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# MONTH IN REVIEW: DECEMBER 2000

## Reports, Testimony, Correspondence, and Other Publications

### Highlights

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**Aviation Competition:** Issues Related to the Proposed United Airlines-US Airways Merger. Page 22.

**Nuclear Weapons:** Improved Management Needed to Implement Stockpile Stewardship Program Effectively. Page 7.

**Nuclear Nonproliferation:** Implications of the U.S. Purchase of Russian Highly Enriched Uranium. Page 7.

**Defense Acquisitions:** Need to Confirm Requirements for \$4.1 Billion Antiarmor Missile System. Page 16.

**Tax Administration:** Assessment of IRS' 2000 Tax Filing Season. Page 21.

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# Month in Review: December 2000

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## Budget and Spending

### **Third Party Payments: Survey on Use and Related Internal Controls by Government Entities**

GAO-01-294R, Dec. 22 (22 pages).

Third party payments represent blank-form financial instruments that government employees use to pay for expenses when traditional payments are not feasible or possible. GAO surveyed government entities on their use of third party payments. Forty of the 86 entities that responded to GAO's survey reported that they had used third party payment instruments at some time during fiscal years 1997 through 1999. Although the number of reported payment transactions declined 3.7 percent for these 40 entities during this period, the reported total dollar amount associated with these transactions rose 13.4 percent. On the basis of the transaction data reported, the average dollar value of each payment rose 17.6 percent. Among the 40 entities, the most common reasons cited for using third party payment instruments were (1) to pay for small purchases of supplies and services; (2) to pay contractors that either could not or would not accept government checks, electronic funds transfers, or credit card payments; (3) to make emergency payments; (4) to provide immediate reimbursement for out-of-pocket expenses; or (5) as an alternative to disbursing a cash advance. In response to questions about whether entities used internal controls, all 40 entities reported restricting the number of employees authorized to use third party payments and monitoring third party payment activities; slightly more than half said that the monitoring occurred at least annually.

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## Business, Industry, and Consumers

### **SBA: Investigation of an SBA Employee's Travel**

GAO-01-274R, Dec. 21 (five pages).

From October 1998 through August 2000, the Small Business Administration's (SBA) Deputy Associate Administrator for Communications made 50 trips at a total cost to the government of \$58,840. At least 39 of these trips were made in conjunction with trips by the SBA Administrator. Of the remaining 11 trips, the travel vouchers and authorizations for eight contained no reference to the Administrator and the other three were to attend training sessions.

**Small Business Administration:  
Actions Needed to Strengthen Small Business Lending Company  
Oversight**

GAO-01-192, Nov. 17 (24 pages).

The Farm Credit Administration (FCA) reviewed the Small Business Administration's (SBA) oversight of the Small Business Lending Companies (SBLC) program and determined that several areas could be strengthened. SBA officials said that the agency plans to take appropriate action on most of FCA's recommendations to improve the program. However, FCA expressed concern about the financial risk to SBA's loan portfolio associated with less favorable economic conditions. Such conditions could place upward pressure on SBA's 7(a) loan default rates. SBA needs to have access to information that accurately identifies risk in both individual loan and the total portfolio. The initial SBLC examination results have provided some information to aid in such risk identification, but a continued effort is needed.

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**Education**

**Gender Equity:  
Men's and Women's Participation in Higher Education**

GAO-01-128, Dec. 15 (49 pages).

Since Title IX of the Education Amendments was enacted in 1972, women's participation in higher education academic programs has increased significantly. Women's participation in predominantly male fields such as business, law, and medicine has also increased greatly, although changes in other predominantly male fields, such as engineering and physical science, have been smaller. In some predominantly female fields, including elementary education and nursing, there have been increases in the proportion of men receiving degrees. In the 1995-96 school year, first-year college men and women were about as likely to receive financial aid and received about the same average amounts of grant and loan aid. Men continue to outnumber women on faculties in predominantly male fields at colleges and universities. Women's participation in intercollegiate sports at four-year colleges and universities has increased while men's participation has dropped slightly, although they still participate at a higher rate than do women. On average, in the 1998-99 school year, the National Collegiate Athletic Association member schools spent more per male intercollegiate sports participant than female participant in recruiting, coaches' salaries,

and operations. However, they spent more on athletic scholarships for women than for men. Men continue to hold the majority of athletics director positions in intercollegiate athletics. Because other factors, such as other civil rights laws and changing societal attitudes, have also led to changes in women's roles, it is difficult to isolate the specific effects of Title IX.

**Schools and Libraries Program:  
Application and Invoice Review Procedures Need Strengthening**

GAO-01-105, Dec. 15 (68 pages).

The Telecommunications Act of 1996 expanded the concept of universal telephone service to include telecommunication support services for eligible schools and libraries. Under this program, called the "e-rate program," schools and libraries can apply for discounts on telecommunications services, Internet access, and internal connections. GAO found that the Universal Service Administrative Company's (USAC) Schools and Libraries Division (SLD) committed more than \$3.7 billion to applicants during the 1998 and 1999 program years. However, a significant amount of this money has not yet been paid out, even though the deadlines for applicants and vendors to use the funds has been extended more than once. In addition, more funding would be available for eligible requests if SLD's review procedures were more effective at identifying and denying ineligible requests. Despite procedures requiring reviewers to deny funding for ineligible items and to confirm that conditionally eligible services are being used according to program rules, GAO identified millions of dollars in funds incorrectly committed to ineligible products and services. Finally, SLD's practice of approving most vendors' invoices without reviewing how and where the committed funds are actually being spent leaves the program vulnerable to further funding errors and potential abuse.

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## Employment

**Job Corps Training Centers:  
Concerns About Admission Procedures and Agreements With State  
and Local Prison Authorities to Enroll Prisoners**

GAO-01-182R, Dec. 12 (four pages).

GAO investigated a complaint about improper activities at the Keystone Job Corps Training Center in Drums, Pennsylvania. The complaint alleged the center was enrolling individuals who were at a state prison facility, the

Youth Services Agency. The complaint alleged that these individuals posed a threat to the safety and well being of the regular student population at the Keystone Job Corps Training Center. GAO found that, contrary to the allegations, the Youth Services Agency is not a state prison. It is a facility for youths convicted of delinquency-related offenses. GAO also found that enrollees were screened to determine whether they were disruptive or dangerous.

**Occupational Safety:  
Selected Cost and Benefit Implications of Needlestick Prevention  
Devices for Hospitals**

GAO-01-60R, Nov. 17 (18 pages).

Because of the serious concern for health care workers in the United States, GAO examined the benefit and cost implications of purchasing needlestick prevention devices for hospitals. GAO estimates about 69,000 needlesticks in hospitals can be prevented in a single year through the use of needles with safety features. Eliminating these needlesticks could reduce the number of health care workers who become infected with the hepatitis B virus (HBV), hepatitis C virus (HCV), or human immunodeficiency virus (HIV) after sustaining a needlestick injury. GAO's analysis of Centers for Disease Control and Prevention data shows that reducing needlesticks may prevent at least 25 cases of HBV and at least 16 cases of HCV infection per year. The reduction in the number of HIV infections cannot be estimated. GAO estimates that the cost to purchase needles with safety features would be between \$70 million and \$352 million per year. The exact cost to adopt these needles is difficult to determine because several factors must be considered, including the cost to train workers to use the devices and the extent to which the needles reduce injuries.

**Welfare Reform:  
DOT Is Making Progress in Implementing the Job Access Program**

GAO-01-133, Dec. 4 (28 pages).

Welfare recipients who plan to move into the workforce face significant barriers. Three-fourths of welfare recipients live in central cities or rural areas, while two-thirds of new jobs are in the suburbs. Public transportation offers little or no access to many of these jobs. The Job Access and Reverse Commute program authorizes the Department of

Transportation (DOT) to provide grants to local agencies, nonprofit groups, transit authorities, and others to improve transportation to employment. This report examines DOT's implementation of the program in fiscal year 2000. GAO found that (1) DOT took steps to improve its process for selecting Job Access proposals for grant awards, (2) almost 90 percent of the fiscal year 1999 Job Access grantees that responded to GAO's survey were satisfied with the goals and intent of the program and, (3) DOT developed an evaluation plan that included specific performance criteria and requested specific information from the grantees for use in evaluating the program.

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## Energy

### **Nuclear Nonproliferation: Implications of the U.S. Purchase of Russian Highly Enriched Uranium**

GAO-01-148, Dec. 15 (40 pages).

In 1993, the United States agreed to buy 500 metric tons of highly enriched uranium from Russia. This uranium was extracted from dismantled nuclear weapons over a 20-year period. USEC, Incorporated, (the company that acts as an executive agent for the United States) paid Russia about \$1.6 billion for more than 3,000 metric tons of low enriched uranium blended from highly enriched uranium. Five of these deliveries to USEC have been delayed because, among other reasons, Russia was dissatisfied with the revenue it was getting from the sales. By the end of 1999, USEC had received about 19 metric tons less than the agreement called for at that point in the contract. The U.S. government and USEC expect that the shortfall will be made up in the next few years. In addition to the uranium obtained from dismantled nuclear weapons, Russia is also proposing that the United States buy newly produced uranium processed in its commercial facilities. GAO recommends that this arrangement be assessed to determine its impact on the nuclear fuel industry and national security.

### **Nuclear Weapons: Improved Management Needed to Implement Stockpile Stewardship Program Effectively**

GAO-01-48, Dec. 14 (110 pages).

The National Nuclear Security Administration's Office of Defense Programs seeks to maintain the safety and reliability of the nation's nuclear weapons

stockpile without nuclear testing. This report discusses the Department of Energy's (DOE) management of its National Nuclear Security Administration's Stockpile Stewardship Program, focusing on the program's plans, budgeting, organization, and life extension process. Although the Office of Defense Programs has tried to address some of the challenges facing the Stockpile Stewardship Program, more improvements are needed. The Office of Defense Programs has developed an extensive planning process to improve the management of its Stockpile Stewardship program. So far, however, the plans are missing vital information. The Office has developed a new structure for its fiscal year 2001 budget that can improve the overall management of the Stockpile Stewardship Program. Several external and internal studies have found that the Office of Defense Programs has a dysfunctional organization with unclear lines of authority that lead to a lack of accountability. Finally, one of the nine types of nuclear weapons in the current stockpile has begun the life extension process—a step that will be necessary to keep the nation's nuclear weapons safe and reliable without explosive testing.

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## Financial Management

### **Centers for Disease Control and Prevention: Independent Accountants Identify Financial Management Weaknesses**

GAO-01-40, Nov. 15 (21 pages).

This report documents GAO's concurrence with the findings of PricewaterhouseCoopers' (PwC) report on the Centers for Disease Control and Prevention's (CDC) financial management operations. To effectively monitor and evaluate PwC's work, GAO reviewed PwC's methodology for conducting its work, its collection techniques, resulting analysis, and the draft and final reports. Overall, PwC found significant weaknesses in CDC's financial management procedures, operations, systems, and staff. PwC stated that CDC's financial management capabilities has not kept pace with its expanding mission and funding growth. GAO notes that PwC's report provided CDC with both a framework and critical steps for beginning a long-term upgrading effort, and CDC should use this report as a guide.

**Financial Management:  
Navy's Implementation of the Defense Property Accountability System**

GAO-01-88R, Dec. 13 (11 pages).

As part of its involvement with the Navy Personal Property Working Group, GAO reviewed the Department of the Navy's implementation of the Defense Property Accountability System (DPAS). As requested by the working group, GAO visited six Navy activities to evaluate DPAS implementation at those selected locations. GAO found that (1) physical wall-to-wall inventories of personal property were not being done properly; (2) personal property items were not being included in DPAS at a component level to ensure accountability; and (3) policies, procedures, and training were not in place to ensure the sustainability of the property database.

**Investigation of Alleged Improper Relocation Allowance at the Department of Labor, Office of Inspector General**

GAO-01-231R, Dec. 8 (three pages).

Allegations of favoritism were raised about the Department of Labor's Office of Inspector General's (OIG) payment of relocation allowances to certain employees. GAO investigated the transfers of six OIG employees between or within its New York and New Jersey district offices from 1995 to November 2000. GAO found that decisions to grant or deny permanent change of station (PCS) and related relocation allowances were based on the needs of OIG and the availability of funds and do not appear to result from favoritism. Furthermore, the reimbursement associated with the PCS was in accordance with the Federal Travel Regulations.

**VA Laundry Service:  
Consolidations and Competitive Sourcing Could Save Millions**

GAO-01-61, Nov. 30 (35 pages).

The Department of Veterans Affairs (VA) runs 67 laundries that serve patients in its hospitals, nursing homes, and domiciliaries. Most of the operating costs for these laundries are for labor. VA could reduce these costs by closing 13 of its 67 facilities and moving those workloads to its underused laundries. VA could make more efficient use of its existing

facilities and save money by closing costly laundries that require expensive renovations and new equipment. In addition, VA could make greater use of competitive sourcing to keep costs down. GAO's review of current VA laundry contracts showed that labor costs were significantly reduced. Furthermore, competing VA in-house services with the private sector would ensure that VA would receive the most efficient and lowest-cost laundry service.

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## Government Operations

### **Concerns Raised About Use of Unreconciled Activity Codes to Requisition New and Excess Government Property**

GAO-01-86R, Dec. 6 (nine pages).

Concerns have been raised about the use of unreconciled activity address codes to requisition new and excess government property. The Department of Defense's (DOD) regulation 4000.25-6-M requires that all military services and DOD activities reconcile the activity codes to the Defense Automatic Addressing System Center's master file. Such reconciliations could prevent unauthorized personnel from requesting and receiving government property. GAO found, however, that many military service points failed to comply with DOD's regulation. Most indicated that they were unaware of the requirement. This failure resulted in 27,879 activity codes that appear either in the agency record but not the Addressing System Center's master file or in the Center's file but not the agency record. In addition, agencies that have their own internal activity code files do not routinely reconcile to the master file. This failure resulted in 97,450 activity codes being identified as questionable. In both situations, inventory management is vulnerable to waste, fraud, and abuse. In fact, preliminary indications are that such questionable activity codes were used to requisition millions of dollars worth of excess and new property.

### **Maintaining Effective Control Over Employee Time and Attendance Reporting**

GAO-01-186G, Dec. 1 (16 pages).

GAO has updated its guidance on controls over employee time and attendance activities to (1) provide agencies with the flexibility needed to streamline time and attendance reporting systems, (2) allow agencies to reduce their costs while maintaining adequate internal control, and (3) update the requirements on electronic signature control.

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## Testimony

Presidential Transition: Opportunities and Challenges, by David M. Walker, Comptroller General of the United States, before the Subcommittee on Government Management, Information and Technology, House Committee on Government Reform. GAO-01-229T, Dec. 4 (eight pages).

The Presidential Transition Act was intended to simplify the transfer of executive power during presidential transitions. The events that have transpired since this year's Presidential election, however, will severely shorten the time available for the transition. This testimony focuses on five themes that will help the new administration implement its agenda and address management challenges in the federal government. These five themes include (1) focusing on management issues early, (2) building on progress already made in implementing a management framework, (3) constructing organizational approaches that recognize the reality of changing global and technological dynamics, (4) seizing the opportunity to reassess what government does and how it does it, and (5) making decisions with an eye toward long-term fiscal and policy challenges.

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## Health

### **Medicare: Post-Hearing Questions Related to Financial and Information Technology Management**

GAO-01-275R, Dec. 21 (16 pages).

This correspondence answers congressional questions about financial and information technology management of the Medicare Program. Among the topics discussed are claims processing, management of statistical data, and computer viruses. For example, in reference to claims processing, GAO found that, as of December 2000, Medicare carriers and fiscal intermediaries use six standard claims processing systems to process Medicare part A and B claims. Each contractor relies on one of these standard systems to process its claims, and adds its own front-end and back-end processing systems. These claims processing systems date back as far as 1982. In reference to the management of statistical data, GAO found that the Health Care Financing Administration's (HCFA) common working file provides individual beneficiary claims data to HCFA's National Claims History File, which is used as the source of statistical information on Medicare and medical data. HCFA officials were unaware of any system outside HCFA from which this type of data could be obtained. Finally, regarding computer viruses, a HCFA information technology security

official told GAO that the "I LOVE YOU" virus did not contaminate its systems. The official said the virus did not harm any of the workstations because HCFA's electronic mail application was not capable of executing the Visual Basic Script file, which is how the "I LOVE YOU" virus was executed. The official also said that the Melissa virus was detected and there were no incidents.

**Mental Health:  
Community-Based Care Increases for People With Serious Mental  
Illness**

GAO-01-224, Dec. 19 (50 pages).

Between 1987 and 1997, the growth in mental health spending in the United States roughly paralleled the growth in overall health care spending. However, federal mental health spending grew at more than twice the rate of state and local spending. This led to the federal government's share surpassing that of state and local governments, while the share attributable to private sources declined slightly. The ability to care for more people in the community has been facilitated by the continued development of new medications that have fewer side effects and are more effective in helping people manage their illness. Furthermore, treatment approaches, such as assertive community treatment, supported employment, and supportive housing, provide the ongoing assistance that adults with serious mental illness (SMI) often need to function in the community. The Health Care Financing Administration (HCFA) has encouraged the use of community-based services for Medicaid beneficiaries with SMI by disseminating information on the use of new medications and treatment models, which can help people function better in the community. HCFA also supports states' use of Medicaid managed health care services. However, incentives associated with capitated payment can lead to reduced service utilization. HCFA is developing a set of safeguards for people with special health care needs enrolled in Medicaid managed health care and has indicated that it will devise a plan to implement these safeguards, such as through legislative or regulatory action or making changes in Medicaid administrative policies.

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## Information Management

### **FAA Computer Security: Recommendations to Address Continuing Weaknesses**

GAO-01-171, Dec. 6 (38 pages).

The Federal Aviation Administration's (FAA) agencywide computer security programs have serious, pervasive problems in the following key areas: personnel security, facility physical security, operational systems security, information systems security management, service continuity, and intrusion detection. Until FAA addresses the pervasive weaknesses in its computer security program, its critical information systems will remain at increased risk of intrusion and attack and its aviation operations will also remain at risk.

### **Information Technology: INS Needs to Strengthen Its Investment Management Capability**

GAO-01-146, Dec. 29 (64 pages).

The Immigration and Naturalization Service (INS) invests hundreds of millions of dollars each year in information technology (IT) to help (1) prevent aliens from entering the United States illegally and remove aliens who succeed in doing so and (2) provide services or benefits to facilitate entry, residence, employment, and naturalization to legal immigrants. The Clinger-Cohen Act requires agency heads to implement a process for maximizing the value and assessing and managing the risks of its IT investments. GAO examined leading private and public sector IT management practices to determine whether INS is effectively managing its IT investments and whether the Department of Justice (DOJ) is effectively promoting, guiding, and overseeing INS' investment management activities. GAO found that INS lacks the basic capabilities upon which to build IT investment management maturity. Furthermore, INS is not managing IT investments as a complete portfolio. By managing its IT investments as individual projects, INS will not be able to determine which investments contribute most to the agency mission. GAO also found that DOJ is not guiding and overseeing INS' investment management approach.

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**Information Technology Management:  
Coast Guard Practices Can Be Improved**

GAO-01-190, Dec. 12 (70 pages).

The Coast Guard is now striving to realize its information technology (IT) management vision of being able to "deliver the right information to the right people at the right time" in order to support its various missions. GAO reviewed the Coast Guard's policies and procedures in the areas of investment management, architecture, software acquisition and development, information security, and human capital. GAO found that although the Coast Guard had many important IT management policies in place, it did not always implement them consistently. In addition, there were weaknesses in each of the key IT management areas

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**International Affairs**

**Trade Adjustment Assistance:  
Impact of Federal Assistance to Firms is Unclear**

GAO-01-12, Dec. 15 (41 pages).

Concerns about the impact of foreign trade on U.S. manufacturing have focused attention on federal programs designed to help domestic firms that have been harmed by imports. One such program, the Department of Commerce's Trade Adjustment Assistance program, seeks to help U.S. firms adopt strategies to become more competitive. The program is run by the Economic Development Administration (EDA). GAO reviewed the nature and extent of Trade Adjustment Assistance as well as the outcomes of this assistance. GAO found that for fiscal years 1995 through 1999, EDA certified 157 firms annually as eligible for trade adjustment assistance and approved business recovery for about 127 firms each year. An average of \$9.8 million dollars was spent by each of the 12 regional Trade Adjustment Assistance Centers operating under cooperative agreements with EDA. The impact of the program on firms is inconclusive because EDA does not formally monitor and track program outcomes of program recipients. Instead, EDA sets annual numerical goals for certifications and approved business recovery plans for each of the centers. As a result, EDA does not have the information necessary to systematically assess center performance in helping firms adjust to import competition.

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## Justice and Law Enforcement

### **Combating Terrorism: Federal Response Teams Provide Varied Capabilities; Opportunities Remain to Improve Coordination**

GAO-01-14, Nov. 30 (77 pages).

Eight federal agencies now have teams that can respond to a terrorist attack involving chemical, biological, radiological, or nuclear weapons. Each team varies in size, structure, geographical scope, and task. The teams do not duplicate one another. They have unique capabilities and functions, and many have experience dealing with different types of agents and weapons. The type of terrorist incident would determine which team would be most appropriate to respond. GAO found that federal agencies lack a coherent framework to develop and evaluate budget requirements for their response teams because there is no national strategy with clearly defined outcomes. To improve interagency cooperation, federal agencies have participated in several group activities. For example, the Weapons of Mass Destruction Interagency Steering Group, led by the Federal Emergency Management Agency, is identifying federal response teams that could respond to different terrorist scenarios. Federal, state, and local agencies have also participated in major field exercises that simulated urban terrorist acts. These efforts could go a long way toward improving the operational coordination of federal response teams.

### **Courthouse Construction: Sufficient Data and Analysis Would Help Resolve the Courtroom- Sharing Issue**

GAO-01-70, Dec. 14 (57 pages).

The judiciary is in the midst of a multibillion-dollar courthouse construction program. New courthouses are being built to house new judgeships created because of increasing caseloads and to replace obsolete courthouses occupied by existing judges. For years, there has been a debate about whether district judges could share courtrooms to save taxpayer dollars without compromising judicial administration. In 1997, GAO issued a report calling for better courtroom use data and analysis to enhance facility planning. In response, the Administrative Office of the U.S. Courts (AOUSC) contracted with Ernst & Young to study the judiciary's facilities program in 1999. As part of the study, AOUSC asked Ernst & Young to analyze courtroom utilization, assignment, and sharing by judges.

GAO found that the Ernst & Young study did not provide the type of data and analysis that GAO and other research organizations, such as the Rand Institute for Civil Justice and the Federal Judicial Center, have determined would be needed to help resolve the courtroom-sharing issue.

**Drug Control:  
International Counterdrug Sites Being Developed**

GAO-01-63BR, Dec. 20 (33 pages).

With the closing of Howard Air Force Base in Panama, the Department of Defense (DOD), the Coast Guard, and the Customs Service began searching for alternate sites from which to conduct counterdrug operations close to drug producing zones. The United States has secured 10-year agreements for the use of four such sites. However, each site requires some construction to support a designated mix of aircraft. In response to concerns over the costs to develop and operate these four sites and whether these sites would meet the needs of interagency users, GAO briefed members of the Caucus on International Narcotics Control on (1) the process used to select these sites, (2) the estimated costs to develop and maintain these sites, and (3) issues that might affect operational capabilities at the sites. GAO found that the United States used a reasonable process to locate and secure four sites for its counterdrug efforts in foreign countries. DOD estimated that it would cost about 136.6 million to build airfields at these sites. Several issues might affect the capabilities of these sites, including (1) the unavailability of certain U.S. aircraft to conduct counterdrug operations, (2) DOD's and Customs' ongoing assessment of aircraft used to track suspect traffickers, and (3) a lack of interagency agreement over who will pay to ship the equipment and spare parts necessary to maintain operations.

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**National Defense**

**Defense Acquisitions:  
Need to Confirm Requirements for \$4.1 Billion Antiarmor Missile System**

GAO-01-74, Dec. 5 (14 pages).

Several factors call into question the cost effectiveness of the Army's plan to spend \$4.1 billion to acquire large quantities of the submunition and missile systems. These factors include (1) major reductions and changes in the armor threat (2) a substantial overmatch in existing and planned

antiarmor capabilities (3) the system's high cost (4) the Army's plans for a major transformation of its forces and the way it fights and (5) current and projected Army funding shortfalls and high priority unfunded requirements. The Army's July 2000 Antiarmor Master Plan does not clearly confirm the cost effectiveness of the Army's plan to spend \$4.1 billion to acquire the submunition and missile systems.

**Defense Acquisitions:  
Status of the Program**

GAO-01-228R, Dec. 5 (19 pages).

This document focuses on the Department of Defense's (DOD) kinetic energy anti-satellite (KE-ASAT) program. GAO found the program is in a state of disarray. Problem areas include funding, limited management, and poor record keeping. The Assistant Secretary of Defense for Command, Control, Communications and Intelligence had recommended that DOD complete the existing contracts, place the weapon system in storage, and pursue no further development of the program. If DOD decides to continue the program, however, considerable work will be needed to make the system ready for operational testing. Furthermore, DOD will need to strengthen its internal and financial controls to ensure that government resources are used in compliance with government regulations.

**Department of the Army:  
Unauthorized Activity Codes Used to Requisition New DOD  
Property**

GAO-01-85R, Dec. 6 (five pages).

This report focuses on the military's inventory management activities. Army activities and contractors are assigned activity codes to requisition property in the military supply system. Some of these codes are identified as "unauthorized" to requisition and are primarily used as a ship-to address. GAO found that 15 percent of Army activity codes identified as unauthorized to requisition were inappropriately used to requisition more than \$2.6 billion in new government property during the past five years. These problems exist because activity coordinators are poorly trained or inexperienced. The Army also lacks internal controls to prevent such unauthorized requisitions.

**DOD Competitive Sourcing:  
Results of A-76 Studies Over the Past 5 Years**

GAO-01-20, Dec. 7 (20 pages).

The Department of Defense (DOD) reported on its Office of Management and Budget Circular A-76 studies in July 2000. GAO found that DOD generally complied with the reporting requirements that Congress had imposed on it. DOD took steps to ensure that the information it provided on 286 A-76 studies was complete and accurate. GAO determined that the information was generally consistent with data it had collected on other A-76 studies. However, because of historical weaknesses in DOD's database from which the data were obtained, GAO could not be sure of the data's accuracy. Overall, DOD reported that the A-76 studies over the five-year period saved about \$290 million in fiscal year 1999. GAO's work showed that savings were being achieved, but limitations in DOD's baseline cost data made it difficult to determine precisely how much was being saved. In addition, DOD reported that 40 percent of the A-76 studies resulted in contracts with the private sector. At the same time, the report indicated that only 23 percent of the studies resulted in outside contracts in 1999. This was considerably lower than in earlier years when contractors won most of the competitions.

**Quality of Life for U.S. Soldiers Deployed in the Balkans**

GAO-01-201R, Dec. 14 (104 pages).

U.S. Army ground forces have been deployed to the Balkans since December 1995. For these personnel, such a tour of duty involves a significant change in living conditions and separation from family and friends. The Army has spent more than \$2 billion to build camps and implement services to sustain deployed personnel. Much of what has been spent contributes to enhancing soldiers' quality of life. GAO examined (1) how the Army defines and views the quality of life of deployed soldiers in the Balkans and (2) the quality of life at three base camps in Bosnia, Kosovo, and Macedonia. GAO found that the Army (1) defines quality of life as the provision of equitable, adequate, and appropriate living, working, and leisure conditions consistent with available resources and political and military considerations and (2) is providing facilities in keeping with its established quality of life standards. GAO also found that most soldiers were satisfied with the living conditions and recreational facilities.

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Testimony

Defense Trade: Observations on Issues Concerning Offsets, by Katherine V. Schinasi, Director, Acquisition and Sourcing Management, before the National Commission on the Use of Offsets in Defense Trade. GAO-01-278T, Dec. 15 (18 pages).

Defense offsets are the full range of industrial and commercial benefits that firms provide to foreign governments as inducements or conditions for the purchase of military goods and services. The U.S. government has maintained a "hands off" policy toward defense offsets, viewing them as part of the transaction between the contracting parties. However, offsets are one of the many factors contributing to the globalization of the U.S. industrial base. This testimony presents GAO's observations on (1) the impact of offsets, (2) trends in defense offsets, and (3) the quality and extent of information currently available concerning offsets. Views on the effects of offsets are divided between those who believe that they are both positive and an unavoidable part of doing business overseas and those who believe that they harm the U.S. industrial base. Recently, countries buying U.S. defense items have become increasingly sophisticated in their offset demands. Finally, identifying the effect of offsets on industrial sectors or the U.S. economy as a whole is difficult.

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Natural Resources

**Consequences of the Ruling by the 11th Circuit Court of Appeals on Forest Management Projects**

GAO-01-51R, Nov. 30 (31 pages).

The decision by the United States Court of Appeals for the 11th Circuit resulted in the Forest Service's suspending or maintaining the suspension of 49 projects within Georgia's Chattahoochee-Oconee National Forests—11 for contracted timber sales and 27 for vegetative management actions. The decision did not result in the suspension of projects in other national forests in Alabama and Florida. According to Forest Service officials and other stakeholders, the decision has had various consequences for timber sales and vegetative management projects in the Chattahoochee-Oconee National Forests. In some cases, such as the suspended timber sale projects, the consequences could be quantified in terms of monetary claims against the Forest Service and reduced receipts to local communities. In other cases, such as the suspended vegetative management projects, the consequences are more qualitative. According to Forest Service officials, the suspensions affected the Forest Service's ability to control for wildfires,

sedimentation, and southern pine beetle infestations; to protect endangered species; and to ensure habitat diversity. Although the environmental group that filed the lawsuit against the Forest Service could not provide any data on the consequences of the suspended timber sales and vegetative management projects, it generally believed that suspending these projects would improve soil stability, decrease runoff, and increase species diversity.

**Forest Service:**

**Consolidation of the Rocky Mountain Forest and Range Experiment Station With the Intermountain Research Station**

GAO-01-53R, Nov. 16 (14 pages).

The Forest Service consolidated its Rocky Mountain Forest and Range Experiment Station with its Intermountain Research Station. The resulting consolidated station was renamed the Rocky Mountain Research Station and was relocated to Fort Collins, Colorado. The Forest Service originally proposed consolidating the two stations in 1992 but delayed taking any action until it completed its reorganizational assessment in May 1997. The Forest Service cut 18 managerial and administrative staff positions during the consolidation. The positions that were eliminated were either transferred to other Forest Service units or were vacated through retirement or employee buyouts. Since 1992, the research funding available to the merged station has remained relatively constant, about 15 percent of the Forest Service's budget for research stations, and the number of employees has remained relatively stable.

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## Social Services

**District of Columbia Child Welfare:**

**Long-Term Challenges to Ensuring Children's Well-Being**

GAO-01-191, Dec. 29 (71 pages).

Many children have languished in the care of the District of Columbia's child welfare system for extended periods of time. Years of indifference, managerial shortcomings, and long-standing organizational divisiveness have undermined the system's ability to safeguard these children. As a result of these prolonged deficiencies, the U.S. District Court for the District of Columbia issued a remedial order in 1991 to improve the performance of the child welfare agency. GAO assessed the agency's progress in complying with the court's requirements, specifically

examining how financial and operational changes made by the Children and Family Services Agency (CFSA) have affected the protection of children and the provision of services to children and families, the extent to which critical elements of an effective child welfare system have been applied in the District, and issues that need to be addressed in planning for the transfer of CFSA back to local governance. GAO found that the financial and operational changes have not significantly improved the protection of children or the delivery of other child welfare services. Although the District has started to integrate child welfare services with other support services, it still lacks a fully developed collaborative structure to help foster more efficient day-to-day operations and improve program accountability. Furthermore, multiple issues must be resolved before CFSA can be transferred back to local governance.

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## Tax Policy and Administration

### **Tax Administration: Assessment of IRS' 2000 Tax Filing Season**

GAO-01-158, Dec. 22 (68 pages).

GAO reviewed the Internal Revenue Service's (IRS) performance during the 2000 tax filing season. Except for a few relatively minor glitches, which were not unexpected given the enormity of the IRS processing task, the processing systems worked well. On the other hand, although taxpayers had an easier time reaching IRS by telephone compared to 1999, the agency's performance was still well below the level achieved in 1998. GAO identified several opportunities for improvement. In some areas, such as with the volunteer assistance programs and the assistance provided by IRS' walk-in sites and area distribution centers, the opportunities centered around performance measures. In those areas, it was not easy to assess IRS' performance because either IRS lacked good measures or there were problems with the data behind the measures. Other improvement opportunities centered around management oversight—the kind of oversight that would enhance the level of service provided by better ensuring that (1) training materials and computer equipment were delivered to the volunteer assistance sites on time and in working condition and (2) data being entered on the website by various IRS offices are current and consistent.

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## Transportation

### **Aviation Competition: Issues Related to the Proposed United Airlines-US Airways Merger**

GAO-01-212, Dec. 15 (70 pages).

In May 2000, two of the nation's largest airlines, United Airlines and US Airways, proposed merging. As part of the agreement, United and US Airways also proposed divesting some of the US Airways' assets at Ronald Reagan Washington National Airport to create an airline to be known as DC Air. The Justice Department is now reviewing the proposal to determine if the merger would violate U.S. antitrust laws and, if so, whether the proposed divestiture constitutes an adequate remedy. GAO reviewed the proposed merger and found that it would create an airline so large that it would spur further industry consolidation. The new airline would have more than 25 percent of the total U.S. market and would take in almost \$9 billion more than the next largest airline. Although the proposed merger may benefit consumers by boosting competition in some areas, it could also eliminate competition in other areas and reduce consumer choice. DC Air would face significant competitive challenges from other airlines. DC Air would offer smaller aircraft and less frequent service but would seek to compete with other airlines by reducing its fares.

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## Veterans Affairs

### **VA Health Care: Expanding Food Service Initiatives Could Save Millions**

GAO-01-64, Nov. 30 (46 pages).

The Department of Veterans Affairs (VA) could save millions of dollars by systematically consolidating food production, employing Veterans Canteen Service workers to provide inpatient food services, and using competitive sourcing. VA already has experience in implementing these options at several locations, although VA's experience with food service contractors is limited. Using a systematic approach to assess available options at each location would allow VA to provide food service at the lowest cost while maintaining quality.

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## Special Publications

### **Financial Audit Manual (Exposure Draft)**

GAO-01-281G, Dec. 1 (497 pages).

This financial audit manual describes the methodology used by GAO and the President's Council on Integrity and Efficiency to perform financial statement audits of federal entities.

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## Reports on Agency Rules

**GAO's Office of the General Counsel regularly issues legal decisions and opinions, reports on major rules issued by federal agencies prior to their implementation, and decisions resolving bid protests. These documents are posted on GAO's web site (<http://www.gao.gov>).**

**The following is a list of agency rules and legal decisions and opinions issued by the Office of the General Counsel. In addition to being available on the Internet, these documents can be obtained by using the order form in the back of this publication. Bid protest decisions are not included in this list.**

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Department of Health and Human Services, Food and Drug Administration: Food Labeling, Safe Handling Statements, Labeling of Shell Eggs; Refrigeration of Shell Eggs Held for Retail Distribution. GAO-01-285R, Dec. 20.

Department of Labor, Pension and Welfare Benefits Administration: Employee Retirement Income Security Act of 1974; Rules and Regulations for Administration and Enforcement; Claims Procedure. GAO-01-219R, Dec. 4.

Department of Labor, Pension and Welfare Benefits Administration: Amendments to Summary Plan Description Regulations. GAO-01-220R, Dec. 6.

Department of the Interior, Bureau of Land Management: Mining Claims Under the General Mining Laws; Surface Management. GAO-01-218R, Dec. 6.

Employment Standards Administration: Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction and to Certain Nonconstruction Contracts. GAO-01-216R, Dec. 1.

Environmental Protection Agency: Protection of Stratospheric Ozone: Incorporation of Clean Air Act Amendments for Reductions in Class I, Group VI Controlled Substances. GAO-01-223R, Dec. 12.

Food and Nutrition Service: Food Stamp Program: Noncitizen Eligibility, and Certification Provisions of Pub. L. 104-193, as Amended by Public Laws 104-208, 105-33 and 105-185. GAO-01-217R, Dec. 4.

Securities and Exchange Commission: Disclosure of Order Execution and Routing Practices. GAO-01-230R, Dec. 14.

Securities and Exchange Commission: Revision of the Commission's Auditor Independence Requirements. GAO-01-235R, Dec. 18.

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