that would help states transition from a cumulative AIDS cases to living AIDS

cases has been very gradual; however, only San Francisco has benefited from the hold-harmless provision as of 1999. GAO recommends changing the Ryan White funding formulas to enhance comparable funding across the states. GAO believes that including living HIV case data will improve the ability of the Ryan White CARE Act to effectively deliver funding to needy persons.

**T-HEHS-00-151**, July 13, 2000 (26 pages). SSA Disability: Other Programs May Provide Lessons for Improving Return-to-Work Efforts, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

More than \$4 billion in cash benefits is paid to disabled people each month under the Disability Insurance program (DI). The number of program beneficiaries has risen by 67 percent during the last 15 years, benefit payments have nearly tripled, and the DI trust fund is projected to be insolvent in 2023. Yet technological and medical advances, combined with changes in society and the nature of work, have increased the potential for people with disabilities to return to the labor force. This testimony discusses how disability systems in the private sector and other countries facilitate beneficiaries' return to work in three key areas: (1) the eligibility assessment process, (2) work incentives, and (3) staffing practices.

**T-HEHS-00-152**, July 12, 2000 (20 pages). Children With Disabilities: Medicaid Can Offer Important Benefits and Services, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Committee on Budget.

Concerns have been raised that some children lose Medicaid coverage when family incomes rise or are otherwise ineligible for Medicaid coverage, yet

have limited access to other sources of health insurance. Health insurance is particularly important to children with special health care needs. Without access to proper preventive health care and treatment services, these children are at higher risk for complicating illnesses and hospitalization. The proposed Family Opportunity Act of 2000 (S. 2274) would allow parents with a severely disabled child to buy health care coverage for the child through the Medicaid program. This testimony discusses (1) the role that Medicaid plays in providing health care coverage for children with disabilities, (2) the extent to which private insurance covers needed services for children with disabilities, and (3) the benefits and services available to children under the Medicaid program.

**T-HEHS-00-158**, July 20, 2000 (19 pages). Child Welfare: New Financing and Service Strategies Hold Promise, but Effects Unknown, by Cynthia M. Fagnoni, Director, Education, Workforce, and Income Security Issues, before the Human Resources Subcommittee, House Committee on Ways and Means.

Under a managed care approach, states and localities prospectively pay fixed, capitated amounts to providers to coordinate and meet all the service needs of referred children and families. This allows the single provider—now assuming greater responsibility for case planning and providing needed services—the flexibility to package and manage an array of child and family services. Under these arrangements, states and localities are taking steps toward becoming more performance-based and results-oriented. They are beginning to identify measures associated with five child and family outcome categories—child safety, a permanent home for the child, child and family well-being, stability of out-of-home placements, and client satisfaction with services. Agencies

are also setting performance standards and incorporating financial incentives in contracts with service providers. However, many states and local agencies do not have appropriate data systems to store and analyze client outcomes. Although cost control was seen as a potential benefit of managed care, an equally if not more important goal was better services for children and families. Whether any outcome associated with these initiatives can be attributed to these new strategies is still largely unknown. Planned evaluations under the federal waiver demonstration program will, in the future, yield additional information about the effectiveness of child welfare managed care arrangements.

**T-HEHS-00-159**, July 18, 2000 (27 pages). Medicaid: HCFA and States Could Work Together to Better Ensure the Integrity of Providers, by Leslie Aronovitz, Associate Director, Health Financing and Public Health Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

This testimony focuses on (1) the importance of steps to ensure provider integrity, (2) Medicare actions to strengthen its provider enrollment process, (3) actions by the states to ensure provider integrity in the Medicaid program, and (4) additional opportunities to improve these efforts. With hundreds of millions of claims to process each year, Medicare and Medicaid must rely in part on provider honesty in billing. It is critical to protect program funds by ensuring that only legitimate providers bill these programs. The Health Care Financing Administration (HCFA) has made revamping its provider enrollment process a priority for Medicare. It has not sought similar efforts in state Medicaid programs. Medicaid state agencies report differing practices to ensure provider integrity, and only nine states perform comprehensive provider enrollment activities. Because HCFA is redesigning its

Medicare provider enrollment process, its Administrator has suggested that a joint Medicare/Medicaid provider enrollment process be developed that could better ensure provider integrity for both programs while minimizing the administrative burden and cost.

**T-HEHS-00-160**, July 19, 2000 (17 pages). Medicare: Refinements Should Continue to Improve Appropriateness of Provider Payments, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Health and Environment Subcommittee, House Committee on Commerce.

The Comptroller General has repeatedly cautioned that, even without expanding program benefits, projected Medicare spending threatens to absorb ever-increasing shares of the nation's budgetary and economic resources. In the absence of meaningful reform, demographic and cost trends will drive Medicare spending to levels that will prove unsustainable. Under the Balanced Budget Act of 1997 (BBA) and the Balanced Budget Refinement Act of 1999, providers have had to adjust their operations because of tightened payment policies. The adjustments have been particularly disruptive for providers that took advantage of Medicare's previous payment policies to finance inefficient and unnecessary care delivery. Industry representatives are advocating the partial restoration of payment cuts since the BBA's implementation developments have occurred in the areas of home health services, skilled nursing facilities (SNF), and the Medicare+Choice program. Use of home health services has dropped substantially, well below what would have been required to remain within the BBA-imposed payment limits. The new Medicare payment system, scheduled for implementation in October, should generally provide agencies a comfortable cushion to deliver necessary services. Some corporate



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SNF chains have declared bankruptcy. The new Medicare payment system will adequately cover the cost of beneficiary services but not support extensive capital expansions or ancillary service business that the chains relied on to boost revenues. Many plans are withdrawing from Medicare because of the changes to the Medicare program and plans' business decisions. Ongoing GAO work shows that payments to plans for Medicare enrollees continue to exceed the expected fee-for-service costs. This finding is significant: Medicare managed care, although originally expected to achieve program savings, continues instead to add to program cost.

**T-HEHS-00-167**, July 27, 2000 (13 pages). VA Patient Safety: Initiatives Promising but Continued Progress Requires Culture Change, by Cynthia Bascetta, Associate Director, Veterans' Affairs and Military Health Care Issues, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

The Department of Veterans Affairs (VA) has undertaken several initiatives to better detect and prevent adverse events, including falls, medication errors, missing patients, and suicides. For example, VA has established systems that include bar code technology to prevent blood product and medication administration errors. VA is completing its implementation of a revised mandatory adverse event reporting and prevention process; the success of this initiative depends on VA establishing a culture in which employees feel safe to openly report actual adverse events as well as close calls. VA has used strategies suggested by the Institute of Medicine for creating a culture of safety. It should also increase its emphasis on leadership strategies by measuring its progress against the Institute strategies: patient safety, clear responsibilities and expectations, and communicating the importance of

patient safety to staff. VA has not yet prepared a detailed implementation plan that identifies how and when VA's various patient safety initiatives will be implemented, how they are aligned to support improved patient safety, and what contribution each initiative can be expected to make toward the goal of improved patient safety. safety.

**T-HEHS-00-192**, Sept. 5, 2000 (14 pages). Nursing Homes: Aggregate Medicare Payments Are Adequate Despite Bankruptcies, by Laura A. Dummit, Associate Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

Aggregate Medicare payments for nursing home services likely cover the cost of care needed by beneficiaries, although some refinements to the payment system are needed. However, Medicare policy changes have required many nursing homes to adjust their operations. Those homes that took advantage of Medicare's previous payment policies and who financed inefficient and unnecessary care delivery and those companies who provided ancillary services have found the changes to be disruptive. Their problems are the result of business decisions made when Medicare exercised too little control over its payments. Filing for bankruptcy protection under Chapter 11 gives these providers time to restructure their debts and streamline their operations while continuing to care for their nursing home residents. Should any of these providers not emerge from bankruptcy, the nursing homes will be sold and the residents may have to find alternative care arrangements.

**T-HEHS-00-193**, Sept. 6, 2000 (11 pages). Medicaid: State Financing Schemes Again Drive Up Federal Payments, by Kathryn Allen, Associate Director, Health Financing and Public Health Issues, before the Senate Committee on Finance.

Under various financing schemes, the states, have inappropriately increased federal Medicaid payments by paying some providers more than they would normally receive and having them return the bulk of the extra money to the state. Making excess payments generates additional federal matching funds, which can be used to pay its share of future Medicaid payments--thus generating even more matching funds--or spent however the state determines. By getting some of the money back from the provider and keeping the federal share associated with it, the state is able to lower its own Medicaid contribution substantially below the share specified in federal law. According to the Health Care Financing Administration (HCFA), 17 states have plans that could allow this. Eleven states are drafting plans for doing so. Billions of dollars are generated through this practice. When related schemes came to light in the past, steps were taken to curtail them and restore the federal/state partnership as intended. HCFA has drafted a regulation that would curtail this scheme, but the draft has not moved far in the rulemaking process.

**T-HEHS-00-196**, Sept. 13, 2000 (15 pages). Long-Term Care Insurance: Better Information Critical to Prospective Purchasers, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

Long-term care financing will be an increase concern as the baby boomers begin to turn 65 and become eligible for Medicare. Estimates of the magnitude of the baby boomers' future long-term care needs vary, with estimates of the number of disabled ranging from two to four times the current number. Cost estimates are even more imprecise, due to factors such as how many will need care, the type of care they will need, and the availability of public and private sources to pay for that care. The aging

baby boom generation, longer life expectancies, and evolving options for providing and financing long-term care will require substantial public and private investment. Consumer information and protection is necessary, especially if private insurance is to assume a larger role in financing long-term care. Long-term care insurance policies are not standardized by law as are Medicare supplemental (Medigap) policies, making comparisons among the policies difficult. Several checklists exist to help individuals buy a policy whose options best fits their needs. Also, the current price of the policy and whether that price is subject to future increases must be clear.

**T-HEHS-00-199**, Sept. 21, 2000 (15 pages). Pension Benefit Guaranty Corporation: Contract Management Needs Improvement, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Senate Committee on Small Business and Senate Special Committee on Aging.

The Pension Benefit Guaranty Corporation (PBGC) sought to address a backlog of hundreds of thousands of pending benefit determinations by contracting for services. However, PBGC has not linked its contracting decisions to longer-term strategic planning considerations. Also, PBGC's procurement planning and execution processes do not stimulate competition for contract awards and they do not have sufficient rationale for contracts awarded. PBGC also does not adequately monitor the performance of contractors in the field and has a weak quality assurance review process. The broader management issues and day-to-day operational problems that GAO identified in PBGC's contracting practices could affect its ability to efficiently and cost-effectively serve the financial needs of millions of pension plan participants. This

testimony summarizes the September report, GAO/HEHS-00-130.

**T-HEHS-00-201**, Sept. 18, 2000 (13 pages). Medicare: More Beneficiaries Use Hospice; Many Factors Contribute to Shorter Periods of Use, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

This report discusses issues related to the use of Medicare's hospice benefit, which indicates that beneficiaries with all types of terminal diseases are making use of the facilities in greater numbers every year. However there are factors that affect the use of the hospice benefit, and these factors also contribute to the availability of hospice providers. Although more beneficiaries are choosing hospice, many are doing so closer to the time of death. Half of Medicare hospice users are enrolled for 19 or fewer days, and service periods of 1 week or less are common. Many factors influence decisions about whether and when to begin hospice services, including physician practices, patient preferences and circumstances, and general awareness of the benefit among professionals and the public. The financial conditions of hospice costs are uncertain because data on provider costs are not available. The HealthCare Financing Administration is beginning to gather information from hospice providers about their costs, which should allow the adequacy of Medicare hospice payment rates to be evaluated in the relatively near future.

**T-HEHS-00-203**, Sept. 28, 2000 (11 pages). VA Research: System for Protecting Human Subjects Needs Improvement, by Victor S. Rezendes, Assistant Comptroller General, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

The Department of Veterans Affairs (VA) has adopted a system of

protections for human research subjects but has had substantial problems with its implementation. For example, medical centers did not comply with all regulations to protect the rights and welfare of research participants. Specifically, VA headquarters has not provided medical center research staff with adequate guidance on protections for human subjects. Insufficient monitoring and oversight of local human subject protections have permitted noncompliance with regulations to go undetected and uncorrected. VA has not ensured that funds needed to for human subject protections are allocated for that purpose at the medical centers. To VA's credit, substantial corrective actions have been implemented at three medical centers in response to sanctions by regulatory agencies taken against their human research programs, but VA's systemwide efforts at improved protections have been slow to develop. Despite some difficulties, these three medical centers have made progress and each has resumed human research activities. Also, VA has established an Office of Research Compliance and Assurance to monitor human subject protections. This testimony summarizes the September report, GAO/HEHS-00-155.

**T-HEHS-00-205**, Sept. 26, 2000 (13 pages). Social Security Administration: SSA's Letters to the Public Remain Difficult to Understand, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

The Social Security Administration (SSA) sends millions of letters each year to notify applicants and recipients about eligibility for or changes in benefits. These letters have excluded essential details needed to understand its decisions, presented information in an illogical order, and required complex analyses to reconstruct

benefit payments. Specifically, one or more of the following key points were missing: (1) the reason why SSA sent the letter; (2) the basis for its decision; (3) the financial effect of the decision on the recipient; or (4) the recourse available to the person. For many of the problems, SSA has not taken any corrective action and has repeatedly rescheduled plans to make comprehensive changes. In September 1999, a federal court ordered SSA to develop and implement a plan to improve its Supplemental Security Income letters, prompting SSA to begin a major, multiyear initiative to improve its letters. This testimony summarizes the September report, GAO/HEHS-00-179.

**T-HEHS-00-206**, Sept. 27, 2000 (14 pages). *Veterans' Employment and Training Service: Better Planning Needed to Address Future Needs*, by Sigurd R. Nilsen, Associate Director, Education, Workforce, and Income Security Issues, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

The Veterans' Employment and Training Service (VETS) has revised its mission statement to better focus on minimizing unemployment and underemployment among veterans. Although VETS has improved the form and some of the content of its plans, VETS is still not adequately describing the direction it intends to take. For example, VETS has not established a consistent set of priorities in terms of which veterans it intends to target for employment assistance or developed sufficient strategies to address how best to incorporate its programs into the new workforce development system. Furthermore, although VETS recognizes that the establishment of one-stop centers will increase the number of its service delivery points, it has not developed any plans to address how it will provide assistance at all centers. Finally, the quality of some of VETS program management data is questionable; therefore, it is unlikely

VETS can accurately assess its performance nationally and know whether it is improving from year to year.

**T-HEHS-00-209**, Sept. 28, 2000 (15 pages). *Nursing Homes: Success of Quality Initiatives Requires Sustained Federal and State Commitment*, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Senate Special Committee on Aging.

Recent federal quality initiatives have generated a host of nursing home oversight efforts that need continued federal and state attention to reach their full potential. Efforts to improve federal oversight of states' quality assurance activities are unfinished or need refinement. States have begun to use the new methods introduced by the initiatives to spot serious deficiencies when conducting surveys, but additional steps needed may not be introduced until 2002 or 2003. Efforts to reduce the predictable timing of surveys, so as to minimize the homes' covering up problems, have been modest. Results showed a marginal increase nationwide in the proportion of homes with documented actual harm and immediate jeopardy deficiencies. States that GAO reviewed were not yet investigating all complaints that alleged actual harm to a resident within 10 days, as now required by the Health Care Financing Administration (HCFA). HCFA has also strengthened its enforcement tools to sanction nursing homes that are cited for actual harm and immediate jeopardy violations. Additional funds were provided in fiscal years 1999 and 2000 to hire new staff to reduce the large number pending appeals by nursing homes and to collect assessed fines faster. This testimony summarizes the September report, GAO/HEHS-00-197.

**T-HEHS/AIMD-00-43**, Nov. 9, 1999 (20 pages). *Social Security: The President's Proposal*, by David M.

Walker, Comptroller General of the United States, before the House Committee on Ways and Means.

The President's Social Security transfer proposal, embodied in S. 1831 and H.R. 3165, would not in any way reform the basic Social Security program, although the administration is committed to long-term reform. The proposal seeks to increase the likelihood that projected unified surpluses would be preserved for Social Security and debt reduction. It would provide additional program funding by transferring general funds to the Old Age and Survivors Insurance and Disability Insurance trust funds. This shift in program financing would reduce publicly held debt but would not modify the program's underlying commitments for the future. The proposed transfer, by extending trust fund solvency, could create complacency about the program's financing, making it more difficult to engage in substantive program reform.

**T-HEHS/AIMD-00-59**, Mar. 8, 2000 (4 pages). *Combating Terrorism: Chemical and Biological Medical Supplies Are Poorly Managed*, by Cynthia Bascetta, Associate Director, Veterans' Affairs and Military Health Care Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

This testimony draws on a recent GAO report on the management of federal medical stockpiles that would be used to treat civilians in a chemical or biological terrorist attack. (See GAO/HEHS/AIMD-00-36, Oct. 1999.) GAO highlights the problems that it found with the management of the stockpiles, discusses the results of its actual count of stockpiled supplies, and provides information on the progress made since GAO's last report was issued.

**T-HEHS/AIMD-00-75**, Feb. 10, 2000 (29 pages). SSA Customer Service: Broad Service Delivery Plan Needed to Address Future Challenges, by Cynthia M. Fagnoni, Director, Education, Workforce and Income Security Issues, before the Human Resources Subcommittee, House Committee on Ways and Means, and Social Security Subcommittee, House Committee on Ways and Means.

The Social Security Administration (SSA) will be challenged to maintain a high level of service to the public in the next decade and beyond. Demand for services is expected to grow significantly. At the same time, the expectations and needs of SSA's customers are changing. Some want faster, more convenient service, while others, such as non-English speakers and the many beneficiaries with mental impairments, may require additional help from SSA staff. SSA's ability to respond to these challenges will be difficult because the number of SSA employees who retire is expected to peak at the same time that large increases will occur in applications for benefits. Although GAO has recommended since 1993 that SSA prepare a service delivery plan, the agency is only now beginning to develop a broad vision for customer service for 2010. In the meantime, SSA is counting on efficiencies from technology to help it cope with its rising workload. SSA has had mixed success with its information technology initiatives, however, and the benefits from its technology investments have largely been unclear. On the other hand, SSA's efforts to prepare for the rising number of retirements among its own workforce and changing customer needs and expectations have shown more promise, although many initiatives are still in the early stages and much work remains. SSA needs to fully assess the skills that its workforce will need to serve its customers in the future. SSA also needs to ensure continuity in

leadership through ongoing succession planning efforts. Without a vision for future service followed by a more detailed service delivery plan, SSA cannot be sure that its investments in technology and human capital—that is, its workforce—are consistent with and fully support its future approach to delivering services.

**T-HEHS/AIMD-00-77**, Feb. 8, 2000 (20 pages). Medicare: Program Reform and Modernization Are Needed But Entail Considerable Challenges, by David M. Walker, Comptroller General of the United States, before the Senate Special Committee on Aging.

The Comptroller General's statement discusses the competing concerns at the heart of the Medicare reform debate and provides a conceptual framework for evaluating the possible combinations of reform options. To qualify as meaningful reform, a proposal should make a significant down payment toward ensuring Medicare's long-range financial integrity and sustainability—the most critical issues facing the program. Fundamental reforms are vital to reducing the program's growth, which threatens to absorb ever-increasing shares of the nation's budgetary and fiscal resources. At the same time, Medicare is outmoded from a programmatic perspective. To address the need for an updated benefit package and adequate tools to moderate program spending, proposals have been advanced that would expand benefits while introducing changes to make beneficiaries more cost-conscious and incentives to make health care providers efficient. Ideally, the unfunded promises associated with today's program should be addressed before or concurrent with proposals to add new ones, such as prescription drug coverage. To so otherwise might be politically attractive but not fiscally prudent. If benefits are added, policymakers need to consider targeting strategies to fully

offset their costs. Because of the size of Medicare's unfunded liability, it is realistic to expect that reforms intended to bring down future costs will have to proceed incrementally. As reform options come under greater scrutiny, the importance of design details should not be overlooked. GAO's work on efforts to implement recent reforms suggests that those details will determine whether reform options will be both effective and acceptable.

**T-HEHS/AIMD-00-99**, Feb. 15, 2000 (20 pages). Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by David M. Walker, Comptroller General of the United States, before the Health Subcommittee, House Committee on Ways and Means.

Concerns are growing about gaps in the Medicare program, most notably the lack of outpatient prescription drug coverage, which may leave the most vulnerable program beneficiaries with high out-of-pocket costs that they can ill afford. Nearly one-third of Medicare beneficiaries lacked prescription drug coverage in 1996. At the same time, however, the long-term cost pressures confronting the Medicare program are considerable. A consensus appears to be emerging that substantive financing and programmatic reforms are needed to put Medicare on a sound footing in the future. These reforms are vital to reducing the program's growth, which threatens to consume ever-larger shares of the nation's budgetary and economic resources. Continuing economic prosperity and projected federal surpluses provide an opportunity to address the structural imbalances in Medicare, Social Security, and other entitlement programs. Congress faces the difficult decision of how best to guarantee the Medicare program's sustainability while being mindful of the plight of many seniors who cannot afford the latest pharmaceutical breakthroughs.

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Congress and the President may ultimately decide to include some form of prescription drug coverage as part of Medicare reform. Care must be taken, however, to ensure that any expansion of the program is accompanied by other programmatic reforms that will sustain Medicare's long-term financial integrity. This testimony discusses (1) the factors contributing to the growth in prescription drug spending and efforts to control that growth and (2) the design and implementation issues associated with proposals to improve seniors' access to affordable prescription drugs.

**T-HEHS/AIMD-00-100**, Feb. 16, 2000 (20 pages). Prescription Drugs: Increasing Medicare Beneficiary Access and Related Implications, by William J. Scanlon, Director, Health Financing and Public Health Issues, before the Health and Environment Subcommittee, House Committee on Commerce.

Concerns are growing about gaps in the Medicare program, most notably the lack of outpatient prescription drug coverage, which may leave the most vulnerable program beneficiaries with high out-of-pocket costs that they can ill afford. Nearly one-third of Medicare beneficiaries lacked prescription drug coverage in 1996. At the same time, however, the long-term cost pressures confronting the Medicare program are considerable. A consensus appears to be emerging that substantive financing and programmatic reforms are needed to put Medicare on a sound footing in the future. These reforms are vital to reducing the program's growth, which threatens to consume ever-larger shares of the nation's budgetary and economic resources. Continuing economic prosperity and projected federal surpluses provide an opportunity to address the structural imbalances in Medicare, Social Security, and other entitlement programs. Congress faces the difficult

decision of how best to guarantee the Medicare program's sustainability while being mindful of the plight of many seniors who cannot afford the latest pharmaceutical breakthroughs. Congress and the President may ultimately decide to include some form of prescription drug coverage as part of Medicare reform. Care must be taken, however, to ensure that any expansion of the program is accompanied by other programmatic reforms that will sustain Medicare's long-term financial integrity. This testimony discusses (1) the factors contributing to the growth in prescription drug spending and efforts to control that growth and (2) the design and implementation issues associated with proposals to improve seniors' access to affordable prescription drugs.

**T-HEHS/AIMD-00-103**, Feb. 24, 2000 (23 pages). Medicare Reform: Leading Proposals Lay Groundwork, While Design Decisions Lie Ahead, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Finance.

The Comptroller General's statement focuses on two leading Medicare reform proposals: the President's Plan to Modernize and Strengthen Medicare for the 21st Century and S.1895, commonly known as the Breaux-Frist proposal. Both proposals recognize the need for more comprehensive reform—a position consistent with GAO's belief that the unfunded promises associated with today's program should be addressed before adding new benefits, such as prescription drug coverage. Such additions must be considered in the context of broader efforts to correct Medicare's current fiscal imbalance and sustain the long-term viability of this popular program. Also, any reform package should include a mechanism to monitor aggregate program costs over time and establish funding thresholds that would trigger a call for fiscal action. In the case of both

proposals, the details will need to be worked out. And those details will determine whether the reforms will be effective and acceptable.

**T-HEHS/AIMD-00-146**, May 18, 2000 (20 pages). Veterans Benefits Administration: Problems and Challenges Facing Disability Claims Processing, by Cynthia Bascetta, Associate Director, Veterans' Affairs and Military Health Care Issues, before the Oversight and Investigations Subcommittee, House Committee on Veterans' Affairs.

Claims processing in the disability compensation program is done by the Veterans Benefits Administration (VBA). Congress, the Department of Veterans Affairs, and veterans' service organizations have been concerned about the program for years. The concerns have focused on the backlogs of claims, long waits for disability decisions, and the poor quality of these decisions, all of which have undermined the quality of service provided to veterans. VBA's problems with large backlogs and long waits for decisions have not improved, despite years of studying these problems. Moreover, VBA's new quality measurement system shows that nearly one-third of its decisions are incorrect or have technical or procedural errors. Many performance problems stem from the process's complexity, which is growing as the number of service-connected disabilities per veteran increases and judicial review requires more procedures and documentation. Although VBA has begun several efforts to streamline its claims-processing performance, it is unclear how much improvement will result. Also, VBA may need to collect and analyze additional case-specific data to better understand its claims-processing problems and better target its corrective actions. Furthermore, because some issues affecting VBA's performance are a function of program design, more fundamental changes

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may have to be considered to realize significant improvements.

**T-HEHS/AIMD-00-166**, June 14, 2000 (15 pages). Social Security Administration: Paying Attorneys Who Represent Disability Applicants, by Barbara Bovbjerg, Associate Director, Education, Workforce, and Income Security Issues, before the Social Security Subcommittee, House Committee on Ways and Means.

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

attorneys who represent SSI recipients.

**T-HEHS/NSIAD-00-129**, Mar. 15, 2000 (15 pages). Defense Health Care: Observations on Proposed Benefit Expansion and Overcoming TRICARE Obstacles, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Military Personnel Subcommittee, House Committee on Armed Services.

The beneficiaries' benefit enhancements to the military health system proposed in current legislation and the Department of Defense fiscal year 2001 budget request would have limited impact on retention. Those that would improve access or pharmacy coverage for older retirees should be fully assessed for cost and operational concerns. Regarding those that would eliminate cost sharing for active-duty dependents who obtain care from civilian providers, GAO notes that the lack of cost sharing for health benefits leads to unnecessary utilization and higher costs. In the long term, the size and structure of the military health system need to be reassessed in terms of how best to achieve its readiness mission. If the system can be made significantly smaller and provide even better training for wartime needs, savings from downsizing could pay for expanded health care benefits. GAO also finds room for improvement in TRICARE's appointment scheduling and claims processing and in the pharmacy program.

**T-HEHS/OSI-00-87**, Apr. 5, 2000 (19 pages). Medicaid in Schools: Poor Oversight and Improper Payments Compromise Potential Benefit, by Kathryn Allen, Associate Director, Health Financing and Public Health Issues, and Robert H. Hast, Acting Assistant Comptroller General, before the Senate Committee on Finance.

Despite growing expenditures for school-based Medicaid services, the potential benefits to schools and the

children they serve are being compromised by poor guidance and oversight from the Health Care Financing Administration (HCFA) and by improper payments. Forty-seven states and the District of Columbia reported \$2.3 billion in Medicaid expenditures for school-based activities for the latest year for which they have data. Although this affects only a small percentage of overall Medicaid spending, more schools are expressing interest in Medicaid as a source of funds, especially to reimburse administrative activities. Some school districts and states claiming Medicaid reimbursement for school-based services lack adequate controls to help ensure that their claims are legitimate. Despite the significant Medicaid payments for school-based services in some states, school districts may receive little in direct reimbursements because of funding arrangements among schools, states, and private firms. Seven states keep as much as 85 percent of the federal reimbursement for Medicaid school-based claims. Some school districts also pay up to 25 percent of their federal Medicaid reimbursement to private sector firms that help them develop claiming methodologies, train school personnel to apply them, and submit the claims for reimbursement. As a result, schools may end up with as little as \$7.50 for every \$100 claimed. These funding arrangements can reduce incentives for appropriate program oversight and create an environment of opportunism that siphons funds away from their intended purposes. HCFA has historically provided little or inconsistent direction and oversight of Medicaid reimbursements for school-based claims. HCFA has recently focused more attention on these issues, but the states are still awaiting more guidance.

## **NSIAD**

**AIMD/NSIAD-00-38**, Dec. 10, 1999 (24 pages). Air Force Depot

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Maintenance: Analysis of Its Financial Operations.

The Air Force depot maintenance activity group provides the repair services needed to keep air force units up and running around the world. The group repairs and overhauls a wide range of items, from aircraft engines to missiles to software. For example, the Air Force reported that in 1998 the depot maintenance activity group did major overhauls on 670 aircraft, overhauled 980 engines, and repaired more than 800,000 inventory items. The report discusses (1) the Air Force activity group's price increase between fiscal years 1994 and 1999 and the primary reasons for it, (2) the activity group's financial losses during that period and the primary reasons for them, and (3) the Air Force's methods for recovering these losses.

**AIMD/NSIAD-00-185**, Aug. 15, 2000 (40 pages). Air Force Depot Maintenance: Budgeting Difficulties and Operational Inefficiencies.

The Air Force's depot maintenance activity group, operating as a working capital fund that charges fees for services based on anticipated actual costs, provides depot repair services needed to keep Air Force units operating worldwide. For years, this activity has had difficulty accurately budgeting for material costs, workforce productivity, and savings to be achieved through productivity improvements and other reform initiatives. These difficulties have harmed financial operations, resulting in hundreds of millions of dollars in operating losses and limited delivery of timely support to customers. This report describes problems with inaccurate pricing, decline in worker productivity, and unrealized projected savings. GAO recommends ways for the Air Force to improve budget estimates and management of material costs and usage.

**GGD/NSIAD-00-105**, Mar. 1, 2000 (83 pages). The Euro: Implications for the United States--Answers to Key Questions.

Eleven of the 15 countries in the European Union (EU) adopted the euro as a common currency in January 1999. Monetary union has created a large economic entity in Europe that could emerge as a powerful force in world economic and financial markets. This development has raised questions about the euro's impact on the United States, from the dollar's role as an international currency to U.S. trade and the relative attractiveness of the United States to foreign investors. This report answers the following questions: (1) What is the euro and why is Europe moving to it now? (2) What are the potential effects of the euro on the dollar? (3) What are the potential monetary and exchange rate effects of the euro? (4) What are the implications of the euro for financial markets and institutions and their regulation? (5) What are the euro's implications for U.S. trade and investment with Europe? (6) What are the implications of the euro for international economic policymaking?

**GGD/NSIAD-00-244**, Sept. 29, 2000 (47 pages). Competitive Contracting: Agencies Upheld Few Challenges and Appeals Under the FAIR Act.

The Federal Activities Inventory Reform (FAIR) Act directs agencies to develop annual inventories of activities done by their employees that are not inherently governmental. OMB Circular A-76 provides guidance on what types of activities are commercial and has guidelines for determining whether it is more effective to do the commercial activities in-house or contract them out to the private sector. The 24 major agencies named by Chief Financial Officers Act identified about 900,000 full-time equivalent positions that did commercial activities, but more than half were exempted from

consideration for competition at the time the inventories were compiled. These agencies received and responded to a total of 332 challenges and 96 appeals to their 1999 FAIR Act inventories from interested parties. Agencies challenged by private industry indicated that they did not plan to consider many of the commercial activities on their inventories for competition. In contrast, almost all employee challenges and appeals concerned the inclusion of activities that the employees contended were inherently governmental. Agencies sustained 20 of the 332 challenges and denied the rest. Three of the 96 appeals were successful.

**NSIAD-00-1**, Oct. 21, 1999 (27 pages). Defense Inventory: Improved Management Framework Needed to Guide Navy Best Practice Initiatives.

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.

**NSIAD-00-2**, Nov. 18, 1999 (25 pages). Defense Inventory: Improved Management Framework Needed to Guide Air Force Best Practice Initiatives.

Each of the military services must send Congress a schedule for implementing best commercial inventory practices for the acquisition and distribution of secondary

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inventory items. Best commercial practices are defined as practices that enable the Defense Department to reduce inventory levels while making the supply system more responsive to users' needs. GAO found that the Air Force's schedule, which was submitted to Congress in July 1999, is general responsive to the law's provisions. However, the schedule provides a management framework that lacks an overall strategy and specific elements needed to assess implementation progress, measure success, and identify needed changes.

**NSIAD-00-3**, Oct. 29, 1999 (14 pages). Contract Management: Pilot Program Needed to Improve DOD Identification of Warranty Claims.

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.

**NSIAD-00-4**, Oct. 15, 1999 (31 pages). Global Health: Factors Contributing to Low Vaccination Rates in Developing Countries.

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.

**NSIAD-00-5**, Nov. 1, 1999 (20 pages). Defense Inventory: Improvements Needed to Prevent Excess Purchases by the Air Force.

This report focuses on the inventory that the Air Force had on contract—that is, ordered, but not yet delivered—that was excess to current operating requirements. To determine whether the Air Force was canceling purchases that exceeded current operating requirements, GAO reviewed 160 items with inventory valued at \$162.4 million on contracts that exceeded current

operating requirements as of September 30, 1997. GAO found that the Air Force did not always cancel purchases that exceeded current operating requirements. The Air Force canceled contracts for \$5.5 million of the \$162.4 million excess inventory that GAO reviewed, but it could have canceled more. Contracts for the unneeded items are not being canceled primarily because the Air Force's process for canceling contracts takes a long time. GAO recommends that the Air Force strengthen management oversight procedures and internal controls over the process for canceling purchases.

**NSIAD-00-6**, Mar. 6, 2000 (29 pages). Defense Transportation: More Reliable Information Key to Managing Airlift Services More Efficiently.

The U.S. Transportation Command provides global air, land, and sea transportation services for the military in order to maintain a mobilization capability in peacetime and to meet national security needs in times of war. Its transportation services are offered through the Air Force Air Mobility Command. This report reviews airlift rates charged to customers. GAO discusses (1) the extent to which the Air Mobility Command has reliable information for managing airlift transportation services and (2) the factors affecting efficient cost control of airlift services.

**NSIAD-00-7**, Dec. 20, 1999 (19 pages). Defense Transportation: Process Reengineering Could Be Enhanced by Performance Measures.

Since the late 1940s, several studies have characterized the organizational structure of defense traffic management as costly and inefficient. Multiple agencies have been involved in defense traffic management, each with separate service and modal responsibilities. GAO reported in 1996 that the fragmentation and duplication inherent in this structure led to higher



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transportation costs for defense customers. (See GAO/NSIAD-96-60.) This report discusses the (1) Defense Department's (DOD) progress in reengineering defense transportation financial management processes, (2) challenges associated with implementing these reengineered processes agencywide, and (3) extent to which DOD is assessing the infrastructure required to support the reengineered processes.

**NSIAD-00-9**, Dec. 21, 1999 (47 pages). Drug Control: Assets DOD Contributes to Reducing the Illegal Drug Supply Have Declined.

The Defense Department (DOD) supports the nation's counterdrug efforts by providing military personnel, detection and monitoring equipment, intelligence support, communication systems, and training. However, DOD has yet to develop performance measures to assess the effectiveness of its contributions. DOD has, among other things, developed a database to capture information that can be used to evaluate the relative performance of its detection and monitoring equipment. DOD support for international drug control efforts has fallen significantly since 1992. The decline in DOD assets used for counterdrug efforts is due to (1) the lower priority assigned to the counterdrug mission compared with that assigned to other military missions that might involve contact with hostile forces such as peacekeeping and (2) overall reductions in defense budgets and force levels. DOD officials believe that their operations are more efficient today than in the past and that this has partially offset the decline in assets available for counterdrug operations. Because of a lack of data, however, the impact of the reduced level of DOD support on drug trafficking is unknown.

**NSIAD-00-10**, Mar. 29, 2000 (36 pages). Foreign Affairs: Specific

Action Plan Needed to Improve Response to Parental Child Abductions.

The State Department estimates that about 1,000 children are abducted from the United States each year. International parental child abduction refers to cases in which one parent takes a child from the United States or keeps a child overseas, violating the parental rights, including visitation, of the parent left behind. The United States, along with 53 other countries, is a party to the 1980 Hague Convention, which established civil procedures that the State Department may use to locate or return abducted children in order to resolve custody cases. Congress also passed legislation in 1993 that allows the Justice Department to criminally prosecute abducting parents. This report discusses (1) problems with the federal government's response to international parental child abductions, (2) the Justice Department's use of the 1993 law to prosecute abducting parents, and (3) the steps that federal agencies plan to take to address the problems.

**NSIAD-00-11**, Nov. 22, 1999 (55 pages). Future Years Defense Program: Funding Increase and Planned Savings in Fiscal Year 2000 Program Are at Risk.

The Pentagon's Future Years Defense Program (FYDP) is the official document that summarizes the force levels and funding associated with specific programs that the military would like Congress to approve. The fiscal year 2000 FYDP requested an additional \$50.8 billion to the previously requested \$1,053 billion total funding for fiscal years 2000 through 2003. This report identifies the major changes and adjustments in the 2000 FYDP as compared to the 1999 FYDP and discusses the risks that the 2000 FYDP faces that may prevent it from being implemented as planned.

**NSIAD-00-12**, Oct. 27, 1999 (62 pages). DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks.

Security investigations for Defense Department (DOD) personnel are incomplete and are not done in a timely manner. As a result, they pose a risk to national security by making DOD vulnerable to espionage. For example, 16 percent of the 530 security investigations GAO reviewed identified issues that the Defense Security Service did not pursue. These issues included individuals' prior criminal history, alcohol and drug use, and financial problems. Also, half of the 530 investigations took 204 or more days to complete even though the military wants them completed in 90 days. This slowness causes defense contractors to incur costs because their personnel cannot start work on military contracts without a security clearance. Also, about 600,000 individuals holding clearances are overdue for reinvestigations. DOD is taking steps to address these problems, but it will take considerable time and money to identify and implement the actions and additional steps needed.

**NSIAD-00-13**, Oct. 26, 1999 (29 pages). Chemical and Biological Defense: Chemical Stockpile Emergency Preparedness Program for Oregon and Washington.

The Chemical Stockpile Emergency Preparedness Program was created to protect the public in the event of an accident during the destruction of the chemical weapons stockpile. Since GAO last reported on their preparedness in 1997, the Oregon and Washington communities surrounding the Umatilla Chemical Depot have made progress in preparing for a possible emergency at the chemical weapons stockpile. Additional preparedness equipment and other critical items are now fully or partially in place. For example, Oregon now has

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a working siren to alert people outdoors if an accident occurs. However, some critical items were still not in place in either state, including tone alert radios and shelter-in-place kits. Planning is extremely critical for effective program management and Oregon's program planning needs improvement. The program in Oregon lacks an overall plan that (1) defines missions, roles, outcomes, and performance measures and (2) includes input from all the key stakeholders, such as local, county, and state emergency response personnel.

**NSIAD-00-14**, Nov. 3, 1999 (28 pages). Export Controls: International Space Station Technology Transfers.

The international space station, with 16 nations involved, is one of the largest scientific collaborations attempted. Under international agreements, NASA, as the U.S. representative, is obligated to deliver, disclose, or transfer technology, data, and commodities needed to implement the program. Members of Congress have raised concerns about the extent of safeguards to protect technology and information exported in support of the space station. This report provides information on (1) the licenses granted to NASA to export space station-related technology and commodities and plans to export encryption technology and (2) the results of internal and external assessments of NASA's export control program and NASA's actions to implement audit recommendations. Encryption technology maintains the secrecy of information and is needed to provide secure transmission of command and control instructions between ground and space components of the space station.

**NSIAD-00-15**, Oct. 27, 1999 (15 pages). Defense Acquisitions: Army Purchased Truck Trailers That Cannot be Used as Planned.

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.

**NSIAD-00-16**, Nov. 12, 1999 (23 pages). Defense Logistics: Army Should Assess Cost and Benefits of the Workload Performance System Expansion.

Accurate and consistent estimates of future workloads are essential to determine personnel requirements. Congress has required the Army to certify that its new system for estimating personnel requirements is fully operational before undertaking a reduction-in-force at any of the Army's five maintenance depots. The Army must provide Congress with a master plan for implementing the new system, including future applications and total funding for implementation. GAO

assesses (1) the Army's progress in developing and implementing its workload performance system and (2) the extent to which the Army's April 1999 report addresses an overall master plan for implementing the system, including its future applications and funding needs.

**NSIAD-00-18**, Feb. 9, 2000 (96 pages). Defense Budget: DOD Should Further Improve Visibility and Accountability of O&M Fund Movements.

The Defense Department's (DOD) single largest appropriation group-- Operation and Maintenance (O&M)-- funds training, maintenance, and other key readiness activities as well as other expenses not directly related to readiness. Congress has provided about \$104 billion for all these activities in fiscal year 2000. Congress has raised concerns about the extent to which the funds that directly affect readiness--generally those in the operating forces' portion of the O&M budget--have been reduced to pay for other O&M expenses. This report (1) identifies the aggregated differences between the amounts that Congress initially designated for O&M subactivities (especially the readiness-related subactivities) and those DOD reported as obligated for the same subactivities, (2) identifies those O&M subactivities for which DOD obligated funds differently than recommended by Congress in each year of the five-year periods GAO examined (1994 through 1998), and (3) assesses the information available to Congress to track DOD's movement of funds among O&M subactivities.

**NSIAD-00-19**, Oct. 4, 1999 (24 pages). DOD Competitive Sourcing: Plan Needed to Mitigate Risks in Army Logistics Modernization Program.

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.

**NSIAD-00-20**, Oct. 15, 1999 (44 pages). Depot Maintenance: Army Report Provides Incomplete Assessment of Depot-Type Capabilities.

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.

**NSIAD-00-21**, Oct. 20, 1999 (22 pages). Defense Inventory: Management of Repair Parts Common to More Than One Military Service Can Be Improved.

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.

**NSIAD-00-22**, Nov. 29, 1999 (14 pages). Contract Management: A Comparison of DOD and Commercial Airline Purchasing Practices.

The Defense Department (DOD) is increasing its use of commercially available products and services. In response to congressional concerns about the pricing of spare parts for military aircraft, GAO compared the purchasing and pricing practices of commercial passenger and freight airlines with those of DOD. Airlines use various practices to obtain spare parts at reasonable prices. These practices include analyzing prices, procuring competitively, using catalog prices, negotiating long-term agreements, buying new surplus or reconditioned parts, and asking for justifications of price increases. When

faced with a sole-source supplier that demands a price that they believe is unreasonable, some airlines will consider re-engineering the part and establishing a second source. DOD policies call for using similar practices when buying commercial spare parts. Contracting officers often rely on competition to ensure reasonable prices. DOD often receives discounts on catalog prices from suppliers, and it has also begun to negotiate longer-term agreements that set prices. In sole-source situations, contracting personnel do some price analyses, but GAO's recent review of the analyses found that they could be very limited in scope. Less commonly, DOD will buy surplus parts or consider re-engineering a part.

**NSIAD-00-23**, Dec. 20, 1999 (38 pages). Military Base Closures: Lack of Data Inhibits Cost-Effectiveness of Analyses of Privatization-in-Place Initiatives.

Privatization-in-place is a concept in which a private sector entity takes over the operations of a facility that was once run by the government. So far, privatization-in-place has been associated with the base closure process and has been used by the Defense Department (DOD) to transfer industrial work to the private sector. With legislative constraints affecting DOD's ability to close military facilities, privatization-in-place is not likely to be used outside the base realignment and closure process. Three privatization-in-place efforts have resulted so far from the base closure process: the Air Force Aerospace Guidance and Metrology Center in Newark, Ohio; the Naval Surface Warfare Center in Louisville, Kentucky; and the Naval Air Warfare Center in Indianapolis, Indiana. These facilities primarily provide industrial services for the military. This report assesses the status, the cost, and the effectiveness of DOD's three privatization-in-place actions. GAO (1) determines how contractors are

reacting to falling workloads at these privatized facilities, (2) compares the cost-effectiveness of the privatization-in-place operations to the former government-run operations, and (3) identifies the impact of privatization on excess capacity in DOD's industrial infrastructure.

**NSIAD-00-24**, Dec. 14, 1999 (38 pages). International Trade: Improvements Needed to Track and Archive Trade Agreements.

International trade has become increasingly important to the U.S. economy. Since 1990, U.S. exports have risen about 70 percent – reaching nearly \$700 billion a year. The United States has led the world in creating a system of open trade under accepted rules, in which the reduction of trade barriers, such as tariffs and import quotas, would help provide greater market access for U.S. goods and services. The current administration has sought to build on earlier efforts by negotiating several hundred separate trade agreements since 1992 that are aimed at opening markets and creating wider economic opportunities for Americans. This report examines (1) the number of trade agreements that the United States is party to, (2) the way in which the executive branch notifies Congress when trade agreements are entered into, and (3) the extent to which the public has ready access to information from government sources about trade agreements.

**NSIAD-00-25**, Mar. 3, 2000 (73 pages). U.S.-Mexico Border: Better Planning, Coordination Needed to Handle Growing Commercial Traffic.

Increased commercial truck traffic and the resulting congestion at some border crossings between the United States and Mexico, particularly older crossings that were built in downtown areas such as Laredo and El Paso, Texas, have taxed border community infrastructure. Lines of trucks—many

of them empty—waiting to enter the United States can back up for miles during peak periods in the early to late afternoon, and the idling trucks contribute to air pollution and safety concerns in some major border cities. At the same time, crossings in remote and less accessible areas along the border are underused and less congested. Commercial traffic congestion at the U.S.-Mexico border is primarily caused by the high volume of vehicles at ports of entry that must be processed through facilities that have physical and technological limitations and cumbersome practices. Federal, state, and local governments as well as binational groups have responded to this situation with several initiatives. For example, ports of entry and roads leading to the border have been improved, and federal agencies have sought to integrate their inspection processes for commercial traffic and test new technologies for expediting commercial traffic. Likewise, binational mechanisms to encourage dialogue and coordination have been created. However, facilities planning and port of entry operations take place in a complex political and economic environment, so these efforts have been unable to keep pace with the rapid increase in the volume of goods crossing the border or to alleviate congestion.

**NSIAD-00-26**, Mar. 3, 2000 (63 pages). U.S.-Mexico Border: Despite Some Progress, Environmental Infrastructure Challenges Remain.

Despite binational, federal, state, and local efforts, communities along both sides of the U.S.-Mexico border continue to face environmental infrastructure problems. According to a 1999 assessment, 12 percent of the border population lack access to potable water, 30 percent lack access to wastewater treatment facilities, and 25 percent lack access to solid waste disposal facilities. An estimated \$3.2 billion is needed to correct these

infrastructure deficiencies on both sides of the border; about 77 percent of this amount is needed for wastewater treatment. Since 1994, the United States and Mexico have provided about \$3.1 billion to address border environmental infrastructure needs. The United States has contributed about 80 percent of this amount. Many barriers exist to overcoming the environmental infrastructure problems of border communities, key among them the lack of human capital to plan, implement, and maintain environmental infrastructure and the limited ability of communities to obtain affordable financing to build needed projects. The Border Environmental Cooperation Commission and the North American Development Bank were created to address these impediments. However, these organization's roles, particularly the Bank's, are likely to continue to be limited unless there are changes in its loan rates, which have been unattractive or unaffordable for many border communities. Moreover, binational efforts to deal with communities' needs are hampered by a lack of a strategic plan that addresses impediments. Given the current infrastructure needs and the expected population growth, infrastructure improvements along the border are likely to be limited unless some of the key impediments are addressed.

**NSIAD-00-27**, Nov. 29, 1999 (20 pages). Defense Inventory: Inadequate Compliance With Controls for Excess Firearms and Other Sensitive Items.

This is the fourth in a series of reports on the Defense Department's (DOD) procedures for controlling excess items. GAO reported earlier on DOD's needless destruction of usable aircraft parts, on inappropriate sales of parts with military technology and flight safety risks, and on items not being properly controlled during shipment to disposal. (See GAO/NSIAD-98-7, Oct. 1997, GAO/NSIAD-98-182, Aug. 1998, and GAO/NSIAD-99-84, July 1999.) In

this report, GAO found that internal control procedures designed to protect firearms, items with national security implications, and pharmaceuticals were not always followed at three of the seven defense components GAO visited. Instead of being separated, key duties in the areas of transport, destruction, and record keeping were done by the same person. Required certifications that sensitive excess items were actually destroyed were missing. Also, serial numbers were not always recorded on shipping documents as required. For example, GAO was unable to track what happened to three items slated for disposition: a digital computer used for defense countermeasures on the E-2 aircraft, a high-power simulator used to test early warning systems on aircraft, and 18 computers used to guide MK-46 torpedoes to a target. DOD guidance requires that excess firearms and pharmaceuticals be destroyed and removed from inventory records by coding the transactions as "inventory decreases associated with the destruction of the item." However, the military has been removing these items from inventory records by describing these transactions as "items being shipped to a disposal office." None of the items were actually shipped to a disposal office, but were instead destroyed or disposed of by the defense components that had the items. Weak management oversight and computer programming errors contributed to these transactions being incorrectly recorded. For example, during a 12-month period, the disposition of nearly \$99 million of firearms and pharmaceuticals was incorrectly recorded in DOD's inventory records.

**NSIAD-00-28**, Dec. 15, 1999 (28 pages). *Battlefield Automation: Army's Restructured Land Warrior Program Needs More Oversight.*

The Land Warrior Program is the Army's effort to equip soldiers on the battlefield with digitalized systems

that will allow them to locate friendly and enemy soldiers and improve communication with higher commands. The system is comprised of a computer/radio, weapon, and helmet-mounted display eyepiece that are linked together for sending messages (voice and data) and imagery between soldiers and other battlefield systems. It also includes protective clothing, body armor, and a carrying harness to support the weight of the equipment. GAO found that the system will not be fielded by September 2000 because crucial technologies could not be developed in time. The estimated cost to acquire 34,000 units has risen from \$1.4 billion to \$2.1 billion. Oversight of the Land Warrior program has been lax. GAO found that oversight responsibility in the Army remained unchanged despite development problems that threatened to lengthen the acquisition schedule and the inability of system prototypes to pass certification tests. At present, Land Warrior will not operate with a key digitized battlefield system. Moreover, the Land Warrior Program has not solved technical and human factor problems that may render the system ineffective. These problems include overweight equipment, inadequate battery power, poor load-carrying design, and electromagnetic interference.

**NSIAD-00-29**, Oct. 13, 1999 (19 pages). *Contract Management: DOD Begins New Effort to Improve Reporting of Contract Service Costs.*

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.

**NSIAD-00-30**, Jan. 26, 2000 (30 pages). *Defense Inventory: Opportunities Exist to Expand the Use of Defense Logistics Agency Best Practices.*

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

**NSIAD-00-31**, Dec. 17, 1999 (44 pages). *Agent Orange: Actions Needed to Improve Communications of Air Force Ranch Hand Study Data and Results.*

During the Vietnam War, the United States sprayed herbicides, including Agent Orange, over large areas of jungle terrain. In the late 1970s, concerns began to emerge about the long-term health problems of Vietnam veterans who had been exposed to these chemicals. Several herbicides, including Agent Orange, contain dioxin, which is known to cause health problems in animals. One key effort to examine the long-term health effects of soldiers' exposure to herbicides in Vietnam is an ongoing Air Force study known as the Ranch Hand Study. This study follows the health and death rates of the Ranch Hands—the nearly 1,300 Air Force personnel who sprayed herbicides from the air in Vietnam—in contrast to those of a comparison group. The 25-year study, which began in 1982 and is scheduled to end in 2006, is estimated to cost more than \$140 million. GAO found that the Air Force has conducted many aspects of the

Ranch Hand Study in a rigorous manner and that several early problems in study conduct have been remedied. However, several veterans groups and scientists are critical of the study's methods and results and want greater access to study data. In GAO's view, making all study data publicly available would increase the credibility of the study's results. Also, without full access to data, outside scientists cannot perform alternative or additional analyses that would facilitate scientific debate over the merits of the Air Force's methodologies and analyses. The Air Force expects to make all current study data publicly available by 2006, but those interested in the data say that unless the data is available in a more accessible format, such as a compact disc or the Internet, they would have difficulty using it. Moreover, although communication of study limitations to the public has improved over the years, more improvements are possible. GAO believes that publicly accessible documents, such as executive summaries and press releases, should contain more information on the study's limitations. Also, GAO notes that problems remain with the outreach of the Advisory Committee (a panel of nine scientists who oversee the study and independently review its findings) to veterans.

**NSIAD-00-32**, Jan. 6, 2000 (59 pages). Gulf War Illnesses: Management Actions Needed to Answer Basic Research Questions.

The Departments of Veterans' Affairs, Health and Human Services, and Defense (DOD) spent more than \$121 million during fiscal years 1997 and 1998 to research and investigate the illnesses of Gulf War veterans. DOD spent \$112 million of this amount, mostly through its Office of the Special Assistant for Gulf War Illnesses. The results of the research and the investigation efforts are accruing slowly, and basic questions about the

causes, the course of development, and the treatments of Gulf War veterans' illnesses remain unanswered. GAO found that the activities of the Office of the Special Assistant are not effectively coordinated with those of the Research Working Group. Also, work was improperly awarded to the Office's support contractors for tasks worth more than \$20 million. GAO summarized this report in testimony before Congress; see: Gulf War Illnesses: Basic Questions Unanswered, by Kwai-Cheung Chan, Director of Special Studies and Evaluations, before the Subcommittee on National Security, Veterans' Affairs, and International Relations, House Committee on Government Reform. GAO/T-NSIAD-00-79, Feb. 2 (nine pages).

**NSIAD-00-33**, Apr. 7, 2000 (55 pages). Acquisition Reform: DOD's Guidance on Using Section 845 Agreements Could be Improved.

To meet the national security challenges of the 21st century, the Pentagon is funding a vast array of research and development projects to exploit emerging technologies, produce start-of-the-art weapons systems, and improve the capabilities of existing weapons systems. Congress and the Defense Department (DOD) have raised concern that government procurement requirements inhibit the military's ability to take advantage of technological breakthroughs in the private sector and could boost the cost of goods and services that DOD acquires. Section 845 of the National Defense Authorization Act for Fiscal Year 1994 gives the Defense Advanced Research Projects Agency—the military's central research and development organization—the authority to enter into agreements for prototype projects using nonstandard contracting approaches, known as "other transactions," that are generally not subject to federal procurement laws and regulations. Congress expanded the use of Section 845

agreements to the military services and other defense agencies in 1996. This report discusses (1) the extent to which DOD has used Section 845 agreements, (2) the benefits reported from their use, (3) how DOD tailored these agreements to address issues normally governed by standard contract provisions, and (4) recent DOD efforts to provide additional guidance on their use.

**NSIAD-00-34**, Nov. 22, 1999 (10 pages). Defense Logistics: New 120-mm Tank Training Round Procurement Will Result in Savings.

The Army could save about \$52 million over five years if it exercises all contract options for the procurement of 120-mm tank training ammunition. The Army expects to save the money by negotiating a decrease in price per round from the 1995 to 1999 multiyear contracts. However, a decision by one of the contractors to use a propellant producer other than the Radford Army Ammunition Plant the Army's only government-owned, contractor-run propellant production facility cut Radford's propellant business by 50 percent for the tank training round program. To absorb the higher overhead costs resulting from the loss of business, the contractor at Radford negotiated price increases for propellant with the Army for two new contracts totaling at least \$14 million. Also, the contractor cut its workforce at Radford by 185 people. At the same time, the loss of propellant work does not affect Radford's ability to meet its wartime replenishment mission.

**NSIAD-00-35**, Oct. 8, 1999 (38 pages). Foreign Assistance: North Korea Restricts Food Aid Monitoring.

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).

**NSIAD-00-36**, Oct. 22, 1999 (54 pages). Medical Readiness: DOD Faces Challenges in Implementing Its Anthrax Vaccine Immunization Program.

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.

**NSIAD-00-37**, Nov. 22, 1999 (39 pages). Foreign Military Sales: Efforts to Improve Administration Hampered by Insufficient Information.

Foreign military sales are an important part of the U.S. security assistance program and also represent a key Defense Department (DOD) acquisition strategy to help lower the unit costs of weapons systems. The Arms Export Control Act provides several ways to price defense goods and services transferred under the Foreign Military Sales Program, including actual value, replacement value, and full cost, and requires that DOD recover the full estimated cost of administering such sales. In response to budget pressure from declining sales and customer complaints about program inefficiencies, the Defense Security Cooperation Agency, which runs the program, and the military services have begun several efforts to

improve the management and implementation of the Foreign Military Sales Program. This report evaluates (1) whether the program has fully recovered its administrative costs, (2) the Defense Security Cooperation Agency's basis for making administrative account adjustments, and (3) the effectiveness of various foreign military sales reinvention efforts in terms of cost recovery.

**NSIAD-00-39**, Feb. 22, 2000 (36 pages). Defense Inventory: Plan to Improve Management of Shipped Inventory Should Be Strengthened.

The military, which ships inventory worth billions of dollars to various locations around the world each year, has had long-standing problems tracking this inventory from origin to destination. Concerns about the vulnerability of this inventory to waste, fraud, and abuse prompted Congress to pass legislation requiring the Defense Department to prepare a comprehensive plan for tracking inventory while it is being shipped. DOD refers to these shipments as "in-transit inventory." DOD's plan is required to include steps to address these tracking problems, statements of objectives for the actions, and performance measures and schedules. The plan must also identify any resources needed to implement the required actions, along with an estimate of annual costs. This report determines whether the plan (1) responds to the law's provisions, (2) contains the management elements needed to guide effective implementation, and (3) adequately addresses other underlying weaknesses that led to the ineffective control of inventory shipments.

**NSIAD-00-40**, Mar. 15, 2000 (38 pages). Cooperative Threat Reduction: DOD's 1997-98 Reports on Accounting for Assistance Were Late and Incomplete.

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The Defense Department has been authorized to spend nearly \$3.2 billion on its cooperative threat reduction program since 1992. This program is intended to help the states of the former Soviet Union (1) destroy their weapons of mass destruction, (2) safely store and transport these weapons in connection with their destruction, and (3) reduce the risk of their proliferation. Most of the assistance takes the form of goods and services, including equipment, logistics support, training, and integrated project management. To help guard against the possibility that recipient states could misuse this assistance, Congress requires DOD to report annually on its efforts to account for the assistance and ensure its proper use. So far, DOD has sent Congress five reports on cooperative threat reduction assistance. DOD was 16 months late in submitting its 1997 report to Congress and more than 10 months late in submitting its 1998 report. The delays were primarily due to DOD's prolonged review of the draft reports and the relatively low priority that officials placed on the reports' timely submission. GAO also found that DOD did not provide complete and accurate information in its 1997 and 1998 reports, and the 1998 report lacked information on Russia's arsenal of tactical nuclear warheads.

**NSIAD-00-45**, Nov. 5, 1999 (31 pages). *Export Controls: Statutory Reporting Requirements for Computers Not Fully Addressed.*

The U.S. government controls the export of high-performance computers to some countries because of foreign policy and national security concerns. The Commerce Department considers a high-performance computer to be one that exceeds a defined performance threshold, thus requiring an export license. In a July 1999 report, the executive branch described its plans to change the controls on the exports of high-performance computers by increasing the level of

computing performance for which export licenses would be required. Congress required the executive branch to issue a report justifying the proposed change to export controls on computers. This report determines (1) whether the executive branch's July 1999 report to Congress satisfied the requirements of the law; (2) whether the report was factually supported; and (3) how many high-performance computers at the current control levels have been approved for export to sensitive countries, such as Russia and China, and how many have been approved for export since 1997 to military or other sensitive end-users.

**NSIAD-00-56**, Mar. 20, 2000 (35 pages). *Contract Management: Few Competing Proposals for Large DOD Information Technology Orders.*

The government buys billions of dollars' worth of information technology products and services each year, with the military meeting a large part of its information technology needs through task- and delivery-order contracts. Concerns have been raised that federal agencies had avoided competition when ordering under such contracts. In response, Congress mandated that agencies consider awarding multiple contracts rather than a single contract when planning a task- or delivery-order contract. GAO reviewed orders valued at more than \$5 million that the Defense Department awarded between October 1997 and December 1998; most of the orders involved information technology services for ongoing military programs. Most of the 22 large orders GAO reviewed were awarded without competing proposals having been received. Agencies often used the statutory exceptions to the fair opportunity requirement. Moreover, contractors often did not submit proposals when given a chance to do so. Contractor representatives said that if program officials were interested in receiving competing proposals, then more outreach

activities, such as meetings with potential contractors to explain program requirements, are needed. Work descriptions for most orders GAO reviewed defined tasks broadly. As a result, the orders did not establish fixed prices for the work but provided for reimbursement of contractors' costs. Also, several broadly defined orders were later defined by sole-source work orders.

**NSIAD-00-60**, Mar. 7, 2000 (72 pages). *Military Personnel: Systematic Analyses Needed to Monitor Retention in Key Careers and Occupations.*

Although concerns about military retention problems have increased considerably in recent years, few studies have been done to systematically assess whether reductions in retention have occurred in all of the military services, whether across-the-board or targeted policy initiatives are needed, and whether the initiatives have been effective and yielded the greatest return on investment. Recent efforts by the Defense Department to establish standard data and measures and to monitor retention trends have begun to fill this information gap. However, GAO believes that further systematic assessments of military retention are needed on a systematic basis to help ensure that accurate and timely information is available to Congress. Having such information available on a regular basis can help decisionmakers to identify problems early on and tailor policy initiatives to areas that need it the most.

**NSIAD-00-63NI**, Feb. 25, 2000 (40 pages). *Military Capabilities: Focused Attention Needed to Prepare U.S. Forces for Combat in Urban Areas.*

Throughout history, urban military operations have been some of the most dangerous and costly types of military operations. Sieges of cities can result in high numbers of deaths among both soldiers and civilians and can



extensively damage critical facilities and support services. Military planners expect that future adversaries will try to draw U.S. troops into dense urban areas to counter the superior firepower, mobility, and other combat advantages that U.S. forces enjoy in open terrain. Nearly 14,000 U.S. troops are now deployed in urban areas, mostly in Bosnia and Kosovo. To address the complexities and challenges of urban warfare, the U.S. military services are updating their urban doctrine to provide units with guidelines and techniques for carrying out combat operations in cities. However, joint experimentation—which is designed to systematically evaluate what new doctrine, organizations, and equipment are needed for urban operations—has not taken place because plans have not been fully funded. Joint experimentation would complement individual service efforts by identifying shortfalls in capabilities the services need to effectively fight together. The services are concentrating their urban training on individual soldiers and small units, such as squads, platoons, and companies. However, the services have yet to conduct urban training jointly, even though the Defense Department has emphasized that most military operations, such as those in the Balkans, are likely to involve multiple services. Moreover, although the services plan to build new urban training facilities, they have not fully coordinated their plans. Service officials acknowledge that many of the existing facilities do not realistically represent the full range of challenges, such as medium and tall buildings, that U.S. forces are likely to encounter. Also, U.S. forces now lack adequate information with which to plan and conduct urban operations because the intelligence community has assigned urban warfare a low priority. Shortfalls in urban intelligence, including detailed information on city transportation, communications, utilities, and other facilities, are especially important for developing

countries where the potential for U.S. urban operations appears greatest.

**NSIAD-00-64**, Mar. 21, 2000 (44 pages). Combating Terrorism: Need to Eliminate Duplicate Federal Weapons of Mass Destruction Training.

The bombings of the World Trade Center in New York in 1993 and the Alfred P. Murrah federal building in Oklahoma City in 1995, along with the release of a nerve agent in the Tokyo subway in 1995, have heightened concerns about terrorism in the United States. Local emergency responders, such as firefighters, police officers, and emergency medical personnel, will be the first to respond to a terrorist incident. The Departments of Defense and Justice and the Federal Emergency Management Agency are the principal federal organizations that provide weapons of mass destruction training to these first responders. Federal training programs on weapons of mass destruction are poorly coordinated, resulting in inefficiencies in the federal effort and concerns in the first responder communities. Efforts are under way to improve the federal government's role in weapons of mass destruction training, but actions are needed to eliminate duplicative training and improve the efficiency of programs offered by the Departments of Defense and Justice.

**NSIAD-00-67**, May 8, 2000 (24 pages). Defense Acquisitions: Antiarmor Weapons Master Plan Does Not Identify Potential Excesses or Support Planned Procurements.

Congress has raised concerns that the Pentagon continues to procure an increasing number of tank-killing weapons at a time when potential adversaries are using smaller armored forces. Congress has also questioned whether current antiarmor acquisition plans are appropriate and has directed the Defense Department (DOD) to develop an antiarmor munitions master plan. The plan should identify

the projected armored threat and the projected quantity of all antiarmor weapons, whether fielded or in development, with the goal of eliminating excess antiarmor forces. The plan was sent to Congress in August 1999. This report reviews the plan to determine whether it provides the data and analyses needed to (1) identify excess antiarmor weapons now in the inventory or under development and (2) support current acquisition plans.

**NSIAD-00-68**, Mar. 14, 2000 (26 pages). F-22 Aircraft: Development Cost Goal Achievable If Major Problems Are Avoided.

The F-22 aircraft has advanced features that make it more difficult to detect, is capable of high speeds for long ranges, and is equipped with integrated aviation electronics that greatly improve the pilots' awareness of their surroundings. Since the start of the F-22 development program in 1991, the Air Force's cost estimates to develop the aircraft have increased. Congress set a cost limitation of \$18.6 billion for the program in 1998. This report, which updates a GAO study issued last year (GAO/NSIAD-99-55, Mar. 1999), assesses the extent to which the F-22 development program is meeting its performance, schedule, and cost goals. GAO also discusses whether the Air Force is likely to complete the development program as planned without exceeding the congressional cost cap.

**NSIAD-00-69**, Mar. 1, 2000 (16 pages). Depot Maintenance: Future Year Estimates of Public and Private Workloads Are Likely to Change.

GAO analyzed the military departments' estimates of their funding used for depot maintenance work to be done by the public and private sectors during fiscal years 1999-2005. By law, the funding for work done by the private sector in a given year may not exceed 50 percent

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of the total. GAO found that future estimates provide a rough idea of the split between the amount of funding used for public and private sector depot maintenance workloads. However, the data has significant limitations because of errors, the inherent nature of budget estimates, and potential management actions that were not considered. As a result, actual data will likely differ significantly from the estimates. Given available information, the likely changes reflect a greater use of the private sector. This is particularly the case with the Air Force, where management actions or additional waivers will be needed to meet the 50-percent statutory cap.

**NSIAD-00-70**, Mar. 29, 2000 (35 pages). Gulf War Illnesses: Understanding of Health Effects From Depleted Uranium Evolving but Safety Training Needed.

The Persian Gulf War saw the first ever use of armor-piercing munitions and reinforced tank armor that relied on depleted uranium, a low-level radioactive heavy metal. Concerns have been raised about whether exposure to depleted uranium could have been a source of illness in returning Gulf War veterans. GAO found that the scientific understanding of the effects of depleted uranium on human health is still evolving. For example, an evaluation of 29 Gulf War veterans who had among the highest exposure to depleted uranium found that none of them showed any adverse kidney effects. However, most veterans with embedded fragments continued to have elevated uranium levels in their urine. Additional studies are underway to more fully understand the health effects of depleted uranium exposure and to better estimate the amount of exposure received by Gulf War veterans. Some Gulf War veterans have had difficulty fully participating in the medical screening program created to help ensure that veterans with higher than normal uranium

levels are identified for appropriate monitoring and treatment. Some veterans had not been contacted by the Defense Department or the Department of Veterans Affairs to arrange an appointment at a medical facility, had not received the required urine test, and had been unable to understand the test results. The military has developed depleted uranium safety training, which instructs soldiers on how to identify and safely deal with depleted uranium contamination. However, GAO's review of general awareness training at 17 Army units found that the required training was not provided to all troops. Moreover, because neither the Army nor the Marine Corps monitor depleted uranium training for deployments, they were unable to say whether troops recently sent to Kosovo, where depleted uranium munitions were used, had received depleted uranium training.

**NSIAD-00-71**, Mar. 30, 2000 (66 pages). Military Housing: Continued Concerns in Implementing the Privatization Initiative.

The Defense Department (DOD) estimates that about 200,000 units that house military families are old, lack modern amenities, and need to be renovated or replaced. To improve housing conditions more economically and faster that could be done using traditional military construction funds, DOD began a five-year pilot program in 1996 to allow private sector financing, ownership, and operation of military housing. GAO found that although initial plans for housing privatization were aggressive, actual progress has been slow. Nearly four years after the program was begun, DOD has awarded only two privatization contracts to build or renovate about 3,000 housing units for military families. A GAO review of the two privatization projects already awarded and 12 additional projects approved for solicitation found that the military did not prepare a life-cycle cost analysis

for two projects approved for solicitation and that the analyses for the remaining 12 projects were incomplete, inaccurate, or inconsistently prepared. After making adjustments to provide consistency, considering all project costs under both options, and correcting other errors, GAO found that over the life of the projects the privatization option, on average, would be about 11 percent less costly than comparable projects financed with military construction funds. DOD has made progress in coordinating this effort with other housing options, such as housing allowances and military construction, by increasing the use of cross-organizational panels that review and coordinate housing policies and issues. However, it has yet to finalize an overall integrated housing strategy for addressing its housing needs in a timely manner that considers the interrelationships among these options, as directed by Congress and recommended by GAO.

**NSIAD-00-72**, July 25, 2000 (90 pages). Defense Management: Actions Needed to Sustain Reform Initiatives and Achieve Greater Results.

The Department of Defense (DOD) has made progress in implementing the many initiatives included in the Defense Reform Initiative announced in November 1997. Initiatives completed or likely to be completed on schedule include organizational streamlining, military pay increases, purchase cards, performance contracts, Defense Information System Agency center consolidations, and the demolition and disposal of excess facilities. Areas in which initiatives have made some progress but are behind schedule include competitive sourcing, paperless contracting, travel reengineering, electronic malls, and household goods transportation. Initiatives that will require many years to fully implement include acquisition reform, financial management reform, and logistics transformation. DOD

officials had hoped initially that savings from the Reform Initiative would help yield significant amounts for weapons modernization in fiscal year 2001. Because most initiatives are long-term efforts that require significant up-front investments to implement, however, it could take years before the investments are offset and net savings begin to accrue. The Reform Initiative could be more effective if the Defense Management Council would work collaboratively to foster Department-wide solutions, establish reform priorities, and exert authority to make key decisions. At present, DOD has not implemented GAO's recommendations concerning an integrated strategy, investment plan, and funding targets.

**NSIAD-00-73**, Apr. 6, 2000 (57 pages). World Bank: Management Controls Stronger, but Challenges in Fighting Corruption Remain.

The World Bank lends billions of dollars each year to help countries overcome poverty and promote economic and social progress. The Bank, however, operates in an environment in which countries often lack openness and accountability and corruption sometimes flourishes. The Bank faces the challenge of both providing development assistance under such conditions while also exercising its fiduciary responsibility, including minimizing corruption in the projects it finances. To combat corruption, the Bank has undertaken an ambitious and systematic effort to identify and correct key weaknesses in its management controls. The Bank has made significant strides in meeting each of the five standards of an effective management control system, including (1) strengthening internal oversight mechanisms, project management, and public institutions in borrowing countries; (2) focusing more attention on assessing the risks associated with the corruption and the weak managerial capacity of its borrowers; (3) supervising its projects

more closely to ensure that management directives are carried out; (4) monitoring and evaluating the implementation of the Banks' projects; and (5) better disseminating and communicating information on its anticorruption efforts, both within the Bank and in borrowing countries. However, challenges remain and additional action will be required before the Bank can provide reasonable assurances that project money is being spent according to the Bank's guidelines. Overcoming some of these challenge, particularly in building borrower managerial capacity for implementing the Banks' projects, will be onerous and will require a long-term effort because corruption and weak management are often endemic to the economic development environment in which the Bank operates.

**NSIAD-00-74**, May 9, 2000 (30 pages). Joint Strike Fighter Acquisition: Development Schedule Should Be Changed to Reduce Risks.

The key objective of the Joint Strike Fighter acquisition strategy is affordability--reducing the development, production, and ownership costs of the program relative to earlier fighter aircraft programs. The Pentagon expects the Joint Strike Fighter acquisition strategy to save nearly \$18 billion in development costs. To achieve these savings, the program has incorporated various military and commercial acquisition initiatives into the acquisition strategy. However, the program's implementation of the acquisition strategy will not guarantee that the Joint Strike Fighter program will enter the engineering and manufacturing phase with low technical risk. The planes being produced during the concept demonstration phase are not intended to demonstrate many of the technologies considered critical for achieving Joint Strike Fighter program cost and performance requirements.

Instead, many of these technologies--such as avionics, flight systems, manufacturing and producibility, propulsion, supportability, and weapons delivery systems--will only be demonstrated in laboratory or ground-testing environments. Therefore, these critical technologies will be at low levels of technical maturity when the engineering and manufacturing development contract is schedule to be awarded. To demonstrate DOD's commitment to acquisition reform, follow best commercial practices, and reduce the risk of future cost growth, the program should focus on risk reduction efforts by maturing critical technologies before entering engineering and manufacturing development and it should be allowed to do so without the penalty of withdrawal of funding support.

**NSIAD-00-75**, Apr. 26, 2000 (18 pages). Defense Acquisitions: Need to Revise Acquisition Strategy to Reduce Risk for Joint Air-to-Surface Standoff Missile.

Since the inception of the Joint Air-to-Surface Standoff Missile Program, the development schedule has lengthened from 56 months to 78 months, and total program costs have risen from \$1.6 billion to \$2.1 billion. In the most recent extension of the program's development schedule, approved in November 1999, the Air Force added 10 months to the missile's development schedule and increased program costs by about \$90 million. Factors leading to the schedule delay included prime and subcontractor changes to missile design to (1) correct problems discovered during testing, (2) lower production costs, or (3) improve performance. Program officials said that contractors underestimated the time and the personnel needed to design the missile and prepare for production. The Air Force used acquisition reform strategies, such as using technologies already proven in other systems and establishing a cost goal as an independent requirement,

which helped to reduce overall development time and costs. However, the program is still vulnerable to significant cost increases and schedule delays because the design of some components is not yet stable. Also, the contract's missile production prices assume that production will start by a specific date, even though there is no guarantee that the missile will be ready for production by then. GAO recommends that the Air Force revise its acquisition strategy for the Joint Air-to-Surface Standoff Missile Program to move away from an arbitrarily set production date to one that is tied to the certainty that the missile design is stable, the missile can meet performance requirements, and the production line can produce the needed missiles.

**NSIAD-00-76**, Mar. 14, 2000 (75 pages). International Trade: Strategy Needed to Better Monitor and Enforce Trade Agreements.

The United States has entered into more than 400 trade agreements since the early 1980s, most of which were intended to liberalize trade and increase U.S. companies' access to foreign markets. More than half of these agreements were signed between 1992 and 1998. Among them were the far-reaching 1994 World Trade Organization agreements, which cover about \$1.4 trillion in annual U.S. trade with 135 countries as well as significant bilateral agreements with key trading partners, such as Japan and China. This report looks at the ability of U.S. agencies to monitor and enforce trade agreements. GAO (1) identifies the federal structure for monitoring and enforcing trade agreements; (2) describes the increasing complexity of the federal monitoring and enforcement task and key activities that federal agencies must perform; and (3) assesses whether the Office of the U.S. Trade Representative, the Department of Commerce, and the Department of Agriculture have the staff and support

to handle their monitoring and enforcement workloads.

**NSIAD-00-78**, Apr. 25, 2000 (14 pages). Unmanned Aerial Vehicles: Progress of the Global Hawk Advanced Concept Technology Demonstration.

The Defense Department (DOD) has built five prototype Global Hawk reconnaissance aircraft as part of an advanced concept technology demonstration. The goal of the demonstration is to determine whether the concept works as an Air Force reconnaissance aircraft before the military decides to acquire a production version of the plane. In response to congressional concerns about the cost of the Global Hawk, GAO reviewed the demonstration. This report discusses (1) whether the average unit flyaway price for the 10 Global Hawk production aircraft numbered 11 through 20 will be within DOD's price goal of \$10 million each in fiscal year 1994 dollars; (2) the status of the military user demonstration, including the extent to which the Global Hawk has shown reconnaissance capabilities; and (3) DOD and Air Force plans to switch to a formal acquisition program. In an earlier report (GAO/NSIAD-99-29, Dec. 1998), GAO concluded that DOD was not making progress toward meeting its price goal for Global Hawk.

**NSIAD-00-80**, May 8, 2000 (87 pages). Chemical Weapons Disposal: Improvements Needed in Program Accountability and Financial Management.

The Army had destroyed about 17.7 percent of the chemical weapons stockpile as of January 2000 and could destroy about 90 percent of the stockpile by the 2007 deadline set by the Chemical Weapons Convention. However, the Army may not meet the deadline for the remaining 10 percent of the stockpile because the incineration method of destruction has

been unacceptable to two of the states where the chemical stockpile is located. Also, the proposed method of destruction has not been proven safe and effective and accepted by state and local communities. The Army has experienced significant problems in recent years in effectively managing the use of funds set aside for the chemical demilitarization program. Effective management of the program has been hindered by its complex management structure and poor coordination among program offices and with state and local officials. Also, coordination and communication among officials responsible for aspects of the program have fallen short, causing confusion about what steps would be taken at certain sites.

**NSIAD-00-81**, May 18, 2000 (47 pages). Defense Acquisitions: Improvements Needed in Military Space Systems' Planning and Education.

The increasing use of military and commercial satellites for national security and business purposes will have significant implications for the United States in the 21st century. The Defense Department (DOD) has traditionally used satellite systems in passive roles to support military operations—for example, to collect intelligence data, warn of ballistic missile launches, and to transmit voice and data communications. Today, plans are being developed to expand the use of military satellite systems and develop technologies, such as lasers and electronic jammers, that could be used to actively conduct warfare in space. With advances in information technology, the commercial use of satellites is also expanding, particularly in telecommunications. This report reviews DOD's approach to implementing the U.S. Space Command's 1998 long-range plan for expanding military space systems. GAO evaluates the extent to which (1) plans for expanding military space

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systems conform to national and defense space policies, (2) funding projections support planned military space programs and desired capabilities, and (3) steps are being taken to educate military personnel to support future military space operations.

**NSIAD-00-83**, Mar. 8, 2000 (21 pages). State Department: Overseas Emergency Security Program Progressing, But Costs Are Increasing.

In the wake of the U.S. embassy bombings in Kenya and Tanzania in 1998, Congress provided the State Department with \$1.5 billion in emergency supplemental funding to strengthen security worldwide. GAO found that State has made progress in implementing the program funded by the emergency supplemental appropriation. State has reestablished embassy operations in interim office buildings in Nairobi and Dar es Salaam and signed a contract to build new embassy compounds. Projects to relocate several other embassies and consulates are also underway. However, the costs to build new embassies in Uganda, Croatia, and Qatar are about \$45 million higher than originally estimated, mainly because of upgraded security requirements. State has also made progress in implementing many of its planned security upgrades, including enhancing vehicle inspection and security guard programs, hiring additional special agents and other security staff, and instituting a new surveillance detection program designed to identify hostile surveillance activities and potential attackers. However, major construction upgrades to strengthen security at more than 100 posts are over budget and behind schedule, according to State.

**NSIAD-00-85**, Apr. 7, 2000 (26 pages). Combating Terrorism: How Five Foreign Countries Are Organized to Combat Terrorism.

The federal government spent about \$10 billion last year to combat terrorism. More than 40 federal departments, agencies, and bureaus have a role in fighting terrorism. Some Members of Congress have questioned who is in charge of U.S. efforts to combat terrorism, how the federal government is organized to prevent and respond to a terrorist attack on U.S. soil, and how resources are being allocated. This report provides information on (1) how other governments are organized to combat terrorism and (2) how they allocate their resources. GAO focuses on Canada, France, Germany, Israel, and the United Kingdom.

**NSIAD-00-87**, Feb. 29, 2000 (25 pages). Defense Budget: Analysis of Real Property Maintenance and Base Operations Fund Movements.

Congress has raised concerns about the extent to which the military has moved funds that directly affect readiness, such as those that finance training, to pay for real property maintenance and base operations. GAO found that from fiscal years 1994 through 1999, the military reported obligations that were \$7.1 billion (eight percent) more for real property maintenance and base operations than the \$88.6 billion initially designated by Congress. Nearly three-fourths of the \$2.7 billion increase from fiscal year 1996 to 1999 went for base operations, with the rest going to real property maintenance. For fiscal years 1994 through 1999, the services' movement of funds in and out of unit training varied. The Army and the Air Force have moved unit training funds to base operations and real property maintenance. GAO summarized this report in testimony before Congress; see: Defense Budget: Visibility and Accountability of O&M Fund Movements, by Norman J. Rabkin, Director of National Security Preparedness Issues, before the Subcommittee on Military Readiness, House Committee on Armed Services.

GAO/T-NSIAD-00-98, Feb. 29 (12 pages).

**NSIAD-00-88**, Mar. 28, 2000 (20 pages). DOD Competitive Sourcing: Potential Impact on Emergency Response Operations at Chemical Storage Facilities Is Minimal.

The Army maintains eight facilities in the United States that store chemical agents and munitions that are slated for disposal in the next several years. Some of these facilities also have other responsibilities, such as ammunition storage, manufacturing, and maintenance of chemical defense equipment. Five of the eight facilities are participating in an Army study of whether work now done by federal employees could be done more cost effectively by the private sector. As part of this effort, the Army is conducting competitive sourcing studies. Members of Congress, however, have raised concerns about the impact of competitive sourcing on the ability of the chemical storage facilities to respond to emergencies, such as an accidental chemical release, and on manufacturing capabilities related to chemical and biological defense. This report discusses (1) the Army's plans for competitive sourcing studies at the five facilities and the extent to which the emergency response of chemical defense industrial positions are included in the competitive sourcing studies and (2) the status of the Army's assessment and GAO's assessment of how competitive sourcing would affect emergency response capabilities and environmental permits associated with the destruction of chemical agents and munitions.

**NSIAD-00-89**, June 23, 2000 (40 pages). Defense Logistics: Actions Needed to Enhance Success of Reengineering Initiatives.

Military logistics is an important and expensive job. The Defense Department (DOD) will spend about

\$84 billion out of its \$280-billion budget on logistics support this year. Even so, failing equipment and parts shortages continue to be a problem. DOD has taken steps to reengineer its logistics process, but many aspects of its overall plan are incomplete, raising questions about whether or when the goals of better service and lower costs will be realized. It is too early to assess the impact that reengineering logistics support will have on combat forces. Officials representing combat forces have raised several concerns, including the effect of having large numbers of private contractors on or near the battlefield, the ability of contractors to meet the surge requirements, and the effects of contracting on the number of jobs available to military personnel returning to the United States from overseas duty. Several factors, if not addressed, could limit DOD's ability to achieve its reengineering goals. These factors include the impact that use of sole-source, long-term contracts would have on anticipated reengineering savings and the effects that existing laws and policies would have on the implementation of reengineering initiatives. GAO summarized this report in testimony before Congress; see: Defense Logistics: Integrated Plans and Improved Implementation Needed to Enhance Engineering Efforts, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on Armed Services. GAO/T-NSIAD-00-206, June 27 (nine pages).

**NSIAD-00-91**, Mar. 9, 2000 (28 pages). Foreign Assistance: Donation of U.S. Planting Seed to Russia in 1999 Had Weaknesses.

The United States donated 15,000 metric tons of planting seed—mainly corn and pea seed—to Russia in 1999. Under the Food for Progress agreement, the donated seeds were to be sold in Russia at market prices and the proceeds deposited in a special

account and then disbursed to Russian seed institutes and a rural credit cooperative. Under pressure to meet planting dates in Russia, Agriculture Department officials bought the seed through a noncompetitive, sole-source contract for \$21.7 million. This decision forced the United States to donate the seed to Russia rather than finance its sale with a concessional loan. Seed distribution in Russia did not follow the original plans, and reasons for changes were not fully documented. The regional distribution of some seeds was not confirmed, and there is conflicting information as to what happened to these seeds. Some seed arrived in the regions too late to be planted, and Russian producers complained about a lack of technical information on food types and about the delivery of seed that was inappropriate for local growing conditions. The sale of the donated seed to regional wholesalers and government agencies in Russia raised about \$2.6 billion—about one-eighth of what was paid to the sole source contractors that had shipped the seed to Russian ports.

**NSIAD-00-94**, Mar. 17, 2000 (21 pages). World Trade Organization: China's Membership Status and Normal Trade Relations Issues.

China is the world's largest economy that is not subject to the World Trade Organization's (WTO) trade-liberalizing requirements. Since 1986, China has been in negotiations to join WTO. The United States has taken a leading role in those negotiations, which have been taking place on two tracks—bilateral and multilateral negotiations—during the past 14 years. The bilateral negotiations are intended to secure China's commitment to remove market access barriers and to open its domestic market to more foreign goods and services. The goal of the multilateral negotiations is to ensure that China will adopt all the rules, practices, and obligations required by WTO agreements to

improve its general trade regime. This report describes (1) the status of the negotiations for China to join WTO, (2) the results of the negotiations compared to U.S. objectives for these negotiations, and (3) trade and legal considerations about granting China permanent normal trade relations status.

**NSIAD-00-95**, Mar. 1, 2000 (19 pages). Global Health: Summary of Conference on Immunization in Developing Countries.

Although international efforts have boosted the percentage of children immunized against six serious diseases to a global average of 80 percent, the immunization rates of many countries fall far below this average. Many countries also have yet to expand their immunization programs to include newer vaccines that the World Health Organization (WHO) has recommended for use in the developing world. These shortfalls have serious consequences: at least four million children in developing countries die each year because they lack access to vaccines, according to WHO. In November 1999, GAO convened a conference in Washington, D.C., to discuss immunization problems in developing countries. Participants included representatives from multilateral organizations, the U.S. government, private foundations, and the pharmaceutical industry. This report reproduces the conference agenda and summarizes the views expressed at the conference.

**NSIAD-00-97**, May 26, 2000 (70 pages). Weapons of Mass Destruction: DOD's Actions to Combat Weapons Use Should Be More Integrated and Focused.

In response to the growing threat posed by the proliferation of nuclear, biological, and chemical weapons, the Pentagon announced its Defense Counterproliferation Initiative in 1993. The Initiative calls for the

development of offensive and defensive capabilities—to include equipping, training, and preparing U.S. forces, in coalition with the forces of friends and allies—to prevail over adversaries who are capable of deploying weapons of mass destruction. This report describes the Defense Department’s (DOD) efforts to make the nuclear, biological, and chemical threat a matter of routine consideration within its organization, activities, and functions and identifies other steps that DOD can take to improve its implementation of the Initiative. GAO also examines the actions of the interagency Counterproliferation Program Review Committee to coordinate the research and development programs of DOD, the Department of Energy, and the U.S. intelligence community to identify and eliminate unnecessary duplication.

**NSIAD-00-106**, Aug. 8, 2000 (39 pages). DOD Competitive Sourcing: Some Progress, but Continuing Challenges Remain in Meeting Program Goals.

This report looks at the Defense Department’s (DOD) progress in implementing its A-76 program, the impact of DOD’s strategic sourcing initiative on achieving A-76 program goals, and the extent to which DOD will achieve savings from A-76 and strategic sourcing. DOD has made progress in implementing its A-76 program, but it has not advanced as quickly as initially expected. Its A-76 studies take longer than the expected average of 2 years to complete. Because they could not identify activities two positions to study under A-76, most DOD components plan to use strategic sourcing to meet some of the goals previously associated with the A-76 program. However, so far only the Navy has identified specific strategic sourcing goals that involve the review of activities of about 42,000 positions. Because of Navy’s shift to strategic sourcing, DOD plans to study activities involving about 25,000 fewer

positions under A-76 during fiscal years 1997-2005, an 11 percent reduction of the 229,000 previously reported. GAO’s work continues to show that, although savings are being achieved, DOD’s savings estimates are overstated and that strategic sourcing has added to uncertainties about the overall magnitude of savings.

**NSIAD-00-107**, Aug. 8, 2000 (49 pages). DOD Competitive Sourcing: Savings Are Occurring, but Actions Are Needed to Improve Accuracy of Savings Estimates.

Available data indicated that DOD realized savings from seven of the nine A-76 (competitive sourcing) cases reviewed, although less than the \$290 million initially projected. Savings occurred whether governmental organizations or private contractors won the competition. Baseline cost estimates from which savings were estimated were usually calculated using an average cost of salary and benefits, rather than using actual costs for the positions actually filled at the time of the A-76 studies. Moreover, nonpersonnel costs, which were up to 15 percent of the total, were not included in the baseline. Study and implementation costs, which offset savings in the short term, were not considered, nor was the fact that changes in work scope after the A-76 competition can affect savings. Also, data limitations made it impractical to identify precise amounts of savings. Many of the cost estimates that are used in A-76 studies will continue to be estimated because DOD lacks a cost accounting system to provide actual costs. Further, reported savings from A-76 studies will continue to have some element of uncertainty and imprecision and will be difficult to track in the out years because workload requirements change, affecting program costs and the baseline from which savings are calculated.

**NSIAD-00-108**, July 18, 2000 (67 pages). Defense Management: Electronic Commerce Implementation Strategy Can Be Improved.

Through its Joint Electronic Commerce Program, the Defense Department (DOD) expects to reduce operating costs and streamline business processes. DOD faces several implementation issues that, if not resolved, could undermine the success of the program. So far, DOD has not completed a detailed plan to implement its strategic vision. Officials have been unable to draft a DOD-wide implementation plan that is acceptable to the military services and agencies, and the plan has been put on hold. DOD has not developed a systemwide electronic commerce architecture, which is needed to integrate the individual parts or systems. If DOD components develop separate architectures, they may be redundant or unable to share information. DOD has not determined how best to manage the electronic commerce program, although it has established an office; however, the office’s authority is unclear and its chain of command is cumbersome. Finally, DOD has not fully implemented key security measures that are needed. Electronic business-related initiatives have been or are being implemented. Although the initiatives may improve aspects of the business processes, it is not yet clear if and how they will fit into DOD’s electronic commerce architecture and support its strategic vision.

**NSIAD-00-109**, June 23, 2000 (27 pages). Defense Inventory: Army Needs to Strengthen and Follow Procedures to Control Shipped Items.

This is one in a series of GAO reports discussing the vulnerability of the military’s inventories to waste, fraud, and abuse. Because of long-standing weaknesses in controls over inventory shipments, the Defense Department’s inventories are at high-risk for

undetected loss and theft. These weaknesses also increase the risk that millions of dollars will be spent unnecessarily. This report reviews the Army's procedures for tracking and controlling spare parts and other inventory items that have been shipped from one location to another. GAO discusses (1) the extent to which the Army can identify inventory lost during shipment and (2) the Army's adherence to procedures for controlling shipped inventory.

**NSIAD-00-114**, June 14, 2000 (32 pages). Army National Guard: Enhanced Brigade Readiness Improved but Personnel and Workload Are Problems.

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

**NSIAD-00-115**, Apr. 20, 2000 (30 pages). Defense Logistics: Air Force Report on Contractor Support Is Narrowly Focused.

For years, the Air Force has relied on contractors for logistics support for

planes that are similar to commercially available aircraft. Examples of aircraft using this kind of support include the C-9 aeromedical evacuation aircraft and the KC-10 tanker/airlift aircraft. Some high-cost, classified systems that are produced in small quantities, such as the U2 reconnaissance aircraft, also use this type of support arrangement. These arrangements can yield cost savings because it is possible to share common parts support and other costs, such as maintenance facilities and personnel, with other public and private sector users. The Air Force is required to report to Congress on all Air Force programs that are now using or plan to use a program the Air Force calls Total System Performance Responsibility or similar contractor support programs. GAO discusses the extent to which the Air Force's February 2000 report (1) identified programs or systems using or planning to use contractor support arrangements, (2) supported the Air Force's view that the contractor support provides equal or superior warfighting capabilities, (3) identified the impact of such support arrangements on the government's logistics depots and core government logistics management skills, and (4) identified process and criteria followed in determining whether government employees or the private sector can do logistics management more cost-effectively.

**NSIAD-00-118**, Apr. 10, 2000 (58 pages). Export Promotion: Federal Agencies' Activities and Resources in Fiscal Year 1999.

U.S. businesses have increasingly recognized during the last decade the benefits of competing in the international marketplace. Exports as a share of U.S. gross domestic product rose from 6.4 percent in 1988 to 7.9 percent (\$672 billion) in 1998. The U.S. government runs several programs to help businesses promote their goods and services overseas. This report (1) identifies the federal agencies involved

in promoting U.S. exports and the activities they carry out, (2) describes the overall resources these agencies devoted to export promotion in fiscal year 1999, and (3) isolates the agencies' overseas resources devoted to export promotion during this period. GAO also describes how some of these agencies participated in a computer network that provides trade leads from developing countries to U.S. exporters.

**NSIAD-00-121**, May 31, 2000 (30 pages). Missile Defense: Schedule for Navy Theater Wide Program Should Be Revised to Reduce Risk.

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

**NSIAD-00-123**, July 31, 2000 (34 pages). Defense Acquisitions: Prices of Marine Corps Spare Parts Have Increased.

This is the first in a series of reports examining price trends of spare parts managed by the military. This report



contains information on reparable spare parts the Marine Corps uses to maintain ground combat and support equipment such as vehicles, radars, and radio receivers. It addresses (1) changes in the prices of reparable parts compared with the prices of similar items in the private sector and the reasons for the price changes and (2) the accuracy of prices set by the Marine Corps. Prices of the 703 parts examined increased by an average of 14 percent over the four-year period from fiscal year 1995 through 1999, while prices for similar items sold in the private sector dropped by 0.2 percent. During the four-year period, prices fluctuated, dropping 10 percent during the first 2 years and increasing by about 27 percent during the last 2 years. The Marine Corps did not follow Defense pricing regulations in setting prices and, as a result, the prices of most parts sold to Marine Corps customers were incorrect. The approach used to adjust prices of repaired parts from year to year was inconsistent with Defense regulations and led to wider price fluctuations. The Marine Corps has taken steps to correct its method for setting prices.

**NSIAD-00-125BR**, Apr. 24, 2000 (90 pages). Balkans Security: Current and Projected Factors Affecting Regional Stability.

Despite the presence of two large NATO-led forces in the Balkans, the security situation throughout the region remains volatile, as many difficult political, social, and other issues remain unresolved. The election of opposition members to Croatia's parliamentary and presidency during early 2000 holds the promise of positive change in the region; however, all areas of the Balkans continue to face unresolved political, social, and other problems that will contribute to regional instability during the next five years. These problems—such as differences over definitions of what territory and ethnic groups constitute a state and the difficulties associated

with returning refugees and displaced persons to their homes—will take time to resolve. These problems will also require the continued security presence provided by NATO-led forces. Senior Yugoslav, U.S., and NATO officials said that several factors led to the Yugoslav decision to withdraw its security forces from Kosovo, ranging from Yugoslavia's fear of a NATO invasion to Russia's diplomatic efforts. Because the United States has important interests in Bosnia and Kosovo, other issues become relevant to the deployment of U.S. military forces there, such as the costs of U.S. military and civilian operations—pegged at \$21.2 billion through 2000—and the relative contributions of U.S. and other NATO allies to recent and ongoing military operations.

**NSIAD-00-126**, Apr. 27, 2000 (28 pages). Defense Transportation: Operational Support Airlift Requirements Are Not Sufficiently Justified.

The Pentagon says that it needs 391 aircraft during wartime to transport passengers and cargo on short notice when other military and commercial flights are unavailable. Although military policy specifies that the number of support aircraft are to be based on wartime needs, the Defense Department uses these planes during peacetime for crew training as well as passenger and cargo support. GAO found that the current process used to determine requirements for operational support aircraft is inadequate because it is not clearly linked to wartime requirements as DOD policy requires.

**NSIAD-00-127**, Apr. 5, 2000 (11 pages). Military Dependents: Services Provide Limited Confidentiality in Family Abuse Cases.

The military investigated about 64,000 alleged incidents of spousal abuse and about 50,000 incidents of child abuse

during fiscal years 1997 through 1999. About 43,000 cases of spousal abuse and 26,000 cases of child abuse were substantiated. Defense Department (DOD) officials estimate, however, that many incidents of spousal and child abuse go unreported. One key reason for underreporting is that spouses fear that reporting abuse would harm the military member's career. Military dependents are afforded limited confidentiality in reporting spousal or child abuse. A military dependent seeking counseling cannot be certain that the information provided will remain confidential. DOD officials said that commanders are held accountable for the safety of alleged victims of family violence and would be unable to fulfill this responsibility unless they were told about the incidents. The law requires DOD to establish policies and procedures to protect the confidentiality of dependent communications with service providers and to send Congress a report by January 21, 2000, on the steps it has taken. DOD did not meet the reporting deadline. Before it can prepare the report, DOD believes that it must first address several issues, including the privacy of electronic medical records and conversations between patients and psychotherapists.

**NSIAD-00-131**, May 31, 2000 (18 pages). Missile Defense: Status of the National Missile Defense Program.

The Pentagon is developing a national missile defense program to shield the United States from a ballistic missile attack from "rogue" nations, such as North Korea and Iran. Following a departmental review by the end of July 2000, the administration plans to decide on whether to deploy the system. To reduce risks, the Defense Department (DOD) has, since GAO's 1998 report (GAO/NSIAD-98-153), delayed initial fielding of the national missile defense system from fiscal year 2003 to 2005; postponed decisions on the production of radars and

interceptors, and boosted funding for testing. Even with the changes, however, significant performance and schedule risks persist. Developing a highly reliable hit-to-kill capability is a difficult technical challenge. Only three of the 19 planned intercept attempts are scheduled before the July 2000 deployment review. None of these attempts will expose the interceptor kill vehicle to the higher acceleration and vibration loads of the much faster, actual system booster. Because the program has a very aggressive schedule, it is vulnerable to delays. DOD has instituted several cost-control measures, including a process called "cost as an independent variable," which sets realistic cost objectives and trades off the system's performance and schedule to control costs. After incorporating cost savings from these measures, program officials estimated that the approved program would cost \$36.2 billion over the life of the Capability I system--or about \$7.5 billion more than the 1999 estimate. The cost rose mostly because of the decision to increase the number of interceptors and add flight tests, ground-test equipment, and a more capable radar facility. Costs are likely to increase further because of the vulnerability to schedule delays. Program officials estimate that each month of delay would increase program costs by \$124 million.

**NSIAD-00-134**, June 5, 2000 (15 pages). Contract Management: DOD's Use of Recovery Auditing.

Recovery auditing is a process that identifies and collects overpayments made to vendors. This report assesses the Defense Department's (DOD) progress in (1) recovering overpayments and the reasons for any delays and (2) expanding the use of recovery auditing. Since the program began in 1996, the Defense Supply Center has collected \$5.3 million of the \$17.9 million in overpayments. The Supply Center has written letters to vendors demanding payments of an

additional \$4 million and it continues to negotiate with other vendors to settle disputed payments. The collection process has proceeded slowly in part because of the time and effort required to review disputed claims. In particular, the Supply Center and vendors disagree over the interpretation of contract provisions that require vendors that sell brand-name products to guarantee that prices offered to the government are as good as those offered to their most favored customers. Thirty-four of the 59 vendors that have received letters demanding payment have appealed to the Armed Services Board of Contract Appeals. DOD is expanding its use of recovery auditing. Since June 1999, six DOD agencies have contracted for recovery audit services, and a seventh is planning to do so soon. To minimize disputed claims, GAO recommends that DOD examine the need to clarify price warranty provision in its contracts.

**NSIAD-00-135**, June 22, 2000 (59 pages). Military Readiness: Air Transport Capability Falls Short of Requirements.

The National Military Strategy calls for fighting and winning two nearly simultaneous wars. The Defense Department (DOD) lacks sufficient airlift and aerial refueling capability to meet this requirement because many aircraft are not mission ready. It is estimated that DOD is short over 29 percent of the needed military airlift capability and nearly 19 percent of the needed refueling aircraft. The Office of the Joint Chiefs of Staff estimates that, due to airlift shortfalls, military forces would arrive later than planned, thereby increasing the risk that war plans could not be executed and casualties could increase. Air Force Headquarters officials attribute the shortfalls in airlift and aerial refueling capability primarily to the age of the aircraft and spare parts shortages. The C-5 fleet ranges in age between 10 to 30 years and the K-135 fleet averages

39 years old. The Air Mobility Command is considering spending \$18 billion through fiscal year 2012 on airlift and refueling aircraft. However, the results of ongoing DOD studies reevaluating airlift and refueling could increase future requirements, change budget priorities, and lead to the procurement of more aircraft.

**NSIAD-00-136**, June 5, 2000 (32 pages). Civil Air Patrol: Proposed Agreements With the Air Force Are Intended to Address Identified Problems.

The Civil Air Patrol is a congressionally chartered, private, nonprofit corporation that relies on 61,000 dues-paying volunteers to carry out its missions. The Civil Air Patrol provides emergency services, including counternarcotics, disaster relief, and search and rescue missions using small aircraft; aerospace education; and cadet training. As part of the Air Force appropriation, Congress set aside about \$26.6 million for the Patrol in fiscal year 2000. A series of audit and inspections since 1998 have raised concerns about the Patrol's financial management and inventory control practices as well as Air Force oversight of the Patrol. This report assesses (1) the nature of the relationship between the Air Force and the Patrol, (2) the Air Force's oversight of the Patrol, (3) the Patrol's management and oversight of its own activities, and (4) plans to resolve identified problems.

**NSIAD-00-138**, Apr. 28, 2000 (41 pages). Biological Weapons: Effort to Reduce Former Soviet Threat Offers Benefits, Poses New Risks.

The former Soviet Union's biological weapons institutes continue to threaten U.S. national security because they have key assets that are both dangerous and vulnerable to misuse. These assets include as many as 15,000 underpaid scientists and researchers, specialized facilities and equipment

(albeit often in a deteriorated condition), and large collections of dangerous biological pathogens. These assets could harm the United States if hostile countries or terrorist groups were to hire the scientists to conduct weapons work. Also of concern is the potential sale of dangerous pathogens to terrorist groups or countries of proliferation concern. The U.S. strategy for addressing the threat of proliferation at the source has been to fund collaborative research efforts with the institutes to (1) reduce their incentives to work with hostile states and groups and (2) increase their openness to the West. Although the executive branch initially began this strategy with a modest level of funding, it is now seeking a tenfold increase in funding in response to mounting efforts by Iran and other countries to acquire biological weapons. GAO found that expanding the program entails risks to the United States, including sustaining Russia's existing biological weapons infrastructure, maintaining or advancing Russian scientists' skills to develop offensive biological weapons, and the potential misuse of U.S. assistance to fund offensive research.

**NSIAD-00-141**, July 18, 2000 (30 pages). Conventional Arms Transfers: U.S. Efforts to Control the Availability of Small Arms and Light Weapons.

This report provides information on U. S. government monitoring and reporting policies regarding small arms and light weapons transfers and the steps the U. S. government is taking at the international level to address the availability of small arms and light weapons. It also reports on lessons identified regarding weapon collection programs. The Department of Defense (DOD) has the principal responsibility for monitoring government to government arms transfers, which the State Department licenses, and commercial arms exports. Monitoring activities include reviewing proposed transfers to

foreign recipients and verifying that recipients of U. S. conventional arms received and used these weapons as intended. The Departments must notify Congress of conventional arms transfers if they meet or exceed specific dollar thresholds and must report annually on the aggregate dollar value and quantity of all conventional arms that have already been transferred to recipients. In response to international concerns, the U.S. has taken the lead in (1) creating international standards to prevent illicit small arms transfers; (2) establishing mechanisms to govern small arms transfers, such as strengthening export control procedures; (3) developing diplomatic initiatives with other nations and multilateral organizations; and (4) helping other nations to destroy their excess weapons. Case studies of weapon collection programs have identified lessons that could be applied to future programs' design. These case studies show that programs without a comprehensive approach, realistic goals, and appropriate incentives encounter implementation problems. DOD now lacks guidance on how to apply these lessons to its weapon collection programs.

**NSIAD-00-142**, May 16, 2000 (48 pages). World Trade Organization: Status of China's Trade Commitments to the United States and Other Members.

The United States and China concluded a bilateral trade agreement in November 1999 on issues related to China's joining the World Trade Organization (WTO). The Administration has asked Congress to pass legislation that would allow the President to grant China permanent normal trade relations status. This report updates GAO's past work on the status of China's membership negotiations, including parts of GAO's earlier analysis that were recently declassified by the U.S. Trade Representative. GAO discusses (1) the

results of the November 1999 bilateral Agreement on Market Access between China and the United States and (2) the status of China's ongoing multilateral negotiations in WTO.

**NSIAD-00-144**, June 29, 2000 (32 pages). Defense Trade: Identifying Foreign Acquisitions Affecting National Security Can Be Improved.

Congress passed legislation in 1988 that allows the President to suspend or prohibit foreign acquisitions, mergers, or takeovers of U.S. companies if there is credible evidence that a foreign controlling interest might threaten U.S. national security or if other legislation cannot adequately protect national security. The President delegated the authority to review foreign acquisitions of U.S. companies to an interagency group—the Committee on Foreign Investment in the United States—that is chaired by the Secretary of the Treasury and includes representatives from 11 federal agencies. In response to congressional concerns that the current process may fall short in identifying all foreign acquisitions of U.S. companies that could affect national security, this report reviews the process used by the Committee to identify foreign acquisitions of U.S. firms. GAO evaluates the current identification process used by the Committee and the effectiveness of the Committee's follow-up on acquisitions identified by its member agencies.

**NSIAD-00-146**, June 23, 2000 (46 pages). Military Personnel: Services Need to Assess Efforts to Meet Recruiting Goals and Cut Attrition.

To deal with mounting problems in recruiting enough qualified enlisted personnel, the Army, the Navy, and the Air Force have increased their number of recruiters and their advertising budget and have offered larger enlistment bonuses and more money for college. The military services have also used innovative ways to expand

their recruiting market without sacrificing the quality of recruits, for example, by targeting persons attending community colleges and persons without high school degrees who meet other quality standards. Because so little time has passed since the services have begun to respond to their recent recruiting problems, they cannot yet assess the long-term success of their efforts. Also, the services do not yet know which of their new recruiting efforts work best. In addition to improving the screening of applicants before they enlist, the services have also tried to reduce the attrition of first-term enlistees while they are in training and after they have been assigned to their first duty stations. These efforts include paying extra attention to recruits struggling during basic training and disciplining and working with enlistees who have completed training and are experiencing minor behavioral problems. Although these actions appear promising, the latest attrition data show that first-term attrition has reached an all-time high for military enlistees.

**NSIAD-00-149**, July 11, 2000 (53 pages). Defense Acquisitions: Comprehensive Strategy Needed to Improve Ship Cruise Missile Defense.

Although the Navy has made some progress in improving surface ship self-defense capabilities, most ships continue to have only limited capabilities against cruise missile threats. A 1998 Navy assessment of surface ship self-defense capabilities concluded that only the 12 Whidbey Island and Harpers Ferry class amphibious ships have or will be equipped with defensive systems that can provide measurable improvement against near-and mid-term cruise missile threats. The assessment projected that none of the Navy's planned future improvements would provide any ship class a high level of self-defense capability against far-term threats. In projecting ship self-defense

capability improvement, the assessment assumed that all planned improvements would be developed and fielded as scheduled. GAO believes the Navy assessment overstates actual and projected capabilities of surface ships to protect themselves from cruise missiles because the models used to determine capabilities include optimistic assumptions that may not reflect the reality of normal fleet operations. Among these assumptions are perfect weather, uninterrupted equipment availability, and perfect crew and equipment performance at all times. Furthermore, inadequate funding, maintenance, and repair parts support continue to limit the availability of existing self-defense equipment. Plans for meeting ship self-defense requirements are not promising because the Navy still lacks a comprehensive and consistent strategy to improve its capabilities. Earlier plans have not included all affected ship classes, have not always established priorities among ship classes, have not consistently used a baseline from which to measure progress, and have not provided timelines for achieving the desired improvements. Although Navy leaders express concern about the vulnerability of surface ships, that concern may not be reflected in the budget for ship self-defense programs. From fiscal years 1997 to 2005, spending is relatively flat and associated research and development funding is projected to decline from about \$517 million to about \$218 million. GAO recommends that the Navy develop a comprehensive strategy that articulates priorities, establishes baselines, provides timelines, and defines resource requirements for achieving needed ship self-defense improvements.

**NSIAD-00-150**, May 10, 2000 (83 pages). United Nations: Reform Initiatives Have Strengthened Operations, but Overall Objectives Have Not Yet Been Achieved.

The Secretary General of the United Nations reported in 1997 that the organization had become fragmented, duplicative, and ineffective in some areas—risking becoming irrelevant if it did not more effectively carry out its mission. Since then, the U.N. has substantially restructured its leadership and operations and has partly implemented a performance-oriented human capital system. However, the U.N. is still considering initiatives that would focus its programs and budgeting on managing the Secretariat's performance. Thus, the goal of creating an organization with a results and continuous improvement orientation has yet to be achieved and will require continued advocacy by the United States and other member states.

**NSIAD-00-153**, June 29, 2000 (20 pages). Missile Defense: Cost Increases Call for Analysis of How Many New Patriot Missiles to Buy.

Estimated costs of the Patriot Advanced Capability-3 program (the hit-to-kill program) have increased 77 percent from 1994 (\$3.9 billion) to March 2000 (\$6.9 billion). The number of missiles to be procured decreased from 1,200 to 1,012. Development cost increases are attributed to the difficulty of developing and producing a hit-to-kill missile, and procurement costs rose because the procurement period was extended by seven years. Costs are likely to increase further. Contractor costs could exceed its estimate by \$26 million. The military now wants additional testing at a cost of \$88 million for four tests (and there may be as many as 12 to 15). It further estimates that costs could increase by as much as \$100 million because of risks and potential schedule delays. The military has begun to undertake several program changes to control costs. Independent estimators have projected savings of \$140 million to \$216 from these changes. There is a gap between the Army's stated requirements (2,200 hit-to-kill missiles)

and the Defense Department (DOD) plan (1,200 missiles). Because of program concerns, DOD now plans to procure 1,012, although the Army maintains that it would be forced to defend forces and critical assets with less capable missiles. No detailed analyses have been made of the costs, benefits for defending U.S. forces and assets, or implications of any alternatives. Without such analyses, DOD and Congress are not the best position to decide how many missiles to buy.

**NSIAD-00-156**, July 7, 2000 (77 pages). Bosnia Peace Operation: Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement.

In 1998 the U.S. government, the Peace Implementation Council, and the North Atlantic Council adopted benchmarks to help determine when enough progress has been made to allow NATO-led forces to be withdrawn from Bosnia. Three of the benchmarks—elimination of illegal institutions, creation of a democratic law enforcement system, and reform of the judicial system—are directly linked to reducing organized crime and corruption in Bosnia. However, despite U.S. and international efforts to achieve the three benchmarks, U.S. and international officials and published reports agree that organized crime and corruption continue to pervade Bosnia's civil service, law enforcement and judicial systems, economy, and political parties. Corruption pervades public administration. The judicial system is inadequate and, according to the Office of the High Representative's Judicial Reform Strategy, is incapable of effectively administering justice. Widespread customs and tax evasion has resulted, it is believed, in revenue losses of hundreds of millions of dollars. In addition, although internal controls over international aid appear to be adequate, according to U.S. and international officials, some

corruption and fraud have occurred in the international assistance effort. Officials also said that anticorruption and judicial reform efforts have had little success because the political will of Bosnia's leaders is weak or nonexistent. Congress should consider requiring the State Department to certify that Bosnia has undertaken concrete, measurable efforts to fight corruption, smuggling, and tax evasion before providing future assistance. GAO summarized this report in testimony before the Congress; see: Bosnia: Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement, by Harold J. Johnson, Associate Director for International Relations and Trade Issues, National Security and International Affairs Division. GAO/T-NSIAD-00-219, July 19 (10 pages).

**NSIAD-00-158**, May 26, 2000 (28 pages). Defense Acquisitions: F/A-18E/F Aircraft Does Not Meet All Criteria for Multiyear Procurement.

The F/A-18E (single seat) and the F/A-18F (two seat) aircraft is intended to replace the F/A-18C (single seat), F/A-18D (two seat), A-6, and F-14 aircraft as they reach the end of their service life and are retired. The F/A-18E/F is designed primarily to meet the Navy's fighter escort, interdiction, fleet air defense, and close air support mission requirements. GAO found that although the F/A-18E/F met its key performance parameters, such as range and carrier suitability, the F/A-18E/F did not demonstrate operational performance over the existing F/A-18C aircraft. Operational testers compared the two aircraft in 18 operational mission areas, such as interdiction, fighter escort, combat air patrol, air combat maneuvering, and air-to-air weapons. Using a numerical scale, the testers rated the F/A-18E/F's operational effectiveness essentially the same as the F/A-18C's. Deficiencies identified by the operational testers will be costly to correct and raise

questions about whether the Navy should enter into a multiyear procurement contract for full-rate production of the aircraft. The major deficiency was the aircraft's weak aerodynamic performance, which reduced the plane's ability to accelerate, climb and turn, and causes it to have a low top speed. The F/A-18E/F also has a noise and vibration problem that damages the air-to-air and some air-to-ground missile carried by the plane.

**NSIAD-00-159BR**, May 9, 2000 (40 pages). Overseas Investment: The Overseas Private Investment Corporation's Investment Funds Program.

The Overseas Private Investment Corporation is an independent, self-sustaining U.S. government agency created in 1969 to help U.S. investors overseas by providing political risk insurance, financing, and other investment services. The Corporation's investment funds program was created in 1987 and has committed \$2.3 billion in loan guarantees since then to support 26 private equity funds now operating in developing countries and emerging market economies. These funds seek to promote broad U.S. foreign policy and strategic goals by investing in countries or regions that are moving toward market economies or are otherwise of foreign policy interest to the United States, such as the Balkans, the newly independent states of the former Soviet Union, and sub-Saharan Africa. Investment also provides a catalyst for private sector investment by providing incentives for investment in countries where U.S. investors might be unwilling or unable to invest in the absence of support by the U.S. government. This report examines how the Corporation (1) identifies and approves investment fund concepts and (2) selects fund managers. GAO also provides information on the funds' performance so far and risk levels assigned to the funds.

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**NSIAD-00-160**, June 30, 2000 (35 pages). Defense Inventory: Process for Canceling Inventory Orders Needs Improvement.

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

**NSIAD-00-161**, June 29, 2000 (179 pages). Developing Countries: Debt Relief Initiative for Poor Countries Faces Challenges.

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

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

**NSIAD-00-162**, July 18, 2000 (55 pages). Force Structure: Army Is Integrating Active and Reserve Combat Forces, but Challenges Remain.

The majority of the U.S. Army's forces reside in the Army National Guard and the U.S. Army Reserve. Until March 2000, when an Army National Guard combat division assumed headquarters responsibilities in Bosnia for the first time, most reserve forces deployed with active forces came from support, not combat, units. Integration affects the Army in a several of ways. It adds to the Army's total costs, due in part to increased personnel costs and increased transportation costs for integrated training. It also creates new force structure requirements, which could increase significantly as the integration effort creates more new units and increases the number of positions in existing units. In addition, integration generally increases the time that personnel must spend away

from home, including time spent training. It could reduce the Army's risk in executing the national military strategy in the long term by increasing the training and readiness levels of all forces. Although the Army's piecemeal efforts are increasing the integration of active and reserve combat forces, the Army cannot precisely measure or fully evaluate the effects and effectiveness of those efforts because it has no clearly defined goal for fully integrating active and reserve forces, has no overall plan to guide its efforts, and has not collected data to measure or determine an acceptable cost of integration.

**NSIAD-00-164**, July 6, 2000 (32 pages). Contingency Operations: Providing Critical Capabilities Poses Challenges.

Since the end of the Persian Gulf War in 1991, U.S. Armed Forces have been involved in more than 50 contingency operations overseas—all operations other than war, including peacekeeping and no-fly zone enforcement. Although the military has been able to provide the forces and equipment necessary for contingency operations, some unique capabilities have been in high demand. In fulfilling the missions, the rotational deployments from assigned home stations have resulted in some personnel exceeding the services' goals for an individual's maximum number of deployment days in one year. In some instances, this high demand can degrade readiness, cause training opportunities to be lost, and adversely affect the quality of life for personnel in the affected units. To look at the services' ability to continuously meet these operational needs, GAO used a series of case studies to examine six military assets that have been heavily used in contingency operations: (1) Army divisions (about 10,000-15,000 soldiers each); (2) Army civil affairs units, which provide the infrastructure needed to bring government services to the civil

population; (3) EA-6B aircraft, which have the only available U.S. military capability to electronically jam enemy anti-aircraft radar; (4) Airborne Warning and Control System (AWACS) aircraft, which provide airspace surveillance and battlefield management for all airborne aircraft in an assigned area; (5) U-2 aircraft, which gather intelligence and provide surveillance; and (6) specialized F-16 aircraft, the CJ model, which suppress enemy air defenses primarily by targeting air defense radar with sophisticated missiles. Except for the Army divisions, these forces and assets are few in number and comprise a small part of U.S. military forces. Planned actions by the Defense Department (DOD) and the military services should reduce the level of stress on these critical assets. But many of the DOD actions will not be completed for at least 2 to 7 years; and the services' planned actions will require assessment of previous actions and additional training, among other factors.

**NSIAD-00-165**, Aug. 29, 2000 (33 pages). Defense Acquisitions: Air Force Operating and Support Cost Reductions Need Higher Priority.

Aircraft operating and support costs include fuel, repair parts, maintenance, contract services, and the cost of military and civilian personnel. The Air Force spent more than \$16 billion to operate and support its aircraft in 1999. These costs are rising at about four percent per year at a time when total numbers of aircraft, flight crews, and maintenance are decreasing. Higher costs for repair parts were the main cause of the increasing costs. Aircraft operating and support costs are projected to exceed \$20 billion by fiscal year 2005. The Air Force has developed a standardized methodology for assessing operating and support costs, identifying and proposing areas for cost reduction, and tracking savings. Projected cost reductions average only about \$343

million a year, short of the \$2.6 billion to \$7 billion needed to achieve DOD's goals. Costs for the F-22 and the Joint Strike Fighter could be higher than those of the aircraft they are intended to replace and could jeopardize attempts to control operating and support costs well into the future. New programs focus on improvements in reliability, supportability, and maintainability, not establishing and operating an operating and support cost requirement.

**NSIAD-00-167**, July 25, 2000 (37 pages). Battlefield Automation: Army Needs to Update Fielding Plan for First Digitized Corps.

The Army plans to field new and improved battlefield systems through its digitization initiative, which involves the application of information technologies to acquire, exchange, and employ timely information on the battlefield. Use of digitization on the battlefield is expected to increase the Army's survivability, lethality, and tempo of operations. Analysis of the acquisition status of the 56 Category 2 systems, which generally involve the fielding of new or enhanced battle platforms, such as the Crusader howitzer, Abrams tank, and Bradley Fighting Vehicle, indicated that about 30 percent of the systems are already fielded or likely to be by the 2004 fielding milestone, about 50 percent may not be ready, and 20 percent will not be ready. Systems may not be ready because development schedules are not consistent with the 2004 milestone, operational testing has not been done, or interoperability demonstrations have not been completed. Funding shifts or development schedules that are not matched to the fielding milestone will cause some systems not be ready. However, organizational decisions are being made based on the assumption that these systems will be ready by 2004. GAO recommends that the Army prepare an annual acquisition status report that identifies when each

Category 2 system is expected to be fielded and alternative fielding strategies focused on what is needed to successfully establish the first digitized corps by the end of 2004.

**NSIAD-00-168**, June 6, 2000 (18 pages). Defense Budget: Fiscal Year 2000 Contingency Operations Costs and Funding.

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

**NSIAD-00-170**, July 7, 2000 (21 pages). Military Base Closures: Unexpended Funds Raise Questions About Fiscal Year 2001 Funding Needs.

Appropriations for the 1990 base closure account have declined steadily since 1996 as more base closures and realignments have been completed. However, for fiscal year 2001, the Defense Department (DOD) is requesting about \$1.2 billion (originally \$1.6 billion) in new budget authority, significantly more than the \$700 million appropriation in fiscal year 2000. DOD officials reduced the

planning estimate by \$363 million because they did not believe the larger amount could reasonably be executed in fiscal year 2001. Also, DOD made reductions because prior years' environmental cleanup funds were being spent at a slower pace than anticipated. When the fiscal year 2001 budget was being developed, DOD had about \$500 million in reported unobligated balances from previous years' appropriations in the 1990 account, about \$114 million of which was appropriated in fiscal year 1993 or earlier. It also had \$1.6 billion in reported unliquidated obligations from prior appropriations in the 1990 account, of which about \$115 million were appropriated in 1995 or earlier. Most of the \$115 million unliquidated funds resulted from environmental cleanup activities that were carried out more slowly than planned, especially by the Air Force. Only the Navy had provided documentation that it had considered unobligated and unliquidated balances in formulating its portion of the budget request. The Army and the Air Force have recently taken steps to reexamine their prior years' unobligated and unliquidated balances.

**NSIAD-00-171**, July 27, 2000 (18 pages). Electronic Warfare: Phased Approach to Infrared Upgrades Would Reduce Risk to Helicopters.

The Army's strategy for acquiring an improved infrared countermeasure system is to defer production and fielding until all four components of the system are successfully developed. Because of delays in developing the laser-based infrared jammer, most Army helicopters will remain vulnerable to currently fielded enemy heat-seeking missiles until the second half of this decade. A phased approach, installing either (1) the existing programmable dispenser, advanced flares, and existing missile warning system for about \$175,000 per helicopter or (2) the new programmable dispenser, advanced

flares, and new missile warning system when those components are ready, for about \$300,000 per helicopter, would better protect the Army helicopters much sooner. The Defense Department said that the phased approach is impractical because all four components are being developed as an integrated system. Testing and fielding of the system as planned is very probable. GAO recognizes that using the new programmable dispenser, advanced flares, and new missile warning system is an option because these components are more likely to be ready in the near future than the new infrared jammer.

**NSIAD-00-175**, June 15, 2000 (64 pages). Foreign Assistance: U.S. Bilateral Food Assistance to North Korea Had Mixed Results.

In April 1999, after North Korea agreed on U.S. inspection rights for a suspected underground nuclear facility, the United States, North Korea, and a consortium of U.S. private voluntary groups agreed to the first U.S. government-supported bilateral assistance project in North Korea. The project consisted of two parts under Consortium implementation and monitoring: The Consortium would provide seed potatoes to North Korean farmers for two plantings to increase potato production; and the United States would provide 100,000 metric tons of emergency food aid to laborers participating in food-for-work projects. However, the project had mixed results. The Consortium estimates that about 3,000 metric tons of mainly poor potatoes were produced during the first harvest instead of a possible 8,400 tons to 12,600 tons. The poor condition resulted from various problems including less-than-ideal planting locations directed by the North Korean government. The Consortium did not collaborate on the second planting because the North Korean government wanted potato propagation technology instead of seed potatoes. Because of the Consortium's incomplete

monitoring, it could not verify North Korean claims that one-third of American potatoes were damaged on arrival and were then destroyed or fed to animals. Conversely, Consortium personnel and U.S. officials believe that the food-for-work part improved North Korean perceptions of the United States. The Consortium estimates that the food supported work on 176 projects and was distributed to nearly 2.4 million North Koreans, with at least half going to the most needy provinces. However, key problems, such as disagreement over how the food should be used, undermined affected food aid distribution and the Consortium's monitoring efforts.

**NSIAD-00-178**, Aug. 15, 2000 (28 pages). Defense Acquisitions: Recent F-22 Production Cost Estimates Exceeded Congressional Limitation.

F-22 program production costs were expected to grow from the amounts planned, with cost reduction initiatives expected to offset that cost growth. The Air Force estimated production costs at \$40.8 billion in 1999; the Office of the Secretary of Defense estimate was \$48.6 billion. Both estimates assumed that 339 aircraft would be produced, but neither used the same estimating methodology. The Office of the Secretary of Defense's estimate of F-22 total production cost exceeded the Air Force's estimate by \$7.8 billion, or 19 percent. If the Secretary's estimate is correct, the Air Force would have to buy about 85 fewer F-22 aircraft to stay within the congressional cost limit of \$39.8 billion. About half of the \$21 billion in cost reductions identified by F-22 contractors and program officials have yet to be implemented. Of 10 plans estimated to reduce costs by \$6.8 billion, four plans—totaling \$5.6 billion—may not be achievable. Six other cost reduction plans—totaling \$1.2 billion—may be achievable. Although the Air Force reports quarterly on the total estimated cost of F-22 production, its



reports have not regularly included a summary of the status of production cost reduction plans.

**NSIAD-00-179**, June 14, 2000 (21 pages). Future Years Defense Program: Comparison of Planned Funding Levels for the 2000 and 2001 Programs.

The Pentagon's Future Years Defense Program (FYDP) is the official document that summarizes the force levels and funding associated with programs that the military would like to see approved by Congress. The FYDP presents estimated funding needs for the budget year for which the money is being requested from Congress and at least the four years following it. GAO compared the planning levels for the common years of the fiscal year 2000 and 2001 FYDP requests. GAO found that, in constant dollars, there are only minor increases in the projected year-to-year funding totals over the common five-year period (2001-2005) from the 2000 FYDP to the 2001 FYDP. The Defense Department plans to increase total funding over the five-year period by \$15.8 billion, or 1.1 percent, over the total funding projected in the 2000 FYDP. Although total programmed funds for military personnel remain virtually the same in the year's FYDP as in last year's FYDP, programmed personnel funds for the Army and Air Force active forces decline, whereas programmed funds for other forces increase. The largest increase in the operation and maintenance account is \$9.7 billion, which is earmarked for overseas contingencies. Although DOD's programmed procurement spending remains above the \$60-billion threshold recommended by the Quadrennial Defense Review in 1997, the 2001 FYDP projects a \$3.2-billion decrease, or one percent, from last year's FYDP projections.

**NSIAD-00-181**, July 19, 2000 (39 pages). Combating Terrorism: Action

Taken but Considerable Risks Remain for Forces Overseas.

Overall, military forces stationed overseas are better protected today, and commanders are better able to determine their vulnerability to terrorist attacks, than they were when GAO last reported in 1997. However, significant security and procedural antiterrorism/force protection problems persist at many installations. For example, some installations have not developed plans to deal with terrorist attacks; others have no way to stop unauthorized vehicles from entering the installation; and there is no comprehensive way to share solutions to common problems with other installations. Limited antiterrorism funding and trained staff have affected the ability of commanders to correct known vulnerabilities. Some overseas commands have repeatedly received less than half of the funding that they believe is necessary to correct or mitigate vulnerabilities. Although Congress requires DOD to provide information on proposed antiterrorist/force protection funding and projects, it does not require information on projects that still need funding.

**NSIAD-00-182**, July 28, 2000 (27 pages). Defense Acquisitions: Howitzer Program Experiencing Cost Increases and Schedule Delays.

This report discusses the Marine Corps' development of the 155 mm lightweight howitzer. Procured for use by the Marine Corps and the Army, the lightweight howitzer is intended to provide greater mobility and improved operational characteristics. A contract with a target price of \$33.5 million was let in March 1997 for the development and manufacture of eight howitzers. The program is in the engineering and manufacturing development phase, and the Defense Department (DOD) plans to make a decision to go to full production in March 2002. This

program has experienced contracting and manufacturing problems that have caused schedule delays that may not provide DOD with enough information with which to make an informed decision to begin full-rate production. Time may also be insufficient before the decision date to adequately validate production processes and management controls that are considered necessary to avoid unacceptable cost and schedule risks. In addition, cost growth in the development contract represents a significant part of the total \$142.6 million development costs. Projected costs for producing the howitzer cannon barrels have more than doubled since the original 1996 cost estimate. Several design changes have been made to the lightweight howitzer; however, testing of the intended production configuration that incorporates these changes will not be possible until the third of eight development units is manufactured and delivered. The program office is adjusting its test plans to complete the testing needed to verify system performance and initial operational capabilities before the production decision.

**NSIAD-00-191**, Aug. 31, 2000 (36 pages). Defense Trade: Analysis of Support for Recent Initiatives.

The defense industry and foreign governments have expressed a high level of concern over the restrictions on cross-border defense trade. The Department of Defense (DOD) developed many initiatives to increase cooperation in the defense trade and improve relations with foreign countries. DOD, in developing its initiatives, relied on incomplete data and did not do the necessary analysis to determine the causes of the underlying problems that the new initiatives were supposed to resolve. It is unclear whether DOD's initiatives will: (1) improve the ability of U.S. and foreign forces to work together during wartime, and (2) reduce the gap in

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military capabilities between the United States and its allies.

**NSIAD-00-193**, Aug. 24, 2000 (39 pages). Depot Maintenance: Action Needed to Avoid Exceeding Ceiling on Contract Workloads.

Section 2466 of title 10, United States Code, stipulates that not more than 50 percent of funds made available in a fiscal year to a military or defense agency for depot-level maintenance and repair may be used for work done by private sector contractors. GAO reviewed Department of Defense (DOD) reports on the percentage of funding in support of public and private sector depot maintenance and repair workloads. This report provides information on DOD compliance with the 50-50 requirement for fiscal years 1998 and 1999; discusses DOD's progress in improving the quality of the workload data, and assesses the reasonableness of expenditure estimates for fiscal years 2000 through 2004. DOD's report on fiscal year 1998 and 1999 workloads shows that the Air Force, the Army, and the Navy were in compliance. However, because of continuing errors and weaknesses in the DOD's data, compliance with the 50-percent ceiling for the percentage of depot maintenance done by the private sector in fiscal year 1999 could not be determined. Fiscal year 1999 data was substantially improved from earlier years. However, errors and inconsistencies in reporting of depot-level workload and limitations in how well the services document their analyses persist. DOD's estimates of depot maintenance workloads for fiscal years 2000 through 2004 do not accurately project future depot maintenance expenditures.

**NSIAD-00-194**, Aug. 23, 2000 (26 pages). Defense Inventory: Actions Needed to Evaluate Supply Purchase Options for Facilities Maintenance.

The Department of Defense (DOD) began implementing the Defense

Logistics Agency's maintenance, repair, and operations prime vendor program in fiscal year 1999. More than 100 customers placed orders with these vendors for a total of about \$59 million, or less than 10 percent of the estimated \$670 million that DOD spent on facility maintenance supplies that year. Use of the program varied widely among the 11 installations GAO examined. At seven installations, base personnel ordered, on average, about 55 percent of facilities maintenance supplies from the prime vendor during fiscal year 1999. Of the four other installations, three did not use the program and one could not quantify the extent to which the prime vendor was used. DOD has no way to evaluate the extent to which the prime vendor program has been used to streamline logistics operations or increase overall logistics system effectiveness. It has also not determined how the program should be used in conjunction with other procurement methods. At some installations, ineffective working relationships among the agency, the prime vendors, and the installations have limited the program's use. Often, the prime vendors' prices for facilities maintenance supplies were higher than items bought directly from a local merchant.

**NSIAD-00-197**, Sept. 29, 2000 (30 pages). Defense Acquisitions: Higher Priority Needed for Army Operating and Support Cost Reduction Efforts.

The high cost to operate and support the Army's weapon systems is absorbing an increasing share of the Army's budget and is reducing funds available for buying new systems. This, according to Department of Defense (DOD) officials, results in older weapons being kept in the inventory longer, further increasing their costs and reducing funds available for modernization. DOD directed the services to designate 10 pilot programs to test innovative approaches to reduce operating and support costs. It set a broad goal that by fiscal year 2000

the projected life-cycle costs—the system from acquisition through disposal—be from 20 to 50 percent less than the actual costs of the replaced systems. This report addresses the effectiveness of the Army's efforts to reduce the operating and support costs for: (1) weapons systems under development; and (2) fielded weapon systems. GAO found that the Army is unlikely to significantly reduce projected operating and support costs of weapons systems under development, in part, because it has not established needed mechanisms to achieve the reductions. Furthermore, the Army's cost reduction efforts for fielded systems lack the priority needed to meet DOD's goals.

**NSIAD-00-198**, Aug. 11, 2000 (38 pages). DOD Competitive Sourcing: More Consistency Needed in Identifying Commercial Activities.

In compliance with Office of Management and Budget Circular A-76, the Department of Defense (DOD) compiles each year an inventory of commercial activities done in house in order to identify those activities that could be subject to competition. Although DOD has improved the identification of commercial activities that could be studied under A-76, the military did not always consistently categorize similar activities, in part because of a lack of clear guidance on how to identify which activities are inherently governmental, commercial and exempt from competition, and commercial and eligible for competition. Furthermore, the number of commercial activities in the inventories will likely change over time, although DOD does not expect to significantly increase the number of activities. Such factors as geographic dispersions of positions and the inability to separate commercial from inherently governmental activities may prevent DOD from developing studies for competition under A-76.

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**NSIAD-00-199**, July 31, 2000 (66 pages). Best Practices: A More Constructive Test Approach Is Key to Better Weapon System Outcomes.

This report examines (1) how the conduct of testing and evaluation affects commercial and Defense Department (DOD) program outcomes, (2) how best commercial testing and evaluation practices compare with DOD's, and (3) what factors account for the differences in these practices. GAO found that commercial firms use testing to expose problems earlier than the DOD programs GAO visited. Commercial firms' testing and evaluation validates products' maturity based on three levels at specific points in time, which works to preclude "late-cycle churn" or the scramble to fix a significant problem discovered late in development. Late-cycle churn has been a fairly common occurrence on DOD weapon systems, where tests of a full system identify problems that often could have been found earlier. DOD's response to such test results typically is to expend more time and money to solve the problems—only rarely are programs terminated. The differences in testing practices reflect the different demands commercial firms and DOD impose on program managers. Leading commercial firms insist that a product satisfy the customer and make a profit. Success is threatened if unknowns about a product are not resolved early when costs are low and more options are available. Testing is constructive and eliminates unknowns. Success for a weapons system is centered on providing a superior capability within perceived time and funding limits. Testing plays a less constructive role, because test results often become directly linked to funding and other key decisions and can jeopardize program support. Such a role creates a more adversarial relationship between testers and program managers.

**NSIAD-00-201**, Aug. 15, 2000 (38 pages). Force Structure: Air Force Expeditionary Concept Offers Benefits but Effects Should Be Assessed.

The Expeditionary Aerospace Force Concept is a way to help manage commitments to theater commanders and reduce the constant deployment burden on its people. Each force group is to deploy once every 15 months for 90 days. The concept will likely achieve its objective of spreading the deployment burden over a larger part of the Air Force's combat forces; mobility air forces are not likely to be affected. Active combat units in overseas commands will likely see significant increases in deployments while deployment of U.S.-based units will drop. Both reserve and active mobility air forces are likely to continue their high deployment. The reserves face two challenges: providing enough personnel in specialty areas where the need is high but the availability of qualified personnel is low and matching the reserves' aircraft capabilities with their increased role in contingency operations. The Air Force would experience a significant disruption in its ability to rotate forces to contingency operations under the concept if it were called on to simultaneously support a single major war. After deploying forces to a single major war, no Air Expeditionary Force pairs would have enough assets to maintain ongoing contingency operations.

**NSIAD-00-204**, Sept. 26, 2000 (18 pages). Unmanned Aerial Vehicles: Questionable Basis for Revisions to Shadow 200 Acquisition Strategy.

The Army plans to buy 44 Shadow 200 tactical unmanned aerial vehicle systems. Each system includes three unmanned aircraft; a vehicle to carry the aircraft; two ground control stations mounted on vehicles; and launch, recovery, and support equipment pulled on trailers behind

the vehicles. The cost to buy the 44 systems is estimated at \$430 million through 2004. To field systems more quickly, the Army's plan to increase the number of low-rate initial production systems from four to eight. GAO assessed whether the Army made a sound decision in changing its acquisition strategy. GAO recommends that the Army not buy four additional systems until after operational testing is completed. One reason is that operational testing of the system in a realistic combat environment can reveal whether the overall system will meet the Army's operational needs.

**NSIAD-00-208**, Aug. 24, 2000 (25 pages). Foreign Military Sales: Changes Needed to Correct Weaknesses in End-Use Monitoring Program.

This is the second in a series of reports on the foreign military sales program. GAO focuses on the Department of Defense's (DOD) implementation of end-use monitoring requirements of the Arms Export Control Act. GAO discusses DOD's efforts to (1) observe and report on defense articles and services transferred under the program, (2) perform end-use checks, and (3) satisfy requirements of end-use monitoring. GAO found that DOD has not effectively implemented any of its monitoring and reporting requirements under amendments to the Arms Export Control Act. GAO makes recommendations to correct program weaknesses.

**NSIAD-00-209**, Aug. 4, 2000 (51 pages). Presidential Travel: DOD Airlift Cost for White House Foreign Travel.

This report provides information on the Defense Department's (DOD) costs for cargo and passenger airlift and aerial refueling for foreign trips by the President, Vice President, and First Lady from January 1997 through March 2000. Also included are costs for White House-directed trips. This is

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a follow-up to an earlier GAO report on presidential travel costs for 1998. GAO found that DOD spent at least \$292 million to provide fixed-wing airlift and air refueling support for 159 White House foreign trips. These costs are somewhat understated because DOD could not provide historical data on some aerial refueling missions and could not guarantee that its information systems had captured complete mission data for some of the trips.

**NSIAD-00-210**, Aug. 9, 2000 (116 pages). World Trade Organization: Issues in Dispute Settlement.

Forty-two World Trade Organization (WTO) completed cases involving the United States led to changes in foreign laws, regulations, and practices that offer commercial benefits to the United States. With the exception of a ruling that U.S. tax provisions violated export subsidy rules, which has potentially significant commercial consequences, none of the changes the United States has made in response to disputes have had major policy or commercial impacts so far. The following major issues have emerged in using the system: (1) Sovereignty. The United States has wondered if U.S. protections would weaken against unfair trade and on health, safety, and the environment. So far, there has been no problem. (2) Compliance. WTO members have generally changed their practices to comply with WTO rules. The compliance rate is 75 percent in U.S. cases. (3) Resolution timetable. Although most U.S. complaints were resolved quickly, most cases going through the panel or appellate processes took longer than called for in WTO timetables. (4) Openness. Although the dispute settlement system is more transparent than when it was established in 1995, the public still has limited information about and input into the organization's proceedings. Summaries of the 42 WTO dispute settlement cases and

their commercial significance are included in appendixes.

**NSIAD-00-211**, Sept. 1, 2000 (31 pages). International Monetary Fund: Status of Efforts to Strengthen Safeguards Over Lending.

The International Monetary Fund's (IMF) long-standing method for safeguarding its resources against misuse by borrowers has been to monitor borrowers' compliance with specific, agreed-upon loan conditions. However, an IMF study found that its resources may have been vulnerable to borrower misuse because IMF has not typically assessed internal control procedures exercised by borrowers. Without such an assessment, IMF had few assurances that borrowers' systems of internal controls, accounting, reporting, and auditing were adequate to ensure the integrity for their financial operations. IMF now assesses the control environment of borrowing countries' central banks to evaluate the integrity of their operations, and it withholds loan disbursements until borrowers have corrected any critical deficiencies. IMF has also begun to require all borrowers to publish financial statements for their central banks, audited by independent external auditors in accordance with internationally accepted standards. Although IMF has traditionally relied on trust, it now has established measures to help prevent, detect, and address borrower misreporting of key information. For example, it checks, to the extent possible, the validity of information reported and has guidelines for applying sanctions against borrowers that receive funds based on misreported information. A new policy publicizes the identities of countries that obtain IMF resources using inaccurate reporting. Because some IMF initiatives are in the early stages, their effectiveness is still unknown.

**NSIAD-00-213**, Sept. 7, 2000 (22 pages). Defense Trade: Contractors

Engage in Varied International Alliances.

With the end of the Cold War and the subsequent decline in military spending in the United States and Europe, defense companies on both sides of the Atlantic began looking to each other's market for additional sales. To gain political advantage when competing in the other's market, U.S. and European contractors began forming transatlantic business alliances. GAO found that U.S. defense contractors prefer teams because they can choose new partners for each competitive market without forming permanent alliances, but European governments do not like the subsidiary role to which they are sometimes consigned. A joint venture is a separate legal entity that two or more companies form to pursue a discrete market. They share risk, decision making, and technology. U.S. companies see a drawback because work may be divided according to the country's investment as opposed to a country's skill. Subsidiaries are not favored because no one country in the fragmented European market has an impact to market access in another country, and large U.S. defense companies have not favored merging with or acquiring major defense companies. Although the U.S. companies reviewed do not consider the U.S. legal and regulatory environment to be a major impediment to forming an alliance, they are concerned with the effect that a slow technology transfer can have on the operation of an alliance and the regulation requiring foreign governments to seek U.S. consent before transferring alliance products to third parties.

**NSIAD-00-215**, Aug. 18, 2000 (20 pages). DOD Personnel: More Actions Needed to Address Backlog of Security Clearance Reinvestigations.

In January 2000, the Department of Defense (DOD) announced a backlog

of 505,000 overdue reinvestigations. DOD now lacks an information system that can routinely track and report on the status of security clearances; thus it cannot identify when security clearances are due to be updated, project the investigative workload, or know the extent of the reinvestigation backlog. Without readily available information, DOD has estimated the backlog by manual counting and statistical sampling. Recent attempts using these methods produced estimates that were six months old or older and did not include thousands of overdue reinvestigations that had been submitted. Coincidentally, two recent studies arrived at similar estimates—about one overdue reinvestigation for every five persons with a security clearance. To address this problem, DOD has set goals to eliminate the backlog, required the services and DOD agencies to formulate plans to meet the goals, and expanded DOD's investigative capacity by shifting some Defense Security Service workload to the Office of Personnel Management. It also plans to implement a new personnel security database.

**NSIAD-00-216**, Sept. 21, 2000 (151 pages). Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development.

Under the Compact of Free Association, an international agreement with the Federated States of Micronesia and the Republic of the Marshall Islands, the United States provides direct financial assistance to advance the economic development and self-sufficiency of those two countries. To help Congress determine future economic assistance, this report describes the use of Compact funding, the progress both nations have made in advancing economic self-sufficiency, and accountability by the countries and the United States over Compact funds. Although both countries have made some progress since 1987 in achieving economic self-

sufficiency, they remain highly dependent on assistance from the United States, which provides more than half of total government revenues in each country. Compact funds have led to little improvement in economic development. Per capita incomes in Micronesia, adjusted for inflation, have stagnated, while in the Marshall Islands they have fallen. Compact funds used to support general government operations have maintained high government wages and public sector employment that have discouraged private sector growth. Compact-funded business ventures have generally failed, many because of poor planning or management, inadequate construction and maintenance, or misuse of funds. The Compact set out specific obligations for reporting and consulting regarding use of funds. The governments of Micronesia, the Marshall Islands, and the United States, however, provided limited accountability over Compact expenditures and have not ensured that funds were spent effectively or efficiently.

**NSIAD-00-222**, Sept. 27, 2000 (46 pages). U.S. International Broadcasting: Strategic Planning and Performance Management System Could Be Improved.

The U.S. International Broadcasting Act of 1994 reorganized and consolidated U.S. international broadcast efforts in light end of the of the Cold War end and attempted to meet deficit reduction targets. The bipartisan Broadcasting Board of Governors reduced Radio Free Europe/Radio Liberty's annual budget from \$208 million in fiscal year 1994 to \$71 million in 1996. It relocated from Munich to Prague and cut staff significantly. The Board saved money by eliminating several hundred hours of broadcast overlap between Radio Free Europe/Radio Liberty and the Voice of America, eliminating and modifying several language services,

consolidating transmission services, and deploying digital sound recording and editing technology. The Board is also redirecting about \$4.5 million in language service funds from Central and Eastern Europe to several African countries and other regions and intends to use a language service review to look at program duplication between the Voice of America and surrogate language services. The Board has not yet established an effective strategic planning and performance management system that incorporates Results Act planning, the annual language service review process, and program reviews of individual language services. The Board needs to establish a standard program review approach.

**NSIAD-00-224**, Sept. 6, 2000 (18 pages). Defense Headquarters: Status of Efforts to Redefine and Reduce Headquarters Staff.

This report focuses on the status of Department of Defense's (DOD) efforts to redefine and reduce defense headquarters staff. GAO found that DOD's implementation of new management headquarters has resulted in a more accurate reporting of positions in headquarters activities, even though some inconsistencies still exist.

**NSIAD-00-225**, Sept. 29, 2000 (36 pages). Contingency Operations: Army Should Do More to Control Contract Cost in the Balkans.

The Army is concerned about controlling the cost of the Balkans Support Contract and has taken several steps to do so. This report assesses whether: (1) the Army is taking effective actions to contain costs, and (2) improvements are needed in how the Army and other Department of Defense (DOD) agencies involved in Balkan operations manage activities under the primary Balkan contract. GAO believes that the Army should have done more to

control costs. One step it should have taken was to give more consideration to costs in making decisions on the extent of services to be provided by the contractor. In July 2000, the Army directed that a quarterly review be done to assess whether all the services it receives under the contract are still needed. However, it has not called for the review to include an examination of the level of these services and the efficiency with which they are being provided. The Army expects to cut costs by reducing the number of contractor personnel providing services, scaling back service levels, and reducing on-hand inventories. There was a widespread desire on the part of personnel administering the contract for more training on the government's authority and on how to apply the contract in real world situations. Incomplete understanding of the government's authority and responsibilities under this type of contract, coupled with limited training and a lack of continuity among contract administration personnel, has led personnel to simply accept existing practices rather than question them. GAO concludes that DOD may be incurring higher costs than necessary.

**NSIAD-00-226BR**, Sept. 8, 2000 (60 pages). Foreign Affairs: Status of U.S. Parental Child Abductions to Germany, Sweden, and Austria.

In response to congressional concerns about how Germany, Sweden, and Austria handled U.S. cases of parental child abduction, GAO obtained information from the State Department on the status and outcome of cases initiated by parents left behind in the United States from January 1995 through May 15, 2000. This report provides the status and outcome of cases by country and provides background information on the provisions of the 1980 Hague Convention on the Civil Aspects of International Child Abduction and the process by which left-behind parents

can apply for the return of, or access to, the abducted child.

**NSIAD-00-228BR**, Aug. 31, 2000 (32 pages). United Nations: Cost of Peacekeeping Is Likely to Exceed Current Estimate.

The United Nation's (U.N.) cost of peacekeeping is likely to exceed current estimates provided for in its 2001 U.N. peacekeeping budget. GAO estimates that the cost of U.N. peacekeeping funded from the 2001 U.N. peacekeeping budget will be about \$2.7 billion, which exceeds the amount currently budgeted by about \$600 million. GAO's estimate includes additional appropriations in the United Nations will consider for missions in the Congo and East Timor when budgets for these missions are revised or fully developed later this year. GAO's estimate also includes anticipated increases for expanded operations in Sierra Leone, Ethiopia-Eritrea, and Lebanon. The major uncertainties in estimating the cost of peacekeeping include: (a) whether each mission's area of operation is sufficiently secure and will allow planned or proposed increases in troops and operations to proceed; (b) if so, when the troops might be deployed and operations expanded; and (c) whether the costs for building infrastructure have been accurately forecast.

**NSIAD-00-229**, Sept. 29, 2000 (54 pages). Trade Adjustment Assistance: Opportunities to Improve the Community Adjustment and Investment Program.

Congress created the Community Adjustment and Investment Program to assist communities that suffer job losses due to changing trade patterns with Mexico and Canada. GAO reviewed the program and found that the management structure hinders efficient program delivery and the program eligibility procedures are rather complex. Further, the program

lacks a system to monitor whether the loan guarantees it issues are resulting in increased private sector employment and growth. Management also needs to improve its efforts to notify counties that are eligible to participate in the program.

**NSIAD-00-235**, Sept. 28, 2000 (37 pages). Inter-American Foundation: Better Compliance With Some Key Procedures Needed.

In 1969, the Congress created the Inter-American Foundation, a government corporation, as an experimental agency to provide grants in support of grassroots development in Latin America and the Caribbean. The development included activities in areas such as agriculture and education. Because of concerns about the Foundation's activities and management practices, Congress reduced Foundation appropriations from an average of \$21 million a year during the last four years to \$5 million in fiscal year 2000. This report: (1) describes the Foundation's procedures for selecting organizations to receive grants, monitoring grantee organizations' compliance with grant agreements, and auditing grantees' use of funds; (2) analyzes the extent of the Foundation's compliance with these procedures; and (3) discusses the extent to which the Foundation provides grants to organizations that also receive financial support from the U.S. Agency for International Development.

**NSIAD-00-240R**, Aug. 21, 2000 (4 pages). Department of Defense: Military Assistance During the Branch Davidian Incident.

Congress asked the Department of Defense (DOD) to respond to a GAO report on the Army's delivery of high explosive ammunition to FBI agents during their standoff with the Branch Davidians at Waco, Texas, in 1993. Members of Congress also asked GAO whether it would change any of its

findings on the basis of DOD's response. GAO found that its August 1999 report remains accurate and does not need to be modified. GAO had found in its earlier report that the Army should be reimbursed for the ammunition and equipment it provided to the FBI. DOD's response did not refute any information in GAO's report.

**NSIAD/AIMD-00-329**, Sept. 29, 2000 (62 pages). Foreign Assistance: U.S. Food Aid Program to Russia Had Weak Internal Controls.

In December 1998, the United States responded to a Russian request for food aid. To ensure that the objectives of the food aid program were met, the Foreign Agricultural Service implemented internal controls to track the distribution and use of the food. GAO found that the Foreign Agricultural Service internal controls were inadequate and, as a result, the Service was unable to ensure that the food aid was delivered in the agreed upon amounts to designated regions. Several factors contributed to the weak monitoring system, including the Russian government's untimely reporting of commodity distribution and the Service's ineffective commodity tracking systems. Furthermore, the Service could not guarantee that funds derived from the sale of U.S. food aid were properly collected and deposited in the Russian Pension Fund.

**NSIAD/GGD-00-186**, Aug. 15, 2000 (20 pages). Space Shuttle: Human Capital and Safety Upgrade Challenges Require Continued Attention.

Several internal NASA studies have shown that downsizing has harmed the shuttle program's workforce. Many key areas lack enough qualified workers, and the remaining workforce shows signs of overwork and fatigue. Forfeited leave, absences from training courses, and stress-related employee assistance visits are all on the rise. More than twice as many workers are

more than 60 years old than are under 30 years old, jeopardizing the program's ability to hand off leadership to the next generation. This situation also poses significant shuttle program flight-safety risks, according to NASA. To revitalize its workforce, NASA has ended its downsizing plans and has begun to hire new staff. It has started an overall workforce review to examine personnel needs, barriers, and reforms to address long-term requirements. During the next five years, NASA plans to develop and institute various safety and supportability upgrades. The program's success, however, depends on NASA's ability to overcome programmatic and technical challenges, such as a demanding schedule and undefined design and workforce requirements. Continued management emphasis will be critical to the success of NASA's human capital planning.

**NSIAD/OGC-00-196BR**, June 14, 2000 (36 pages). World Trade Organization: U.S. Experience to Date in Dispute Settlement System.

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

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

**NSIAD/RCED-00-251**, Sept. 21, 2000 (33 pages). Federal Facilities: Further Review of Hawthorne Army Depot Land Management Proposals Needed.

The Bureau of Land Management and the Hawthorne Army Depot (Nevada) have not reached agreement on the Bureau's proposal to terminate Army control and exclusive use of a large portion of the lands at Hawthorne, including the Mount Grant watershed. Army and local community officials questioned terminating the withdrawal without having a specific management plan in place. Differing approaches have been proposed: (1) the Army could continue to limit public access to the watershed; (2) the Bureau could manage the land and open portions of the watershed to multiple use (public access, livestock grazing, mineral mining), with restrictions to protect the Depot's water supply; (3) joint cooperative agreements could be reached. GAO recommends that the Army and the Bureau review the advantages and disadvantages of using a cooperative agreement approach and determine whether such an approach would be useful.

**OSI/NSIAD-00-61**, Feb. 2, 2000 (10 pages). Department of the Navy: Breakdown of In-Transit Inventory Process Leaves It Vulnerable to Fraud.

GAO reported last year that the Navy was unable to account for more than \$3 billion worth of inventory, including classified and sensitive items, that was in transit within and between storage

facilities, repair facilities, and end users. (See GAO/NSIAD-99-61, Mar. 1999.) The Navy later obtained receipts for 45 of 79 shipments in question, leaving 34 shipments still unaccounted for. This follow-up report reviews the status of 23 of those shipments. GAO found that most of the shipments written off as lost by the Navy had in fact been delivered. Twenty of the 23 shipments were delivered but, because of procedural and system problems, were not reported as received. GAO was unable to determine the whereabouts of the remaining three shipments because the Navy could not provide documentation. During GAO's earlier review, Navy officials claimed that some items written off as lost had actually been received. They could not, however, provide evidence to support their contention. They said that their information was based primarily on telephone calls and e-mail messages from the issuing facilities to the intended recipients. GAO found that this was primarily shipping information that was not proof of either delivery or receipt. Although GAO's investigation uncovered no evidence of theft in the shipments it reviewed, GAO believes that the inventory process is susceptible to waste, fraud, and abuse. In-transit inventory discrepancies reduce the reliability of the Defense Department's inventory financial reports by obscuring true inventory losses and misstating the number of items on hand.

**OSI/NSIAD-00-147**, Apr. 28, 2000 (20 pages). Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property.

The Defense Reutilization and Marketing Service transferred and disposed of nearly \$18 billion worth of excess military property between 1996 and 1999. The excess property is available for reuse by military agencies and government contractors. The Service can also transfer property to federal agencies or donate property to

qualified organizations. Inadequate control, as a result of inconsistent and incorrect data in the military's databases, has allowed organizations to obtain excess Defense Department (DOD) property to which they may not be entitled. In its investigation of the University of Alabama at Huntsville, GAO found that the University used an invalid activity code to obtain more than \$3.5 million worth of excess DOD property to which it was not entitled. Similarly, a Florida Army National Guard unit was able to obtain excess property between 1998 and 1999 by using an invalid activity code that had been deleted in 1990. Officials at the Defense Logistics Agency were unable to explain why their computer system had failed to reject the invalid codes. DOD has exercised poor oversight over the management of excess DOD property provided to these organizations. GAO found that property obtained by the University of Alabama at Huntsville had not been inventoried as required, a significant portion could not be located, and some of the property had been misused or stolen. The University also failed to provide pertinent information to government officials, which limited the effectiveness of oversight efforts. Internal DOD studies have identified mismanagement of excess property by other universities.

**RCED/NSIAD-00-42**, Dec. 10, 1999 (35 pages). Federal Facilities: Alternative Land Uses Could Save Water at Fallon Naval Air Station, Nevada.

The Navy, which runs the Fallon Naval Air Station in Nevada, uses large amounts of water—in a region where water is scarce—to manage the land around its runways. Since the 1950s, the Navy has maintained a "greenbelt" at the air station that consists of acreage leased to local farmers who grow irrigated crops on the land. In the Navy's view, the "greenbelt" protects the facility from fires, lowers the chance of bird strikes or other damage

to aircraft from foreign objects, and controls dust. Since 1990, the Navy has used about 1.6 billion gallons of surface water to irrigate this land each year. This report provides information on (1) the aviation safety and operational requirements for the runway protection zone at Fallon, (2) the alternative land used strategies that Fallon identified in response to congressional direction and how it evaluated them, and (3) the current land use strategies at five military facilities and two commercial airports that operate in similar environments.

**RCED/NSIAD-00-55**, Jan. 21, 2000 (25 pages). Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina.

Biotechnology is changing the face of agriculture, with farmers adopting genetically modified seeds at unprecedented rates. The global area planted with these seeds increased more than fifteenfold between 1996 and 1998. The genetically modified seeds that are the most widely grown are herbicide-tolerant soybeans and insect-resistant corn—specifically, Roundup Ready soybeans and *Bacillus thuringiensis* (Bt) corn. Farmers in the United States and Argentina have been at the forefront of adopting this new seed technology. Although genetically modified seeds can be a powerful weapon in a farmer's arsenal of weed control and insect protection tools, these seeds have typically sold for a premium over conventional varieties. U.S. farmers have raised concerns about the pricing of genetically modified seeds. This report provides information on the (1) prices of Roundup Ready soybean seeds and Bt corn seeds in the United States and Argentina and (2) major reasons for any price differences between the two countries for these seeds.

**RCED/NSIAD-00-82**, Mar. 6, 2000 (30 pages). Nuclear Nonproliferation: Limited Progress in Improving Nuclear



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## Material Security in Russia and the Newly Independent States.

Safeguarding nuclear material that can be used in nuclear weapons is a primary national security concern of the United States, Russia, and other newly independent states of the former Soviet Union. With the dissolution of the Soviet Union, Russia and other newly independent states inherited about 650 metric tons of highly enriched uranium and plutonium in forms that are attractive to thieves. This report discusses (1) the number of buildings that have received nuclear material security systems and the amount of nuclear material that is protected under those systems and (2) the program's costs so far, the amount of program funds that did not go directly to program activities but have been paid in Russian taxes, and the estimated cost to complete the program. The Department of Energy has identified 332 buildings in Russia and other newly independent states that require nuclear security systems. As of February 2000, Energy had installed security systems in 113 buildings, most of which contained small amounts of nuclear material suitable for use in weapons. This report addresses the effectiveness of the Department of Energy's Material Protection, Control, and Accounting Program in reducing the proliferation risk posed by the theft or diversion of nuclear material and the ability of Russia and the newly independent states to operate and maintain the upgraded security systems.

### Testimony

**T-AIMD/NSIAD-00-163**, May 9, 2000 (52 pages). Department of Defense: Progress in Financial Management Reform, by Jeffrey C. Steinhoff, Acting Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Financial management problems at the Defense Department (DOD)—which oversees an estimated \$1 trillion in assets, has nearly \$1 trillion in reported liabilities, and had a net cost of operations of \$378 billion in fiscal year 1999—represent the single largest obstacle that must be overcome before an unqualified opinion can be rendered on the U.S. government's consolidated financial statements. So far, no major part of DOD has been able to pass the test of an independent audit. Pervasive weaknesses in DOD's financial management systems, operations, and controls led GAO to put DOD's financial management on its 1995 list of government areas at high risk for waste, fraud, abuse, and mismanagement. DOD has made genuine progress in many areas. GAO has seen a strong commitment by the DOD Comptroller and his counterparts in the military services to address deeply rooted problems. This testimony outlines DOD's most difficult financial management challenges and describes the initiatives that are in place or planned to deal with them.

**T-AIMD/NSIAD-00-214**, June 22, 2000 (18 pages). Foreign Affairs: Effort to Upgrade Information Technology Overseas Faces Formidable Challenges, by Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the House Committee on International Relations.

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

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

**T-AIMD/NSIAD-00-264**, July 20, 2000 (24 pages). Department of Defense: Implications of Financial Management Issues, by Jeffrey C. Steinhoff, Assistant Comptroller General, before the Defense and International Affairs Task Force, House Committee on Budget.

Material financial management weaknesses at the Defense Department (DOD) continue to represent the single largest obstacle to achieving an unqualified opinion on the U. S. government's consolidated financial statements. So far, no major part of DOD has been able to pass the test of an independent audit because of pervasive weaknesses in the military's financial management systems, operations, and controls. The lack of such key controls and information not only hampers DOD's ability to produce timely and accurate financial information but also impairs efforts to improve the economy and efficiency of its operations. DOD has made genuine progress in many areas, and the DOD Comptroller and his counterparts have shown a strong commitment to addressing the department's serious financial management problems. However, major problems remain that are pervasive, long-standing, deeply rooted, and complex in nature.

**T-GGD/NSIAD-00-120**, Mar. 9, 2000 (16 pages). Human Capital: Strategic Approach Should Guide DOD Civilian Workforce Management, by Michael Brostek, Associate Director, Federal Management and Workforce Issues, and Barry W. Holman, Associate

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Director, Defense Management Issues, before the Military Readiness Subcommittee, House Committee on Armed Services, and Civil Service Subcommittee, House Committee on Government Reform.

This testimony discusses civilian personnel downsizing at the Defense Department and suggests a framework that could be useful in approaching the military's future human capital management challenges. GAO (1) provides some perspectives on why this is an opportune time to consider human capital management in DOD and (2) discusses the human capital self-assessment checklist that GAO has developed to help agency leaders focus on improving their management of their most important resources: the people who carry out the agency's mission.

**T-HEHS/NSIAD-00-129**, Mar. 15, 2000 (15 pages). Defense Health Care: Observations on Proposed Benefit Expansion and Overcoming TRICARE Obstacles, by Stephen P. Backhus, Director, Veterans' Affairs and Military Health Care Issues, before the Military Personnel Subcommittee, House Committee on Armed Services.

The beneficiaries' benefit enhancements to the military health system proposed in current legislation and the Department of Defense fiscal year 2001 budget request would have limited impact on retention. Those that would improve access or pharmacy coverage for older retirees should be fully assessed for cost and operational concerns. Regarding those that would eliminate cost sharing for active-duty dependents who obtain care from civilian providers, GAO notes that the lack of cost sharing for health benefits leads to unnecessary utilization and higher costs. In the long term, the size and structure of the military health system need to be reassessed in terms of how best to achieve its readiness mission. If the system can be made significantly smaller and provide even

better training for wartime needs, savings from downsizing could pay for expanded health care benefits. GAO also finds room for improvement in TRICARE's appointment scheduling and claims processing and in the pharmacy program.

**T-NSIAD-00-44**, Oct. 14, 1999 (10 pages). Foreign Affairs: Federal Response to International Parental Child Abductions, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the House Committee on International Relations.

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.

**T-NSIAD-00-46**, Oct. 13, 1999 (11 pages). Trade With The European Union: Recent Trends and Electronic Commerce Issues, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the European Affairs Subcommittee, Senate Committee on Foreign Relations.

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.

**T-NSIAD-00-47**, Oct. 27, 1999 (9 pages). Foreign Assistance: North Korean Constraints Limit Food Aid Monitoring, by Henry L. Hinton, Jr., Assistant Comptroller General, before the House Committee on International Relations.

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. This testimony summarizes the October 1999 report, GAO/NSIAD-00-35.

**T-NSIAD-00-48**, Oct. 12, 1999 (9 pages). Anthrax Vaccine: Safety and Efficacy Issues, by Kwai-Cheung Chan, Director, Special Studies and

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Evaluations, before the House Committee on Government Reform.

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.

**T-NSIAD-00-49**, Oct. 20, 1999 (10 pages). Chemical and Biological Defense: Observations on Actions Taken to Protect Military Forces, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the Military Procurement Subcommittee, House Committee on Armed Services, and Military Research and Development Subcommittee, House Committee on Armed Services.

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.

**T-NSIAD-00-50**, Oct. 20, 1999 (9 pages). Combating Terrorism: Observations on the Threat of Chemical and Biological Terrorism, by Henry L. Hinton, Jr., Assistant Comptroller General, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

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.

**T-NSIAD-00-51**, Oct. 26, 1999 (11 pages). Military Real Property Maintenance: Improvements Are Needed to Ensure That Critical

Mission Facilities Are Adequately Maintained, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the Readiness and Management Support Subcommittee, Senate Committee on Armed Services.

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.

**T-NSIAD-00-53**, Oct. 28, 1999 (8 pages). Export Controls: Implementation of the 1998 Legislative Mandate for High Performance Computers, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the House Committee on Armed Services.

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.

**T-NSIAD-00-58**, Dec. 7, 1999 (8 pages). *Defense Acquisitions: Progress in Meeting F-22 Cost and Schedule Goals*, by Louis J. Rodrigues, Director, Defense Acquisitions Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

GAO reported in March 1999 on the extent to which cost, schedule, and performance goals were being met in the F-22 aircraft's engineering and manufacturing development program. (See GAO/NSIAD-99-55 and GAO/T-NSIAD-99-113.) This statement for the record summarizes the relevant parts of that report and testimony, describes the congressional actions on the fiscal year 2000 budget request, updates the information that GAO gave Congress in March, and discusses initiatives by the Air Force and contractors to control production costs.

**T-NSIAD-00-65**, Feb. 16, 2000 (12 pages). *DOD Personnel: Inadequate Personnel Security Investigations Pose National Security Risks*, by Carol R.

Schuster, Associate Director, National Security Preparedness Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

Between 1982 and 1999, 80 people were convicted of committing espionage against the United States; 68 of them were Defense Department (DOD) employees, and all had undergone personnel security investigations and held security clearances. GAO's evaluation of personnel security investigations by the Defense Security Service—the key agency responsible for investigating DOD's civilian and military personnel, consultants, and contractors—uncovered serious lapses in the thoroughness and timeliness of the investigations. This finding raises questions about the risks that such lapses pose to national security. An analysis of 530 personnel security investigations found that the vast majority did not comply with federal standards for conducting such investigations. All of the persons investigated were granted top security clearances even though Defense Security Service investigators had not always verified such basic information as residency, citizenship, or employment. Also, investigations had not been completed in a timely manner, and a backlog of more than 600,000 cases now awaits reinvestigation. In examining the reasons for these deficiencies, GAO found that the Defense Security Service—in an effort to streamline operations and improve efficiency—relaxed its investigative guidance, eliminated key quality control mechanisms, inadequately trained its investigators, and ineffectively managed the automation of its case-processing system. The underlying cause of the Defense Security Service's problems, however, is poor oversight by DOD.

**T-NSIAD-00-77**, Jan. 27, 2000 (19 pages). *Drug Control: DOD Allocates Fewer Assets to Drug Control Efforts*, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the Criminal Justice, Drug Policy and Human Resources Subcommittee, House Committee on Government Reform.

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

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set of performance measures to evaluate its counterdrug activities.

**T-NSIAD-00-79**, Feb. 2, 2000 (11 pages). Gulf War Illnesses: Basic Questions Unanswered, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

The Departments of Veterans' Affairs, Health and Human Services, and Defense (DOD) spent more than \$121 million during fiscal years 1997 and 1998 to research and investigate the illnesses of Gulf War veterans. DOD spent \$112 million of this amount, mostly through its Office of the Special Assistant for Gulf War Illnesses. The results of the research and the investigation efforts are accruing slowly, and basic questions about the causes, the course of development, and the treatments of Gulf War veterans' illnesses remain unanswered. GAO found that the activities of the Office of the Special Assistant are not effectively coordinated with those of the Research Working Group. Also, work was improperly awarded to the Office's support contractors for tasks worth more than \$20 million. This testimony summarizes the January 2000 report, GAO/NSIAD-00-32.

**T-NSIAD-00-84**, Feb. 8, 2000 (10 pages). World Trade Organization: Seattle Ministerial: Outcomes and Lessons Learned, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the Trade Subcommittee, House Committee on Ways and Means.

Member countries of the World Trade Organization (WTO) failed to meet their goal of launching a new round of multilateral trade negotiations at their biennial ministerial conference last December in Seattle. Although a combination of factors led to the impasse, two themes emerged. First,

there was a lack of agreement on many issues among major trading partners and between developed and many developing countries on the eve of the conference. The sensitivity and complexity of the issues to be discussed led to disagreements over the scope of the negotiations. Second, the Seattle negotiation process had inherent difficulties. For example, the document used as the basis for negotiations was a poor starting point for reaching consensus. Also, the negotiating process was hampered by the newness of the WTO leadership team and the challenge of accommodating the needs and interests of a large and increasingly diverse WTO membership. The following lessons can be learned: Efforts to launch a new round of negotiations may have been premature. Ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions and consensus is reached on most issues beforehand. WTO needs to find ways to address the institutional challenges posed by the increase in the number and the diversity of its members. Holding high-profile WTO meetings in countries that are major trading partners, such as the United States and the European Union, may pose difficulties.

**T-NSIAD-00-86**, Feb. 10, 2000 (10 pages). World Trade Organization: Seattle Ministerial: Outcomes and Lessons Learned, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the Senate Committee on Finance.

Member countries of the World Trade Organization (WTO) failed to meet their goal of launching a new round of multilateral trade negotiations at their biennial ministerial conference last December in Seattle. Although a combination of factors led to the impasse, two themes emerged. First, there was a lack of agreement on many issues among major trading partners and between developed and many

developing countries on the eve of the conference. The sensitivity and complexity of the issues to be discussed led to disagreements over the scope of the negotiations. Second, the Seattle negotiation process had inherent difficulties. For example, the document used as the basis for negotiations was a poor starting point for reaching consensus. Also, the negotiating process was hampered by the newness of the WTO leadership team and the challenge of accommodating the needs and interests of a large and increasingly diverse WTO membership. The following lessons can be learned: Efforts to launch a new round of negotiations may have been premature. Ministerial conferences are more likely to succeed if they address only a handful of politically difficult decisions and consensus is reached on most issues beforehand. WTO needs to find ways to address the institutional challenges posed by the increase in the number and the diversity of its members. Holding high-profile WTO meetings in countries that are major trading partners, such as the United States and the European Union, may pose difficulties.

**T-NSIAD-00-98**, Feb. 29, 2000 (12 pages). Defense Budget: Visibility and Accountability of O&M Fund Movements, by Norman J. Rabkin, Director, National Security Preparedness, before the Military Readiness Subcommittee, House Committee on Armed Services.

Congress has raised concerns about the extent to which the military has moved funds that directly affect readiness, such as those that finance training, to pay for real property maintenance and base operations. GAO found that from fiscal years 1994 through 1999, the military reported obligations that were \$7.1 billion (eight percent) more for real property maintenance and base operations than the \$88.6 billion initially designated by Congress. Nearly three-fourths of the

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\$2.7 billion increase from fiscal year 1996 to 1999 went for base operations, with the rest going to real property maintenance. For fiscal years 1994 through 1999, the services' movement of funds in and out of unit training varied. The Army and the Air Force have moved unit training funds to base operations and real property maintenance. This testimony summarizes the February 2000 report, GAO/NSIAD-00-87.

**T-NSIAD-00-99**, Feb. 24, 2000 (6 pages). Global Health: The U.S. and U.N. Response to the AIDS Crisis in Africa, by Benjamin F. Nelson, Director, International Relations and Trade Issues, before the African Affairs Subcommittee, Senate Committee on Foreign Relations.

Despite breakthroughs in the prevention and treatment of AIDS, the epidemic continues to grow in Africa. The broader economic and social consequences are becoming clear—and they are not good. During the last decade, the life expectancy in nine African countries fell by more than 17 years because of AIDS. The United Nation's Joint Program on HIV/AIDS estimates that 42 million African children will lose one or both parents to AIDS by 2010. In addition, the gross domestic product in many counties is expected to decline by as much as 20 percent. The countries in sub-Saharan Africa are among the poorest in the world, and their ability to respond to the epidemic is limited. At the same time, the United States and the United Nations have made important contributions to the fight against AIDS. Research supported by the U.S. Agency for International Development has helped to identify proven interventions to help stop the spread of the disease. The U.N.'s Joint Program on HIV/AIDS has been an important advocate for greater spending on AIDS programs by national governments, private companies, and donors. The World Bank, however, estimates that \$1

billion is needed annually to address the epidemic in Africa—more than three times the current level of spending.

**T-NSIAD-00-101**, Mar. 1, 2000 (6 pages). Defense Budget: Real Property Maintenance and Base Operations Fund Movements, by Neal P. Curtin, Associate Director, National Security Preparedness, before the Military Readiness Subcommittee, House Committee on Armed Services.

From fiscal years 1994 through 1999, the military moved \$7.1 billion into real property maintenance and base operations, bringing the total funding for these activities to \$95.7 billion or eight percent more than the original congressional designation. The movement of funds into and out of training varied according to the military services. Although it is impossible to trace the origins of all funds moved into real property maintenance and base operations and to determine the effects of these movements on readiness, Defense Department (DOD) reports show that at least some of the money that the Army and the Air Force moved into these activities came from unit training. DOD's reports to Congress on high-priority readiness-related transfers in fiscal years 1997 and 1998 show that the Army moved \$641 million from unit training to real property maintenance and attribute these movements to greater efficiencies in training. The fiscal year 1998 report also shows that the Air Force moved \$35 million from unit training to base operations.

**T-NSIAD-00-102**, Feb. 24, 2000 (18 pages). Military Personnel: First-Term Recruiting and Attrition Continue to Require Focused Attention, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the Personnel Subcommittee, Senate Committee on Armed Services.

During the last two years, the Army, the Navy, and the Army Forces have

been having difficulty recruiting qualified enlisted personnel. The three services have responded by refocusing attention on this area and adding resources. For example, most have increased their recruiting budgets and added recruiters. They have also offered larger enlistment bonuses and more money for college. The services have also tried more innovative ways to expand their shrinking recruiting market without sacrificing the quality of recruits. For example, the Army is experimenting with attracting youth who lack high school diplomas. The Army is prepared to sponsor these applicants and help them attain enlistment standards through attendance-based courses. The services also hope to more vigorously target students at community colleges. The services' recruiting problems are compounded by the fact that they have historically lost about one-third of their enlistees before the initial terms of service have been completed. Although many of the services' efforts to remedy this problem appear promising, the military's overall rate of attrition continues to rise: it reached an all-time high of nearly 37 percent at the end of fiscal year 1998. The services will not be able to develop appropriate measures to reduce attrition until they have more precise data on why these new recruits are leaving the military early—a point raised in earlier GAO reports. (See GAO/NSIAD-97-39, Jan. 1997, and GAO/NSIAD-98-213, Sept. 1998.) The Defense Department and the services are making progress in collecting accurate data on why people leave the service early, especially for medical reasons. However, despite efforts to target enlistees whom they want to rehabilitate, such as those who fail the physical training test or appear to be struggling with academic or language problems in basic training, the services have yet to extend their data collection efforts to include other reasons for separation.

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**T-NSIAD-00-104**, Feb. 28, 2000 (9 pages). Export Controls: National Security Risks and Revisions To Controls on Computers, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Senate Committee on Armed Services.

The United States has long controlled the export of high-performance computers to sensitive destinations, such as Russia and China. These computers have both civil and military uses, and technological advances in computing power have been rapid. The Commerce Department has primary responsibility for managing the licensing of these dual-use items and weighing the promotion of commercial interests in exporting items against the protection of national security interests. Congress has raised concerns in recent years about whether U.S. national security is being harmed by relaxing export controls on high-performance computers and over the rationale for subsequent revised controls. The executive branch has yet to clearly articulate the specific national security interests to be protected by controlling the export of computers at various performance levels. It also has not indicated how countries of military concern could benefit from using such technology. Without a clear statement of these interests, it is unclear how the executive branch determines what are militarily critical applications that may affect U.S. national security. Also, the executive branch has revised export controls on computers because it believes that these machines, at the previously approved levels, had become so widely available in the market that their export is uncontrollable. However, GAO could not assess the justification for the July 1999 export control levels because the terms "widely available" and "uncontrollable" used to explain the policy change are not clearly defined and are not found in law or regulation.

**T-NSIAD-00-110**, Mar. 8, 2000 (21 pages). Military Personnel: Preliminary Results of DOD's 1999 Survey of Active Duty Members, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the Military Personnel Subcommittee, House Committee on Armed Services.

Since the end of the Cold War and subsequent military downsizing, the U.S. armed forces have undergone considerable change. Some accounts of military life today paint a bleak picture. Reports of declining military readiness and lower retention rates raise several questions. What is the level of satisfaction in the military ranks? What is keeping people in, or driving them out, of the military? Is the military being stretched too thin, resulting in long hours and too much time away from home? And finally, how do military personnel think that they are faring in today's strong economy? This testimony addresses these issues in an analysis of the Defense Department's 1999 survey of active duty personnel.

**T-NSIAD-00-111**, Mar. 1, 2000 (14 pages). Military Real Property Maintenance: Management Improvements are Needed to Ensure Adequate Facilities, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the Military Readiness Subcommittee, House Committee on Armed Services.

The Defense Department (DOD) lacks a comprehensive strategy for managing its maintenance and repair needs. Each of the military services now sets its own standards for maintaining its property, using different methods to assess priority conditions, prioritize repairs, and allocate funds for maintenance and repairs. GAO also found that bases and the major commands within the services sometimes apply their own assessment criteria inconsistently. In addition, the services have different maintenance funding goals through

2005, and they plan to fund repairs below the levels required to keep most facilities at current conditions. Therefore, the backlog of repairs, some rated "critical," will increase. GAO found several promising practices in the maintenance area among nonmilitary groups, such as (1) using a single system for counting the number and type of facilities and for assessing their conditions and (2) ranking budget allocations for all facilities using common criteria, including physical condition, relevance of facilities to the mission, and life-cycle costing and budgeting. Adoption of these practices by the military, however, is hampered by several factors. GAO has recommended that DOD fund a comprehensive strategic real property maintenance plan. GAO has also recommended that DOD develop a cross-service, integrated strategy to comprehensively address real property maintenance issues. In response, DOD has taken several steps that, in GAO's view, demonstrate a positive commitment to change.

**T-NSIAD-00-112**, Mar. 3, 2000 (14 pages). Depot Maintenance: Air Force Faces Challenges in Managing to 50-50 Ceiling, by David R. Warren, Director, Defense Management Issues, before the Readiness Subcommittee, Senate Committee on Armed Services.

The Air Force recently waived a provision of 10 U.S.C. 2466 that places a 50-percent ceiling on the amount of depot maintenance funds that can be used for work done by the private sector. The statute allows the military to waive the 50-percent requirement for reasons of national security. In notifying Congress of the waiver, the Air Force explained that waiver was needed primarily because the private sector was needed to temporarily support maintenance that is being moved from the closing Sacramento, California, and San Antonio, Texas, depots to other military depots or private sector sources. This testimony focuses on the basis for the waiver and

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the likelihood that the Air Force will need additional waivers in the future.

**T-NSIAD-00-117**, Mar. 15, 2000 (7 pages). Agent Orange: Persisting Problems With Communication of Ranch Hand Study Data and Results, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

The Ranch Hand Study—a study of mortality rates among the nearly 1,300 Air Force personnel who sprayed herbicides from the air in Vietnam—has had little impact so far on decisions affecting veterans’ compensation. Its most significant impact has been on a decision by the Department of Veterans’ Affairs to compensate veterans with children born with spina bifida. However, it has not positively or negatively influenced decisions to compensate for other diseases. The study has also led to greater discussion and further study of the association between herbicide exposure and diabetes, a link that was first reported by the Ranch Hand study in 1991. Currently, Vietnam veterans with diabetes are not eligible for compensation. The relatively small size of the Ranch Hand population limits the study’s ability to detect increases in the risks of rare diseases, including many forms of cancer. Although the Air Force has conducted many aspects of the study in a rigorous manner, GAO found several past and ongoing problems, including delays in the dissemination of results, limited public access to detailed data, poor communication of the study’s limitations, failure to implement some measures to ensure rigor and independence, and insufficient outreach to veterans.

**T-NSIAD-00-122**, Mar. 7, 2000 (7 pages). World Trade Organization: Progress in Agricultural Trade Negotiations May Be Slow, by Susan S.

Westin, Associate Director, International Relations and Trade Issues, before the International Trade Subcommittee, Senate Committee on Finance.

This testimony provides observations on the negotiations on agricultural trade being conducted by the World Trade Organization (WTO). GAO discusses the (1) objectives of the United States and other countries in the agricultural trade negotiations, (2) progress achieved during the 1999 WTO Seattle ministerial conference, and (3) prospects for future negotiations.

**T-NSIAD-00-124**, Mar. 8, 2000 (11 pages). State Department: Progress and Challenges in Addressing Management Issues, by Benjamin F. Nelson, Director, International Relations and Trade Issues, before the International Operations Subcommittee, Senate Committee on Foreign Relations.

The State Department—the lead agency for advancing and protecting U.S. interests abroad—maintains a worldwide network of operations at more than 250 locations overseas to support its mission and those of 35 other U.S. agencies. A substantial share of the Department’s \$3-billion annual budget goes to support these operations, which range from providing security for more than 50,000 State Department and other U.S. agency personnel to finding suitable housing for American employees and their families. This testimony focuses on the management challenges that State faces in improving its operations in the following four areas: improving the security of U.S. personnel and facilities overseas in a cost-effective and timely manner, determining the right size and location of the U.S. overseas presence to improve the efficiency of operations, upgrading information and financial management systems to further strengthen

communications and accountability, and improving performance planning to better achieve mission objectives.

**T-NSIAD-00-128**, Mar. 16, 2000 (9 pages). Space Station: Russian Compliance With Safety Requirements, by Allen Li, Associate Director, Defense Acquisitions, before the Space and Aeronautics Subcommittee, House Committee on Science.

Although the space station components supplied by the Russians have complied with most safety standards, two Russian-built modules still fall short in meeting some important requirements. These modules are the Zarya, which provides the initial propulsion and guidance functions for the space station, and the Service Module, which will provide living quarters, life support systems, and guidance functions after docking with Zarya. Significant areas of noncompliance on one or both of the modules include (1) inadequate shielding from orbital debris, (2) an inability to operate after losing cabin pressure, (3) a lack of verification for the design and service life of windows, and (4) excessive noise levels. NASA officials said that shortfalls in Russian funding, designs based on existing Russian hardware, and technical disagreements with Russian engineers are the main reasons the modules do not comply with safety requirements. NASA waived compliance with safety requirements after determining that the risks were acceptable, allowing Zarya to be launched. It has yet to approve all instances of noncompliance for the Service Module. The four most significant instances in which Zarya failed to meet safety requirements or had performance problems did not warrant compensation from the contractor, according to NASA.

**T-NSIAD-00-130**, Mar. 22, 2000 (13 pages). Chemical and Biological Defense: Observations on Nonmedical Chemical and Biological R&D



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Programs, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

In the last decade, concerns about the possible use of chemical and biological weapons in both military and civilian settings has prompted Congress and federal agencies to launch new programs or expand existing ones to address these threats. Overall funding in these areas has risen significantly since 1996. Today, several civilian and military agencies are conducting research and development to counter these threats. Without effective coordination among the different agencies, however, their efforts might be unnecessarily duplicated and important questions may be overlooked. This testimony identifies similarities among nonmedical research and development programs and explains how coordination mechanisms could effectively address potential duplication, research gaps, and opportunities for collaboration. GAO focuses on the following four programs: (1) the Defense Department's Chemical and Biological Defense Program, (2) the Defense Advanced Research Projects Agency's Biological Warfare Defense Program, (3) the Department of Energy's Chemical and Biological Nonproliferation Program, and (4) the Counterterror Technical Support Program conducted by an interagency working group.

**T-NSIAD-00-132**, Mar. 16, 2000 (15 pages). Joint Strike Fighter Acquisition: Development Schedule Should Be Changed to Reduce Risks, by Louis J. Rodrigues, Director, Defense Acquisitions Issues, before the Military Procurement Subcommittee, House Committee on Armed Services, and Military Research and Development Subcommittee, House Committee on Armed Services.

The Defense Department (DOD) has made the Joint Strike Fighter program a leading example of military acquisition reform. A key concept is to demonstrate, before moving into the engineering and manufacturing phase, that critical technologies, processes, and system characteristics are able to produce an affordable family of strike aircraft—one that meets all participants' needs. Once a weapons system enters the development phase, a large, fixed investment has already been made and any significant changes at that point will have a ripple effect on cost and schedule. Although GAO is encouraged by the design of the acquisition strategy for the Joint Strike Fighter, GAO has concerns about its implementation. GAO's biggest concern is that critical technologies are projected to be at low levels of technical maturity when the engineering and manufacturing development contract is scheduled to be awarded. Also, when the competing contractors experienced design problems and cost overruns, DOD restructured the program in a way that will provide less information than originally planned before selecting between the two competing contractors' proposals. GAO believes that program managers should continue to focus on risk-reduction efforts by maturing critical technologies before entering engineering and manufacturing development and be allowed to do so without the penalty of withdrawal of funding support.

**T-NSIAD-00-133**, Mar. 22, 2000 (9 pages). Space Shuttle: Human Capital Challenges Require Management Attention, by Allen Li, Associate Director, Defense Acquisitions Issues, before the Science, Technology, and Space Subcommittee, Senate Committee on Commerce, Science and Transportation.

NASA's budget data show that, since 1995, the workforce for the space shuttle program has declined from

about 3,000 to about 1,800 full-time equivalent employees. NASA based its downsizing decision on optimistic assumptions. For example, NASA believed that it could cut its workforce by consolidating contracts for flight, ground, and mission operations. Several studies, one as recent as March 2000, have reported that the shuttle program's workforce has been harmed by the downsizing. The studies concluded that the existing workforce is stretched thin to the point where there is just one qualified person in many critical areas. In addition, the workforce is showing signs of overwork and fatigue, and the program's workforce age distribution and skill mix now limit opportunities to mentor newer staff. NASA has responded to these problems in several ways. It has ended its downsizing program and is increasing its budget to hire another 95 full-time employees for the shuttle program in fiscal year 2000. Also, the head of NASA has directed the agency's managers to consider ways to reduce workforce stress. GAO recently issued a checklist for agency leaders to use in developing human capital strategies. The checklist follows a five-part strategy, including strategic planning, organizational alignment, leadership, talent, and performance culture. The checklist helps to link human capital programs and the agency's mission, goals, and strategies. GAO believes that NASA's attention to human capital issues will be essential to the success of the shuttle programs.

**T-NSIAD-00-137**, Apr. 26, 2000 (16 pages). Defense Acquisition: Employing Best Practices Can Shape Better Weapon System Decisions, by David M. Walker, Comptroller General of the United States, before the Readiness and Management Support Subcommittee, Senate Committee on Armed Services.

In its hundreds of reviews of weapons systems during the last 20 years, GAO has cited the same problems time and

time again: cost overruns, schedule delays, and performance shortcomings. In GAO's view, the military's acquisition process has built-in incentives that encourage the premature commencement of weapons programs; the exaggeration of performance capabilities; and the understatement of expected costs, schedules, and risks. Leading firms in the private sector—from Chrysler to Caterpillar—have developed increasingly sophisticated products in less time and at lower costs. Behind their success is a knowledge-based approach that demands realism and candor at every stage of product development. At the end of product development, at which point key technologies are "matured," or proven to work, these firms know that they will be able to deliver a product that meets cost, quality, and schedule targets. The Defense Department, on the other hand, often rushes its weapons system prototypes into production only to discover later that they cost more than expected, take longer to produce, and deliver less than expected. A knowledge-based approach could help to reshape DOD's acquisition process. Programs managed using best practices are more likely to avoid cost and schedule overruns, which would alleviate the need for DOD to offset unexpected cost increases by disrupting funding for other modernization efforts.

**T-NSIAD-00-139**, Mar. 23, 2000 (9 pages). *Export Controls: National Security Risks and Revisions to Controls on Computer Systems*, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Senate Committee on Armed Services.

U.S. policy on the export of sensitive technology, including computers, is to strike a balance between the desire to promote American exports and the need to protect U.S. national security interests. The United States has long controlled the export of high

performance computers, which have both civilian and military uses, to sensitive destinations, such as Russia and China. This testimony draws on recent GAO work on export controls for high performance computers. (See GAO/NSIAD-98-196, Sept. 1998, and GAO/NSIAD-00-45, Nov. 1999.) GAO (1) assesses the national security risks associated with high performance computers being exported to countries of concern and (2) determines when the export of computers at existing performance levels can no longer be controlled.

**T-NSIAD-00-140**, Apr. 14, 2000 (5 pages). *Contract Management: DOD's Anthrax Vaccine Manufacturer Will Continue to Need Financial Assistance*, by David E. Cooper, Associate Director, Defense Acquisitions Issues, before the Personnel Subcommittee, Senate Committee on Armed Services.

The Defense Department (DOD) considers the use of anthrax by enemy forces to be the single greatest biological threat to U.S. troops. BioPort, the only company licensed by the Food and Drug Administration to produce the anthrax vaccine in the United States, has experienced financial difficulties that have jeopardized the military's anthrax vaccination program. In response to the company's problems, DOD has provided BioPort with financial assistance. This testimony discusses (1) the financial assistance DOD provided BioPort in 1999 and (2) the additional financial assistance DOD is providing BioPort in 2000.

**T-NSIAD-00-145**, Apr. 6, 2000 (15 pages). *Combating Terrorism: Issues in Managing Counterterrorist Programs*, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

One of the major shortcomings in federal efforts to combat terrorism is the lack of linkage among the terrorist threat, a national strategy, and agency resources. Improvements are also needed in intergovernmental relations at the federal, state, and local levels. The reality is that the federal government cannot respond on its own to terrorist attacks involving chemical, biological, radiological, or nuclear weapons. The Gilmore Panel, which issued its first report last year, found many of the same problems that GAO has cited, including the need for (1) more rigorous analyses of the threat, (2) better management of federal programs, (3) stronger coordination with state and local officials, and (4) a national strategy to combat terrorism.

**T-NSIAD-00-148**, Apr. 6, 2000 (10 pages). *DOD Personnel: Weaknesses in Security Investigation Program Are Being Addressed*, by Carol R. Schuster, Associate Director, National Security Preparedness Issues, before the Senate Committee on Armed Services.

From 1982 to 1999, 68 of the 80 persons convicted of spying against the United States were Defense Department (DOD) employees. All of them had undergone personnel security investigations and held security clearances. This testimony describes how decisions are made to grant or deny security clearances to DOD employees and contractors, summarizes the key findings from GAO's recent report on this subject (GAO/NSIAD-00-12, Oct. 1999), and discusses the steps that DOD has taken in response to GAO's recommendations.

**T-NSIAD-00-157**, Apr. 13, 2000 (9 pages). *Medical Readiness: DOD Continues to Face Challenges in Implementing Its Anthrax Vaccine Immunization Program*, by Carol R. Schuster, Associate Director, National Security Preparedness Issues, before the Senate Committee on Armed Services.

Anthrax is an infectious disease that is 99-percent fatal in people who have not been vaccinated. The Defense Department (DOD) has made anthrax vaccination a priority in protecting U.S. troops against biological weapons. In late 1997, DOD announced plans to immunize all 2.4 million U.S. military personnel—both active duty and reserve—with a licensed anthrax vaccine. This testimony updates the key findings of an October 1999 GAO report. (See GAO/NSIAD-00-36.) These findings related to vaccine supply, medical records, and efforts to educate servicemembers about the program. This testimony also reviews other aspects of the anthrax vaccine immunization program, including the safety and the efficacy of the vaccine and the contracts with the manufacturer.

**T-NSIAD-00-169**, May 10, 2000 (15 pages). *United Nations: Reforms Are Progressing, but Overall Objectives Have Not Yet Been Achieved*, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the International Operations Subcommittee, Senate Committee on Foreign Relations.

The United Nations has substantially restructured its leadership and operations and partly implemented a merit-based and performance-oriented human capital system, and these reforms have strengthened the U.N.'s operations. Although progress is being made, the overall objectives of the reform have yet to be achieved. The U.N. has not yet implemented reforms to focus its programming and budgeting on managing the Secretariat's performance. These initiatives would allow member states to hold the Secretariat accountable for results and are key to the success of the overall reform because they institutionalize a shift in the organization's focus from carrying out activities to accomplishing missions.

**T-NSIAD-00-172**, May 4, 2000 (5 pages). *Combating Terrorism: Comments on Bill H.R. 4210 to Manage Selected Counterterrorist Programs*, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

GAO believes that H.R. 4210—the Terrorism Preparedness Act of 2000—would address the fragmentation and duplication that GAO and others have found in programs to combat terrorism. The bill would create a new Office of Terrorism Preparedness to centralize leadership and coordination of federal programs to help state and local governments prepare for terrorist incidents involving weapons of mass destruction. However, the duties of the new office, as described in the bill, may overlap with some duties of the newly created National Domestic Preparedness Office. In GAO's view, success in achieving the bill's goals depends on the ability of the Office head to build consensus among the involved agencies. Also, the new office may take some time to accomplish its objectives presented in the bill.

**T-NSIAD-00-173**, May 10, 2000 (20 pages). *Defense Acquisitions: Decisions on the Joint Strike Fighter Will Be Critical for Acquisition Reform*, by Louis J. Rodrigues, Director, Defense Acquisitions Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

Leading commercial firms have adopted a knowledge-based approach to developing new products, one that uses incentives to encourage realism and candor. Making sure that new technology is mature—that is, showing that it works—before moving into product development is the foundation of this approach. Defense Department (DOD) programs, with some

exceptions, proceed with lower levels of knowledge about key factors of product development and allow technology development to take place during product development. DOD has designated the Joint Strike Fighter as a flagship program for acquisition reform. GAO found that, by best practices standards, none of the plane's critical technologies are expected to be at an acceptable level of readiness before starting engineering and manufacturing development. Delaying this phase of the program until these technologies are mature would improve the chances that the Joint Strike Fighter will be fielded as planned. However, despite lacking the requisite knowledge for the plane's critical technologies, DOD has deemed the risks manageable and plans to move ahead with the program as planned. Such a decision reinforces traditional incentives and increases the likelihood that the program will experience cost, schedule, and performance problems.

**T-NSIAD-00-180**, May 24, 2000 (12 pages). *Chemical and Biological Defense: Program Planning and Evaluation Should Follow Results Act Framework*, by Kwai-Cheung Chan, Director, Special Studies and Evaluations, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

During the last decade, concerns about the possible use of chemical and biological weapons in both military and civilian settings have led Congress to boost funding for new and expanded initiatives to counter these threats. For example, the Chemical and Biological Defense Program appropriation has more than doubled from \$388 million in fiscal year 1996 to \$791 million. This testimony discusses whether a framework exists to monitor and evaluate the impact of increased funding on protecting

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soldiers from the effects of chemical and biological weapons.

**T-NSIAD-00-187**, May 26, 2000 (17 pages). Export Controls: Challenges and Changes For Controls on Computer Exports, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Senate Committee on Governmental Affairs.

This testimony discusses export controls for high performance computers. GAO provides observations on how the executive branch (1) assesses the national security risks associated with the export of high performance computers going to countries of concern, (2) determines when the exports of computers at existing performance levels can no longer be controlled, and (3) has addressed arrangements for post-verifications of high performance computer exports.

**T-NSIAD-00-200**, June 15, 2000 (12 pages). Defense Acquisitions: Use of Cost Reduction Plans in Estimating F-22 Total Production Costs, by Allen Li, Associate Director, Defense Acquisitions Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

The F-22 Raptor is being developed to replace the F-15 fighter aircraft. Projections of higher production costs have been a source of concern for years. The most recent production cost estimates were done by the Air Force and the Office of the Secretary of Defense in 1999. Both of these estimates considered cost reduction initiatives known as production cost reduction plans. Hundreds of these plans totaling \$21 billion have been identified by the airframe and engine contractors, with participation by the Air Force's F-22 program office. This testimony (1) discusses the status of cost reduction plans, including some

plans not yet implemented, and identifies Air Force procedures for reporting on the plans and (2) compares the 1999 cost estimates developed by the Air Force and the Office of the Secretary of Defense with the congressional cost limitation.

**T-NSIAD-00-206**, June 27, 2000 (9 pages). Defense Logistics: Integrated Plans and Improved Implementation Needed to Enhance Engineering Efforts, by David R. Warren, Director, Defense Management Issues, before the Military Readiness Subcommittee, House Committee on Armed Services.

Military logistics is an important and expensive job. The Defense Department (DOD) will spend about \$84 billion out of its \$280-billion budget on logistics support this year. Even so, failing equipment and parts shortages continue to be a problem. DOD has taken steps to reengineer its logistics process, but many aspects of its overall plan are incomplete, raising questions about whether or when the goals of better service and lower costs will be realized. It is too early to assess the impact that reengineering logistics support will have on combat forces. Officials representing combat forces have raised several concerns, including the effect of having large numbers of private contractors on or near the battlefield, the ability of contractors to meet the surge requirements, and the effects of contracting on the number of jobs available to military personnel returning to the United States from overseas duty. Several factors, if not addressed, could limit DOD's ability to achieve its reengineering goals. These factors include the impact that use of sole-source, long-term contracts would have on anticipated reengineering savings and the effects that existing laws and policies would have on the implementation of reengineering initiatives. This testimony summarizes the June 2000 report, GAO/NSIAD-00-89.

**T-NSIAD-00-207**, June 29, 2000 (13 pages). Visa Issuance: Observations on the Issuance of Visas for Religious Workers, by Jess T. Ford, Associate Director, International Relations and Trade Issues, before the Immigration and Claims Subcommittee, House Committee on the Judiciary.

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

**T-NSIAD-00-218**, July 26, 2000 (14 pages). Combating Terrorism: Linking Threats to Strategies and Resources, by Norman J. Rabkin, Director, National Security Preparedness Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

To develop sound programs to combat terrorism, the United States must develop a thorough understanding of the terrorist threat. U.S. intelligence agencies track and analyze terrorist

threats, including the use of chemical, biological, radiological, and nuclear (CBRN) weapons. In GAO's view, some public statements made about CBRN do not include important qualifications to the information they present. For example, terrorists would have to overcome significant technical and operational challenges to successfully make and release chemical or biological agents of sufficient quality and quantity to kill or injure large numbers of people without substantial assistance from a foreign government sponsor. Secondly, much federal effort to combat terrorism has been based on vulnerabilities and worst case scenarios rather than an analysis of credible risks. A threat and risk assessment can be used to develop a nationwide strategy and guide resource investments. Officials in five foreign countries GAO visited—Canada, United Kingdom, Israel, Germany, and France—said that because of limited resources, they make funding decisions for programs to combat terrorism on the likelihood of terrorist activity, not on the countries' overall vulnerabilities. These countries maximize their existing capabilities to address a wide array of threats, including emerging threats like CBRN, before they create new capabilities or programs to respond to such attacks.

**T-NSIAD-00-219**, July 19, 2000 (10 pages). *Bosnia: Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement*, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the House Committee on International Relations.

In 1998 the U.S. government, the Peace Implementation Council, and the North Atlantic Council adopted benchmarks to help determine when enough progress has been made to allow NATO-led forces to be withdrawn from Bosnia. Three of the benchmarks—elimination of illegal institutions, creation of a democratic law enforcement system, and reform

of the judicial system—are directly linked to reducing organized crime and corruption in Bosnia. However, despite U.S. and international efforts to achieve the three benchmarks, U.S. and international officials and published reports agree that organized crime and corruption continue to pervade Bosnia's civil service, law enforcement and judicial systems, economy, and political parties. Corruption pervades public administration. The judicial system is inadequate and, according to the Office of the High Representative's Judicial Reform Strategy, is incapable of effectively administering justice. Widespread customs and tax evasion has resulted, it is believed, in revenue losses of hundreds of millions of dollars. In addition, although internal controls over international aid appear to be adequate, according to U.S. and international officials, some corruption and fraud have occurred in the international assistance effort. Officials also said that anticorruption and judicial reform efforts have had little success because the political will of Bosnia's leaders is weak or nonexistent. Congress should consider requiring the State Department to certify that Bosnia has undertaken concrete, measurable efforts to fight corruption, smuggling, and tax evasion before providing future assistance. This testimony summarizes the July 2000 report, GAO/NSIAD-00-156.

**T-NSIAD-00-246**, Sept. 20, 2000 (11 pages). *DOD Personnel: More Accurate Estimate of Overdue Security Clearance Reinvestigations Is Needed*, by Carol R. Schuster, Associate Director, National Security Preparedness Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

This testimony discusses GAO's recent evaluation of the Department of Defense's backlog of overdue

personnel security reinvestigations. (See GAO/NSIAD-00-215, Aug. 2000.)

**T-NSIAD-00-249**, Sept. 13, 2000 (9 pages). *Arms Control: Experience of U.S. Industry With Chemical Weapons Convention Inspections*, by Jack L. Brock, Managing Director, Acquisition and Sourcing Management, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

In considering the impact of proposed compliance regimes for the Biological Weapons Convention on U.S. industries such as the pharmaceutical, chemical, agricultural, and brewing industries, GAO was asked to testify on how industries with similar concerns were affected by compliance regimes of the Chemical Weapons Convention. Specific concerns were protection of proprietary information during inspections, adverse publicity resulting from inspections, and costs to companies being inspected. GAO testified that for the first seven companies inspected under the Chemical Weapons Convention, companies were generally able to protect proprietary information because of provisions in the Convention and U.S. law. No instances were identified in which a company was affected by adverse publicity, even though companies differed in the amount of information they released. Companies reported inspection costs ranging from \$6,000 to \$107,000. GAO cautioned about drawing conclusions on the basis of limited company experiences under the Chemical Weapons Convention. Although Biological Weapons Convention protocols being negotiated are similar, levels of detail for reporting and intrusiveness of inspections have yet to be finalized.

**T-NSIAD-00-257**, Sept. 19, 2000 (13 pages). *Foreign Assistance: Lack of Haitian Commitment Limited Success of U.S. Aid to Justice System*, by Jess T.

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Ford, Associate Director, International Relations and Trade Issues, before the House Committee on International Relations.

This testimony discusses the preliminary results of GAO's review of U.S. assistance provided to Haiti's justice system. During six fiscal years, the United States provided about \$97 million in assistance to help Haiti establish its first civilian-controlled police force and improve aspects of its judicial sector. About \$70 million in U.S. assistance helped Haiti recruit, train, organize, and equip a basic police force, including an anti-narcotics unit, a special investigative unit, and the Haitian Coast Guard; \$27 million in U.S. assistance trained magistrates and prosecutors and improved management practices of judicial institutions. Despite these achievements, the police force has not effectively carried out its basic law enforcement responsibilities and events suggest that politicization has compromised the force. It lacks independence from the executive branch and has outdated legal codes and cumbersome judicial proceedings. Judicial institutions have personnel shortages, inadequate infrastructure and equipment, and an ineffective internal oversight organization unable to stem corruption. The key factor affecting the lack of success of U.S. assistance has been the Haitian government's lack of commitment to addressing the major problems of its police and judicial institutions. It has failed to strengthen the police organization by filling key leadership positions or provide human and physical resources. It has also failed to support police investigations of serious crime or keep the police force out of politics. Concerning the judicial sector, the Haitian government has not followed through on implementing broad reforms and adopting improvements nor has it provided physical and human resources needed to operate effectively.

**T-NSIAD/AIMD-00-116**, Mar. 8, 2000 (15 pages). Defense Acquisitions: Observations on the Procurement of the Navy/Marine Corps Intranet, by Allen Li, Associate Director, Defense Acquisitions Issues, and Jack L. Brock, Director, Governmentwide and Defense Information Systems, before the Military Readiness Subcommittee, House Committee on Armed Services, and Military Research and Development Subcommittee, House Committee on Armed Services.

The Navy's strategy for acquiring and implementing a Navy/Marine Corps Intranet has several weaknesses that put this effort at unnecessary risk. The Navy/Marine Corps Intranet is intended to serve about 360,000 users in the United States, Guantanamo Bay, Puerto Rico, and Iceland. The Navy plans to acquire intranet capabilities from commercial vendors, which will own and maintain all required desktop and network hardware and software and provide all required information technology services. The Navy has been working to award a contract in June 2000—an aggressive deadline set by the military services in order to have initial intranet capabilities available by December 2001. However, the Navy's request for proposals was issued without (1) developing a formal analysis of program alternatives and completing a business case analysis to determine an appropriate acquisition strategy for the proposed Intranet; (2) resolving key program issues, such as how the intranet is to be managed within the Navy, how it will be funded, and how its information technology and other personnel may be affected by the Intranet; and (3) taking risk mitigation steps, such as testing the proposed approach on a smaller scale. GAO also cites several shortcomings in the Office of the Secretary of Defense's oversight of the Navy Intranet effort.

**T-NSIAD/AIMD-00-254**, July 19, 2000 (14 pages). State Department: Progress and Challenges in Managing for Results, by Benjamin F. Nelson,

Director, International Relations and Trade Issues, before the National Security, Veterans Affairs, and International Relations Subcommittee, House Committee on Government Reform.

The State Department recognizes many of its critical management challenges and has devoted substantial resources to overcoming them. State has made considerable progress in many difficult areas but still faces significant obstacles. Specifically, State needs to improve the security of U.S. personnel and facilities at overseas locations in a cost-effective and timely manner. It also needs to determine the right size and location of the U.S. overseas presence to both improve the efficiency of operations and reduce the security burden. In addition, State should better utilize the Government Performance and Results Act by demonstrating its level of success in achieving desired outcomes or the way in which its actions actually led to achieving desired goals. State had made many improvements in its information and financial management systems but faces continuing challenges in working with U.S. agencies operating overseas to standardize information capabilities and to correct weaknesses in its information security and financial management systems.

**T-NSIAD/OGC-00-202**, June 20, 2000 (10 pages). World Trade Organization: U.S. Experience in Dispute Settlement System: The First Five Years, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the International Trade Subcommittee, Senate Committee on Finance.

Member countries of the World Trade Organization (WTO) have actively used the WTO dispute settlement system during the first five years and filed 187 complaints as of April 2000. The United States and the European Union were the most active

participants, both as plaintiffs and defendants. Out of 25 cases in which the United States was a plaintiff, the United States prevailed in a final WTO dispute settlement ruling in 13 cases, resolved the dispute without a ruling in 10 cases, and did not prevail in two cases. As a defendant in 17 cases, the United States prevailed in one case, resolved the dispute without a ruling in 10 cases, and lost in six cases. Overall, GAO's analysis shows that the United States has gained more than it has lost in the WTO dispute resolution system so far. WTO cases have resulted in a large number of changes in foreign trade practices, while their effect on U.S. laws and regulations has been minimal. This testimony summarizes the June 2000 report, GAO/NSIAD/OGC-00-196BR, June 14 (36 pages).

**T-NSIAD/RCED-00-119**, Mar. 6, 2000 (13 pages). Weapons of Mass Destruction: U.S. Efforts to Reduce Threats From the Former Soviet Union, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Emerging Threats and Capabilities Subcommittee, Senate Committee on Armed Services.

Since 1991, Congress has authorized the Departments of Defense, Energy, and State to help Russia and other newly independent states control and eliminate weapons of mass destruction and to reduce the risks of proliferation. This testimony draws on 20 reports GAO has issued during the past eight years on various aspects of these programs. GAO presents overall observations on the costs and impacts of these programs and suggests issues that Congress may want to consider as it reviews current and future budget requests for these programs.

**T-NSIAD/RCED-00-227**, June 28, 2000 (15 pages). Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development and

Accountability Over Funds Was Limited, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the Asia and the Pacific Subcommittee, House Committee on International Relations.

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

limited accountability over Compact expenditures.

**T-RCED/NSIAD-00-228**, June 29, 2000 (5 pages). Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina, by Robert Robertson, Associate Director, Food and Agriculture Issues, before the House Committee on Agriculture.

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

## OCE

**GGD/OCE-00-165**, June 30, 2000 (67 pages). Sales Taxes: Electronic Commerce Growth Presents Challenges; Revenue Losses Are Uncertain.

Although the states can impose a tax on residents' purchases from out-of-state vendors, they cannot impose an obligation on those vendors to collect the tax unless the vendor has a substantial presence—called a nexus—in the state. For sales without nexus, purchasers are legally required to remit the tax, but purchaser compliance is generally much lower than seller compliance. Therefore, at this time, portions of sales and use taxes can be avoided. In 1999, state and local governments collected \$203 billion in general sales tax revenues. On average, general sales taxes account for 33 percent of state and 11 percent of local tax revenues. Little empirical data exist on the key factors needed to calculate the amount of sales and use revenues that state and local governments lose on Internet and other remote sales. GAO constructed scenarios representing different

assumptions about the important determinants of the loss. Under all scenarios, the size of tax loss from Internet sales for 2000 is less than two percent of aggregate general sales tax revenues. Under the scenario for 2003, the size of the tax loss from Internet sales ranged from less than one percent to about five percent. The results of GAO's scenarios highlight the importance of developing better data about Internet tax losses. Even with better data, the rapid and fundamental nature of innovations in electronic commerce means that policymaking regarding the tax treatment of Internet sales will be done in an environment of significant uncertainty.

## OCG

**OCG-00-2**, Jan. 24, 2000 (16 pages).  
GAO's Congressional Protocols.

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

**OCG-00-4**, Mar. 9, 2000 (173 pages).  
Status of Open Recommendations:  
Improving Operations of Federal  
Departments and Agencies.

Each year, GAO's work contributes to many actions by Congress and federal

agencies that yield significant financial savings and other improvements in government operations. Some, but not all, are identified through GAO's system for periodically following up to determine the status of actions taken on recommendations made in GAO's reports. About 70 percent of the recommendations made during the past four years have been implemented. This report contains summaries highlighting the impact of GAO's work along with significant open recommendations, including those associated with GAO's "high risk" areas.

**OCG-00-6**, May 19, 2000 (25 pages).  
Occupational Safety and Health:  
Government Responses to Beryllium  
Uses and Risks.

For decades, the U.S. military has used beryllium—a lightweight metal—to produce various weapons systems. Lightness, strength, and other attributes have made beryllium useful in a wide array of products, from aircraft to x-ray equipment to nuclear weapons. Since the 1940s, however, scientists have linked beryllium exposure to an inflammatory lung condition, which can be debilitating, even fatal. Studies from the 1950s showed that beryllium can cause cancer in laboratory animals. From the 1960s through the 1990s, the Departments of Defense (DOD) and Energy and the Occupational Safety and Health Administration (OSHA) took several steps to assess and respond to risks associated with exposure to beryllium. DOD discontinued testing beryllium in rocket fuel by 1970, due in part to concerns about meeting air quality requirements. In 1975, OSHA proposed a more stringent worker exposure standard for beryllium that was based on evidence that it was carcinogenic in laboratory animals. Energy improved working conditions at its facilities and implemented medical testing for its current and former workers during the 1980s and 1990s after new cases of

chronic beryllium disease were identified during the 1980s. Energy issued a rule in 1999 that established new worker safety controls, such as greater use of respirators and assessing hazards associated with work tasks, for its facilities that use beryllium. Energy has also proposed a compensation program for Energy workers affected by chronic beryllium disease.

**OCG-00-8**, Mar. 31, 2000 (322 pages).  
Budget Issues: Budgetary Implications  
of Selected GAO Work for Fiscal Year  
2001.

This report consolidates in a single document the budgetary implications of program reforms discussed in earlier GAO work but not yet implemented or enacted. This report is part of a special series designed to help Congress identify ways to reduce federal spending and increase revenues. Where available, budgetary savings estimated by the Congressional Budget Office or the Joint Committee on Taxation are presented for each of the options. This report contains more than 120 options. Thirty-two options are new this year; the rest are updated versions of options that appeared in last year's report. (See GAO/OCG-99-26, Apr. 1999.) All of these options are based on key findings and issues developed in past GAO audits and evaluations. This report is divided into four sections: a discussion of the conventions used to estimate cost savings and revenue gains, an analytical framework with which to consider cost savings or revenue increases, narrative descriptions of the options, and a list of options from last year's report that were not updated because of congressional or agency action.

**OCG-00-12**, Aug. 1, 2000 (12 pages).  
Determining Performance and  
Accountability Challenges and High  
Risks (Exposure Draft).



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GAO periodically reports on government programs and functions at the high risk for waste, fraud, abuse, and mismanagement. As a result of the implementation of various federal management reforms, GAO decided to reassess the methodologies and criteria it uses to determine which programs which should be included in its Performance and Accountability Series, as well as those that should be designated as high risk. This exposure draft offers GAO's criteria and process for determining performance and accountability challenges and high risks.

**OCG-00-14G**, Sept. 1, 2000 (38 pages). Human Capital: A Self-Assessment Checklist for Agency Leaders.

Self-assessment is the starting point for creating "human capital organizations"—agencies that focus on valuing employees and aligning "people policies" to support organizational performance goals. If high performance and accountability depend on the three enablers—people, process, and technology—then it is useful, first and foremost, for any agency to have a clear and fact-based understanding of its human capital situation. This report identifies several human capital elements and underlying values that are common to high-performance organizations. GAO's checklist is intended to be a relatively simple diagnostic tool to capture senior leaders' informed views of their agencies' human capital policies and practices.

### Testimony

**T-OCG-00-1**, Feb. 1, 2000 (16 pages). Fiscal Year 2001 Budget Request: U.S. General Accounting Office, by David M. Walker, Comptroller General of the United States, before the Legislative Subcommittee, House Committee on Appropriations.

Maintaining and enhancing GAO's ability to serve Congress in today's

rapidly changing global environment present several challenges. Although GAO is 40 percent smaller today than in 1992, congressional demand for the agency's work continues to increase. At the same time, in a period of fiscal restraint, GAO cannot expect significant increases in its budget or in its staffing level. In response to this reality of constrained resources and rising demand for its services, GAO is taking steps to maximize its effectiveness; manage risks; and boost staff productivity, efficiency, and effectiveness. During the last year, GAO launched a client outreach effort to help it better meet congressional needs, issued a draft strategic plan that spells out the current and emerging issues that GAO will likely focus on during the next six years, strengthened communication within the agency, began redesigning its employee performance appraisal system, and replaced obsolete computer hardware and software. GAO will be seeking legislative authority that will give the agency additional flexibility to manage its most important resource—human capital. The legislation would allow GAO to offer early-outs to selected employees in order to avoid a workforce imbalance that could undermine the agency's future ability to serve Congress. To improve its ability to hire technical talent, such as computer specialists and actuaries, GAO will also seek authority to offer these individuals salaries at senior executive levels. For fiscal year 2001, GAO is requesting \$402.9 million. The funding increase would cover mandatory cost-of-living adjustments in federal pay and uncontrollable cost increases in transportation, supplies, contracts, and other essential mission support services. GAO would also be able to undertake a host of much-needed initiatives, from strengthening its programs that recognize and reward employee performance to upgrading its network software. GAO continues to deliver a tremendous return on investment. In fiscal year 1999, for every dollar spent on GAO,

the agency's work yielded financial benefits of about \$57—or about \$20.1 billion in total. GAO's fiscal year 2001 budget request is designed to strengthen the agency so that it can remain a valuable asset to Congress and, ultimately, the American people.

**T-OCG-00-5**, Feb. 29, 2000 (18 pages). Fiscal Year 2001 Budget Request: U.S. General Accounting Office, by David M. Walker, Comptroller General of the United States, before the Legislative Branch Subcommittee, Senate Committee on Appropriations.

Maintaining and enhancing GAO's ability to serve Congress in today's rapidly changing global environment present several challenges. Although GAO is 40 percent smaller today than in 1992, congressional demand for the agency's work continues to increase. At the same time, in a period of fiscal restraint, GAO cannot expect significant increases in its budget or in its staffing level. In response to this reality of constrained resources and rising demand for its services, GAO is taking steps to maximize its effectiveness; manage risks; and boost staff productivity, efficiency, and effectiveness. During the last year, GAO launched a client outreach effort to help it better meet congressional needs, issued a draft strategic plan that spells out the current and emerging issues that GAO will likely focus on during the next six years, strengthened communication within the agency, began redesigning its employee performance appraisal system, and replaced obsolete computer hardware and software. GAO will be seeking legislative authority that will give the agency additional flexibility to manage its most important resource—human capital. The legislation would allow GAO to offer early-outs to selected employees in order to avoid a workforce imbalance that could undermine the agency's future ability to serve Congress. To improve its ability to hire technical talent, such as computer specialists and actuaries,

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**T-OCG-00-7**, Mar. 16, 2000 (23 pages). *Federal Acquisition: Trends, Reforms, and Challenges*, by Henry L. Hinton, Jr., Assistant Comptroller General, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Federal spending for goods and services has changed dramatically in recent years. Although the Pentagon remains the government's dominant buyer, accounting for two-thirds of all federal acquisition spending last year, military acquisitions have fallen from their peak levels during the Cold War. On the other hand, spending by civilian agencies has risen somewhat. The government, as a whole, now spends more on services—from basic maintenance to space shuttle operations—than on supplies and equipment. The acquisition process has become more streamlined as new contract techniques have allowed agencies to buy what they need much faster than in the past. Congress and the administration have taken several

steps to improve federal acquisition, focusing on ways to simplify the process and improve decisionmaking in acquiring information technology. Despite these recent reforms and the efforts of many dedicated people over the years, the government still lacks a world-class purchasing system. All too often, the products and services that the government buys cost more than expected, are delivered late, or fail to work as expected. No commercial operation would stay in business for long with results like these. The problems are particularly evident in two costly areas: weapons systems and information technology. Significant improvements in these areas, as well as in the skills of the acquisition workforce, are essential to getting better results.

**T-OCG-00-9**, Mar. 29, 2000 (47 pages). *Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century*, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Governmental Affairs.

After nearly 30 years of budget deficits, a combination of tough policy choices and remarkable economic growth has led to budget surpluses. At the same time, the Cold War has ended, and the United States enters the 21st century largely freed of the deficit burdens of the recent past but challenged by new forces—from globalization to emerging security threats—that are shaping America's role in the world. The Comptroller General's testimony focuses on four topics that are critical to strengthening the performance and accountability of federal agencies and to improving the public's respect for and confidence in government. First, dynamics, such as increased globalization, rapid technological advances, demographic changes, new security concerns, and quality of life issues, are prompting basic changes in how government does its job. A higher premium is being placed on

governmental responsiveness, integrated approaches, results orientation, and accountability. Second, current surpluses provide a tremendous opportunity to focus on longer-term fiscal challenges, such as health care. Third, the United States now has an opportunity and an obligation to look at what government should be doing and how it does it. Prudent decisions are required if government is to continue delivering the services that Americans want, need, and can afford. Fourth, the time is now to reconsider the fiscal and performance models, structures, and processes that Congress uses to fulfill its oversight responsibilities. Real improvements in performance and management call for disciplined and determined efforts by the executive branch and continued oversight by Congress.

**T-OCG-00-10**, July 18, 2000 (39 pages). *GAO: Supporting Congress for the 21st Century*, by David M. Walker, Comptroller General of the United States, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

In fiscal year 1999, GAO returned more than \$57 for every \$1 appropriated to the agency. For example, GAO helped improve the nursing home survey process and made the public aware of identity theft. In response, Congress passed legislation that criminalized theft and misuse of personal identifying information. GAO reported fraud and waste in the supplemental security program, which prompted the Social Security Administration to ask for authority to recover current overpayments. GAO has played an important role in helping Congress and federal agencies improve the government's computer security. Although the agency's staffing has fallen from 5,300 employees in the early 1990s to 3,300 employees today, congressional requests for GAO's work have risen significantly. GAO has four

strategic goals: (1) addressing current and emerging challenges to the well being and financial security of the American people in such areas as health care retirement income security, and education and workforce issues; (2) responding to changing security threats and the challenges of global interdependence; (3) supporting the transition to a more results-oriented and accountable federal government; and (4) being a model organization for the federal government. Key efforts include (1) implementing a model strategic and annual planning and reporting process, (2) aligning human capital policies and practices to support the agency's mission, (3) cultivating and fostering effective congressional and agency relations, (4) developing efficient and responsive business processes, and (5) building an integrated and reliable information technology infrastructure. Finally, GAO faces the challenge of streamlining operations while building on responsiveness and flexibility.

**T-OCG-00-11**, July 20, 2000 (16 pages). Congressional Oversight: Challenges for the 21st Century, by David M. Walker, Comptroller General of the United States, before the Senate Committee on Small Business.

This statement discusses the importance of congressional oversight of government operations and GAO's role in that effort. In the view of the Comptroller General, it is time to revisit how Congress and GAO carry out their oversight responsibilities. The Comptroller General urges the forging of a bicameral and nonpartisan oversight agenda that will meet the needs of Congress, capitalize on GAO's extensive knowledge and skills, and protect the public's interests. It will require three oversight tracks: (1) looking at programs and efforts that involve multiple agencies and cross committee jurisdictions; (2) examining across government those functions--from strategic planning to information technology to financial management to

human capital--that are crucial to an organization's ability to excel; and (3) overseeing the management and effectiveness of individual agencies. A strategic oversight plan could help balance these different oversight tracks. Individual committees are well suited to address performance and other issues affecting individual agencies and programs. It may be more difficult under the current committee structure, however, to tackle federal missions that cut across agencies and committees.

### **OGC**

**AIMD/OGC-00-6**, Oct. 29, 1999 (23 pages). DC Courts: Improvements Needed in Accounting for Escrow and Other Funds.

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.

**GGD/OGC-00-18**, Dec. 30, 1999 (44 pages). Department of Education: Compliance With the Federal Advisory Committee Act and Lobbying Restrictions.

In 1995, the Department of Education began holding regular weekly "Thursday" meetings with representatives of lobbying and other

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

**GGD/OGC-00-62**, Feb. 25, 2000 (27 pages). Disaster Assistance: Issues Related to the Development of FEMA's Insurance Requirements.

The Federal Emergency Management Agency (FEMA) has proposed that funding under the Public Assistance Program for buildings damaged in a disaster be limited to those state and local agencies and other public entities that maintain specified minimum levels of insurance coverage. The draft regulation is intended to remove a disincentive under current rules for such entities to both carry insurance and manage their risk of disasters, according to FEMA. FEMA's draft regulation could have significant financial implications for states, municipalities, and private nonprofit hospitals and universities. This report evaluates FEMA's efforts to develop its draft insurance regulations. GAO (1) determines the extent to which FEMA obtained and incorporated input for state and local agencies and public entities likely to be affected by the draft regulation; (2) evaluates FEMA's compliance with Executive Order 12866, the Regulatory Flexibility Act, and applicable guidance governing the rulemaking process; and (3) assesses FEMA's internal rulemaking processes and procedures.

**GGD/OGC-00-72**, Apr. 17, 2000 (99 pages). Bid Protests: Characteristics of Cases Filed in Federal Courts.

Currently, an individual or business can file a protest challenging a federal contract award or the procedure under which the offers were solicited. Protests may be filed before or after the contract is awarded. Under the Administrative Dispute Resolution Act of 1996, the 94 U.S. district courts and the United States Court of Federal Claims have the same jurisdiction to decide bid protest cases. District courts and the U.S. Court of Federal Claims may grant any relief that they consider appropriate, although monetary relief is limited to bid preparation and proposal costs. District court jurisdiction for bid protest cases is scheduled to expire on January 1, 2001. Some groups support this development. Others oppose it. This report reviews the cases, particularly the small business cases, that have been filed in district courts and the U.S. Court of Federal Claims since the act took effect at the end of 1996. GAO (1) identifies the number of bid protests filed in the U.S. district courts and the U.S. Court of Federal Claims between January 1997 and April 1999 that were filed by small businesses, the type of agencies involved (civilian or defense), and the amount of the procurement at issue; (2) identifies the perceived advantages and disadvantages, particularly for small businesses, of filing bid protests in each judicial forum; and (3) provides information on the characteristics of the district courts' and U.S. Court of Federal Claims' bid protest cases, particularly those filed by small businesses, that could be used to assess perceived advantages and disadvantages.

**NSIAD/OGC-00-196BR**, June 14, 2000 (36 pages). World Trade Organization: U.S. Experience to Date in Dispute Settlement System.

Member countries of the World Trade Organization (WTO) have actively used the WTO dispute settlement system during the first five years and filed 187 complaints as of April 2000.

The United States and the European Union were the most active participants, both as plaintiffs and defendants. Out of 25 cases in which the United States was a plaintiff, the United States prevailed in a final WTO dispute settlement ruling in 13 cases, resolved the dispute without a ruling in 10 cases, and did not prevail in two cases. As a defendant in 17 cases, the United States prevailed in one case, resolved the dispute without a ruling in 10 cases, and lost in six cases. Overall, GAO's analysis shows that the United States has gained more than it has lost in the WTO dispute resolution system so far. WTO cases have resulted in a large number of changes in foreign trade practices, while their effect on U.S. laws and regulations has been minimal. GAO summarized this report in testimony before Congress; see: World Trade Organization: U.S. Experience in Dispute Settlement System—the First Five Years, by Susan S. Westin, Associate Director for International Relations and Trade Issues, before the Subcommittee on International Trade, Senate Committee on Finance. GAO/T-NSIAD/OGC-00-202, June 20 (10 pages).

### Testimony

**T-GGD/OGC-00-157**, June 8, 2000 (13 pages). Regulatory Reform: Procedural and Analytical Requirements in Federal Rulemaking, by Robert Murphy, General Counsel, before the Regulatory Reform and Paperwork Reduction Subcommittee, House Committee on Small Business.

This testimony discusses reviews GAO has undertaken of agency compliance with procedural and analytical requirements in federal rulemaking. GAO's evaluations paint a mixed picture. Although its findings may not be representative of all rulemakings, in some cases, GAO found inadequate data, methodologies, or assumptions. In other cases, GAO found noncompliance with statutory requirements or executive orders.

Some GAO reviews have helped to ensure better adherence to regulatory requirements. On the other hand, GAO's reviews sometimes did not disclose a failure to comply with rulemaking requirements but provided Congress with factual detail and a better understanding of the agencies' procedures and decision making. Other reviews established that the agencies were acting within allowable discretion to determine that some requirements were inapplicable or that the requirements themselves were narrowly tailored and had little effect on rulemaking. GAO also found instances in which regulations considered burdensome by the regulated community were required by the statute being implemented.

**T-NSIAD/OGC-00-202**, June 20, 2000 (10 pages). World Trade Organization: U.S. Experience in Dispute Settlement System: The First Five Years, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the International Trade Subcommittee, Senate Committee on Finance.

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## **OIMC**

**OIMC/OPA-00-1A, OIMC/OPA-00-1B**, Mar. 1, 2000 (604 pages). Abstracts of Reports and Testimony: Fiscal Year 1999.

This two-volume reference set provides an overview of GAO's work during fiscal year 1999. The first volume summarizes more than 1,000 "blue book" reports and other publications issued between October 1998 and September 1999. The second volume contains indexes to help locate documents.

## **OPA**

**OIMC/OPA-00-1A, OIMC/OPA-00-1B**, Mar. 1, 2000 (604 pages). Abstracts of Reports and Testimony: Fiscal Year 1999.

This two-volume reference set provides an overview of GAO's work during fiscal year 1999. The first volume summarizes more than 1,000 "blue book" reports and other publications issued between October 1998 and September 1999. The second volume contains indexes to help locate documents.

## **OSI**

**AIMD/OSI-00-281**, Sept. 15, 2000 (50 pages). Medicare Improper Payments: While Enhancements Hold Promise for Measuring Potential Fraud and Abuse, Challenges Remain.

This report provides information on proposals by the Health Care Financing Administration (HCFA) to measure Medicare improper payments and how these proposals and initiatives will enhance HCFA's ability to comprehensively measure improper

Medicare payments and the frequency of kickbacks, false claims, and other inappropriate provider practices. A recent study by the Inspector General at the Department of Health and Human Services concluded that eight percent of the \$169.5 billion Medicare fee-for-service claim payments in fiscal year 1999 was paid improperly. Because of the breadth of health care fraud and abuse, HCFA uses various detection methods and techniques, such as contacting beneficiaries and providers and performing medical record reviews, data analyses, and third-party verification procedures. HCFA has begun three projects to measure the extent of Medicare fee-for-service improper payments—two to improve the precision of future improper payment estimates and help develop corrective actions to reduce losses and the other to test the viability of using various of investigative techniques to develop a potential fraud and abuse rate. GAO believes that HCFA's efforts to measure Medicare fee-for-service improper payments can be further enhanced with the use of additional fraud detection techniques and makes several recommendations to that effect.

**GGD/OSI-00-139**, July 11, 2000 (67 pages). Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials.

From fiscal years 1997 through 1999, 42 executive branch positions at 31 executive branch agencies—including all 14 Cabinet secretaries, four deputy or under secretaries, and 24 other high-ranking officials (mainly heads of agencies)—had security protection. Personnel from 27 different agencies protected them: 36 officials by their own agencies or departments and six from other agencies or departments, such as the Secret Service and the Marshals Service. Protective personnel increased 73 percent from fiscal year 1997 through 1999. Funding rose from \$19.1 million in 1997 to \$28.5 million in

1999, largely due to increased travel. Only the Secret Service and State Department have specific statutory authority to protect executive branch officials. Agencies reported that their officials received different levels and frequency of protection and that protection was needed to respond to possible and actual threats. Most agencies favored establishing a repository of protective intelligence to facilitate sharing of threat information about their officials. Also, agencies reported that their protective personnel received different amounts of protection training and from different sources. Field staff received less training than did the agencies' full-time personnel based in Washington. Most agencies favored establishing a standardized protection training program. Most agencies opposed centralizing security protection under one agency. No single agency or official is responsible for handling issues relating to routine protection of executive branch officials. This fragmentation has serious implications because 14 of the protected officials are in the line of presidential succession. Moreover, the lack of thorough threat assessments documenting the level of protection needed makes it difficult to determine the basis for and reasonableness of protection being given. GAO summarized this report in testimony before Congress; see: Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials by Bernard L. Ungar, Director of Government Business Operations and Robert H. Hast, Assistant Comptroller General for Special Investigations, before the Subcommittee on Criminal Justice Oversight, Senate Committee on the Judiciary. GAO/T-GGD/OSI-00-177, July 27 (10 pages).

**HEHS/OSI-00-69**, Apr. 5, 2000 (57 pages). Medicaid in Schools: Improper Payments Demand Improvements in HCFA Oversight.

Schools are an important service delivery and outreach point for Medicaid because one-third of those eligible for Medicaid are school-aged children. Even when schools do not directly provide Medicaid-covered health services, they can help identify, refer, screen, and assist in enrolling Medicaid-eligible children. Outreach and identification activities help ensure that the most vulnerable children receive routine preventive health care, primary care, and treatment. Most states are seeking Medicaid funds to help them provide medically related services to disabled children and direct children to appropriate health services. However, controls over the various approaches to submitting claims for Medicaid reimbursement for school-based health services and administrative activities are poor. Oversight by the Health Care Financing Administration has failed to ensure an appropriate balance between the states' demands for flexible, administratively simple systems and the need to account for whether federal funds being used as intended. The result is confusing and inconsistent guidance across the regions and failure to prevent improper practices and claims in some states. Without adequate controls and consistent oversight, Medicaid is vulnerable to paying for unneeded and undelivered services and activities. Weak agency oversight has created an environment ripe for opportunism and fraud.

**OSI-00-4**, Feb. 25, 2000 (55 pages). HCFA: Three Largest Medicare Overpayment Settlements Were Improper.

The Health Care Financing Administration (HCFA) provided GAO with copies of 96 agreements in which HCFA negotiated settlements for Medicare overpayments exceeding \$100,000. In 93 of the 96 matters, which were negotiated between 1991 and 1999, GAO found nothing improper. In settling the three largest

overpayments, however, HCFA acted inappropriately. These three largest matters represented 66 percent of all Medicare overpayment settlements since 1991 for which HCFA provided records. In the settlements, HCFA agreed to accept \$120 million for debts exceeding \$332 million (or about 36 cents on the dollar). GAO found that (1) former HCFA Administrator Bruce Vladek's participation in the largest settlement raised conflict-of-interest concerns, (2) HCFA ultimately chose not to obtain the Department of Justice's approval of the settlements and ignored its own regulations and internal guidance, (3) HCFA appears to have disregarded permissible settlement criteria established by regulations, (4) the settlement agreements contained questionable provisions, and (5) HCFA executed settlements without the benefit of legal counsel. GAO summarized this report in testimony before Congress; see: Health Care Financing Administration: Three Largest Medicare Overpayment Settlements Were Improper, by Robert H. Hast, Acting Assistant Comptroller General for Special Investigations, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-OSI-00-7, Mar. 28 (seven pages).

**OSI-00-6**, Feb. 29, 2000 (23 pages). Tennessee Valley Authority: Problems With Irrevocable Trust Raise Need for Additional Oversight.

The Tennessee Valley Authority (TVA) established the Center for Rural Studies in 1994 to conduct studies and programs on the needs of rural communities. TVA endowed the center with \$30 million. An investigation by TVA's Office of Inspector General led to the revocation of the Center's trust agreement in 1995, and the endowment money was returned to TVA. The trust agreement initially included provisions to ensure the Center's accountability to TVA. At the direction of TVA Chairman Craven Crowell, however, these safeguards were stricken, and Crowell

named himself as the Chair of the Center's Management Committee for an unlimited term. After a result of press criticism, Crowell later had the trust agreement amended. The U.S. Attorney's Office for the Eastern District of Tennessee opened an investigation but excluded TVA's Office of Inspector General because of concerns about its ability to be independent in investigating senior TVA managers. Officials at the U.S. Attorney's Office concluded that there was a prima facie case that Crowell violated the conflict-of-interest statute and that further investigation was warranted. Because the U.S. Attorney was a personal friend of Crowell, however, the matter was referred to the Justice Department. The Justice Department ultimately concluded that Crowell should not be prosecuted because he had relied upon a good faith opinion from the agency's ethics official. In Justice's view, this opinion was incorrect. The problems GAO found with the creation and operation of the Center raise concerns about the need for better oversight of TVA. For example, the Board allowed the creation of an irrevocable trust with a \$30-million endowment that had little accountability to TVA. Also, TVA's Inspector General can be fired by the Board, thus limiting the Inspector General's independence. GAO has reviewed the adequacy of TVA's oversight in the past, concluded that it needed more attention, and identified ways to improve oversight and accountability. Also, proposals have come before Congress that would have created a larger Board of part-time directors responsible for policymaking and oversight of TVA management.

**OSI/NSIAD-00-61**, Feb. 2, 2000 (10 pages). Department of the Navy: Breakdown of In-Transit Inventory Process Leaves It Vulnerable to Fraud.

GAO reported last year that the Navy was unable to account for more than \$3 billion worth of inventory, including classified and sensitive items, that was

in transit within and between storage facilities, repair facilities, and end users. (See GAO/NSIAD-99-61, Mar. 1999.) The Navy later obtained receipts for 45 of 79 shipments in question, leaving 34 shipments still unaccounted for. This follow-up report reviews the status of 23 of those shipments. GAO found that most of the shipments written off as lost by the Navy had in fact been delivered. Twenty of the 23 shipments were delivered but, because of procedural and system problems, were not reported as received. GAO was unable to determine the whereabouts of the remaining three shipments because the Navy could not provide documentation. During GAO's earlier review, Navy officials claimed that some items written off as lost had actually been received. They could not, however, provide evidence to support their contention. They said that their information was based primarily on telephone calls and e-mail messages from the issuing facilities to the intended recipients. GAO found that this was primarily shipping information that was not proof of either delivery or receipt. Although GAO's investigation uncovered no evidence of theft in the shipments it reviewed, GAO believes that the inventory process is susceptible to waste, fraud, and abuse. In-transit inventory discrepancies reduce the reliability of the Defense Department's inventory financial reports by obscuring true inventory losses and misstating the number of items on hand.

**OSI/NSIAD-00-147**, Apr. 28, 2000 (20 pages). Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property.

The Defense Reutilization and Marketing Service transferred and disposed of nearly \$18 billion worth of excess military property between 1996 and 1999. The excess property is available for reuse by military agencies and government contractors. The Service can also transfer property to

federal agencies or donate property to qualified organizations. Inadequate control, as a result of inconsistent and incorrect data in the military's databases, has allowed organizations to obtain excess Defense Department (DOD) property to which they may not be entitled. In its investigation of the University of Alabama at Huntsville, GAO found that the University used an invalid activity code to obtain more than \$3.5 million worth of excess DOD property to which it was not entitled. Similarly, a Florida Army National Guard unit was able to obtain excess property between 1998 and 1999 by using an invalid activity code that had been deleted in 1990. Officials at the Defense Logistics Agency were unable to explain why their computer system had failed to reject the invalid codes. DOD has exercised poor oversight over the management of excess DOD property provided to these organizations. GAO found that property obtained by the University of Alabama at Huntsville had not been inventoried as required, a significant portion could not be located, and some of the property had been misused or stolen. The University also failed to provide pertinent information to government officials, which limited the effectiveness of oversight efforts. Internal DOD studies have identified mismanagement of excess property by other universities.

### Testimony

**T-AIMD/OSI-00-251**, July 12, 2000 (32 pages). Medicare Improper Payments: Challenges for Measuring Potential Fraud and Abuse Remain Despite Planned Enhancements, by Gloria L. Jarmon, Director, Health, Education, and Human Services Accounting and Financial Management Issues, before the Task Force on Health Care, House Committee on the Budget.

Results from a recent Department of Health and Human Services (HHS) Office of the Inspector General (OIG) study indicate that, of the \$164 billion

in fiscal year 1999 Medicare fee-for-service claim payments, a projected \$13.5 billion was paid improperly for reasons ranging from inadvertent errors to outright fraud and abuse. Because the OIG's methodology was not designed to identify all types of potentially fraudulent or abusive activity, it does not estimate the full extent of improper Medicare fee-for-service payments. However, the Health Care Financing Administration (HCFA) has begun three projects that could enhance HCFA's ability to uncover potential fraud and abuse and to determine the extent of the payments attributable to potential fraud and abuse. In addition, the use of carefully selected detection techniques to identify potential fraud could help HCFA arrive at a more comprehensive measurement of improper payments and develop cost-effective internal controls to combat them.

**T-GGD/OSI-00-19**, Oct. 7, 1999 (19 pages). General Services Administration: Status of Efforts to Improve Management of Building Security Upgrade Program, by Bernard L. Ungar, Director, Government Business Operations Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

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.

**T-GGD/OSI-00-177**, July 27, 2000 (10 pages). Security Protection: Standardization Issues Regarding Protection of Executive Branch Officials, by Bernard L. Ungar, Director, Government Business Operations Issues, and Robert H. Hast, Acting Assistant Comptroller General, before the Criminal Justice Oversight Subcommittee, Senate Committee on the Judiciary.

From fiscal years 1997 through 1999, 42 executive branch positions at 31 executive branch agencies—including all 14 Cabinet secretaries, four deputy or under secretaries, and 24 other high-ranking officials (mainly heads of agencies)—had security protection. Personnel from 27 different agencies protected them: 36 officials by their own agencies or departments and six from other agencies or departments, such as the Secret Service and the Marshals Service. Protective personnel increased 73 percent from fiscal year 1997 through 1999. Funding rose from \$19.1 million in 1997 to \$28.5 million in

1999, largely due to increased travel. Only the Secret Service and State Department have specific statutory authority to protect executive branch officials. Agencies reported that their officials received different levels and frequency of protection and that protection was needed to respond to possible and actual threats. Most agencies favored establishing a repository of protective intelligence to facilitate sharing of threat information about their officials. Also, agencies reported that their protective personnel received different amounts of protection training and from different sources. Field staff received less training than did the agencies' full-time personnel based in Washington. Most agencies favored establishing a standardized protection training program. Most agencies opposed centralizing security protection under one agency. No single agency or official is responsible for handling issues relating to routine protection of executive branch officials. This fragmentation has serious implications because 14 of the protected officials are in the line of presidential succession. Moreover, the lack of thorough threat assessments documenting the level of protection needed makes it difficult to determine the basis for and reasonableness of protection being given. This testimony summarizes the July 2000 report, GAO/GGD/OSI-00-139.

**T-HEHS/OSI-00-87**, Apr. 5, 2000 (19 pages). Medicaid in Schools: Poor Oversight and Improper Payments Compromise Potential Benefit, by Kathryn Allen, Associate Director, Health Financing and Public Health Issues, and Robert H. Hast, Acting Assistant Comptroller General, before the Senate Committee on Finance.

Despite growing expenditures for school-based Medicaid services, the potential benefits to schools and the children they serve are being compromised by poor guidance and oversight from the Health Care

Financing Administration (HCFA) and by improper payments. Forty-seven states and the District of Columbia reported \$2.3 billion in Medicaid expenditures for school-based activities for the latest year for which they have data. Although this affects only a small percentage of overall Medicaid spending, more schools are expressing interest in Medicaid as a source of funds, especially to reimburse administrative activities. Some school districts and states claiming Medicaid reimbursement for school-based services lack adequate controls to help ensure that their claims are legitimate. Despite the significant Medicaid payments for school-based services in some states, school districts may receive little in direct reimbursements because of funding arrangements among schools, states, and private firms. Seven states keep as much as 85 percent of the federal reimbursement for Medicaid school-based claims. Some school districts also pay up to 25 percent of their federal Medicaid reimbursement to private sector firms that help them develop claiming methodologies, train school personnel to apply them, and submit the claims for reimbursement. As a result, schools may end up with as little as \$7.50 for every \$100 claimed. These funding arrangements can reduce incentives for appropriate program oversight and create an environment of opportunism that siphons funds away from their intended purposes. HCFA has historically provided little or inconsistent direction and oversight of Medicaid reimbursements for school-based claims. HCFA has recently focused more attention on these issues, but the states are still awaiting more guidance.

**T-OSI-00-3**, Nov. 9, 1999 (9 pages). Private Banking: Raul Salinas, Citibank, and Alleged Money Laundering, by Robert H. Hast, Acting Assistant Comptroller General, before the Permanent Subcommittee on



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Investigations, Senate Committee on Governmental Affairs.

This testimony summarizes GAO's 1998 investigation of alleged illegalities involving Raul Salinas, brother of the former President of Mexico, and Citibank. (See GAO/OSI-99-1, Oct. 1998.) Mr. Salinas has allegedly been involved in laundering money out of Mexico, through Citibank, to accounts in Citibank affiliates in Switzerland and the United Kingdom.

**T-OSI-00-7**, Mar. 28, 2000 (7 pages). Health Care Financing Administration: Three Largest Medicare Overpayment Settlements Were Improper, by Robert H. Hast, Acting Assistant Comptroller General, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs.

The Health Care Financing Administration (HCFA) provided GAO with copies of 96 agreements in which HCFA negotiated settlements for Medicare overpayments exceeding \$100,000. In 93 of the 96 matters, which were negotiated between 1991 and 1999, GAO found nothing improper. In settling the three largest overpayments, however, HCFA acted inappropriately. These three largest matters represented 66 percent of all Medicare overpayment settlements since 1991 for which HCFA provided records. In the settlements, HCFA agreed to accept \$120 million for debts exceeding \$332 million (or about 36 cents on the dollar). GAO found that (1) former HCFA Administrator Bruce Vladek's participation in the largest settlement raised conflict-of-interest concerns, (2) HCFA ultimately chose not to obtain the Department of Justice's approval of the settlements and ignored its own regulations and internal guidance, (3) HCFA appears to have disregarded permissible settlement criteria established by regulations, (4) the settlement agreements contained questionable provisions, and (5) HCFA executed

settlements without the benefit of legal counsel. This testimony summarizes the February 2000 GAO report, GAO/OSI-00-4.

**T-OSI-00-9**, Apr. 6, 2000 (7 pages). Medicare: Improper Third-Party Billing of Medicare by Behavioral Medical Systems, Inc., by Robert H. Hast, Acting Assistant Comptroller General, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Behavioral Medical Systems, Inc. (BMS), of Sugarland, Texas, represented itself to Medicare as a healthcare provider but actually functioned as a broker of medical services, contracting with third-party billers that submitted claims to Medicare on behalf of providers that had entered into contracts with BMS. BMS contracted with nursing homes to provide psychiatric services to their residents. BMS also contracted with psychiatrists and psychotherapists—as independent contractors—to provide those services. Of the 4,900 claims that BMS filed in a 20-month period, 87 percent were for medical services reportedly not provided. These Medicare claims for fictional services totaled \$1.3 million. In GAO's view, BMS violated the general statutory principle that Medicare payments should be made directly to the beneficiary or the assigned doctor who provided the medical services. As a result of GAO's investigation, Medicare temporarily suspended BMS in July 1999, and the matter has been referred to the Inspector General of the Department of Health and Human Services and to the Justice Department. However, the founder of BMS is now submitting Medicare claims under an old provider number—unrelated to BMS—issued to her in 1993.

**T-OSI-00-10**, May 25, 2000 (8 pages). Security: Breaches at Federal Agencies and Airports, by Robert H. Hast, Assistant Comptroller General, before

the Crime Subcommittee, House Committee on the Judiciary.

Counterfeit security badges and credentials are readily available for sale on the Internet and other public sources and could be used by criminals, terrorists, and foreign spies to gain access to secure government buildings and airports. GAO's undercover agents acquired fictitious law enforcement badges and tried to gain access to secure government facilities. These agents were 100 percent successful in penetrating 19 federal sites and two commercial airports. GAO entered 18 of the 21 sites on its first attempt; the other three sites required a second visit before GAO was able to penetrate them. At no time during the undercover visits were the GAO agents' bogus credential or badges challenged by anyone. At the 21 sites that GAO's undercover agents successfully penetrated, they could have carried in weapons, listening devices, explosives, or chemical and biological agents. Sixteen of the sites GAO visited contained the offices of cabinet secretaries or agency heads. At 15 of these sites, GAO's undercover agents were able to reach the entry to the suites of the cabinet secretary or agency head. At 15 of the sites, GAO's agents entered a restroom near these offices and could have left a valise containing weapons or explosives without being detected. At a federal courthouse, GAO's agents were waved through a magnetometer but not screened. A briefcase that one agent carried went unchecked. The agents were escorted to a gunroom, which they were allowed to enter alone. They were then told to lock their weapons, but no one supervised the actual surrender of the agents' weapons. At the two airports GAO visited, the agents declared themselves to be armed law enforcement officers and displayed their fake badges and identification. The agents were issued law enforcement' boarding passes at the ticket counter. The agents then presented themselves at security

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checkpoints and were waved around the magnetometers. Neither the agents nor their valises were screened.

**T-OSI-00-15**, July 25, 2000 (10 pages). Health Care Fraud: Schemes to Defraud Medicare, Medicaid, and Private Health Care Insurers, by Robert H. Hast, Assistant Comptroller General for Special Investigations, before the Government Management, Information and Technology Subcommittee, House Committee on Government Reform.

Across the country, career criminals and organized crime have become involved in health care fraud. Both the House and Senate have introduced bills designed to combat waste, fraud, and abuse in Medicare programs. Under the proposed legislation, the purchase, sale, or distribution of two or more Medicare or Medicaid beneficiary identification numbers will be a felony. In the rent-a-patient scheme, organizations pay for—or "rent"—persons to go to clinics for unnecessary diagnostic tests and examinations. Medicare, Medicaid, and other insurers are billed for these services and for other services and equipment that is never provided. In a variation of this scheme, perpetrators buy individual health care insurance identification numbers for cash. In the pill mill scheme, separate health care individuals—usually including a pharmacy—collude to generate a flood of fraudulent claims that Medicaid pays. The patient sells the prescription medications to pill buyers on the street who then sell the drugs back to the pharmacy. The drop box scheme uses a private mailbox facility as the fraudulent health care entity's address, with the entity's "suite" number actually being its mailbox number at the private mailbox facility. The perpetrator then retrieves the checks and deposits them into a commercial bank account. The third-party billing scheme revolves around a third-party biller who prepares and remits claims to Medicare or Medicaid on behalf of

health care providers. The biller may or may not be in on the scheme. Enacting the proposed legislation will give the Department of Human Services' Office of Inspector General additional enforcement tools with which to pursue health care swindlers.

**T-OSI-00-17**, Sept. 21, 2000 (8 pages). Pension Benefit Guaranty Corporation: Appearance of Improper Influence in Certain Contract Awards, by Robert H. Hast, Assistant Comptroller General, before the Senate Committee on Small Business and Senate Special Committee on Aging.

During a management review, GAO discovered contracting irregularities affecting two contracts with a combined worth of \$40 million. In GAO's view, PBGC official's actions demonstrated a lack of impartiality and created the appearance of improperly influencing the award of the two contracts. This matter was referred to PBGC and the Justice Department.

## **RCED**

**NSIAD/RCED-00-251**, Sept. 21, 2000 (33 pages). Federal Facilities: Further Review of Hawthorne Army Depot Land Management Proposals Needed.

The Bureau of Land Management and the Hawthorne Army Depot (Nevada) have not reached agreement on the Bureau's proposal to terminate Army control and exclusive use of a large portion of the lands at Hawthorne, including the Mount Grant watershed. Army and local community officials questioned terminating the withdrawal without having a specific management plan in place. Differing approaches have been proposed: (1) the Army could continue to limit public access to the watershed; (2) the Bureau could manage the land and open portions of the watershed to multiple use (public access, livestock grazing, mineral mining), with restrictions to protect the Depot's water supply; (3) joint

cooperative agreements could be reached. GAO recommends that the Army and the Bureau review the advantages and disadvantages of using a cooperative agreement approach and determine whether such an approach would be useful.

**RCED-00-1**, Oct. 22, 1999 (30 pages). Transportation Coordination: Benefits and Barriers Exist, and Planning Efforts Progress Slowly.

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 21st Century requires GAO to report on federal agencies that provide nonemergency human services transportation.

**RCED-00-3**, Oct. 27, 1999 (10 pages). Food Safety: Agencies Should Further Test Plans for Responding to Deliberate Contamination.

Are federal food safety regulatory agencies prepared to respond to acts or threats of deliberate food contamination, including those by terrorists? The agencies primarily responsible are the Food Safety and Inspection Service and the Food and Drug Administration. Deliberate contamination of food with a biological agent has rarely occurred in the United States. However, GAO identified two acts since 1984, which produced short-term illnesses among

more than 750 people, but no deaths. In addition, from 1995 through 1999, the federal agencies reported three threats—two were hoaxes and the other is still under investigation. This report describes the plans and procedures that federal agencies have in place to cope with threats and acts of deliberate food contamination with a biological agent.

**RCED-00-4**, Oct. 18, 1999 (15 pages). Surface Transportation: Issues Related to Preserving Inactive Rail Lines as Trails.

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.

**RCED-00-5**, Oct. 20, 1999 (15 pages). Food Stamp Program: How States Are Using Federal Waivers of the Work Requirement.

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.

**RCED-00-7**, Nov. 30, 1999 (47 pages). Wildlife Management: Negotiations on a Long-Term Plan for Managing Yellowstone Bison Still Ongoing.

The National Park Service; the Montana Department of Fish, Wildlife and Parks; and the Forest Service have formed an interagency team to examine alternatives for managing the bison herds in Yellowstone National Park. The goal is to develop a management plan that would ensure the viability of the park's wild and free-ranging bison herd while at the same time protecting Montana's domestic cattle from contracting brucellosis—a disease that can cause cattle to abort during pregnancy. Because some Yellowstone bison are infected with brucellosis, ranchers and public officials in Montana fear that the bison will transmit the disease to domestic cattle. This report provides information on the various alternatives for the long-term management of the Yellowstone bison.

**RCED-00-9**, Nov. 23, 1999 (22 pages). U.S. Department of Agriculture: Marketing Assistance Loan Program Should Better Reflect Market Conditions.

The marketing assistance loan program provides farmers who grow certain crops with financial assistance at harvest time, when prices are usually lower than at other times of the year. As of September 1999, \$3.4 billion of the \$3.7 billion in cash payments went to producers of the following four crops: corn, soybeans, wheat, and

upland cotton. The top 10 states where producers received the assistance were Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Texas. This report discusses (1) which producers received cash payments through the program, (2) why some producers did not participate in the program, and (3) the concerns that have been raised about the program's effects on cash payments and potential forfeitures.

**RCED-00-10**, Oct. 15, 1999 (31 pages). National Fish Hatcheries: Classification of the Distribution of Fish and Eggs Needs Refinement.

Fish hatcheries operated by the U.S. Fish and Wildlife Service have been around for more than 120 years. The hatcheries have helped to ensure the recovery of species of fish that have been listed as threatened or endangered, restored native fish stocks, replaced fisheries lost as a result of water projects, and supplied fish to Indian tribes and Service lands. This report provides information on (1) the funding level for the National Fish Hatchery System since fiscal year 1992, (2) the current production level at federal hatcheries, and (3) health and disease problems at the hatcheries that raise concerns about releasing the fish into the wild.

**RCED-00-12**, Nov. 24, 1999 (21 pages). Food Assistance: Efforts to Control Fraud and Abuse in the Child and Adult Care Food Program Should be Strengthened.

The U.S. Department of Agriculture's Food and Nutrition Service runs the Child and Adult Care Food Program using designated state agencies. The program provides more than \$1.5 billion in benefits each year to children and adults in day care. In response to continuing concerns about fraud and abuse in the program, this report examines (1) the extent to which the states have implemented controls to prevent and detect fraud and abuse

and (2) the Service's effectiveness in directing the states' efforts to implement controls.

**RCED-00-14**, Nov. 26, 1999 (16 pages). Welfare Reform: Implementing DOT's Access to Jobs Program in Its First Year.

Three-fourths of welfare recipients live in central cities or rural areas, while two-thirds of the new jobs are found in the suburbs. Many of these new jobs are in areas with little or no public transportation and are accessible primarily by car. The Access to Jobs and Reverse Commute Program authorizes the Department of Transportation to provide grants to local agencies, nonprofit groups, and transit authorities to help address this mismatch. Up to \$750 million has been set aside through 2003 to implement the program. This report describes (1) the Department's implementation of the program, particularly its approach for selecting awards in fiscal year 1999; (2) the fiscal year 1999 grantees and their planned approaches for providing transportation services to low-income workers; and (3) the changes that the Department is making to the program in response to GAO's earlier recommendations, including the establishment of specific objectives, performance criteria, and measurable goals for evaluating the program's success.

**RCED-00-16**, Dec. 8, 1999 (32 pages). Meat and Poultry: Improved Oversight and Training Will Strengthen New Food Safety System.

To reduce foodborne illnesses and improve the safety of meat and poultry products, the Department of Agriculture (USDA) issued regulations requiring that all meat and poultry plants adopt a science-based production control system, known as Hazard Analysis and Critical Control Point (HACCP), by January 2000. The HACCP approach, which was recommended by USDA's National

Advisory Committee on Microbiological Criteria for Foods and endorsed by the scientific community, is based on seven guiding principles. These principles center around the identification of biological, physical, and chemical hazards that are likely to occur in meat and poultry plants and the establishment of critical points in the production process where controls can be applied to prevent or reduce those hazards. This report (1) determines whether the system adopted by USDA in its regulations is consistent with the seven HACCP principles endorsed by the Advisory Committee, (2) evaluates whether the HACCP training program for USDA inspectors is adequate and science-based, and (3) determines if there is an adequate dispute resolution process between plants and USDA under the new inspection system. GAO found that USDA's HACCP regulations, along with guidance, are consistent with the seven HACCP principles endorsed by the Advisory Committee. Generally, inspectors received the training needed to oversee plants' implementation of HACCP programs, although many inspectors reported that they would benefit from refresher courses. In GAO's view, USDA's dispute resolution process provides industry with an appropriate mechanism to appeal inspectors' enforcement actions.

**RCED-00-17**, Nov. 29, 1999 (18 pages). Pesticides: Use, Effects, and Alternatives to Pesticides in Schools.

Federal law regulates the use of pesticides in the United States, but there are no specific provisions dealing with the use of pesticides in the nation's schools. Pesticides can cause a range of harmful effects in people—from cancer to lung damage to problems with the nervous system—and children are at higher risk from pesticide exposure than are adults because, among other things, they play on floors and lawns where pesticides are commonly applied. Also, children

have more frequent hand-to-mouth contact. Comprehensive nationwide information on the amount of pesticides applied in the nation's 110,000 public schools is unavailable. Data on short- and long-term illnesses linked to pesticide exposure, whether in schools or other settings, is limited. The Environmental Protection Agency and several states have sought to reduce the use of pesticides in schools by using alternative pest management strategies, including structural repairs to stop pests from getting into a building, improving sanitation, and using baits and traps. If pesticides are needed, this "integrated pest management approach" suggests that the least-toxic chemicals be used. Since the early 1990s, EPA has been encouraging schools to adopt this approach, including providing financial support to some state and school districts and producing manuals and education kits. Several states are also taking steps to implement or promote integrated pest management in schools.

**RCED-00-18**, Dec. 14, 1999 (47 pages). Mass Transit: Use of Alternative Fuels in Transit Buses.

To help reduce air pollution in U.S. cities, various alternative fuels have been proposed for use in transit buses, including compressed natural gas, liquified natural gas, methane, ethanol, biodiesel fuel, and propane. GAO found that alternative fuel buses account for a very small, but growing, portion of the nation's transit bus fleet. Five percent of the nation's 50,000 transit buses ran on some type of alternative fuel in 1997. The most commonly used alternative to diesel fuel is compressed natural gas. Transit operators are also beginning to test new propulsion system technologies—hybrid electric systems and fuel cells—in their transit buses. Data are limited on the extent to which alternative fuels in transit buses have improved air quality in urban areas. Transit operators pay more to buy, maintain,

and operate buses that use compressed natural gas than they pay for diesel buses. When deciding whether to switch to alternative fuels, transit operators consider a range of factors, including the need to adhere to more stringent emissions standards, public concerns about transit bus pollution, and the higher costs and reduced reliability of buses that use alternative fuels.

**RCED-00-21**, Jan. 20, 2000 (45 pages). Multifamily Housing: HUD's Restructuring Office's Actions to Implement the Mark-to-Market Program.

The Office of Multifamily Housing Assistance Restructuring was established within the Department of Housing and Urban Development (HUD) in 1998 to administer the "mark-to-market" program. This program provides the framework to restructure HUD's portfolio of insured Section 8 multifamily housing projects by "marking" (resetting) rents to market levels and by reducing mortgage debt, if necessary, to permit a positive cash flow. Without restructuring, rents for many insured Section 8 multifamily housing projects would substantially exceed market levels, resulting in higher subsidies under the Section 8 program. This report discusses (1) the Office's progress in obtaining the staffing resources to implement the program, (2) the Office's progress on seven steps that are key to the program's successful implementation, and (3) whether the Office has implemented nine statutory requirements in accordance with the law. This report also discusses the relationship between the Office and other HUD offices, including (1) the extent to which HUD management is involved in directing, reviewing, and approving the Office's activities and how this involvement has affected the Office's operations; (2) whether the Office's Director has complied with the legislative requirements to report to Congress if actions by the HUD

Secretary interfere with the Office's ability to carry out the mark-to-market program; and (3) whether the other HUD offices from which the Office must obtain support have provided the support requested.

**RCED-00-22**, Jan. 28, 2000 (62 pages). Superfund: Analysis of Costs at Five Superfund Sites.

Since the Superfund program began in 1980, the Environmental Protection Agency (EPA) has spent about \$17.7 billion to clean up hazardous waste sites. EPA oversees the work, but private contractors do the actual cleanups—known as remedial actions—of Superfund sites. GAO has issued a series of reports that describe the portion of EPA's funds spent on remedial actions by contractors, as opposed to other activities, such as studying conditions at sites, designing cleanup remedies, and travel. (See GAO/RCED-97-211, Sept. 1997, GAO/RCED-98-221, Aug. 1998, and GAO/RCED-99-139, May 1999.) This report examines the costs at the following five Superfund sites: the Raymark site in Stratford, Connecticut; the Sharon Steel site in Midvale, Utah; the United Creosoting site in Conroe, Texas; the NL Industries site in Granite City, Illinois; and the Newmark site in San Bernadino, California. For each site, GAO discusses (1) what portion of the total funds EPA spent on each site was used to pay contractors for remedial actions as opposed to other activities and how the contractors spent the money and (2) whether the actual costs for remedial actions differed from the estimated costs and why.

**RCED-00-24**, Jan. 28, 2000 (44 pages). Nuclear Weapons: Challenges Remain for Successful Implementation of DOE's Tritium Supply Decision.

The Energy Department (DOE) has not produced tritium—a radioactive gas that must be replaced periodically in nuclear weapons if they are to work as

intended—since the last of its production reactors was shut down in 1988 because of safety and operational problems. DOE has been considering two technologies to produce tritium: a commercial reactor and an accelerator. In 1997, DOE requested proposals from commercial reactor allow for the agency to buy either a reactor or irradiation services. The Tennessee Valley Authority (TVA), the only responsive bidder, offered proposals to finish building a partially complete commercial reactor and to provide irradiation services. In December 1998, DOE chose the commercial reactor technology option, specifically the purchase of irradiation services from TVA's commercial power reactors, as the means to produce tritium. DOE also decided to continue to develop and design—but not to construct—an accelerator that could function as a backup for the production of tritium. This report determines (1) if the cost estimates used by DOE during the process of selecting between the tritium production technology options were comparable and adequately supported; (2) what management, technological, and legal activities could affect the completion of the commercial reactor on schedule and within budget; and (3) whether DOE's current plan to develop and design the accelerator is an effective backup that the agency could build and operate within cost and schedule estimates.

**RCED-00-25**, Oct. 29, 1999 (30 pages). Superfund: Information on the Program's Funding and Status.

After nearly 20 years and outlays of more than \$14 billion, the Superfund program has yet to complete cleanups for 42 percent of the nation's most severely contaminated hazardous waste sites. The Superfund trust fund has been financed primarily by a tax on crude oil and some chemicals, together with an environmental tax on corporations. This report discusses (1) the status of the program's funding and

expenditures, including information on the Superfund trust fund so far and the money appropriated from it to federal agencies other than the Environmental Protection Agency for Superfund activities; (2) the costs to responsible parties for all site cleanups and these parties' related transaction costs from 1980 through 1998, categorized before and after December 1995, when the authority for Superfund taxes expired; and (3) the cleanup status of the 640 nonfederal sites on the National Priorities List as of April 1999 and the estimated total and annual costs to finish cleaning them up.

**RCED-00-26**, Dec. 14, 1999 (42 pages). Pork Industry: USDA's Reported Prices Have Not Reflected Actual Sales.

The prices being paid for hogs in the open market (spot prices) plunged in 1998, dropping from \$0.45 cents per pound in May to below \$0.10 cents per pound in December well below the estimated cost of \$0.35 cents per pound to produce a hog. At the same time, the Department of Agriculture (USDA) reported that the sharp decline in hog prices was not fully reflected in pork prices at the supermarket. For this period, USDA reported that the difference between the prices farmers received for their hogs and the prices consumers paid for pork was wider than it had been in decades. This report examines the (1) structural changes in the pork industry that have occurred since the 1980s and their effect on production and marketing, (2) reasons for the sudden and rapid decline in prices paid to farmers in late 1998, and (3) extent to which USDA's methods for obtaining and reporting on prices at the farm and retail level for hogs and pork products yield accurate estimates of these prices. Accurate prices are important because they provide farmers with reliable information upon which to base production and marketing decisions.

**RCED-00-29**, Jan. 19, 2000 (61 pages). Nuclear Regulation: NRC Staff Have Not Fully Accepted Planned Changes.

The Nuclear Regulatory Commission (NRC) has been moving from its traditional regulatory approach, which was largely developed without the benefit of quantitative estimates of risk, to an approach—termed "risk-informed regulation"—that considers relative risk in conjunction with engineering analyses and operating experience. NRC believes that such an approach would reduce the unnecessary regulatory burden on licensees and lower their costs without reducing safety. NRC also believes that this approach will increase the agency's effectiveness and efficiency. NRC's move to a risk-informed approach is a major change to its culture. Ultimately, this approach will apply not only to the nation's 103 operating nuclear power plants but to thousands of entities that are licensed to use nuclear materials in medical, academic, and industrial applications; process, enrich, and fabricate uranium ore into fuel for nuclear power plants; and dispose of radioactive waste generated by these and other activities. This report discusses (1) the views of NRC staff on the quality of the work that the agency does, the management and staff's involvement in changes occurring in the agency, and the move to a risk-informed regulatory approach and (2) the status of NRC's efforts to develop a strategy to implement a risk-informed regulatory approach.

**RCED-00-31**, Jan. 20, 2000 (103 pages). Multifamily Housing: Impact of Loan Sales on Tenants and Properties Varies by Property.

In 1994, in an effort to make better use of its resources, the Department of Housing and Urban Development (HUD) began to liquidate its inventory of multifamily mortgages. Through nine sales held between 1994 and 1996, HUD sold more than 1,200 of the nearly 2,400 multifamily mortgages in

its portfolio. Two of the sales involved properties in which some or all of the units were subsidized by HUD—a sale of 158 partially assisted multifamily mortgages and a sale of 26 subsidized multifamily mortgages to the Missouri Housing Development Commission. These two loan sales also contained special conditions, including protection against discrimination for assisted tenants and funding for property improvements. GAO found that at the partially assisted properties whose project-based assistance contracts had expired, more than three-quarters of the eligible households were able to use the tenant-based assistance that HUD had provided in lieu of project-based assistance. Of the households that used tenant-based assistance, 65 percent stayed in the same units and the rest moved. Of the households that moved, about 50 had to do so because the owners of the three properties where these families had lived refused to rent to recipients of tenant-based assistance. The average monthly rent of households that received vouchers rose by \$56. HUD prohibits property owners from unreasonably refusing to rent to households with tenant-based assistance. HUD also gives tenants and housing authorities the right to seek judicial enforcement of this protection. However, HUD did not fully inform housing authorities, tenants, and property owners of this protection. As a result, most housing authorities were unaware of their right to seek judicial enforcement, and representatives of the three properties whose owners refused to accept tenant-based assistance told GAO that they were unaware of the prohibition against unreasonably refusing to rent to households using tenant-based assistance. According to the results of inspections done by HUD and others at the time of the partially assisted and Missouri loan sales and by GAO during visits to the most run-down properties that it chose as case studies, conditions at these properties are improving. The improvements

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generally addressed major problems with building exteriors, apartment interiors, and property grounds.

**RCED-00-34**, Apr. 14, 2000 (39 pages). Essential Air Service: Changes in Subsidy Levels, Air Carrier Costs, and Passenger Traffic.

More than two decades have passed since Congress phased out the federal government's control over airfares and service. Concerned that air service to some small communities would suffer in a deregulated environment, Congress established the Essential Air Service (EAS) program in 1978 and made special provisions for providing this service in Alaska. The goal of the EAS program, administered by the Department of Transportation (DOT), is to ensure that small communities that had received scheduled passenger air service before deregulation continue to have access to air transportation. DOT does this by awarding subsidies to carriers willing to provide service to communities that would not otherwise receive it. Congress increased the program's annual funding to \$50 million in fiscal year 1998 and directed that overflight fees not obligated on the EAS program be used to pay for rural air safety projects. This report reviews the program and determines whether all communities were receiving the subsidized service to which they were entitled and whether the increase in funding had been made available for rural air safety projects. GAO (1) determines how DOT applied criteria to decide which communities would receive subsidized air service, (2) describes changes in the level of subsidies provided to EAS-eligible communities in fiscal year 1999 relative to that provided in 1995, (3) identifies why the level of subsidies changed between 1995 and 1999, and (4) determines whether DOT applied any of the increase in program funding to rural air safety projects. GAO summarized this report in testimony before Congress; see: Essential Air

Service: Changes in Passenger Traffic, Subsidy Levels, and Air Carrier Costs, by John H. Anderson, Jr., Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Transportation and Infrastructure. GAO/T-RCED-00-185, May 25, (15 pages).

**RCED-00-38**, Jan. 25, 2000 (57 pages). Telecommunications: Development of Competition in Local Telephone Markets.

The Telecommunications Act of 1996 sought to spur competition in local telephone and other telecommunications markets. GAO found that little competition has emerged in local phone markets so far, but new competing carriers are pursuing several different market strategies. Incumbent local telephone service providers controlled all but about three percent of the traditional wireline local telephone service market as of December 1998. The number of lines that competing carriers serve, however, has increased rapidly, approximately tripling in 1998 alone. Although competing carriers have focused on serving relatively profitable urban business communities, some of the competing carriers GAO interviewed in five states were serving other markets, such as residential customers and customers outside the largest cities. An important competitive strategy being undertaken by both competing and incumbent carriers is the simultaneous marketing and sale of a package of various telecommunications services, including local and long-distance telephone service, Internet access, wireless telephone services, and video services. More competition in local phone markets will depend, in part, on how several key issues are resolved. For example, the act required incumbent carriers to provide competing carriers with access to elements of their telephone networks, such as equipment and facilities, to enable those competing carriers to

order and provide service to their own customers. GAO's discussions with competing and incumbent carriers in five states, however, suggest that providing this access has been difficult because these incumbents' systems were not designed to be accessible to external users. Competing carriers in the five states also said that the act and accompanying rules need better enforcement. Despite the minimal competition that has emerged in the market so far, GAO believes that more competition is likely in the local telephone markets because competing carriers continue to expand their market share, these carriers are using all entry modes envisioned by the act, legal and regulatory issues are increasingly being clarified, and the packaging of telecommunications services may allow firms to compete effectively for local telephone customers. The Federal Communications Commission and state regulators are taking steps that suggest greater enforcement efforts in the future.

**RCED-00-39**, Apr. 19, 2000 (31 pages). Fire Protection: Barriers to Effective Implementation of NRC's Safety Oversight Process.

Concern over the risk of fire in commercial nuclear power plants increased after a fire at the Browns Ferry nuclear plant in Alabama in 1975. The fire damaged a relatively small area but harmed one of the plant's safety systems and the operator's ability to monitor the status of the plant. As a result of that fire, the Nuclear Regulatory Commission (NRC) and the nuclear utility industry have taken various steps to help ensure that nuclear plants are safe from the threat of fires and that utilities can safely shut these plants down should a fire occur. NRC's fire protection regulations are intended to (1) prevent fires from starting; (2) rapidly detect, control, and extinguish fires that do occur; and (3) protect a nuclear power plant's structures,

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systems, and components so that a fire that is not promptly extinguished will not prevent its safe shutdown. According to NRC's regulations, these activities are designed to provide reasonable assurances that any deficiencies occurring in one activity will be backed up by another system so there is no undue risk to public health and safety.

**RCED-00-40**, Mar. 14, 2000 (34 pages).  
Pesticides: Improvements Needed to Ensure the Safety of Farmworkers and Their Children.

Two laws principally govern the safe use of pesticides: (1) the Federal Insecticide, Fungicide, and Rodenticide Act, which requires that pesticides be approved by the Environmental Protection Agency (EPA) for specified uses, and (2) the Federal Food, Drug, and Cosmetics Act, which regulates pesticide residues on foods. In October 1998, the Natural Resources Defense Council and others petitioned EPA to identify children living on and near farms as a major identifiable subgroup for the purposes of the Food Quality Protection Act. EPA responded by funding several studies to assess the effects of farm children's exposure to pesticides. GAO found that comprehensive information on the acute and chronic health effects resulting from pesticide exposure does not exist, whether for farmworkers, their children, or the general population. Recognizing that pesticides can cause various illnesses, EPA introduced the Worker Protection Standard, which is intended to reduce farmworkers' exposure to pesticides. One of the standard's most important protections, according to EPA, is the time interval between when pesticides are applied and when workers may enter treated fields. However, EPA officials said that these intervals are not designed for children younger than 12 years of age who do farm work. Moreover, EPA has few guarantees that the protections afforded by the standards are actually being provided

for farmworkers in general or to children who work in agriculture. GAO found that EPA regions have been inconsistent in setting goals for the number of work inspections that states should conduct, in defining what constitutes a worker protection inspection, and in overseeing and monitoring the states' implementation and enforcement of the standards.

**RCED-00-41**, Feb. 1, 2000 (46 pages).  
Pork Industry: Trade Barriers and Other Factors Limit Federal Programs' Potential to Increase Exports.

By the end of 1998, pork producers had increased production by more than 700,000 metric tons over the previous year, resulting in a surplus of pork products. As a result, the prices for hogs sold in the open market fell 36 percent—from an average of \$54 per hundredweight in 1997 to an average of \$35 per hundredweight. At the same time, the overall value of pork products fell from \$13 billion in 1997 to \$9 billion in 1998. The Department of Agriculture (USDA) launched several programs to help pork producers, especially those with small operations. These programs generally involved some form of direct federal payment to producers. This report discusses the (1) extent to which other countries' trade practices and U.S. cargo preference laws are barriers to exporting more pork products, (2) extent to which existing federal programs could be used to increase pork exports, and (3) potential for increased pork exports to strengthen the U.S. agricultural trade balance and improve producer prices.

**RCED-00-43**, Feb. 3, 2000 (21 pages).  
USDA Reorganization: Progress Mixed in Modernizing the Delivery of Services.

Since 1995, the Department of Agriculture has been reorganizing and modernizing to improve the efficiency, effectiveness, and economy of programs that support agriculture and

rural areas. Much of this effort has focused on USDA's county-based agencies: the Farm Service Agency, the Natural Resources Conservation Service, and the agencies involved in rural development. GAO found that USDA's progress in carrying out its initiatives has been mixed. USDA has closed more than 1,000 of its 3,726 county offices and established collocated service centers throughout the country. It has also set up personal computers and a modern telecommunications network at most of its service centers. Despite these efforts, little has changed in how the three agencies serve their customers, and many modernization and reengineering projects have encountered delays. The three major issues that have impeded USDA's progress are the (1) lack of a comprehensive plan to guide the modernization effort, (2) lack of a management structure with the accountability and the authority to resolve differences among the agencies, and (3) need for change in the existing organizational structure.

**RCED-00-44**, Jan. 27, 2000 (23 pages).  
Beef and Lamb: Implications of Labeling by Country of Origin.

All meat entering the United States must be marked by country of origin. Once the meat is sliced, cut, ground, or processed, however, that identification may be lost. Similarly, livestock entering the United States must be labeled by country of origin but becomes part of the domestic meat supply when slaughtered. Several bills have been introduced over the years that would have required imported meat and animals to be labeled by country of origin all the way to the consumer. Proposed legislation now before Congress—H.R. 1144—calls for labeling fresh and processed meat from cattle, sheep, swine, and other hoofed animals through to the ultimate purchaser, which is generally the consumer. It also requires that meat from imported animals slaughtered in



the United States be identified by the country or countries in which the animal was born and raised. GAO found that it is difficult to quantify the cost of labeling meat by country of origin or to put a value on the potential benefits. Clearly, such labeling would benefit consumers who want to know where their food comes from and might boost sales in some sectors of the U.S. meat industry. These benefits, however, would come with costs. All industry sectors expect to incur compliance costs that may be passed on to consumers, and some level of federal enforcement resources would be needed. Also, a meat labeling law could have adverse trade implications.

**RCED-00-45**, Apr. 17, 2000 (64 pages). Tongass National Forest: Process Used to Modify the Forest Plan.

The Tongass National Forest in southeast Alaska is unlike any other national forest. It is larger; its administrative and geographic structures differ; and, although it is subject to the same laws that apply to other national forests, it also had laws written specifically for it. Like other national forests, the Tongass is required by law to develop a plan to manage its lands and resources and to revise the plan at least every 15 years. On average, the revision process is estimated to take four years and cost about \$3 million. The Forest Service approved the first Tongass forest plan in 1979 and in 1987 the agency began to revise it. Nearly 10 years and more than \$13 million later, the Forest Service approved a revised forest plan to manage the Tongass' lands and resources. Interested and affected parties later appealed the plan. In 1999, the Department of Agriculture approved changes to the management direction of the 1997 plan. This report discusses (1) the process used by the Department of Agriculture to modify the management direction of the 1997 plan and decide the appeals on the basis of the modified plan, (2) the reasons the administration chose to

use the process, and (3) reactions to the modifications and the process.

**RCED-00-47**, Mar. 9, 2000 (33 pages). Acid Rain: Emissions Trends and Effects in the Eastern United States.

In 1990, Congress directed the Environmental Protection Agency (EPA) to reduce sulfur dioxide and nitrogen oxide emissions from electric utility power plants. These two emissions are major contributors to acid rain. GAO found that in the first four years of the Acid Rain Program (1995 through 1998), sulfur dioxide emissions generally continued their long-term decline, while nitrogen oxide levels remained stable. Sulfate deposition in the eastern states and in three environmentally sensitive areas--the Adirondack Mountains, the mid-Appalachian region, and the southern Blue Ridge area--also declined, as did the level of sulfates in a sample of lakes in the Adirondack Mountains. However, the level of nitrates in these lakes often rose, apparently because the vegetation and soils surrounding the lakes have lost some of their capacity to use nitrogen. These trends underscore the significance of nitrogen oxide emissions and the resulting nitrogen deposition, which may not have been fully appreciated when the 1990 law was being drafted. Because the law requires relatively little reduction in nitrogen oxide emissions, the prospects are uncertain for the recovery of already acidified lakes and for preventing further acidification.

**RCED-00-48**, Feb. 28, 2000 (70 pages). Marine Pollution: Progress Made to Reduce Marine Pollution by Cruise Ships, but Important Issues Remain.

Cargo ships, tankers, cruise ships, and other commercial vessels registered, or 'flagged,' in foreign countries have been involved in almost 2,400 confirmed cases of illegally discharging oil, garbage, and other harmful substances into U.S. coastal

waters between 1993 and 1998. Cruise ships accounted for about four percent of all confirmed cases of illegal discharges by commercial foreign-flagged ships during that time. This report answers the following questions: What are the nature and the extent of reported illegal discharge cases for foreign-flagged cruise ships from 1993 through 1998? What efforts have relevant federal agencies made to prevent, detect, investigate, and prosecute illegal discharges from foreign-flagged cruise ships? What steps have cruise ship companies taken to prevent future illegal discharges? What are the views of relevant federal agencies and third-party interest groups on the steps that cruise ship companies have taken, and what issues do they believe require further attention?

**RCED-00-52**, Feb. 15, 2000 (48 pages). Fish and Wildlife Service: Agency Needs to Inform Congress of Future Costs Associated With Land Acquisitions.

Since the first national wildlife refuge was established in 1903, the nation's wildlife refuge system has grown to include 521 refuges on more than 90 million acres. Members of Congress have raised concerns about whether the Fish and Wildlife Service established refuges with migratory bird funds after Congress denied appropriations from land and water funds for that purpose. GAO found that of the 23 refuges that the Service established between 1994 and 1998, only eight used federal funds--\$4 million from the land and water fund. No migratory bird funds were used. The remaining 15 refuges were established with land that was donated, transferred, or exchanged. The Service is not currently required to inform Congress of refuges established through donations or other means outside the appropriations process at the time they are established. As a result, congressional appropriations committees may be unaware of these

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refuges until the Service later asks for land and water funds to expand them. The Service also need not inform Congress of estimated future operations and maintenance costs when it establishes refuges. When the Service does establish a refuge, however, it estimates the costs of future land acquisitions and of operations and maintenance for that specific refuge. GAO believes that it would be useful for the Service to provide this information to Congress. Although the Service's automated priority-setting system for land and water projects creates a national priority list, the priorities are (1) based on criteria that are too subjective and (2) do not represent a true relative ranking of projects.

**RCED-00-53**, Feb. 22, 2000 (23 pages). School Meal Programs: Few Outbreaks of Foodborne Illness Reported.

More than 33 million meals are served daily to children through two federally assisted meal programs run by the Department of Agriculture (USDA): the National School Lunch and School Breakfast programs. This report provides information on the safety of foods served in the two programs. GAO discusses the extent (1) of foodborne illness outbreaks related to meals served in schools; (2) to which USDA-donated foods in schools were removed, replaced, or disposed of; and (3) to which USDA has established procurement policies and procedures for ensuring the safety of foods it donates to the programs.

**RCED-00-54**, Mar. 15, 2000 (73 pages). Water Quality: Key EPA and State Decisions Limited by Inconsistent and Incomplete Data.

The Clean Water Act requires states to submit reports on the condition of their waters to the U.S. Environmental Protection Agency (EPA), which then compiles the data into a report entitled "National Water Quality Inventory." GAO examined several issues relating

to EPA's report on water quality and water quality management. This reports discusses (1) the reliability of the data in the Inventory and whether the data are representative of water quality conditions nationwide and (2) whether the available data are sufficient to allow state officials to make key decisions on activities required by the act. GAO found that the Water Quality Inventory does not accurately portray water quality conditions nationwide. Consequently, the information in the Inventory cannot be meaningfully compared nationwide.

**RCED-00-56**, Feb. 15, 2000 (52 pages). Forest Service Planning: Better Integration of Broad-Scale Assessments Into Forest Plans Is Needed.

Since 1976, the U.S. Department of Agriculture's (USDA) Forest Service has been required by law to develop a land and resource management plan for each national forest or for groups of forests and to revise each plan at least once every 15 years. Because of concerns about the potential costs, timeliness, and effectiveness of the Forest Service's planning process and broad-scale ecosystem-based assessments, GAO was asked to examine several planning efforts. GAO, the Forest Service, and others have concluded that assessments should have certain key elements or characteristics to maximize their value in addressing issues that extend beyond the boundaries of national forests.

**RCED-00-57**, Feb. 18, 2000 (48 pages). Aviation and the Environment: Aviation's Effects on the Global Atmosphere Are Potentially Significant and Expected to Grow.

Aviation emissions are a potentially significant and growing percentage of greenhouse gases and other emissions that are thought to contribute to global warming. Aircraft emissions are

potentially significant for several reasons. First, jet aircraft are the main source of human emissions deposited directly into the upper atmosphere, where they may have a greater warming effect than if they were released at the earth's surface. Second, carbon dioxide—the primary aircraft emission—is relatively well understood and is the main focus of international concern. For example, it survives in the atmosphere for nearly 100 years and contributes to global warming, according to the Intergovernmental Panel on Climate Change. The carbon dioxide emissions from worldwide aviation roughly equal those of some industrialized countries. Third, carbon dioxide emissions, combined with other gases and particles emitted by jet aircraft, could have two to four times as great an effect on the atmosphere as carbon dioxide alone. Fourth, the Intergovernmental Panel recently concluded that the rise in aviation emissions due to growing demand for air travel would not be fully offset by reductions in emissions achieved solely through technological improvements. Experts GAO interviewed, as well as the report of the Intergovernmental Panel, have cited several options for better understanding and mitigating the impact of aviation as the industry grows. These options include (1) continuing research to improve the scientific understanding of aviation's effects on the global atmosphere as a basis for guiding the development of aircraft and engine technology to reduce them, (2) promoting more efficient air traffic operations through the introduction of new technologies and procedures, and (3) expanding the use of regulatory and economic measures to encourage reductions in emissions.

**RCED-00-58**, Mar. 2, 2000 (31 pages). Port Infrastructure: Financing of Navigation Projects at Small and Medium-Sized Ports.

A sizable amount of the nation's waterborne commerce is handled at 444 small and medium-sized ports that constitute the majority of the U.S. port system. These small and medium-sized public ports each have annual net revenues of less than \$35 million but collectively handled more than one billion tons of cargo in 1996. GAO reviewed the Corps of Engineers' financing of navigation projects at small and medium-sized public ports and found that (1) for most small and medium-sized public ports, states play a major role in financing the nonfederal share of the Corps' navigation projects; (2) a small number of navigation projects identified by the Corps as having initiated from 1986 through 1999 had been terminated or suspended because the ports had failed to raise the nonfederal share; and (3) certain types of federally sponsored innovative financing mechanisms conceptually offer desirable financing alternatives to fund navigation projects for some small and medium-sized public ports.

**RCED-00-59**, Feb. 11, 2000 (38 pages). Energy Policy Act of 1992: Limited Progress in Acquiring Alternative Fuel Vehicles and Reaching Fuel Goals.

Congress passed the Energy Policy Act in 1992 to encourage the use of alternative fuels, such as ethanol, propane, and electricity, in cars and light trucks. GAO found that since 1992, some, albeit limited, progress has been made in acquiring alternative fuel vehicles and reducing the consumption of petroleum fuels in transportation. However, the act's goal of replacing at least 10 percent of petroleum fuels with alternative fuels in 2000 and 30 percent in 2010 will not be achieved under current economic conditions. The act's goals for fuel replacement are not being met principally because alternative fuel vehicles have significant economic disadvantages compared to conventional gasoline vehicles. Fundamental economic impediments--

from the relatively low price of gasoline to the lack of refueling stations for alternative fuels to the higher cost to buy these vehicles--explain why both mandated fleets and the general public are not inclined to acquire alternative fuel vehicles and use alternative fuels. Any effort to significantly expand the use of alternative fuel vehicles will need to address their current cost disadvantages relative to vehicles that use gasoline.

**RCED-00-60**, Mar. 1, 2000 (46 pages). Coast Guard Workforce Mix: Phased-In Conversion of Some Support Officer Positions Would Produce Savings.

Concerns have been raised in recent years about the ratio of the Coast Guard's military-to-civilian staff. Over the years, the Coast Guard has employed more military personnel, relative to its full-time workforce, than have other military services. This report evaluates (1) how the Coast Guard's current workforce mix compares with the workforce mix of other military services and how the workforce mix has changed since 1991, (2) how many military commissioned officer positions in administrative and support functions offer opportunities for conversion to civilian positions, and (3) what the advantages and disadvantages are of converting those military positions to civilian positions. GAO found that the Coast Guard employs proportionately more military personnel in its full-time workforce than the military services and that the mix has remained essentially unchanged since fiscal year 1991.

**RCED-00-61**, Mar. 7, 2000 (18 pages). Food Stamp Program: Better Use of Electronic Data Could Result in Disqualifying More Recipients Who Traffic Benefits.

The U.S. Department of Agriculture provided about \$16 billion in food stamp benefits to about 18 million

recipients in 1999. Until the mid-1990s, most recipients bought food using coupons. Today, however, about 70 percent of all benefits are provided electronically. The government saves time and money by providing benefits electronically because there is no need to print, safeguard, distribute, account for, or destroy the coupons. This report determines the (1) extent to which the states with electronic transfer systems are identifying and disqualifying recipients who engage in trafficking and (2) steps the Food and Nutrition Service has taken to encourage states to take these actions. Of the 29 states with statewide electronic benefit systems, only four--Florida, Missouri, South Carolina, and Texas--independently and actively analyze their electronic databases to identify suspect recipients.

**RCED-00-62**, Feb. 24, 2000 (27 pages). Nuclear Security: Improvements Needed in DOE's Safeguards and Security Oversight.

The Department of Energy (DOE), which is in charge of the nation's nuclear weapons program, owns several facilities that carry out classified weapons research and related activities. This report evaluates DOE's safeguards and security oversight at the Los Alamos National Laboratory and the Lawrence Livermore National Laboratory. GAO discusses (1) the monitoring and tracking of findings resulting from DOE's oversight activities; (2) the correction, validation, and closing of findings resulting from such activities; and (3) the consistency of various DOE assessments of the laboratories' safeguards and security programs.

**RCED-00-64**, Apr. 12, 2000 (64 pages). Low-Level Radioactive Wastes: Department of Energy Has Opportunities to Reduce Disposal Costs.

As the Cold War drew to a close, the Department of Energy (DOE) shifted

its focus from producing nuclear weapons to cleaning up the contaminated facilities where it had produced them. During the 1990s, DOE spent hundreds of millions of dollars to treat, store, and dispose of radioactive wastes at more than 50 of its nuclear facilities around the country. Some of these wastes, including spent fuel and liquid wastes from chemically processing spent fuel, are highly radioactive. By volume, however, most of DOE's radioactive wastes are classified as "low-level wastes," that is, wastes contaminated with relatively small amounts of radioactivity. Some low-level wastes also contain components, such as lead, that are hazardous in their own right; these wastes are called "mixed wastes." DOE generates these low-level and mixed wastes as by-products of its research and nuclear weapons missions. Cleanup activities at contaminated facilities also produce low-level wastes in the form of contaminated soils, debris from dismantled buildings, and other materials. Many of these wastes can be disposed of on-site in designated facilities. However, during the next several decades, DOE expects to permanently dispose of about 2.1 million cubic meters of low-level and mixed wastes at six locations where it operates disposal facilities. This volume of waste would fill an area the size of a football field stacked to nearly one and a half times the height of the Empire State Building. This report reviews (1) the factors that influence DOE's decisions about the treatment, storage, and disposal of low-level and mixed wastes and (2) DOE's costs to treat, store, and dispose of these wastes and the cost-effectiveness of DOE's disposal decisions.

**RCED-00-65**, Feb. 25, 2000 (13 pages). Food Safety: FDA's Use of Faster Tests to Assess the Safety of Imported Foods.

Although the U.S. food supply is reportedly among the safest in the

world, the Centers for Disease Control and Prevention estimate that as many as 76 million cases of illness and as many as 5,000 deaths result from foodborne diseases each year. The challenge of ensuring the safety of the food supply is becoming even more difficult as Americans eat more foods imported from abroad. Such imports have more than doubled in the last seven years. This report examines the Food and Drug Administration's (FDA) use of faster technologies—known as rapid tests—to screen and identify potentially unsafe imported foods, particularly at ports of entry, before they make it to grocery store shelves. Rapid tests can generally be completed in a day or two, offering a faster, cheaper, and more convenient alternative—without sacrificing reliability—to conventional laboratory tests that can take considerably longer to identify disease-causing pathogens in foods. This report describes (1) the rapid tests used to screen foods for pathogens, such as bacteria, parasites, and viruses; (2) FDA's use of these tests, particularly at ports of entry; and (3) the factors that may limit FDA's greater use of rapid tests for foodborne pathogens.

**RCED-00-66**, Mar. 6, 2000 (40 pages). Food Assistance: Financial Information on WIC Nutrition Services and Administrative Costs.

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) provides supplemental foods, nutrition services, and health care referrals to lower-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5. To help Congress better understand the costs associated with the program, GAO reviewed various cost aspects of WIC's nutrition services and administration. This is the first in a series of reports on this subject.

**RCED-00-67**, May 31, 2000 (79 pages). Foreign Relations: Better

Accountability Needed Over U.S. Assistance to Micronesia and the Marshall Islands.

Since the implementation of the Compact of Free Association in 1986, the United States has provided more than \$2.6 billion in financial and other assistance, of which more than \$1.5 billion was provided to the Federated States of Micronesia and more than \$1.1 billion was provided to the Republic of the Marshall Islands during fiscal years 1987 through 1999. The Interior Department provided most of the assistance through quarterly payments to the Islands' bank accounts to be used for such purposes as capital construction projects, energy production, and communications capabilities. Before the Compact, the United States provided about \$250 million in assistance to what is now the Republic of the Marshall Islands for the effects of the U.S. nuclear weapons testing program that had taken place there during the 1940s and 1950s. GAO found inaccuracies and inconsistencies in the data being used by Interior to supervise and monitor federal assistance programs.

**RCED-00-68**, Jan. 31, 2000 (12 pages). Telecommunications: Update on State-Level Cramming Complaints and Enforcement Actions.

Cramming is the inclusion of unauthorized, misleading, or deceptive charges in consumers' telephone bills. Phone companies can cram consumers by adding unauthorized charges for telephone services, such as call messaging. Cramming can also involve third-party vendors who offer products and services that are unrelated to telephone services, such as live or recorded information on the stock market, sports, or products; chat lines and dating services; and Internet Web page design. The Federal Communications Commission (FCC) and the Federal Trade Commission (FTC) reported that cramming

complaints declined during the first nine months of 1999 compared with the same period during the previous year. The situation at the state level, however, was mixed: 22 states and the District of Columbia reported declines in cramming complaints, 15 states reported increases, and 11 reported no changes. The states are continuing their efforts to combat this abuse. For example, by the end of 1998, most states had made information available to consumers on ways to prevent cramming and had established administrative procedures for resolving complaints about telephone billing. The states were also taking additional enforcement actions against crammers. Between 1996 and 1998, 16 states completed 25 enforcement actions against companies and individuals involving in cramming, resulting in more than \$3.5 million in restitution and fines.

**RCED-00-69**, Apr. 6, 2000 (51 pages). Fishery Management: Problems Remain With National Marine Fisheries Service's Implementation of the Magnuson-Stevens Act.

Ensuring a healthy supply of fish and other marine species in the coastal waters is the responsibility of the Department of Commerce's National Marine Fisheries Service (NMFS) and eight regional fishery management councils. Measures to manage fish and marine species are usually developed by the councils, reviewed by NMFS, and approved by the Secretary of Commerce. This report assesses NMFS' compliance with three provisions of the Magnuson-Stevens Fishery Conservation and Management Act. GAO found that NMFS appears to be using the best available scientific information to determine the condition and the abundance of fish and other marine species, but improvements could be made.

**RCED-00-70**, Mar. 31, 2000 (78 pages). Park Service: Need to Address

Management Problems That Plague the Concessions Program.

Concessioners play a significant role in providing services to millions of visitors to the nation's national parks each year. However, GAO previously reported that the condition of lodging facilities varies from park to park. This report discusses the factors affecting the condition of lodging facilities in the national park system and the options available to address them. After considering many site-specific factors that could affect the condition of lodging facilities—such as whether the facilities were used year-round or just seasonally, whether the facilities were owned by the government or by the concessioner, and whether the facilities were designated as historic structures—GAO found that the most significant factor was the Park Service's overall approach to managing the program. Specifically, the Park Service's management problems center on three areas: (1) inadequate qualifications and training of the agency's concessions specialists and concessions contracting staff, (2) the agency's out-of-date practices in handling its contracting workloads and chronic backlog of expired contracts, and (3) a lack of accountability within the concessions program.

**RCED-00-72**, Apr. 17, 2000 (58 pages). Air Pollution: Status of Implementation and Issues of the Clean Air Act Amendments of 1990.

The Clean Air Act, last reauthorized and amended by the Congress in 1990, provides for several related programs designed to protect health and control air pollution. The Clean Air Act Amendments of 1990 established new programs and made major changes in the ways that air pollution is controlled. The amendments require the Environmental Protection Agency (EPA) to take several steps and specify a deadline for many of them. Most of these requirements are found in the amendments' first six titles; EPA has

identified 538 such requirements, 361 of which have a statutory deadline. The amendments also set deadlines for states and local air pollution control agencies to respond to the rules promulgated by EPA. This report (1) provides information on the status of EPA's implementation of the requirements established by the 1990 amendments and (2) obtains views from state governments, local programs, industries that are regulated under the act, and environmental advocacy groups on issues that have either helped or hindered the implementation of the 1990 amendments. GAO summarized this report in testimony before Congress; see: Air Pollution: Implementation of the Clean Air Act Amendments of 1990, by David C. Wood, Associate Director for Environmental Protection Issues, before the Subcommittee on Clean Air, Wetlands, Private Property, and Nuclear Safety, Senate Committee on Environment and Public Works. GAO/T-RCED-00-183, May 17 (13 pages).

**RCED-00-73**, June 22, 2000 (86 pages). BLM and the Forest Service: Land Exchanges Need to Reflect Appropriate Value and Serve the Public Interest.

The Bureau of Land Management (BLM) and the Forest Service have long used land exchanges, in which property owned by the federal government is traded for land owned by corporations, individuals, or state or local governments, as a way to acquire nonfederal land and dispose of federal land. GAO found that the agencies have given more than fair market value for nonfederal land they acquired and less than fair market value for federal land they conveyed because the appraisals use to estimate the lands' values did not always meet federal standards. Current law requires BLM to deposit sales proceeds into the Treasury and use appropriations to acquire nonfederal land. BLM sold federal land, deposited the sales

proceeds into interest-bearing escrow accounts, and used this money to acquire nonfederal land. In using these funds and the interest earned on them to buy land, BLM augmented its appropriations. BLM also did not comply with its sale authority when it sold the land. None of the funds in escrow accounts were tracked in BLM's financial management system. Although both agencies have strengthened their management oversight policies regarding land exchanges, BLM has not addressed the unauthorized selling and buying of land under its exchange program or the financial management of these funds. Both agencies want to retain land exchanges as a way to acquire land, but cash-based transactions would be simpler and less costly. Neither agency wants Congress to discontinue their land exchange programs.

**RCED-00-74**, June 29, 2000 (33 pages). Reagan National Airport: Limited Opportunities to Improve Airlines' Compliance with Noise Abatement Procedures.

Aircraft noise at Reagan National Airport is limited by (1) restricting flights between 10 p.m. and 7 a.m.; (2) imposing certain flight paths along the Potomac River; (3) requiring pilots to reduce engine power on takeoff; (4) barring nonstop flights within 1,250 statute miles from Reagan National Airport; and (5) restricting the number of flights to 60 per hour. This last is known as the high density or slot rule. Airlines have generally met local requirements, but shortcomings in the Federal Aviation Administration (FAA) and the Metropolitan Washington Airports Authority (MWAA) monitoring procedures raise doubts about the actual level of compliance. FAA officials admit that they generally focus on keeping the flights away from federally protected areas and not on local neighborhoods. FAA also does not regularly monitor compliance with the high-density rule and says that it is

impractical to monitor the requirement to reduce engine noise at takeoff. Local citizens' groups do not consider the existing noise abatement procedures and penalties effective and say that MWAA is not using available technologies to determine which airlines violate noise abatement procedures and laws. The MWAA is 10 years old and can only supply limited information on aircraft noise.

**RCED-00-75**, June 28, 2000 (45 pages). Aviation Security: Long-Standing Problems Impair Airport Screeners' Performance.

The trend in terrorism against U.S. targets, according to the Federal Bureau of Investigation, is toward large-scale incidents for maximum destruction, terror, and media impact--such as the 1995 terrorist plot to blow up 12 U.S. airliners in one day, mainly in the Pacific region. Among the most important safeguards in the United States and other countries against such attacks are airport checkpoints where passengers and carry-on items are screened for dangerous items, such as guns and explosives. However, U.S. screeners, generally contractor employees hired by air carriers, have historically had difficulty in detecting dangerous items. Long-standing problems reduce screeners' accuracy, most notably (1) the rapid turnover of screener personnel--often above 100 percent a year at large airports and, in a recent case, more than 400 percent a year--leaving few experienced screeners to staff checkpoints and (2) human factors, such as the effect of repetitive tasks, that have long affected screeners' hiring, training, and working environment. A key factor in turnover is the low wages that screeners receive. Often they are paid at or close to minimum wage and can earn more at airport fast-food restaurants. Although FAA has established performance improvement goals for screeners and begun efforts to improve screener performance, it has not completed a plan to tie those

efforts to achievement of the goals and has not adequately measured its progress in achieving the goals. The screening procedures of the countries GAO visited--Belgium, Canada, France, the Netherlands, and the United Kingdom--are similar to U.S. procedures, e.g., metal detectors at checkpoints. Some aspects differ. Notably, turnover is less, at about 50 percent a year, in the other countries; wages are higher; and performance may be better.

**RCED-00-76**, Mar. 2, 2000 (39 pages). Federal Land Management: Land Acquisition Issues Related to Baca Ranch Appraisal.

The privately owned Baca Ranch covers nearly 95,000 acres in northern New Mexico. The Forest Service wants to buy the ranch because it contains a diversity of natural features and is almost completely surrounded by the Santa Fe National Forest. The ranch owners had the property appraised in September 1998 by certified appraisers who concluded that the land's fair market value was \$101 million--or \$1,061 per acre. This report discusses the extent to which the value established by the owner's appraisal was consistent with the comparable property sales data presented in the appraisal and in the Services' market study and other key factors that influenced the appraisal's final outcome. GAO concludes that although the owner's appraisal of the Baca Ranch's value complied with federal appraisal standards, the appraised value is higher than supported solely by sales of comparable properties presented in the appraisal and in the Service's market study and reflects a premium. GAO summarized this report in testimony before Congress; see: Federal Land Management: Baca Ranch Appraisal Land Acquisition Issues, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Subcommittee on Forests and Public

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Lands Management, Senate Committee on Energy and Natural Resources. GAO/T-RCED-00-105, Mar. 10 (eight pages).

**RCED-00-77**, Apr. 28, 2000 (41 pages). Managing for Results: EPA Faces Challenges in Developing Results-Oriented Performance Goals and Measures.

For more than a decade, internal and external studies have called for the Environmental Protection Agency (EPA) to "manage for environmental results" as a way to improve and better account for its performance. The Government Performance and Results Act of 1993 requires EPA and other federal agencies to prepare performance plans containing annual performance goals and measures to help move them toward managing for results. These performance goals and measures are used to assess an agency's progress toward achieving the results expected from its major functions. This report (1) determines the extent to which EPA's fiscal year 2000 performance goals and measures focus on end outcomes, intermediate outcomes, or outputs; (2) identifies any challenges the agency faces in developing additional performance goals and measures that focus on end outcomes; and (3) describes the initiatives the agency is taking to address any identified challenges.

**RCED-00-80**, Apr. 28, 2000 (26 pages). Maritime Industry: As U.S. Single-Hull Oil Vessels Are Eliminated, Few Double-Hull Vessels May Replace Them.

Ships and barges are a major link in the country's oil transportation network, both for transporting crude oil to U.S. refineries and for transporting refined oil products to market. The Oil Pollution Act of 1990 mandated extensive changes to make these shipments environmentally safer. One of these changes was to phase out all oil shipments in single-hull vessels

in U.S. waters between 1995 and 2015. The oldest and largest vessels would generally be phased out first. The total number of U.S.-built vessels that were subject to the act's requirements is unknown. The Coast Guard's records do not indicate how many single-hull vessels had phase-out dates before October 1999 and had been removed from service. After 2015, however, only double-hull vessels may be used. Double-hull vessels are considered to be environmentally safer because their inner hull helps protect against oil spills if the outer hull is punctured. As of October 1999, 144 U.S.-built single-hull vessels larger than 5,000 gross tons were still certified to carry oil. The U.S. Coast Guard is responsible for ensuring that these vessels do not carry oil after their specific phase-out deadline has passed. This report answers the following questions: How has the Coast Guard implemented the act's phase-out requirements for U.S.-built single-hull vessels larger than 5,000 gross tons? To what extent have owners received extensions or waivers that extend the phase-out deadlines for their single-hull vessels? To what extent are owners replacing or plan to replace or convert their single-hull vessels, and what effect do their plans have on the ability to provide enough oil-shipping capacity in the future?

**RCED-00-81**, Mar. 30, 2000 (50 pages). Cooperative Research: Results of U.S.-Industry Partnership to Develop a New Generation of Vehicles.

In light of growing competition from international car companies, the important of automotive jobs to the U.S. economy, and other policy concerns, the President announced a partnership between the federal government and three domestic car companies—Ford, General Motors, and Chrysler—in 1993. The goals of the partnership were to (1) significantly improve U.S. competitiveness in manufacturing, (2) apply commercially viable innovations from ongoing research to conventional vehicles, and

(3) develop vehicles that can achieve up to three times the fuel efficiency of comparable 1994 family sedans—or about 80 miles per gallon—by 2004. Overall, GAO found that the partnership is making progress toward its goals, but obstacles remain. GAO estimates that federal research in support of the partnership totaled about \$1.24 billion from fiscal year 1995—the first year in which the program was funded—through fiscal year 1999, averaging about \$250 million per year. The federal agencies and industry partners supporting the partnership are jointly developing technologies to improve fuel efficiency and manufacturing processes in the automobile industry. Automobile manufactures participating in the partnership reported that their overall research and development primarily focuses on fulfilling consumer preferences and complying with government regulations, while their research done under the partnership is more narrowly focused on developing fuel-efficient vehicles and improving manufacturing processes.

**RCED-00-83**, Apr. 7, 2000 (32 pages). Natural Resources Conservation Service: Additional Actions Needed to Strengthen Program and Financial Accountability.

The U.S. Department of Agriculture's Natural Resources Conservation Service (NRCS) is the lead agency responsible for conserving and protecting natural resources on private lands, which constitute about 75 percent of all acreage in the contiguous United States. NRCS' \$1 billion budget funds various technical and financial assistance programs to help farmers, ranchers, other landowners, and communities conserve and protect soil, water, and related resources. NRCS has nearly 11,000 employees who work with individuals and communities to develop conservation plans and apply conservation or resource management practices on the land. The agency has

not been successful in gathering and analyzing information from these county offices to provide a comprehensive picture of its activities and accomplishments. As a result, Congress, NRCS staff, and others have questioned the agency's accountability for how it spends its funds and what it has accomplished. In 1988, the head of NRCC called for a new agencywide effort to improve accountability by providing better information and resources and analyses on how the agency uses its resources and what it achieves with its funds. This report (1) describes the agency's new approach and the status of its implementation and (2) assesses the extent to which the approach will improve accountability.

**RCED-00-84**, Apr. 5, 2000 (72 pages). South Florida Ecosystem Restoration: A Land Acquisition Plan Would Help Identify Lands That Need to Be Acquired.

The Florida Ecosystem Restoration Initiative is a complex, long-term effort to restore the ecosystem of South Florida, including the Everglades. The Initiative involves federal, state, and local governments; tribal groups; and private interests. The South Florida Ecosystem Task Force was created in 1993 to coordinate ongoing federal restoration activities. Although land acquisition is critical to the success of the restoration effort, this ecosystem is so large that not all of the lands within it can be bought and preserved. A recent GAO report concluded that a strategic plan outlining the steps involved in restoring the ecosystem would increase the Initiative's chance of success. (See GAO/RCED-99-121, Apr. 1999.) Similarly, a land acquisition plan that clearly explains the Task Force's needs and priorities to federal and state agencies would be valuable in coordinating land acquisition efforts. Without a plan, the Task Force cannot (1) determine how much property will be needed to achieve its goals, (2) estimate the full cost to buy

this property, (3) measure progress in acquiring lands for the restoration, or (4) increase the likelihood that the lands acquired are those that are most needed. This information is an important part of the status reports sent to Congress and Florida, which are jointly funding the restoration effort. The Interior Department developed a cost-sharing policy under which Florida is to match the federal funds dollar for dollar. Interior has approved four grants, but it waived the matching requirements or accepted lands in place of money for three of the grants. Florida had already acquired or was in the process of acquiring the lands that it used for matching purposes. Had Interior consistently applied its cost-sharing policy, GAO estimates that an additional \$77 million would have been available to buy land. GAO summarized this report in testimony before Congress; see: South Florida Ecosystem Restoration: A Land Acquisition Plan Is Needed to Supplement the Strategic Plan Being Developed, by Jim Wells, Director of Energy, Resources, and Science Issues, before the Subcommittee on Interior and Related Agencies, House Committee on Appropriations. GAO/T-RCED-00-137, Apr. 5 (eight pages).

**RCED-00-91**, Mar. 27, 2000 (10 pages). HUD Reform Act: Information on the Department's Response to the Act's Requirements.

In the late 1980s, management problems at the Department of Housing and Urban Development (HUD) led to the enactment of the HUD Reform Act of 1989. The act required HUD to institutionalize policies and procedures to help ensure that past abuses would not be repeated. For example, title I of the act directs HUD to be transparent in its granting of competitive funds through notices in the Federal Register. This report discusses HUD's actions in response to (1) title 1, which is principally concerned with addressing the ethics, management, and Federal

Housing Administration issues raised during the late 1980s, and (2) four other titles in the act that address other changes in HUD's management of federally assisted housing.

**RCED-00-96**, Apr. 28, 2000 (45 pages). Nuclear Waste Cleanup: DOE's Paducah Plan Faces Uncertainties and Excludes Costly Cleanup Activities.

In 1988, radioactive contamination was found in the drinking wells of homes near the government's uranium enrichment plant in Paducah, Kentucky. In response, the Department of Energy (DOE) connected local residences to municipal water supplies and began a cleanup program to identify and remove contamination in the groundwater, surface water, and soils located within and outside the plant's boundaries. Sources of the hazardous chemical and radioactive contamination included spills, leaks from contaminated buildings, buried waste, scrap yards, and waste lagoons. From 1988 through 1999, DOE spent about \$388 million on these cleanup efforts. GAO found that the Department's plan for addressing the contamination at Paducah focuses on six major cleanup categories. Four of these address the physical contamination at the site: groundwater; surface water (for example, in ditches and creeks); soils; and buried waste. Two other major categories of cleanup work include treating and disposing of the equivalent of about 52,000 barrels of waste now stored on site and decontaminating and removing the two unused, contaminated uranium process buildings. DOE faces many challenges to completing its cleanup as planned. Uncertainties about the extent, source, and nature of contamination yet to be cleaned up could affect the cleanup plan; the outcome of such uncertainties could increase the cleanup costs. DOE also faces several technical risks, including the planned use of technologies that are unproven or perhaps not well



suiting to the site's conditions. Also underpinning the plan are assumptions that annual federal funding will rise to an average of \$124 million through 2010. If the expected increase in funding does not occur, the project could take longer to complete. Even when the planned cleanup has been carried out, billions of dollars and many years will be needed to address areas at the Paducah site that are not in the cleanup plan. These areas include (1) large amounts of waste and scrap metals, (2) various unused buildings and structures, (3) thousands of tons of depleted uranium, and (4) the buildings and equipment that are now being used in the enrichment process but that will have to be cleaned up when the plant closes.

**RCED-00-97**, Apr. 25, 2000 (87 pages). Nuclear Safety: Concerns With the Continuing Operation of Soviet-Designed Nuclear Power Reactors.

The United States and 20 other nations and international organizations have contributed about \$1.9 billion to improve the safety of Soviet-designed nuclear reactors; the United States contributed about \$545 million of that amount. Nuclear safety experts from 32 countries and international organizations met in 1999 to assess the impact of nuclear safety assistance provided to countries operating Soviet-designed reactors. These experts concluded that progress has been made during the last decade in strengthening nuclear regulatory authorities, improving the operation of nuclear reactors, and establishing safety improvement programs. Nevertheless, they believed that further improvements were needed, particularly to strengthen the independence and effectiveness of nuclear regulatory authorities. Moreover, the extent of safety improvements varies from country to country. Although safety improvements have been made, a major goal of the international donor community has yet to be realized—the

permanent shutdown of the highest-risk Soviet-designed reactors. Despite the favorable views of recipients of safety assistance from the Department of Energy and the Nuclear Regulatory Commission, some U.S. safety program officials have concerns about the management of both agencies' programs.

**RCED-00-98**, Apr. 28, 2000 (102 pages). Aviation and the Environment: FAA's Role in Major Airport Noise Programs.

Since the introduction of turbojet aircraft in the late 1950s for commercial passenger service, airport noise has affected many surrounding communities and has become a constraint to airport development. Airport noise is produced primarily when planes take off and land, but engine maintenance and the taxiing of aircraft on runways also contribute to the problem. New technology has been making aircraft quieter, and since 1969 the Federal Aviation Administration (FAA) has been limiting the noise that aircraft are allowed to make. As a result, FAA estimates that the population exposed to very high noise levels will have declined from 7 million in 1975 to an estimated 600,000 in 2000. But in spite of the recent transition to quieter aircraft, the expected growth in air traffic may yield little or no net reduction in overall noise levels generated by individual airports. Furthermore, concerns about airport-related noise may impede the development of any needed additional capacity in the national network of airports. This report determines (1) the type of projects that are eligible for federally authorized funding to reduce airport noise, (2) the differences in the current methods for measuring the impact of airport noise, (3) FAA's current noise standards for civil subsonic turbojets and the reasons some of those aircraft are not required to comply with these or earlier standards, and (4) the status of FAA's land use planning initiative and the

major issues that the initiative has raised about how best to address airport noise.

**RCED-00-106**, Apr. 28, 2000 (33 pages). Nuclear Waste: DOE's Advanced Mixed Waste Treatment Project—Uncertainties May Affect Performance, Schedule, and Price.

The Department of Energy (DOE) has produced nuclear material for atomic bombs for more than 50 years. As a result, huge quantities of radiological and hazardous waste now contaminate the facilities that produced this material. DOE spends more than \$5 billion each year to clean up or ensure proper storage of these wastes. DOE's Idaho National Engineering and Environmental Laboratory has a large concentration of "mixed" waste—that is, a combination of radiological contaminants, such as plutonium, and hazardous but nonradiological contaminants, such as degreasing agents or acids. This mixed waste, which takes such forms as contaminated paper, cloth, and other materials (some of it saturated with liquids), is now stored in metal drums and wooden boxes in a facility intended for temporary storage. DOE has committed to having this waste treated and moved out of Idaho and to a disposal facility no later than the end of 2018. To treat the mixed waste and prepare it for disposal, DOE awarded a fixed-price contract to BNFL, Inc., effective January 1997. Because of the potential cost of this project and concerns about DOE's management of earlier large cleanup projects, this report assesses the projects' status and potential uncertainties with regard to (1) successfully treating the waste, (2) meeting the project's deadlines, and (3) minimizing increases in the contract price.

**RCED-00-107**, June 30, 2000 (36 pages). Hydropower Relicensing: Federal Costs Are Not Being Recovered.

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

**RCED-00-108**, June 1, 2000 (72 pages). Environmental Protection: More Consistency Needed Among EPA Regions in Approach to Enforcement.

The environmental compliance enforcement program relies heavily upon inspections by regional and state enforcement staff to detect violations and evaluate overall facility compliance. Variations exist among EPA's regional offices in the steps they take to enforce environmental compliance. For example, in fiscal year 1998, inspection coverage for Clean Air Act-related programs was 27 percent in the Chicago region and 74 percent in the Philadelphia region. That same year, the EPA Inspector General reported that in four of six states included in a clean-air audit, inspectors did not always complete

tests required and the regions did not ensure that they did so. Factors contributing to variations in regional enforcement programs include differences in philosophical approach to enforcement, and differences in state laws and enforcement authorities. Nearly all regional and state enforcement officials interviewed said that differences in state laws and enforcement authorities contribute to the variations in enforcement programs. Furthermore, incomplete and inaccurate national enforcement data entered into EPA's national databases hinders the Office of Enforcement and Compliance Assurance's assessment of the program requirements. EPA has tried to achieve greater consistency by providing comparative data on regional performance, improving regional-state communications, and developing regional audit protocols.

**RCED-00-109**, Apr. 25, 2000 (31 pages). Federal Research: DOE Is Providing Independent Review of the Scientific Merit of Its Research.

Like the scientific community as a whole, federal agencies normally subject their research programs to a peer review process. A GAO report last year on peer review procedures at 12 federal science agencies found that all of them were using peer review to assess research proposals. This report is a follow-up study to determine whether the Department of Energy (DOE) had implemented its "merit review" procedures that the agency said that it had established. GAO determines (1) what procedures DOE has established for performing merit reviews and (2) whether DOE could document that it has followed the merit review procedures that it has established.

**RCED-00-111**, June 30, 2000 (101 pages). Aviation Safety: Safer Skies Initiative Has Taken Initial Steps to Reduce Accident Rates by 2007.

The Safer Skies initiative addresses the safety problems that have contributed to fatal accidents in the past. In conjunction with other safety programs, it can be expected to reduce the fatal accident rate and thus enhance the safety of the nation's air passengers. In commercial aviation, the initiative addresses safety problems that accounted for more than three-quarters of the fatal accidents between 1998 and 1997. Other FAA initiatives are addressing additional safety problems, which should complement Safer Skies' efforts to meet the goal of an 80-percent reduction in the fatal accident rate for commercial aviation. For general aviation, the target goal is a 20-percent reduction in the fatal accident rate. So far, safety improvement efforts by FAA and Safer Skies have focused on reducing the causes of past accidents and incidents, which may not be entirely predictive of future ones. Studying growth and technological changes in the aviation industry can help anticipate and prevent safety problems that are likely to arrive from the changes. Safer Skies teams have made the most progress in selecting interventions to address safety problems when they have been able to build on previous studies for which widely supported recommendations already existed. However, the implementation of Safer Skies' interventions is not assured because the tracking system for commercial aviation is not significantly detailed. Because most interventions are in the early implementation stages, little progress has been made in evaluating their effectiveness. Only one of the teams has developed a performance measure. GAO found three coordination problems that could undermine the implementation and evaluation of Safer Skies' interventions: (1) Skepticism exists among participants as to whether FAA will continue to fund interventions. (2) If funding is limited, how will available resources be reprioritized? (3) Safer Skies, FAA,

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and the Department of Transportation have not agreed on how they will measure progress in achieving the accident reduction goal for commercial aviation.

**RCED-00-112**, Apr. 28, 2000 (44 pages). Single-Family Housing: Stronger Oversight of FHA Lenders Could Reduce HUD's Insurance Risk.

Every year, the Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), insures billions of dollars in home mortgage loans made by private lenders. During fiscal year 1999, FHA insured 1.3 million mortgages valued at about \$124 billion. Recent cases of mortgage fraud across the country have raised concerns about HUD's oversight of these lenders. This report provides information on HUD's oversight of lenders participating in FHA's mortgage insurance programs for single-family homes. Among other things, GAO found that 12 of 36 lenders had received 4 or more "poor" ratings from HUD's homeownership centers for their last 15 preclosing reviews. In addition, the homeownership centers' monitoring of lenders does not adequately focus on the lenders and loans that pose the greatest insurance risks to HUD. GAO summarized this report in testimony before Congress; see: Single-Family Housing: Stronger Oversight of FHA Lenders Could Reduce HUD's Insurance Risk, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs. GAO/T-RCED-00-213, June 29 (nine pages).

**RCED-00-114**, Apr. 24, 2000 (39 pages). Advanced Technology Program: Inherent Factors in Selection Process Could Limit Identification of Similar Research.

The Advanced Technology Program (ATP), which is run by the National Institute of Standards and Technology (NIST), was established to support research that accelerates the development of high-risk technologies. ATP is a competitive cost-sharing program that, since 1990, has funded 468 projects at a cost of about \$1.5 billion in federal matching dollars. Program administrators must ensure that they are not funding research that would have been done in the absence of the program's financial support. GAO reviewed the status of the projects to determine whether ATP might be funding research that was similar to research already being carried out by the private sector. Among other things, GAO found that three completed ATP-funded projects had research goals similar to projects being funded in the private sector.

**RCED-00-117**, May 12, 2000 (43 pages). Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by Management and Marketing Contractors.

The Department of Housing and Urban Development (HUD) introduced its management and marketing contracts nationwide last year as a way to dispose of the inventory of single-family properties that HUD acquires through foreclosures. The contractors are responsible for all management and marketing activities, ranging from inspecting the properties to ensure that they are presentable to listing and selling the properties. HUD has experienced widespread problems with the management and marketing contracts since they started in April 1999. Property maintenance and security, which was a problem under HUD's previous property disposition approach, remains a significant problem. Also, older properties in HUD's inventory have accumulated as the contractors have focused their sales efforts on the newly acquired, more saleable properties. In addition,

while HUD encourages contractors to sell properties quickly, it does not provide incentives for the contractors to focus on properties that have been in inventory for a long period of time. GAO summarized this report in testimony before Congress; see: Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by Management and Marketing Contractors, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-00-180, May 16 (12 pages).

**RCED-00-118**, May 12, 2000 (117 pages). Superfund: Extent to Which Most Reforms Have Improved the Program Is Unknown.

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

**RCED-00-120**, June 14, 2000 (39 pages). Commercial Fisheries: Entry of Fishermen Limits Benefits of Buyback Programs.

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

**RCED-00-121**, Apr. 28, 2000 (27 pages). Motor Fuels: California Gasoline Price Behavior.

Retail gasoline prices in the United States have risen sharply since early 1999, mostly in response to soaring world crude oil prices. Moreover, during the second half of the 1990s, retail gasoline prices throughout the United States have shown a high degree of volatility and fairly frequent spikes. Particularly in California, where consumers already generally pay higher average prices than they do elsewhere in the United States, the spikes have raised questions about the behavior of gasoline prices both within the state and between California and the rest of the country. This report answers the following questions: (1) To what extent do retail gasoline prices spike more often and higher in California than they do in the rest of the country, and what factors account

for any difference? (2) Do retail gasoline prices in California rise faster than they fall in response to increases and decreases in the wholesale prices of gasoline and, if so, why? (3) What factors account for differences in the retail prices of gasoline between San Francisco and Los Angeles?

**RCED-00-126**, June 9, 2000 (104 pages). Sugar Program: Supporting Sugar Prices Has Increased Users’ Costs While Benefiting Producers.

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

**RCED-00-128**, May 15, 2000 (61 pages). Pipeline Safety: The Office of Pipeline Safety Is Changing How It Oversees the Pipeline Industry.

Pipelines are safer to the public than other modes of freight transportation for natural gas and hazardous liquids because they are generally located underground. Nevertheless, the volatile nature of these products means that pipeline accidents can have serious consequences. For example, a June 1999 pipeline rupture in Bellingham, Washington, spilled about 250,000 gallons of gasoline into a creek, killing three people and damaging a number of buildings. GAO

found that from 1989 through 1998, pipeline accidents caused an average of about 22 fatalities per year. Fatalities from pipeline accidents are relatively low when compared with those from accidents involving other forms of transportation. Although these statistics underscore the relative safety of pipelines for transporting natural gas and hazardous liquids, the total number of major pipeline accidents rose by about four percent annually during this 10-year period. The Office of Pipeline Safety at the Department of Transportation has implemented a risk management demonstration program and has approved six demonstration projects, which are ongoing. Since the implementation of the Accountable Pipeline Safety and Partnership Act of 1996, the Office has modified its inspection and enforcement approach. With respect to inspections, it has moved toward inspecting entire pipelines rather than segments of pipelines. The Office has also revised its enforcement of compliance with regulations by reducing its use of fines and, instead, working with operators to identify and correct safety problems. The Office’s responsiveness to recommendations from the National Transportation Safety Board and to statutory requirements designed to improve pipeline safety has been mixed.

**RCED-00-133**, June 5, 2000 (38 pages). Highway Infrastructure: FHWA’s Model for Estimating Highway Needs Is Generally Reasonable, Despite Limitations.

Transportation systems play a vital role in the nation’s economy by facilitating the movement of people and goods. The United States has made significant investments in its transportation infrastructure. The Transportation Equity Act for the 21st Century directed GAO to evaluate and report to Congress on how the Department of Transportation (DOT) determines highway investment

requirements using the Highway Economic Requirements System (HERS). To estimate future investment requirements, DOT's Federal Highway Administration (FHWA) uses the HERS computer model. In this report, GAO describes (1) the methodology the model uses to generate its estimates of the nation's highway investment requirements, (2) the strengths and the limitations of the model, and (3) the usefulness of the HERS estimates for deciding on federal investments in highway infrastructure. Among other things, GAO reports that (1) the computer model estimates investment requirements for the nation's highways by adding together the costs of highway improvements that the model's benefit-cost analyses indicate are warranted; (2) HERS has several strengths that make it a unique and reasonable tool for estimating a general level of national highway investments, but that it also has some limitations that affect the precision of its results; and (3) HERS can be useful as a general guide for the investment requirements of the nation's highways included in the model.

**RCED-00-138**, May 31, 2000 (54 pages). Intercity Passenger Rail: Amtrak Will Continue to Have Difficulty Controlling Its Costs and Meeting Capital Needs.

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

time—have all contributed to these increases.

**RCED-00-140**, June 26, 2000 (33 pages). Department of Energy: National Security Controls Over Contractors Traveling to Foreign Countries Need Strengthening.

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

**RCED-00-141**, Aug. 8, 2000 (45 pages). National Ignition Facility: Management and Oversight Failures Caused Major Cost Overruns and Schedule Delays.

The National Ignition Facility (NIF) is to produce the intense pressures and temperatures needed to simulate thermonuclear conditions in a laboratory. The Department of Energy (DOE) and Lawrence Livermore National Laboratory now estimate that NIF will cost about \$3.3 billion and be

completed in 2008—more than \$1 billion above original estimates and six years behind schedule. GAO estimates the cost at closer to \$4 billion when research and development costs are factored in. These cost increases and schedule delays are due to poor Lawrence Livermore management and inadequate DOE oversight. The NIF project manager had little experience in directing large projects and had no control over separately funded program components. Although he had been briefed to the contrary, the laboratory's former laser director assured Congress that the project was adequately staffed and funded, on schedule, and within cost. The absence of independent reviews has enabled the costs and schedules to grow undetected. DOE has said that funds from within DOE's existing nuclear weapons budget will be reallocated to pay for NIF overruns. Paying for cost overruns from within DOE program accounts—Livermore, Los Alamos, and Sandia Laboratories—could significantly affect portions of these laboratories' programs.

**RCED-00-149**, Apr. 28, 2000 (23 pages). Mass Transit: Implementation of FTA's New Starts Evaluation Process and FY 2001 Funding Proposals.

Since the early 1970s, the federal government has provided a large share of the nation's capital investment in urban mass transportation. Much of the investment has come through the Federal Transit Administration's (FTA) New Starts Program. The Transportation Equity Act for the 21st Century authorized billions of dollars in guaranteed funding for New Starts projects through fiscal year 2003. The act requires GAO to report by April 30 of each year on FTA's processes and procedures for evaluating, rating, and recommending New Starts projects for federal funding and on the implementation of these processes and procedures.

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**RCED-00-151**, June 14, 2000 (23 pages). National Fish Hatcheries: Authority Needed to Better Align Operations With Priorities.

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

**RCED-00-152**, June 30, 2000 (63 pages). Radiation Standards: Scientific Basis Inconclusive, and EPA and NRC Disagreement Continues.

U.S. regulatory standards to protect the public from radiation lack a conclusively verified scientific basis. In the absence of conclusive data, scientists have assumed that even the smallest radiation exposure carries a risk. Some scientists say that this "linear, no-threshold hypothesis" is too conservative. The National Academy of Sciences plans to conclude its study on the risks of low-level radiation in 2001. The Department of Energy began a 10-year research project on the effects of low-level radiation on human cells, in part to help verify or disprove

the linear model. The Environmental Protection Agency (EPA) and the Nuclear Regulatory Commission (NRC) have sometimes differed over how restrictive U.S. radiation protection standards should be, particularly about the proposed disposal of high-level nuclear waste in a repository at Yucca Mountain and the cleanup and decommissioning of nuclear facilities. For example, EPA applies community drinking water limits for radioactive substances to groundwater at nuclear sites; some limits are equivalent to fractions of a millirem a year. NRC includes groundwater and other potential contamination sources under a less restrictive limit of 25 millirem a year for all means of exposure, which conforms with internationally recommended radiation protection guidance. Although the National Academy of Sciences has criticized EPA's approach, it recognizes that EPA has the authority to set a separate standard for Yucca Mountain. As for nuclear cleanup and decommissioning sites where both agencies have jurisdiction, little progress has been made to finalize a memorandum of understanding between the two, and Congress may need to help resolve the agencies' disagreement. Costs per site could be immense, and the tighter the restriction, the higher the cost of cleanup. GAO summarized this report in testimony before Congress; see: Radiation Standards: Scientific Basis Inconclusive, and EPA and NRC Disagreement Continues, by Ms. Gary L. Jones, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. GAO/T-RCED-00-252, July 18 (15 pages).

**RCED-00-153**, Aug. 30, 2000 (100 pages). Aviation and the Environment: Airport Operations and Future Growth Present Environmental Challenges.

Many of the nation's commercial airports are operating at or near

capacity and are under growing pressure to expand to accommodate the rising demand for domestic air travel, which is projected to increase by 3.6 percent annually through 2011. This growing demand has heightened concerns among some communities, environmental groups, and others that airport operations may increasingly threaten the environment. Officials from all of the nation's busiest airports report that balancing their operations with their impact on the environment is more difficult than it was a decade ago. This report reviews key environmental concerns and challenges associated with airports' current operations and future growth and the efforts of major airports and federal agencies to address these concerns. GAO cites noise, water and air issues as the leading environmental concerns and challenges for airports and finds that, although the federal government has coordinated some efforts to address environmental issues associated with airport operations and growth, challenges remain.

**RCED-00-154**, May 22, 2000 (36 pages). Park Service: Agency Is Not Meeting Its Structural Fire Safety Responsibilities.

The National Park Service's role as caretaker of many of the nation's natural, cultural, and historic treasures has grown substantially since the agency was created more than 80 years ago. Today, the Park Service is the steward for more than 30,000 structures and more than 80 million artifacts. These structures range from national icons, such as the Statue of Liberty and Independence Hall, to motels, cabins, and visitors' centers. In terms of buildings alone, the Park Service is the federal government's third largest landlord. Upwards of 270 million people visit these facilities each year. GAO found that fire safety efforts at national parks are ineffective. The structural fire activities at the six parks GAO visited—

Ford's Theater, Olympic National Park, Prince William Forest Park, Shenandoah National Park, Sequoia-Kings Canyon National Park, and Yosemite--lacked many of the basic elements needed for an effective fire safety effort. These gaps included such basics as adequate fire training for employees, adequate fire inspections, and--for many buildings--adequate fire detection or suppression systems. As a result, park visitors, employees, buildings, and artifacts are vulnerable to the threat of fire. These deficiencies occurred primarily because local park managers are not required to meet minimum structural fire safety standards and because structural fire activities have been a low priority within the agency.

**RCED-00-155**, May 31, 2000 (21 pages). Air Pollution: Emission Sources Regulated by Multiple Clean Air Act Provisions.

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

**RCED-00-156**, July 11, 2000 (43 pages). Food Safety: Improvements Needed in Overseeing the Safety of Dietary Supplements and "Functional Foods".

To what extent do agencies' efforts and federal laws ensure the (1) safety of functional foods and dietary supplements and (2) the accuracy of health-related claims on product labels and in advertising? GAO found that FDA's efforts and federal laws provide limited assurances of the safety of functional foods and dietary supplements. Weaknesses in three areas increase the likelihood of such occurrences. First, potentially unsafe products can reach consumers for various reasons, such as the lack of clearly defined safety standards for new ingredients in dietary supplements. Second, some products lack safety information on their labels, such as warnings about drug interactions. Third, FDA cannot accurately assess whether a functional food or dietary supplement is harming consumers' health because it does not investigate most reports of health problems potentially caused by these products. FDA officials say a lack of resources has precluded them from taking actions to correct these weaknesses. GAO found that agencies' efforts and federal laws concerning health-related claims on product labels and in advertising provide limited assistance to consumers and do little to protect them against inaccurate or misleading claims.

**RCED-00-164**, July 18, 2000 (50 pages). Telecommunications: The Effect of Competition From Satellite Providers on Cable Rates.

For years, cable television companies faced little competition in the market for subscription video service. In 1994, a new generation of satellite service known as direct broadcast satellite (DBS) was introduced. DBS, which uses small satellite dishes to provide subscribers with television programs,

has become the cable industry's leading competitor. Until recently, DBS firms were often unable to provide local broadcast networks, such as ABC and NBC, in their programming packages in many parts of the country. Since late 1999, however, DBS operators have been permitted to offer local broadcast signals in many markets. This report provides information on (1) the extent to which the level of subscribership (or penetration) of DBS has influenced cable rates and (2) other factors that may influence the level of cable rates.

**RCED-00-168**, July 25, 2000 (50 pages). HUD Housing Portfolios: HUD Has Strengthened Physical Inspections but Needs to Resolve Concerns About Their Reliability.

The Department of Housing and Urban Development (HUD) has new, electronically based physical inspection standards for public and multifamily housing. Although HUD's new standards do not differ substantially from earlier ones, its procedures for administering the standards were substantially changed to include more specificity, such as a list of items that inspectors must review and definitions of what constitutes a deficiency for each item. HUD staff check and analyze inspectors' findings to score properties' conditions on a scale of 0 to 100. HUD believes that this system produces more objective assessments and allows HUD to target resources to properties that need the most attention. In performing quality assurance checks of property inspections, HUD reviewers found that about 35 percent of the inspections done in 1999 and the early part of 2000 did not meet HUD's inspection requirements. GAO found gaps or weaknesses in some quality assurance procedures. For instance, no procedures ensure that reviews are done systematically or that problems identified during reviews are quickly resolved. Public housing authorities

and multifamily housing industry groups also had concerns about the reliability of HUD's quality assurance, with concerns that HUD may lack resources to efficiently implement its appeals procedures.

**RCED-00-169**, July 5, 2000 (41 pages). Federal Tort Claims Act: Issues Affecting Coverage for Tribal Self-Determination Contracts.

Under the Indian Self-Determination and Educational Assistance Act of 1975, tribal employees participate in and manage programs through contractual arrangements with the Bureau of Indian Affairs and the Indian Health Services. In 1990, through the Federal Tort Claims Act (FTCA), the federal government permanently assumed the liability for accidents or torts caused by tribal contractors. Data on FTCA claims involving tribal contractors are not readily available because neither the Department of the Interior nor the Department of Health and Human Services (HHS) requires tracking such claims. However, the two agencies did provide GAO with data on 342 claims with total damages of \$700 million. About two-thirds of the claims involved Bureau programs and one-third involved Health Service programs. The U.S. government may be paying more than necessary to resolve claims involving tribal contractors because the tribes use federal funds to buy private liability insurance; thus the government is paying twice. Neither Interior nor HHS checks to see whether tribal contractors have private liability insurance that could cover their claims. According to Interior, incentives to reduce the number of claims are not present and, from time to time, tribal contractors have not cooperated with Interior in resolving a claim. Sometimes, FTCA coverage is not a perfect fit for tribal contractors. When claims are filed in tribal courts, FTCA has no provision to remove the cases to federal court, where they belong. GAO summarized this report in

testimony before Congress; see: Federal Tort Claims Act: Claims History and Issues Affecting Coverage for Tribal Self-Determination Contracts, by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Senate Committee on Indian Affairs. GAO/T-RCED-00-234, July 12 (13 pages).

**RCED-00-170**, Sept. 11, 2000 (33 pages). Environmental Research: STAR Grants Focus on Agency Priorities, but Management Enhancements Are Possible.

The Environmental Protection Agency (EPA) established the Science to Achieve Results grant program in 1995 to ensure that the best scientists outside the agency were involved in its research efforts, to provide useful research support to the agency's program offices, and to train a cadre of environmental scientists for the future. GAO found that although program grants were generally aligned with EPA's strategic priorities, the agency's program officials varied in their views on the usefulness of the grants to them. The usefulness of the grants to the program offices differed largely because the program's goals—meeting program office needs specifically and advancing environmental science generally—may be in conflict. EPA could strengthen its program management in several areas.

**RCED-00-176**, June 29, 2000 (18 pages). Fishery Management: American Fisheries Act Produces Benefits.

About one-third of the total commercial fish harvest in the United States is pollock caught in the Bering Sea off Alaska. As the supply of groundfish, such as cod, has dropped, the demand for pollock, which is a valued source of fillets, surimi, and other products, has increased. This increased demand has led fishing vessels to compete to catch as many fish as possible before the overall

catch limit is attained and the season closed. The American Fisheries Act requires GAO to report on whether the market for pollock fillets was adversely affected. According to GAO's report, the act has had a positive effect on the production of pollock fillets as well as on the price of pollock.

**RCED-00-178**, Sept. 6, 2000 (161 pages). Community Development: Local Growth Issues—Federal Opportunities and Challenges.

Faced with a 50 percent increase in the U.S. population during the next 50 years, communities across the nation face the challenge of planning for and managing growth. Each community has its own unique circumstances that will affect its response to the pressures of growth. GAO surveyed 2,000 city and county governments and visited five metropolitan areas. This report identifies: (1) growth-related challenges confronting local communities; (2) tools and techniques that state and local governments use to help plan for and manage growth; and (3) federal programs and policies that state and local governments believe serve as barriers or aids in their efforts to plan more effectively for and manage growth.

**RCED-00-181**, Sept. 29, 2000 (43 pages). Aviation Security: Additional Controls Needed to Address Weaknesses in Carriage of Weapons Regulations.

The number of law enforcement officers who fly while armed is unknown because neither the Federal Aviation Administration (FAA) nor the airlines systematically collect this information. Recognizing that weapons legally carried onto aircraft by law enforcement officers may present a threat to safety, FAA has proposed changes to strengthen regulations. GAO found the following weaknesses in the proposed changes: (1) there are no safeguards to help ensure that firearms are removed from



an aircraft when law enforcement officers deplane; (2) Federal law enforcement officers are not required to document their need to fly; (3) law enforcement officers who inform the airline that they will be armed are not required to have their carry-on luggage screened; and (4) there is no procedure for verifying the credentials of law enforcement officers flying while armed. FAA is working with the law enforcement community and with airlines to implement a secure memory card system to better verify law enforcement officers' identities. The Department of Transportation, the Federal Law Enforcement Officers Association, and the Fraternal Order of Police did not entirely agree with GAO's recommendations.

**RCED-00-182**, Aug. 29, 2000 (24 pages). Disaster Relief Fund: FEMA's Estimates of Funding Requirements Can Be Improved.

Information the Federal Emergency Management Agency (FEMA) provides monthly to Congress on estimated remaining costs for past disasters is neither accurate nor timely. Headquarters and regional offices could not agree on the amounts of funds obligated to date, and differences totaled nearly \$250 million. FEMA headquarters staff responsible for reconciling differences initially failed to determine the cause and make needed corrections. It is difficult to estimate the number, severity, and timing of future disasters. FEMA uses the five-year annual average level of obligations for past disasters and allows the five-year annual average decline at a constant rate (eight months) during the fiscal year. A better way to estimate the cost and timing of future disasters would be for FEMA to use actual monthly data on the estimated costs of disasters that have occurred during the last five years. FEMA's recent efforts to expedite closeout of its funding activities for past disasters have had a significant impact on FEMA's rate of obligating

disaster funds. At the end of 1997, FEMA closed funding activities for past disasters; yet 419 old disasters remained open with projected costs to FEMA of more than \$3 billion.

**RCED-00-184**, July 6, 2000 (55 pages). Homelessness: Barriers to Using Mainstream Programs.

Although nearly all homeless people are extremely poor, it is generally the combination of poverty with other factors—lack of education or a job skills, severe mental illness, substance abuse, or lack of family and social supports—that results in homelessness. For these persons, homelessness is a chronic condition. Homeless people are often unable to access mainstream programs, such as food stamps and Medicaid, because of the inherent conditions of homelessness—transience, instability, and a lack of basic resources. Complying with mainstream programs' paperwork and communicating with agencies and service providers is difficult for someone without a permanent address or telephone. Furthermore, federal programs do not always include service providers with expertise, experience, or sensitivity in working with homeless people. Government assistance is highly fragmented, and it is difficult to develop an integrated approach to helping the homeless. An expert panel convened by GAO discussed strategies that could help homeless people's access to, and use of, federal programs. These included (1) improving the integration and coordination of federal programs, (2) making the process of applying for federal assistance easier, (3) improving outreach to homeless people, (4) ensuring an appropriate system of incentives for serving homeless people, and (5) holding mainstream programs more accountable for serving homeless people. Demonstration projects have developed effective approaches to serving the homeless in such areas as mental health, substance abuse

treatment, primary health care, housing, and job training.

**RCED-00-186**, July 24, 2000 (37 pages). Army Corps of Engineers: An Assessment of the Draft Environmental Impact Statement of the Lower Snake River Dams.

The precipitous decline of salmon has caused the National Marine Fisheries Service to list four different species of salmon and steelhead native to the Snake River as endangered or threatened under the Endangered Species Act. In 1995, the Army Corps of Engineers, which operates four hydroelectric dams on the Lower Snake River, began to study how to improve migration conditions for juvenile salmon. The Corps listed four alternatives: maintain current operations, breach the dams so that the water courses around them, increase transportation of juvenile salmon around the dams, or make improvements to the dams' systems for collecting juvenile salmon and barging or trucking them past the dams. Their draft environmental impact statement made no recommendations about which of the four alternatives to adopt. The net economic effect on electricity costs, some \$245 million a year, is reasonable. Breaching the dams would mean losing hydroelectric power generated by the dams and would affect shipping on the Lower Snake River. Although the Corps' transportation analysis followed appropriate guidelines, it did not fully consider the effect of some of its assumptions and has not corrected some known errors. Also, breaching would affect air quality by increasing dust in the air and adding airborne pollutants from substitute sources of power and transportation. The Corps is now considering public and agency comments on the draft environmental impact statement before revising it.

**RCED-00-189**, July 17, 2000 (23 pages). Commercial Motor Vehicles:

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Effectiveness of Actions Being Taken to Improve Motor Carrier Safety Is Unknown.

The Department of Transportation (DOT) has taken steps to improve motor carrier safety. It has established the Federal Motor Carrier Safety Administration, developed and solicited industry comments on a Safety Action Plan, and has begun work on some initiatives in that plan. The Safety Action Plan is an overall strategy for improving the safety of commercial motor vehicles and contains 47 initiatives aimed at achieving the Department's goal of a 50 percent reduction by 2009 in crash fatalities involving large trucks. These initiatives focus on increasing enforcement of federal safety regulations; increasing safety awareness; improving safety information and technology; and improving performance standards for vehicles, drivers, and motor carriers. The Department has also published a proposed rule to limit the number of hours that commercial motor vehicle operators may drive before resting. Under this rule, the Department estimates that 115 fatigue-related fatalities would be avoided annually. DOT officials confirm that they do not have a firm analytic basis for the assumptions on which these estimates are made, but rather supplemented available research with their professional judgment. Thus, the reasonableness of DOT's assumptions and the resulting estimate of lives that could be saved is unknown. Also, the Department has not articulated how the individual initiatives in the Safety Action Plan contribute to reducing fatalities, nor has it determined whether it can reasonably expect to complete all 47 activities within expected budgetary and human resources. Department officials told GAO that publication of the plan signals DOT's intent to carry it out and that they expect to examine resource needs this year. Because its goal of reduced fatalities is extremely

ambitious, it is important that the Department determines how its actions will lead to a reduction in fatalities and whether it can reasonably expect to carry out the plan's initiatives.

**RCED-00-190**, July 31, 2000 (26 pages). Hazardous Materials Training: DOT and Private Sector Initiatives Generally Complement Each Other.

Trucks and trains carry more than 770,000 shipments of hazardous materials across the country every day. Accidents involving these materials—spills, fires, and explosions—cost the United States more than \$459 million each year and can cause serious problems for nearby communities. More than 120,000 fire fighters, police, and emergency medical technicians are trained each year to respond appropriately to such accidents in order to protect themselves and the affected communities. Part of the training given to these emergency responders is funded through the Hazardous Materials Emergency Preparedness grants program, which is run by the Department of Transportation. This report (1) describes the program's funding sources and spending, (2) assesses whether the program and private sector efforts duplicate each other, and (3) provides information on whether the private sector's training efforts meet federal training regulations and national training standards.

**RCED-00-191**, July 24, 2000 (31 pages). Homelessness: HUD Funds Eligible Projects According to Communities' Priorities.

The Department of Health and Human Services (HUD) launched the "Continuum of Care" strategy in 1993 to encourage states and localities to develop coordinated and comprehensive community-based approaches for providing the homeless with housing and services. HUD set aside \$750 million in 1999 to fund its

homeless assistance programs under the Continuum of Care process. Under this process, HUD uses a national competition to distribute funding to community projects. In their applications, communities rank their projects according to the most important needs of their homeless populations. In recent competitions, some communities have contended that HUD was not considering the priorities that they had assigned to the projects in their applications. However, HUD uses a three-step process that is consistent with relevant law to select projects for funding. In 1999, for communities that had between four and 16 projects on their priority lists, HUD funded 92 percent of the projects that were ranked in the top 25 percent on the lists. For communities that listed three or fewer projects, the project identified as the top priority was funded between 34 and 70 percent of the time. In every case in which high-priority projects were not funded under the competition and low-priority projects were, the higher ranked projects did not meet the applicable program's eligibility requirements. However, more than one-third of the 1999 applicant communities had significant problems in understanding the application requirements or completing the paperwork.

**RCED-00-192**, July 11, 2000 (36 pages). Chemical Safety Board: Improved Policies and Additional Oversight Are Needed.

Management problems at the Chemical Safety and Hazard Investigation Board have called into question the Board's effectiveness in investigating the causes of accidental chemical releases. This report discusses the Board's current organization and operations; its efforts to develop plans, policies, and procedures, including those to ensure objectivity of its investigative activities; and whether the Board would benefit from the independent oversight of an inspector general.

Continuing disagreements between Board members and the former Chairman raise questions about the Board's productivity and effectiveness. In addition to limited progress in addressing its investigative backlog, the Board has undertaken no new investigations since March 1999. The Board has established eight priorities for the balance of fiscal year 2000, including the completion of three investigative reports. The Board is developing a strategic plan, and progress has been made toward policies and procedures to guide the Board's activities. However, the Board's interim investigative protocol lacks the policies and procedures needed to ensure objectivity and balance in its investigative work, such as conflicts of interest. GAO recommends that the Board adopt clear policies and procedures on potential conflicts of interest and consider policies used by other investigative agencies that promote investigative impartiality and thoroughness. The operational problems of the Board suggest that ongoing institutional oversight would be beneficial. GAO believes that an office of inspector general offers the best hope for effective institutional oversight and recommends that the Board develop an agreement with an existing inspector general to provide such oversight.

**RCED-00-193**, Sept. 28, 2000 (33 pages). Superfund: Information Regarding EPA's Cleanup Decision Process on the Hudson River Site.

In response to significant public concerns about the Environmental Protection Agency's (EPA) cleanup decision and its potential impact on communities along the upper Hudson River, GAO reviewed: (1) the computer models EPA and General Electric (GE) used in their assessments and related scientific and technical issues and (2) the processes EPA used to obtain and respond to scientific and technical comments on its modeling and other

assessment studies. The computer models that EPA and GE have developed to predict polychlorinated biphenyls levels in the Hudson River are similar in structure and have produced generally comparable outcomes. EPA used an extensive public outreach process as part of its assessment of the Hudson River. This process involved several working groups that EPA established to help ensure that its public outreach process was inclusive. EPA consulted with interested federal and state agencies and GE to obtain scientific and technical information and suggestions on its approach. EPA expects to propose its decision for public comment by December 2000, and it plans to incorporate comments received from several sources, including GE.

**RCED-00-194**, Aug. 15, 2000 (41 pages). Automobile Fuel Economy: Potential Effects of Increasing the Corporate Average Fuel Economy Standards.

Overall fuel economy trends reflect an average for new passenger vehicles that has fallen to its lowest level since 1980. As a result, some energy conservationists and environmentalists are calling for an increase in the standards for corporate average fuel economy (CAFE) set in 1975. Proponents cite energy security and environmental benefits as part of the payoff for such an increase. Opponents to raising CAFE standards cite decreased automobile safety resulting from smaller, more fuel-efficient vehicles as a safety consequence. GAO's findings are based on studies and interviews with experts from federal agencies, automobile manufacturers, and energy conservation and environmental interest groups. According to those studies and experts, raising fuel economy standards would reduce future fuel consumption and greenhouse gas emissions. However, the impact of higher standards on

vehicle safety is less certain because of such variables as the size of the CAFE increase, manufacturers' lead-time, and strategies used to achieve fuel economy gains. GAO found consensus among safety experts and auto manufacturers that, with enough lead time to meet higher CAFE levels, auto builders could minimize any negative impact on safety by using fuel-saving technologies instead of simply building smaller, lighter cars.

**RCED-00-195**, Aug. 17, 2000 (47 pages). Food Safety: Actions Needed by USDA and FDA to Ensure That Companies Promptly Carry Out Recalls.

In considering proposed legislation that would give mandatory recall authority to the U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA), Congress asked GAO to report on existing voluntary recall programs. This report discusses documented food recalls since 1984, the extent to which these recalls were associated with food-borne illnesses, compliance issues, and the economic impact of these recalls. GAO recommends that USDA and FDA strengthen their guidance to companies on recalls that involve serious health risks and improve their ability to assess the timeliness of companies' recalls.

**RCED-00-196**, July 20, 2000 (45 pages). Small Business: SBA Could Better Focus Its 8(a) Program to Help Firms Obtain Contracts.

The Small Business Administration's 8(a) program--the federal government's primary vehicle for developing small businesses owned by socially and economically disadvantaged persons--is not meeting client expectations. First, SBA's efforts are not aligned with the needs or expectations of 8(a) firms. Firms want SBA to provide more assistance that will help them obtain contracts. SBA has stressed business management skills, even though most

firms joined the program to obtain 8(a) contracts. This misalignment of SBA efforts and 8(a) firms' needs has been further compounded by the fact that most 8(a) contract dollars go to a small number of firms. Second, SBA has no way to tell how well the 8(a) program is working or know the full extent of business development assistance provided to firms. SBA is unable to measure the 8(a) program's performance in such basic areas as the level of training provided, whether such training matched firms' needs, or even the amount of 8(a) contracts the firms obtained. GAO summarized these two reports in testimony before Congress; see: Small Business: Expectations of Firms in SBA's 8(a) Program Are Not Being Met, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-00-261, July 20 (15 pages).

**RCED-00-197**, July 19, 2000 (21 pages). Small Business: SBA's 8(a) Information System Is Flawed and Does Not Support the Program's Mission.

The Small Business Administration's 8(a) program—the federal government's primary vehicle for developing small businesses owned by socially and economically disadvantaged persons—is not meeting client expectations. First, SBA's efforts are not aligned with the needs or expectations of 8(a) firms. Firms want SBA to provide more assistance that will help them obtain contracts. SBA has stressed business management skills, even though most firms joined the program to obtain 8(a) contracts. This misalignment of SBA efforts and 8(a) firms' needs has been further compounded by the fact that most 8(a) contract dollars go to a small number of firms. Second, SBA has no way to tell how well the 8(a) program is working or know the full extent of business development assistance provided to firms. SBA is unable to measure the 8(a) program's

performance in such basic areas as the level of training provided, whether such training matched firms' needs, or even the amount of 8(a) contracts the firms obtained. GAO summarized these two reports in testimony before Congress; see: Small Business: Expectations of Firms in SBA's 8(a) Program Are Not Being Met, by Stanley J. Czerwinski, Associate Director for Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-00-261, July 20 (15 pages).

**RCED-00-199**, Aug. 31, 2000 (48 pages). Drinking Water: Spending Constraints Could Affect States' Ability to Implement Increasing Program Requirements.

Recognizing the key role that states play in ensuring compliance with the Safe Drinking Water Act, Congress asked GAO to assess funding available and expended for implementing the states' drinking water programs. This report provides information on: (1) how EPA's budget requests for the states' drinking water programs compare with amounts authorized and estimated to be needed; (2) how much states have spent to implement these programs compared with estimated needs; (3) what effects federal funding levels have had, and may have in the future, on states' ability to implement their programs; and (4) what existing practices have the potential to help states implement their drinking water programs more effectively and efficiently. As a measure of the amount of funding states need to implement their drinking water programs, GAO used estimates developed for fiscal years 1999 through 2005 by the Association of State Drinking Water Administrators, with the support and participation of EPA.

**RCED-00-202**, Sept. 29, 2000 (113 pages). Food Assistance: Activities and Use of Nonprogram Resources at Six WIC Agencies.

The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is a federally funded nutrition assistance program run by the Department of Agriculture's Food and Nutrition Service (FNS). This program provides supplemental foods and nutrition services to lower-income pregnant, breastfeeding, and postpartum women; infants; and children up to age 5 who are at nutritional risk. In fiscal year 1999, WIC benefits and services were provided to about 7.3 million individuals each month. To help Congress better understand the cost of administering WIC and delivering nutritional services, GAO is mandated by law to assess various costs associated with WIC nutrition services and administration. This report, the second in a series of such assessments, provides information on: (1) the ways in which WIC agencies deliver nutrition services and administer the program; (2) the ways in which WIC agency staff allocate their time delivering the services and administering the program; and (3) the types of nonprogram resources used and the extent to which such resources cover costs of delivering the nutrition services. GAO's first report was issued in March 2000. (See GAO/RCED-00-66.)

**RCED-00-217**, Aug. 24, 2000 (31 pages). Food Irradiation: Available Research Indicates That Benefits Outweigh Risks.

Although the U.S. food supply is generally considered to one of the safest in the world, foodborne illnesses remain a concern. Each year, millions of Americans become ill and as many as 5,000 die from foodborne infections. The U.S. Department of Agriculture (USDA) estimates that medical treatment and productivity losses associated with foodborne illnesses cost as much as \$37 billion annually. Irradiation, which involves exposing food briefly to radiant energy, can reduce or eliminate microorganisms

that contaminate food or cause spoilage. So far, only limited quantities of irradiated foods—spices, herbs, dry vegetable seasonings, and some fresh fruits, vegetables, and poultry—have been available in the United States. Major purchasers are health care and food service establishments. The World Health Organization reviewed 500 studies and concluded that food irradiation poses no toxicological, microbiological, or nutritional problems. In more than 40 years, there have been no accidents in North America transporting the types of radioactive isotopes used for irradiation.

**RCED-00-219**, Aug. 24, 2000 (63 pages). Invasive Species: Federal and Selected State Funding to Address Harmful, Nonnative Species.

Eight federal agencies on the Invasive Species Council—Agriculture, Commerce, Defense, Interior, State, Treasury, Transportation, and the Environmental Protection Agency—as well as the Smithsonian and the National Science Foundation spent \$513.9 million fiscal year 1999 and \$631.5 million in fiscal year 2000 to combat invasive species. The Department of Agriculture spent 89 percent of this money. Activities to prevent the introduction of invasive species received the largest percentage of funding—about 51 percent and 49 percent in fiscal years 1999 and 2000, respectively. Of the seven states surveyed—California, Florida, Hawaii, Idaho, Maryland, Michigan, and New York—Florida spent \$94.5 million and \$127.6 million in 1999 and 2000 and California spent \$82.6 million and \$87.2 million in 1999 and 2000. For both years, most funding went toward control of invasive species. The Invasive Species Council is in the final stages of staffing the organizational infrastructure, has drafted and is receiving comments on its management plan, has established an advisory committee and six working groups, and is in the process

of developing a Web site. This report includes appendixes on GAO survey responses of 10 federal departments and seven states, including expenditures for invasive species activities.

**RCED-00-221**, Sept. 15, 2000 (33 pages). Mass Transit: Project Management Oversight Benefits and Future Funding Requirements.

The Federal Transit Administration's (FTA) oversight of federally funded major capital projects has evolved over the past several years to include more comprehensive and ongoing reviews of a proposed grantee's financial capacity to construct a major transit system. Changes in project management, oversight, and grant-making activities have come about because of project costs and schedule problems identified through FTA's oversight program and increased congressional scrutiny. Changes should help the grantees avoid major cost, schedule, or quality problems and help protect the federal government's investments. However, FTA is concerned that funds may be insufficient to monitor large projects in the future.

**RCED-00-222**, Aug. 30, 2000 (73 pages). Aviation and the Environment: Results From a Survey of the Nation's 50 Busiest Commercial Service Airports.

This report provides a detailed, question-by-question analysis of survey responses to from officials at each of the nation's 50 busiest commercial service airports. The survey, which was done by mail from October 1999 through February 2000, addresses environmental concerns and challenges facing airports now and in the foreseeable future. It also provides insights into the federal effort to help airports address their impact on the environment.

**RCED-00-224**, Aug. 31, 2000 (29 pages). Hazardous Waste: EPA Has Removed Some Barriers to Cleanups.

The Environmental Protection Agency's (EPA) corrective action program manages the cleanups at operating facilities that pose significant risks to human health or the environment. In 1997, GAO reported that three key requirements of the Resource Conservation and Recovery Act of 1976 (RCRA) were successful at ensuring that waste processing is managed safely. GAO evaluated the corrective action program and reported that facilities had made limited progress in conducting cleanups. Because of Congress's continuing concerns about the pace of hazardous waste cleanups, GAO reviewed the steps that EPA has taken since 1997 and assessed its effects on cleanups of remediation waste at sites subject to the three RCRA requirements and the management factors that had slowed the pace of cleanups. Several steps EPA has taken to revise its regulatory requirements for handling remediation waste have removed some barriers to cleanups. In February 2000, EPA agreed to amend its 1993 rule providing flexibility under the RCRA requirements for certain on-site storage and disposal units for remediation waste. EPA is trying to monitor the implementation of reforms and is addressing the resource shortfall that prevented it from completing more cleanups. GAO recommends that EPA focus more attention on achieving final cleanups under the its corrective action program.

**RCED-00-232**, Aug. 31, 2000 (40 pages). Water Infrastructure: Water-Efficient Plumbing Fixtures Reduce Water Consumption and Wastewater Flows.

This report provides information on the impact of the national water efficiency standards on water consumption levels and wastewater

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flows and discusses how repealing the national standards might affect projected investments in drinking water, wastewater treatment infrastructure, and state and local governments' ability to finance infrastructure needs. It also discusses the likelihood of moratoria on new residential and commercial construction if the demand for water is unabated.

**RCED-00-235**, Sept. 14, 2000 (49 pages). Comprehensive Everglades Restoration Plan: Additional Water Quality Projects May Be Needed and Could Increase Costs.

The Corps of Engineers' Comprehensive Everglades Restoration Plan provides a framework for improving the quality, quantity, timing, and distribution of water in the South Florida ecosystem, including the Everglades. This report discusses the number and costs of projects that will ultimately be needed to address water quality in the ecosystem. Currently, there are too many uncertainties to provide such an estimate. As uncertainties related to implementing the plan's projects are resolved and more information is gathered about the extent of the ecosystem's water quality problems, it is likely that modifications and additions to the plan could increase its total cost over the Corps' current estimate of \$7.8 billion. The Corps has acknowledged the level of uncertainty in the plan and has included a process for incorporating project modifications and additions in its future reports to Congress. It has not, however, included a means for reporting cumulative changes in projects and costs for the plan as a whole or progress in implementing the plan. GAO recommends that the Corps provide for such reporting. GAO summarized this report in testimony before Congress; see: Comprehensive Everglades Restoration Plan: Additional Water Quality Projects May Be Needed and Could Increase Costs

by Barry T. Hill, Associate Director for Energy, Resources, and Science Issues, before the Subcommittee on Transportation and Infrastructure, Senate Committee on Environment and Public Works. GAO/T-RCED-00-297, Sept. 20 (10 pages).

**RCED-00-237**, Aug. 31, 2000 (51 pages). Telecommunications: Issues Related to Local Telephone Service.

From January 1996 through April 2000, major incumbent local exchange carriers (ILECs) sold nearly 832,000 access lines, 68 percent of which were in rural areas. This figure already exceeds the total number of lines sold during the previous four years. Although the commercial availability of asymmetric form of the digital subscriber line (DSL) technology did not begin for nearly 10 years after its development, telephone companies have rapidly deployed DSL over the past three years. ILECs intensified their asymmetric DSL deployment in recent months in response to both the asymmetric DSL deployment by competitive local exchange carriers and the cable industry's foray into Internet access with cable modem service. GAO reviewed customer complaints to state and federal regulators about the quality of local telephone service and found that complaint levels were higher for five of the eight major ILECs. According to telephone companies' own customer surveys for 1996 through 1999, there is no clear trend in the overall level of customer dissatisfaction.

**RCED-00-238**, Aug. 17, 2000 (47 pages). Food Assistance: Options for Improving Nutrition for Older Americans.

In 1998, about 1.6 to 2 million households with individuals age 60 and older reported that they did not have enough of the right types of food to maintain nutrition or simply did not have enough to eat, despite programs like the Food Stamp Program, Child

and Adult Care Food Program, the Elderly Nutrition Program, and the Commodity Supplemental Food Program. Nevertheless, many are reluctant to accept nutrition assistance. Some older persons believe that accepting food assistance will compromise their independence. Others equate it with welfare; still others lack transportation to the programs' locations or believe that the burden of applying for food stamps outweighs the expected low benefit. Program officials, providers, and advocacy groups have identified several actions that might increase older persons' participation in nutrition assistance programs. These actions include simplifying the application process, increasing the minimum benefit level from \$10 to \$25 per month, expanding programs to serve more people, and making older persons automatically eligible for food stamps when they are approved for programs like Medicaid.

**RCED-00-239**, Aug. 30, 2000 (21 pages). Federal Land Management: Federal Land Acquisitions in California Since January 1994.

The federal government owns about 45 million acres in California that include, among other areas, wildlife refuges and military installations. This comprises about 45 percent of the state's total land area. About 90 percent of this federal land was established in the public domain in 1848 when Mexico ceded the area that became California. Some of the remaining federal land acquisitions were made as part of a joint federal-state program—called CALFED—that was created in 1995 to protect the San Francisco Bay/Sacramento-San Joaquin River Delta. CALFED's mission is to develop a plan to restore the ecological health of and improve water management in the Bay-Delta area, which supplies drinking water for more than 22 million Californians and irrigation for state agriculture. This report identifies: (1) lands acquired by

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federal and nonfederal entities with federal funds through CALFED since it began in 1995; and (2) lands acquired outside the CALFED program by federal programs.

**RCED-00-241**, Sept. 15, 2000 (68 pages). Rural Housing: Options for Optimizing the Federal Role in Rural Housing Development.

This document focuses on options for optimizing the federal role in rural housing development. The federal government has scaled back its involvement in rural housing assistance programs, often reducing its financial commitment to direct lending thus shifting responsibilities to state and local governments and the private sector. Rural housing continues to suffer and has been labeled substandard. Possible options for optimizing the federal role in rural housing include changing programs' targeting subsidy levels, and delivery systems, as well as merging the Rural Housing Service's programs with Department of Housing and Urban Development programs.

**RCED-00-242**, Sept. 21, 2000 (45 pages). Packers and Stockyards Programs: Actions Needed to Improve Investigations of Competitive Practices.

Cattle and hog producers have raised concerns about changes in their industries that affect competition, such as mergers among meatpacking companies, increased marketing of livestock through contracts, and greater control by meatpacking companies over livestock production and marketing. Under the Packers and Stockyards Act, the U. S. Department of Agriculture (USDA) is responsible for monitoring the cattle and hog industries and halting unfair and anticompetitive practices. USDA has assigned this responsibility to the Grain Inspection, Packers and Stockyards Administration (GIPSA). Because of continued concerns about

whether GIPSA is adequately protecting competition in the livestock markets, GAO reviewed USDA's efforts to implement the Packers and Stockyards Act. This report discusses the number and status of investigations conducted by GIPSA in response to complaints about anticompetitive activity and factors that affect GIPSA's ability to investigate concerns about anticompetitive practices. GAO recommends several actions to improve GIPSA's investigations, including integrating USDA attorneys into GIPSA's investigative teams and adopting more systematic approaches to its investigative work. GAO summarized this report in testimony before Congress; see: Packers and Stockyards Programs: Investigations of Competitive Practices Need Improvements by Lawrence J. Dykeman, Director of Food and Agriculture Issues, before the Subcommittee on Administrative Oversight and the Courts, Senate Committee on the Judiciary. GAO/T-RCED-00-299, Sept. 24 (13 pages).

**RCED-00-243**, Sept. 15, 2000 (85 pages). Federal Lands: Agencies Need to Assess the Impact of Personal Watercraft and Snowmobile Use.

Many of the nation's national parks, forests, and other federal lands provide opportunities for individuals to use snowmobiles and watercraft for recreational purposes. The federal agencies that manage these areas are mandated by law to monitor the environmental impact of these vehicles. However, 60 percent of the federal areas GAO surveyed have not collected the necessary information to determine whether there have been any adverse effects on their unit's resources. Of the other 40 percent, about half indicated that the information they have collected is not enough to determine how these vehicles use should be managed. GAO found that the federal agencies are not complying with federal regulations and

thus are not fulfilling their responsibility to protect the lands and waters they manage.

**RCED-00-255**, Sept. 22, 2000 (27 pages). Food Safety: Controls Can Be Strengthened to Reduce the Risk of Disease Linked to Unsafe Animal Feed.

This report focuses on the need to strengthen food safety controls to help reduce the risk of diseases linked to unsafe animal feed. Few incidents of human illness in the U.S. have been linked directly to contaminated animal feed because public health investigations of foodborne illness cannot usually determine if the original source of the contamination is the feed, handling of the product, transportation, or other factors. Potentially major public health and economic consequences could result from contaminated feed and there is a need for strong regulatory controls.

**RCED-00-256**, Sept. 29, 2000 (23 pages). Forest Service: Proposed Regulations Adequately Address Some, but Not All, Key Elements of Forest Planning.

The Forest Service's 1999 proposed planning regulations would make ecological sustainability, rather than economic or social sustainability, the agency's top priority, in order to provide a sustainable flow of products, services, and other values from national forests, consistent with laws and regulations guiding their use. Elevating the maintenance or restoration of ecological systems over other uses of the national forests is consistent with agency's evolving mission. This priority has evolved over the years; it is not driven by statute. GAO recommends that the Forest Service work with Congress to reach agreement on the agency's mission priorities. The agency's proposed planning regulations do not require that forest plans be clearly linked to goals, objectives, and strategies. Although the Forest Service agreed

with the desired outcome of GAO's earlier recommendations about linking objectives to the strategic plan, it declined to revise its planning regulations, opting instead to revise its system of directives that implement the planning regulations.

**RCED-00-260**, Aug. 30, 2000 (22 pages). Transit Grants: Need for Improved Predictability, Data, and Monitoring in Application Processing.

The Department of Transportation's (DOT) Federal Transit Administration (FTA) is authorized to provide about \$42 billion for transit programs for fiscal years 1998 through 2003. It does so through grants for activities such as the construction of transit systems--to states and local and regional transportation providers that meet a number of requirements. The requirements include Department of Labor (DOL) certification that labor protection arrangements are adequate to protect the interest of employees affected by federal transit assistance. However, FTA's processing of grant applications was neither timely nor consistent. For example, less than half of the applications in a 21-month period were processed within FTA's informal 90-day goal. DOL was more timely, providing labor protection certification for 93 percent of the grant applications within 60 days of receipt. DOL is also working to make information about certification decisions more available. To help shorten the application process, which can adversely affect the completion of transit projects, GAO recommends that FTA, with DOL, periodically assess its application process and report the results to Congress.

**RCED-00-265**, Sept. 19, 2000 (18 pages). National Park Service: Agency Should Recover Costs of Validity Examinations for Mining Claims.

This report focuses on the National Park Service's ability to recover the costs of validity examinations for

mining operations. The Park Service does not recover the costs of its validity examination from claimants who submit plans for mining operations. There is no guidance that describes when it is appropriate for the Park Service to conduct such discretionary examinations.

**RCED-00-270R**, Aug. 31, 2000 (19 pages). Government Performance and Results Act: Information on Science Issues in EPA's Performance Report for Fiscal Year 1999 and Performance Plans for Fiscal Years 2000 and 2001.

This correspondence focuses on the Environmental Protection Agency's (EPA) Performance reports for fiscal years 1999, 2000, and 2001. Over the years, GAO identified several weaknesses in EPA's science programs. EPA partially addressed these weaknesses in its performance plan for fiscal year 2001. EPA's draft strategic plan generally complies with the Government Performance and Results Act, but GAO noted that several areas of the plan could be improved.

**RCED-00-271**, Aug. 8, 2000 (45 pages). National Ignition Facility: Management and Oversight Failures Caused Major Cost Overruns and Schedule Delays.

This report focuses on management and oversight failures, which caused major cost overruns and schedule delays at the National Ignition Facility (NIF). GAO found that the Department of Energy, the Lawrence Livermore National Laboratory, and the University of California all share responsibility for NIF's cost and schedule problems. It was also found that each lack the appropriate skills to manage and oversee the project and exercised oversight powers poorly. These conditions, however have spawned new reforms by the Laboratory and the University to improve their management and organization shortcomings.

**RCED-00-274**, Sept. 28, 2000 (31 pages). Pork Promotion Program: Petition Validation Process Needs to Be Strengthened.

In May 1999, the U.S. Department of Agriculture received a petition with about 19,000 signatures requesting a vote on whether to continue the pork promotion program. Fifteen percent of those eligible are needed to require the Secretary of Agriculture to hold a referendum. GAO found that the Agricultural Marketing Service's (AMS) process to validate the pork petition was flawed in three areas: (1) AMS did not accurately estimate the population of pork producers; (2) AMS did not develop a reliable database of petitioner information as a basis for verifying petitioners' eligibility to sign a petition; and (3) AMS used a flawed survey methodology. The Secretary ordered a referendum because he concluded that it was impossible to ascertain the valid petitioners and efforts to revalidate the petition would not result in any greater certainty. He also believed that pork producers should vote on whether to continue the program because the industry had changed dramatically since the last vote in 1988. GAO recommends that AMS strengthen its validation process and seek reimbursement from program funds to pay all referendum expenses.

**RCED-00-275R**, Sept. 29, 2000 (20 pages). Airport Financing: Use of Funds for Capital Improvements at Chicago O'Hare International Airport.

This correspondence focuses on the funds provided and spent at Chicago O'Hare International Airport for capital improvements. The Airport Improvement Program, passenger facility charges, General Airport Revenue Bonds, and other revenue bonds provided Chicago with \$2.4 billion for use at O'Hare International Airport. The city spent about \$1.9 billion of those funds on capital



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improvement projects between 1990 and 1999.

**RCED-00-285R**, Sept. 27, 2000 (8 pages). Aviation and the Environment: Federally Authorized Funding for Noise-Related Projects.

The Federal Aviation Administration (FAA) determines cost factors in administering two programs that will fund airports' capital development and the noise-related projects. This correspondence: (1) determines the total historical funding of noise-related projects through both the Airport Improvement Program (AIP) and the Passenger Facility Charge program, by FAA, (2) compares the amount of AIP funds set aside for noise-related projects in the AIP appropriation for fiscal year (FY) 2000, and (3) compares the authorized amounts for the AIP for fiscal years 2001 through 2003 with the projected costs of noise-related projects planned in the current National Plan of Integrated Airport Systems.

**RCED-00-301R**, Sept. 25, 2000 (25 pages). Petroleum and Ethanol Fuels: Tax Incentives and Related GAO Work.

This correspondence focuses on tax incentives that benefit the petroleum and ethanol industries. Specific petroleum tax incentives range from about \$330 million for the expensing of tertiary injectants to about \$82 billion for cost depletion deductions. For example, ethanol fuel tax incentives ranged from \$198 million for alcohol fuel tax credits to almost \$11 billion for the excise tax exemption for alcohol fuels. Some of the tax incentives for the petroleum industry have been in place for many decades, but during the past 25 years, these incentives generally have been scaled back. In the past decade, these incentives have been extended, but the rates of exemption and credit have been somewhat reduced. The estimated revenue losses for these tax incentives should not be added

together. GAO concludes that the estimate for each tax incentive is made independently of any other tax incentive, and the effect of making more than one change might be greater than or less than the sum of the changes.

**RCED/AIMD-00-2**, Oct. 13, 1999 (63 pages). Forest Service: A Framework for Improving Accountability.

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.

**RCED/AIMD-00-35**, Feb. 7, 2000 (73 pages). U.S. Infrastructure: Funding Trends and Opportunities to Improve Investment Decisions.

A sound public infrastructure plays a vital role in encouraging a more productive and competitive national economy. Public facilities are also vital to immediate as well as long-term public demands for health, safety, and improved quality of life. For example, transportation systems and water supplies directly support the nation's economy by facilitating the movement and manufacture of goods. Public schools, housing, parks, and other facilities enhance the quality of life of all Americans. The United States has historically made an extraordinary investment in its infrastructure. For

instance, the federal government has spent an average of \$149 billion each year since the late 1980s on the nation's infrastructure. The amount of federal spending on infrastructure has been on the decline since 1987, however. This trend is driven, in part, by lower defense spending for infrastructure and by limits imposed by deficit reduction agreements on the government's discretionary spending—the part of the budget that finances most federal spending on infrastructure. In contrast, federal spending on nondefense infrastructure has risen slightly, and spending by state and local governments continues on an upward trend. Spending on infrastructure is often intended to benefit the nation's economy, but studies on whether it has spurred economic growth have shown mixed results. Federal agencies can improve their acquisition and management of infrastructure by following the best practices of leading government and private-sector organizations. Federal agencies and Congress face several challenges in determining the appropriate levels of and effective approaches to infrastructure investment. There is a general lack of accurate, consistent information on the existing infrastructure and its future needs. Moreover, until recently, agencies have not been required to relate their planned infrastructure spending to their missions and goals, so evaluating these plans has been a challenge for agencies and Congress. Finally, the federal budget structure does not prompt explicit debate about infrastructure spending that is intended to have long-term benefits. To better coordinate infrastructure investments to meet national, regional, and local goals and make them mutually supportive, agencies throughout the government need to reduce inefficiencies in their current investments and analyze potential investments to identify those that yield the greatest benefits in the most cost-effective way.

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**RCED/AIMD-00-78**, Feb. 29, 2000 (70 pages). Intercity Passenger Rail: Amtrak Needs to Improve Its Accountability for Taxpayer Relief Act Funds.

This report reviews Amtrak's use of the Taxpayer Relief Act (TRA) funds. Specifically, GAO discusses (1) how much Amtrak has spent in TRA funds and what types of activities it has funded, (2) whether Amtrak has used TRA funds in accordance with the act, (3) what the roles of the Amtrak Reform Council and the Internal Revenue Service have been in monitoring Amtrak's use of the funds, and (4) whether Amtrak fully reports its use of the funds. Among other things, GAO found that through June 1999, Amtrak reported that it had spent about \$1.3 billion of the \$2.2 billion provided under TRA. GAO summarized this report in testimony before Congress; see: Intercity Passenger Rail: Increasing Amtrak's Accountability for Its Taxpayer Relief Act Funds, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-RCED-00-116, Mar. 15 (13 pages).

**RCED/AIMD-00-130**, June 12, 2000 (38 pages). National Airspace System: Persistent Problems in FAA's New Navigation System Highlight Need for Periodic Reevaluation.

The Federal Aviation Administration (FAA) relies on a ground-based navigation system that uses various types of equipment to assist pilots in navigating their assigned routes and to provide them with guidance for landing their aircraft safely in different types of weather. But this system is aging and limited in its geographic coverage. FAA is planning to transition from its ground-based system to a satellite-based system using radio signals generated by the Global Positioning System (GPS). In

conducting its review, GAO examined studies and spoke with experts in aviation navigation and related technologies to obtain their views on the capability of FAA's new navigation system and alternatives to that system. From the studies it reviewed and experts it talked with, GAO found that the current GPS does not meet all of FAA's civilian aviation navigation requirements for accuracy, integrity, and availability.

**RCED/AIMD-00-148**, June 29, 2000 (62 pages). Highway Funding: Problems With Highway Trust Fund Information Can Affect State Highway Funds.

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

**RCED/GGD-00-79**, Feb. 14, 2000 (90 pages). Northern Mariana Islands: Garment and Tourist Industries Play a Dominant Role in the Commonwealth's Economy.

The Commonwealth of the Northern Mariana Islands is a U.S. territory with commonwealth status in the western Pacific. The covenant establishing the Commonwealth of the Northern

Mariana Islands places them under U.S. sovereignty and grants U.S. citizenship to people born there, but pledges self-government for local affairs. The Islands control their own immigration policy and set their own minimum wage, which, at \$3.05 per hour, is substantially below the minimum wage in the United States. Businesses in the Islands, particularly in the garment and tourist industries, employ many foreign workers who have work permits that do not lead to citizenship. This report answers the following questions: What has been the impact of the garment and tourist industries and the use of foreign workers on the economy of the Mariana Islands? How do the revenue-raising efforts of the Mariana Islands and the payments that they receive from the U.S. Treasury compare with those of other U.S. territories and freely associated states? How do the taxes and fees paid by the garment industry in the Mariana Islands, expressed as a percentage of gross receipts, compare with the taxes and fees paid by the garment industry in the United States?

**RCED/GGD-00-220**, Sept. 29, 2000 (69 pages). Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities.

In 1995, GAO identified federal programs that supported economic development to determine if these programs would more directly fund economic development activities, including the level of financial support that they provide, and compared selected aspects of these programs, such as program applicants, to identify areas of potential overlap. Ten agencies and 27 subagency units administer 73 programs that can be used to support one or more of the six activities that GAO identified as being directly related to economic development. Specifically, for 30 of the programs—those for which, agencies could provide more detailed obligation

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information—about \$7 billion was obligated to support one or more of the six economic development activities for fiscal year 1999. In each of the six activity areas, GAO identified programs that fund a similar activity and also have the same applicants. However, GAO identified overlap among many federal programs that support economic development. Additional information is needed to determine whether that overlap resulted in the inefficient or ineffective delivery of the programs involved.

**RCED/NSIAD-00-42**, Dec. 10, 1999 (35 pages). Federal Facilities: Alternative Land Uses Could Save Water at Fallon Naval Air Station, Nevada.

The Navy, which runs the Fallon Naval Air Station in Nevada, uses large amounts of water—in a region where water is scarce—to manage the land around its runways. Since the 1950s, the Navy has maintained a "greenbelt" at the air station that consists of acreage leased to local farmers who grow irrigated crops on the land. In the Navy's view, the "greenbelt" protects the facility from fires, lowers the chance of bird strikes or other damage to aircraft from foreign objects, and controls dust. Since 1990, the Navy has used about 1.6 billion gallons of surface water to irrigate this land each year. This report provides information on (1) the aviation safety and operational requirements for the runway protection zone at Fallon, (2) the alternative land used strategies that Fallon identified in response to congressional direction and how it evaluated them, and (3) the current land use strategies at five military facilities and two commercial airports that operate in similar environments.

**RCED/NSIAD-00-55**, Jan. 21, 2000 (25 pages). Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina.

Biotechnology is changing the face of agriculture, with farmers adopting genetically modified seeds at unprecedented rates. The global area planted with these seeds increased more than fifteenfold between 1996 and 1998. The genetically modified seeds that are the most widely grown are herbicide-tolerant soybeans and insect-resistant corn—specifically, Roundup Ready soybeans and *Bacillus thuringiensis* (Bt) corn. Farmers in the United States and Argentina have been at the forefront of adopting this new seed technology. Although genetically modified seeds can be a powerful weapon in a farmer's arsenal of weed control and insect protection tools, these seeds have typically sold for a premium over conventional varieties. U.S. farmers have raised concerns about the pricing of genetically modified seeds. This report provides information on the (1) prices of Roundup Ready soybean seeds and Bt corn seeds in the United States and Argentina and (2) major reasons for any price differences between the two countries for these seeds.

**RCED/NSIAD-00-82**, Mar. 6, 2000 (30 pages). Nuclear Nonproliferation: Limited Progress in Improving Nuclear Material Security in Russia and the Newly Independent States.

Safeguarding nuclear material that can be used in nuclear weapons is a primary national security concern of the United States, Russia, and other newly independent states of the former Soviet Union. With the dissolution of the Soviet Union, Russia and other newly independent states inherited about 650 metric tons of highly enriched uranium and plutonium in forms that are attractive to thieves. This report discusses (1) the number of buildings that have received nuclear material security systems and the amount of nuclear material that is protected under those systems and (2) the program's costs so far, the amount of program funds that did not go directly to program

activities but have been paid in Russian taxes, and the estimated cost to complete the program. The Department of Energy has identified 332 buildings in Russia and other newly independent states that require nuclear security systems. As of February 2000, Energy had installed security systems in 113 buildings, most of which contained small amounts of nuclear material suitable for use in weapons. This report addresses the effectiveness of the Department of Energy's Material Protection, Control, and Accounting Program in reducing the proliferation risk posed by the theft or diversion of nuclear material and the ability of Russia and the newly independent states to operate and maintain the upgraded security systems.

## Testimony

**T-GGD/RCED-00-134**, Mar. 22, 2000 (11 pages). Managing for Results: Challenges in Producing Credible Performance Information, by J. Christopher Mihm, Associate Director, Federal Management and Workforce Issues, before the Oversight, Investigations, and Emergency Management Subcommittee, House Committee on Transportation and Infrastructure.

This testimony presents information on the challenges that federal agencies face in producing credible performance information and how those challenges may affect performance reporting. GAO recently reported that it is unlikely that agencies will have the reliable information needed to assess whether goals are being met or specifically how performance can be improved. (See GAO/GGD-00-52, Feb. 2000.) This testimony (1) provides a governmentwide perspective on the credibility of agencies' performance information; (2) discusses some of the challenges faced by agencies, including the Department of Transportation, the Environmental

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Protection Agency, and the General Services Administration, in producing credible performance data; and (3) highlights how agencies can use their performance reports to address data credibility issues.

**T-NSIAD/RCED-00-119**, Mar. 6, 2000 (13 pages). Weapons of Mass Destruction: U.S. Efforts to Reduce Threats From the Former Soviet Union, by Jim Johnson, Associate Director, International Relations and Trade Issues, before the Emerging Threats and Capabilities Subcommittee, Senate Committee on Armed Services.

Since 1991, Congress has authorized the Departments of Defense, Energy, and State to help Russia and other newly independent states control and eliminate weapons of mass destruction and to reduce the risks of proliferation. This testimony draws on 20 reports GAO has issued during the past eight years on various aspects of these programs. GAO presents overall observations on the costs and impacts of these programs and suggests issues that Congress may want to consider as it reviews current and future budget requests for these programs.

**T-NSIAD/RCED-00-227**, June 28, 2000 (15 pages). Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development and Accountability Over Funds Was Limited, by Susan S. Westin, Associate Director, International Relations and Trade Issues, before the Asia and the Pacific Subcommittee, House Committee on International Relations.

The United States entered into an international agreement—the Compact of Free Association—with the Federated States of Micronesia and the Republic of the Marshall Islands in 1986. This agreement represented a continuation of the U.S. financial support that had gone to these areas since the end of World War II. GAO

found that Micronesia and the Marshall Islands spent about \$1.6 billion in Compact funds on general government operations, capital projects, and targeted sectors, such as energy and communications, from fiscal years 1987 through 1998. Micronesia and the Marshall Islands have made some progress in achieving economic self-sufficiency since 1987, although both countries remain highly dependent on U.S. assistance, which has maintained artificially high standards of living. Compact expenditures so far have led to little improvement in economic development in the two nations. Substantial compact expenditures used to maintain high levels of public sector growth have acted as a disincentive to private sector growth. Both countries have also spent Compact money on infrastructure projects, such as electrical power and telecommunications systems, that they viewed as critical to creating an environment attractive to private businesses. However, the projects have not spurred significant private sector activity. Finally, investment of Compact funds in business ventures has been a failure. GAO found that many projects funded by the Compact had problems because of poor planning and management, shoddy construction and maintenance, or misuse of funds. The governments of Micronesia, the Marshall Islands, and the United States have provided limited accountability over Compact expenditures.

**T-RCED-00-15**, Oct. 20, 1999 (14 pages). Drinking Water Research: Better Planning Needed to Link Needs and Resources, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Health and Environment Subcommittee, House Committee on Commerce.

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 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. This testimony summarizes the September 1999 report, GAO/RCED-99-273.

**T-RCED-00-19**, Oct. 11, 1999 (12 pages). Air Traffic Control: Status of FAA's Implementation of the Display System Replacement Project, by Gerald Dillingham, Associate Director, Transportation Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

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.

**T-RCED-00-20**, Oct. 27, 1999 (13 pages). Nuclear Nonproliferation: Heavy Fuel Oil Delivered to North Korea Under the Agreed Framework, by Gary L. Jones, Associate Director, Resources, Community, and Economic Development Division, before the House Committee on International Relations.

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 in the Agreed Framework, including resale abroad. This is GAO's fourth report on issues related to the implementation of the Agreed Framework. This testimony summarizes the September 1999 report, GAO/RCED-99-276.

**T-RCED-00-23**, Oct. 27, 1999 (11 pages). Flood Insurance: Information on Financial Aspects of the National Flood Insurance Program, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Housing and Community Opportunity Subcommittee, House Committee on Banking and Financial Services.

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.

**T-RCED-00-28**, Oct. 25, 1999 (19 pages). Telecommunications: Overview of the Cramming Problem,

by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Senate Committee on Small Business.

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.

**T-RCED-00-30**, Oct. 28, 1999 (13 pages). Intercity Passenger Rail: Amtrak Faces Challenges in Improving Its Financial Condition, by Phyllis F. Scheinberg, Associate Director, Transportation Issues, before the Ground Transportation Subcommittee, House Committee on Transportation and Infrastructure.

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. Amtrak's financial condition and its ongoing work for the Committee.

**T-RCED-00-36**, Nov. 3, 1999 (8 pages). Commercial Maritime Industry: Updated Information on Federal Assessments, by John H. Anderson, Jr., Director, Transportation Issues, before the Water Resources and Environment Subcommittee, House Committee on Transportation and Infrastructure.

This testimony discusses federal assessments, user fees, taxes, and other charges levied on the

commercial maritime industry. The information presented is drawn from an earlier GAO report. (See GAO/RCED-99-260, Sept. 1999.) One of the assessments is the Harbor Maintenance Tax, whose revenues fund virtually all maintenance dredging of U.S. ports. GAO provides information on (1) the federal agencies that levied assessments in fiscal year 1998 compared with fiscal year 1991, the number of assessments levied, and the amounts that they collected; (2) who pays the assessments and in which funds they were deposited in fiscal years 1991 through 1998; and (3) new federal assessments that have been recently proposed. GAO also discusses the status of the Harbor Maintenance Trust Fund and its projected annual balances.

**T-RCED-00-88**, Feb. 10, 2000 (12 pages). Water Quality: Identification and Remediation of Polluted Waters Impeded by Data Gaps, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Water Resources and Environment Subcommittee, House Committee on Transportation and Infrastructure.

The Clean Water Act has been credited with greatly improving the condition of the waters in the United States. This success comes largely from the control of pollutant discharges from industrial facilities and wastewater treatment plants, known as "point" sources of pollution. Despite this progress, many waters still do not meet water quality standards. Of particular concern are "nonpoint" sources of pollution—diffuse sources that include various land-based activities, such as timber harvesting, agriculture, and urban development—which are widely considered to be major contributors to the nation's remaining water quality problems. The ability to deal with these problems cost-effectively depends on states' efforts to monitor their waters to identify their most serious problems and to develop strategies to address them. States send

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a list to the Environmental Protection Agency that identifies waters that fail to meet water quality standards and develop total maximum daily loads (TMDL) for waters on their lists. TMDLs are intended to help restore water quality by reducing the amount of pollution entering a body of water to a level that will enable it to meet the standards. This testimony discusses (1) the adequacy of the data for identifying waters for states' lists, (2) the adequacy of data for developing TMDLs for those waters, and (3) the key factors that affect the ability of states to develop TMDLs.

**T-RCED-00-89**, Feb. 15, 2000 (10 pages). Fish and Wildlife Service: Agency Needs to Inform Congress of Future Costs Associated With Land Acquisitions, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Interior and Related Agencies Subcommittee, House Committee on Appropriations.

Since the first national wildlife refuge was established in 1903, the nation's wildlife refuge system has grown to include 521 refuges on more than 90 million acres. Members of Congress have raised concerns about whether the Fish and Wildlife Service established refuges with migratory bird funds after Congress denied appropriations from land and water funds for that purpose. GAO found that of the 23 refuges that the Service established between 1994 and 1998, only eight used federal funds—\$4 million from the land and water fund. No migratory bird funds were used. The remaining 15 refuges were established with land that was donated, transferred, or exchanged. The Service is not currently required to inform Congress of refuges established through donations or other means outside the appropriations process at the time they are established. As a result, congressional appropriations committees may be unaware of these refuges until the Service later asks for land and water funds to expand them.

The Service also need not inform Congress of estimated future operations and maintenance costs when it establishes refuges. When the Service does establish a refuge, however, it estimates the costs of future land acquisitions and of operations and maintenance for that specific refuge. GAO believes that it would be useful for the Service to provide this information to Congress. Although the Service's automated priority-setting system for land and water projects creates a national priority list, the priorities are (1) based on criteria that are too subjective and (2) do not represent a true relative ranking of projects.

**T-RCED-00-101**, Mar. 2, 2000 (12 pages). Chemical Safety Board: Recent Organizational Changes and Status of Operations, by David Wood, Associate Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, House Committee on Appropriations.

The Chemical Safety and Hazard Investigation Board investigates the causes of accidental chemical releases and promotes preventive measures that can be taken by the government and the private sector. This testimony focuses on the Board's organization, operations, and efforts to update and develop plans, policies, and procedures for accomplishing its mission of enhancing the health and safety of workers, the public, and the environment.

**T-RCED-00-102**, Mar. 2, 2000 (10 pages). Commercial Motor Vehicles: Significant Actions Remain to Improve Truck Safety, by Phyllis F. Scheinberg, Associate Director, Transportation Issues, before the Transportation and Related Agencies Subcommittee, House Committee on Appropriations.

This testimony discusses efforts being undertaken by the Department of Transportation's Federal Motor Carrier

Safety Administration to reduce the number of large truck-related fatalities and similar efforts to improve the safety of commercial passenger vehicles, including buses and vans.

**T-RCED-00-103**, Mar. 15, 2000 (9 pages). Coast Guard: Budget Challenges for 2001 and Beyond, by John H. Anderson, Jr., Director, Transportation Issues, before the Coast Guard and Maritime Transportation Subcommittee, House Committee on Transportation and Infrastructure.

This testimony presents information on the challenges that the Coast Guard faces in its fiscal year 2001 and future budget requests. The testimony is based on recently completed and ongoing GAO work on the Coast Guard's progress in justifying and managing its Deepwater Project and opportunities to improve the Coast Guard's operating efficiencies.

**T-RCED-00-104**, Mar. 8, 2000 (26 pages). Mass Transit: Challenges in Evaluating, Overseeing, and Funding Major Transit Projects, by Phyllis F. Scheinberg, Associate Director, Transportation Issues, before the Transportation Subcommittee, House Committee on Appropriations.

This testimony discusses the challenges that the Federal Transit Administration (FTA) faces in evaluating and overseeing proposed mass transit construction projects. FTA's performance in this area affects 6 million people who depend on transit every day and influences how well the federal government's transit investment is spent.

**T-RCED-00-105**, Mar. 10, 2000 (8 pages). Federal Land Management: Baca Ranch Appraisal Land Acquisition Issues, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Forests and Public Land Management

The privately owned Baca Ranch covers nearly 95,000 acres in northern New Mexico. The Forest Service wants to buy the ranch because it contains a diversity of natural features and is almost completely surrounded by the Santa Fe National Forest. The ranch owners had the property appraised in September 1998 by certified appraisers who concluded that the land's fair market value was \$101 million—or \$1,061 per acre. This report discusses the extent to which the value established by the owner's appraisal was consistent with the comparable property sales data presented in the appraisal and in the Services' market study and other key factors that influenced the appraisal's final outcome. GAO concludes that although the owner's appraisal of the Baca Ranch's value complied with federal appraisal standards, the appraised value is higher than supported solely by sales of comparable properties presented in the appraisal and in the Service's market study and reflects a premium. This testimony summarizes the March 2000 GAO report, GAO/RCED-00-76.

**T-RCED-00-113**, Mar. 2, 2000 (10 pages). Department of Energy: Views on DOE's Plan to Establish the National Nuclear Security Administration, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Department of Energy Reorganization Special Oversight Panel, House Committee on Armed Services.

This testimony is based on many reviews of the Department of Energy and GAO's past and ongoing work on a wide range of DOE programs. GAO provides its observations on DOE's Implementation Plan for the newly created National Nuclear Security Administration, which is responsible for the nation's nuclear weapons,

nonproliferation, and naval reactors programs.

**T-RCED-00-115**, Mar. 9, 2000 (9 pages). Nuclear Regulation: Regulatory and Cultural Changes Challenge NRC, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Clean Air, Wetlands, Private Property and Nuclear Safety Subcommittee, Senate Committee on Environment and Public Works.

This testimony discusses (1) the views of the Nuclear Regulatory Commission (NRC) staff on the quality of the work NRC performs, NRC's management of and the staff's involvement in the changes occurring in the agency, and the move to a risk-informed regulatory approach and (2) the status of NRC's efforts to develop a comprehensive strategy to implement a risk-informed regulatory approach.

**T-RCED-00-116**, Mar. 15, 2000 (13 pages). Intercity Passenger Rail: Increasing Amtrak's Accountability for Its Taxpayer Relief Act Funds, by Phyllis F. Scheinberg, Associate Director, Transportation Issues, before the Transportation and Related Agencies Subcommittee, House Committee on Appropriations.

This report reviews Amtrak's use of the Taxpayer Relief Act (TRA) funds. Specifically, GAO discusses (1) how much Amtrak has spent in TRA funds and what types of activities it has funded, (2) whether Amtrak has used TRA funds in accordance with the act, (3) what the roles of the Amtrak Reform Council and the Internal Revenue Service have been in monitoring Amtrak's use of the funds, and (4) whether Amtrak fully reports its use of the funds. Among other things, GAO found that through June 1999, Amtrak reported that it had spent about \$1.3 billion of the \$2.2 billion provided under TRA. This testimony summarizes the February 2000 GAO report, GAO/RCED/AIMD-00-78.

**T-RCED-00-122**, Mar. 15, 2000 (10 pages). Voluntary Consensus Standards: Agencies' Compliance With the National Technology Transfer and Advancement Act, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Technology Subcommittee, House Committee on Science.

This testimony discusses information that GAO obtained from several federal agencies on the legislative history of the National Technology Transfer and Advancement Act and the reporting requirements for federal agencies. GAO focuses on two agencies' activities in carrying out their oversight responsibilities under the act, their efforts in reporting their standards activities, and the progress made specifically by the Department of Defense and the Environmental Protection Agency in complying with the act.

**T-RCED-00-123**, Mar. 14, 2000 (9 pages). Nuclear Security: Security Issues At DOE and Its Newly Created National Nuclear Security Administration, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Energy and Power Subcommittee, House Committee on Commerce, and Oversight and Investigations Subcommittee, House Committee on Commerce.

GAO provides information on the Department of Energy's and the National Nuclear Security Administration's security programs to protect against theft, sabotage, terrorism, and other risks to national security at its facilities. GAO's testimony focuses on oversight of safeguards and security programs at Energy and security issues with the Security Administration.

**T-RCED-00-125**, Mar. 16, 2000 (12 pages). Aviation Security: Slow Progress in Addressing Long-Standing Screener Performance Problems, by

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Gerald Dillingham, Associate Director, Transportation Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

Securing an air transportation system the size of the United States—one with hundreds of airports, thousands of aircraft, and tens of thousands of flights daily carrying millions of passengers and pieces of luggage—is a daunting task. Concerns have been raised for many years by GAO and others about the effectiveness of airport screening checkpoints and the persons who operate them. This testimony discusses (1) the causes of screener performance problems in detecting threat objects; (2) the status of efforts being made by the Federal Aviation Administration to address them; and (3) compares the screening practices of five other countries—Belgium, Canada, France, the Netherlands, and the United Kingdom—with those of the United States.

**T-RCED-00-129**, Mar. 23, 2000 (13 pages). Human Capital: Observations on EPA's Efforts to Implement a Workforce Planning Strategy, by Peter F. Guerrero, Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

This testimony presents GAO's observations on the Environmental Protection Agency's (EPA) efforts to determine the workforce it needs to meet its strategic goals and objectives. During the past decade, when many agencies were cutting their staffing levels, EPA's workforce grew by about 18 percent, even though the states were assuming more responsibility for federal environmental programs and enforcement efforts. Members of Congress have raised concerns about this growth. GAO discusses (1) how EPA determines the number of employees and competencies needed to carry out its strategic goals and

objectives and (2) what actions EPA is taking to improve its workforce planning.

**T-RCED-00-131**, Mar. 23, 2000 (13 pages). Water Quality: Identification and Remediation of Polluted Waters Impeded by Data Gaps, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Drinking Water, Fisheries, and Wildlife Subcommittee, Senate Committee on Environment and Public Works.

This testimony provides information on the adequacy of the data that the Environmental Protection Agency (EPA) and the states have for making critical water quality decisions as required by the Clean Water Act. In summary, GAO found that only six states have most of the data they need to assess their waters. The states report that they have much more of the data they need to develop total maximum daily loads (TMDL) for pollution problems caused by point sources than nonpoint sources. The states have been developing TMDLs for waters polluted by point sources for many years and, therefore, have expertise in analyzing these types of pollution problems.

**T-RCED-00-132**, Mar. 23, 2000 (10 pages). Environmental Protection Agency: Comparing Annual Budgets for Science and Technology, by David Wood, Associate Director, Environmental Protection Issues, before the Energy and Environment Subcommittee, House Committee on Science.

The Environmental Protection Agency's (EPA) budget justifications for fiscal years 1999, 2000, and 2001 differ significantly from the agency's justifications for fiscal year 1998 and earlier years because they were organized according to the agency's strategic goals and objectives. This testimony discusses the difficulties that GAO experienced in comparing EPA's Science and Technology budget

justifications for fiscal years 1999 and 2000 with the preceding years, the actions EPA took to improve the clarity and comparability of the fiscal years 2000 and 2001 justifications, and aspects of the fiscal year 2001 justification that still inhibit clear comparisons with prior year budgets.

**T-RCED-00-135**, Mar. 22, 2000 (10 pages). Department of Energy: Views on Proposed Civil Penalties, Security Oversight, and External Safety Regulation Legislation, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Energy and Power Subcommittee, House Committee on Commerce.

GAO provides its views on the following three bills, which are intended to improve worker and nuclear facility safety and health as well as enhance security for the Department of Energy (DOE): (1) H.R. 3383, which would amend the Atomic Energy Act by eliminating the exemption that currently allows certain nonprofit contractors to avoid paying civil penalties if they violate DOE's nuclear safety rules; (2) H.R. 3906, which would legislatively establish an office of independent security oversight within DOE that reports directly to the Secretary of Energy; and (3) H.R. 3907, which would eliminate self-regulation of health and safety activities at DOE by authorizing the Nuclear Regulatory Commission to regulate and enforce nuclear safety and the Occupational Safety and Health Administration to regulate and enforce occupational health and safety for all DOE facilities.

**T-RCED-00-136**, June 15, 2000 (8 pages). Park Service: Need to Address Key Management Problems That Plague the Concessions Program, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Parks, Historic Preservation and Recreation Subcommittee, Senate Committee on Energy and Natural Resources.



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

**T-RCED-00-137**, Apr. 5, 2000 (8 pages). South Florida Ecosystem Restoration: A Land Acquisition Plan Is Needed to Supplement the Strategic Plan Being Developed, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Interior and Related Agencies Subcommittee, House Committee on Appropriations.

The Florida Ecosystem Restoration Initiative is a complex, long-term effort to restore the ecosystem of South Florida, including the Everglades. The Initiative involves federal, state, and local governments; tribal groups; and private interests. The South Florida Ecosystem Task Force was created in 1993 to coordinate ongoing federal restoration activities. Although land acquisition is critical to the success of the restoration effort, this ecosystem is so large that not all of the lands within it can be bought and preserved. A recent GAO report concluded that a strategic plan outlining the steps involved in restoring the ecosystem would increase the Initiative's chance of success. (See GAO/RCED-99-121, Apr. 1999.) Similarly, a land acquisition plan that clearly explains the Task Force's needs and priorities to federal and state agencies would be valuable

in coordinating land acquisition efforts. Without a plan, the Task Force cannot (1) determine how much property will be needed to achieve its goals, (2) estimate the full cost to buy this property, (3) measure progress in acquiring lands for the restoration, or (4) increase the likelihood that the lands acquired are those that are most needed. This information is an important part of the status reports sent to Congress and Florida, which are jointly funding the restoration effort. The Interior Department developed a cost-sharing policy under which Florida is to match the federal funds dollar for dollar. Interior has approved four grants, but it waived the matching requirements or accepted lands in place of money for three of the grants. Florida had already acquired or was in the process of acquiring the lands that it used for matching purposes. Had Interior consistently applied its cost-sharing policy, GAO estimates that an additional \$77 million would have been available to buy land. This testimony summarizes the April 2000 report, GAO/RCED-00-84, Apr. 5 (67 pages).

**T-RCED-00-146**, Apr. 11, 2000 (9 pages). Forest Service: Broad-Scale Assessments Could Be Better Integrated Into the Forest Planning Process, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Forests and Forest Health Subcommittee, House Committee on Resources.

This testimony discusses the integration of broad-scale assessments into the process used by the Department of Agriculture's Forest Service to amend or revise its forest plans. Broad-scale assessments collect and analyze data and then draw conclusions about issues and conditions that extend beyond the administrative boundaries of a national forest. These issues can be ecological, such as the threat of catastrophic wildfire, infestations by insects and disease, and the health of

wide-ranging species, or socioeconomic, such as the supply of timber or recreational opportunities.

**T-RCED-00-147**, Apr. 12, 2000 (19 pages). Chemical Safety Board: Realigned Management Faces Serious Challenges, by David Wood, Associate Director, Environmental Protection Issues, before the VA, HUD, and Independent Agencies Subcommittee, Senate Committee on Appropriations.

The Chemical Safety and Hazard Investigation Board works to enhance the health and safety of the public, workers, and the environment by determining the causes of accidental chemical releases and promoting preventive measures by the private and public sectors. This testimony provides information on the Board's budget request for fiscal year 2001.

**T-RCED-00-157**, Apr. 25, 2000 (8 pages). Transit Grants: Department of Labor's Certification Process, by John H. Anderson, Jr., Director, Transportation Issues, before the Senate Committee on Banking, Housing and Urban Affairs.

About \$42 billion in federal funding has been set aside for transit programs through fiscal year 2003. This money is being provided to state and local transportation authorities in the form of grants to build, acquire, improve, and operate transit systems. But before the Department of Transportation Departments' Federal Transit Administration can release funds to grant applicants, the Department of Labor must certify that adequate arrangements are in place to protect the interests of employees affected by the assistance. This testimony (1) describes the Department of Labor's process for issuing certifications for grant applicants and discusses how the Department defines and calculates how long it takes to issue certifications and (2) discusses trends and factors

affecting the length of the certification process.

**T-RCED-00-163**, May 2, 2000 (10 pages). Environmental Protection: Collaborative EPA-State Effort Needed to Improve Performance Partnership System, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Senate Committee on Environment and Public Works.

This testimony discusses GAO's recent assessment of the National Environmental Performance Partnership System. The system was established by a May 1995 agreement between the Environmental Protection Agency and the states as a new framework for improving their working relationship, for improving the effectiveness of the states' environmental programs. Under the program, a state and EPA may enter into an agreement that identifies the state's environmental goals and priorities and how both the agency and state officials are to address them. The two sides may also agree on a Performance Partnership Grant, which is intended to allow the state greater flexibility in targeting limited resources to meet its most pressing needs. GAO (1) identifies the status of grants and agreements made under the system between EPA and participating states, (2) examines the progress that EPA and the states have made in developing results-oriented performance measures to be incorporated into system agreements and grants to the states, (3) examines how EPA oversight may or may not have been changing in states that were participating in the system, and (4) discusses the extent to which the use of these performance partnership agreements and grants had achieved the benefits envisioned for the states and the public.

**T-RCED-00-180**, May 16, 2000 (12 pages). Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by

Management and Marketing Contractors, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Housing and Transportation Subcommittee, Senate Committee on Banking, Housing, and Urban Affairs.

The Department of Housing and Urban Development (HUD) introduced its management and marketing contracts nationwide last year as a way to dispose of the inventory of single-family properties that HUD acquires through foreclosures. The contractors are responsible for all management and marketing activities, ranging from inspecting the properties to ensure that they are presentable to listing and selling the properties. HUD has experienced widespread problems with the management and marketing contracts since they started in April 1999. Property maintenance and security, which was a problem under HUD's previous property disposition approach, remains a significant problem. Also, older properties in HUD's inventory have accumulated as the contractors have focused their sales efforts on the newly acquired, more saleable properties. In addition, while HUD encourages contractors to sell properties quickly, it does not provide incentives for the contractors to focus on properties that have been in inventory for a long period of time. This testimony summarizes the May 2000 report, GAO/RCED-00-117.

**T-RCED-00-183**, May 17, 2000 (13 pages). Air Pollution: Implementation of the Clean Air Act Amendments of 1990, by David Wood, Associate Director, Environmental Protection Issues, before the Clean Air, Wetlands, Private Property and Nuclear Safety Subcommittee, Senate Committee on Environment and Public Works.

The Clean Air Act, last reauthorized and amended by the Congress in 1990, provides for several related programs designed to protect health and control air pollution. The Clean Air Act

Amendments of 1990 established new programs and made major changes in the ways that air pollution is controlled. The amendments require the Environmental Protection Agency (EPA) to take several steps and specify a deadline for many of them. Most of these requirements are found in the amendments' first six titles; EPA has identified 538 such requirements, 361 of which have a statutory deadline. The amendments also set deadlines for states and local air pollution control agencies to respond to the rules promulgated by EPA. This report (1) provides information on the status of EPA's implementation of the requirements established by the 1990 amendments and (2) obtains views from state governments, local programs, industries that are regulated under the act, and environmental advocacy groups on issues that have either helped or hindered the implementation of the 1990 amendments. This testimony summarizes the April 2000 report GAO/RCED-00-72.

**T-RCED-00-185**, May 25, 2000 (15 pages). Essential Air Service: Changes in Passenger Traffic, Subsidy Levels, and Air Carrier Costs, by John H. Anderson, Jr., Director, Transportation Issues, before the Aviation Subcommittee, House Committee on Transportation and Infrastructure.

More than two decades have passed since Congress phased out the federal government's control over fares and service. Concerned that air service to some small communities would suffer in a deregulated environment, Congress established the Essential Air Service (EAS) program in 1978 and made special provisions for providing this service in Alaska. The goal of the EAS program, administered by the Department of Transportation (DOT), is to ensure that small communities that had received scheduled passenger air service before deregulation continue to have access to air transportation. DOT does this by

awarding subsidies to carriers willing to provide service to communities that would not otherwise receive it. Congress increased the program's annual funding to \$50 million in fiscal year 1998 and directed that overflight fees not obligated on the EAS program be used to pay for rural air safety projects. This report reviews the program and determines whether all communities were receiving the subsidized service to which they were entitled and whether the increase in funding had been made available for rural air safety projects. GAO (1) determines how DOT applied criteria to decide which communities would receive subsidized air service, (2) describes changes in the level of subsidies provided to EAS-eligible communities in fiscal year 1999 relative to that provided in 1995, (3) identifies why the level of subsidies changed between 1995 and 1999, and (4) determines whether DOT applied any of the increase in program funding to rural air safety projects. This testimony summarizes the April 2000 report, GAO/RCED-00-34.

**T-RCED-00-187**, May 23, 2000 (11 pages). Homelessness: Consolidating HUD's McKinney Programs, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Housing and Transportation Subcommittee, Senate Committee on Banking, Housing, and Urban Affairs.

Homelessness in America is a complex issue. On any given night, about 600,000 people are homeless. The population includes various subgroups, such as single adults and families, with a diverse set of needs, including mental health and substance abuse problems as well as other disabilities. In 1987, the Congress passed the Stewart B. McKinney Homeless Assistance Act to address the multiple needs of homeless people. HUD is responsible for running several key McKinney Act programs, including the emergency shelter grants program,

the supportive housing program, the shelter plus care program, and the Section 8 single-room occupancy program. For these four programs, HUD provides funds to state and local groups either through formula or competitive grants so that communities can develop housing and services for the homeless. This testimony discusses the (1) different program requirements for these four programs and the coordination and administrative challenges that they pose and (2) actions that HUD has taken to overcome these challenges.

**T-RCED-00-188**, May 24, 2000 (8 pages). Park Service: Need to Address Management Problems That Plague the Concessions Program, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the House Committee on Budget.

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

**T-RCED-00-213**, June 29, 2000 (9 pages). Single-Family Housing: Stronger Oversight of FHA Lenders Could Reduce HUD's Insurance Risk, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Permanent Subcommittee on

Investigations, Senate Committee on Governmental Affairs.

Every year, the Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), insures billions of dollars in home mortgage loans made by private lenders. During fiscal year 1999, FHA insured 1.3 million mortgages valued at about \$124 billion. Recent cases of mortgage fraud across the country have raised concerns about HUD's oversight of these lenders. This report provides information on HUD's oversight of lenders participating in FHA's mortgage insurance programs for single-family homes. Among other things, GAO found that 12 of 36 lenders had received 4 or more "poor" ratings from HUD's homeownership centers for their last 15 preclosing reviews. In addition, the homeownership centers' monitoring of lenders does not adequately focus on the lenders and loans that pose the greatest insurance risks to HUD. This testimony summarizes the April 2000 report, GAO/RCED-00-112.

**T-RCED-00-215**, June 22, 2000 (15 pages). Nuclear Waste: Observations on DOE's Privatization Initiative for Complex Cleanup Projects, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

Cleaning up the radioactively contaminated building, soil, and groundwater resulting from more than 50 years of producing nuclear material for weapons is a major undertaking for the Department of Energy (DOE). DOE projects that it will cost as much as \$195 billion to complete this job and provide long-term monitoring of the remaining sites through 2070. DOE primarily contracts with private sector firms to clean up these sites. In the past, this effort was generally done under cost-reimbursement contracts

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by contractors that managed and operated many of DOE's facilities. DOE financed the operations and paid the contractors regardless of what was actually accomplished. DOE began its privatization initiative in 1995 as a way to reduce costs, speed the cleanup of its contaminated sites, and improve contractors' performance. Concerns have surfaced, however, about whether DOE's privatization initiative has yielded significant results when applied to its more complex cleanup projects. This testimony discusses (1) what DOE has accomplished by privatizing such projects and (2) GAO's observations on the lessons that can be learned from these efforts.

**T-RCED-00-225**, June 27, 2000 (13 pages). Nuclear Waste Cleanup: DOE's Cleanup Plan for the Paducah, Kentucky Site Faces Uncertainties and Excludes Costly Activities, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Energy Research, Development, Production and Regulation Subcommittee, Senate Committee on Energy and Natural Resources.

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

**T-RCED-00-229**, June 29, 2000 (29 pages). National Airspace System: Problems Plaguing the Wide Area Augmentation System and FAA's Actions to Address Them, by Gerald Dillingham, Associate Director, Transportation Issues, before the Aviation Subcommittee, House

Committee on Transportation and Infrastructure.

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

**T-RCED-00-233**, June 28, 2000 (14 pages). Clean Water Act: Proposed Revisions to EPA Regulations to Clean Up Polluted Waters, by Peter F. Guerrero, Director, Environmental Protection Issues, before the House Committee on Agriculture.

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

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

**T-RCED-00-234**, July 12, 2000 (13 pages). Federal Tort Claims Act: Claims History and Issues Affecting Coverage for Tribal Self-Determination Contracts, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Senate Committee on Indian Affairs.

Under the Indian Self-Determination and Educational Assistance Act of 1975, tribal employees participate in and manage programs through contractual arrangements with the Bureau of Indian Affairs and the Indian Health Services. In 1990, through the Federal Tort Claims Act (FTCA), the federal government permanently assumed the liability for accidents or torts caused by tribal contractors. Data on FTCA claims involving tribal contractors are not readily available because neither the Department of the Interior nor the Department of Health and Human Services (HHS) requires tracking such claims. However, the two agencies did provide GAO with data on 342 claims with total damages of \$700 million. About two-thirds of the claims involved Bureau programs and one-third involved Health Service programs. The U.S. government may be paying more than necessary to resolve claims involving tribal contractors because the tribes use federal funds to buy private liability insurance; thus the government is paying twice. Neither Interior nor HHS checks to see whether tribal contractors have private liability insurance that could cover their claims. According to Interior, incentives to reduce the number of claims are not present and, from time to time, tribal contractors have not cooperated with Interior in resolving a claim. Sometimes, FTCA coverage is not a perfect fit for tribal contractors. When claims are filed in tribal courts, FTCA has no provision to remove the cases to federal court, where they

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belong. This testimony summarizes the July 2000 report, GAO/RCED-00-169.

**T-RCED-00-236**, June 29, 2000 (12 pages). Forest Service: Actions Needed for the Agency to Become More Accountable for Its Performance, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Forests and Forest Health Subcommittee, House Committee on Resources.

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

**T-RCED-00-247**, July 11, 2000 (6 pages). Nuclear Security: Information on DOE's Requirements for Protecting and Controlling Classified Documents, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Oversight and Investigations Subcommittee, House Committee on Commerce.

DOE has many procedures designed to protect classified documents, which vary depending on the type of document being protected and the nature of protection provided where the document is stored. During the past 12 years, many minimum requirements for secret and top secret documents have been discontinued. The requirement to inventory secret documents every three years, maintain an accountability record, assign a unique identification number, provide a copy and series designation, obtain receipts for internal distribution, and obtain approval to reproduce a document were discontinued in 1992. In 1998, the requirement to inventory top secret documents annually,

maintain an accountability record, assign a unique identification number, provide a top secret control officer, maintain an access record, obtain receipts for internal distribution, and obtain approval for reproduction have all been discontinued. However, secret and top secret documents stored outside a DOE protected area require additional protective measures. The categories listed above do not apply to classified documents related to special access programs, cryptographic information, and NATO classified information. And contractors who operate DOE's facilities may require additional controls and procedures to protect and control classified documents.

**T-RCED-00-248**, July 12, 2000 (17 pages). Department of Energy: Uncertainties and Management Problems Have Hindered Cleanup at Two Nuclear Waste Sites, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Task Force on Natural Resources and the Environment, House Committee on the Budget.

This testimony describes the challenges and uncertainties facing the Department of Energy (DOE) in the Paducah, Kentucky, uranium cleanup and the oversight and management of the in-tank precipitation project at Savannah River. DOE expects to complete the Paducah cleanup by 2010 at a cost of about \$1.3 billion. However, billions of dollars and many years will be needed to address areas at the Paducah site that are not in the cleanup plan, such as the nearly 1 million cubic feet of waste and scrap in a storage area and 16 unused and inactive buildings and structures. By not including these areas in the plan, the Paducah cleanup managers cannot assess risk or plan cleanup on a comprehensive basis. Therefore, the picture of the cleanup task is distorted. It took DOE and its contractor, the Westinghouse Savannah River Corporation, a decade and nearly half

a billion dollars to decide that the in-tank precipitation process would not work safely and efficiently as designed. Furthermore, (1) the contractor tended to react to problems after they occurred; (2) DOE lacked the necessary personnel to ensure adequate oversight of the project; (3) DOE and Westinghouse began construction before the design was completed; and (4) neither understood the cause of the technical problems, fundamentally because they did not understand the chemistry involved in the process.

**T-RCED-00-250**, July 19, 2000 (13 pages). Food Assistance: Reducing the Trafficking of Food Stamp Benefits, by Lawrence J. Dyckman, Director, Food and Agriculture Issues, before the Task Force on Welfare, House Committee on Budget.

The Food Stamp Program provided \$16 billion in benefits to about 18 million recipients in 1999. As one of the nation's largest assistance programs, it is vulnerable to a type of fraud and abuse known as "trafficking" exchanging food stamps for cash or nonfood items. About 70 percent of all food stamp benefits are now provided electronically through a card used like a debit card at the grocery checkout counter. Under federal law, agencies may use electronic benefits transfer (EBT) data to act against traffickers who violate the Food Stamp Program. This testimony suggests that (1) EBT data be used alone, without the added expense of an undercover investigation, to take action against traffickers; (2) better debt collection activities be developed by the Department of Agriculture's Food and Nutrition Service to improve its collection of financial penalties imposed on traffickers; and (3) all states delivering benefits electronically analyze EBT data to identify recipients who may have been trafficking food stamp benefits.

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**T-RCED-00-252**, July 18, 2000 (16 pages). Radiation Standards: Scientific Basis Inconclusive, and EPA and NRC Disagreement Continues, by Gary L. Jones, Associate Director, Energy, Resources, and Science Issues, before the Energy and Environment Subcommittee, House Committee on Science.

U.S. regulatory standards to protect the public from radiation lack a conclusively verified scientific basis. In the absence of conclusive data, scientists have assumed that even the smallest radiation exposure carries a risk. Some scientists say that this "linear, no-threshold hypothesis" is too conservative. The National Academy of Sciences plans to conclude its study on the risks of low-level radiation in 2001. The Department of Energy began a 10-year research project on the effects of low-level radiation on human cells, in part to help verify or disprove the linear model. The Environmental Protection Agency (EPA) and the Nuclear Regulatory Commission (NRC) have sometimes differed over how restrictive U.S. radiation protection standards should be, particularly about the proposed disposal of high-level nuclear waste in a repository at Yucca Mountain and the cleanup and decommissioning of nuclear facilities. For example, EPA applies community drinking water limits for radioactive substances to groundwater at nuclear sites; some limits are equivalent to fractions of a millirem a year. NRC includes groundwater and other potential contamination sources under a less restrictive limit of 25 millirem a year for all means of exposure, which conforms with internationally recommended radiation protection guidance. Although the National Academy of Sciences has criticized EPA's approach, it recognizes that EPA has the authority to set a separate standard for Yucca Mountain. As for nuclear cleanup and decommissioning sites where both agencies have jurisdiction, little progress has been

made to finalize a memorandum of understanding between the two, and Congress may need to help resolve the agencies' disagreement. Costs per site could be immense, and the tighter the restriction, the higher the cost of cleanup. This testimony summarizes the June 2000 report, GAO/RCED-00-152.

**T-RCED-00-253**, July 19, 2000 (11 pages). Park Service: Agency Is Not Meeting Its Structural Fire Safety Responsibilities, by James E. Wells, Jr., Director, Energy, Resources, and Science Issues, before the Task Force on Natural Resources and the Environment, House Committee on the Budget.

At six parks GAO visited, structural fire activities lacked many of the basic elements needed for an effective fire safety effort, including fundamentals such as adequate fire training for employees, fire inspections, and fire detection or suppression systems. GAO found these deficiencies occur principally because local park managers are not required to meet minimum structural fire safety standards and place structural fire safety near the bottom of parks' priority lists. The Park Service has acknowledged problems in implementing its structural fire safety program and has taken several steps to address them. These include (1) developing new agency policies for addressing structural fire safety responsibilities, (2) placing specific minimum fire safety requirements on park managers, and (3) developing a process for structural fire inspections and assessments of structural fire risks at each unit of the national park system. Until these initiatives are completed, however, park visitors, employee, buildings, and artifacts are vulnerable to fire.

**T-RCED-00-257**, Aug. 14, 2000 (34 pages). Fire Management: Lessons Learned From the Cerro Grande (Los Alamos) Fire, by Gary L. Jones,

Associate Director, Energy, Resources, and Science Issues, before the Senate Committee on Energy and Natural Resources.

The Los Alamos fire, now officially known as the Cerro Grande fire, burned more than 48,000 acres, destroyed hundreds of homes, and forced the evacuation of more than 18,000 residents. More than 1,000 fire fighters were needed to bring the fire under control. Estimates have placed total damages at about \$1 billion. The Los Alamos fire resulted from a prescribed fire set by officials of the National Park Service. Ironically, the fire was started to clear out vegetative buildup in a forested area of Bandelier National Monument in order to prevent the very kind of event that took place. The Los Alamos fire exposed issues that must be addressed for managing prescribed fires. Most of the issues involve procedural gaps or a lack of clarity about how policies are to be implemented. GAO questions the timing of the Los Alamos burn, which was set at the beginning of the wildfire season, in the midst of a three-year drought, and close to populated areas. The Los Alamos fire underscores the inherent danger of introducing fire into the nation's forests, particularly in the west, to accomplish forest health or other natural resource objectives. Fire is difficult to manage, and doing it properly requires a great deal of expertise, planning, knowledge, and skill. For prescribed fires to continue to enjoy public acceptance and remain a viable tool, the lessons of this fire cannot be ignored. Although the Park Service is responsible for the burn that because the Los Alamos fire, the lessons of this catastrophe apply to all federal land management agencies with fire management responsibilities.

**T-RCED-00-261**, July 20, 2000 (15 pages). Small Business: Expectations of Firms in SBA's 8(a) Program Are Not Being Met, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues,

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before the Senate Committee on Small Business.

The Small Business Administration's 8(a) program--the federal government's primary vehicle for developing small businesses owned by socially and economically disadvantaged persons--is not meeting client expectations. First, SBA's efforts are not aligned with the needs or expectations of 8(a) firms. Firms want SBA to provide more assistance that will help them obtain contracts. SBA has stressed business management skills, even though most firms joined the program to obtain 8(a) contracts. This misalignment of SBA efforts and 8(a) firms' needs has been further compounded by the fact that most 8(a) contract dollars go to a small number of firms. Second, SBA has no way to tell how well the 8(a) program is working or know the full extent of business development assistance provided to firms. SBA is unable to measure the 8(a) program's performance in such basic areas as the level of training provided, whether such training matched firms' needs, or even the amount of 8(a) contracts the firms obtained. This testimony summarizes the July 2000 reports, GAO/RCED-00-196 and GAO/RCED-00-197.

**T-RCED-00-262**, July 19, 2000 (21 pages). *Fish and Wildlife Service: Use of Federal Aid Programs' Administrative Funds*, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Drinking Water, Fisheries, and Wildlife Subcommittee, Senate Committee on Environment and Public Works.

Federal Aid administrative funds are used within the Fish and Wildlife Service by such entities as the Administrative Grant Program, the Director's Conservation Fund, the Office of Federal Aid, and regional offices for purposes of salaries, travel, grants, and contracts. Funds are also used for general administrative support services. Many of the

problems GAO identified in 1999 were the same as those reported in 1993. GAO had provided options to improve the program's use of administrative funds in its July 1999 testimony.

**T-RCED-00-273**, Aug. 14, 2000 (16 pages). *Fire Management: Lessons Learned From the Cerro Grande (Los Alamos) Fire and Actions Needed to Reduce Fire Risks*, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Forests and Forest Health Subcommittee, House Committee on Resources.

This testimony focuses on the lessons learned from the Cerro Grande (Los Alamos) fire and the actions needed to reduce future fire risks. GAO found that the Cerro Grande fire exposed policy implementation issues that need to be addressed for managing prescribed fires. GAO believes that these procedural gaps and lack of clarity about how policies are implemented affected the planning and implementation of the Cerro Grande burn. GAO feels more effective cooperation and coordination among agencies is needed to prevent future prescribed burn disasters.

**T-RCED-00-277**, Sept. 26, 2000 (11 pages). *Intercity Passenger Rail: Decisions on the Future of Amtrak and Intercity Passenger Rail Are Approaching*, by Phyllis F. Scheinberg, Associate Director, Transportation Issues, before the Senate Committee on Commerce, Science and Transportation.

From fiscal years 2000 through 2002, Amtrak needs to save an additional \$287 million to reach operational self-sufficiency. Amtrak's costs are expected to increase, and Amtrak has a mixed record in controlling cost growth. Furthermore, Amtrak's ability to realize substantial revenue increases and productivity improvements is uncertain. Amtrak has substantial short- and long-term capital investment needs that will be

difficult to meet. Amtrak has new equipment needs for which it currently has no estimates. Between 2000 and 2004, the identified capital investment needs will exceed expected federal capital funds by nearly \$2 billion. If Amtrak does not reach operational self-sufficiency with the next two years, federal law requires that the Amtrak Reform Council submit a plan to Congress for a restructured intercity passenger rail system and that Amtrak prepare a plan for its own liquidation. If Amtrak attains operational self-sufficiency, it could require a substantially higher level of financial support than it now receives to meet its capital needs and other railroad retirement expenses.

**T-RCED-00-286**, Sept. 12, 2000 (9 pages). *U.S. Department of Agriculture: Problems in Processing Discrimination Complaints*, by Robert Robertson, Associate Director, Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry.

This testimony discusses the U.S. Department of Agriculture's (USDA) civil rights program and problems that have delayed its processing of discrimination complaints. Long-standing problems include continuing management turnover and reorganizations in USDA's Office of Civil Rights (OCR); inadequate staff and managerial expertise; a lack of clear, up-to-date guidance and procedures; and poor working relationships and communication within OCR and between OCR and other USDA entities. Also, USDA has not consistently used alternative dispute resolution techniques to address workplace and other disputes before they become formal employment complaints. In reviewing the draft report on which this testimony was based, USDA agreed with all of GAO's recommendations. At the time of this hearing, however, USDA had yet to fully implement any of those recommendations. USDA

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officials said that the agency has drafted a long-term improvement plan to address problems in the program, which they expect to begin implementing in October 2000.

**T-RCED-00-287**, Sept. 12, 2000 (17 pages). Mortgage Financing: Financial Health of the Federal Housing Administration's Mutual Mortgage Insurance Fund, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Housing and Transportation Subcommittee, Senate Committee on Banking, Housing, and Urban Affairs.

This testimony discusses the financial health of the Mutual Mortgage Insurance Fund managed by the Federal Housing Administration (FHA). Through this fund, FHA operates a single-family insurance program—financed through insurance premiums at no cost to the American taxpayer—that since 1934 has helped millions of Americans buy homes. FHA's correct commitments total nearly a half a trillion dollars. Following an economic downturn in the 1980s that resulted in severe losses and a negative economic value, the fund's future was in doubt. Legislation in the 1990s required that FHA achieve a capital ratio in the fund of 2 percent by November 2000 and to maintain or exceed that ratio at all times thereafter. The latest actuarial study of the fund puts its capital ratio at 3.66 percent and its economic value appears to have reached its highest level in at least 20 years. This testimony focuses on activities of the program, how fund reserves are estimated and what constitutes an adequate level of reserves, government actions that have or could influence the level of reserves, and the impact that action related to reserve levels could have on the federal budget.

**T-RCED-00-292**, Sept. 26, 2000 (13 pages). Management Challenges: Department of Housing and Urban

Development, by Stanley J. Czerwinski, Associate Director, Housing and Community Development Issues, before the Housing and Transportation Subcommittee, Senate Committee on Banking, Housing, and Urban Affairs.

Since 1994, GAO has included HUD and its programs on its list of programs at high risk for waste, fraud, abuse, and mismanagement. HUD's problems have included weak internal controls, inadequate information and financial management systems, an ineffective organizational structure, and an insufficient mix of staff with the proper skills. HUD has made significant changes to correct these management challenges. In early 2001, GAO will assess whether HUD's reform efforts have demonstrated real and sustainable results. If HUD is to continue the progress it has made, achieve the goals it has set for itself, and realize the benefits that can be derived from a performance management framework, it must: (1) ensure that top leadership is committed to reform; (2) rigorously plan for human capital and information technology strategies; and (3) provide for greater employee involvement in reform efforts. HUD will face additional challenges, such as developing a true results orientation and becoming an integrated organization that is outwardly focused on its clients' and stakeholders' needs. Finally, the importance of congressional oversight cannot be overstated. Congress should monitor management improvement initiatives and ensure that these initiatives are implemented successfully.

**T-RCED-00-293**, Sept. 14, 2000 (17 pages). Fish and Wildlife Service: Weaknesses in the Management of the Endangered Species Program Workload at the Carlsbad, California Field Office, by Derek B. Stewart, Associate Director, Energy, Resources, and Science Issues, before the House Committee on Resources.

This testimony discusses GAO's ongoing work on the implementation of the Endangered Species Act by the U.S. Fish and Wildlife Service's field office in Carlsbad, California. Specifically it focuses on how that office implemented the act's provisions on consultation and habitat conservation planning, processes that, taken together, require landowners to take various actions to ensure that planned or ongoing activities will not result in the taking of a protected species.

**T-RCED-00-294**, Sept. 12, 2000 (11 pages). Army Corps of Engineers: An Assessment of the Lower Snake River Dams' Draft Environmental Impact Statement, by Derek B. Stewart, Associate Director, Energy, Resources, and Science Issues, before the Water and Power Subcommittee, Senate Committee on Energy and Natural Resources.

This testimony summarizes an earlier GAO report on whether the Corps of Engineers followed applicable procedures and guidelines in preparing their draft environmental impact statement (EIS) for the Lower Snake River dams. (See GAO/RCED-00-186, July 2000.) The report also reviewed the methodology used to analyze and present the effects of breaching the four Lower Snake River dams. GAO found that the Corps conducted a comprehensive EIS process that generally adhered to procedural requirements of relevant federal laws and other guidelines. In GAO's view, the Corps' analysis and presentation of the effects of breaching on electricity costs was reasonable; however, GAO could not determine the reasonableness of Corps' estimates on effects on transportation costs and air quality.

**T-RCED-00-295**, Sept. 14, 2000 (6 pages). Slotting Fees: Effort to Study the Use of These Payments in the Grocery Industry, by Lawrence J. Dyckman, Director, Food and



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Agriculture Issues, before the Senate Committee on Small Business.

Slotting fees are payments from grocery manufacturers to retailers to encourage the introduction of new products on retailers' shelves. Much anecdotal information exists on the use of slotting fees by the industry and its impact on small businesses and consumers, but little hard evidence is available. This testimony describes GAO's efforts, working with two grocery industry associations, to produce a report on the dollar amounts of slotting fees on several food categories, accounting practices for these fees, and related company policies and procedures. Because of the sensitive trade practices involved, no companies were identified that would be willing to participate in GAO's study. Industry officials expressed concern about providing any outside group with information that they consider sensitive and proprietary.

**T-RCED-00-296**, Sept. 13, 2000 (11 pages). Reducing Wildfire Threats: Funds Should Be Targeted to the Highest Risk Areas, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Task Force on Natural Resources and the Environment, House Committee on the Budget.

This testimony discusses the status of efforts to reduce the future risk of catastrophic wildfires to human lives and property. GAO examines the reason why conditions on federal forests and range lands have reached the point that they pose a significant risk to nearby communities and to the ecological sustainability of lands and natural resources. They concentrate on the history and status of efforts by the Forest Service and the Department of the Interior to reduce the risk budget-related issues that should be addressed to better ensure that the agencies spend effectively and account accurately for funds appropriated to

reduce hazardous fuels. The media and others have attributed much of the blame for this year's destructive wildfire season to the prolonged drought that has gripped the interior West. The federal government's approach to reducing hazardous fuels has evolved over time in response to new information and events. Both Congress and the administration are now prepared to fund an aggressive campaign to reduce hazardous fuels. Rather than allocating funds to the highest-risk areas, the Forest Service allocates funds for hazardous fuels reduction on the basis of the number of acres treated.

**T-RCED-00-297**, Sept. 20, 2000 (10 pages). Comprehensive Everglades Restoration Plan: Additional Water Quality Projects May Be Needed and Could Increase Costs, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Transportation and Infrastructure Subcommittee, Senate Committee on Environment and Public Works.

The Corps of Engineers' Comprehensive Everglades Restoration Plan provides a framework for improving the quality, quantity, timing, and distribution of water in the South Florida ecosystem, including the Everglades. This report discusses the number and costs of projects that will ultimately be needed to address water quality in the ecosystem. Currently, there are too many uncertainties to provide such an estimate. As uncertainties related to implementing the plan's projects are resolved and more information is gathered about the extent of the ecosystem's water quality problems, it is likely that modifications and additions to the plan could increase its total cost over the Corps' current estimate of \$7.8 billion. The Corps has acknowledged the level of uncertainty in the plan and has included a process for incorporating project modifications and additions in its future reports to Congress. It has not,

however, included a means for reporting cumulative changes in projects and costs for the plan as a whole or progress in implementing the plan. GAO recommends that the Corps provide for such reporting. This testimony summarizes the September report, GAO/RCED-00-235.

**T-RCED-00-298**, Sept. 19, 2000 (12 pages). Drinking Water: Spending Constraints Could Affect States' Ability to Meet Increasing Program Requirements, by Peter F. Guerrero, Director, Environmental Protection Issues, before the Health and Environment Subcommittee, House Committee on Commerce.

Although the funds available to the states are enough to allow them to meet their responsibilities under the Safe Drinking Water Act, actual spending by the states have fallen short of estimated needs. Factors other than federal funding levels affect most states' ability to implement their drinking water programs. Most important among these factors are spending constraints at the state level, which have caused staffing shortfalls, and a reluctance to divert revolving loan fund resources from needed infrastructure improvements at local water systems.

**T-RCED-00-299**, Sept. 25, 2000 (13 pages). Packers and Stockyards Programs: Investigations of Competitive Practices Need Improvements, by Lawrence J. Dyckman, Director, Food and Agriculture Issues, before the Administrative Oversight and the Courts Subcommittee, Senate Committee on the Judiciary.

Cattle and hog producers have raised concerns about changes in their industries that affect competition, such as mergers among meatpacking companies, increased marketing of livestock through contracts, and greater control by meatpacking companies over livestock production

and marketing. Under the Packers and Stockyards Act, the U. S. Department of Agriculture (USDA) is responsible for monitoring the cattle and hog industries and halting unfair and anticompetitive practices. USDA has assigned this responsibility to the Grain Inspection, Packers and Stockyards Administration (GIPSA). Because of continued concerns about whether GIPSA is adequately protecting competition in the livestock markets, GAO reviewed USDA's efforts to implement the Packers and Stockyards Act. This report discusses the number and status of investigations conducted by GIPSA in response to complaints about anticompetitive activity and factors that affect GIPSA's ability to investigate concerns about anticompetitive practices. GAO recommends several actions to improve GIPSA's investigations, including integrating USDA attorneys into GIPSA's investigative teams and adopting more systematic approaches to its investigative work. This testimony summarizes the September report, GAO/RCED-00-242.

**T-RCED-00-300**, Sept. 20, 2000 (14 pages). Food Safety: Overview of Food Safety and Inspection Service and Food and Drug Administration Expenditures, by Lawrence J. Dyckman, Director, Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry.

This testimony presents an overview of GAO's work on the resources available to and used by the Food Safety and Inspection Service (FSIS) and the Food and Drug Administration (FDA) for food safety in fiscal years 1998 and 1999. Overall, the two agencies spent nearly \$1 billion in fiscal year 1998 and again in fiscal year 1999 on food safety activities. In fiscal year 1999, FSIS spent \$712 million to oversee more than 6,000 meat, poultry, egg product, and import establishments. FDA spent \$260

million to oversee an estimated 57,000 food establishments and more than 9,000 animal drug and feed establishments, in addition to ensuring the safety of FDA-regulated imported foods. Fiscal year 1998 expenditures for both agencies were similar to 1999 expenditures.

**T-RCED/AIMD-00-87**, Feb. 3, 2000 (20 pages). Federal Aviation Administration: Challenges in Modernizing the Agency, by Gerald Dillingham, Associate Director, Transportation Issues, before the Transportation Subcommittee, Senate Committee on Appropriations, and Senate Committee on Budget.

U.S. airspace carries by far the largest volume of air traffic in the world—a volume that is expected to rise significantly within the decade. If not managed effectively, this projected growth could affect safety and cause aviation gridlock. The limited window of opportunity to address this situation has prompted the Federal Aviation Administration (FAA) to undertake efforts to improve its performance and Congress to provide the agency with greater flexibility in procurement and personnel matters. Continuing dissatisfaction with FAA's efforts, however, has led to proposals to overhaul the agency's organizational structure. This testimony (1) highlights the key areas that have hampered FAA's ability to achieve desired outcomes, (2) discusses various proposals for restructuring the agency, and (3) describes the steps that FAA and Congress can take to help the agency address its challenges more effectively and efficiently.

**T-RCED/AIMD-00-93**, Feb. 16, 2000 (11 pages). Forest Service: Status of Efforts to Improve Accountability, by Barry T. Hill, Associate Director, Energy, Resources, and Science Issues, before the Interior and Related Agencies Subcommittee, House Committee on Appropriations.

This testimony, which draws on two recent reports (GAO/RCED/AIMD-00-2, Oct. 1999, and GAO/RCED-99-2, Dec. 1998) and ongoing GAO work, discusses the status of efforts by the Forest Service to achieve accountability for the tax dollars appropriated to it to carry out its mission. GAO summarizes the (1) actions that the agency has taken to improve its financial and performance accountability, (2) remaining hurdles to those improvements, and (3) strategies that the agency is developing to overcome these hurdles.

**T-RCED/AIMD-00-142**, Apr. 6, 2000 (16 pages). Aviation Security: Vulnerabilities Still Exist in the Aviation Security System, by Gerald Dillingham, Associate Director, Transportation Issues, before the Aviation Subcommittee, Senate Committee on Commerce, Science and Transportation.

This testimony discusses the Federal Aviation Administration's efforts to implement and improve security in the air traffic control computer systems and airport passenger screening checkpoint areas. GAO's testimony is based on earlier reports on computer security and on ongoing work in this area. GAO identifies security problems in both the air traffic control computer systems and in the performance of checkpoint screeners.

**T-RCED/NSIAD-00-228**, June 29, 2000 (5 pages). Biotechnology: Information on Prices of Genetically Modified Seeds in the United States and Argentina, by Robert Robertson, Associate Director, Food and Agriculture Issues, before the House Committee on Agriculture.

This testimony discusses the prices of genetically modified seeds—specifically, Roundup Ready soybean and *Bacillus thuringiensis* corn seeds—in the United States and Argentina and the major reasons for any identified price differences between the two

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countries. GAO's remarks are based on a January 2000 report. (See GAO/RCED/NSIAD-00-55.)

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