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Union Calendar No. 477

104TH CONGRESS *2d Session*	HOUSE OF REPRESENTATIVES	REPORT 104–874

ACTIVITIES

OF THE

HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

ONE HUNDRED FOURTH CONGRESS

FIRST AND SECOND SESSIONS

1995–1996

(Pursuant to House Rule XI, 1(d))

JANUARY 2, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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U.S. GOVERNMENT PRINTING OFFICE

35–446 WASHINGTON : 1997

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JUDITH MCCOY, *Chief Clerk*
BUD MYERS, *Minority Staff Director*

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[1] Elected to Committee May 25, 1995 (H. Res. 157).
[2] Elected to Committee June 13, 1995 (H. Res. 166).
[3] Resigned from Committee July 11, 1995 (Communication to the Speaker).
[4] Elected to Committee July 18, 1995 (H. Res. 186).
[5] Resigned from Committee February 28, 1996 (Communication to the Speaker).
[6] Elected to Committee April 25, 1996 (H. Res. 414).
[7] Resigned from Committee June 25, 1996 (H. Res. 462).
[8] Elected to Committee July 22, 1996 (H. Res. 485).

(II)

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
Washington, DC, January 2, 1997.

Hon. ROBIN H. CARLE,
Clerk of the House of Representatives
Washington, DC.

DEAR MS. CARLE: I am pleased to submit the enclosed report entitled "Activities of the House Committee on Government Reform and Oversight, 104th Congress, First and Second Sessions."

This report follows the committee's past practice of publishing its activities report annually as an interim report at the end of each first session of a Congress and as a separate final report at the end of a full Congress.

The present report includes matters required by Rule XI, 1(d) to be reported to the House not later than January 2, 1997, on the activities of the committee and in carrying out its duty under Rule X to "review and study, on a continuing basis, the application, administration, execution, and effectiveness" of laws whose subject matter is within the jurisdiction of the committee.

The present report describes fully the committee's jurisdiction and organization, and details its activities. Of particular note, in an extraordinarily productive Congress are committee efforts in Procurement Reform, the Line-Item Veto, the Federal Government Management: Examining Government Performance as We Near the Next Century investigative report, and the committee investigations of the White House Travel Office and FBI Background files matter.

Sincerely yours,

WILLIAM F. CLINGER, Jr., *Chairman.*

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104TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPORT 104–874

ACTIVITIES OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

JANUARY 2, 1997.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. CLINGER, from the Committee on Government Reform and Oversight, submitted the following

REPORT

FINAL REPORT ON THE ACTIVITIES OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT, 104TH CONGRESS, 1ST AND 2D SESSIONS, 1995 AND 1996

PART ONE. GENERAL STATEMENT OF ORGANIZATION AND ACTIVITIES

I. Jurisdiction, Authority, Powers, and Duties

The Rules of the House of Representatives provide for election by the House, at the commencement of each Congress, of 19 named standing committees, one of which is the Committee on Government Reform and Oversight.[1] Pursuant to House Resolutions 11 and 12 (adopted January 5, 1995), and House Resolution 13 (adopted January 5, 1995), House Resolution 31 (adopted January 9, 1995) the membership of the Committee on Government Reform and Oversight was set at 50, including one independent. Subsequently, the membership was increased to 51, pursuant to House Resolution 157 (adopted May 25, 1995), on June 13, 1995, membership increased to 52, pursuant to House Resolution 166 (adopted June 13, 1995), on July 12, 1995, membership was decreased to 51 pursuant to communication to Speaker, and on July 12, 1995, membership was set at 52, pursuant to House Resolution 186

[1] Rule X.

(adopted July 12, 1995); on February 28, 1996, membership was decreased to 51, pursuant to communication to Speaker; on April 25, 1996, membership was increased to 52, pursuant to House Resolution 414 (adopted April 25, 1996); on June 25, 1996, membership was decreased to 51, pursuant to communication to Speaker; and on July 22, 1996, membership was increased to 52, pursuant to House Resolution 485 (adopted July 22, 1996).

Rule X sets forth the committee's jurisdiction, functions, and responsibilities as follows:

RULE X

ESTABLISHMENT AND JURISDICTION OF STANDING COMMITTEES

THE COMMITTEES AND THEIR JURISDICTION

1. There shall be in the House the following standing committees, each of which shall have the jurisdiction and related functions assigned to it by this clause and clauses 2, 3, and 4; and all bills, resolutions, and other matters relating to subjects within the jurisdiction of any standing committee as listed in this clause shall (in accordance with and subject to clause 5) be referred to such committees, as follows:

* * * * * * *

(g) Committee on Government Reform and Oversight

(1) The Federal Civil Service, including intergovernmental personnel; the status of officers and employees of the United States, including their compensation, classification, and retirement.

(2) Measures relating to the municipal affairs of the District of Columbia in general, other than appropriations.

(3) Federal paperwork reduction.

(4) Budget and accounting measures, other than appropriations.

(5) Holidays and celebrations.

(6) The overall economy and efficiency of Government operations and activities, including Federal procurement.

(7) National archives.

(8) Population and demography generally, including the Census.

(9) Postal service generally, including the transportation of the mails.

(10) Public information and records.

(11) Relationship of the Federal Government to the States and municipalities generally.

(12) Reorganizations in the executive branch of the Government.

In addition to its legislative jurisdiction under the preceding provisions of this paragraph (and its oversight functions under clause 2(b) (1) and (2)), the committee shall have the function of performing the activities and conducting the studies which are provided for in clause 4(c).

* * * * * * *

GENERAL OVERSIGHT RESPONSIBILITIES

2. (a) In order to assist the House in—

(1) its analysis, appraisal, and evaluation of (A) the application, administration, execution, and effectiveness of the laws enacted by the Congress, or (B) conditions and circumstances which may indicate the necessity or desirability of enacting new or additional legislation, and

(2) its formulation, consideration, and enactment of such modifications of or changes in those laws, and of such additional legislation, as may be necessary or appropriate,

the various standing committees shall have oversight responsibilities as provided in paragraph (b).

(b)(1) Each standing committee (other than the Committee on Appropriations and the Committee on the Budget) shall review and study, on a continuing basis, the application, administration, execution, and effectiveness of those laws, or parts of laws, the subject matter of which is within the jurisdiction of that committee, and the organization and operation of the Federal agencies and entities having responsibilities in or for the administration and execution thereof, in order to determine whether such laws and the programs thereunder are being implemented and carried out in accordance with the intent of the Congress and whether such programs should be continued, curtailed, or eliminated. In addition, each such committee shall review and study any conditions or circumstances which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of that committee (whether or not any bill or resolution has been introduced with respect thereto) and shall on a continuing basis undertake future research and forecasting on matters within the jurisdiction of that committee. Each such committee having more than twenty members shall establish an oversight subcommittee, or require its subcommittees, if any, to conduct oversight in the area of their respective jurisdiction, to assist in carrying out its responsibilities under this subparagraph. The establishment of oversight subcommittees shall in no way limit the responsibility of the subcommittee with legislative jurisdiction from carrying out their oversight responsibilities.

(2) The Committee on Government Reform and Oversight shall review and study, on a continuing basis, the operation of Government activities at all levels with a view to determining their economy and efficiency.

* * * * * * *

(c) Each standing committee of the House shall have the function of reviewing and studying on a continuing basis the impact or probable impact of tax policies affecting subjects within its jurisdiction as described in clauses 1 and 3.

* * * * * * *

ADDITIONAL FUNCTIONS OF COMMITTEES

4. * * *

(c)(1) The Committee on Government Reform and Oversight shall have the general function of—

(A) receiving and examining reports of the Comptroller General of the United States and of submitting such recommenda-

tions to the House as it deems necessary or desirable in connection with the subject matter of such reports;

(B) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government; and

(C) studying intergovernmental relationships between the United States and the States, and municipalities, and between the United States and international organizations of which the United States is a member.

(2) In addition to its duties under subparagraph (1), the Committee on Government Reform and Oversight may at any time conduct investigations of any matter without regard to the provisions of clause 1, 2, or 3 (or this clause) conferring jurisdiction over such matter upon another standing committee. The committee's findings and recommendations in any such investigation shall be made available to the other standing committee or committees having jurisdiction over the matter involved (and included in the report of any such other committee when required by clause 2(1)(3) of Rule XI).

* * * * * * *

Rule XI provides authority for investigations and studies, as follows:

RULE XI

RULES OF PROCEDURE FOR COMMITTEES

IN GENERAL

1. * * *

(b) Each committee is authorized at any time to consider such investigations and studies as it may consider necessary or appropriate in the exercise of its responsibilities under Rule X, and (subject to the adoption of expense resolutions as required by clause 5) to incur expenses (including travel expenses) in connection therewith.

* * * * * * *

(d) Each committee shall submit to the House, not later than January 2 of each odd-numbered year, a report on the activities of that committee under this rule and Rule X during the Congress ending at noon on January 3 of such year.

* * * * * * *

COMMITTEE RULES

* * * * * * *

Power to sit and act; subpoena power

(m)(1) For the purpose of carrying out any of its functions and duties under this rule and Rule X (including any matters referred to it under clause 5 of Rule X), any committee, or any subcommittee thereof, is authorized (subject to subparagraph (2)(A) of this paragraph)—

(A) to sit and act at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, and to hold such hearings, and

(B) to require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memorandums, papers, and documents as it deems necessary.

The chairman of the committee, or any member designated by such chairman, may administer oaths to any witness.

(2)(A) A subpoena may be authorized and issued by a committee or subcommittee under subparagraph (1)(B) in the conduct of any investigation or series of investigations or activities, only when authorized by a majority of the members voting, a majority being present. The power to authorize and issue subpoenas under subparagraph (1)(B) may be delegated to the chairman of the committee pursuant to such rules and under such limitations as the committee may prescribe. Authorized subpoenas shall be signed by the chairman of the committee or by any member designated by the committee.

(B) Compliance with any subpoena issued by a committee or subcommittee under subparagraph (1)(B) may be enforced only as authorized or directed by the House.

Use of committee funds for travel

(n)(1) Funds authorized for a committee under clause 5 are for expenses incurred in the committee's activities; however, local currencies owned by the United States shall be made available to the committee and its employees engaged in carrying out their official duties outside the United States, its territories or possessions. No appropriated funds, including those authorized under clause 5, shall be expended for the purpose of defraying expenses of members of the committee or its employees in any country where local currencies are available for this purpose; and the following conditions shall apply with respect to travel outside the United States or its territories or possessions:

(A) No Member or employee of the committee shall receive or expend local currencies for subsistence in any country for any day at a rate in excess of the maximum per diem set forth in applicable Federal law, or if the Member or employee is reimbursed for any expenses for such day, then the lesser of the per diem or the actual, unreimbursed expenses (other than for transportation) incurred by the Member or employee during that day.

(B) Each Member or employee of the committee shall make to the chairman of the committee an itemized report showing the dates each country was visited, the amount of per diem furnished, the cost of transportation furnished, any funds expended for any other official purpose and shall summarize in these categories the total foreign currencies and/or appropriated funds expended. All such individual reports shall be filed no later than sixty days following the completion of travel with the chairman of the committee for use in complying with reporting requirements in applicable Federal law and shall be open for public inspection.

(2) In carrying out the committee's activities outside of the United States in any country where local currencies are unavailable, a member or employee of the committee may not receive reimbursement for expenses (other than for transportation) in excess of the maximum per diem set forth in applicable Federal law, or if the member or employee is reimbursed for any expenses for such day, then the lesser of the per diem or the actual, unreimbursed expenses (other than for transportation) incurred, by the member or employee during any day.

(3) A member or employee of a committee may not receive reimbursement for the cost of any transportation in connection with travel outside the United States unless the member or employee has actually paid for the transportation.

(4) The restrictions respecting travel outside of the United States set forth in subparagraphs (2) and (3) shall also apply to travel outside of the United States by Members, officers, and employees of the House authorized under clause 8 of rule I, clause 1(b) of this rule, or any other provision of these Rules of the House of Representatives.

(5) No local currencies owned by the United States may be made available under this paragraph for the use outside of the United States for defraying the expenses of a member of any committee after—

(A) the date of the general election of Members in which the Member has not been elected to the succeeding Congress; or

(B) in the case of a Member who is not a candidate in such general election, the earlier of the date of such general election or the adjournment sine die of the last regular session of the Congress.

The committee also exercises authority under a number of congressional mandates.[2]

5 U.S.C. sec. 2954

Information to committees of Congress on request

An Executive agency, on request of the Committee on Government Operations of the House of Representatives or of any seven members thereof, or on request of the Committee on Government Operations of the Senate, or any five members thereof, shall submit any information requested of it relating to any matter within the jurisdiction of the committee.

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[2] For legislation imposing duties specifically on the committee, *see*, for example, sec. 203(e)(6) of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 484(6)(e)), relating to negotiated disposal of Federal surplus property. It requires that, with limited exceptions, explanatory statements be sent "to the appropriate committees of the Congress" in advance of negotiated disposal under the act. It covers disposal of all real and personal property whose estimated fair market is over $15,000 in the case of personal property and over $100,000 in the case of real property. The current language stems from a 1988 amendment (Public Law 100–612), which retained the explanatory statement requirement but changed the dollar value thresholds, which theretofore had been $1,000 for both personal property and real property. The House and Senate Government Operations Committees are expressly identified as the appropriate panels in House Report 1763, 85th Congress, which accompanied the measure that contained the 1958 amendment. See also GSA's Federal Property Management Regulations at 41 CFR–47.304–12(d).

[N. B. The further examples given in the original footnote text cover sections (section 414 of the 1969 Housing Act and section 304 of the Intergovernmental Cooperation Act) have been repealed. The reference to sections 191–194 of title 2, U.S.C., does not deem pertinent here.]

18 U.S.C. sec. 1505

Obstruction of proceedings before departments, agencies, and committees

Whoever, with intent to avoid, evade, prevent, or obstruct compliance, in whole or in part, with any civil investigation demand duly and properly made under the Antitrust Civil Process Act, willfully withholds, misrepresents, removes from any place, conceals, covers up, destroys, mutilates, alters, or by other means falsifies any documentary material, answers to written interrogatories, or oral testimony, which is the subject of such demand; or attempts to do so or solicits another to do so; or

Whoever corruptly, or by threats or force, or by any threatening letter or communication influences, obstructs, or impedes or endeavors to influence, obstruct, or impede the due and proper administration of the law under which any pending proceeding is being had before any department or agency of the United States, or the due and proper exercise of the power of inquiry under which any inquiry or investigation is being had by either House, or any committee of either House or any joint committee of the Congress—

Shall be fined not more than $5,000 or imprisoned not more than five years, or both.

31 U.S.C. sec. 712

Investigating the use of public money

The Comptroller General shall—

* * * * * * *

(3) analyze expenditures of each executive agency the Comptroller General believes will help Congress decide whether public money has been used and expended economically and efficiently;

(4) make an investigation and report ordered by either House of Congress or a committee of Congress having jurisdiction over revenue, appropriations, or expenditures; and

(5) give a committee of Congress having jurisdiction over revenue, appropriations, or expenditures the help and information the committee requests.

31 U.S.C. sec. 719

Comptroller General reports

* * * * * * *

(e) The Comptroller General shall report on analyses carried out under section 712(3) of this title to the Committees on Governmental Affairs and Appropriations of the Senate, the Committee on Government Operations and Appropriations of the House, and the committees with jurisdiction over legislation related to the operation of each executive agency.[3]

[3] For other requirements which relate to General Accounting Office reports to Congress and which affect the committee, *see* secs. 232 and 236 of the Legislative Reorganization Act of 1970 (Public Law 91–510).

II. Historical Background

The committee was initially named the "Committee on Expenditures in the Executive Departments." Its antecedents are summarized in Cannon's Precedents of the House of Representatives, vol. VII, sec. 2041, p. 831 (1935), as follows:

> This committee was created, December 5, 1927, by the consolidation of the eleven Committees on Expenditures in the various Departments of the Government, the earliest of which has been in existence since 1816. As adopted in 1816, the rule did not include the committees for the Departments of Interior, Justice, Agriculture, Commerce, and Labor. The committees for these Departments date, respectively, from 1860, 1874, 1889, 1905 and 1913.

The resolution providing for the adoption of the rules of the 70th Congress discontinued the several committees on expenditures and transferred their functions to the newly created Committee on Expenditures in the Executive Departments:

> On March 17, 1928, the jurisdiction of the committee was further enlarged by the adoption of a resolution, reported from the Committee on Rules, including within its jurisdiction the independent establishments and commissions of the Government.[4]

From 1928 until January 2, 1947, when the Legislative Reorganization Act of 1946 became effective, the committee's jurisdiction was set forth in Rule XI, 34, of the House Rules then in force (H. Doc. 810, 78th Cong., 2d Sess. (1945)), as follows:

POWERS AND DUTIES OF COMMITTEES

* * * * * * *

34. The examination of the account and expenditures of the several departments, independent establishments, and commissions of the Government, and the manner of keeping the same; the economy, justness, and correctness of such expenditures; their conformity with appropriation laws; the proper application of public moneys; the security of the Government against unjust and extravagant demands; retrenchment; and enforcement of the payment of moneys due the United States; the economy and accountability of public officers; the abolishment of useless offices, shall all be subjects within the jurisdiction of the Committee on Expenditures in the Executive Departments.

The Legislative Reorganization Act of 1946, section 121(b), as adopted in paragraphs (a), (b), and (c) of Rule XI, 8, of later Rules of the House (XI, 9, the 93d Congress), provided:

[4] Examples of the wide-ranging scope of the committee's jurisdiction may be found in Cannon's Precedents, *supra* VII, secs. 2042–2046, pp. 831–833 (1935).

(a) Budget and accounting measures, other than appropriations.
(b) Reorganizations in the executive branch of Government.
(c) Such committee shall have the duty of—

(1) receiving and examining reports of the Comptroller General of the United States and of submitting such recommendations to the House as it deems necessary or desirable in connection with the subject matter of such reports;

(2) studying the operation of Government activities at all levels with a view to determining the economy and efficiency;

(3) evaluating the effects of laws enacted to reorganize the legislative and executive branches of the Government;

(4) studying intergovernmental relationships between the United States and the States and municipalities, and between the United States and international organizations of which the United States is a member.

(d) For the purpose of performing such duties the committee, or any subcommittee thereof when authorized by the committee, is authorized to sit, hold hearings, and act at such times and places within the United States, whether or not the House is in session, is in recess, or has adjourned, to require by subpoena or otherwise the attendance of such witnesses and the production of such papers, documents, and books, and to take such testimony as it deems necessary. Subpoenas may be issued under the signature of the chairman of the committee or of any subcommittee, or by any member designated by any such chairman, and may be served by any person designated by any such chairman or member.[5]

Rule X, 1(h), of later Rules of the House, effective January 3, 1975 (H. Res. 988, 93d Congress), added the additional jurisdiction of general revenue sharing (formerly within the jurisdiction of the Committee on Ways and Means), and the National Archives (formerly within the jurisdiction of the Committee on Post Office and Civil Service).

Rule X, 1(j)(6), of later Rules of the House listed the additional jurisdiction of measures providing for off-budget treatment of Federal agencies or programs, which was added by sec. 225 of Public Law 99–177, the Balanced Budget and Emergency Deficit Control Act of 1985 (December 12, 1985).

The 1946 act contained the following proviso:

> *Provided:* That unless otherwise provided herein, any matter within the jurisdiction of a standing committee prior to January 2, 1947, shall remain subject to the jurisdiction of that committee or of the consolidated committee succeeding to the jurisdiction of that committee.

This proviso was omitted from the Rules of the House adopted January 3, 1954.[6]

Under the Constitution (Art. I, sec. 5, cl. 2), "Each House may determine the Rules of its Proceedings." Omission of the proviso made no substantive change, since the scope of the committee's ju-

[5] Paragraph (d) was adopted by the House Feb. 10, 1947.
[6] H. Res. 5, 83d Cong. (99 Cong. Rec. 15). *Cf.* rules in H. Doc. 562, 82d Congress, 2d session p. 328 and in H. Doc. 739, 81st Congress, 2d session, p. 326.

risdiction prior to January 2, 1947, was embraced within the committee's jurisdiction as stated in existing rules and precedents.

The committee's membership, which was fixed at 21 when it was consolidated on December 5, 1927, was increased to 25 when the Legislative Reorganization Act of 1946 became effective on January 2, 1947. In 1951, the committee's membership was increased to 27.[7] From 1953 until January 1963, the committee's membership remained at 30.[8]

Pursuant to H. Res. 108, 88th Congress, adopted January 17, 1963, the committee was enlarged to 31 members. In the 89th Congress the membership of the committee was increased to 34 through passage of H. Res. 114, January 14, 1965. The committee membership in the 90th and 91st Congresses of 35 was first established by H. Res. 128, 90th Congress, approved January 16, 1967. The committee membership in the 92d Congress of 39 was established by H. Res. 192, approved February 4, 1971. It was raised to 41 by H. Res. 158, adopted January 24, 1973. The committee membership of 42 was established by H. Res. 1238, adopted July 17, 1974. It was increased to 43 by H. Res. 76 and 101, adopted January 20 and 28, 1975. Membership was maintained at 43 in the 95th Congress by H. Res. 117 and 118, adopted January 19, 1977. The committee membership was set at 39 in the 96th Congress by H. Res. 62 and 63, adopted January 24, 1979. The committee membership was set at 40 in the 97th Congress by H. Res. 44 and 45, adopted January 28, 1981. The committee size was increased to 41 by the adoption of H. Res. 370 on February 24, 1982. Pursuant to House Res. 26 and 27, adopted January 6, 1983, the committee membership for the 98th Congress was set at 39.

In the 99th Congress, the membership of the committee was set at 39, pursuant to House Res. 34 and 35, adopted January 30, 1985.

In the 100th Congress, the membership of the committee was set at 39, pursuant to House Res. 45 and 54, adopted January 21 and 22, 1987, respectively.

The committee membership in the 101st Congress was established at 39 by H. Res. 29 and H. Res. 45, adopted January 19 and 20, 1989. In the 102d Congress, the membership of the committee was set at 41, pursuant to H. Res. 43, 44, and 45, adopted January 24, 1991. The committee membership was set at 42 in the 103d Congress by adoption of H. Res. 8 and 9 on January 5, 1993; H. Res. 34 on January 21, 1993; H. Res. 67 on February 4, 1993; and H. Res. 92 and 93 on February 18, 1993. The membership was increased to 44 by the adoption of H. Res. 185 on May 26, 1993 and H. Res. 219 on July 21, 1993. Beginning September 28, 1949, the moneys appropriated to the committee were, by House resolution in each session of Congress, available for expenses incurred in conducting studies and investigations authorized under Rule XI, whether made within or without the United States.[9] In the 103d Congress, these matters are covered in paragraph (b) of clause 1

[7] H. Res. 60, 83d Congress, 1st session (97 Cong. Rec. 194).

[8] H. Res. 98, 83d Cong. (99 Cong. Rec. 436); H. Res. 94, 84th Cong. (101 Cong. Rec. 484); H. Res. 89, 85th Cong. (103 Cong. Rec. 412); H. Res. 120, 86th Cong. (105 Cong. Rec. 841); H. Res. 137, 87th Cong. (107 Cong. Rec. 1677).

[9] See items under (1) in footnote 3, of the final calendar of the committee for the 93d Congress (Dec. 31, 1974).

of Rule XI, as set forth above and by clause 5 of Rule XI. The funds for the committee's studies and oversight function during the first session of the 103d Congress were provided by H. Res. 107 adopted March 30, 1993 (H. Rept. 103–38).

The committee's name was changed to "Committee on Government Operations" by House resolution adopted July 3, 1952.[10] The *Congressional Record* indicates the reasons underlying that change in name were, in part, as follows:[11]

> This committee is proposing the indicated change in the present title, in view of the fact that it is misleading and the committees' functions and duties are generally misunderstood by the public.

* * * * * * *

In suggesting the proposed change the committee based its decision on what it considers to be the major or primary function of the committee under the prescribed duties assigned to it to study "the operations of Government activities at all levels with a view to determining its economy and efficiency." It was the unanimous view of the members of the committee that the proposed new title would be more accurate in defining the purposes for which the committee was created and in clearly establishing the major purpose it serves.

On January 4, 1995, the 104th Congress opened with a Republican majority for the first time in 40 years. The shift in power from Democrats to Republicans has resulted in a realignment of the legislative priorities and committee structure of the House of Representatives. Perhaps more than any other committee, the Government Reform and Oversight Committee embodies the changes taking place in the House of Representatives. The committee itself was created by consolidating three committees into one, resulting in budget and staff cuts of nearly 50 percent. The committees that were merged include the Committee on Government Operations, the Committee on the Post Office and Civil Service, and the Committee on the District of Columbia.

In order to fulfill the Republican *Contract with America*, the committee held a record number of hearings and mark-ups, and members cast more votes during this 100 day period than in any of the previous committees' histories. Over the course of the first session, 295 bills and resolutions were referred to the committee and its subcommittees, and 180 hearings and mark-ups were held. Five of these measures have been signed into law.

In addition to its greatly expanded legislative jurisdiction, the Government Reform and Oversight Committee serves as the chief investigative committee of the House, with the authority to conduct governmentwide oversight. Because the committee only authorizes money for a small number of Federal agencies and programs, it is able to review government activities with an independent eye.

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[10] H. Res. 647, 82d Cong. (98 Cong. Rec. 9217). The Senate had made a similar change of name on Mar. 3, 1952, after conference between the chairman of the House and Senate Committees on Expenditures in the Executive Departments to ensure both Houses would adopt the change in name. S. Res. 280, 82d Cong. (98 Cong. Rec. 1701–1702). *See also* S. Rept. No. 1231, 80th Congress, 2d Session, p. 3 (May 3, 1948).

[11] Letter of Feb. 19, 1952, from the chairman, Senate Committee on Expenditures in the Executive Departments, Senator McCellan to Senator Hayden (98 Cong. Rec. 1702).

III. Organization

A. SUBCOMMITTEES [12]

In the 104th Congress, significant steps were taken to reduce the number of committees, subcommittees, and the number of congressional staff. As a result, the Congress eliminated the District of Columbia Committee and the Post Office and Civil Service Committee. The jurisdiction of these committees were merged into the Government Operations Committee and its name was changed to the Committee on Government Reform and Oversight.

In order to perform its functions and to carry out its duties as fully and as effectively as possible, the committee under the leadership of its chairman, Hon. William F. Clinger, Jr., of Pennsylvania, at the beginning of the 104th Congress, established seven standing subcommittees, which cover the entire field of executive expenditures and operations. The names, chairpersons, and members of these subcommittees are as follows:

Civil Service Subcommittee, John Mica, *Chairman*; members: Charles Bass, Ben Gilman, Dan Burton, Connie Morella, James Moran, Bernard Sanders, and Tim Holden.

District of Columbia Subcommittee, Tom Davis, *Chairman*; members: Gil Gutknecht, John M. McHugh, Steve LaTourette, Michael P. Flanagan, Eleanor Holmes Norton, Barbara-Rose Collins, and Edolphus Towns.

Government Management, Information, and Technology Subcommittee, Stephen Horn, *Chairman*; members: Michael P. Flanagan, Peter Blute, Tom Davis, Jon Fox, Randy Tate, Joe Scarborough, Charles Bass, Carolyn Maloney, Major Owens, John Spratt, Paul Kanjorski, Collin Peterson, and Tim Holden.

Human Resources and Intergovernmental Relations Subcommittee, Christopher Shays, *Chairman*; members: Mark Souder, Steven Schiff, Connie Morella, Tom Davis, Dick Chrysler, Bill Martini, Joe Scarborough, Mark Sanford, Edolphus Towns, Tom Lantos, Bernard Sanders, Thomas Barrett, Gene Green, Chaka Fattah, and Henry Waxman.

National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee, David McIntosh, *Chairman;* members: Jon Fox, J. Dennis Hastert, John M. McHugh, Randy Tate, Gil Gutknecht, Joe Scarborough, John Shadegg, Bob Ehrlich, Collin Peterson, Henry Waxman, John Spratt, Louise M. Slaughter, Paul Kanjorski, Gary Condit, and Carrie Meek.

National Security, International Affairs, and Criminal Justice Subcommittee, William H. Zeliff, Jr., *Chairman*; members: Bob Ehrlich, Steven Schiff, Illeana Ros-Lehtinen, John Mica,

[12] The chairman and the ranking minority member of the committee are ex-officio members of all subcommittees on which they do not hold a regular assignment (committee Rule 9).

Peter Blute, Mark Souder, John Shadegg, Karen Thurman, Robert Wise, Gene Taylor, Tom Lantos, Louise M. Slaughter, Gary Condit, Bill K. Brewster, and Elijah Cummings.

Postal Service Subcommittee, John M. McHugh, *Chairman*; members: Mark Sanford, Ben Gilman, Christopher Shays, David McIntosh, Bob Ehrlich, Barbara-Rose Collins, Major Owens, Gene Green, and Carrie Meek.

B. RULES OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

Rule XI, 1(a)(1) of the House of Representatives provides:

> The Rules of the House are the rules of its committees and subcommittees so far as applicable, except that a motion to recess from day to day, and a motion to dispense with the first reading (in full) of a bill or resolution, if printed copies are available, are nondebatable motions of high privilege in committees and subcommittees.

Rule XI, 2(a) of the House of Representatives provides, in part:

> Each standing committee of the House shall adopt written rules governing its procedures.

In accordance with the foregoing, the Committee on Government Reform and Oversight, on January 10, 1995, adopted the rules of the committee. The rules read as follows:

Rule 1.—Application of Rules

Except where the terms "full committee" and "subcommittee" are specifically referred to, the following rules shall apply to the Committee on Government Reform and Oversight and its subcommittees as well as to the respective chairmen.

[See House Rule XI, 1.]

Rule 2.—Meetings

The regular meetings of the full committee shall be held on the second Tuesday of each month at 10:00 a.m., unless when Congress has adjourned. The chairman is authorized to dispense with a regular meeting or to change the date thereof, and to call and convene additional meetings, when circumstances warrant. A special meeting of the committee may be requested by members of the committee following the provisions of House Rule XI, 2(c)(2). Subcommittees shall meet at the call of the subcommittee chairmen. Every member of the committee or the appropriate subcommittee, unless prevented by unusual circumstances, shall be provided with a memorandum at least three calendar days before each meeting or hearing explaining (1) the purpose of the meeting or hearing; and (2) the names, titles, background and reasons for appearance of any witnesses. The ranking minority member shall be responsible for providing the same information on witnesses whom the minority may request.

[See House Rule XI, 2(b).]

Rule 3.—Quorums

A majority of the members of the committee shall form a quorum, except that two members shall constitute a quorum for taking testimony and receiving evidence, and one-third of the members shall form a quorum for taking any action other than the reporting of a measure or recommendation. If the chairman is not present at any meeting of the committee or subcommittee, the ranking member of the majority party on the committee or subcommittee who is present shall preside at that meeting.

[See House Rule XI, 2(h).]

Rule 4.—Committee Reports

Bills and resolutions approved by the committee shall be reported by the chairman following House Rule XI, 2(l).

Every investigative report shall be approved by a majority vote of the committee at a meeting at which a quorum is present. Supplemental, minority, or additional views may be filed following House Rule XI, 2(l)(5). The time allowed for filing such views shall be three calendar days (excluding Saturdays, Sundays, and legal holidays) unless the committee agrees to a different time, but agreement on a shorter time shall require the concurrence of each member seeking to file such views. A proposed report shall not be considered in subcommittee or full committee unless the proposed report has been available to the members of such subcommittee or full committee for at least three calendar days (excluding Saturdays, Sundays, and legal holidays) before the consideration of such proposed report in subcommittee or full committee. If hearings have been held on the matter reported upon, every reasonable effort shall be made to have such hearings available to the members of the subcommittee or full committee before the consideration of the proposed report in such subcommittee or full committee.

Only those reports approved by a majority vote of the committee may be ordered printed, unless otherwise required by the Rules of the House of Representatives.

Rule 5.—Proxy Votes

In accordance with the Rules of the House of Representatives, members may not vote by proxy on any measure or matter before the committee or any subcommittee.

[See House Rule XI, 2(f).]

Rule 6.—Roll Calls

A roll call of the members may be had upon the request of any member upon approval of a one-fifth vote.

[See House Rule XI, 2(e).]

Rule 7.—Record of Committee Actions

The committee staff shall maintain in the committee offices a complete record of committee actions from the current Congress including a record of the rollcall votes taken at committee business meetings. The original records, or true copies thereof, as appropriate, shall be available for public inspection whenever the com-

mittee offices are open for public business. The staff shall assure that such original records are preserved with no unauthorized alteration, additions, or defacement.

[See House Rule XI, 2(e).]

Rule 8.—Subcommittees; Referrals

There shall be seven subcommittees with appropriate party ratios that shall have fixed jurisdictions. Bills, resolutions, and other matters shall be referred by the chairman to subcommittees within two weeks for consideration or investigation in accordance with their fixed jurisdictions. Where the subject matter of the referral involves the jurisdiction of more than one subcommittee or does not fall within any previously assigned jurisdiction, the chairman shall refer the matter as he may deem advisable. Bills, resolutions, and other matters referred to subcommittees may be reassigned by the chairman when, in his judgment, the subcommittee is not able to complete its work or cannot reach agreement therein. In a subcommittee having an even number of members, if there is a tie vote with all members voting on any measure, the measure shall be placed on the agenda for full committee consideration as if it had been ordered reported by the subcommittee without recommendation. This provision shall not preclude further action on the measure by the subcommittee.

[See House Rule XI, 1(a)(2).]

Rule 9.—Ex Officio Members

The chairman and the ranking minority member of the committee shall be ex officio members of all subcommittees. They are authorized to vote on subcommittee matters; but, unless they are regular members of the subcommittee, they shall not be counted in determining a subcommittee quorum other than a quorum for taking testimony.

Rule 10.—Staff

Except as otherwise provided by House Rule XI, 5 and 6, the chairman of the full committee shall have the authority to hire and discharge employees of the professional and clerical staff of the full committee and of subcommittees.

Rule 11.—Staff Direction

Except as otherwise provided by House Rule XI, 5 and 6, the staff of the committee shall be subject to the direction of the chairman of the full committee and shall perform such duties as he may assign.

Rule 12.—Hearing Dates and Witnesses

The chairman of the full committee will announce the date, place, and subject matter of all hearings at least one week before the commencement of any hearings, unless he determines that there is good cause to begin such hearings sooner. So that the chairman of the full committee may coordinate the committee facilities and hearing plans, each subcommittee chairman shall notify

him of any hearing plans at least two weeks before the date of commencement of hearings, including the date, place, subject matter, and the names of witnesses, willing and unwilling, who would be called to testify, including, to the extent he is advised thereof, witnesses whom the minority members may request. The minority members shall supply the names of witnesses they intend to call to the chairman of the full committee or subcommittee at the earliest possible date. Witnesses appearing before the committee shall, so far as practicable, submit written statements at least 24 hours before their appearance.

[See House Rules XI, 2 (g)(3), (g)(4), (j), and (k).]

Rule 13.—Open Meetings

Meetings for the transaction of business and hearings of the committee shall be open to the public or closed in accordance with Rule XI of the House of Representatives.

[See House Rules XI, 2 (g) and (k).]

Rule 14.—Five-Minute Rule

A committee member may question a witness only when recognized by the chairman for that purpose. In accordance with House Rule XI, 2(j)(2), each committee member may request up to five minutes to question a witness until each member who so desires has had such opportunity. Until all such requests have been satisfied, the chairman shall, so far as practicable, recognize alternately based on seniority of those majority and minority members present at the time the hearing was called to order and others based on their arrival at the hearing. After that, additional time may be extended at the direction of the chairman.

Rule 15.—Investigative Hearings; Procedure

Investigative hearings shall be conducted according to the procedures in House Rule XI, 2(k). All questions put to witnesses before the committee shall be relevant to the subject matter before the committee for consideration, and the chairman shall rule on the relevance of any questions put to the witness.

Rule 16.—Stenographic Record

A stenographic record of all testimony shall be kept of public hearings and shall be made available on such conditions as the chairman may prescribe.

Rule 17.—TV, Radio, and Photographs

An open meeting or hearing of the committee or a subcommittee may be covered, in whole or in part, by television broadcast, radio broadcast, and still photography, or by any of such methods of coverage, unless closed subject to the provisions of House Rule XI, 3.

Rule 18.—Additional Duties of Chairman

The chairman of the full committee shall:

(a) Make available to other committees the findings and recommendations resulting from the investigations of the committee or its subcommittees as required by House Rule X, 4(c)(2);

(b) Direct such review and studies on the impact or probable impact of tax policies affecting subjects within the committee's jurisdiction as required by House Rule X, 2(c);

(c) Submit to the Committee on the Budget views and estimates required by House Rule X, 4(g), and to file reports with the House as required by the Congressional Budget Act;

(d) Authorize and issue subpoenas as provided in House Rule XI, clause 2(m), in the conduct of any investigation or activity or series of investigations or activities within the jurisdiction of the committee; and

(e) Prepare, after consultation with subcommittee chairmen and the minority, a budget for the committee which shall include an adequate budget for the subcommittees to discharge their responsibilities.

(f) Make any necessary technical and conforming changes to legislation reported by the committee upon unanimous consent.

Rule 19.—Special Affidavits and Depositions

If the House provides the committee with authority to take affidavits and depositions, the following rules apply:

(a) The Chairman, upon consultation with the ranking minority member or the committee, may authorize the taking of affidavits, and of depositions pursuant to notice or subpoena. Such authorization may occur on a case-by-case basis, or by instructions to take a series of affidavits or depositions. Notices for the taking of depositions shall specify a time and place for examination. Affidavits and depositions shall be taken under oath administered by a member or a person otherwise authorized by law to administer oaths. Consultation with the ranking minority member will include three (3) business days written notice before any deposition is taken, unless otherwise agreed to by the ranking minority member or committee.

(b) The committee shall not initiate procedures leading to contempt proceedings in the event a witness fails to appear at a deposition unless the deposition notice was accompanied by a committee subpoena authorized and issued by the chairman. Notwithstanding committee Rule 18(d), the chairman shall not authorize and issue a subpoena for a deposition without the concurrence of the ranking minority member or the committee.

(c) Witnesses may be accompanied at a deposition by counsel to advise them of their constitutional rights. Absent special permission or instructions from the chairman, no one may be present in depositions except members, staff designated by the chairman or ranking minority member, an official reporter, the witness and any counsel; observers or counsel for other persons or for the agencies under investigation may not attend.

(d) A deposition will be conducted by members or jointly by—

(1) No more than two staff members of the committee, of whom—

(A) One will be designated by the chairman of the committee, and

(B) One will be designated by the ranking minority party member of the committee, unless such member elects not to designate a staff member.

(2) Any member designated by the chairman. Other staff designated by the chairman or ranking minority member may attend, but are not permitted to pose questions to the witness.

(e) Questions in the deposition will be propounded in rounds. A round will include as much time as necessary to ask all pending questions, but not more than one hour. In each round, the member or staff member designated by the chairman will ask questions first, and the member or staff member designated by the ranking minority member will ask questions second.

(f) Objections by the witness as to the form of questions shall be noted for the record. If a witness objects to a question and refuses to answer, the members or staff may proceed with the deposition, or may obtain, at that time or at a subsequent time, a ruling on the objection by telephone or otherwise from the chairman or his designee. The committee shall not initiate procedures leading to contempt for refusals to answer questions at a deposition unless the witness refuses to testify after his objection has been overruled and after he has been ordered and directed to answer by the chairman or his designee upon a good faith attempt to consult with the ranking minority member or her designee.

(g) The committee staff shall insure that the testimony is either transcribed or electronically recorded, or both. If a witness' testimony is transcribed, he shall be furnished with an opportunity to review a copy. No later than five days thereafter, the staff shall enter the changes, if any, requested by the witness, with a statement of the witness' reasons for the changes, and the witness shall be instructed to sign the transcript. The individual administering the oath, if other than a member, shall certify on the transcript that the witness was duly sworn in his presence, the transcriber shall certify that the transcript is a true record of the testimony, and the transcript shall be filed, together with any electronic recording, with the clerk of the committee in Washington, D.C. Affidavits and depositions shall be deemed to have been taken in Washington, D.C. once filed there with the clerk of the committee for the committee's use. The ranking minority member will be provided a copy of the transcripts of the deposition once the procedures provided above have been completed.

(h) Unless otherwise directed by the committee, all depositions and affidavits received in the investigation shall be considered nonpublic until received by the committee. Once received by the committee, use of such materials shall be governed by the committee rules. All such material shall unless

otherwise directed by the committee, be available for use by the members of the committee in open session.

(i) A witness shall not be required to testify if they have not been provided a copy of the House Resolution and the amended committee Rules.

(j) Committee Rule 19 expires on July 8, 1996.

IV. Activities, 104th Congress

SUMMARY

1. In the 104th Congress, the committee approved and submitted to the House of Representatives 19 investigative reports. In addition, the committee issued 15 committee prints.

2. In the 104th Congress, 436 bills and resolutions were referred to the committee and studied. Of these, the committee reported 42. In addition, 14 Memorials, 4 Petitions, and 8 Presidential messages were referred to the committee.

3. Pursuant to its duty of studying reports of the Comptroller General, the committee received officially and studied 1,536 such reports during the 104th Congress. In addition, 1,237 executive communications, were referred to the committee under clause 2 of rule XXIV of the House of Representatives.

4. The full committee met 43 days during the 104th Congress, while the subcommittees met a total of 270 days in public hearings, markups, and meetings.

The significant actions taken by the committee with respect to these and a considerable number of other matters are discussed in detail below.

A. INVESTIGATIVE REPORTS

During the 104th Congress, the Committee on Government Reform and Oversight approved and submitted to the Congress 19 reports of an investigative nature.

For convenience, the published reports are listed here with the names of the originating subcommittees. A more detailed discussion of the material will be found in part two below in the breakdown of the committee's activities by subcommittee:

First Report (H. Rept. 104–156): "A Citizen's Guide on Using the Freedom of Information Act and the Privacy Act of 1974 to Request Government Records."

Second Report (H. Rept. 104–434): "Creating a 21st Century Government."*

Third Report (H. Rept. 104–435): "Making Government Work; Fulfilling the Mandate for Change."* (Subcommittee on Government Management, Information, and Technology)

Fourth Report (H. Rept. 104–436): "The FDA Food Additive Review Process: Backlog and Failure to Observe Statutory Deadlines."* (Subcommittee on Human Resources and Intergovernmental Relations)

Fifth Report (H. Rept. 104–437): "The Federal Takeover of the Chicago Housing Authority—HUD Needs to Determine

*Denotes report accompanied by additional, dissenting, minority, separate, or supplemental views.

Long-Term Implications."* (Subcommittee on Human Resources and Intergovernmental Relations)

Sixth Report (H. Rept. 104–438): "Voices for Change." (Subcommittee on the Postal Service)

Seventh Report (H. Rept. 104–486): "National Drug Policy: A Review of the Status of the Drug War."* (Subcommittee on National Security, International Affairs, and Criminal Justice)

Eighth Report (H. Rept. 104–641): "Fraud and Abuse in Medicare and Medicaid: Stronger Enforcement and Better Management Could Save Billions."* (Subcommittee on Human Resources and Intergovernmental Relations)

Ninth Report (H. Rept. 104–745): "Laws Related to Federal Financial Management As Amended Through December 31, 1995."

Tenth Report (H. Rept. 104–746): "Protecting the Nation's Blood Supply From Infectious Agents: The Need For New Standards to Meet New Threats"* (Subcommittee on Human Resources and Intergovernmental Relations)

Eleventh Report (H. Rept. 104–747): "Health Care Fraud: All Public and Private Payers Need Federal Criminal Anti-Fraud Protection." (Subcommittee on Human Resources and Intergovernmental Relations)

Twelfth Report (H. Rept. 104–748): "A Two-Year Review of the White House Communications Agency Reveals Major Mismanagement, Lack of Accountability, and Significant Mission Creep."* (Subcommittee on National Security, International Affairs, and Criminal Justice)

Thirteenth Report (H. Rept. 104–749): "Investigation into the Activities of Federal Law Enforcement Agencies Toward the Branch Davidians."* (Subcommittee on National Security, International Affairs, and Criminal Justice prepared in conjunction with the Committee on the Judiciary)

Fourteenth Report (H. Rept. 104–821): "Sampling and Statistical Adjustment in the Decennial Census: Fundamental Flaws."*

Fifteenth Report (H. Rept. 104–849): "Investigation of the White House Travel Office Firings and Related Matters."*

Sixteenth Report (H. Rept. 104–857): "Year 2000 Computer Software Conversion: Summary of Oversight Findings and Recommendations." (Subcommittee on Government Management, Information, and Technology)

Seventeenth Report (H. Rept. 104–858): "Crude Oil Undervaluation: The Ineffective Response of the Minerals Management Service." (Subcommittee on Government Management, Information, and Technology)

Eighteenth Report (H. Rept. 104–861): "Federal Government Management: Examining Government Performance as We Near the Next Century."*

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*Denotes report accompanied by additional, dissenting, minority, separate, or supplemental views.

Nineteenth Report (H. Rept. 104–862): "Investigation into the White House and Department of Justice on Security of FBI Background Investigation Files."*

B. LEGISLATION

The legislative jurisdiction of the Committee on Government Reform and Oversight covers a wide range of important governmental operations. In accordance with jurisdiction assumed from the former Committee on Government Operations, the committee receives all budget and accounting measures other than appropriations; all measures relating to the overall economy and efficiency of Government operations and activities, including Federal procurement, intergovernmental relationships, general revenue sharing (the latter subject was formerly within the jurisdiction of the Committee on Ways and Means), and the National Archives (formerly within the jurisdiction of the Committee on Post Office and Civil Service); all reorganization plans and bills providing for the establishment of new departments in the executive branch such as the Department of Energy and the Department of Education; and most other reorganization legislation, examples of which are legislation to reorganize the intelligence community, international trade, and regulatory agencies. Other legislation includes debt collection and proposals relating to delinquent payments and paperwork reduction. It also receives legislation dealing with the General Services Administration, including the Federal Property and Administrative Services Act of 1949 and special bills authorizing the Administrator of General Services to make specific transfers of property, plus legislation dealing with the General Accounting Office, the Office of Management and Budget, the Administrative Expenses Act, the Travel Expenses Act, the Employment Act of 1946, and the Javits-Wagner-O'Day Act relating to the sale of products and services of blind and other handicapped persons. In addition, the committee has jurisdiction over the Freedom of Information provisions of the Administrative Procedure Act, the Privacy Act, the Government in the Sunshine Act, and the Federal Advisory Committee as well as the Inspector General Act.

Rule X, 2(b) of the standing Rules of the House, requires the committee to see and review the administration of all laws in the legislative jurisdiction, and Rule XI, 1(d) requires that the committee report to the House thereon by the end of each Congress. The present report outlines the extent and nature of the committee and subcommittee activities constituting the review.

On January 4, 1995, as the first session of the 104th Congress convened, the new Republican House majority moved to fulfill its promise of true government reform by implementing its *Contract with America*. Pursuant to the *Contract*, 14 bills were introduced as the opening bells rang to promote jobs, enhance wages, take back our Nation's streets, and restore openness, accountability, and fiscal responsibility in our Federal Government. Of the *Contract* bills, four were referred to the Committee on Government Reform and Oversight for immediate review and action. They included:

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*Denotes report accompanied by additional, dissenting, minority, separate, or supplemental views.

H.R. 2, the Line-Item Veto Act; H.R. 5, the Unfunded Mandates Reform Act; H.R. 9, the Job Creation and Wage Enhancement Act; and H.R. 450, (830) the Paperwork Reduction Act. The actions taken on each are described below.

During the 104th Congress, as noted above, the committee studied 436 bills and resolutions referred to it and reported 42 to the House. The measures reported or ordered reported are discussed more fully in part two below. However, they are listed here for convenience in the order of approval by the committee and with the name of the subcommittee that initially considered them:

H.R. 5, To curb the practice of imposing unfunded Federal mandates on States and local governments, to ensure that the Federal Government pays the costs incurred by those governments in complying with certain requirements under Federal statutes and regulations, and to provide information on the cost of Federal mandates on the private sector, and for other purposes. (H. Rept. 104–1, Pt. 2, S. 1; Public Law 104–4.)

H.R. 2, To give the President item veto authority over appropriation acts and targeted tax benefits in revenue acts. (H. Rept. 104–11, Pt. 2, S. 4; Public Law 104–50.)

H.R. 830, To amend chapter 35 of title 44, United States Code, to further the goals of the Paperwork Reduction Act to have Federal agencies become more responsible and publicly accountable for reducing the burden of Federal paperwork on the public, and for other purposes. (H. Rept. 104–37, S. 244; Public Law 104–13.)

H.R. 450, To ensure economy and efficiency of Federal Government operations by establishing a moratorium on regulatory rulemaking actions, and for other purposes. (Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, H. Rept. 104–39, Pt. 1, S. 219.)

H.R. 1271, To provide protection for family privacy. (Subcommittee on Government Management, Information, and Technology, H. Rept. 104–94.)

H.R. 1345, To eliminate budget deficits and management inefficiencies in the government of the District of Columbia through the establishment of the District of Columbia Financial Responsibility and Management Assistance Authority, and for other purposes. (Subcommittee on the District of Columbia, H. Rept. 104–96, Public Law 104–8.)

H.R. 1826, To repeal the authorization of transitional appropriations for the United States Postal Service, and for other purposes. (Subcommittee on the Postal Service, H. Rept. 104–174.)

H.R. 1606, To designate the United States Post Office building located at 24 Corliss Street, Providence, Rhode Island, as the "Harry Kiziran Post Office Building." (Subcommittee on the Postal Service, Public Law 104–100.)

H.R. 1026, To designate the United States Post Office building located at 201 East Pikes Peak Avenue in Colorado Springs, Colorado, as the "Winfield Scott Stratton Post Office." (Subcommittee on the Postal Service, passed House and Senate as H.R. 1026; Public Law 104–44.)

H.R. 1655, To authorize appropriations for fiscal year 1996 for intelligence and intelligence-related activities of the U.S. Government, the Community Management Account, and the Central Intelligence Agency Retirement and Disability System, and for other purposes. (H. Rept. 104–138, Pt. 2, S. 922; Public Law 104–93.)

H.R. 1670, To revise and streamline the acquisition laws of the Federal Government, to reorganize the mechanisms for resolving Federal procurement disputes, and for other purposes. (H. Rept. 104–222, Pt. 1.)

H.R. 2108, To permit the Washington Convention Center Authority to expend revenues for the operation and maintenance of the existing Washington Convention Center and for preconstruction activities relating to a new convention center in the District of Columbia, to permit a designated authority of the District of Columbia to borrow funds for the preconstruction activities relating to a sports arena in the District of Columbia and to permit certain revenues to be pledged as security for the borrowing of such funds, and for other purposes. (Subcommittee on the District of Columbia, H. Rept. 104–227; Public Law 104–28.)

H.R. 1756, To abolish the Department of Commerce, (Title 1.) (H. Rept. 104–260, Pt. 1, S. 929.)

S. 790, To provide for the modification or elimination of Federal reporting requirements. (H. Rept. 104–327; Public Law 104–66.)

H.R. 994, To require the periodic review and automatic termination of Federal regulations. (Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, H. Rept. 104–284, Pt. 1.)

H.R. 2661, To amend the District of Columbia Self-Government and Government Reorganization Act to permit the District of Columbia to expend its own funds during any portion of a fiscal year for which Congress has not enacted the budget of the District of Columbia for the fiscal year, and to provide for the appropriation of a monthly pro-rated portion of the annual Federal payment to the District of Columbia for such fiscal year during such portion of the year. (Subcommittee on the District of Columbia, H. Rept. 104–408.)

H.R. 1398, To designate the United States Post Office building located at 1203 Lemay Ferry Road, St. Louis, Missouri, as the "Charles J. Coyle Post Office Building." (Subcommittee on the Postal Service, passed House.)

H.R. 1880, To designate the United States Post Office building located at 102 South McLean, Lincoln, Illinois, as the "Edward Madigan Post Office Building." (Subcommittee on the Postal Service; Public Law 104–157.)

H.R. 2262, To designate the United States Post Office building located at 218 North Alston Street in Foley, Alabama, as the "Holk Post Office Building." (Subcommittee on the Postal Service, passed House.)

H.R. 2704, To provide that the United States Post Office building that is to be located on the 2600 block of East 75th Street in Chicago, Illinois, shall be known and designated as

the "Charles A. Hayes Post Office Building." (Subcommittee on the Postal Service, passed House.)

H.R. 2202, Immigration in the Natural Interest Act of 1995. (Subcommittee on Civil Service, H. Rept. 104–469, Pt. II.)

H.R. 2700, To designate the United States Post Office building located at 7980 FM 327, Elmendorf, Texas, as the "Amos F. Longeria Post Office Building." (Subcommittee on the Post Office; Public Law 104–255.)

H.R. 3184, To streamline and improve the effectiveness of chapter 75 of title 31, United States Code (commonly referred to as the "Single Audit Act.") (Subcommittee on Government Management, Information, and Technology, H. Rept. 104–607; Public Law 104–156.)

H.R. 2086, To increase the overall economy and efficiency of Government operations and enable more efficient use of Federal funding, by enabling local governments and private, nonprofit organizations to use amounts available under certain Federal assistance programs in accordance with approved local flexibility plans. (Subcommittee on Human Resources and Intergovernmental Relations, H. Rept. 104–847.)

H.R. 885, To designate the United States Post Office building located at 153 East 110th Street, New York, New York, as the "Oscar Garcia Rivera Post Office Building." (Subcommittee on the Postal Service, passed House.)

H.R. 3139, To redesignate the United States Post Office building located at 245 Centereach Mall on Middle Country Road in Centereach, New York, as the "Rose Y. Caracappa United States Post Office Building." (Subcommittee on the Postal Service; Public Law 104–187.)

H.R. 3663, To amend the District of Columbia Self-Government and Governmental Reorganization Act to permit the Council of the District of Columbia to authorize the issuance of revenue bonds with respect to water and sewer facilities, and for other purposes. (Subcommittee on the District of Columbia, H. Rept. 104–635; Public Law 104–184.)

H.R. 3664, To make miscellaneous and technical corrections to improve the operations of the government of the District of Columbia. (Subcommittee on the District of Columbia.)

H.R. 3586, To amend title 5, United States Code, to strengthen veterans' preference, to increase employment opportunities for veterans, and other purposes. (Subcommittee on Civil Service, H. Rept. 104–675.)

H.R. 3452, To make certain laws applicable to the Executive Office of the President, and for other purposes. (Subcommittee on Government Management, Information, and Technology, H. Rept. 104–820, Pt. 1; Public Law 104–331.)

H.R. 1281, To amend title 5, United States Code, and the National Security Act of 1947 to require disclosure under the Freedom of Information Act of information regarding certain individuals who participated in Nazi war crimes during the period in which the United States was involved in World War II. (Subcommittee on Government Management, Information, and Technology, H. Rept. 104–819, Pt. 1; Public Law 104–309.)

H.R. 3841, To amend the civil service laws of the United States, and for other purposes. (Subcommittee on Civil Service, H. Rept. 104–831, passed House.)

H.R. 3864, To reform the management practices of the General Accounting Office, and for the other purposes. (Public Law 104–316.)

H.R. 3802, To amend section 552 of title 5, United States Code, popularly known as the Freedom of Information Act, to provide for public access to information in an electronic format, and for other purposes. (Subcommittee on Government Management, Information, and Technology, H. Rept. 104–795; Public Law 104–231.)

H.R. 3869, To amend the Federal Advisory Committee Act to direct the Director of the Office of Management and Budget to conduct a negotiated rulemaking for the purpose of establishing electronic data reporting standards for the electronic interchange of certain data that is required to be reported under existing Federal law. (Subcommittee on Government Management, Information, and Technology.)

H.R. 3637, To amend chapter 57 of title 5, United States Code, and title 31, United States Code, to provide employees who transfer in the interest of the Government more effective and efficient delivery of relocation allowances by reducing administrative costs and improving services, and for other purposes. (Subcommittee on Government Management, Information, and Technology.)

H.R. 3625 (S. 1577), To authorize appropriations for the National Historical Publications and Records Commission for fiscal years 1998, 1999, 2000, and 2001. (Subcommittee on National Security, International Affairs, and Criminal Justice, S. Rept. 104–283; Public Law 104–274.)

H.R. 3768, To designate a United States Post Office to be located in Groton, Massachusetts, as the "Augusta 'Gusty' Hornblower United States Post Office." (Subcommittee on the Postal Service.)

H.R. 3834, To redesignate the Dunning Post Office in Chicago, Illinois, as the "Roger P. McAuliffe Post Office." (Subcommittee on the Postal Service; Public Law 104–189.)

H.R. 3877, To designate the United States Post Office building in Camden, Arkansas, as the "Honorable David H. Pryor Post Office Building." (Subcommittee on the Postal Service; Public Law 104–268.)

S. 868, To provide authority for leave transfer for Federal employees who are adversely affected by disasters or emergencies, and for other purposes. (Subcommittee on Civil Service, S. Rept. 104–151; passed House.)

OTHER LEGISLATIVE ACTION

The following bills were referred to the Committee on Government Reform and Oversight, however, the committee was discharged from further consideration, therefore, the bills were not reported by the committee. Latest action is shown:

H.R. 9, to create jobs, enhance wages, strengthen property rights, maintain certain economic liberties, decentralized and

reduce the power of the Federal Government with respect to the States, localities, and citizens of the United States, and to increase the accountability of Federal officials. (Reported amended by Committee on Commerce, H. Rept. 104–33, Pt. I; amended from Committee on Science, Pt. II; passed House amended and received in Senate and referred to Governmental Affairs.)

H.R. 564, a bill to provide that receipts and disbursements of the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund shall not be included in the totals of the budget of the U.S. Government as submitted by the President or the congressional budget. (Subcommittee on Government Management, Information, and Technology.)

H.R. 842, a bill to provide off-budget treatment for the Highway Trust Fund, the Airport and Airway Trust Fund, the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. (Subcommittee on Government Management, Information, and Technology.)

H.R. 1022, a bill to provide regulatory reform and to focus national economic resources on the greatest risks to human health, safety, and the environment through scientifically objective and unbiased risk assessments and through the consideration of costs and benefits in major rules, and for other purposes. (Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs. Considered by House Unfinished Business. Committee Amendment in the Nature of a Substitute Considered as an Original Bill for the Purpose of Amendment. House agreed to Amendments Adopted by the Committee of the Whole. Motion to Recommit with Instructions Failed in House by Yea-Nay Vote: 174–250 (Record Vote No. 182). Passed House (Amended) by Recorded Vote: 286–141 (Record Vote No. 183). Received in the Senate and referred to Senate Committee on Governmental Affairs.)

H.R. 1182, a bill to permit certain Federal employees who retired or became entitled to receive compensation for work injury before December 9, 1980, to elect to resume coverage under the Federal employees' group life insurance program. (Subcommittee on Civil Service.)

H.R. 1508, a bill to require the transfer of title to the District of Columbia of certain real property in Anacostia Park to facilitate the construction of National Children's Island, a cultural, educational, and family oriented park. (Subcommittee on the District of Columbia. Reported Amended by the Committee on Resources, H. Rept. 104–277, Pt. I; called up by House under Suspension of Rules and passed House. Received in the Senate and referred to Governmental Affairs.)

H.R. 1530, to authorize appropriations for fiscal year 1996 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 1996, and for other purposes. (Reported amended by the Committee on National Security, H. Rept. 104–131; passed House amended; passed Senate amended; House agreed to Conference Rept.

104–406; called up by House as Privileged Matter. Public Law No. 104–106.)

H.R. 2017, to authorize an increased Federal share of the costs of certain transportation projects in the District of Columbia for fiscal years 1995 and 1996, and for other purposes. (Subcommittee on the District of Columbia. Reported Amended by the Committee on Transportation and Infrastructure, H. Rept. 104–217, Pt. 1; called up by House under Suspension of Rules and passed House and Senate. Public Law 104–21.)

H.R. 2077, to designate the U.S. Post Office building located at 33 College Avenue in Waterville, Maine, as the "George J. Mitchell Post Office Building." (Called up by House by Unanimous Consent. Passed House and Senate by Voice Vote. Public Law No. 104–27.)

H.R. 2564, to provide for the disclosure of lobbying activities to influence the Federal Government, and for other purposes. (Reported by the Committee on Judiciary, H. Rept. 104–339, Pt. 1; called up by House by Suspension of Rules and passed House by Voice Vote. Public Law 104–65.)

H.R. 2276, to establish the Federal Aviation Administration as an independent establishment in the executive branch, and for other purposes. (Reported amended from the Committee on Transportation and Infrastructure, H. Rept. 104–475, Pt. I. Passed House amended March 12, 1996 and received in Senate and referred to Commerce, Science and Transportation March 13, 1996.)

H.R. 2636, to transfer jurisdiction over certain parcels of Federal real property located in the District of Columbia, and for other purposes. (Reported amended from the Committee on Transportation and Infrastructure, H. Rept. 104–368, Pt. I. In addition, it was reported amended from the Committee on Resources, H. Rept. 104–368, Pt. II. Passed House amended on July 31, 1996, and received in the Senate and referred to the Committee on Energy and Natural Resources on August 1, 1996, S. Rept. 104–391.)

H.R. 3107, to impose sanctions on persons exporting certain goods or technology that would enhance Iran's ability to explore for, extract, refine, or transport by pipeline petroleum resources, and for other purposes. (Reported amended from International Relations Committee, H. Rept. 104–523, Pt. I; reported amended from Ways and Means Committee, H. Rept. 104–523, Pt. II. Passed House as amended, passed Senate with amendments. Presented to the President July 24, 1996 became Public Law 104–172.)

H.R. 3235, to amend the Ethics in Government Act of 1978, to extend the authorization of appropriations for the office of Government Ethics for 3 years, and for other purposes. (Reported from the Committee on the Judiciary, H. Rept. 104–595, Pt. I. Passed House under suspension of rules and passed Senate on July 24, 1996. Presented to the President July 26, 1996, became Public Law 104–179.)

H.R. 3237, to provide for improved management and operation of intelligence activities of the Government by providing for a more corporate approach to intelligence, to reorganize the

agencies of the Government engaged in the intelligence activities so as to provide an improved Intelligence Community for the 21st century, and for other purposes. (Reported amended from Intelligence Committee, H. Rept. 104–620, Pt. I, and reported amended from National Security Committee, H. Rept. 104–620, Pt. II.)

H.R. 3936, to encourage the development of a commercial space industry in the United States, and for other purposes. (Reported amended the Committee on Science, H. Rept. 104–801, Pt. I, passed House under suspension of rules and received in the Senate on September 18, 1996.)

C. REORGANIZATION PLANS

The most recent authority of the President to transmit reorganization plans to Congress was reestablished by Public Law 98–614. Approved November 8, 1984, this authority expired on December 31, 1984. Legislation extending executive reorganization authority was not enacted during the first session of the 104th Congress.

D. COMMITTEE PRINTS

Fifteen committee prints, resulting from work by the committee staff, were issued during the 104th Congress, as follows:

"Rules of the Committee on Government Reform and Oversight, House of Representatives, Together with Selected Rules of the House of Representatives (Including Clause 2 of House Rule XI) and Selected Statutes of Interest." (Full committee.) (January 1995.)

"Oversight Plans for all House Committees with Accompanying Recommendations by the Committee on Government Reform and Oversight, House of Representatives (Required by Clause 2 of House Rule XI)." (Full committee.) (March 1995.)

"Mail Service in the United States: Exploring Options for Improvement." Report of the U.S. Postal Service and the Postal Rate Commission, to the Committee on Government Reform and Oversight. (Full committee.) (December 1995.)

"Legislative Manual (1st Edition) of the Committee on Government Reform and Oversight." (Full committee.) (February 1996.)

"The Federal Acquisition Reform Act of 1996 and the Information Technology Management Reform Act of 1996—Divisions D and E of the National Defense Authorization Act of Fiscal Year 1996." (Full committee.) (February 1996.)

"Rules of the Committee on Government Reform and Oversight, House of Representatives Together with Selected Rules of the House of Representatives (Including Clause 2 of House Rule XI) and Selected Statutes of Interest." (Full committee.) (March 1996.)

"Correspondence Between the White House and Congress in the Proceedings Against John M. Quinn, David Watkins, and Matthew Moore As Part of the Committee Investigation into the White House Travel Office Matter." (Full committee.) (May 1996.)

"Interim Report of the Activities of the House Committee on Government Reform and Oversight 104th Congress, First Session." (Full committee.) (May 1996.)

"Deposition Transcripts from the Committee Investigation into the White House Office Travel Matter, Volume 1." (Full committee.) (May 1996.)

"Business Meeting in the Proceedings Against John M. Quinn, David Watkins, and Matthew Moore As Part of the Committee Investigation into the White House Travel Office Matter." (Full committee.) (June 1996.)

"Deposition Transcripts from the Committee Investigation into the White House Office Travel Matter, Volume 2." (Full committee.) (October 1996.)

"Deposition Transcripts from the Committee Investigation into the White House Office Travel Matter, Volume 3." (Full committee.) (October 1996.)

"Deposition Transcripts from the Committee Investigation into the White House Office Travel Matter, Volume 4." (Full committee.) (October 1996.)

"Deposition Transcripts from the Committee Investigation into the White House Office Travel Matter, Volume 5." (Full committee.) (October 1996.)

"United States Government Policy and Supporting Positions (Plum Book)." (Full committee.) (November 1996.)

E. COMMITTEE ACTION ON REPORTS OF THE COMPTROLLER GENERAL

Rule X, 4(c)(1)(A), of the rules of the House, imposes the duty upon this committee to receive and examine reports of the Comptroller General referred to and to make such recommendations to the House as it deems necessary or desirable in connection with the subject matter of the reports.

In discharging this responsibility, each report of the Comptroller General received by the committee is studied and analyzed by the staff and referred to the subcommittee of this committee to which has been assigned general jurisdiction over the subject matter involved.

The committee has received a total of 35 General Accounting Office Reports to the Congress for processing during the 104th Congress. After preliminary staff study, these reports were referred to subcommittees of this committee as follows:

Civil Service Subcommittee	6
District of Columbia Subcommittee	4
Government Management, Information, and Technology Subcommittee	3
Human Resources and Intergovernmental Relations Subcommittee	7
National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee	5
National Security, International Affairs, and Criminal Justice Subcommittee	4
Postal Service Subcommittee	6
Total	35

Furthermore, in implementation of section 236 of the Legislative Reorganization Act of 1970, the committee now regularly receives GAO reports that are not addressed to Congress but contain recommendations to heads of the Federal agencies. These are gen-

erally reports to the agency heads their written statements of actions taken with respect to such recommendations, as required by section 236. The committee received a total of 1,065 such GAO reports to Federal agencies or other committees and Members within the legislative branch.

Periodic reports are received from the subcommittees on actions taken with respect to individual reports, and monthly reports are made to the chairman as to reports received. During the 104th Congress, the committees used the reports to further specific investigations and reviews. In most cases, additional information concerning the findings and recommendations of the Comptroller General was requested and received from the administrative agency involved, as well as from the General Accounting Office. More specific information on the actions taken appears in part two below.

Complete files are maintained by the committee on all Comptroller General's reports received. Detailed records are kept showing the subcommittee to which the report is referred, the date of referral, and the subsequent action taken.

The committee will review all of the Comptroller General's reports received during the Congress in the light of additional information obtained and actions taken by the subcommittees, and determinations will be made whether specific recommendations to the House are necessary or desirable under rule X.

PART TWO. REPORT OF COMMITTEE ACTIVITIES

I. Matters of Interest, Full Committee

A. GENERAL

1. Oversight Plans of the Committees of the U.S. House of Representatives.

The 104th Congress adopted a new Rule that provides for each standing committee of the House to formally adopt oversight plans at the beginning of each year. Specifically, the Rule states in part:

> Rule X, clause (2)(d)(1). Not later than February 15 of the first session of a Congress, each standing committee of the House shall, in a meeting that is open to the public and with a quorum present, adopt its oversight plans for that Congress. Such plans shall be submitted simultaneously to the Committee on Government Reform and Oversight and to the Committee on House Oversight.

On March 31, 1995, Committee Chairman William F. Clinger, Jr., submitted the oversight plans of each committee together with recommendations to ensure the most effective coordination of such plans.

RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

OVERSIGHT PLANS OF THE COMMITTEES OF THE HOUSE

Collectively, the committee oversight plans cover a wide array of Federal programs and management issues. The challenges of dealing with the serious, pervasive problems that continue to impede effective management and efficient program delivery is formidable.

A major breakthrough in prospects for improving Federal management, as well as congressional oversight of Federal programs, has been provided by two recent laws: the Chief Financial Officers Act and Government Performance and Results Act. Together, these acts provide a framework necessary to help achieve improved government accountability and stewardship and to lower costs by focusing on results. The Congress framed it this way: Set goals, operate programs, and measure results using reliable financial and management information.

While these acts are still in the process of being implemented, efforts already completed or underway in response to both acts offer committees a valuable source of information and insight into the management problems and issues. These include issues that impact individual programs, as well as those that cut across agency programs and organizational boundaries.

The committees of the House should: (1) conduct oversight to ensure that these statutes are being aggressively implemented, and (2) use the information produced by the implementation of these statutes and the General Accounting Office's (GAO) high risk list to assess the management weaknesses in the agencies within their jurisdiction.

CHIEF FINANCIAL OFFICERS ACT

One of the underlying historical impediments to better management of government programs has been the lack of reliable financial information. With passage of the CFO Act, the Congress has said that this must change and change quickly. The long-needed fiscal accountability that the act is designed to bring about is essential to effective program management and congressional oversight.

Agencies, which represent organizations larger than the Nation's largest private corporations, have typically not been able to perform even the most rudimentary bookkeeping functions. Agency financial management systems are badly deteriorated-OMB reports that most do not meet standards and almost all agencies have been unable to pass the test of an independent financial statement audit.

A primary element of the Chief Financial Officers Act, as expanded by the Government Management Reform Act of 1994, is the requirement for all 24 major agencies to have audited financial statements. (The act also calls for governmentwide financial statements, audited by GAO, by fiscal year 1997.) Also, agencies must now have:

- financial information that is linked with program and budget data for use in both management control and planning;
- reports on program cost trends and other performance indicators from which managers can make informed decisions on running government operations effectively and efficiently

Since passage of the initial legislation in 1990, the CFO Act has already provided:

- significantly more accurate information on the government's financial status and operations, as well as an understanding of how unreliable the financial information being provided to the Congress and program managers has been;
- a better understanding of the pervasiveness of management control problems; and
- substantial savings from recoveries and better use of funds.

Annual financial statement audits, which are done by the agency Inspectors General (IGS) or by GAO, continue to provide valuable information on the results of program operations and the current financial condition of agencies. This information can be of great use to committees in their oversight efforts. Audits, for example, have identified:

- Despite over $400 billion in adjustments needed to correct errors in Defense's financial data over the last 3 years, Defense is still unable to render an accurate accounting of its hundreds of billions of dollars in assets. This unreliable data has traditionally served as the basis for Defense's reports to the Congress.

• Duplicate, erroneous, and even fraudulent payments to Defense contractors totaling billions of dollars.

• Unneeded Defense inventories of almost $40 billion.

• The IRS being unable to effectively collect or accurately account for $1.25 in annual revenues; audits show that only a fraction of over $100 billion in recorded tax receivables was collectible.

GAO's ongoing financial audit work includes the IRS, the Bank Insurance Fund, the Resolution Trust Corporation, and the Pension Benefit Guaranty Corporation, all for fiscal year 1994, and the Department of the Navy for fiscal year 1995. IG's are conducting (in some instances with contracted assistance from accounting firms) fiscal year 1994 audits in the Departments of Education, HHS, Army, Air Force, NASA, Veterans Affairs, EPA, Labor, Agriculture, HUD, Interior, and other agencies.

GOVERNMENT PERFORMANCE AND RESULTS ACT

Effective implementation of the Chief Financial Officers Act is also a vital element to the success of the Government Performance and Results Act (GPRA). GPRA seeks to change the focus of Federal management and accountability from a preoccupation with inputs, such as the amount of program appropriations, to measured results and outcomes of Federal programs. Successful implementation of the act will help address the question: What are the American people getting for their investment in the Federal Government? Information on performance in relation to agency goals can also be helpful to the Congress.

Experiences of State governments and foreign countries that are leaders in public management show that GPRA's three key elements: strategic planning; performance measurement; and public reporting and accountability could influence the basic culture of the government so that is more results-oriented. Accurate results-oriented information will greatly assist the Congress in its efforts to oversee current programs and in making informed decisions for the future.

But making the major changes in the way Federal agencies are managed and held accountable called for under GPRA will require agencies to develop the capacity to manage for results. This will not be accomplished quickly or easily. Therefore, the act's provisions are being phased in with a series of pilot projects over the next several years.

Already, 70 pilots have been designated ranging in size from small programs to entire agencies, including the IRS, SSA, and the Defense Logistics Agency. As agencies implement the act, oversight committees should have opportunities to work with agencies in improving performance by providing managers freedom to experiment and find innovative ways to improve program results, while increasing accountability for achieving those results.

2. Views and Estimates for Fiscal Year 1997.

On February 27, 1996, pursuant to section 301(d) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, the committee submitted its views and estimates to the Com-

mittee on the Budget on matters that were included in the President's fiscal year 1997 budget within the committee's jurisdiction.

3. Investigations.

a. The Financial Holdings and Activities of Secretary of Commerce Ronald H. Brown.—Beginning in February 1994, Representative William F. Clinger, Jr., then-ranking member of the Committee on Government Operations, wrote to Secretary of Commerce, Ronald H. Brown, requesting that Secretary Brown answer questions arising from his Financial Disclosure Statement. The questions focused on appearances of a conflict in Secretary Brown's holdings and/or role in such companies as Harmon International, Inc., First International Communication, Inc., Corridor Communication, Inc., Albimar Communications, Inc., and Kellee Communications Inc., as well as his business relationship with Ms. Nolanda Hill, the owner of First International Communications and Corridor Communications.

Secretary Brown's responses, through intermediaries, generated follow-up letters by Representative Clinger on March 23, 1994, July 11, 1994, July 20, 1994, and at least one meeting between committee staff and Commerce Department officials before Mr. Clinger requested that Mr. Stephen D. Potts, Director of the U.S. Office of Government Ethics, investigate the matter pursuant to 5 C.F.R. Section 2638.401 et. seq. on October 5, 1994. On that same day, Representative Clinger asked Department of Commerce Inspector General, Frank DeGeorge, to investigate Secretary Brown's relationship with the aforementioned companies as well as Boston Bank of Commerce and Boston Bank of Commerce Associates to determine whether it raised any conflicts of interest with Secretary Brown's official responsibilities.

In a December 21, 1994, letter, Inspector General DeGeorge deferred to OGE Director Potts, stating, "this office and OGE agreed that if issues or problems arose during their review which needed investigation, OGE, pursuant to their statutory authority, would refer those matters to this office for appropriate investigation. To date, we have not been asked by OGE to look into any matter. At the end of the OGE review, we will review their findings to determine whether there are any indications of conflicts or other violations warranting further investigation."

In a letter dated December 29, 1994, Office of Government Ethics Director Stephen D. Potts stated, "We found that the manner in which Commerce's ethics officials reviewed the financial disclosure forms was consistent with the manner in which we require and expect agencies to carry out these responsibilities." Despite acknowledging in his letter repeated discrepancies in Secretary Brown's disclosure reports, Director Potts concluded that appearances of conflict had been avoided due to Secretary Brown's divestiture of holdings, resignation from managerial roles or receipt of waivers.

These responses, however, failed to address fully the concerns of Representative Clinger who on January 4, 1995, became chairman of the Government Reform and Oversight Committee of the 104th Congress, thus necessitating further investigation into Secretary Brown's activities.

Chairman Clinger noted in a January 23, 1995, letter to Secretary Brown that Secretary Brown had failed to disclose income he received during his Commerce tenure from First International Communications Limited Partnership during 1993. Furthermore, First International Communications Limited Partnership's primary source of income was a debt instrument payable by Corridor Broadcasting Corporation, an entity controlled by Nolanda Hill, Secretary Brown's business associate in First International. In addition, Corridor Broadcasting Corporation had defaulted on a $26 million loan held by the Federal Deposit Insurance Corporation, which ultimately cost American taxpayers some $23 million.

Secretary Brown's failure to address the potential conflicts of interest involving his business affiliations, coupled with ongoing efforts by the committee's investigative staff, led to Chairman Clinger's February 27, 1995, request that Attorney General Janet Reno appoint an Independent Counsel, under the Independent Counsel Act, 28 U.S.C. § 591 et. seq., to investigate the holdings and activities of Secretary Brown. Chairman Clinger raised allegations concerning Secretary Brown's: (i) submission of incomplete, inaccurate and misleading financial disclosure statements; (ii) supplementation of salary; (iii) potential conflicts of interest; (iv) misinformation to Congress; and (v) refusing to respond to Congress.

In addition to questions raised concerning Secretary Brown's affiliation with the business previously mentioned, the February 27, 1995, request noted that Secretary Brown: (i) failed to disclose either as a gift or loan, $108,000 used as a down-payment for a townhouse purchased by Secretary Brown and his son, Michael Brown, in Washington, DC; (ii) failed to report future income of some $190,955, which he knew he would receive in the wake of his divestiture of his interest in First International; (iii) supplemented his Federal salary by receiving some $412,000, in direct payments, loan forgiveness and payments to his creditors by business partners; (iv) undertook official actions which benefited his business partners and associates; and (v) misled the Congress concerning compensation paid by business partners to members of his immediate family.

On July 6, 1995, a three-judge Federal appeals court panel announced its selection of former Federal prosecutor Daniel S. Pearson to serve as an independent counsel in the matter of Secretary Ronald H. Brown.

No committee hearings were held during the first session of the 104th Congress on the matter of Secretary of Commerce Ronald H. Brown. In the wake of Secretary Brown's death in April 1996, Independent Counsel Pearson suspended his investigation and turned over matters remaining open—including the Nolanda Hill inquiry—to the Justice Department, Criminal Division.

b. The White House Travel Office Investigation.—At approximately 10 a.m., on May 19, 1993, all seven members of the White House Travel Office staff were fired and the five Travel Office employees present in the White House that day were ordered to vacate the White House compound within 2 hours. Returning to the Travel Office by 10:30 a.m., the fired Travel Office employees found their desks already occupied by employees of World Wide Travel,

the Arkansas travel agency which arranged for press charters during the Clinton Presidential campaign, Catherine Cornelius and others.

Two White House Travel Office employees were out of the White House Travel Office on May 19, 1993, one on a White House advance trip to South Korea, the other on vacation. They learned of their firings, respectively, via CNN telecast and a son who saw Tom Brokaw announce the firings on network news that night. The seven White House Travel Office employees had served from 9 to 32 years in the White House Travel Office.

The five Travel Office employees who were present in the White House for their firings ultimately were given additional time to complete their White House out-processing. By early afternoon, they heard then-White House Press Secretary Dee Dee Myers announce at a press briefing that they were subject of an FBI criminal investigation. They had been given no such indication at the time of their dismissals. After completing out-processing, the five Travel Office employees present on May 19, 1993, were driven out of the White House compound in a panel van with no passenger seats. They were seated on the floor and wheel wells of the van along with boxes of their gathered personal effects.

While the Travel Office employees served at the pleasure of the President, their precipitous firings and replacement by the Clinton campaign's primary travel agency immediately raised a storm of criticism. Administration claims that it had acted in order to save the press and taxpayers money were met with skepticism by a White House press corps which responded with a litany of complaints of over billing and undocumented billings by World Wide itself throughout the 1992 campaign. In addition, the Clinton administration's announcement that an FBI criminal investigation had been launched was highly improper and, in fact, questionable when it was announced. Furthermore, White House contacts with the FBI in the days leading up to and immediately following the Travel Office firings also were considered improperly handled by Attorney General Janet Reno, who publicly admonished the administration for them.

Members of the House and the Senate immediately raised concerns about the manner in which the Travel Office firings took place. In the face of press, public and congressional outcry, the White House placed five of the seven Travel Office employees on administrative leave with pay on May 25, 1993, and announced that it would conduct a White House Management Review of the Travel Office and the administration's role in the Travel Office firings. The fired Travel Office director and deputy director retired.

On June 1, 1993, William F. Clinger, Jr., the then-ranking minority member of the House Government Operations Committee, requested that then Chairman John Conyers, Jr., hold hearings on the White House Travel Office firings.

Then-White House Chief Thomas F. (Mack) McLarty and then-Office of Management and Budget Director Leon Panetta released the White House Travel Office Management Review on July 2, 1993, and announced the reprimands of four White House staffers. Reprimanded were: Associate Counsel to the President, William H. Kennedy III; Assistant to the President for Management and Ad-

ministration, David Watkins; former Special Assistant to the President for Management and Administration, Catherine A. Cornelius; and Deputy Assistant to the President and Director of Media Affairs, Jeff Eller. At least three of the four first learned of the "reprimands" during their televised announcement. None of the reprimands were documented in the personnel files of any of the four.

Also on July 2, 1993, the Supplemental Appropriations Act of 1993 (Public Law 103–50) required the U.S. General Accounting Office (GAO) to "conduct a review of the action taken with respect to the White House Travel Office."

In addition to the White House Management Review and the GAO Report entitled White House Travel Office Operations (released on May 2, 1994), at least three other reports were prepared concerning various aspects of the White House Travel Office firings. These reports were prepared by: the Office of Professional Responsibility (OPR) of the U.S. Department of Justice (dated March 18, 1994, and released by the committee on October 24, 1995); a Federal Bureau of Investigation Internal Review of FBI Contacts with the White House (dated June 1, 1993), and the Department of Treasury Inspector General Report "Allegation of Misuse of IRS RE: ULTRAIR" (dated June 11, 1993).

On September 23, 1993, after consultations with majority staff of the Government Operations Committee, Mr. Clinger withdrew his request for committee hearings on the White House Travel Office firings, "contingent upon the adequacy of the GAO effort" which had been mandated by Congress through Public Law 103–50.

Individually and collectively, the five reports prepared concerning the White House Travel Office left many questions unanswered and, in fact, raised many more. Several Members of Congress, including Mr. Clinger, sought to have these questions answered through further investigation and congressional hearings. In a letter dated October 7, 1994, Mr. Clinger and 16 other House Members again requested congressional hearings on the White House Travel Office in order to "address serious questions arising from, or unanswered by, the General Accounting Office (GAO) Report to Congress, White House Travel Office Operations (GAO/GGD–94–132)."

Mr. Clinger's request was accompanied by a 71-page minority analysis of issues unaddressed by any of the previous five reports. This analysis reviewed contradictions concerning: memoranda drafted by Catherine Cornelius outlining its new organizational structure and placing her in charge; activities of Harry Thomason and Darnell Martens; mismanagement by David Watkins; White House reasons justifying the Travel Office firings; contacts between Dee Dee Myers and Darnell Martens; public disclosure of the FBI investigation; possible influence on the FBI; the integrity of Travel Office records; the role of the President; the reprimands, and inaccuracies and insufficiencies in the GAO report on the White House Travel Office.

Soon after the November 1994 congressional elections, Mr. Clinger, chairman of the Government Reform and Oversight Committee of the 104th Congress, announced that he would hold hearings on the White House Travel Office firings. In December 1994, the Public Integrity Division of the U.S. Department of Justice in-

dicted former White House Travel Office Director Billy R. Dale on one charge of embezzlement and one charge of conversion.

The committee investigative staff conducted interviews and gathered documents from various participants in the Travel Office matter on a voluntary basis throughout the spring and summer of 1995. White House document production, however, proved problematic and led to numerous meetings and phone conversations with Clinton administration representatives in the White House Counsel's Office, the Department of Justice, Department of the Treasury as well as the General Accounting Office.

In the fall of 1995, Chairman Clinger scheduled the committee's first hearing on the White House Travel Office for October 24, 1995. The hearing focused on the accuracy and completeness of the five White House Travel Office reports and to consider whether further hearings were required to address unanswered issues. The panel at the October 24, 1995, hearing included authors of each of the five reports, respectively. This hearing purposely avoided all areas that might have impacted upon the trial of former Travel Office Director Billy R. Dale which was to commence on October 26, 1995.

The committee reviewed which of seven key Travel Office issues each report addressed. These issues were: the completeness of the review of references to "Highest Levels" involvement at the White House in the Travel Office firings; whether any assessment of White House Standards of Conduct was performed and whether administration staffers had violated those standards; whether inquiries were made into the role of Hollywood producer Harry Thomason in the firings; the role of Mr. Thomason's and his firm, Thomason, Richland and Martens (TRM) in seeking contracts involving the Interagency Committee on Aviation Policy (ICAP); whether the issue of competitive bidding by the White House Travel Office and by the White House itself in dealing with the Travel Office was reviewed; and whether thorough investigations into FBI and IRS actions and reactions to the White House inquiries had been undertaken.

The hearing made clear that, given limitations on their scopes, none of the reports had addressed fully the issues raised by the Travel Office firings. The Treasury Inspector General IRS report redactions made it impossible to determine whether the IRS addressed any of the seven issues. The OPR and FBI reports only partially addressed two issues, "FBI actions" and references to "Highest Levels of the White House" and never addressed the other five. Despite its far greater understanding of the participants and circumstances leading to the Travel Office firings—or because of it—the White House Travel Office Management Review only briefly and superficially addressed Harry Thomason's role, FBI actions and references to "Highest Levels" of the White House while ignoring competitive bidding, IRS action, standards of conduct and ICAP contracts. Similarly, the GAO relied on the White House Management Review in its report on Mr. Thomason's role and only partially addressed FBI actions and "Highest Levels" while leaving ICAP, competitive bidding and standards of conduct unaddressed. IRS disclosure laws prevented the GAO from publicly addressing IRS actions.

The October 24, 1995 hearing also made clear that the GAO and OPR reports, the most independent of the five, were hobbled by what their respective authors referred to as an unprecedented lack of cooperation by the White House in their investigations. It was determined in the hearing that the White House had denied both GAO and OPR documents which were critical to their investigations, documents which well might have affected their conclusions. Accordingly, both GAO and OPR never received any of the documents subsequently produced by the White House.

The criminal trial of former Travel Office Director Billy R. Dale began on October 26, 1995, and concluded on November 17, 1995, with Mr. Dale's acquittal of both charges. After the acquittal was announced, Chairman Clinger requested that the Public Integrity Section of the Department of Justice turn over all documents related to the criminal prosecution for review by the committee.

At year-end 1995, the committee planned hearings on: the role of Mr. David Watkins in the Travel Office firings; the experiences of the fired seven Travel Office employees; the role of Mr. Harry Thomason; and the role of the FBI and IRS. In January 1996, the committee subpoenaed all of Mr. Thomason's documents related to the Travel Office and filed a "6103 Waiver" with the IRS in which representatives of UltrAir authorized the IRS, Department of Treasury and others to release all relevant documents concerning the IRS audit of UltrAir in the wake of the Travel Office firings. The Department of the Treasury had promised prompt delivery of all documents pending receipt of the expanded 6103 waiver.

At 8:30 p.m. on January 3, 1996, the White House delivered a document production to committee offices. Included in that production was a 9-page, undated draft memorandum written by David Watkins, a copy of which was simultaneously released to the media. Mr. Watkins wrote in this memorandum, which he characterized as a "soul cleansing" memorandum, that he had made his "first attempt to be sure the record is straight, something I have not done in previous conversations with investigators—where I have been as vague and protective as possible." The Watkins draft memo ascribed a far greater Travel Office role to First Lady Hillary Rodham Clinton than the White House or Mrs. Clinton ever had admitted:

> On Monday morning you [then-White House Chief of Staff McLarty] came to my office and met with me and Patsy Thomasson. At that meeting you explained that this was on the First Lady's "radar screen." I explained to you that I had decided to terminate the Travel Office employees and you expressed relief that we were finally going to take action (to resolve the situation in conformity with the First Lady's wishes). We both knew there would be hell to pay if, after our failure in the Secret Service situation earlier, we failed to take swift and decisive action in conformity with the First Lady's wishes.

Mr. Watkins concluded that his memo:

> [Made] clear that the Travel Office incident was driven by pressures for action originating outside my Office. If I thought I could have resisted those pressures, undertaken

> more considered action, and remained in the White House, I certainly would have done so. But after the Secret Service incident, it was made clear that I must more forcefully and immediately follow the direction of the First Family. I was convinced that failure to take immediate action in this case would have been directly contrary to the wishes of the First Lady, something that would not have been tolerated in light of the Secret Service incident earlier in the year.

The Watkins draft memorandum was responsive to the September 1995, document request by the committee. Moreover, back in October 1995, the White House Counsel's Office had informed the committee that it had produced most of the substantive documents pursuant to that request.

The White House explained weeks afterwards that it first discovered the Watkins draft memorandum on December 29, 1995. The memorandum was reviewed by the White House Counsel's office and copied to several administration officials as well as the personal attorneys for Mack McLarty, Patsy Thomasson, Harry Thomason, and the President and First Lady by January 2, 1996. The White House released the Watkins draft memorandum to the media on the evening of January 3, 1996, at the same time it released the documents to the committee.

On January 5, 1996, Chairman Clinger issued subpoenas to both David Watkins and Harry Thomason for all records concerning the White House Travel Office and related matters. On January 11, 1996, Chairman Clinger issued interrogatories concerning the origin and chain-of-custody of the original and all copies of the Watkins draft memorandum to be answered in writing and under oath by:

Jane C. Sherburne, Special Counsel to the President.
Jon Yarowsky, Associate Counsel to the President.
Natalie Williams, Associate Counsel to the President.
Miriam R. Nemetz, Associate Counsel to the President.
Christopher D. Cerf, Associate Counsel to the President.
Nelson Cunningham, General Counsel, Office of Administration.
Patsy Thomasson, Deputy Director of White House Personnel.

Also on January 11, 1996, the committee issued bipartisan subpoenas for all relevant records to the White House Executive Office of the President and the White House Office of Administration as well as bipartisan personal subpoenas to Mack McLarty, Bruce Lindsey, Todd Stern, Patsy Thomasson, Catherine Cornelius and Margaret Williams. The documents subpoenaed were due on January 22, 1996.

In the wake of the White House's release of the Watkins draft memorandum, Clinton officials, attorneys and surrogates launched attacks on the character and managerial skills of former Travel Office Director Billy Dale. First Lady Hillary Rodham Clinton also assailed Mr. Dale's management in various interviews. As a result, Chairman Clinger wrote President Clinton on January 16, 1996, requesting that the White House cease its continued attack on Mr. Dale.

On January 17, 1996, the committee held its second hearing on the Travel Office matter. David Watkins was the sole witness at this hearing, at which he requested that no still or video cameras be allowed to record his testimony, invoking a House rule. In the hearing, he testified under oath regarding his draft memorandum and other records he had turned over to the committee pursuant to a personal subpoena. Watkins testified, "Was there pressure? Did I feel pressure of the desires and wishes of others? Yes, I did." Watkins testified he had felt, "a lot of internal pressure," and was asked by whom. "The pressure that I felt was coming from the First Lady was conveyed primarily through Harry Thomason and Vince Foster." Mr. Watkins' May 12, 1993, notes, first received by the committee under personal subpoena, stated that Harry Thomason told him on that day that the First Lady wanted the Travel Office staff fired that day. In a May 14, 1993, telephone call to the First Lady, Watkins testified, he was told, "We should get our people in and get those people out."

In the wake of the discovery of the Watkins memorandum where inconsistencies between Mr. Watkins' statements to the GAO and his undated memorandum and contemporaneous notes became clear, Chairman Clinger asked GAO to advise the committee concerning what sanctions exist for intentionally providing false information to GAO. GAO responded in a letter dated January 17, 1996, which addressed the relevant statutes and legal precedents. In a January 23, 1996, response to GAO, Chairman Clinger asked that GAO compare and contrast the notes of its interviews with Mr. Watkins with copies of interviews conducted with Mr. Watkins by various investigative agencies, Mr. Watkins' draft memorandum and contemporaneous notes and other materials. Chairman Clinger asked that GAO identify all of the material inconsistencies between the documents provided and GAO's own interview notes and to determine whether they met the materiality test required by any applicable statute.

The seven fired Travel Office employees testified on January 24, 1996, when the committee held its third hearing on the White House Travel Office firings. The seven fired Travel Office employees testified about their work in the White House Travel Office and the management of press charters, the events leading to their firings on May 19, 1993, and their investigation at the hands of the FBI and IRS. Individually, they testified of the costs of their respective legal defenses which, all told, amounted to some $700,000.

While all seven acknowledged that they served at the pleasure of the President, they questioned the manner in which the firings were undertaken. Mr. Dale testified:

> If the President or the First Lady or anyone else wanted us out in order to give the business to their friends and supporters, that was their privilege. But why can't they just admit that is what they wanted to do rather than continue to make up accusations to hide that fact?

Mr. Billy Dale testified in the hearing that records disappeared from the Travel Office in the period immediately preceding the firings and disputed allegations of Travel Office mismanagement as a "convenient excuse" intended to justify the firings. Five of the

Travel Office employees testified about being placed on administrative leave within a week of the firings and subsequently finding employment elsewhere in the Federal Government. Mr. Dale and former White House Travel Office Deputy Director Gary Wright had retired from Federal service in the aftermath of the firings in 1993.

In a letter to the committee dated January 23, 1996, Mr. David L. Clark, Director of Audit Oversight and Liaison for the General Accounting Office, evaluated current White House Travel Office management using the 29 criteria identified in its May 1994, report on the Travel Office. The evaluation was based on work performed by GAO in the Travel Office in the fall of 1995. GAO stated:

> We found that the Travel Office had developed policies and implemented procedures during the period January 1995 through August 1995 to address all but 3 of the 29 criteria. For those three, we found that the Travel Office had not (1) billed customers within its stated 15-day requirement, (2) paid vendors within its stated 45-day requirement, and (3) performed bank reconciliations regularly.

GAO also reported:

> [T]he Travel Office had a policy requiring monthly reconciliations of its checkbook with the cash balance reported by its bank. As of April 1994, we found that staff were performing the reconciliations as required. However, from January 1995 through August 1995, Travel Office staff performed no bank reconciliations because other tasks were given a higher priority. Immediately prior to our review, the Travel Office reconciled all outstanding bank statements and found deposits totaling $200,000 that had not been entered into its checkbook. These funds were all owed to vendors who had previously furnished goods and services for press trips. White House officials informed us that future monthly reconciliations will be performed as required.

GAO's discovery of a $200,000 discrepancy in White House Travel Office deposits for calendar year 1995 is a matter of some concern given that the White House alleged in May 1993, that it had fired the entire Travel Office staff and launched an FBI criminal investigation on the basis of a $18,200 discrepancy in Travel Office petty cash funds.

On January 30, 1996, General Counsel Robert P. Murphy of the General Accounting Office wrote Chairman Clinger addressing inconsistencies between statements made by David Watkins to GAO and Watkins' undated draft memorandum and notes taken by Watkins which were dated May 31, 1993, and Watkins' GAO interview and other relevant documents.

On February 1, 1996, Chairman Clinger and Senate Judiciary Committee Chairman Orrin Hatch (R–UT) introduced a bill to reimburse the legal expenses of the seven fired White House Travel Office employees. The bill would reimburse nearly $500,000 spent by Mr. Billy Dale on his defense as well as the Travel Office ex-

penses still due by his six colleagues. In a 1994 appropriation, Congress previously reimbursed $150,000 in their legal expenses.

On February 7, 1996, the committee issued additional bipartisan personal subpoenas to a number of current and former White House employees, volunteers, friends and others involved in the Travel Office matter, including Matt Moore.

On February 13, 1996, following consultation with Chairman Clinger, the GAO asked Federal prosecutors to investigate possible false statements made to GAO by David Watkins, having concluded that statements made or attributed to Mr. Watkins were inconsistent with statements he made in his GAO interview. Justice Department officials submitted the referral to the Independent Counsel and asked the court to approve the expansion of the scope of Independent Counsel Kenneth Starr to include this referral.

The Government Reform and Oversight Committee submitted a list of 26 interrogatories to First Lady Hillary Rodham Clinton on February 15, 1996. These interrogatories were to be answered in writing and under oath by the First Lady by February 29, 1996. The White House subsequently asked for an extension and the chairman of the Committee on Government Reform and Oversight agreed to a 3-week extension. The White House provided the First Lady's sworn responses to the committee on the second due date, March 21, 1996. Her responses were released to the media at the same time. In the responses, the First Lady insisted she had no decisionmaking role in the Travel Office firings and that her statements to GAO were accurate. As to conversations with Harry Thomason, Vince Foster and David Watkins, the First Lady had very few specific recollections.

Chairman Clinger submitted H. Res. 369, which was referred to the Committee on Rules, on February 29, 1996. H. Res. 369 provided special authority to the Committee on Government Reform and Oversight to obtain testimony for purposes of investigation and study of the White House Travel Office matter. The bill was limited, deliberately, to provide deposition authority to the Committee on Government Reform and Oversight only for its investigation of the Travel Office matter. Deposition authority allowed the committee to obtain sworn testimony from witnesses while minimizing the number of hearings needed in order to complete the investigation.[13]

The House approved H. Res. 369 on March 7, 1996. Thereupon, the Committee on Government Reform and Oversight notified witnesses it wished to testify under oath before the committee. Depositions commenced in late March 1996. Initially, they were expected to be completed by June 1996.[14]

The White House made a March 15, 1996, production of documents pursuant to the committee's January 11, 1996, subpoena. That production contained yet another unproduced May 3, 1994,

[13] Precedents for such deposition authority have included: 1) President Nixon Impeachment Proceedings (93d Congress, 1974, H. Res. 803); 2) Assassinations Investigation (95th Congress, 1977, H. Res. 222); 3) Koreagate (95th Congress, 1977, H. Res. 252 and H. Res. 752); 4) Abscam (97th Congress, 1981, H. Res. 67); 5) Iran-Contra (100th Congress, 1987, H. Res. 12); 6) Judge Hastings Impeachment Proceedings (100th Congress, 1987, H. Res. 320); 7) Judge Nixon Impeachment Proceedings (100th Congress, 1988, H. Res. 562); and 8) October Surprise (102d Congress, 1991, H. Res. 258.

[14] With the subsequent revelation that the White House improperly had obtained some 900 confidential FBI background files on former officials of the Reagan and Bush administrations, the last of the depositions in fact was conducted in mid-September 1996.

handwritten letter from David Watkins to Mrs. Clinton. No explanation for the White House's failure to produce this document for nearly 2 years during the course of numerous other document requests was proffered until two requests for a chain-of-custody were made. Mr. Quinn finally responded on April 8, 1996, stating only that the letter was located in a stack of unsorted, miscellaneous papers and memorabilia in the Office of Personal Correspondence having been forwarded to Carolyn Huber from the First Lady. Ms. Huber forwarded the original letter to the First Lady on March 4, 1996. Mr. Quinn stated that Mrs. Clinton did not look at the letter until March 12, 1996, at which time she immediately sent the only copy of the White House document to her personal lawyer, David Kendall. Mr. Kendall reviewed the original and returned a copy, and later the original, to Special White House Counsel Jane Sherburne.

On March 22, 1996, the three-judge Federal appeals panel which appointed Kenneth K. Starr Whitewater Independent Counsel approved an expansion of Independent Counsel Starr's mandate to include the issue of whether David Watkins lied about First Lady Hillary Rodham Clinton's role in the Travel Office firings and related matters. Attorney General Janet Reno referred the Watkins matter to the three-judge panel after the Justice Department had concluded the Watkins could be investigated by an independent counsel.

By a vote of 350 to 43 on March 19, 1993, the House of Representatives passed H.R. 2937, a bill to reimburse the legal expenses and related fees incurred by former employees of the White House Travel Office with respect to the termination of their employment in that office on May 19, 1993.

In document productions from individuals subpoenaed, the committee was provided with a copy of a February 15, 1996, White House Memorandum from John M. Quinn, Counsel to the President and Jane Sherburne, Special Counsel to the President, to a witness who had been subpoenaed by the Committee on Government Reform and Oversight to provide all records related to the White House Travel Office matter in the witness' possession to the committee. The memorandum from Mr. Quinn and Ms. Sherburne stated, in part:

> Last week, the Committee [on Government Reform and Oversight] issued personal subpoenas to you and other current and former White House employees. These personal subpoenas call for personal as well as White House records. The Counsel's Office will handle production of your responsive *White House* records, i.e., records created or obtained during the course of your official duties. Accordingly, you should forward any White House records you believe may be responsive to the Counsel's Office and we will determine whether they should be produced to the Committee. You should provide any responsive personal records directly to the Committee. [Emphasis in original.]

The existence of the February 15, 1996, memorandum from Mr. Quinn and Ms. Sherburne greatly concerned the committee because the February 7, 1996, subpoenas served were personal subpoenas.

Those subpoenaed to provide all relevant White House Travel Office records in their possession remain personally responsible for making a complete production, whether or not the White House chooses to withhold any or all of their documents from production to the committee. Given the White House's continuing unwillingness to make a complete production of records it has been subpoenaed to provide the committee, its instructions in the February 15, 1996, memo by Mr. Quinn and Ms. Sherburne to witnesses served personal subpoenas suggests that the White House intends to play an intermediary role in the case of current and former White House staffers, volunteers and others in a manner which may lead to their being held personally liable for a failure to produce all relevant records.

In the wake of its discovery of the February 15, 1996, memorandum by Mr. Quinn and Ms. Sherburne, the committee wrote letters to each individual who had been issued a personal subpoena informing them that all records responsive to the committee's January and February 1996, subpoenas must be produced by May 8, 1996. Chairman Clinger sent similar letters to White House Counsel Quinn and Attorney General Reno informing them that all records responsive to White House and Justice Department subpoenas were to be produced by May 8, 1996.

Chairman Clinger also announced on May 2, 1996, that he had scheduled a committee business meeting for Thursday, May 9, 1996, at 9 a.m. to consider a privileged resolution to compel production of any subpoenaed records relating to the White House Travel Office which were not provided to the committee by May 8, 1996.

On May 9, 1996, the Government Reform and Oversight Committee voted to hold White House Counsel Jack Quinn and former White House aides David Watkins and Matthew Moore in contempt of Congress for failing to turn over subpoenaed documents. Also on May 9, 1996, White House Counsel Quinn wrote Chairman Clinger a letter claiming blanket privilege on behalf of President Clinton over 3,000 pages of documents being withheld from the committee. Attached to this letter was a letter from Attorney General Janet Reno endorsing the claim of executive privilege. At that time, however, the Attorney General had not reviewed any of the documents for which she had approved the President's claim of executive privilege.

On May 30, 1996, the day on which the contempt resolution against White House Counsel Quinn was scheduled for a vote on the floor of the House, the White House delivered to the committee 1,000 of the 3,000 pages responsive to the committee's subpoenas over which it previously had claimed executive privilege. Accompanying this production was a privilege log of 2,000 documents which the White House continued to withhold. In the wake of this production, the committee postponed the contempt vote on the floor of the House against White House Counsel Quinn in order to review the records produced and the privilege log.

In reviewing the 1,000 pages of documents produced on May 30, 1996, the committee discovered Bernard W. Nussbaum's December 20, 1993, request of Billy Dale's confidential FBI background file from the FBI Liaison Office. Even though it was dated 7 months after Mr. Dale's firing, the form indicated that the White House

was requesting Mr. Dale's confidential FBI file because it was considering him for "Access (S)." Chairman Clinger immediately called on the White House and the FBI to explain why the Dale file had been requested by and provided to the White House even as the Justice Department was undertaking a criminal investigation of Mr. Dale. (See The Security of FBI Background Investigation Files, below.)

In the wake of this development, Chairman Clinger called on the White House to release the remaining 2,000 pages of documents over which it had claimed executive privilege, as it once had claimed executive privilege—inappropriately—over the Billy Dale FBI file request memo. After the White House refused this request, claiming that the remaining 2,000 pages were "unquestionably within the scope of [executive] privilege," Ranking Member Cardiss Collins agreed to act as an intermediary in a successful effort to allow the committee to review documents it deemed essential to its investigation while having the White House certify that no other documents remained outstanding.

Chairman Clinger and committee staff began a review of the remaining 2,000 pages of documents in the presence of White House personnel on June 27, 1996. The chairman found these documents heavily redacted and also found that the White House privilege log released the previous month provided insufficient detail of their contents. The chairman advised the White House of these concerns in a June 28, 1996, letter to White House Counsel Quinn.

After personally spending 6 hours reviewing redacted White House documents, Chairman Clinger wrote a July 31, 1996, letter to the White House requesting that it produce all responsive documents, in unredacted form, in three categories: 1) communications with outside attorneys relating to interviews, depositions or Grand Jury appearances; 2) briefing materials and questions prepared for Congress; and 3) the review of the late Vince Foster's White House office. The White House produced these documents, some 1,400 pages in all, on August 15, 1996.

Meanwhile, in response to a press inquiry on August 1, 1996, President Clinton angrily denied having made any pledge to reimburse Billy Dale's legal expenses despite the fact that White House spokesman Mike McCurry had said in January 1996, that the President would sign such a bill if it came to his desk and a second White House spokesman had repeated those remarks the very morning of the President's outburst. In addition, President Clinton improperly referred to Mr. Dale's Justice Department plea bargain negotiations. The details of those negotiations were leaked under highly questionable circumstances by the Clinton Justice Department in the days following Mr. Dale's November 1995, acquittal by a jury in less than 2 hours of the two charges against him. Mr. Robert Bennett, who is defending President Clinton against charges of sexual harassment made by Ms. Paula Jones, first raised—and mischaracterized—these plea negotiations in the days following the Dale acquittal.

The provision to reimburse the Travel Office-related legal expenses of Mr. Dale and his six colleagues was passed in the Senate on September 28, 1996, as part of the Omnibus Consolidated Ap-

propriations Act of 1997, and signed into law by President Clinton on September 30, 1996.

On September 18, 1996, the Committee on Government Reform and Oversight approved the committee's report of its "Investigation of the White House Travel Office Firings and Related Matters" by voice vote and submitted it to the full House to be printed.

On October 15, 1996, Chairman Clinger wrote a letter to Independent Counsel Kenneth W. Starr enclosing copies of the committee's Travel Office Report and its interim report on the FBI Background Investigation Files matter. This letter also addressed Chairman Clinger's concerns about the internal discrepancies in testimony, witnesses' lack of recall of material events, and conflicts between the White House's documentary evidence and the sworn accounts of Jane Sherburne, Harry Thomason, Craig Livingstone, Anthony Marceca, William Kennedy, Bernard Nussbaum and Thomas F. "Mack" McLarty.

c. The Security of FBI Background Investigation Files.—On May 30, 1996, in the course of its Travel Office investigation, the committee discovered a December 20, 1993, White House request of Billy Dale's confidential FBI background file from the FBI Liaison Office. Even though it was dated 7 months after Mr. Dale's firing, the form indicated that the White House was requesting Mr. Dale's confidential FBI file because it was considering him for "Access (S)." The Billy Dale FBI background file request memo was found in a White House production of 1,000 pages of documents over which the White House previously had claimed executive privilege. Chairman Clinger immediately called on the White House and the FBI to explain why the Dale file had been requested by and provided to the White House even as the Justice Department was undertaking a criminal investigation of Mr. Dale.

By June 5, 1996, the White House had claimed that the Billy Dale FBI background file request was a routine request mistakenly made by an unnamed file clerk. In response, Chairman Clinger requested of the White House and Attorney General Janet Reno a list of all such White House requests for confidential FBI background reports on private citizens and government employees not seeking employment by the Clinton administration or access to the White House. The following day, the White House claimed that the General Accounting Office had requested the Dale Confidential FBI background file. The GAO denied this immediately.

By June 7, 1996, the White House had acknowledged that it obtained the FBI files of approximately 338 former White House employees, including many former Reagan and Bush administration employees but alleged that the files never were read. Then Anthony Marceca, a former detailee hand-picked by White House Office of Personnel Security Director Craig Livingstone to work in that office, contradicted the White House when he told Livingstone's attorney that he, Marceca, in fact had read all the files and had passed on any derogatory information to Livingstone.

The White House admitted to having an additional 71 improperly sought FBI background files by June 14, 1996, the day that FBI Director Louis J. Freeh released the findings of an FBI review of the matter. Freeh concluded that 408 files had been sought and received by the White House "without justification." Director Freeh

further stated, "The prior system of providing files to the White House relied on good faith and honor. Unfortunately, the FBI and I were victimized. I promise the American people that it will not happen again on my watch."

Also on June 14, 1996, Livingstone revealed problems in his own background in a sworn deposition before the Committee on Government Reform and Oversight, including problems with his employment history and the use of illegal drugs. On June 15, 1996, the White House delivered a document production to the committee which included letters from former Associate White House Counsel William H. Kennedy III, to then-Defense Secretary Les Aspin and others seeking the assignment of Army investigator Anthony Marceca to a White House detail in the Office of Personnel Security.

The committee held four hearings on the FBI files matter in the summer of 1996. The first hearing on June 19 addressed the issue of how confidential FBI background files were handled during previous administrations. Among the witnesses were former White House Counsels and Deputy White House Counsels, the head of the Office of Personnel Security during the Reagan and Bush administrations and her assistant of 12 years. These witnesses testified that access to confidential FBI background files historically had been strictly limited to at most the White House Counsel, his Deputy and the Director of the Office of Personnel Security. By contrast, the assistant to the former Office of Personnel Security Director testified that during 7 months of service in the Clinton administration, White House interns 18–20 years old—and without any security clearance—had access to the confidential FBI background files.

On June 21, Attorney General Janet Reno turned over the investigation of the White House requests for confidential FBI background files to Independent Counsel Kenneth W. Starr. General Reno stated, "I have concluded it would constitute a conflict of interest for the Department of Justice itself to investigate the matter involving an interaction between the White House and the FBI, a component of the Department of Justice."

The committee's second hearing on the FBI files matter was held on June 26, with former White House Counsel Bernard Nussbaum, former Associate White House Counsel Bill Kennedy, Office of Personnel Security Director (then on administrative leave) Craig Livingstone and former Army detailee Anthony Marceca and Lisa Wetzl, a former assistant to Livingstone, testifying as to the handling of these files during the Clinton administration. While Livingstone announced his resignation from this position at the June 26 hearing and the White House immediately announced a replacement, the question, "Who hired Craig Livingstone?" never was answered definitively by any of the witnesses. Mr. Livingstone testified that it had been his life-long dream to serve in the White House of a Democratic administration yet most improbably could not recall who made him the offer which made that dream come true. Nor was this question answered in the months to follow.

It was learned during this hearing that whoever did hire Livingstone was able to overrule or overcome Kennedy's concerns about Livingstone's background. Mr. Livingstone admitted his drug his-

tory in committee depositions and during the June 26 hearing. It had also been reported that he was fired from a previous job for lying about his employment history and was fired by a store which had employed him for improperly returning merchandise.

Messrs. Livingstone and Marceca and Ms. Wetzl testified that the improper request and receipt of hundreds of confidential FBI background files of former Reagan and Bush administration officials was undertaken due to their reliance on a faulty White House access list provided by the Secret Service.

In order to pursue the committee's investigation into the FBI files matter, Chairman Clinger initially had sought to depose FBI agents. Director Freeh recommended, instead, that the committee be allowed to review relevant FBI background files, and the chairman agreed to this. On July 16, committee Chief Investigative Counsel Barbara Olson reviewed the FBI background files of Livingstone and Marceca. In the Livingstone FBI file, notes of a Nussbaum interview indicated Nussbaum's understanding that Livingstone came highly recommended by Mrs. Clinton, who knew Livingstone's mother. Summarizing an interview with then-White House Counsel Nussbaum concerning Livingstone, FBI Agent Sculimbrene wrote, in part, in a memorandum:

> Bernard Nussbaum, Counsel to the President, advised that he has known [Livingstone] for the period of time that he has been employed in the new administration. [Livingstone] had come highly recommended to him by HILLARY CLINTON, who has known his mother for a longer period of time.

While the White House—and Livingstone's mother—subsequently claimed that Mrs. Clinton did not know Livingstone's mother, the factual accuracy of such a relationship was far less important than the fact that, at the time of Livingstone's hiring, Nussbaum understood him to come highly recommended to the position by a First Lady who knew his mother, details he had denied under oath.

No less troubling was the committee's subsequent discovery of continuing FBI involvement in this matter despite General Reno's obvious concern about the inherent conflict of interest between the White House and the Department of Justice in the FBI files investigation. The committee learned that despite the Attorney General's concerns, FBI Counsel Howard Shapiro provided the White House with a "heads-up" concerning Chief Investigative Counsel Olson's visit to the FBI and review of the Livingstone and Marceca files, including the Nussbaum interview summary which contradicted Nussbaum's testimony to the committee in a deposition and a hearing. Counsel Shapiro called Deputy White House Counsel Kathleen Wallman with this "heads-up." Ms. Wallman in turn contacted White House Special Counsel Jane Sherburne who informed numerous others of the Livingstone file, including Mr. Nussbaum in advance of his grand jury appearance.

On July 17, 1996, two FBI agents appeared at the home of Dennis Sculimbrene, the FBI agent whose interview summary referred to the hiring of Livingstone, showed him the summary and asked him for notes of the interview. FBI agents also searched his work area for information related to Livingstone's hiring and his back-

ground investigation. This, too, appeared to violate General Reno's sentiments that such actions would, "constitute a conflict of interest for the Department of Justice itself to investigate the matter involving an interaction between the White House and the FBI, a component of the Department of Justice."

The question of whether a faulty White House access list could explain what the Clinton administration had called a "bureaucratic snafu" was addressed in the committee's third hearing on the FBI files matter on July 17, 1996. Secret Service Special Agents Arnold Cole, John Libonati and Jeffrey Undercoffer testified at this hearing. Their testimony, based on recovered lists, charted the transitions of nearly 500 former White House officials from "Active" to "Inactive" status from 1982 through 1993. The Secret Service agents also testified the lists it provided the White House would indicate "Active" or "Inactive" status or "A" and "I" for those listed unless a custom list had been requested. Special Agent Cole also testified that, soon after the Clinton White House blamed the FBI files "snafu" on a faulty Secret Service list, Livingstone came to him and explained that the office knew which lists to use even as it improperly requested hundreds of confidential FBI background files.

Chairman Clinger reviewed Livingstone's file for the first time on July 18, 1996, in the company of Chief Investigative Counsel Olson. Chairman Clinger requested information concerning any communication of information in Livingstone's file to the White House. On July 19, 1996, FBI Counsel Howard Shapiro wrote Chairman Clinger a letter informing him that the FBI had advised the White House as to the contents of the Livingstone file: "because issues raised in Mr. Nussbaum's interview [in Livingstone's FBI file] has been discussed in connection with the committee's oversight investigation, it was determined that the Bureau had a responsibility to advise affected parties. Therefore, after arrangements were made for your staff to review the files, the Department of Justice, and then the White House, were advised of the results of this review."

On August 1, 1996, the committee held a hearing on Shapiro's "heads up" to the White House on the Livingstone matter. Shapiro not only admitted to the "heads up;" he also acknowledged hand-carrying retired FBI Agent Gary Aldrich's manuscript on the Clinton White House, "Unlimited Access" to White House Counsel Quinn.

On October 15, 1996, Chairman Clinger wrote a letter to Independent Counsel Kenneth W. Starr enclosing copies of the committee's Travel Office Report and its interim report on the FBI Background Investigation Files matter. This letter also addressed Chairman Clinger's concerns about the internal discrepancies in testimony, witnesses' lack of recall of material events, and conflicts between the White House's documentary evidence and the sworn accounts of Jane Sherburne, Harry Thomason, Craig Livingstone, Anthony Marceca, William Kennedy, Bernard Nussbaum and Thomas F. "Mack" McLarty.

d. Questions concerning campaign contributions made to or solicited by Lippo Group, John Huang and others.—In September and October 1996, it was reported that two former Department of Commerce employees had been involved in political activities while

working at the Commerce Department. Former Deputy Assistant Secretary for International Economic Policy John Huang and Melinda Yee, former Special Assistant to the late Secretary of Commerce Ron Brown, allegedly were involved in fund raising and/or other political activities on behalf of the Clinton campaign while on the Federal Government payroll. Following his tenure at Commerce, Huang became a senior fund raiser at the Democratic National Committee. Some of the largest campaign contributions he solicited while there allegedly were made in violation of Federal Election Commission laws.

Prior to joining the Clinton administration, Mr. Huang was a senior executive of the Lippo Group, an Indonesia-based conglomerate which provided him an $800,000 bonus shortly before he accepted a Commerce Department post where his work raised conflict of interest issues with his former employer. Mr. Huang and James Riady, whose family controls the Lippo Group, had known President Clinton since the 1980's. Throughout that period, Huang and Riady raised substantial sums of money for Clinton's gubernatorial and Presidential campaigns. Subsequently, it was reported that together they participated in scores of meetings in the Clinton White House. Policy matters were discussed at some of these meetings, possibly in violation of Federal Election Commission campaign law. Follow-up articles addressed a number of other campaign finance irregularities arising during the course of the Clinton campaign, including contributions made by individuals barred by law from making them.

In October 1996, Chairman Clinger initiated a series of document requests for materials relevant to this inquiry, which is ongoing. The Democratic National Convention has refunded $1.5 million in contributions from illegal or questionable sources.

e. Misuse of political influence within the disciplinary enforcement system at the Department of Defense.—On August 2, 1996, the committee received allegations that high-level White House and Department of Defense (DOD) officials had misused their positions and influence to circumvent the DOD disciplinary enforcement system. The allegations charged that White House officials had pressured the Deputy Under Secretary of Defense to employ a former Air Force officer who had recently been dismissed following confirmed charges of official misconduct. The former officer was alleged to have been re-hired to a senior Schedule-C political appointee position within the Office of the Secretary of Defense (OSD).

Pursuing the allegations, the committee first confirmed that the former officer had, in fact been re-hired within OSD, then reviewed the charges of TDY fraud, government cell phone fraud, government AMEX Travel Card abuse and sexual harassment which had originally been lodged against the officer. The committee examined the complete Defense Systems Information Agency Inspector General (DISA IG) and Air Force Office of Special Investigations (AFOSI) investigative files on the case. Staff interviewed the DISA IG and AFOSI case investigators, the reviewing Air Force Staff Judge Advocate and Deputy Staff Judge Advocate, and the retired officer's former commanding officers. All records and interviews substantiated the validity of the initial charges. The Staff Judge

Advocate confirmed that while the evidence was sufficient to warrant administrative action, the Air Force had agreed to forego disciplinary proceedings in return for the officer's resignation.

Committee staff then met with the Deputy Under Secretary of Defense and representatives of the Secretary of Defense to discuss the decision to employ the dismissed officer as a high-level political appointee at an annual salary of well over $100,000. Although both the Deputy Under Secretary and the Secretary's senior staff were made aware of the past misconduct and the officer's forced resignation, the Secretary declined to take action to remove the officer from his subsequent employment.

The committee then referred the matter to the appropriate House and Senate authorizing and appropriating committees for additional action.

f. Health Care Task Force.—In February 1993, Representative Clinger called into question the secretive manner in which the administration's Health Care Task Force was conducting business. After requesting information from an unresponsive White House on whether the Task Force was meeting in compliance with statutes concerning open meetings, recordkeeping, conflict of interest requirements and costs, Representative Clinger requested a GAO audit. In a required charter, the Clinton administration claimed Task Force costs would be less than $100,000. The GAO audit, however, placed the total cost at $13.8 million.

g. Labor Department Taxpayer Funded "Toll-Free" Hotline.—Following reports of a telephone hotline set up by the Department of Labor to gather support for increasing the minimum wage from minimum wage earners, Chairman Clinger sent a letter to Secretary Reich requesting information on the costs and purpose of the telephone bank, and to ascertain whether the Department was in compliance with appropriate information collection laws. Shortly thereafter, the hotline was shut down. After several delays, the Department reported that, although total costs were not yet available, the Department had capped the total cost of the politically inspired hotline at $25,000. The minimum wage brings workers an annual salary of $8,840.

h. National Reconnaissance Office.—Chairman Clinger and subcommittee Chairman Horn have asked the GAO to review reports due from Defense Department and the Central Intelligence Agency on revelations that the National Reconnaissance Office secretly accumulated $1.7 billion in unspent appropriated funds. After the GAO report has been completed and reviewed, the committee will determine if further action, including possible financial management reforms, is warranted.

i. Abuse of the American Express Government Travel Payment Program.—In the fall of 1995, the Committee on Government Reform and Oversight reviewed two audit reports, one from the Commerce Department and the other from the U.S. Information Agency. Each of these reports highlighted problems associated with the American Express Government Travel Payment Program.

At the U.S. Information Agency, the audit report cited $2,200,000 in delinquent funds for the Agency's centrally billed credit card account, and $240,000 in delinquent funds for the Agency employees' individually billed credit card accounts. At the Commerce Depart-

ment, delinquency was found among 293 employees. The committee also learned from these reports that American Express Travel Cards were being used for personal expenditures on a large scale. At the Commerce Department, 567 employees were found to have used the travel cards for personal use. At the U.S. Information Agency, employees were found to have charged $116,000 in retail purchases, much of which was found to be for personal use.

As a result of these reports, the committee endeavored to study the breadth of the problems associated with the American Express Government Travel Payment Program throughout the Federal Government. In March 1996, committee staff met with members of the Office of Management and Budget and the General Services Administration and agreed on parameters by which agencies would submit records and/or analysis of the irregularities in their offices.

The number and amount of delinquent charges on Government employees' American Express cards is massive. At the Department of Justice, the Inspector General reports that the sum of Centrally Billed Accounts and Individually Billed Accounts brings monthly delinquency to $1.1 million and identified 768 transactions as "possible misuse." Upon investigation, the Department of Justice Inspector General found charges to retail establishments like Victoria's Secret and Gucci. One such personal charge was to the Boston Red Sox.

The Environmental Protection Agency chose to examine only its Region 5 office. In that region, misuse ranged from $10.40 to $21,281. Twenty-four Environmental Protection Agency employees improperly charged $2,000 or more on their Government credit cards.

Although the State Department Inspector General reported only $82,000 in possible misuse over a 6 month period, of the $6.4 million in retail charges, $3.2 million represents cash transactions from automatic teller machines or traveler checks. The State Department Inspector General reports total delinquency among Government credit card holders at between $847,805 and $1,093,034 each month.

On September 25, 1996, Chairman Clinger wrote to Franklin D. Raines, the Director of the Office of Management and Budget, for his assurance that these abuses are being corrected. In addition, the chairman sought to ensure that provisions in a new contract being negotiated by the General Services Administration were designed to prevent the widespread abuse discovered in the course of the committee's investigation. The committee is awaiting a response from Director Raines.

j. Taxpayer Funded Trip to Disney World.—After learning of a Disney World training seminar conducted at taxpayer expense for as many as 400 Federal employees, Chairman Clinger wrote on behalf of the committee to the Departments of Interior, Agriculture, and Defense to obtain an accounting of the exact costs of the trip, the number of employees involved, and an explanation of how the training related to the Departments' missions. The trip was taken just 1 week after the Federal Government shut down as a result of disagreements on how to achieve a balanced budget. Chairman Clinger spelled out his concern that hundreds of thousands of dol-

lars may have been spent for what appears to be a lavish, taxpayer-funded vacation.

4. Legislation.

a. H.R. 5, the Unfunded Mandates Reform Act of 1995 (Public Law 104–4)

a. Report Number and Date.—House Report No. 104–1, Pt. 2; January 13, 1995.

b. Summary of Measure.—The Unfunded Mandates Reform Act of 1995 was intended to relieve the burden of unfunded Federal mandates on State, local and tribal governments and the private sector. It was designed to ensure that Congress and the executive branch (1) had information on the costs of unfunded Federal mandates, and (2) were accountable to States and localities, the private sector, and the public for imposing new mandates without paying for them.

Title I of the Unfunded Mandates Reform Act (Public Law 104–4) amended Title IV of the Congressional Budget Act to provide that Congress must have Congressional Budget Office (CBO) estimates for the costs of mandates it would impose on State and local governments and the private sector through reported legislation. Intergovernmental mandates projected to cost State, local or tribal governments over $50 million in the aggregate must be funded. Legislation that does not meet these requirements will be subject to a point of order on the House and Senate floor, where a majority of members must vote to waive the point of order before Congress can consider an intergovernmental mandate without paying its costs.

Title II of the law requires Federal agencies to analyze the effects of their rules on State and local governments and the private sector, and prepare written statements detailing the costs and benefits of rules expected to cost either State, local and tribal governments or the private sector over $100 million in the aggregate. Agencies must consult with State and local elected officials throughout the process. Agencies also must select the least costly or most cost-effective rule where possible.

Title III provides for a look back at existing mandates. It requires the Advisory Commission on Intergovernmental Relations to re-evaluate existing mandates and to make recommendations to Congress and the President within 1 year as to whether some or all should be changed or repealed.

Title IV provides for limited judicial review of agency actions under Title II.

The differences between H.R. 5 as reported by the committee and Public Law 104–4 are fairly technical in nature and do not dramatically alter the purpose or effect of the legislation.

c. Legislative History/Status.—Government Reform and Oversight Committee Chairman William F. Clinger, Jr., joined with Representatives Rob Portman (R–OH), Gary Condit (D–CA) and Tom Davis (R–VA) to introduce H.R. 5, the Unfunded Mandates Reform Act, on January 4, 1995. The bill was referred to the Committee on Government Reform and Oversight, with secondary referrals given to the Committees on Rules, Budget, and Judiciary.

d. Hearings and Committee Actions.—On January 10, 1995, the committee voted to report H.R. 5 by a voice vote after a mark up in which 18 amendments were offered and 4 were adopted. Of those amendments adopted, three were offered by Representative Steve Horn (R–CA) and one was offered by Representative Paul Kanjorski (D–PA). The committee did not consider sections 201, 202, or Title III of H.R. 5 based on consultations with the Parliamentarian that those provisions were not in the committee's jurisdiction.

S. 1, the companion bill in the Senate (also titled the Unfunded Mandates Reform Act of 1995), moved through the Senate Governmental Affairs Committee on a parallel track.

House floor consideration of H.R. 5 began on January 19, 1995, and concluded on February 1, 1995. The Conference Report on S. 1 was passed by the House on March 16, 1995, and was signed into law on March 22, 1995.

b. H.R. 2, Line Item Veto Act of 1995

a. Report Number and Date.—House Report No. 104–11, Pt. II, January 30, 1995, together with minority and additional views.

b. Summary of Measure.—H.R. 2, the House-passed Line Item Veto Act of 1995, was designed to supplement the President's existing impoundment authority by creating a new enhanced rescission process for individual appropriations and targeted tax benefits contained in Federal tax and spending bills. The bill as sent to the President addresses not only individual appropriations and limited tax benefits, but also provides item-veto authority for increases in new direct spending.

Under the Line Item Veto Act, the President may strike any whole dollar amount of discretionary spending in an appropriations act, conference report, or joint explanatory statement to accompany a conference report.

In the case of entitlements, the President is permitted to cancel specific provisions of law which provide new direct spending relative to the current budget baseline. Any new direct spending program or legislative expansion of an existing entitlement would therefore be subject to the line item veto.

For limited tax benefits, the act permits the Joint Committee on Taxation to determine which provisions, if any, in a revenue or reconciliation bill meet the definition of a limited tax benefit. If the Joint Committee's determinations are included in the revenue or reconciliation bill which is sent to the President, its determinations are binding upon the President's cancellation authority. If no Joint Committee determinations are included in the bill, the President is permitted to make his own determination of what qualifies as a limited tax benefit using the definition contained in the Line Item Veto Act.

Tax or spending items item-vetoed by the President are automatically canceled and may only be reinstated if both Houses of Congress vote to disapprove the President's cancellations within a fixed time period. All moneys saved are set aside in a lockbox account for the purposes of deficit reduction. If both Houses disapprove the President's recommendations by a bill or joint resolution, the President retains his constitutional authority to veto the

disapproval measure, forcing the Congress to obtain a two-thirds vote in each House to override. The Line Item Veto Act permits the President to choose between using its new item-veto process or the existing impoundment process contained in title X of the Congressional Budget Act.

c. Legislative History/Status.—H.R. 2 was introduced on January 4, 1995, and was approved and ordered reported, as amended, by the Committee on Government Reform and Oversight on January 25, 1995. On January 26, 1995, the Committee on Rules asserted its sequential referral by marking-up the bill. The Rules Committee ordered the bill reported with two amendments which more closely defined the format of the President's special disapproval message. An amendment in the nature of a substitute to H.R. 2, incorporating both the Government Reform and Oversight and Rules Committee amendments, passed the House of Representatives on February 6, 1995.

On February 14, 1995, the Senate Budget Committee reported two competing versions of S. 4 while the Senate Committee on Governmental Affairs reported its version of the bill on March 7, 1995. The Senate approved the bill, as amended on March 23, 1995, and requested a conference. The bill S. 4 passed the House on March 28, 1996 and was signed into law by the President on April 9, 1996, to become Public Law 104–130.

d. Hearings and Committee Actions.—A joint hearing was held on January 12, 1995, by the House Committee on Government Reform and Oversight and the Senate Committee on Governmental Affairs. In the first panel, testimony was received from Senators John McCain and Dan Coats, and from Representatives Gerald Solomon, Jack Quinn, Mark Neumann and Michael Castle. All spoke in favor of the bill. Governor William Weld of Massachusetts then testified to the effectiveness of the line-item veto in controlling State expenditures. Dr. Alice Rivlin, Director of the Office of Management and Budget, spoke on behalf of the Clinton administration and expressed support for the legislation as enhancing the President's authority to cut spending. Dr. Robert Reischauer, Director of the Congressional Budget Office, then cautioned that the bill would provide the President with greater potential power than a constitutionally approved item-veto. Judge Gilbert S. Merritt, Chief Judge of the Sixth Circuit and chairman of the Executive Committee of the Judicial Conference, expressed concern over applying the line-item veto to appropriations acts for the judiciary. The hearing ended with the final panel, which consisted of Joseph Winkelmann of Citizens Against Government Waste, David Keating of the National Taxpayers' Union, and Dr. Norman Ornstein of the American Enterprise Institute, taking different views of the bill. Mr. Winkelmann and Mr. Keating strongly supported H.R. 2, while Dr. Ornstein regarded the bill as more of a transfer of congressional power to the President than a process for true spending restraint.

c. H.R. 1038, a bill to revise and streamline the acquisition laws of the Federal Government.

a. Report Number and Date.—None.

b. Summary of Measure.—On February 24, 1995, Chairman William F. Clinger, Jr., of the Committee on Government Reform and

Oversight, Chairman Floyd D. Spence of the Committee on National Security, and Chairman Benjamin A. Gilman of the Committee on International Relations, introduced H.R. 1038 to revise and streamline the acquisition laws of the Federal Government. The bill addressed two issues: repeal of the recoupment of research and development costs, and a rewrite of the Procurement Integrity laws.

c. Legislative History/Status.—Included as part of H.R. 1670, the Federal Acquisition Reform Act of 1995 in May 1995, which subsequently was modified and included in the conference report to S. 1124, the Fiscal Year 1996 Department of Defense Authorization Act (Public Law 104–106).

d. Hearings and Committee Actions.—The bill was referred to the Subcommittee on Government Management, Information, and Technology, which met pursuant to notification on February 28, 1995, to solicit additional proposals for further simplifying and streamlining the Federal procurement system. At the hearing, testimony was received from various procurement specialists in the contracting community representing government and industry.

Generally, the comments of the witnesses were as follows: those representing the government expressed the need for less congressional micro-management and greater flexibility and authority for agency contracting officers; those representing businesses, both large and small, reiterated their long held views about reducing government rules and regulations so they could sell to government agencies like they do to private sector buyers; and those representing other groups complained that existing laws are too complicated and too confusing.

The various proposals for reform brought forward by the witnesses ranged from minor technical corrections to a complete overhaul of the system.

d. H.R. 1670, The Federal Acquisition Reform Act of 1995

a. Report Number and Date.—Report No. 104–222, Pt. 1, together with additional minority views; August 1, 1995.

b. Summary of Measure.—During this time of declining Federal budgets, Chairman Clinger and his colleagues sought to eliminate the mass of requirements littering the current Federal procurement system that has led to too much money being spent for too little product. H.R. 1670 would remove from statute many of these unnecessary government-unique requirements which are often non-value added obstacles to doing business with the Federal Government.

This legislation would make changes to the current competition standard; increase the government's purchase of commercial items; streamline current procurement integrity statutes; provide that it is the policy of the Federal Government to acquire goods and services from the private sector; and consolidate current contract disputes and bid protest forums into two streamlined entities, one for Department of Defense acquisitions and the other for the civilian agencies.

c. Legislative History/Status.—On June 14, 1995, a version of H.R. 1670 was offered on the floor of the House of Representatives as an amendment to the fiscal year 1996 Department of Defense

Authorization Act; adopted and amended by Congresswoman Cardiss Collins' second degree amendment to remove Title I of H.R. 1670, and replace it with language which would retain the current statutory competition standard and include further statutory revisions.

An amendment in the nature of a substitute to H.R. 1670 was developed prior to committee mark-up to reflect the views of other Members of Congress (both Republican and Democrat), industry associations, senior industry executives, the administration, government contracting officials, representatives of both large and small business, and from other interested individuals. The Committee on Government Reform and Oversight met on July 27, 1995, to consider H.R. 1670. The bill, as amended, was favorably reported to the House by voice vote and without further amendment by the full committee.

H.R. 1670 was passed on the floor of the House of Representatives on September 14, 1995, by an overwhelming vote of 423–0. The bill was sent to the Senate and referred to the Committee on Governmental Affairs.

H.R. 1670 was included in a modified form as Division D in the final conference report to accompany S. 1124, the Department of Defense Authorization Act for Fiscal Year 1996. S. 1124 was signed by the President on February 10, 1996, and became Public Law 104–106.

Included in the Omnibus Consolidated Appropriations Act for Fiscal Year 1997 (Public Law 104–208) was language to change the short titles of both Division D and Division E (the Information Technology Management Reform Act of 1996) of Public Law 104–106 to the Clinger-Cohen Act of 1996.

d. Hearings and Committee Actions.—A joint hearing by the Committee on Government Reform and Oversight and the Committee on National Security was held on May 25, 1995, to solicit views on H.R. 1670 as introduced on May 18, 1995. Procurement experts representing both government and industry provided comment.

Statements presented by industry representatives emphasized that H.R. 1670 would shift presumptions of private and public-sector business interaction from a negative one to a positive one, and would permit things to be done cheaper, faster, and better than currently is being done today. These representatives identified H.R. 1670 as clearly making a long-term mark on the acquisition system to prepare it for the 21st century.

e. H.R. 830, The Paperwork Reduction Act of 1995

a. Report Number and Date.—Report No. 104–37, February 15, 1995.

b. Summary of Measure.—The Paperwork Reduction Act is intended to:

1. Reauthorize appropriations for the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs (OIRA) to carry out the provisions of the Paperwork Reduction Act of 1980 as amended.

2. Strengthen OIRA and agency responsibilities for the reduction of paperwork burdens on the public, particularly through the inclusion of all federally sponsored collections of

information in a clearance process involving public notice and comment, public protection, and OIRA review.

3. Establish policies to promote the dissemination of public information on a timely and equitable basis, and in useful forms and formats.

4. Strengthen agency accountability for managing information resources in support of efficient and effective accomplishment of agency missions and programs.

5. Improve OIRA and other central management agency oversight of agency information resources management (IRM) policies and practices.

The legislation was premised on the committee's continuing belief in the principles and requirements of the Paperwork Reduction Act of 1980. All of the legislation's amendments to the 1980 act, as amended in 1986, are intended to further its original purposes—to strengthen OMB and agency paperwork reduction efforts, to improve OMB and agency information resources management, including in specific functional areas such as information dissemination, and to encourage and provide for more meaningful public participation in paperwork reduction and broader information resources management decisions.

With regard to the reduction of information collection burdens the legislation increases the act's 1986 goal of an annual 5 percent reduction in the public paperwork burdens to 10 percent during the first 2 years of authorization and 5 percent thereafter. OMB is required to include in its annual report to Congress recommendations to revise statutory paperwork burdens if this goal is not reached. The legislation includes third-party disclosure requirements in the definition of collection of information to overturn the Supreme Courts decision, *Dole* v. *United Steelworkers of America* (494 U.S. 26 (1990)). This will ensure that collection and disclosure requirements are covered by the OMB paperwork clearance process. The act is also amended to require each agency to develop a paperwork clearance process to review and solicit public comment on proposed information collections before submitting them to OMB for review. Public accountability is also strengthened through requirements for public disclosure of communications with OMB regarding information collections (with protections for whistle blowers complaining of unauthorized collections), and for OMB to review the status of any collection upon public request. In combination with more general requirements, such as encouraging data sharing between the Federal Government and State, local and tribal governments, the legislation strives to further the act's goals of minimizing Government information collection burdens, while maximizing the utility of Government information.

The legislation also adds further detail to strengthen other functional areas such as statical policy and information dissemination. The dissemination provisions, for example, delineate clear policies that were not articulated in the act's previous references to dissemination. The provisions require OMB to develop government-wide policies and guidelines for information dissemination and to promote public access to information maintained by Federal agencies. In turn, the agencies are to: ensure that the public has timely and equitable access to public information; solicit public input on

their information dissemination activities; and not establish restrictions on dissemination or redissemination. Emphasis is placed on efficient and effective use of new technology and a reliance on a diversity of public private sources of information to promote dissemination of Government information, particularly in electronic formats.

With regard to over-arching information resources management (IRM) policies, the legislation charges agency heads with the responsibility to carry out agency IRM activities to improve agency productivity, efficiency, and effectiveness. It makes program officials responsible and accountable for those information resources supporting their program. The IRM mandate is strengthened by focusing on managing information resources in order to improve program performance, including the delivery of services to the public and the reduction of information collection burdens on the public.

To improve accountability for agency IRM responsibilities, as well as responsibilities for paperwork reduction, the agency responsibilities provided in the act are amended to complement and more directly parallel OMB's functional responsibilities. Further, to prompt agencies to reform their management practices, the bill requires each agency head to establish an IRM steering committee, develop an IRM strategic planning process, and develop IRM performance measures linked to program performance. In these various pursuits, the goal is to integrate the management of information resources with program management and assure the use of the resources to achieve agency missions. With the Federal Government spending approximately $25 billion a year on information technology, the stakes are too high not to press for the most efficient and effective management of information resources. The reduction of information collection burdens on the public and maximizing the utility of Government information will not otherwise occur.

c. Legislative History/Status.—H.R. 830, the Paperwork Reduction Act of 1995, was introduced on February 6, 1995, by Government Reform and Oversight Committee Chairman William F. Clinger, Jr., for himself, Congressmen Norman Sisky, David McIntosh, chairman of the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, and other Members of Congress.

The President signed the bill on May 22, 1995, as Public Law 104–13.

d. Hearings and Committee Actions.—After introduction, H.R. 830 was referred to the Committee on Government Reform and Oversight. On February 6, 1995, Chairman Clinger referred the bill to the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs for consideration. On February 7, 1995, the subcommittee, under the direction of Chairman McIntosh, held a hearing to consider reauthorization of appropriations for the Paperwork Reduction Act, OIRA's implementation of the act, and OIRA's conduct of regulatory review under Presidential Executive order. Testimony included comment and discussion of H.R. 830.

Witnesses at the February 8, 1995 hearing were: Sally Katzen, Administrator, Office of Information and Regulatory Affairs; Mr.

James McIntyre, former Director of the Office of Management and Budget and currently an attorney; Mr. James Miller, former Director of the Office of Management and Budget and current chairman of the Citizens for a Sound Economy; Mr. Gene Dodaro, Assistant Comptroller General, General Accounting Office accompanied by Mr. Chris Hoenig, also of GAO; Mr. Robert Coakley, executive director, Council on Regulatory and Information Management; Jack Sheehan, legislative director, United Steelworkers of America; and Bob Stolmeier, president, KLC Corp.

At the hearing, Clinton administration witness Sally Katzen testified squarely in support of H.R. 830:

> It is truly gratifying to be here today in what I hope is the last phase of improving and strengthening the Paperwork Reduction Act. For more than 2 years Congress has had legislative proposals to update and expand the Paperwork Reduction Act consistent with and building upon its original purposes. My commendations to the congressional staff who have worked professionally and constructively to develop a consensus, a bipartisan approach, which is contained in H.R. 830 and in the Senate, 244, which the Senate Governmental Affairs Committee reported out on February 1. We are pleased to report that the administration supports those efforts.

After taking into consideration the testimony of the witnesses at the February 7 hearing, and after further consultation with the staff of the House Small Business Committee, the Senate Committee on Governmental Affairs, and with staff of the General Accounting Office and Office of Management and Budget, the subcommittee held a mark-up of H.R. 830 on February 8, 1995. The full committee held its mark-up on February 10, 1995, and voted, 40 in favor and 4 against, to report H.R. 830, as amended, favorably to the full House.

f. S. 790, The Federal Reports Elimination and Sunset Act of 1995

a. Report Number and Date.—Report No. 104–327, November 8, 1995.

b. Summary of Measure.—During consideration of S. 244 the Paperwork Reduction Act of 1995 (PRA), the Senate adopted two amendments which dealt with the elimination or modification of certain congressionally mandated reporting requirements and also placed a sunset on other similar reports. These amendments were offered by Senators John McCain (R–AZ) and Carl Levin (D–MI). Conferees meeting to resolve differences between the House and Senate versions of the PRA agreed to offer the McCain and Levin amendments as separate and freestanding legislation. The PRA was signed into law on May 22, 1995, as Public Law 104–13 without the McCain and Levin amendments.

After the President signed the Paperwork Reduction Act of 1995 into law, House and Senate staffers in both the majority and minority began meeting to initiate the work necessary to present this bill to the House Government Reform and Oversight Committee and the Senate Governmental Affairs Committee.

The Paperwork Reduction Act sets the standard by which Congress can continue to alleviate the paperwork burden on executive branch agencies. The Federal Report Elimination and Sunset Act of 1995 continues that work. By mandate, executive branch agencies annually produce thousands of reports to Congress. Many are outdated and no longer necessary. This bill eliminates or modifies nearly 200 such reporting requirements and establishes a sunset on all others.

S. 790 was needed not merely to alleviate the burden on the executive branch but to also allow the Government to focus its energy on more important issues, thereby better utilizing their time. On December 21, 1982, President Ronald Reagan signed the Congressional Reports Elimination Act of 1982 into law (Public Law 97–375) and 13 years later the Federal Reports Elimination and Sunset Act continues, with the same strong bi-partisan support that the 1982 act received, to relieve the Federal Government of needless and burdensome paperwork. President Reagan said in his statement that this was a, "useful and constructive step in reducing unnecessary paperwork and in improving executive branch operations." Also, given increasing costs of report production, this bill will help control costs in keeping with this committee's efforts to increase the efficiency of the Federal Government.

c. Legislative History/Status.—Senators McCain and Levin introduced S. 790, the Federal Reports Elimination and Sunset Act of 1995, on May 11, 1995. It was reported favorably by the Senate Committee on Governmental Affairs and was approved by the Senate by a unanimous voice vote on July 17, 1995.

In his floor speech, Senator Levin compared S. 790 to S. 2157, which he and Senator Cohen introduced in 1994. The Senator explained that the list of reports included in S. 790 was first compiled by sending out letters asking all 89 executive and independent agencies to identify those reports required by law which were no longer necessary or useful and could be eliminated or modified. Agencies were asked to produce a clear and substantiated justification for each recommendation made.

Following Senate approval, S. 790 was sent to the U.S. House of Representatives on July 18, 1995, and held at the Clerk's desk. On September 12, 1995, S. 790 was referred to the House Committee on Government Reform and Oversight. On September 14, 1995, Congressman Robert Ehrlich (R–MD) introduced the House companion to S. 790, H.R. 2331, with 9 additional co-sponsors. Congressman Ehrlich echoed the concerns of the Paperwork Reduction Act conferees by urging his colleagues to co-sponsor H.R. 2331 and, "lighten the red tape burden on executive branch agencies so that our government can operate with fewer restrictions and greater efficiency." The Congressman also stated that he has, "the upmost confidence that the President will want to sign this important piece of legislation into law because it allows executive branch agencies to focus more resources on important current issues as opposed to focusing on outdated and unnecessary reporting requirements."

d. Hearings and Committee Actions.—The Government Reform and Oversight Committee, working in cooperation with the Senate Governmental Affairs Committee, distributed a copy of this report to all the House and Senate full committee chairmen and ranking

minority members to elicit their views as to whether the changes being made would impede their committees legislative and oversight functions. Their responses were incorporated into the final amendments to this bill.

On September 21, 1995, S. 790 was amended and reported by a unanimous voice vote by the full Committee on Government Reform and Oversight. Committee Chairman William F. Clinger, Jr. (R–PA) praised the Reports Elimination and Sunset Act of 1995 by stating, "this legislation will continue the very positive work this committee started with the Paperwork Reduction Act in a continuing effort to eliminate Federal paperwork burdens." Congresswoman Cardiss Collins (D–IL), the committee's ranking minority member, also expressed her support.

During the committee's September 21, 1995 consideration of S. 790, two en-bloc amendments were offered and passed without objection. The first, by Congresswoman Collins, modified the bill as requested by the International Relations Committee, deleting some of the reports that were slated for elimination and making some minor technical changes. It was approved by a voice vote.

The second amendment was offered by Congressman Ehrlich and also passed by a voice vote. A portion of the Ehrlich amendment reinstated the *Estimated expenditures under the Food Stamp Program* report, at the request of the House Agriculture Committee. The information contained in this report was necessary to the committee as it prepared to vote on the Farm bill.

Also included in this en-bloc amendment was a request from the U.S. Railroad Retirement Board modifying a report dealing with 5-year retirement fund projections to allow for greater accuracy in projecting funds numbers. S. 790 was approved by the Government Reform and Oversight Committee by a unanimous voice vote.

g. H.R. 3864, General Accounting Office Management Reform Act of 1996

a. Report Number and Date.—None.

b. Summary of Measure.—Title I eliminates over 100 existing statutory mandates affecting GAO that do not represent the most efficient and effective use of GAO's limited resources. Most of the provisions of title II fall into one of the following two categories:

Elimination of "executive" type functions. These provisions relieve GAO of statutory functions that do not further GAO's current mission and are more appropriate for performance by the executive branch. Functions that are still relevant to government operations are transferred to executive branch agencies. Some of the functions are simply obsolete; these functions are repealed.

Elimination of auditing and reporting mandates. These provisions relieve GAO of statutory auditing and reporting requirements, while preserving GAO's authority to conduct the audit pursuant to a specific Congressional request or at its own initiative. Thus, the provisions give GAO flexibility to apply its resources where they are most needed.

Title I includes a number of other provisions that will enhance the efficiency of GAO's operations, and eliminate paperwork requirements for GAO as well as executive branch agencies.

Section 211 of the Legislative Branch Appropriations Act, 1996 (Public Law 104–53, 109 Stat. 535) transferred a number of GAO's "executive" type functions to the OMB, effective on June 30, 1996, and authorized the Director of OMB to delegate those functions to other Federal agencies. In all but a few cases, the Director has now delegated the functions.

Title II of the bill makes conforming amendments to the statutes underlying the functions covered by section 211 of the 1996 Appropriations Act in order to reflect the transfers to OMB and further delegations by OMB of those functions. For the most part, the conforming amendments of title II delete references to the Comptroller General or GAO in these underlying statutes and substitute references to the officials or agencies now vested with responsibility for the functions pursuant to section 211 of the 1996 Appropriations Act. Where the delegation of a function has not been completed, the conforming amendment reflects the transfer to OMB and preserves the OMB Director's authority to delegate further.

c. Legislative History/Status.—Government Reform and Oversight Committee member, Representative Steve LaTourette (R–OH), introduced H.R. 3864. The bill was referred to the Committee on Government Reform and Oversight on July 22, 1996, and was approved as amended on July 25, 1996. H.R. 3864 passed the House of Representatives on September 4, 1996, by voice vote. The bill was passed by unanimous consent of the Senate on October 3, 1996. It was signed by the President on October 19, 1996 and became Public Law No. 104–316.

d. Hearings and Committee Actions.—On April 30, 1996, the Subcommittee on Government Management, Information, and Technology held hearings on the oversight of the General Accounting Office. Subcommittee Chairman Stephen Horn presided over the testimony of John A. Koskinen, Deputy Director for Management, Office of Management and Budget; R. Scott Fosler, president, National Academy of Public Administration; Thomas V. Fritz, president and chief of Executive Officer, Private Sector Council; Cornelius E. Tierney, professor of accountancy, director, Center for Public Financial Management, School of Business and Public Management, the George Washington University; Charles A. Bowsher, Comptroller General of the United States; and James F. Hinchman, Special Assistant to the Comptroller General.

h. H.R. 3136, title III, subtitle E, the "Congressional Review of Agency Rulemaking," (Public Law No. 104–121, title II, subtitle E)

a. Report Number and Date.—Although there was no committee report on the "Small Business Regulatory Enforcement Fairness Act of 1996" (title II) or the "Congressional Review of Agency Rulemaking" (subtitle E), the Committees of Jurisdiction in the House and Senate filed a joint statement in the *Congressional Record* in lieu of a statement of managers. *See* 142 Cong. Rec. E571, 574–79 (daily ed. April 19,1996) (statement of March 28, 1996 by Chairman Hyde for the committees of jurisdiction); 142 Cong. Rec. S3683–87 (daily ed. April 18, 1996) (statement of Senator Nickles for himself and for Senators Reid and Stevens).

b. Summary of Measure.—The Congressional Review Act (CRA) adds a new chapter 8 to the Administrative Procedure Act that requires executive branch agencies to submit their new rules to Congress for congressional review. See 5 U.S.C. chapter 8 (Supp. 1996). The CRA allows Congress to review each new rule and consider a joint resolution of disapproval to overrule it under expedited House and Senate procedures. Under the Congressional Review Act, no rule may go into effect until it is delivered to the House, the Senate, and to GAO. Although the CRA applies to almost all rules, "major rules" are delayed in their effectiveness for 60 calender days to provide Congress with a chance to reject problematic rules before they have an adverse impact. Moreover, the term "rule" is defined very broadly to include all general agency statements that affect the public, including "interpretive" rules, agency "policy statements," "guidelines," and "staff manuals." In addition to submitting the rules themselves, agencies will have to submit a report to Congress on each rule stating whether they have complied with the Unfunded Mandates Reform Act, the Regulatory Flexibility Act, and whether they have conducted a valid cost-benefit analysis, taking analysis, and federalism assessment as set forth in the Reagan, Bush, and Clinton Executive orders. If a resolution of disapproval is introduced to overturn a problematic regulation, Congress may reject the rule using expedited procedures that eliminate the Senate filibuster and require only a simple majority in each House for passage. If Congress does reject a rule, the rule may not be reissued in substantially the same form without congressional authorization.

The intent of the CRA is to bring increased accountability to the rulemaking process. It is also expected that increased congressional involvement will make the agencies more open and responsive to comments from regulated entities during the rulemaking process and during enforcement proceedings. This will foster a more cooperative, less threatening, regulatory environment. As a result, it is the committee's hope and intention that agencies will issue more flexible and less burdensome rules that achieve the same or superior level of protection of health, safety, and the environment.

c. Legislative History/Status.—The Senate passed four different versions of the "Congressional Review Act" (CRA) and the House passed two different versions of it before the act was incorporated in H.R. 3136 and became part of Public Law 104–121 (title II, subtitle E). Senator Don Nickles introduced the first version of the CRA, S. 219, as a companion bill to H.R. 450, the Regulatory Transition Act of 1995, which originated in the House Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs. The Senate passed S. 219 by a recorded vote of 100–0 on March 29, 1995. On November 9, 1995, the House and Senate then passed an identical version of the CRA as section 3006 of title III of H.R. 2586, the first debt limit bill. Chairman Bob Walker included section 3006 in his amendment to the debt limit bill at the request of Chairman William F. Clinger, Jr. and Representative David M. McIntosh who were the principal House sponsors of the legislation. The President vetoed H.R. 2586 for reasons unrelated to section 3006. On March 19, 1996, the Senate passed a third version of the CRA as part of S. 942, the Small Business Regulatory

Enforcement Fairness Act, by a recorded vote of 100–0. The language of the final bill was the product of informal discussions between the House and Senate sponsors and committees of jurisdiction during March 1996. On March 28, 1996, the House and Senate passed H.R. 3136, the Contract with America Advancement Act of 1996, which included the CRA. (The CRA was originally subtitle E of title III, but was redesignated as subtitle E of title II in Public Law 104–121.) The President signed the act on March 29, 1996.

d. Hearings and Committee Actions.—None were held.

i. S. 1577, To amend Title 44 United States Code, to authorize appropriations for the National Historical Publications and Records Commission.

a. Report Number and Date.—No House report was filed.

b. Summary of Measure.—S. 1577 reauthorizes appropriations for the National Historical Publications and Records Commission at $10 million annually for Fiscal Years 1998, 1999, 2000, and 2001.

c. Legislative History/Status.—The Committee on Government Reform and Oversight reported out H.R. 3625, the identical companion bill to S. 1577. S. 1577 was reported from the Senate Governmental Affairs Committee on June 19, 1996 (S. Rept. No. 104–283). S. 1577 passed the Senate on July 25, 1996 and was received in the House on July 26, 1996 and held at the desk. Rules were suspended and the measure passed the House on September 27, 1996, and was signed into law by the President on October 9, 1996, to become Public Law 104–274.

d. Hearings and Committee Actions.—None were held.

j. H.R. 2326, Health Care Fraud and Abuse Prevention Act of 1995

a. Report Number and Date.—None.

b. Summary of Measure.—The purpose of H.R. 2326 is to prevent, detect, control and penalize fraud and abuse in the provision of health care. The bill provides for improved coordination and data sharing among Federal, State and local law enforcement agencies and private insurers. It creates a new source of funds comprised of fines, penalties, damages and proceeds from forfeitures collected from those in violation of Federal health care fraud and abuse provisions; such funds to be used by Federal and State law enforcement agencies to supplement regularly appropriated funds. The measure establishes, recognizes and defines health care fraud and abuse as a Federal crime and prescribes penalties for violation thereof. Additionally, the legislation details initiatives to be taken in control of fraud and abuse.

c. Legislative History/Status.—H.R. 2326 was introduced on September 13, 1995, and referred to Government Reform and Oversight, Commerce, and Ways and Means. On October 16, 1995, Title II of H.R. 2326 was offered by Mr. Schiff as an amendment to H.R. 2425 "The Medicare Preservation Act of 1995," while Mr. Shays offered Title III as an amendment to that measure. The Rules Committee found the Schiff Amendment in order and it was incorporated into H.R. 2425. The Shays amendment was not. Following mark-up by Commerce, H.R. 2425, which included Title II of H.R. 2326, was incorporated, as amended, into H.R. 2491, "The Balanced

Budget Act of 1995," which passed the House on November 20, 1995. The bill was then passed by the Senate and subsequently vetoed by the President.

d. Hearings and Committee Actions.—A hearing was held on September 28, 1995, before the Subcommittee on Human Resources and Intergovernmental Relations to consider both H.R. 2326 and H.R. 1850 introduced by Mr. Towns. Testimony was heard from Helen Smits, M.D., Deputy Administrator, Health Care Financing Administration, accompanied by Bill Gould, Special Assistant to the Administrator; Gerald Stern, Special Counsel for Health Care Fraud, Department of Justice; Lovola Burgess, past president, American Association of Retired Persons; William J. Mahon, executive director, National Health Care Anti-Fraud Association; and Thomas A. Schatz, president, Citizens Against Government Waste. Dr. Smits was wholly in favor of the legislation pointing out the benefits in coordination of law enforcement. Mr. Stern also spoke in favor of the bill, but voiced some concerns held by the Department of Justice specifically regarding the proposed authority of the FBI to issue administrative subpoenas. Ms. Burgess, Mr. Mahon, and Mr. Schatz all spoke in support of both bills although the provisions in H.R. 2326 are more far reaching than H.R. 1850. The hearing ended with the panel members being encouraged by the Members to speak to their own Members and urge co-sponsorship of H.R. 2326.

k. H.R. 3078, Federal Agency Anti-Lobbying Act

a. Report Number and Date.—None.

b. Summary of Measure.—The purpose of the bill is to prohibit the expenditure of appropriated funds in an attempt by executive agencies to create public opposition to pending legislation. Such actions clearly violate the provisions of 18 U.S.C. 1913, however the present and previous administrations have interpreted this section narrowly in a fashion that limits all restrictions. As a consequence, this bill expands and clarifies the limitation on using public money for grassroots lobbying designed to affect the legislative process.

This important legislation emanates from a series of investigations conducted by several congressional committees. The Government Reform and Oversight, Transportation and Infrastructure, and Commerce Committees have all identified instances where carefully designed public relations campaigns have appealed for public support without directing citizens to contact their Congressional representatives.

c. Legislative History/Status.—H.R. 3078, The Federal Agency Anti-Lobbying Act was introduced on March 13, 1996 and referred to the Committee on Government Reform and Oversight. On May 15, 1996, a full committee hearing was conducted on the issue.

d. Hearings and Committee Actions.—The Government Reform and Oversight Committee held a hearing on this legislation on May 15, 1996. Testimony was heard from Jonathan Cannon, General Counsel, U.S. Environmental Protection Agency; Joseph B. Dial, commissioner, Commodity Futures Trading Commission; Robert Nordhaus, General Counsel, Department of Energy; J. Davitt McAteer, Acting Solicitor General, Department of Labor; Al Cors, Jr, director of government relations, National Taxpayers Union;

Robert P. Murphy, General Counsel, U.S. General Accounting Office; Louis Fisher, Senior Specialist in American National Government, Congressional Research Service; N. Jerold Cohen, chairman, Section on Taxation, American Bar Association; Hon. Senator Ted Stevens of Alaska; and Hon. Congressman W.J. (Billy) Tauzin of Louisiana.

l. "Proceedings Against John M. Quinn, David Watkins, and Matthew Moore (Pursuant to Title 2, United States Code, Sections 192 and 194," House Report 104–598, May 29, 1996.

a. Summary.—Weeks after the Travel Office firings, President Clinton staved off a congressional inquiry into the controversy by committing to then-House Judiciary Committee Chairman Jack Brooks in a July 13, 1993, letter: ". . . you can be assured that the Attorney General will have the Administration's full cooperation in investigating those matters which the Department wishes to review." In fact, that cooperation was by no means forthcoming from the White House. Not only was this established in the committee's October 24, 1995, hearing (see Part Two I.A.3.b. above), it was the conclusion of the Clinton administration's own Justice Department. In a September 8, 1994, memo to Acting Criminal Division Chief Jack Keeney, Justice's Chief of the Public Integrity Division, Lee Radek, wrote:

> At this point we are not confident that the White House has produced to us all documents in its possession relating to the Thomason allegations . . . the White House's incomplete production greatly concerns us because the integrity of our review is entirely dependent upon securing all relevant documents.

In the course of its investigation, the committee came to share in these concerns. Beginning in the fall of 1995, the Clinton White House repeatedly assured the committee that it had produced all documents relevant to the committee's Travelgate investigation. Despite these assurances, White House documents critical to the investigation continued to surface throughout 1996 until August. White House delays, denials and general obfuscation frustrated the committee's investigative efforts throughout the 104th Congress.

One such document was an undated 9-page memo written by David Watkins—likely drafted in the fall of 1993—in which Watkins cited pressures by First Lady Hillary Rodham Clinton as a major factor in his decision to fire the Travel Office employees. Mr. Watkins wrote that this self-styled "soul cleansing" memo represented his "first attempt to be sure the record is straight, something I have not done in previous conversations with investigators—where I have been as vague and protective as possible."

The White House released this memo to the committee at 8:30 p.m. on January 3, 1996, after it had been released to the press. Though it was responsive to subpoenas and document requests made by several previous investigations, including those of Independent Counsel Fiske, the General Accounting Office and the Justice Department, this document was produced to none of them.

The Watkins memo clearly contradicted repeated assertions by the White House and First Lady Hillary Rodham Clinton that the First Lady had had minimal involvement in the Travel Office firings:

> On Monday morning you [then-White House Chief of Staff McLarty] came to my office and met with me and Patsy Thomasson. At that meeting, you explained that this was on the First Lady's "radar screen." I explained to you that I had decided to terminate the Travel Office employees and you expressed relief that we were finally going to take action (to resolve the situation in conformity with the First Lady's wishes). We both knew there would be hell to pay if, after our failure to take swift and decisive action in conformity with the First Lady's wishes.

Mr. Watkins concluded in this memo:

> [Made] clear that the Travel Office incident was driven by pressures for action originating outside my Office. If I thought I could have resisted those pressures, undertaken more considered action, and remained in the White House, I certainly would have done so. But after the Secret Service incident, it was made clear that I must more forcefully and immediately follow the direction of the First Family. I was convinced that failure to take immediate action in this case would have been directly contrary to the wishes of the First Lady, something that would not have been tolerated in light of the Secret Service incident earlier in the year.

The apparent contradictions between Watkins' previous "vague and protective" responses made to investigators looking into the Travel Office matter and the "soul cleansing" memo led to a criminal referral of the matter to Independent Counsel Starr in early 1996.

In the wake of this memo's production, the committee issued several subpoenas to the White House and current and former White House officials and others to compel the production of all relevant documents previously withheld. Months of negotiations followed the failure of three parties in particular to complete their productions in compliance with their subpoenas: White House Counsel John M. Quinn, David Watkins, and Matthew Moore, whom the committee learned had copies of various drafts of the Watkins memo in his possession.

b. Hearings.—On May 8, 1996, the full committee voted to hold Messrs. Quinn, Watkins and Moore in contempt for their refusals to produce all documents responsive to the committee's subpoenas.

c. Resolution.—The committee, in its May 8, 1996, vote:

> *Resolved,* That pursuant to 2 U.S.C. 192 and 194, the Speaker of the House certify the report of the Committee on Government Reform and Oversight, detailing the refusal of John M. Quinn to produce papers to the Committee on Government Reform and Oversight, to the United States Attorney for the District of Columbia, for him to be proceeded against in the manner and form provided by law; and be it further

Resolved, That pursuant to 2 U.S.C. 192 and 194, the Speaker of the House certify the report of the Committee on Government Reform and Oversight, detailing the refusal of David Watkins to produce papers to the Committee on Government Reform and Oversight, to the United States Attorney for the District of Columbia, for him to be proceeded against in the manner and form provided by law; and be it further

Resolved, That pursuant to 2 U.S.C. 192 and 194, the Speaker of the House certify the report of the Committee on Government Reform and Oversight, detailing the refusal of Matthew Moore to produce papers to the Committee on Government Reform and Oversight, to the United States Attorney for the District of Columbia, for him to be proceeded against in the manner and form provided by law.

d. Follow-up.—Mr. Moore eventually produced the documents subpoenaed to the committee. Mr. Watkins, by now the subject of an Independent Counsel investigation, declined to do so. Nor had White House Counsel Quinn produced the documents required as the May 30, 1996 date for a House vote on the contempt resolution approached.

On May 30, 1996, the day on which the committee's contempt resolution against White House Counsel Quinn was scheduled for a vote on the floor of the House, the White House delivered 1,000 of the 3,000 pages of documents responsive to the committee's subpoenas over which it previously had claimed executive privilege. The White House also provided a privilege log for documents it continued to withhold. As a result, the committee postponed the contempt vote in order to review the materials produced.

A critical document long-withheld from the committee under unjustified claims of executive privilege was turned over in the May 30 production. The committee previously had been unaware of the existence of this document: the White House's December 1993 request of Billy Dale's confidential FBI background file—ostensibly made because Dale was being considered for "Access (S)"—7 months after Dale was fired from the Travel Office. This request was made even as the Justice Department was conducting a criminal investigation of Dale and its discovery led to revelations that the Clinton administration wrongly had requested and received hundreds of confidential FBI background files of former Reagan and Bush administration officials. (See Part Two I.A.3.c. above.)

After further discussion and correspondence, the White House and the committee came to an agreement whereby the White House produced to the committee some 1,400 of the remaining 2,000 pages of documents on August 15, 1996.

B. BUDGET PROCESS

House Rule X(1)(g) (4) and (6) confers upon the Committee on Government Reform and Oversight jurisdiction over, "[b]udget and accounting measures, generally," and "[t]he overall economy, efficiency and management of government operations and activities." As explained in the Statement of Understanding between the Committee on Government Reform and Oversight and the Committee on the Budget, the Committee on Government Reform and Oversight's jurisdiction includes, "process changes in federal rescission

or impoundment authority; measures relating to Executive agency budgeting, including the submission of agency performance reports or plans, or agency regulatory plans, reports or reviews as part of the budget process; measures relating to Executive agency financial management; and process changes leading to the required adoption of a Federal capital budget or joint capital/operating budget which accounts for the fixed assets of the United States." In addition, the committee enjoys jurisdiction over "special funds, accounts or spending set asides created to reduce the deficit."

The Committee on Government Reform and Oversight exercised its budget jurisdiction extensively in the 104th Congress. In addition to leading the campaign to enact the long-awaited line item veto, the committee held hearings on performance-based budgeting, financial and accounting improvements, entitlement spending reductions, regulatory accountability and cost-benefit comparisons, and biennial budgeting proposals.

The committee was extensively involved in the development of the congressional budget resolutions for fiscal years 1996 and 1997, H. Con. Res. 67 and H. Con. Res. 178. Working with the House and Senate Budget Committees, the Senate Committee on Governmental Affairs, and the congressional leadership, the committee developed a plan for mandatory spending reforms within its jurisdiction totaling savings of more than $10 billion through fiscal year 2002. The committee's entitlement spending reduction package included: Members and staff congressional pension reforms to provide parity between the congressional and civil service retirement systems; a continuation of existing the 3 month cost of living increase (COLA) delay for Federal retirees; a 0.5% increase in the contribution Federal employees make to their own individual retirement accounts; a 1.51% increase in the employing agency contribution to the retirement accounts of their Civil Service Retirement System (CSRS) employees; and a repeal of the transitional appropriations currently provided to the U.S. Postal Service. The committee package also included a proposal to reform the McKinney Homeless Assistance Act to permit homeless assistance organizations to obtain preferential access to surplus Federal property. Pursuant to the directions of the congressional budget resolution, the Government Reform and Oversight Committee's reconciliation package was included in H.R. 2491, the Balanced Budget Act of 1995. The bill was vetoed by the President on December 6, 1995. It is the committee's firm intent to pursue similar reforms in the 105th Congress.

The committee also considered legislation to require the President to submit a Congressional Budget Office (CBO) scored balanced budget for fiscal year 1997. The proposal was included in H.J. Res. 134, which was signed into law on Jan. 6, 1996. Public Law 104–94. Further attempts to require the permanent submission of annual balanced budget plans by the President were considered in conjunction with H.R. 4278, the Omnibus Consolidate Appropriations Act of 1997, but were rejected by the Senate.

Finally, the committee considered proposals to provide for a deficit reduction "lock box" account, to set aside savings gained through appropriation bill amendments for the purposes of deficit reduction. The legislation, initially included in H.R. 2127, the FY 1996 Labor, Health and Human Services, and Education appropria-

tions bill, was vetoed by the President. The lockbox proposal was then attached by the House to H.R. 3019, to provide further Omnibus Continuing Appropriations for 1996. While the provision was dropped by the Senate, the committee expects to revisit the measure in the 105th Congress.

C. FEDERAL PROCUREMENT POLICY—AN ERA OF REFORM

Each year the government spends about $200 billion on goods and services, ranging from weapons systems to computer systems to everyday commodities. Studies have shown that the current system has cost too much, involved too much red tape, and ill-served the taxpayer and industry.

In December 1994, a report prepared for the Secretary of Defense found that, on average, the government pays an additional 18 percent on what it buys solely because of requirements it imposes on its contractors. That confirmed the average estimate by major contractors surveyed by the General Accounting Office that the additional costs incurred in selling to the government are about 19 percent. While some of the government's unique requirements certainly have been needed, we clearly are paying an enormous premium for them—billions of dollars annually.

And that has been only part of the government's inflated cost of doing business—for it has included only what is paid to contractors, not the cost of the government's own administrative system. The government's contracting officials have been confronted with a daunting array of mandates of their own, often amounting to step-by-step prescriptions that increase staff and equipment needs. This rigid, rule-based process has left little room for the exercise of business judgement, initiative, and creativity and often has forced the professional staff to assume the role of box-checking robots.

These requirements have been well-intentioned. From the time the Second Continental Congress established a Commissary General in 1775, the procurement system commanded the attention of both public officials and the American public. Unfortunately and all too often, the attention has focused on individual abuses rather than the operations of the system as a whole. In response, Congress and the executive branch have maintained a constant effort to correct wrongs or add particular initiatives. Inevitably, after a while, often-uncoordinated incremental efforts will tilt any system out of balance, until the cost of requirements outweigh benefits. And, over the years, that has become the state of our procurement system—an unbalanced mass of requirements that lead, simply, to too much money for too little product. Mr. Philip K. Howard in an editorial on the government's procurement process in the Wall Street Journal aptly described the state of the current process as follows:

> The rigid procedures designed to prevent squandering of public money, as it turns out, function almost perfectly to guarantee that the money gets squandered.

The committee recognized that it was critical in these times of declining budgets to bring the government's procurement system into balance.

The 103d Congress took a significant step toward establishing a more commercial-like Federal contracting system with the passage of the Federal Acquisition Streamlining Act of 1994 (FASA) (Public Law 103–355). FASA established a preference for commercial items and simplified procedures for contracts under $100,000, as well as addressing a wide spectrum of issues regarding the administrative burden—on all sides—associated with the government's specialized requirements. These ranged from socio-economic laws to the government's oversight tools, which over the years have resulted in major differences between the government and commercial marketplaces.

But FASA went only part of the way, and as important as that effort was, the committee recognized that more needed to be done, particularly in these times of declining budgets, to bring the government's procurement system into balance. In addition to the fundamental legislative reforms made by the Clinger-Cohen Act of 1996 (see Part Two I.A.4.d.), the following issues were initiated/completed by the committee to foster a procurement system which allows industry sellers and government buyers to offer and acquire, respectively, maximum value for the taxpayer.

1. Oversight of the Implementation of the Federal Acquisition Streamlining Act of 1994 (FASA) (Public Law 103–355).

a. Summary.—At the time of its enactment, the Federal Acquisition Streamlining Act of 1994 (FASA) (see House Report 103–884) was considered the most comprehensive procurement reform effort in more than a decade. Yet, the committee recognized that its true impact would not be realized fully until the regulations were written to implement the new law. The committee believed that much of the hard work was left to the executive branch in seeing through the goals and purposes of FASA. The committee expected that the regulation writers would not only execute the letter of the law fully and promptly, but would also carry out the spirit of what Congress intended. This included not just writing and revising regulations pursuant to the new law, but looking at and attacking internal agency regulations and procedures which are contrary to FASA's letter and spirit.

b. Hearings.—On February 21, 1995, the committee met to review the Clinton administration's implementation plan for FASA, begin the process of determining if the regulations will carry out the spirit of what was intended by Congress, and allow industry and other interested parties to comment on the regulatory implementation for the record. The committee received testimony from administration witnesses, Steven Kelman, Administrator for Federal Procurement Policy at the Office of Management and Budget; and Mrs. Colleen Preston, the Deputy Under Secretary of Defense for Acquisition Reform, regarding the progress-to-date on the implementation of FASA. Industry representative submitted written testimony for the record.

Dr. Kelman noted that the "message of reform" was being heard by the administration and that the follow-on rules to FASA were being written on an accelerated schedule. He stated that 4 interim rules had been published, 15 proposed rules were published, and 6 were expected to be released in the near future. Mr. Kelman also

discussed the establishment of Process Action Teams, which were created by both he and Mrs. Preston in order to expedite the regulatory writing process and FASA implementation.

Mrs. Preston focused on the need for further reform so that agencies such as the Department of Defense and others could be "world class customers and suppliers." She emphasized the need for continuing the effort to remove government-unique laws and regulations from the acquisition of commercial products. She also stated that the government must move from a risk adverse system to one which understands and manages risk.

2. Review of the Federal Government's Acquisition Strategy Regarding the Post Federal Telecommunications System 2000 Program (Post-FTS2000).

a. Summary.—Currently the Federal Telecommunications System 2000 (FTS 2000) is the government's long distance telecommunications service. This multi-billion dollar program provides telecommunications services to approximately 1.7 million users across the Federal Government. Through the hard work of the General Services Administration (GSA) and an interagency group of information resources management and telecommunications professionals, the current FTS 2000 program was largely successful in leveraging the emerging competition in long-distance markets to save billions of dollars over GSA's prior Federal Telecommunications Service network. The current FTS 2000 contracts which were awarded in 1988 will expire in December 1998, affording the government great opportunities and challenges as it prepares to transition to a Post-FTS2000 environment.

Clearly, the telecommunications industry has changed significantly since the initial contracts were awarded: the array of available commercial services is broader; the number of service providers has increased; and the availability and nature of the underlying technologies themselves continue to change. The government's appetite for communications services has changed as well, with demand for more advanced data and video services outdistancing growth in basic voice communications services. Therefore, it is imperative that the Post-FTS2000 program embrace a sensible acquisition approach based on commercial practices and maximize the use of commercially-available services to meet agency needs while following an appropriate strategy for managing complex government operations.

Monitoring the development of the next phase procurement for the Federal Government's telecommunications system ensures that the Federal Government receives technically-effective and cost-efficient telecommunications services in a Post FTS2000 environment. It allows the government and the taxpayer to take maximum advantage of the economies associated with increasing competition in the new telecommunications environment and reap the benefits for the best prices and excellent service quality which helps the executive agencies to do their jobs of serving the citizens more efficiently and effectively.

While GSA spent much time with the interagency group and a broad cross-section of industry preparing an acquisition strategy, initial proposals failed to take full advantage of telecommuni-

cations reform along with today's rapidly changing landscape of advancing technologies, new services, and emerging service providers. Through months of working with this committee, GSA ultimately developed a proposal which addressed many of the issues raised by this committee and others and which will enable the government to take full advantage of rapid changes in the telecommunications services environment. GSA is proceeding with this Post-FTS2000 acquisition strategy.

b. Hearings.—On March 21, 1995, the Subcommittee on Government Management, Information, and Technology held a hearing to solicit comment from the General Accounting Office, the long distance carriers, system integrators and the Regional Bell Operating Companies on the initial Post-FTS2000 acquisition strategy developed by the government. The General Accounting Office raised several areas of concern and testified that these concerns must be addressed before proceeding to the next phase of the program. Other witnesses made reference to the strategy as presented and gave comment according to the particular segment of the industry.

3. Review of the Department of Defense's Acquisition of the Defense Information Systems Network (DISN).

The Defense Information Systems Network (DISN) is the Department of Defense's (DOD) worldwide telecommunications infrastructure that provides the end-to-end information transfer network for supporting military operations. DISN must be transparent to its users, facilitate the management of information resources, and be responsive to national security and defense needs under all conditions in the most effective manner. DOD has described its objective as being able to provide military personnel with a secure, seamless, network capable of operating across strategic and tactical communications boundaries. Global interoperability and information warfare-protection are two of DISN's key features to deliver protected voice, video, data, and imagery services.

Since DISN will be the information transport vehicle for the next century, its acquisition strategy was designed to introduce new cost-effective technology, including space-based capabilities, on a global basis over the life of the system. This strategy will allow DOD to manage DISN services while maintaining a balance in three areas: exploitation of leading-edge technology opportunities, consolidation of geographically disparate network, and operation within fiscal constraints.

Given the importance of consolidating and modernizing defense telecommunications capabilities to meet the emerging national security challenges facing the Nation, the committee along with the Committee on National Security, was active in urging DOD to move forward without delay on the DISN program. The committees recognized that a multitude of providers now compete to offer an increasingly broad array of commercially-available telecommunications services and that competition continues to drive the development and deployment of advances in the underlying technologies used to deliver enhanced performance and new capabilities. Therefore, in letters and through a series of meetings, the committees urged DOD to transition to DISN on schedule in order to ensure

the availability of state-of-the-art telecommunications to meet the Nation's defense needs.

To date, DOD is proceeding and has awarded the contracts for global support services (valued at $2 billion) and switching services for the continental United States (valued at $400 million). It is expected that in the early part of 1997, DOD will award the contracts for transmission services for the continental United States (valued at $5 billion) and global video services (valued at $125 million).

4. Review of the General Services Administration's (GSA) Management of the Multiple Award Schedule (MAS) Program.

The Multiple Award Schedule (MAS) Program is the primary and simplified method to enable Federal agencies purchase relatively small quantities of commercially-available, common use, off-the-shelf items and services while securing the benefits of the Federal Government's aggregate purchasing volume. The General Services Administration (GSA) awards contracts to multiple suppliers of similar items. Federal agencies order products and services through the MAS Program at prenegotiated prices commensurate with the vendors' commercial discounts granted for comparable purchase volumes, given terms and conditions, and pay vendors directly for their purchases. There are 121 schedules which generate an annual market of $5–7 billion. The MAS program includes 4,000–5,000 contractors, two-thirds of which are small businesses.

The efficiency and effectiveness of the MAS Program has been debated since its inception. After many studies by GAO, reviews by Congress, and input from industry, GSA made many significant changes to the MAS Program. These changes will allow the MAS Program to meet a broader range of customer requirements at a time when agencies are looking for easy to use, low cost procurement solutions. Among these were: eliminating the contract-wide price reduction clause, changing the price reduction clause to enable contractors to offer reduced prices to Federal agencies on a spot basis; and removing the "maximum order limitation" to permit agencies to place large-scale orders through the schedule program. The committee supported and urged changes like these to increase the use of the MAS program as a governmentwide vehicle for the acquisition of commercial products and services.

However, GSA also proposed to established some rules which would permit post-award audits of commercial products under the MAS program. The committee, along with the Committee on National Security, concluded that this would be inappropriate and contrary to the intent of the Clinger-Cohen Act. The committees believed that, when Congress repealed the authority of Federal agencies to perform post-award audits of suppliers of commercial items in the Clinger-Cohen Act, Congress clearly did not intend Federal agencies to subsequently determine though agency supplements to the Federal Acquisition Regulation whether and to what extent post award audit access is appropriate on commercial item contracts. The committees' opposition to the proposed rule was communicated to the Office of Management and Budget through letters and meetings. A final rule on this issue is pending at GSA.

5. Oversight of Reform of the Acquisition System of the Federal Aviation Administration (FAA).

As a result of the steady growth in air traffic operations and the failures of aging equipment in the air traffic control system, the Federal Aviation Administration's (FAA) timely acquisition of new equipment became increasingly critical for aviation safety and efficiency. However, the procurement system at FAA had many problems which raised questions about the agency's ability to field new equipment within cost, schedule, and performance parameters.

Thus, the reform of FAA's procurement system became the focus of much debate. The FAA claimed it was choking from the mandated governmentwide procurement laws and argued that its failures in its procurements of high technology equipment could be solved if only it could break clear of the Federal procurement system. Some Members of Congress disagreed and believed that FAA's failures in the past were due to its own management problems and were not due to Federal procurement laws.

Nonetheless, the Department of Transportation Appropriations Act for Fiscal Year 1996 (Public Law 104–50) included language which gave FAA the authority to establish a completely new acquisition management system. The law exempted the FAA from virtually all Federal procurement laws and regulations. Prior to putting in place its new system by the April 1, 1996 effective date, FAA met with the committee and briefed the committee on its activities. Review of the new acquisition management system continues.

In addition, H.R. 2276 which established FAA as an independent agency exempted FAA from the same laws and regulations as did Public Law 104–50. While H.R. 2276 was passed by the House on March 12, 1996, it was never considered by the Senate. However, during consideration of H.R. 2276 in the House, the committee expressed its support for fundamental government reforms generally and FAA procurement reform specifically.

D. GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993 (GPRA)

On March 6, 1996, the Senate Governmental Affairs Committee joined the committee in holding an informational hearing on the purpose and foundation for the Government Performance and Results Act of 1993 (Public Law 103–62). The purpose of the hearing was to explore the foundations of the act and draw parallels between previous experiments with performance measurement in foreign governments and at the State and municipal level and its application at the Federal level.

The hearing consisted of two panels. The first witness was Comptroller General of the General Accounting Office, Charles Bowsher. Mr. Bowsher gave testimony on the Government Performance and Results Act, its purpose and provisions. He also emphasized the importance of continued Congressional involvement to the long-term success of the act. Noting that consultation with Congress is mandated by the statute, the Comptroller General stressed that the act could become a meaningless management exercise unless the information prepared by agencies is a decisionmaking tool for

members and committees. Mr. Bowsher took numerous questions from the Members of the House and Senate.

The second panel began with testimony from Dr. Donald F. Kettl, senior fellow of the Brookings Institution and professor of Public Policy and Political Science at the University of Madison as Wisconsin. Dr. Kettl advised the committees that due to the current fiscal constraints, government needs to increase productivity in order to meet current service needs. One promising way to meet increased demands with reduced, stable on only slowly increasing resources is through managing for performance. This technique has a very long time-horizon, however, and the Federal Government is at least a decade behind New Zealand, Australia and Great Britain, which have been experimenting with performance measurement and management. Reports from overseas indicate that those governments are still working with great diligence to master this extremely complex task. Finally the committees heard from the Commonwealth of Virginia, the city of Phoenix, AZ and the government of Australia each of which has been measuring government performance as a means to increase government efficiency and citizen satisfaction with government services.

The hearing was intended to be the first of three hearings on GPRA. Two additional hearings were to have reviewed the status of GPRA pilot projects and departmental progress in implementing the act. The sequence of events involving the FBI files scandal preempted the committees' planned follow-on hearings.

II. Investigations

A. INVESTIGATIONS RESULTING IN FORMAL REPORTS

GOVERNMENT REFORM AND OVERSIGHT COMMITTEE

Hon. William F. Clinger, Jr., *Chairman*

1. "A Citizen's Guide on Using the Freedom of Information Act and the Privacy Act of 1974 To Request Government Records," House Report No. 104–156, June 22, 1995, First Report by the Committee on Government Reform and Oversight.

a. Summary.—The Freedom of Information Act (FOIA), enacted in 1966, presumes those records of the executive branch of the U.S. Government are accessible to the public. The Privacy Act of 1974 is a companion to FOIA and regulates Government agency record-keeping and disclosure practices. The Freedom of Information Act provides that citizens have access to Federal Government files with certain restrictions. The Privacy Act provides certain safeguards for individuals against an invasion of privacy by Federal agencies and permits them to see most records pertaining to them maintained by the Federal Government.

A Citizen's Guide on Using the Freedom of Information Act and Privacy Act of 1974 To Request Government Records, House Report 104–156, dated June 22, 1995, and issued by the House Committee on Government Reform and Oversight, explains how to use the two laws and serves as a guide to obtaining information from Federal agencies. The complete texts of the Freedom of Information Act, as amended (5 U.S.C. 552), and the Privacy Act, as amended (5 U.S.C. 552a), are reprinted in the committee report.

b. Benefits.—Federal agencies use the Citizen's Guide in training programs for government employees who are responsible for administering the Freedom of Information Act and the Privacy Act of 1974. The Guide enables those who are unfamiliar with the laws to understand the process and to make requests. In addition, the complete text of each law is included in an appendix. The Government Printing Office and Federal agencies subject to the Freedom of Information Act and the Privacy Act of 1974, distribute this report widely. The availability of these acts to all Americans allows executive branch information to be widely available.

c. Hearings.—None.

2. "Creating a 21st Century Government," House Report No. 104–434, December 21, 1994, Second Report by the Committee on Government Reform and Oversight, Together With Additional Views.

a. Summary.—The purpose of the Government Reform and Oversight Committee field hearings on "Creating a 21st Century Gov-

ernment" was to learn from the American public, State and local government officials and the private sector their suggestions and experiences on creating innovative, streamlined, and cost effective organizations. The committee intends that Congress learns from and adopt some of these successful strategies in an effort to restructure the executive branch and better meet the needs of Americans today and in the 21st century.

In its effort to hear from people outside Washington, DC, the committee invited witnesses from State and local government, the private sector, and the American public to testify or participate in an open forum in which members could hear their experiences and ideas with regard to organizational downsizing. Members of the committee traveled to Parma Heights, OH; Upper Montclair, NJ; Federal Way, WA; Long Beach, CA; Albuquerque, NM; and Charlotte, NC. Each one of these cities has recently challenged inefficient government by revitalizing its main functions in order to survive, compete, prosper and provide for the needs of its citizens. Identifying what has worked, what has hindered their reorganization efforts and how best to implement a plan will aid congressional initiatives to revitalize government at the Federal level.

State and local government witnesses, business representatives, and the public all advocate looking at each Federal department and agency to determine which of the functions it provides are vital to the service delivery needs of Americans and which can be better carried out by State or local governments or the private sector. The widely shared view was that the Federal Government is not meeting the needs of it customers, the American public, and is less effective, less efficient and more costly than it should be. It must be fixed.

b. Benefits.—As a result of the nationwide field hearing series and consultation with experts in the private and public sectors, the committee was successful in identifying strategies and principles used by corporate, State and local government organizations in restructuring their entities, and learning how their most successful and creative ideas might be applied to the Federal Government. We now have a better understanding of what States and local governments expect from the Federal Government, what private business expects from the Federal Government, and most importantly the American public's thoughts and ideas for a more responsive Federal Government designed to meet their needs.

Six fundamental points, or practices, were raised at all six field hearings, each to promote the efficiency, effectiveness, high quality and low cost of service delivery. The first three of these common reorganization principles in particular affect the culture of an organization, while the other three are more practical in application. The committee found—

(1) *Clear missions* and a solid organization mission statement are necessary for establishing priorities and goals and maintaining focus on established objectives.

(2) Open and honest *communication* with employees about each step of the reorganization process is vital to maintaining employee morale, as is affording employees an opportunity to convey their views on downsizing and reorganization.

(3) *Innovative management techniques* are enabling States, localities and businesses to empower employees and to strip layers of bureaucratic management in favor of more streamlined structures. The result has been more efficient, more responsive organizations with high morale and greater productivity.

(4) *Privatization* is clearly one of the most advocated means of taking government out of functions which are not inherently governmental and which can be performed more efficiently and cost-effectively by the private sector.

(5) *Competitive bidding* will improve service while saving money. The government should be forced to compete with private business for effective, efficient service delivery.

(6) The Federal Government must replace old and outdated computer systems with *advanced technology* that allows for open communication both internally and with the public. Using such technology will facilitate "one-stop shopping" and other innovations in service delivery.

The committee made the following recommendations as a result of its oversight findings:

(1) *Establish a citizens commission on 21st century government.*

(2) *Identify and remove statutory and regulatory barriers to reorganization and innovation.*

(3) *Increase privatization and competitive bidding.*

(4) *Enlist the aid of the private sector in reorganization and innovation efforts.*

(5) *Restore responsibilities to the States and local governments without imposing unfunded mandates.*

(6) *Establish, communicate and adhere to a clear mission for Federal agencies.*

(7) *Maintain open lines of communication with agency employees.*

(8) *Promote innovation by managers and employees.*

(9) *Use technology to improve service and increase efficiency.*

The committee intends that Congress learn from and adopt some of these successful strategies and recommendations in an effort to restructure the executive branch to better meet the needs of Americans today and in the 21st century.

c. Hearings.—Members of the committee began the "Creating a 21st Century Government" field hearing series on July 14, 1995, in Parma Heights, OH, and continued the series in Upper Montclair, NJ, on September 9, 1995. The committee's following three hearings were held over Columbus Day weekend traveling to Federal Way, WA, on October 6, 1995; Long Beach, CA, on October 7, 1995; and Albuquerque, NM; on October 9, 1995. The final hearing in the series was held on October 20, 1995, in Charlotte, NC.

3. "Laws Related to Federal Financial Management as Amended Through December 31, 1995," House Report No. 104–745, August 2, 1996, Ninth Report by the Committee on Government Reform and Oversight.

a. Summary.—This report outlines the laws and procedure related to Federal financial management. Included in the report are sec-

tions related to *money and finance* (Title 31, U.S.C.); *general provisions* (Title 1, U.S.C.); *the Congress* (Title 2, U.S.C.); *government organization and employees* (Title 5, U.S.C.); *commerce and trade* (Title 15, U.S.C.); *Postal Service* (Title 39, U.S.C.); *public buildings, property, and works* (Title 40, U.S.C.); *public contracts* (Title 41, U.S.C.); and *public printing and documents* (Title 44, U.S.C.). Also included in the report are the *Debt Collection and Improvement Act* of 1996, the *Single Audit Act* amendments of 1996 and other major laws on financial management.

b. Benefits.—The Committee on Government Reform and Oversight believes that effective financial management is critically important in making worthwhile decisions on the use of public resources in support of the well-being and security of the American taxpayer. This report helps fulfill the committee's oversight responsibility and serves as a valuable reference guide in assisting Congress, Federal entities, and all others interested in good stewardship of Federal resources.

c. Hearings.—None were held on this measure.

4. "Sampling and Statistical Adjustment in the Decennial Census: Fundamental Flaws," House Report No. 104–821, September 24, 1996, Fourteenth Report by the Committee on Government Reform and Oversight, Together with Additional and Dissenting Views.

a. Summary.—Since 1994, the Subcommittee on National Security, International Affairs, and Criminal Justice and the full committee have been conducting an investigation into the planning and preparation for the 2000 Decennial Census. Based on this study and one subcommittee hearing and two full committee hearings, the committee adopted its fourteenth report to the 104th Congress on September 24, 1996.

The Decennial Census is mandated by the Constitution in order to apportion the Congress. Census data are used by every State for congressional and State redistricting. They are also used to enforce the Voting Rights Act. Numerous Federal and State programs, distributing billions of dollars each year, use Decennial Census data, or the intercensal estimates derived therefrom, for their implementation.

In 1995, the committee learned that the Census Bureau was seriously considering dramatic changes to its approach in taking the Decennial Census of the population. On February 28, 1996, the U.S. Department of Commerce and the Bureau of the Census publicly announced their formal plans for a "re-engineered 2000 Census." The plans call for the use of statistical methods in two separate instances: (1) to sample and estimate the final 10 percent of the population failing to respond in the actual enumeration ("sampling"), and (2) to use a separate sample of houses to estimate those persons missed in the actual enumeration and the sample for non-response and revise it accordingly ("adjustment").

Statistical techniques have been used by the Census Bureau to assess the accuracy of census counts since 1950, but have never been used to "complete" and/or "correct" the original number for use in apportioning Congress.

After the Secretary of Commerce decided in July 1991 not to make a statistical adjustment to the 1990 Census, over 50 lawsuits erupted, culminating in the 1995 case considered by the Supreme Court, *United States* v. *City of New York.* The Court's decision, handed down in March 1996, upheld the Secretary's decision not to adjust the 1990 census.

The report finds that the problems that surrounded the issue of statistical adjustment in the 1990 Census also plague the plans for the 2000 Census. This is compounded by the plans to incorporate sampling to complete the actual enumeration. Specific findings include:

1. Sampling/statistical adjustment are inherently problematic given the subjectivity in the various decisions comprising the methodology.
2. The legal provisions that concern the use of sampling for apportionment purposes, both in the Constitution and in Federal law, are variously interpreted.
3. The inherent uncertainties of sampling/statistical adjustment may undermine public confidence in the Decennial Census and reduce public participation.
4. The sampling method for nonresponse follow-up introduces additional error into the process and may compromise the accuracy of small-area data which are important for congressional and State legislative redistricting.
5. The complexity of the two different sampling techniques being planned for the 2000 Census adds a great deal of risk to the operational feasibility of the Bureau's current approach.

Based on the committee's findings, the committee made the following recommendations:

1. Congress should work to clarify existing Federal statutes with regard to the use of sampling to make statistical adjustments to the census for apportionment purposes.
2. The Bureau should not use sampling methods to complete or adjust the actual enumeration of the 2000 Census which is constitutionally mandated for purposes of apportionment.
3. The Department of Commerce and the Bureau of the Census should prioritize the constitutional mandate of the Decennial Census—apportionment of the House of Representatives.
4. The Bureau should emphasize and strengthen its cooperative relationships with State and local elected officials, as well as members of local organizations, who are vital in helping increase response rates to the Decennial Census.
5. The Bureau should strengthen its plans for a thorough quality check of the 2000 Census and maintain open access to all processes for internal and external review and analysis.

b. Benefits.—The report sets aside political considerations regarding the winners and losers in an adjustment situation and addresses the problems with sampling and adjustment on their technical merits. In laying important groundwork regarding the technical problems with sampling and statistical adjustment in the Decennial Census, the report could provide the necessary basis and justification for taking legislative action in future Congresses. The report also represents an important marker in Federal legislative history regarding the issues of sampling and statistical adjustment.

c. Hearings.—On October 25, 1995, Congressman William H. Zeliff, Jr., chairman of the Subcommittee on National Security, International Affairs, and Criminal Justice, held an oversight hearing entitled, "Oversight of the Census Bureau: Preparation for the 2000 Census" to examine testimony from Census Bureau officials regarding their plans for conducting the 2000 Decennial Census. Witnesses included Dr. Martha Riche (Director, Bureau of the Census, U.S. Department of Commerce), Francis DeGeorge (Inspector General, U.S. Department of Commerce), and Nye Stevens (Director of Federal Management and Workforce Issues, U.S. General Accounting Office). At the hearing, the Bureau announced a number of new initiatives, including the use of statistical sampling to complete the actual enumeration.

On February 29, 1996, the Committee on Government Reform and Oversight held a hearing "Census 2000: Putting Our Money Where It Counts" to gather testimony from Members of Congress and outside experts regarding the Bureau's new methodology. Witnesses included Senator Herb Kohl (D–WI), Congressman Thomas Sawyer (D–OH), Congressman Thomas Petri (R–WI), Bruce Chapman (president, Discovery Institute, Seattle, WA), Dr. Barbara Bailar (vice president, Survey Research, National Opinion Research Center), Dr. Steve Murdock (director, Department of Rural Sociology, Texas A&M University), Dr. Kenneth Wachter (professor of statistics and demography, University of California at Berkeley), Dr. Charles Schultze (senior fellow, the Brookings Institution, and Dr. James Trussell (director, Office of Population Research, Princeton University).

On June 6, 1996, the Committee on Government Reform and Oversight held another hearing, "Census 2000: The Challenge of the Count" to air questions and concerns about statistical methods planned for the Census 2000. The witnesses were Dr. Everett Ehrlich (Undersecretary of Commerce for Economic Affairs, U.S. Department of Commerce), and Dr. Martha Riche (Director, Bureau of the Census, U.S. Department of Commerce). Congressman Thomas Petri delivered a brief statement on his bill, H.R. 3589, to prohibit the use of sampling in the 2000 Census. However, he did not receive questioning by members of the committee.

5. "Investigation of the White House Travel Office Firings and Related Matters," House Report No. 104–849, September 26, 1996, Fifteenth Report by the Committee on Government Reform and Oversight, Together with Minority and Additional Views.

a. Summary.—On May 19, 1993, the Clinton administration fired seven long-time employees of the White House Travel Office and ordered them to depart the White House premises in 2 hours. Then-White House press secretary Dee Dee Myers simultaneously—and inappropriately—announced a criminal investigation of the Travel Office by the FBI. The Clinton administration replaced the Travel Office employees with employees of World Wide Travel, the Clinton/Gore '92 campaign travel agency. World Wide Travel departed the White House Travel Office within 2 days as a firestorm of press and public criticism over the firings engulfed the

White House. World Wide was replaced by a combination of government workers and American Express personnel.

Various aspects of the Travel Office matter were investigated by the White House, the Justice Department Office of Professional Responsibility and Public Integrity Division, the FBI, the General Accounting Office and the Internal Revenue Service. Individually and collectively, the resulting reports raised more questions than they answered. For example, in an October 7, 1994, letter to then-Chairman Conyers of the Government Operations Committee, Ranking Minority Member William F. Clinger, Jr., and 16 other House Members requested hearings into the Travel Office matter. This request was accompanied by a 71-page minority analysis of contradictions arising from or issues unaddressed by any of the previous reports. In response to this report, then-Chairman Conyers wrote then-Ranking Minority Member Clinger, "You have raised serious questions about GAO's report to Congress" and asked that GAO provide "a detailed response" to those issues.

When Independent Counsel Fiske concluded in July 1994 that the Travel Office matter had been a major factor in the late Vince Foster's suicidal depression, it became all the more important to have a full understanding of what transpired at the White House Travel Office. Prior to Mr. Fiske's report, little was known of Foster's role in the Travel Office firings. In fact, the committee later learned that the White House had withheld Foster's Travel Office notebook from previous Travel Office investigations.

Soon after becoming chairman of the reconstituted Government Reform and Oversight Committee, Mr. Clinger announced that the committee would investigate the Travel Office matter.

b. Benefits.—The committee resolved upon the following findings and recommendations.

FINDINGS

1.) Plans to fire the White House Travel Office employees and replace them with campaign personnel were in place from the earliest days of the Clinton administration;

2.) Harry Thomason, who had a financial stake in the travel business, instigated the firings. Mr. Thomason's personal and financial interests in the Travel Office made it clearly inappropriate for him to have any involvement in the matter;

3.) President Clinton approved Harry Thomason's "Image Project" at the White House, giving Thomason an "Official Status" which facilitated Thomason's efforts to obtain lucrative government contracts;

4.) Harry Thomason abused his official status and White House access at a time when he had a financial stake in the travel business. Mr. Thomason's activities at the White House made him a special government employee to whom conflict of interest laws applied;

5.) The White House Communications Office, in conjunction with the White House Counsel's Office, publicly accused the Travel Office employees of criminal conduct and misused and manipulated the FBI to further their political agenda;

6.) President Clinton inappropriately allowed his cousin Catherine Cornelius to remain in a position where she had a clear con-

flict of interest. Cornelius pursued an investigation of employees of an office in which she coveted the top job and for which she planned a reorganization;

7.) Mrs. Clinton, acting on Harry Thomason's baseless allegations of wrongdoing against the Travel Office employees, exerted pressure on senior White House staff to fire the Travel Office employees;

8.) Associate White House Counsel Bill Kennedy misused the FBI by repeatedly invoking concerns at the "Highest Levels" of the White House in meetings with the FBI;

9.) White House officials covered-up the real reasons for the Travel Office firings. The firings were not based on the Peat Marwick review but rather were decided before Peat Marwick examiners ever set foot inside the White House;

10.) The White House misrepresented the Peat Marwick review. It was neither an audit nor independent and was directed by a White House which did not want an audit to be conducted;

11.) The FBI allowed the White House to control its investigation;

12.) The FBI mishandled the Travel Office investigation from the beginning, allowing the White House to control the investigation. The FBI did not adequately secure Travel Office records in a timely fashion;

13.) The White House engaged in a conspiracy of silence of the true story behind the firings from the very beginning for damage control purposes;

14.) President Clinton established a cover-up situation when he inappropriately placed Mack McLarty, the person who had approved the Travel Office firings, in charge of the White House Management Review. McLarty withheld information during the course of the investigation. It is inappropriate for the White House to investigate itself in conflict-of-interest matters;

15.) The internal White House Management Review was a catalog of "mistakes and deception" which omitted incriminating information about the President, Mrs. Clinton and Harry Thomason. The White House chose to cover-up incriminating information for political expediency;

16.) The White House Management Review reprimanded people who were only following orders of the real instigators of the Travel Office firings;

17.) The White House's obstruction of the review of Vince Foster's documents was due in part to concerns about Travelgate documents in Foster's custody;

18.) Mrs. Clinton instructed White House staff on the handling of Foster documents and the Foster note found on July 26, 1993, and senior White House staff covered up this information and withheld it from investigators;

19.) The Justice Department deferred to the White House during its investigations of the White House Travel Office and Harry Thomason. The Justice Department ignored the obstructive behavior exhibited by the Counsel's Office;

20.) White House officials engaged in a pattern of delay, deceit and obstruction over the course of 3 years of investigations into the Travel Office and matters related to Vince Foster's death;

21.) David Watkins' "soul cleansing" memo account of the Travel Office is substantially corroborated by numerous records and witness testimony; and

22.) President Clinton has engaged in an unprecedented misuse of the executive power, abuse of executive privilege and obstruction of numerous investigations into the Travel Office.

RECOMMENDATIONS

The committee recommends that:

1.) The "special government employee" provisions of the United States Code should be reformed to prevent its requirements from being ignored;

2.) The Executive Office of the President should establish financial and internal review controls consistent with the requirements of the Chief Financial Officers Act and the Inspector General Act, including the development of annual, audited financial statements of all business activities and the establishment of an internal review system;

3.) The Presidential Records Act and the Federal Records Act should be amended to provide for jurisdiction of Federal courts to ensure that Government records are not unlawfully destroyed, but are managed and preserved as required by law;

4.) The Office of Counsel to the President should return to its traditional mission of providing traditional legal counsel to the President and his immediate staff;

5.) Congress should consider the feasibility of prohibiting the Executive Office of the President from procuring goods and services through its own procurement operations and requiring the Executive Office of the President, where possible, to procure using existing contracts of other agencies, such as the General Service Administration's Federal Supply Schedules; and

6.) Only individuals of the highest quality and ethics should be employed by and volunteer services to the Government.

c. Hearings.—The committee held three hearings on the White House Travel Office matter:

1.) October 24, 1995. Testifying before the committee were representatives of the organizations which had prepared various White House Travel Office reports: Mr. John Podesta (White House Management Review); Ms. Nancy Kingsbury (GAO's White House Travel Office Operations); Mr. Michael Shaheen (Department of Justice Office of Professional Responsibility Report); Inspector Ivian C. Smith (FBI Report) and Chief Inspector Gary Bell (IRS Report). The committee learned in the course of this hearing that the scopes of all five investigations were limited and that the White House Management Review, GAO and OPR Reports in particular were denied access to witnesses and even knowledge of critical documents subsequently obtained by the committee. As a result, none of the previous investigations could claim to have fully accounted for the actions leading up to and following the White House Travel Office firings.

2.) January 17, 1996. Testifying before the committee was former White House Director of Management and Administration David Watkins. Mr. Watkins testified about his own undated "soul cleansing" memo, first released by the White House to the committee in

early January 1996. In this memo, which had not been made available to any of the previous Travel Office investigations, Watkins wrote that he had fired the Travel Office employees in the wake of pressure by First Lady Hillary Rodham Clinton. Mr. Watkins stood by that characterization during his testimony before the committee. This appeared to contradict Watkins' previous statements to GAO and other investigators as well as Mrs. Clinton's own assertions that she played no role in the firings. Subsequently, these contradictions led to a criminal referral of Watkins to Independent Counsel Starr.

3.) January 24, 1996. Testifying before the committee were: former White House Travel Office Director Billy Dale and Deputy Director Gary Wright, as well as Travel Office staffers Barney Brasseux, John Dreylinger, Ralph Maughan, John McSweeney and Bob Van Eimeren. The fired Travel Office employees addressed such issues as their work in the Travel Office and management of it, and the circumstances surrounding their firings and subsequent investigations and audits—or threats of same—by the FBI and IRS. Mr. Dale in particular addressed his 30-month investigation by the Department of Justice, his indictment and trial on two charges, and his acquittal by a jury of his peers in only 2 hours. Mr. Dale also strongly challenged allegations of mismanagement in the White House Travel Office and testified to the disappearance of records which he claimed would have exonerated him. Those records disappeared during the period immediately preceding the firings when Clinton administration staffer Catherine Cornelius was removing documents from the office and taking them home. The FBI did not make any effort to secure the Travel Office records until 3 weeks after the firings and 3 weeks after its criminal investigation of the Travel Office had begun.

In the wake of these three hearings and the continued withholding of documents by the White House, it became clear that the Travel Office investigation could not proceed without the ability to depose witnesses under oath. As a result, on March 7, 1996, the House of Representatives approved H. Res. 369, providing special authority to the Committee on Government Reform and Oversight to obtain testimony for purposes of investigation and study of the White House Travel Office matter. The Resolution was limited to provide deposition authority to the Committee on Government Reform and Oversight only for its investigation of the Travel Office matter. Committee investigative staff deposed more than 70 witnesses under this authority in the course of the Travel Office and related FBI background files investigations.

6. "Federal Government Management: Examining Government Performance As We Near the Next Century," House Report No. 104–861, September 28, 1996, Eighteenth Report by the Committee on Government Reform and Oversight, Together with Additional and Minority Views.

a. Summary.—In mid-1996 the committee undertook to prepare a report that would update information available on the status of overall government management, both in terms of cross-cutting and governmentwide areas of management and in specific programs. The report dispassionately examined mismanagement,

waste, fraud and abuse in Federal departments and programs. What we found was truly alarming. The report focussed on actual management and accomplishments, or lack thereof, rather than on policy. By no means, however, should it be considered comprehensive. Serious management deficiencies of the executive branch of Government are too numerous to inventory in a single report. Only some of the more obvious problems facing the cabinet departments and several independent agencies were reviewed.

Some of the problems reviewed were unique to their departments, such as the failure of the Department of Labor to focus sufficient management resources on eliminating organized crime in labor unions, or the rising delinquency rates in agricultural loans managed by the U.S. Department of Agriculture. Other problems, such as mismanagement of contracts, abuses of the personnel system and failure to collect debts owed the Federal Government can be found in almost all departments and agencies.

The report was initiated to raise the visibility of weak management practices, the lack of oversight and inconsistency in evaluating the effects of agency actions in the Federal Government. It briefly reviewed the administration's highly publicized National Performance Review (NPR), which was developed to make government "work better, and cost less." The NPR is clearly a laudable initiative, but to date, has produced few concrete results.

On the positive side, the 104th Congress enacted legislation that, if implemented effectively, should make specific improvements in problem areas of the Federal sector. For example, comprehensive procurement reform, the Unfunded Mandates Reform Act, and the Line Item Veto are a but a few of the refreshing management improvements enacted during the past 2 years.

The report concluded that public perceptions of pervasive waste, fraud and mismanagement in the Federal Government are, unfortunately, accurate. Other alarming developments in the Federal Government which demonstrate the need for greater accountability include the expansion of the General Accounting Office's (GAO's) "High Risk" list of Federal program areas. That catalog of government hot spots grew from 14 in 1990 to 20 today—a net increase of six areas.

Of the "Twelve Worst Examples of Government Waste" outlined for priority attention for this administration by a 1992 House Committee on Government Operations majority report, 11 are the same or worse now. Some, like the failure of the Internal Revenue Service and the Department of Justice to collect outstanding debt and the growth of health care fraud and abuse are much worse now. Taken individually, these items are cause for concern; taken in the aggregate, they are cause for alarm and an indication that leadership, both at the various agencies and at the helm of Government is lacking. With some exceptions, key appointees apparently do not understand or care to learn about effective management of their programs. Bureaucrats cannot operate programs in the absence of strong guidance and oversight at the highest levels of their organizations.

Poor financial management, wasteful procurement and inventory practices, sloppy contract management, personnel abuses and manipulation of personnel rules, silly or even harmful regulations are

among the consequences of bad management. Acts such as the Chief Financial Officers Act and the Government Performance and Results Act were passed by Congress in frustration over managerial anarchy and program disaggregation. These acts are being implemented, and Congress is overseeing their implementation, in an effort to counter the tendency of management and budget to separate at the Federal level, and of management to receive less and less attention over time. As this report amply demonstrated, the Office of Management and Budget exacerbated that problem by merging its management and budget functions. Budget Officers at OMB have now also been made responsible for management oversight.

The report's quick review of fraud, abuse and mismanagement uncovered $350 billion in easy savings that could be achieved if greater resources were devoted to good management practices. Hundreds of billions more will be wasted in the near term on cost over runs, programs delays, delinquent payments, loans, grants and unfulfilled contracts. Additional costs for the Department of Energy's nuclear waste cleanup alone is estimated to cost as much as $350 billion.

Although the report is critical of the executive branch of Government, it is not intended as an indictment of dedicated career civil servants, including managers, who are functioning in an increasingly complex and sometimes inflexible environment. The committee recognized that Federal employees are operating under greater, rather than fewer, constraints. It was and is the committee's intent that the report serve as a stimulus to discussion, an inducement to action and result in positive reforms in Federal management, efficiency and productivity.

b. Benefits.—The rules of the House of Representatives give jurisdiction over general government management and efficiency to the Committee on Government Reform and Oversight. In accordance with that responsibility, the predecessor to this committee produced an overview of government management in 1992. This report, entitled "Federal Government Management: Examining Government Performance As We Near the Next Century," continued the committee's tradition in reporting on comprehensive government program efficiency and cost-effectiveness. It is essentially a report card on the management practices of the first Clinton administration and also reviews the Vice President's National Performance Review (NPR), which was intended to improve government efficiency and morale.

c. Hearings.—None were held.

7. "Investigation into the White House and Department of Justice on Security of FBI Background Investigation Files," [Interim Report], House Report No. 104–862, September 28, 1996, Nineteenth Report by the Committee on Government Reform and Oversight, Together with Additional Views.

a. Summary.—On May 30, 1996, in the course of its Travel Office investigation, the committee discovered a December 20, 1993, White House request of Billy Dale's confidential FBI background file from the FBI Liaison Office. Even though it was dated 7 months after Dale's firing, the form indicated that the White House

was requesting Dale's confidential FBI file because it was considering him for "Access (S)." The Dale FBI background file request was found in a production of 1,000 pages of documents over which the White House previously had claimed executive privilege. Chairman Clinger immediately called on the White House and the FBI to explain why the Dale file had been requested by and provided to the White House at a time when the Justice Department was undertaking a criminal investigation of Mr. Dale.

On June 5, 1996, the White House claimed the Dale request was made mistakenly by an unnamed file clerk. On June 6, it claimed that the General Accounting Office had requested the Dale FBI background file. The GAO denied this immediately. By June 7, 1996, the White House acknowledged obtaining some 338 FBI files of former White House employees, but alleged that they never were read. Then Anthony Marceca, a former detailee hand-picked by White House Office of Personnel Security Director Craig Livingstone, contradicted the White House when he told Livingstone's attorney that he in fact read all the files and passed derogatory information on to Livingstone.

The White House admitted obtaining an additional 71 improperly sought FBI background files by June 14, 1996, as FBI Director Louis J. Freeh released an FBI report indicating that 408 files were provided to the White House "without justification" and were "egregious violations of privacy." Director Freeh added, "The prior system of providing files to the White House relied on good faith and honor. Unfortunately, the FBI and I were victimized. I promise the American people that it will not happen again on my watch."

Also on June 14, 1996, Livingstone admitted to problems of his own background in a sworn deposition before the committee. These included problems with his employment history and the use of illegal drugs and gave added impetus to the still-unanswered question, "Who hired Craig Livingstone?" On June 15, 1996, the White House delivered a document production to the committee which included letters from former Associate White House Counsel William H. Kennedy, III, to then-Defense Secretary Les Aspin and others seeking the assignment of Army investigator Anthony Marceca to a White House detail in the Office of Personnel Security.

b. Benefits.—The committee resolved upon the following findings and recommendations.

FINDINGS

1.) FBI background files often include the most sensitive and confidential personal and financial information about the individual being reviewed;

2.) The White House improperly requested hundreds of confidential FBI background files without any justification. This violated the constitutional rights and privacy of many former Republican officials whose files improperly were requisitioned and reviewed by Clinton White House employees;

3.) The White House Office of Personnel Security and the FBI maintained a system which allowed low level staff to access any file without question by the FBI. The Clinton administration has, on a number of occasions, failed to implement safeguards that would have prevented lapses in security at the White House and in fact

exploited the FBI's longstanding policy of relying on the honor of White House employees in turning over such files;

4.) FBI General Counsel Howard Shapiro provided confidential FBI law enforcement information about Mrs. Clinton's role in bringing Craig Livingstone into the White House. When Shapiro realized that the information contained in Livingstone's FBI background file could damage former White House Counsel Bernard Nussbaum and Mrs. Clinton, he immediately contacted the Office of White House Counsel and read verbatim the incriminating contents of Livingstone's file;

5.) Once White House Special Counsel Jane Sherburne learned that the information contained in Livingstone's file could damage Nussbaum and Mrs. Clinton, Sherburne contacted Mrs. Clinton regarding the information;

6.) Ms. Sherburne may have violated ethical standards by informing private attorneys for Nussbaum and Livingstone about confidential FBI law enforcement information. On the day before reports of his testimony before a grand jury, lawyers for Nussbaum were informed of evidence uncovered in a search of Livingstone's file that contradicted Nussbaum's testimony before the Committee on Government Reform and Oversight. Mr. Livingstone's attorneys received the same information;

7.) White House Office of Personnel Security staff failed to properly secure confidential FBI law enforcement files. The committee was provided with testimony and evidence that staff and interns without the necessary clearances had access to the highly sensitive material in the FBI background files including that of more than 400 Bush and Reagan administration officials;

8.) The FBI continued to involve itself in the investigation of the FBI files matter even after receiving notice from the Attorney General that a conflict of interest existed between the FBI and the White House concerning this matter. Mr. Shapiro notified the White House about the incriminating contents of Livingstone's background file before the committee was allowed to review it. Mr. Shapiro assisted the White House in preparing correspondence for the FBI regarding the FBI files matter and the committee's investigation of it;

9.) Army detailee Anthony Marceca was given unfettered access to confidential FBI law enforcement files and allowed to remove confidential information from the White House despite his own inability to receive White House clearance. Marceca's removal of information in those files from the White House was inappropriate;

10.) Without any valid basis for doing so, FBI General Counsel Shapiro provided the White House Counsel a pre-publication copy of Gary Aldrich's book which the former agent had provided to the FBI under an employment agreement. There was no apparent reason for providing the manuscript to the White House; and

11.) The White House asserted executive privilege over documents over which it had no basis for claiming privilege. Thousands of pages of these documents contained routine administrative information or communications, as opposed to issues of national security or others for which a claim might be appropriate.

RECOMMENDATIONS

Having undertaken a preliminary investigation, the committee is not satisfied that the public has been provided the answers to many of the concerns raised by the FBI background files matter. This makes it imprudent to make recommendations at this time. The committee feels those individuals whose files were improperly obtained by the White House deserve a complete explanation of the following questions:

1.) Who hired Craig Livingstone?

2.) What list was used by the White House in requesting the improperly-obtained FBI background files?

3.) Who reviewed the contents of the FBI background files of former Reagan and Bush administration officials?

4.) Were the contents of the FBI background files ever transmitted electronically to any computer data base within or outside the White House complex?

5.) What effect have the new procedures implemented by the Clinton administration had on the White House pass process and FBI background checks?

6.) What standard procedures are in place to ensure that those without proper clearances do not have access to materials protected by the Privacy Act which are stored in the White House?

7.) What policies should be implemented to ensure that FBI officials do not interfere with ongoing investigations outside the FBI's jurisdiction?

c. Hearings.—The committee held four hearings on the FBI background files matter:

1.) June 19, 1996. Testifying before the committee were former White House Counsels or Deputy Counsels A.B. Culvahouse and Richard Houser (Reagan administration), C. Boyden Gray (Bush administration), and former Office of Personnel Security Director Jane Dannenhauer and her deputy, Ms. Nancy Gemmell. Both Ms. Dannenhauer and Ms. Gemmell had served in the Reagan and Bush administrations and briefly in the Clinton administration. At this hearing, the care and discretion with which FBI background investigation files were handled in the Carter, Reagan and Bush administrations was established. For example, access to these files was strictly limited to Ms. Dannenhauer and one or two members of the White House Counsel's Office. Those with access to these files themselves had been cleared for such access after undergoing background investigations of their own. By contrast, White House interns were assigned to the White House Office of Personnel Security for the first time during the Clinton administration. These interns, aged 18 to 20 years old and without security clearances or background investigations, nonetheless had access to confidential FBI background files in the Clinton White House.

2.) June 26, 1996. Testifying before the committee were: former Clinton administration Director of Personnel Security D. Craig Livingstone; former Clinton administration detailee Anthony Marceca; former Office of Personnel Security staffer Lisa Wetzl; former White House Counsel Bernard W. Nussbaum, and former Associate White House Counsel William H. Kennedy, III. At this hearing, Mr. Livingstone formally announced his resignation from his posi-

tion, from which he had been on leave since the FBI files scandal broke. Witnesses also testified that hundreds of FBI background files had been requested due to faulty Secret Service lists. No one, including Mr. Livingstone, could answer the question, "Who hired Craig Livingstone?" although Messrs. Nussbaum and Kennedy testified that the First Lady had no role in Livingstone's hiring. Apparent contradictions between Nussbaum's testimony and previous statements he had made to an FBI agent in the course of an interview subsequently led to a criminal referral of these matters to Independent Counsel Starr.

3.) July 17, 1996. Testifying before the committee were Secret Service Agents John Libonati, Jeffrey Undercoffer and Arnold Cole. The Secret Service agents established in their testimony that the Secret Service's own records properly recorded as "inactive" passholders all but a handful of the individuals whose FBI files were requested and that it thus would have been difficult for the White House to mistakenly request hundreds of FBI background investigation files of former "inactive" Republican officials. Special Agent Cole also testified that, when the FBI files matter first was reported in the press, Livingstone told him he knew that the Secret Service lists were indeed accurate and that his office had used the wrong lists. The agents also testified at this hearing about the incidence of recent drug usage among White House staffers, 21 of whom were forced by recent extensive drug usage to be tested twice a year in a special, individualized random drug testing program.

4.) August 1, 1996. Testifying before the committee were: Howard M. Shapiro, FBI General Counsel; Thomas Kelley, FBI Deputy General Counsel; Vernon Thornton, retired former FBI Unit Chief of Executive Agencies Dissemination and Personnel Unit; and Peggy J. Larson, FBI Supervisory Research Analyst.

At this hearing, General Counsel Shapiro testified concerning his "heads-up" warning to the White House concerning materials in D. Craig Livingstone's FBI background file. Mr. Shapiro acknowledged it was "a horrific blunder" warning the White House of the existence of an FBI report stating the First Lady "highly recommended" Livingstone for his White House position. In his opening statement and, later while responding to questions, Shapiro acknowledged that the substance of this "heads-up" in turn was widely disseminated throughout the White House and beyond. (Former White House Counsel Bernard Nussbaum, who reportedly told the FBI of the First Lady's recommendation of Livingstone, was informed in advance of an appearance before a grand jury.) Mr. Shapiro also testified about his July 16, 1996, decision to send FBI agents out to the home of the agent whose interview summary report related the First Lady's recommendation. He testified that the interview of the FBI agent was not intended to intimidate, as some majority Members suspected. Mr. Shapiro also testified about his delivery to White House Counsel Jack Quinn of retired FBI agent Gary Aldrich's manuscript of a proposed book which discussed activities at the White House. The other three witnesses testified more generally on the handling of FBI files.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

Hon. Stephen Horn, *Chairman*

1. "Making Government Work: Fulfilling the Mandate for Change," House Report No. 104–435, December 21, 1995, Third Report by the Committee on Government Reform and Oversight, Together With Additional Views.

a. Summary.—On December 14, 1995, the Committee on Government Reform and Oversight approved and adopted a report entitled, "Making Government Work: Fulfilling the Mandate for Change." The committee's report is based on a series of hearings conducted by the Subcommittee on Government Management, Information, and Technology. The subcommittee convened eight oversight hearings on various aspects of government management to solicit advice and recommendations for: (a) changing what the Federal Government does; (b) improving the overall economy, efficiency, and management of its operations and activities; and (c) effectively planning, measuring, and reporting the results to the American public. The inquiry reflected public expectation that provided a mandate to the Congress to consider with care the various Government functions, and to determine whether they should continue to be performed, and, if retained, how they can be made more effective.

The experience of American industry also influenced the committee. In the past decade, corporations and other entities have reexamined their roles and redefined their institutional objectives and purposes. Many corporate changes have been facilitated by technology that speeds information to decisionmakers and thereby reduces the need for traditional hierarchies. While such changes have been at times wrenching to the people in these institutions, the result has been to make American industry far more productive and competitive. The Federal Government has yet to implement a similar transformation on any appreciable scale. While the committee recognizes fundamental differences between the purposes and the cultures of business and Federal Government organizations, it remains receptive to the suggestion that "rethinking" and "re-engineering" methods successfully used in the private sector can be and should be adapted for use in the Federal Government.

Because of the administration's management responsibilities for the Federal Government, the point of reference for all material reviewed was the National Performance Review, Phases I and II.

FINDINGS

Based upon the investigation and oversight hearings conducted by the subcommittee, the committee found the following:

1. The Management of the Federal Government Needs Improvement.

(a) The capacity of the President as the Chief Executive Officer of the Federal Government and its principal manager has been diminished over several administrations. The Executive Office of the President has abrogated its responsibility to oversee and improve the Government's management structure.

(b) The capacity available to the President in the Office of Management and Budget [OMB] to reform or improve management has steadily declined and now barely exists, despite a competent Director of OMB and a Deputy Director of Management, whose talents in this area are underutilized. Federal management organization, oversight authority, and general influence have been consistently overridden by recurring budget crises and budget cycle demands, despite conscientious intention to give "Budget" and "Management" equal voice within OMB.

(c) The NPR, in its ad-hoc and episodic approach to management issues, reveals the weakened state of management capacity of the Executive Office of the President.

(d) The NPR-inspired announcement of a reduction of over a quarter-million Federal jobs may have been warranted; however, without first having a solid empirical rationale for doing so and not knowing where or how, it reflected a lack of strategic vision as to the Federal Government's role, and as such it seriously eroded Federal workers' morale, productivity, and planning for the future.

(e) The capacity of the Office of Personnel Management to provide leadership to a revitalized career service has been seriously impaired.

(f) Short-term political appointees have layered and "thickened" the Federal Government's upper echelons of organization to a point where productivity, management, and continuity of operation have become seriously affected.

(g) Some potential candidates for political appointment believe that service on Federal organizations will hinder their careers, imposing a protracted and intrusive nomination process as well as numerous restrictions on financial and employment activities during and following Federal Government assignments. As a result, the pool of available talent qualified for appointment and willing to serve has been diminished.

(h) Qualified people considering careers in public administration are discouraged from Federal career employment by layers of political appointees of uneven quality which preclude advancement to positions of senior responsibility.

(i) Career Federal public administrators have a long record of faithfully executing clearly established policy and rendering effective political leadership. However, political appointees as a group have tended to display more loyalty to individual political sponsors and special interests than to the President, who is elected by and ultimately accountable to the people.

(j) Employee-buyout programs in Federal organizations have not worked as well as intended, resulting in the loss of employees with the most marketable skills, leaving in the workplace many of the poorer performers.

(k) Programs for Federal-employee professional education, training, and development are vital to a smaller workforce adopting modern management methods and achieving desired productivity improvements.

(l) The Federal Government must follow the best practices of private and public organizations for exploiting information technology in reforming management, reducing size, and raising productivity and market competitiveness. A recent General Accounting Office

report provides valuable insights on how the Federal Government can lower costs, improve productivity, and provide better services to its citizens.

2. The Federal Intergovernmental Roles Are Poorly Defined.

(a) The Federal role has evolved in a patchwork manner. The Federal Government lacks a clear and comprehensive statement of its proper role. The result is similar redundant programs throughout disparate departments and agencies.

(b) Many citizens view the Federal Government as having overreached its proper role, by "meddling" in affairs such as elementary and secondary education (better left to States and communities), marketing and distribution of energy resources (better left to market forces) and applied research and development (better left to private investment and competition).

(c) Many State governments are willing to risk accepting large Federal block grants, with fewer dollars, in return for greater flexibility and fewer restrictions. There is some concern that any residual reporting burdens and controls from Washington may interfere with States' roles and as such constitute an "unfunded mandate," contrary to a law sponsored by this committee.

(d) In the current environment, many agencies and States are trying to develop program partnerships. Federal-State program partnership agreements reached a high point during the Johnson and early Nixon administrations. State and Federal leaders need to be aware that those intergovernmental agreements later deteriorated because roles and responsibilities were not clearly defined and accepted by all interested parties. Another cause was that the Federal Government seized a decisionmaking role disproportionate to the resources it provided.

3. Organization of Federal Functions Is Uneven and Duplicative.

(a) No Cabinet-level department has been eliminated outright in our Nation's history, although many have been reorganized, renamed, combined, or split.

(b) Today's Federal Government is even more enmeshed in red tape, replicated functions and controls than it was in 1971, when President Nixon tried unsuccessfully to reorganize and streamline Cabinet departments.

(c) The proposed "Department of Commerce Dismantling Act of 1995" contains a model for dismantling any high-level Federal organization using a traditional organization within the Office of Management and Budget.

(d) Approximately a million Federal employees work in some 30,000 field offices outside of Washington, DC. Although some field offices only have five or fewer staff, closing them has consistently proven to be a difficult, almost intractable political problem. The committee notes progress by the U.S. Department of Agriculture in addressing the problem.

4. Public Accountability Is Weak.

(a) The National Performance Review [NPR] contributed to identifying the need to improve the Federal Government and lower its operating costs.

(b) By not establishing first what activities the Federal Government should be performing, the NPR was flawed from the outset and did not achieve enough progress.

(c) NPR neglected to place sufficient emphasis on fiscal accountability by failing to address the Federal Government's responsibility for stewardship of public resources.

(d) The ad-hoc, even disjointed, nature of NPR is a telling sign of the disconnect between policy and management, evidence of atrophy of the tools of management, and an admission that the President has no organized capacity to manage the executive branch.

(e) The NPR recommended a doubling of the existing 1-to-7 supervisory span of control to a 1-to-14 or 1-to-15 supervisor to subordinate ration. This recommendation was without appropriate foundation and ignored the Government's widely varying missions, and threatens public accountability.

(f) With more Federal work being done under contract, with private vendors, effective contract administration is critically important in ensuring efficiency, effectiveness, and accountability.

(g) The growth of "contract government" is a direct by-product of the emphasis on personnel reduction. As successive administrations have sought to limit or reduce the number of Federal employees, more and more activities have been contracted out.

(h) The experiences of other foreign and Federal, State and local governments in carrying out significant management and accountability reforms are valuable to Federal agency managers as they implement the Government Performance and Results Act of 1993 [GPRA].

(i) Government corporations and other Government-sponsored enterprises have assumed roles and responsibilities very different from those for which the Government Corporation Control Act of 1945 was intended. Today, a conceptual framework is needed for setting up these kinds of enterprises and centralized oversight of their management operations.

(j) Executive branch accountability is made more difficult by the complex congressional budget process and by additional legislative branch restrictions and controls placed on Government agencies, such as prohibitions on closing outdated Federal field offices.

RECOMMENDATIONS

Based on the foregoing findings, the committee recommends as follows:

1. Strengthen the President's Role as Chief Executive Officer of the Executive Branch.

(a) Management of the Federal Government should be a Presidential priority. Among the President's many roles is the responsibility to serve as Chief Executive Officer or general manager of the Federal Government. Many broad initiatives intended to make the Federal Government work better depend on the commitment by the President and his staff in the Executive Office of the President. By approaching the Federal Government almost exclusively from a budget or policy perspective, Presidents limit their capacity to reform management in the Federal Government.

(b) The President, acting jointly with Congress through a Federal management office, should establish intergovernmental partnerships, with clearly defined Federal and State roles and responsibilities, and allow local Federal managers the authority and flexibility needed to assist State and local officials in managing devolved programs, functions, and resources.

(c) To make the President's executive office more accountable to the public, Congress should establish an Office of Inspector General in the Executive Office of the President.

2. Establish an Office of Management.

(a) To enhance the President's management capability throughout the executive branch, Congress should establish, in the Executive Office of the President, a top-level management and organizational oversight office headed by an administrator who has direct access to the President. Sustained attention to management issues beyond recurring budget crises is vital to ensure effectiveness. The new Federal management office would combine the management functions of the OMB, the residual policy and oversight functions of the Office of Personnel Management, and the policy functions from the General Services Administration into an entity separate from but equal in stature to the remaining Office of the Budget.

(b) The executive branch is in serious need of an office with responsibility for departmental reorganizations such as the proposed dismantling of the Department of Commerce. The current legislative initiative in that regard will be a model for managing large-scale reductions in the Federal Government's organizational structure and scope of work.

(c) An Office of Management could encourage the implementation of the strategic information management and technology practices increasingly common in high quality private and public organizations. It could stress the need to focus management attention on technology improvements that attain goals; and assert senior management control over technology investment decisions.

(d) Executive agencies should exploit, publicize, and replicate successful private sector ventures in making Federal Government organizations work more effectively by drawing upon past successes.

3. Convene a Commission on Federal Reorganization.

(a) Congress should establish a blue-ribbon inquiry commission of experts from the business, academic, and nonprofit sectors and Federal, State and local government to recommend to the President and Congress in early 1997: (i) ways to organize more efficiently the functions that the Federal Government performs; and (ii) changes in law that would reduce, transfer or eliminate Federal functions. If resources permit, such a commission should produce a reorganization plan.

(b) Such a commission should apply the guideline criteria for agency elevation to Cabinet department status which were developed in 1988 by the National Academy of Public Administration [NAPA]. Such a review ought to result in a new alignment and grouping of the tasks and functions of the Federal role by major purpose.

(c) Congress should concurrently provide the President broad authority, including optional fast-track authority, to restructure executive branch departments and agencies, similar to past (and now expired) Reorganization Acts.

(d) Congress should be fully involved in the consolidation of the many Federal programs it enacts and funds; the proposed commission should look for additional opportunities to consolidate or combine Federal programs, and make recommendations accordingly.

(e) Once changes have been made in the structure of the executive branch, Congress should conform its own committee organization and jurisdictions to parallel the executive branch changes.

4. Reshape the Federal Civil Service.

(a) Congress should proceed with legislation that would reduce the allowable number of political appointees to an initial level of 2,000—aimed principally at Schedule C (not subject to Senate confirmation) positions—and set lower targets for future years as additional executive branch organizations are consolidated or abolished.

(b) Congress should appropriate the professional education, training, and development funds for executive agencies, not as separate line items, but as an integral part of total personnel costs. That would afford managers the flexibility to choose between training and hiring to upgrade collective organizational skills.

(c) Any future Federal employee "buyout" legislation should be limited to serving the needs of the downsized Federal Government by focusing agency buyouts on those with less-needed skills, functions, and capabilities.

5. Strengthen Public Accountability.

(a) Both the President and Congress should complete the work to implement the Government Performance and Results Act, in order to make the executive branch both performance-driven and accountable. The act's performance measurement provisions ought to be used in all steps of the budget and management process.

(b) To make public accountability in the executive branch less cumbersome and counterproductive, Congress should simplify the present complex structure of 13 separate appropriations bills by combining them into a lesser number, possibly comparable to the internal budget review structure in the Office of Management and Budget. Congress should adjust its own internal authorizing and appropriating committee structure correspondingly.

(c) Congress should amend the Government Corporation Control Act of 1945 to raise the efficiency and effectiveness of the Federal Government's business-type operations and organizations and to set standards consistent with today's marketplace conditions.

(d) In its quest to attain the objective of balancing the Federal budget by fiscal year 2002, Congress must recognize three critical needs: (i) to preserve the Federal Government's accountability to the governed throughout the transformation process; (ii) to foster that objective by making investments in human and technological development during that process; and (iii) to accept the hard lessons learned by industry that workforce strength is to be cut only *after*—not before or while—the Federal roles have been determined and organizational structures have been reduced or eliminated.

b. Benefits.—Implementing the recommendations in this report will result in a Federal Government that is less expensive, more efficient, and more accountable to the taxpayer. Federal customers and partners in all program areas will benefit from sharper definition of the roles and relationships between levels of government, as well as between the government and the private sector, elimination of duplicative Federal organizations and activities, and performance measures that facilitate public discussion and decision about the ongoing value of government activities. A strengthened career civil service, well trained and well tooled in the best management practices of both the public and private sector, and empowered to employ them, is vital to making these benefits a reality.

c. Hearings.—The series of eight hearings began on May 2, 1995, with an overview of the NPR process. Testimony was received from Alice M. Rivlin, Director, and John A. Koskinen, Deputy Director for Management, Office of Management and Budget (OMB); Charles A. Bowsher, Comptroller General of the United States, General Accounting Office (GAO); Tony Dale, Budget Manager of the New Zealand Treasury (in his capacity as Harkness Fellow, 1994–5), the Commonwealth Fund of New York; Duncan Wyse, executive director, Oregon Benchmarking Project; Dwight A. Ink, president emeritus, Institute of Public Administration and former Assistant Director for Management, Bureau of the Budget and OMB; R. Scott Fosler, president, National Academy of Public Administration; Donald F. Kettl, nonresident senior fellow, Center for Public Management, The Brookings Institution, and professor at the University of Wisconsin, Madison; and Herbert N. Jasper, senior associate, McManis Associates.

The subcommittee focused next, on May 9, on the appropriate role of Federal executive leadership in strengthening the management of Cabinet level departments, hearing testimony from Thomas P. Glynn, Deputy Secretary of Labor; George Muñoz, Assistant Secretary for Management and Chief Financial Officer, Department of the Treasury; Assistant Comptroller General Johnny C. Finch, General Government Programs, and Gene L. Dodaro, Accounting and Information Management Division, GAO; Alan L. Dean, former Assistant Secretary of Transportation for Management and coordinator of President Nixon's plan for departmental reorganization; William D. Hansen, former Assistant Secretary of Education for Management and Chief Financial Officer under President Bush; and Roger L. Sperry, director of management studies, National Academy of Public Administration.

The third hearing, on May 16, turned to consolidating and restructuring the executive branch, assessing alternative ideas for rearranging or reducing several departments and agencies. Witnesses were Representative Robert S. Walker of Pennsylvania, chairman of the Committee on Science; Representative Sam Brownback of Kansas; Representative Dick Chrysler of Michigan; Representative Todd Tiahrt of Kansas; Robert A. Mosbacher, Secretary of Commerce in the Bush administration; Scott A. Hodge, Grover M. Hermann Fellow in Federal Budgetary Affairs, the Heritage Foundation; Jerry Taylor, director, Natural Resources Studies, Cato Institute; and Herbert N. Jasper, senior associate, McManis Associates.

In its fourth session, on May 16 and 23, the subcommittee examined the consolidation of a large number of Federal programs and organizations. The subcommittee heard testimony from Secretary of Energy Hazel R. O'Leary, Donald P. Hodel, former Secretary of Energy under President Reagan; Admiral James D. Watkins, U.S.N. (ret.) former Secretary of Energy under President Bush; John S. Herrington, former Secretary of Energy in the Reagan administration; Shelby T. Brewer, former Under Secretary of Energy during the Reagan administration; Donna R. Fitzpatrick, former Under Secretary of Energy during the Bush administration; Marshall S. Smith, Under Secretary of Education; Donald Wurtz, Chief Financial Officer, Department of Education; Chester E. Finn, Jr., John Olin Fellow, the Hudson Institute and former Assistant Secretary of Education during the Reagan administration; William D. Hansen, executive director of the nonprofit Education Finance Council and Assistant Secretary of Education for Management in the Bush administration; George Muñoz, Assistant Secretary for Management and Chief Financial Officer, Department of the Treasury; and Paul Posner, Director, Budget Issues, Accounting and Information Management Division, GAO.

Attention turned in June to the Federal Government's field establishment. After reviewing several types of possible corporate structures for Federal aviation, electric power, and transportation on June 6, the subcommittee heard testimony from several regional administrators on June 13 to understand their roles and hear their suggestions, then returned to Chicago on June 19 for a firsthand look at the Federal Government's operations from the field perspective. Witnesses at the June 6 hearing were Donald H. Rumsfeld, former Secretary of Defense under President Ford and chief executive officer of General Instruments Corp.; Roger W. Johnson, Administrator of General Services; Jack Robertson, Deputy Administrator and Paul Majkut, general counsel, Bonneville Power Administration; Daniel V. Flanagan, Jr., president, Flanagan Consulting Group; Harold Seidman, senior fellow, National Academy of Public Administration; Jack Johnson, president, Professional Airways Systems Specialists; and Barry Krasner, president, National Air Traffic Controllers Association. Witnesses at the hearing on June 13 and 19 were Dwight A. Ink, president emeritus, Institute of Public Administration; Alan L. Dean, senior fellow, National Academy of Public Administration; Charles F. Bingham, visiting professor of public administration, the George Washington University; Wardell C. Townsend, Jr., Assistant Secretary of Agriculture for Administration; Shirley Sears Chater, acting Commissioner, Social Security Administration; Mary Barrett Chatel, president, National Council of Social Security Management Associations; D. Lynn Gordon, Miami District Director, U.S. Customs Service, Department of the Treasury and George Rodriguez, Houston Area Coordinator, Department of Housing and Urban Development; William Burke, Great Lakes Regional Administrator, General Services Administration and chair, Chicago Federal Executive Board; Gretchen Schuster, Chicago Regional Director, Passport Agency, Department of State and Federal Executive Board member; Joseph A. Morris, former General Counsel, Office of Personnel Management; Michael P. Huerta, Associate Deputy Secretary of Transportation and Direc-

tor, Office of Intermodalism, Department of Transportation; Kenneth A. Perret, Garrome Franklin, and Donald Gismondi, Federal Regional Administrators in Chicago for highways (FHA), aviation (FAA), and transit (FTA) respectively; and Colonel Richard Craig, North Central Division Engineer, U.S. Army Corps of Engineers.

The seventh hearing, on June 20, in Washington, emphasized improving government results through performance measurement, benchmarking, and re-engineering, as many private corporations have done. Witnesses providing testimony were Donald F. Kettl, Center for Public Management, the Brookings Institution, and professor at the University of Wisconsin, Madison; Harry P. Hatry, Director of State and Local Government Research Programs, the Urban Institute; Herbert N. Jasper, senior associate, McManis Associates, Johnny C. Finch, Assistant Comptroller General, General Government Programs, GAO; Linda Kohl, director of Minnesota State Planning; Sheron K. Morgan, North Carolina Office of State Planning; Joseph G. Kehoe, Managing Partner for Government Services, Coopers and Lybrand, LLP; and Laura Longmire, National Director, Benchmarking, KPMG Peat Marwick LLP.

The series of hearings ended on June 27, 1995, focused on agencies' preparation for compliance with the Government Performance and Results Act of 1993 (GPRA).

Testifying at the final hearing were OMB Deputy Director for Management John. A. Koskinen; Johnny C. Finch, Assistant Comptroller General for General Government Programs, GAO; Paul C. Light, director, Public Policy Programs, the Pew Charitable Trusts; R. Scott Fosler, president, National Academy of Public Administration; Anthony A. Williams, Chief Financial Officer, Department of Agriculture; Vice Admiral A.E. (Gene) Henn, Vice Commandant, U.S. Coast Guard, Department of Transportation; Joseph Thompson, New York Regional Director, Department of Veterans Affairs; and Colonel F. Edward Ward, Jr., Director, Field Offices, Department of Defense Finance and Accounting Service, formerly with the Air Force Air Combat Command.

2. "Year 2000 Computer Software Conversion: Summary of Oversight Findings and Recommendations," House Report No. 104–857, September 27, 1996, Sixteenth Report by the Committee on Government Reform and Oversight.

a. Summary.—After midnight, December 31, 1999, computer systems throughout the world are at risk of failing by confusing the year 2000 with the year 1900 on January 1, 2000, and going backward in time instead of forward with the new century. Congress has learned that if businesses and governments continue to ignore this issue, disruption of routine business operations and the inability of the Federal Government to deliver services to the American public could result.

According to an April 12, 1996, Congressional Research Service (CRS) memorandum, "Many people initially doubted the seriousness of this problem, assuming that a technical fix will be developed. Others suspect that the software services industry may be attempting to overstate the problem to sell their products and services. Most agencies and businesses, however, have come to believe that the problem is real, that it will cost billions of dollars to fix,

and that it must be fixed by January 1, 2000 to avoid a flood of erroneous automatic transactions."

On April 16, 1996, subcommittee Chairman Stephen Horn convened a hearing of the Subcommittee on Government Management, Information, and Technology to determine what steps Federal agencies are taking to prevent a possible computer disaster. Among the questions raised were whether agencies are taking appropriate steps to identify the problem and mobilizing the necessary human and capital resources to it.

As noted by Representative Tom Davis, "think for a moment how dates play a part in each one of our lives and how the failure of a computer system or computer scanner to recognize and understand a date can affect us. Our driver's license may prematurely expire and the Social Security Administration may recognize 25-year-olds as 75-year-olds, without conversion that is needed for the year 2000."

Examples of what could occur if industry and government ignore this issue ranged from unexpected expiration of drivers' licenses to erroneous dates for final mortgage payments if two-digit date fields remain unable to recognize the year 2000. Given that this information technology project has a fixed date for completion, January 1, 2000, subcommittee Chairman Horn asked hearing witness, Kevin Schick, research director, Gartner Group, to estimate the cost of a solution. Mr. Schick estimated $600 billion worldwide, including $300 billion in the United States and $30 billion for the Federal Government. Subcommittee Chairman Horn then asked Schick what the administration's and, in particular, the Office of Management and Budget's was doing to convey the urgency of the problem. Mr. Schick responded "there is no sense of urgency . . . if [Federal agencies] are not already well into this project by October of 1997, [the Federal Government] will be doing a disservice to the very constituents that depend on [it] to prevent something like this from happening to them . . ."

On September 10, 1996, a joint hearing with the Committee on Science was held to review the Year 2000 impact on personal computers, States and the Federal Government. Larry Olson, Pennsylvania's Deputy Secretary for Information, presented Pennsylvania's plan and noted that the key to success of any plan is senior level support. Mr. Olson testified that in his first year as Governor, Tom Ridge recognized the implications of the Year 2000 date field problem and acted to ensure Pennsylvania businesses and governments will be prepared before January 1, 2000.

Also at the hearing Harris Miller, the president of the Information Technology Association of America, outlined three problem areas for personal computer users in homes and businesses nationwide: 1) the machines' BIOs—basic input/output systems—chips; 2) their operating systems; and 3) their commercial software. Most equipment manufacturers have modified their products in the past 18 months. Operating system software remains an issue but most operating systems can be fixed by a simple procedure using the computer's mouse. Commercial software may or may not be Year 2000 compliant. Another serious concern is their increasing interconnectedness with other systems. To ensure that computer systems are operational in 2000, most systems will need modification.

Miller also testified that personal computer users and mainframe information technology managers need to be aware of this issue and take appropriate corrective steps.

In her testimony, OMB's Office of Information and Regulatory Affairs Administrator Sally Katzen outlined the Clinton administration's strategy to resolve the problem: 1) raise the awareness of the most senior managers in Federal agencies to the problem; 2) promote the sharing of management and technical expertise; and 3) remove barriers impeding technicians fixing systems.

b. Benefits.—The subcommittee found the following:

1. The Year 2000 Problem Results From the Unanticipated Consequences of Decisions Made Decades Ago.

Computer systems use the two-digit-year date field to perform such functions as calculating the age of U.S. citizens, sorting information by date, and comparing multiple dates. Twenty years ago, disk storage was so expensive that a four-digit-year date format was rejected. In addition to the cost factor, many programmers assumed that the programs then using two-digit-year date fields would be obsolete by the year 2000, if not within 10 years. In fact, systems now in place nearly 30 years continuously were enhanced by technological developments while remaining programmed for the 20th century. Given these developments, many experts in the public and private sectors were confident further advances would provide "silver bullet" solutions to such issues as this one. Others believed the software services industry was overstating the problem to sell products. While correcting the date field is technically simple, the process of inventorying, correcting, testing and integrating software and hardware among all interactive systems (among industry and government) is very complex.

2. Senior Management Involvement Is Required To Address the Year 2000 Problem.

Various witnesses appearing before the subcommittee emphasized the value of senior level support to fix the systems. Many experts, aware of this issue for up to a decade, were unable to take corrective action because the problem was considered irrelevant to agencies' missions.

In the Federal Government, an "Interagency Committee on the Year 2000," established to raise awareness of the task facing Federal information technology managers, has required that vendor software in future procurement schedules be Year-2000 compliant, among other things.

3. The Year 2000 Deadline Cannot Be Extended.

According to Mr. Schick, the crisis revolves around time, cost and risk. Businesses, Federal agencies, and State and local governments must understand that this information technology project cannot be allowed to slip: Saturday, January 1, 2000 cannot be postponed. Mr. Schick added that all parties may be required to shift resources from other projects to complete this one.

4. Addressing The Year 2000 Problem Will Be Costly.

Estimates as high as $600 billion for systems worldwide, $300 billion in the United States and $30 billion for the Federal Government alone reflect the costs of: inventorying current programs; analyzing the percentage of code affected; implementing a fix, and testing to ensure the changes are correct. All must be completed while current information technology remain in use.

Only six agencies furnished any cost estimates for resolving the problem in response to the April 29, 1996 oversight letter: the Departments of Agriculture, Education, Health and Human Services and State, as well as the Office of Personnel Management, and the Small Business Administration. In fact, Agriculture and Health and Human Services only provided partial estimates.

5. There Is a High Risk of System Failure if the Year 2000 Computer Problem Is Not Corrected.

If, as suggested by CRS, it is too late to correct every system nationwide before January 1, 2000, businesses need to know how to minimize disruptions in their operations. Federal, State and local governments must prioritize mission critical systems and immediately correct systems with the greatest human impact.

Federal, State and local governments, must ensure that Americans are not at risk of losing government services. Additionally, the Department of Defense, Federal Aviation Administration and similar agencies must ensure that their computers do not go haywire on January 1, 2000, causing severe disruptions of a strategic nature.

On June 7, 1996, the CRS provided the House and Senate with a memorandum discussing various issues complicating the Year 2000 project and potential consequences resulting from a failure to address this problem at the Federal level, including:

- Social Security Administration miscalculation of the ages of citizens, causing payments to be sent to ineligible persons and/or denying payments to the eligible;
- IRS miscalculations of standard deductions on income tax returns for persons over 65, causing incorrect records of revenues and payments due;
- Malfunctioning Department of Defense weapon systems;
- Erroneous flight schedules generated by the FAA's air traffic controllers;
- State and local systems being corrupted by false records, resulting in errors in income and property tax records, payroll, retirement systems, motor vehicle registrations, and more;
- Erroneous records by securities firms and insurance companies; and
- False billing by telephone or similar companies resulting in billing errors or lapses in service.

6. Potential Liability Issues Arise If the Year 2000 Computer Date Conversion Is Not Completed.

Businesses—in particular banks, securities firms and insurance companies, among others—face potential liability for failing to provide Year 2000 compliant products or services and must ensure that their data bases are not corrupted by bad data from external

sources. Governments and businesses also must protect themselves from purchasing noncompliant software and services through use of commercial market warranties.

c. Hearings.—The Subcommittee on Government Management, Information, and Technology held a hearing on April 16, 1996, entitled, "Is January 1, 2000, the Date for Computer Disaster?" and on September 10, 1996, a joint hearing was held with the Committee on Science, entitled, "Solving the Year 2000 Computer Problems."

3. "Crude Oil Undervaluation: The Ineffective Response of the Minerals Management Service," House Report No. 104–858, September 27, 1996, Seventeenth Report by the Committee on Government Reform and Oversight.

a. Summary.—Between 1978 and 1993, oil companies underpaid royalties on crude oil drilled on Federal lands by as much as $2 billion nationwide. The Department of the Interior's Minerals Management Service (MMS) has failed to seriously address this problem.

California is our fourth largest oil-producing State with 1994 crude-oil production of 345 million barrels, a large amount of which is produced on Federal lands. In 1975, the State of California and the city of Long Beach sued seven major oil companies operating in California alleging they had conspired to keep posted oil prices low, thereby reducing royalties to the litigants. Similarly, insofar as the posted price was kept below fair market value, the Federal Government lost royalties due it for oil production on Federal lands.

In 1986, MMS contacted California officials to assess the appropriateness of posted prices as the royalty value basis. MMS' conclusion that posted prices fairly represented market value reflected the failure of California and Long Beach to prove their antitrust claims in court. The Department of Justice looked into the issue but declined to investigate.

In 1991, six companies (ARCO, Shell, Chevron, Mobil, Texaco, and Unocal) settled with California and Long Beach for some $345 million. Exxon, the seventh defendant, went to trial and was exonerated of antitrust charges relating to State oil leases. Exxon also won an appeal in January 1995. A separate appeal covering a different time period is pending.

In the wake of the 1991 settlement, MMS attempted to estimate royalty underpayments for oil produced on Federal lands. However, since MMS lacked such crucial information as internal oil company records, California urged it to begin a more formal investigation. In 1994, MMS responded by creating an interagency task force consisting of representatives from MMS and the Departments of Interior, Commerce, Energy and Justice.

The State of California assisted the Federal team in obtaining court records which proved instrumental in demonstrating the undervaluation of crude oil to the Federal interagency team. In May 1996, the interagency team released a report concluding that companies often received gross proceeds higher than their posted prices.

The bulk of crude oil produced in California was not sold in competitive markets but rather through intra-company transfers;

straight exchanges (where a company trades oil at one location with another having oil at a second location, thereby reducing transportation costs) and buy/sell contracts including such costs as transportation in the cost of the oil. It is difficult to determine a proxy for the market value of oil when oil companies hide its true value via complex contracts.

The interagency report estimated underpayments of Federal oil royalties on California leases alone to be as high as $856 million from 1978 through 1993. It recommended:

- That MMS focus collection efforts on some 10 companies producing 90 percent of Federal crude oil in California;
- That for the period beginning March 1, 1988, Federal royalties be based on the premium paid on competitive arm's length contracts for oil produced from the same field or area;
- The Assistant Secretary of the Interior issue a royalty payor letter ordering targeted oil companies to submit all relevant arm's length records to minimize audit expenses;
- That the Federal Government submit a bill for 1989 and 1993 to Texaco, since MMS audited those records, and found royalty underpayments and/or crude oil undervaluations;
- That MMS's oil royalty valuation regulations be revised to consider alternatives to reliance on posted prices and improve clarity; and
- That a method be chosen to determine royalties owed.

MMS announced it would accept part of the task force's recommendations and attempt to collect approximately $440 million. The $856 million figure was reduced due to global settlements between Interior and the oil companies, payments-in-kind, and other factors. These figures do not include underpayments outside of California.

In August 1996, the subcommittee obtained a November 1995, draft report by the Interior Department Inspector General from various press sources. The report criticized Interior for improper procedures during oil company negotiations which reduced the estimated value of items being negotiated by more than $350 million without documentation. A year after it was written, the report has yet to be released.

FINDINGS

The subcommittee found:

1. The Minerals Management Service Has Delayed Collecting Royalty Undervaluations.

In the June 17, 1996, subcommittee hearing, members expressed concern that MMS delayed the release of the interagency report: in a 1994 e-mail to his supervisor, task force leader David Hubbard stated he had "stalled long enough."

When it announced it would attempt to collect $440 million, MMS set no timetable for the task. MMS will not simply bill the oil companies based on Alaska North Slope crude prices but will audit every contract. With scarce audit resources, this could take many years. Nor does MMS' audit division appear committed to collect: unpublished Interior notes quote the head of the MMS audit division dismissing the interagency task force report in No-

vember 1995 as "a piece of [expletive deleted]." Giving control of the audit process to staff who disparage its results appears unwise.

MMS also declined to outline interim steps to be taken. The interagency task force audited Shell's California contracts for 1984 and Texaco's for 1989 and 1993 and recommended billing those companies immediately for those periods. At the June 17 hearing, however, Interior's Assistant Secretary for Land and Minerals Management stated that bills would be sent out within 4 to 6 weeks.

2. Global Settlements May Have Harmed U.S. Interests.

MMS' global settlements covering multiple of issues and claims allowed two oil companies with large underpayments to avoid payment despite full knowledge of substantial problems with California underpayments. These agreements may have extinguished the Federal Government's claim to amounts owed. The Inspector General draft report concluded the royalty settlements were not conducted in accordance with "Minerals Management Service Settlement Negotiation Procedures" and faulted MMS for including "no documentation for the estimated values of the issues concerning the underpayment of royalties to be negotiated. . . ."

Prior to negotiations, an MMS Royalty Management Program division estimated the value of a particular issue to be negotiated in a global settlement as $439 million. A negotiation team listing valued the same issue at $78.2 million. No documentation explained the $360.4 million discrepancy.

3. The California Undervaluation Problem Exists In Other States.

During the June 17, 1996, subcommittee hearing, Robert Berman, an economist in Interior's Office of Policy Analysis, testified that the amount of the undervaluation of oil extracted from Federal lands ranges from 3 to 10 percent outside California or as much as $1.3 billion.

4. Royalty-In-Kind Transactions May Have Jeopardized U.S. Interests.

The May 1996 interagency task force report acknowledged it had not "investigated recoupment of additional revenues on royalty-in-kind crude oil that might have been undervalued" and recommended Interior, "should consider the effects of RIK [royalty-in-kind] volumes in its decisionmaking, including potential collections where these volumes were undervalued."

In theory, Interior sells RIK oil directly to a refiner. In practice, it allows the Federal leaseholder and refiner-purchaser to arrange the terms of sale and transfer. RIK purchasers may in fact pay, through excessive transportation charges, more for this oil than the government receives.

5. Pipelines Which Cross Federal Lands Harm Federal Interest By Depressing Royalty Revenues and Preventing an Efficient Oil Market.

The task force recognized the problem of proprietary pipelines:

> The market restrictions imposed by proprietary pipelines operated by the major oil refiners had two critical effects.

> First, it greatly restricted open-market trading in California crude oil. Second, it segregated the crude oil markets of the San Joaquin Valley and Ventura Basin from the refining centers in San Francisco and Los Angeles. The reports [of two consultants employed by the task force] concluded that the pipeline situation contributed to postings substantially understating California crude oil values.

The Department of Energy also recognized this problem and indicated that the administration's Domestic Natural Gas and Oil Initiative included a pipeline reform plank. Energy requested that Interior require pipelines crossing Federal lands operate as common carriers. Interior has taken no action.

RECOMMENDATIONS

The subcommittee recommends:

1. The Minerals Management Service Should Establish a Timetable For Collections.

The MMS and Interior should develop a timetable to collect unpaid royalties. This would assist Congress in providing oversight and commit the administration to taking action.

2. Audit Staff Must Advance the Management Agenda.

If the audit staff is unwilling to support program goals determined by the administration, then MMS should contract out the project. California took this approach and received a $345 million settlement. California now contracts with a certified public accounting firm to manage its oil sales.

3. The Department of Justice Should Review Global Settlements.

Interior should ask Justice to prepare an opinion concerning royalties negotiated away by MMS. Interior also should review its compromise procedures, which are more sweeping than almost any other Federal agency. Agencies are limited in their authority to compromise debts under Federal law. Interior, along with Justice and OMB, should examine whether the persistent mismanagement of global settlements by MMS warrants review by Justice.

4. The MMS Should Collect Underpayments in All States Where it is Owed.

Interior should develop a strategy to address this and advise the committee of its plan.

5. The Department of the Interior Should Review Competition on Common Carrier Pipelines.

Interior should alter its policy to comply with the administration's recommendations regarding the Domestic Natural Gas and Oil Initiative. It also should advise California officials of problems arising from proprietary pipelines, and the harm which unregulated pipelines can bring to consumers, producers and royalty owners.

b. Benefits.—The report addresses a problem which is costing the Federal Government up to $2 billion in lost revenue. MMS has delayed the collection of oil royalties due.

c. Hearings.—On June 17, 1996, testimony was received from: Hon. Ken Calvert, Member of Congress; Cynthia Quarterman, Director, Minerals Management Service, Department of the Interior; Robert Berman, Economist, Office of Policy Analysis, Department of the Interior; Abraham Haspel, Acting Principal Deputy Assistant Secretary for Policy and International Affairs, Office of Policy and International Affairs, Department of Energy; Robert Speir, Economist, Office of Oil and Natural Gas Policy, Department of Energy; Hon. Robert Armstrong, the Assistant Secretary of the Interior for Land and Minerals Management, Department of the Interior; M. Brian McMahon, attorney for the city of Long Beach, Trustee for the State of California; Robert Shannon, assistant city attorney, city of Long Beach; and James McCabe, deputy city attorney, city of Long Beach.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

Hon. Christopher Shays, *Chairman*

1. "The FDA Food Additive Review Process: Backlog and Failure To Observe Statutory Deadline," House Report No. 104–436, December 21, 1995, Fourth Report by the Committee on Government Reform and Oversight, Together With Additional Views.

a. Summary.—Since April 1995, the Human Resources and Intergovernmental Relations Subcommittee has been conducting an oversight investigation into the delays in the Food and Drug Administration's (FDA) review and decisionmaking on food additive petitions. This is the first comprehensive oversight investigation into the FDA's management of the food additives program since the food additive amendments were passed in 1958. Based on this study and two subcommittee oversight hearings, the committee adopted its fourth report to the 104th Congress on December 14, 1995.

The Federal Food, Drug, and Cosmetic Act (FFDCA) of 1938 gave the FDA authority over food and food ingredients. The Food Additive Amendments to the FFDCA were passed by Congress in 1958 to require FDA's pre-market approval for the use of an additive prior to its inclusion in food. This authority is now found in section 409 of the FFDCA. (21 U.S.C. 348) An "additive" is "any substance the intended use of which results or may reasonably be expected to result, directly or indirectly, in its becoming a component or otherwise affecting the characteristics of any food." This definition covers any substance used in the production, processing, treatment, packaging, transportation or storage of food such as colors, packaging materials, artificial sweeteners and fat substitutes. Food additives are commonly used to impart or maintain desired consistency, improve or maintain nutritive value, maintain palatability and wholesomeness, produce texture, control acidity/alkalinity and enhance flavor or impart color.

Food additive petitions must be reviewed and acted upon by the FDA "not more than 180 days after the date of filing of the petition." (21 U.S.C. 348(c)(2)). The regulatory scheme in the United States for food additive review is dysfunctional, and as a result, the American consumer and patient are deprived of technologies that could increase the variety and nutritional benefits of foods, improve diet and advance public health. The statutory deadline is not being met. Statutory changes are needed to establish more realistic and binding timeframes for petition reviews.

On June 22 and June 29, 1995, the subcommittee held oversight hearings to address these issues. At these hearings, testimony was received from FDA officials with primary responsibility for food safety and operation of the food additive petition process, academicians, food manufacturers, trade associations, food scientists, and consumer groups.

The committee report contained nine major oversight findings:

1. FDA does not meet the 180 day statutory deadline to review and make a decision on food additive petitions.
2. As of June 1995, there were 295 pending food additive petitions, some of which were filed in the 1970's.
3. The lack of fixed deadlines and the increased scientific ability to detect and measure potential hazards have resulted in a review process that is risk-averse.
4. FDA is reluctant to decline incomplete or inadequate petitions, and consequently, allows incomplete and inadequate petitions to remain under review at FDA for more than 180 days.
5. FDA has committed insufficient resources to its food additive review responsibilities.
6. FDA does not set food additive petition review priorities appropriately.
7. FDA's failure to expeditiously review food additive petitions has stifled innovation and the introduction of new ingredients by the food industry.
8. A petition review process with no fixed deadlines can be manipulated for anti-competitive purposes.
9. FDA does not make sufficient use of independent scientific resources for food additive petition review.

Based upon this investigation, the report made the following detailed recommendations:

1. Congress should amend the Federal Food, Drug, and Cosmetic Act review period for food additive petitions from 180 days to 360 days for the most scientifically complex reviews, and the deadline should be strictly observed by FDA.
2. The FDA should recognize that the approval of useful and safe new products can be as important to the public health as preventing the marketing of harmful or ineffective products.
3. The FDA should eliminate the backlog of pending food additive petitions within 1 year by reallocating the necessary agency resources.
4. The FDA should utilize outside expertise in its evaluation of food additive petitions but retain authority for petition approval.
5. The relevance of the "Delaney clause" should be studied in view of modern scientific standards so that better distinc-

tions can be made between nominal hazards and actual risks. The Delaney clause stipulates that no food additive can be deemed safe if it has been found to induce cancer when ingested by man or animal. The FDA should establish a level of acceptable risk for food additives, below which there is no hazard to humans through consumption under normal or intended use.

6. The FDA should amend the review process to prohibit anonymous submissions of data or comments.

b. Benefits.—The investigation into delays in the food additive petition review process allowed FDA officials, food industry representatives, and others involved in the process of approving or requesting the approval of food additive petitions the opportunity to articulate their views of flaws in the regulatory system. When fixed, FDA's food additive petition review process could benefit the American public by providing a vast new array of useful and safe products which could add to or replace less effective products.

c. Hearings.—The subcommittee convened two hearings on this subject, both entitled "Delays in the FDA's Food Additive Petition Process and GRAS Affirmation Process." These hearings provided subcommittee members the opportunity to say directly to those involved in FDA's food additive petition process that Congress was not receptive to the agency's failure to meet its statutory deadlines, but would consider amendments to FDA's food additive petition review process to give the agency and petitioners a more reasonable timeframe within which to work.

On Thursday, June 22, 1995, the subcommittee received testimony from: Linda Suydam, Acting Deputy Commissioner for Operations of the FDA; Dr. Fred Shank, Director of the Center for Food Safety & Applied Nutrition of the FDA; Dr. Alan Rulis, Acting Director of the Office of Premarket Review of the FDA; Dr. Sanford Miller of the University of Texas Health Sciences Center; Dr. Richard Hall, chairman of the Food Forum of the National Academy of Sciences; Al Clausi of the Institute of Food Technologists; Dr. Stephen Ziller of the Grocery Manufacturers of America; Dr. Rhona Applebaum of the National Food Processors Association; Robert Gelardi of the Calorie Control Council; Dr. Stephen Saunders of Frito-Lay; Dr. C. Wayne Callaway of the George Washington University School of Medicine; and Dr. Michael Davidson of the Chicago Center for Clinical Research, the Rush-Presbyterian-St. Luke's Medical Center.

On Thursday, June 29, 1995, the subcommittee's second FDA oversight hearing, testimony was received from: Dr. Kenneth Fisher of the Federation of American Societies for Experimental Biology; Jerome Heckman of the Society of the Plastics Industry; Stuart Pape of the National Soft Drink Association; Donald Farley of Pfizer, Inc.; and Dr. Michael Jacobson of the Center for Science in the Public Interest.

2. "The Federal Takeover of the Chicago Housing Authority—HUD Needs to Determine Long-Term Implications," House Report No. 104–437, December 21, 1995, Fifth Report by the Committee on Government Reform and Oversight, Together With Additional Views.

a. Summary.—On May 30, 1995, the U.S. Department of Housing and Urban Development (HUD) assumed control over the day to day operations of the "troubled" Chicago Housing Authority (CHA). A declared breach of contract between CHA and HUD signed by HUD Secretary Henry Cisneros on June 2, 1995, made the takeover legally effective. Executed in the wake of the resignation of CHA's Board of Commissioners on May 26, 1995, the takeover was an unprecedented HUD action.

Although HUD has authority to intervene in troubled housing agency operations at any time, HUD has never before assumed responsibility for the day-to-day operations of a housing agency the size of CHA. CHA is the Nation's third largest public housing authority and is surpassed in size only by those of Puerto Rico and New York City. The CHA, created in 1937 by a resolution of the city of Chicago pursuant to the Housing Authorities Act of the State of Illinois, administers over 55,000 public and assisted housing units and serves over 150,000 residents.

On June 1, 1995, Congresswoman Cardiss Collins (D–IL), ranking member of the Government Reform and Oversight Committee, submitted a request to Committee Chairman William F. Clinger, Jr. (R–PA) that hearings be conducted in Chicago on the role of the U.S. Department of Housing and Urban Development (HUD) in the operation of the Chicago Housing Authority (CHA). Subsequent to this letter, the subcommittee began an investigation into the Federal takeover at CHA.

The subcommittee submitted an initial inquiry and document request to HUD on July 11, 1995, regarding HUD's role in the takeover of the CHA. The July 11 letter requested information concerning CHA's demolition and redevelopment initiatives, HUD's previous efforts to reform CHA administration and the CHA budget reconciliation for fiscal year 95.

HUD responded to the inquiry on August 1, 1995. Additionally, Assistant Secretary Joseph Shuldiner and HUD staff met with the subcommittee and Member staff on August 21, 1995, to address other issues raised regarding the takeover. On August 28, 1995, the subcommittee directed another document request and inquiry to HUD's Office of General Counsel. The Office of General Counsel staff met with the subcommittee staff the next day to provide a response and to answer staff questions.

The subcommittee staff also conducted numerous interviews with members of the Chicago community including: former CHA Executive Director Vince Lane, Mayor Richard Daley, CHA residents, former CHA staff and local housing and community development experts. Further, on August 25, 1995, majority and minority staff conducted onsite investigations and interviews in the city of Chicago.

On September 5, 1995, the subcommittee held an oversight hearing in Chicago to investigate the Federal takeover of the Chicago Housing Authority. The hearing focused on HUD's progress at CHA

since the May 30 takeover, the agency's short and long term strategies for reforming CHA and its plans for installing new leadership and management at the CHA. At the hearing, testimony was received from top level HUD officials, including Henry Cisneros, HUD Secretary; the U.S. General Accounting Office (GAO); panels of tenants; public housing management experts; and representatives from the city of Chicago and the private sector.

Based on the investigation and the oversight hearing, the committee adopted its fifth report to the 104th Congress on December 14, 1995.

The report contained seven major oversight findings:

1. HUD's takeover of CHA was a necessary response to the resignation of the CHA Board of Commissioners.
2. HUD implemented a 120 day-plan to stabilize CHA finances, management, security and physical inventory.
3. Three months following the takeover, HUD lacked a long term strategy for reforming CHA, and extricating itself from CHA management.
4. HUD's presence at CHA will be required beyond January 1, 1996.
5. HUD lacks clear statutory or regulatory standards to trigger intervention at troubled housing agencies.
6. HUD does not have the staff resources necessary to run several troubled housing agencies at once.
7. The Resident Management Corp. at 1230 North Burling, Cabrini Green in Chicago has improved living conditions and economic opportunities for public housing residents.

Based upon its investigation, the committee report made the following detailed recommendations:

1. HUD should promptly secure strong, long term leadership at CHA.
2. HUD and new CHA management should develop a long term strategy for the recovery of CHA.
3. HUD should maintain a clear distinction between its actions as a Federal agency and its actions as CHA manager.
4. HUD's takeover of CHA should be evaluated as a pilot program to determine the effectiveness of direct HUD intervention at other troubled housing agencies.
5. Clear statutory or regulatory standards should be established for HUD intervention at troubled housing agencies.
6. HUD should do more to support viable Resident Management Corp.'s, particularly those operating in troubled public housing developments.

The report includes additional views by Mrs. Collins and Mr. Towns expresssing general support for the report, and noting that a briefing by HUD on December 5, 1995, provided additional information, not reflected in the report, that some of the subcommittee's recommendations have already been adopoted by HUD. The additional views include references to facts that can be found in the hearing record that provide a more complete picture of the status of the intervention effort, the rationale for the takeover, and the capacity of HUD to intervene in other troubled housing authorities.

Mrs. Collins and Mr. Towns noted that HUD had acted on the subcommittee's recommendation regarding hiring of CHA staff and

regarding formulation of a long range plan for the CHA. The additional views also pointed out that HUD offered information to support the conclusion that the Department does have the capability to intervene in other troubled housing authorities. Finally, the ranking members expressed the view that budget constraints must be acknowledged in any evaluation of the HUD intervention at CHA.

Mr. Shays' additional views concurred with those of Mrs. Collins and Mr. Towns regarding HUD's action on the subcommittee's recommendation.

b. Benefits.—The investigation found that HUD's takeover of the day-to-day operations of the Chicago Housing Authority (CHA) was necessary given the magnitude and severity of the problems faced by the housing authority and its residents. Significant investment of Federal funds are at risk as a result of the mismanagement of the CHA. Taxpayers and residents will benefit from this intervention by HUD. Moreover, the subcommittee's continued oversight with respect to this matter may spare the Chicago Housing Authority future years of deferred maintenance, administrative waste and further deterioration.

c. Hearings.—On Tuesday, September 5, 1995, the subcommittee convened an oversight hearing entitled "HUD's Takeover of Chicago Housing Authority," to receive testimony from: Hon. Henry Cisneros, Secretary of the Department of Housing and Urban Development (HUD); Joseph Shuldiner, Assistant Secretary for Public and Indian Housing at HUD; Kevin Marchman, Deputy Assistant Secretary for Distressed and Troubled Housing at HUD; Artensia Randolph, president of the Central Advisory Committee; Hattie Calvin, president of the Cabrini Green Leadership Advisory Council; Cora Moore, 1230 North Burling, Cabrini Green, Resident Management Corp.; Jeffrey Lines, a Kansas City receiver and president of TAG Associates; Judy England-Joseph, Director of Housing and Community Development Issues for the U.S. General Accounting Office (GAO); Rosanna Marquez, director of programs for the city of Chicago; George Murray, chief of the CHA Police Department; and William Wallace, managing director of the Housing Technology Corp.

3. "Fraud and Abuse in Medicare and Medicaid: Stronger Enforcement and Better Management Could Save Billions," House Report No. 104–641, June 27, 1996, Eighth Report by the Committee on Government Reform and Oversight, Together with Additional Views.

a. Summary.—Fraud and abuse are serious drains on Medicare and Medicaid programs. The General Accounting Office (GAO) estimates that as much as 10 percent of annual Government outlays in Federal health care programs are lost to fraudulent and wasteful provider claims. If that estimate is correct, it would mean almost $32 billion was lost in FY 95. Given that Medicare and Medicaid together account for $269.16 billion in Federal health care spending in FY 1995, Federal losses to these programs associated with fraudulent and abusive practices approached $27 billion. Finding new ways to curb these losses has been a major bi-partisan concern in recent years.

Both the Medicare and Medicaid programs are vulnerable to fraud and abuse. There are strong incentives to over provide services; weak fraud and abuse controls to detect questionable billing practices; few limits on those who can bill; and ineffective enforcement tools. The Medicare program is particularly vulnerable because the Department of Health and Human Service's (HHS) Health Care Finance Administration (HCFA) continues to pay higher than market rates for certain services and supplies. This makes the program an attractive target for increasingly sophisticated, multi-state or national fraud schemes.

Medicare is also vulnerable because perpetrators know there is little chance of being caught. Federal enforcement activities have been uncoordinated and ineffectively carried out, and HCFA's anti-fraud-and-abuse controls fail to systematically prevent the unquestioned payment of claims. Screening of claims for medical necessity and other criteria is inconsistently applied. Vendors sanctioned for fraud or abuse are not effectively barred from continued participation in Federal health programs because the exclusion sanction is under utilized. This points to insufficient coordination between those charged with enforcing existing anti-fraud statutes.

HCFA, the HHS–OIG, and DOJ have outlined initiatives for curtailing fraudulent and abusive practices in Medicare and Medicaid programs. However, the extent to which these initiatives will result in improvements to the Federal Government's health care anti-fraud capabilities is uncertain. HCFA has under development the Medicare Transaction System (MTS) to centralize claims review and processing functions now handled by 72 contractors.

The GAO characterized MTS a system "at risk" in terms of cost and scheduling. Meanwhile, near-term opportunities for more effective anti-fraud programs may be missed while HCFA places most of its hopes on the far-off prospect of the MTS.

Waste, fraud and abuse in Medicare and Medicaid will never be completely eliminated. However, billions could be saved by stronger enforcement and better management—actions which would not place excessive demands on available budgets.

The report contained the following findings:

1. There is insufficient coordination among government agencies combating waste, fraud and abuse in the Medicare and Medicaid programs.
2. HCFA does not require Medicare Part B contractors to use software capable of screening out claims for inappropriate medical services.
3. HCFA is reluctant to exercise its statutory "inherent reasonableness" authority to adjust reimbursement rates for durable medical equipment and supplies because the process is costly and cumbersome. This makes Medicare an attractive target for fraud and abuse. As a result, the Government too often pays more than the market price for certain equipment and supplies costing taxpayers billions of dollars.
4. HCFA's Medicare Transaction System (MTS) project is vulnerable to cost overruns and schedule delays due to the agency's lack of a disciplined management process.

Based on these findings, the report contained the following recommendations:

1. Congress should require HCFA, HHS IG, DOJ, State Medicaid Fraud Control Units and other appropriate law enforcement entities establish a joint program to coordinate fraud detection and prevention activities, and to apply the exclusion sanction against vendors more effectively.

2. HCFA should require its contractors to use autoadjudication prepayment screens to ensure that Medicare does not continue to pay claims for medically unnecessary services.

3. Congress should revise HCFA's "inherent reasonableness authority" to require a price adjustment for a Medicare item or service within 1 year of initiating a review of that item or service through the issuance of an interim final regulation.

4. HCFA should develop a comprehensive management plan to address the cost and scheduling challenges associated with the Medicare Transaction System (MTS). Until that plan is developed, HCFA should focus greater resources on effective, near-term anti-fraud efforts.

b. Benefits.—This report's detailed findings and recommendations strengthened the bi-partisan consensus in support of improved anti-fraud efforts in Federal health care programs. Federal program administrators generally concur with, and will be guided by, the recommendations to reduce vulnerability to fraud, waste and abuse while increasing preventive enforcement activities in order to limit the unproductive "pay and chase" cycle of current enforcement efforts.

c. Hearings.—A hearing entitled "Waste in Human Service Programs: Other Perspectives" was held on May 23, 1995. A hearing entitled, "Keeping Fraudulent Providers Out of Medicare and Medicaid" was held on June 15, 1995. A hearing entitled, "Screening Medicare Claims for Medical Necessity" was held on February 8, 1996. A hearing entitled, "Excluding Fraudulent Providers from Medicaid" was held on September 5, 1996.

4. "Health Care Fraud: All Public and Private Payers Need Federal Criminal Anti-fraud Protections," House Report No. 104–747, August 2, 1996, Eleventh Report by the Committee on Government Reform and Oversight.

a. Summary.—Health care fraud, by some estimates a $100 billion problem, does not stay within the jurisdictional boundaries that divide Federal, State and local health care finance and law enforcement. Sophisticated patterns of fraud and abuse have been detected operating simultaneously against private insurers as well as Federal and State health programs. These scams victimize patients and payers across multiple States, even nationally.

Faced with increasing health care costs, and the growing price of health care fraud, Congress and Federal policymakers are aware of the need for a more coordinated, unified approach to anti-fraud enforcement. One essential element of that approach is the availability of Federal criminal health care offenses to prosecute frauds against any and all payers victimized by the same scheme.

Current Federal enforcement tools are inefficient and inadequate against increasingly sophisticated patterns of fraud and abuse. Health care fraud cases, prosecuted mainly under mail and wire

fraud statutes, money laundering and false claims laws, are complex, costly and time-consuming.

Scarce enforcement resources are wasted when Federal enforcement efforts to protect Medicare and Medicaid only result in "fraud shifting" to private payers. In that event, the general public continues to pay the price for health care fraud in the form of higher insurance premiums and higher costs for Government health programs.

Support for creation of Federal health care fraud crimes is both longstanding and bi-partisan. The previous and current administration endorsed making health care fraud a Federal crime. Legislation in both the 103d and 104th Congress has enjoyed bi-partisan sponsorship and support.

Based upon the product of investigative inquiries and hearing testimony, the committee reported the following findings:

1. Health care fraud schemes steal billions of dollars from public and private payers each year.
2. The Department of Justice (DOJ) needs stronger and more direct statutory authority to deter fraud and abuse against public and private health care plans.
3. Scarce enforcement resources are wasted in pursuit of the same fraudulent scheme against public and private health care plans in multiple jurisdictions.

The report contains one recommendation: Congress should enact legislation to make health care frauds against all public and private payers Federal criminal offenses.

b. Benefits.—This report put a bi-partisan focus on the need for new Federal criminal health care fraud offenses. It provided Members of Congress and the administration with a useful historical perspective and current policy rationale to guide efforts to strengthen enforcement efforts, particularly when frauds are committed against both public and private health care payers. Federal "all payer" offenses were included in the Health Care Portability and Accountability Act, Public Law 104–191.

c. Hearings.—A joint hearing entitled H.R. 1850: Health Fraud and Abuse Act of 1995, H.R. 2480: Inspector General for Medicare and Medicaid Act of 1995, and H.R. 3224: The Health Care Fraud and Abuse Prevention Act of 1996 (Joint Hearing) was held on May 2, 1996.

5. "Protecting the Nation's Blood Supply from Infectious Agents: The Need for New Standards to Meet New Threats," House Report No. 104–746, August 2, 1996, Tenth Report by the Committee on Government Reform and Oversight, Together with Additional Views.

a. Summary.—In the early 1980's, 10,000 hemophiliacs and 12,000 other patients were infected with the human immunodeficiency virus (HIV) through blood and blood products. Approximately 300,000 people were infected with the Hepatitis C virus (HCV), many of whom have never been told of their exposure to infection.

The lessons of these tragedies compel greater vigilance and higher regulatory standards to protect the Nation's blood supply from emerging infectious agents and blood borne pathogens. Threats to

blood safety are both natural and man-made, as aggressive new infectious agents emerge and blood safety practices evolve. As a result, substantial improvements are needed in coordination between the Public Health Service (PHS) agencies within the Department of Health and Human Services (HHS), particularly the Food and Drug Administration (FDA), the Centers for Disease Control and Prevention (CDC) and the National Institutes of Health (NIH).

At the first of two subcommittee hearings on blood safety issues, HHS Secretary Donna Shalala announced that the Department's focus on blood safety issues will be expanded and elevated, with the Assistant Secretary for Health charged to improve the coordination and effectiveness of blood safety policy.

Current FDA and CDC regulatory systems are not adequate to meet the aggressive nature of emerging threats to blood safety. Product recalls and notification regarding possible exposure to blood borne pathogens are not well communicated to physicians, pharmacists, patients or the public. Regulation of blood collection, testing and the production of blood-derived therapeutics is not well coordinated or consistently managed to minimize known risks.

The public is not well served if patients are permitted to believe there is no risk in blood transfusions or in the use of blood derived therapies. While such risks are extremely small, and the U.S. blood supply is as safe as it has ever been, greater efforts should be made to convey known risks to consumers who may wish to minimize even those risks through the use of alternative procedures or therapies.

After a year-long investigation of blood safety issues, the Committee on Government Reform and Oversight issued House Report 104–746 "Protecting The Nation's Blood Supply From Infectious Agents: The Need For New Standards To Meet New Threats;" which addressed the need for reform in the regulation of blood products. The report's findings included:

1. The blood supply is safer than it has ever been.
2. The blood supply continues to face new infectious disease challenges.
3. In response to the recommendations of the Institute of Medicine (IOM), HHS has begun to implement higher regulatory standards to protect the Nation's blood supply from emerging infectious diseases and blood borne pathogens.
4. The public is provided insufficient information on the risks of blood and blood products.
5. The FDA has not effectively managed regulatory review of blood issues, particularly its advisory committee on blood safety issues, the Blood Products Advisory Committee (BPAC).
6. Despite a BPAC recommendation to the contrary, the FDA took the first step toward closing the "window period" of possible HIV transmission by licensing the p24 antigen test for screening of donated blood.
7. Fifteen years after the AIDS virus emerged as a threat to the blood supply, FDA still has not developed an effective system for communicating blood product recalls to pharmacists, doctors or patients.
8. The size of plasma pools for fractionated products can increase the risk of infectious disease transmission.

The report recommended:

1. Congress should establish the Blood Safety Council and the Advisory Committee on Blood Safety and Availability in statute.

2. Congress should consider establishing an indemnification system for individuals who suffer adverse consequences from the use of blood and blood products.

3. HHS should take steps to ensure that the estimated 300,000 living recipients of blood and blood products who were infected with Hepatitis C virus before 1990 are notified of their potential infection so that they might seek diagnosis and treatment.

4. HHS should disseminate more clinically useful information to providers of care and to the public regarding blood safety issues.

5. FDA should immediately develop an effective system of recall notification for blood and plasma products.

6. FDA should immediately cease its practice of providing advance notice of safety and compliance inspections to some plasma fractionators.

7. Plasma fractionators should limit the size of plasma pools, with pool sizes determined as much by public health risk factors as by production economies of scale.

During the 1980's, 10,000 hemophiliacs and 12,000 others were infected with the Human Immunodeficiency Virus (HIV), which causes Acquired Immune Deficiency Syndrome (AIDS), through the use of blood and blood-derived therapies. The report found that current scientific and regulatory standards to detect and remove emerging blood borne pathogens lack both consistency and vigor. The report recommended greater cooperation and coordination between Federal public health agencies, more effective communication of the risks of blood products to consumers, and more effective recall of contaminated blood and blood products.

b. Benefits.—The subcommittee's investigation and hearing allowed FDA officials, patients, physicians, blood collection industry representatives and plasma product manufacturers the opportunity to articulate their concerns and solutions regarding threats to the safety of the blood supply presented by emerging pathogens, complacency and regulatory mismanagement. The lessons of HIV and Hepatitis-C infections compel greater vigilance and higher regulatory standards to protect the Nation's blood supply from emerging infectious agents and blood borne pathogens. This report provides an outline of existing problems in the blood regulatory system as well as recommendations for resolution of these issues.

c. Hearings.—Hearings entitled "Protecting the Nation's Blood Supply from Infectious Agents: The Need for New Standards to Meet New Threats" were held October 12 and November 2, 1995.

NATIONAL SECURITY, INTERNATIONAL AFFAIRS AND CRIMINAL JUSTICE SUBCOMMITTEE

Hon. William H. Zeliff, Jr., *Chairman*

1. "National Drug Policy: A Review of the Status of the Drug War," House Report No. 104–486, March 19, 1996, Seventh Report by the Committee on Government Reform and Oversight, Together with Additional Views.

a. Summary.—Pursuant to the National Narcotics Leadership Act of 1988 (21 U.S.C. 1501 et seq.), the Director of the Office of National Drug Control Policy (ONDCP) developed a strategy and budget for anti-narcotics efforts, including both supply and demand reduction. In order to evaluate the strategy and find ways to both improve and supplement in the public and private sector, the Subcommittee on National Security, International Affairs, and Criminal Justice held five hearings and conducted a fact-finding trip to the Caribbean drug transit zone. The findings and recommendations of these activities are detailed in the March 19, 1996 committee report.

The National Narcotics Leadership Acts requires that the strategy: "(A) include comprehensive, research based, long-range goals for reducing drug abuse in the United States; (B) include short-term measurable objectives which the Director determines may be realistically achieved in the 2 year period beginning on the date of the submission of the strategy; (C) describe the balance between resources devoted to supply reduction and demand reduction; and (D) review state and local drug control activities to ensure the United States pursues well-coordinated and effective drug control at all levels of government." The subcommittee held five hearings in order to determine whether the current strategy and its execution continues to meet these statutory obligations.

The threats posed by illegal drug use, especially among the Nation's youth, have continued to grow since the subcommittee investigation began in January 1995. All national studies show a rise in drug use among teenagers. Both minority and majority members of the subcommittee have demonstrated a commitment to enhancing the drug control strategy by their active participation in these hearings.

b. Benefits.—As a result of its investigation into the use of illegal drugs in America and the Nations fight against drugs, the subcommittee confirmed the following facts:

(1) Casual teenage drug use trends have suffered a marked reversal over the past 4 years, and are dramatically up in virtually every age group and for every illicit drug, including heroin, crack, cocaine hydrochloride, LSD, non-LSD hallucinogens, methamphetamine, inhalants, stimulants, and marijuana.

(2) Rising casual teenage drug use is closely correlated with rising juvenile violent crime.

(3) If rising teenage drug use and the close correlation with violent juvenile crime continue to rise on their current path,

the Nation will experience a doubling of violent crime by 2010.[15]

(4) The nature of casual teenage drug use is changing. Annual or infrequent teenage experimentation with illegal drugs is being replaced by regular, monthly or addictive teenage drug use.[16]

(5) The nationwide street price for most illicit drugs is lower than at any time in recent years, and the potency of those same drugs, particularly heroin and crack, is substantially higher.

(6) Nationwide, drug related emergencies have steadily climbed and have now reached an all time high.

(7) The 1994, 1995, and 1996 White House ONDCP strategies consciously shift resources away from priorities set in the late 1980's, namely from prevention and interdiction to treatment of "hardcore addicts" and source country programs.

(8) During 1993, 1994 and most of 1995, the President put little emphasis on, and manifested little interest in, either the demand side war against illegal drug use or the supply side war against international narcotics traffickers. An objective look at the President's public addresses and his actions including dramatic cuts in ONDCP staffing, interactions with Congress, and discussions with foreign leaders reveals that attention to the rising tide of illegal drug use is a low Presidential priority.

(9) The President's actual attention to this problem, measured by other than the paucity of speeches and proposed budget cuts, has been uniformly low. In addition to the absence of direct Presidential involvement in the drug war, the President produced no 1993 Annual Strategy, despite a statutory duty to do so under the 1988 Antidrug Abuse Act; delayed appointment of a White House Drug Czar, or ONDCP Director, until half way through 1993; and produced only a terse "interim" 1993 Strategy.

(10) The Drug War appears also to have been expressly reduced to a low national security priority early in the administration, and not to have been formally elevated at any time since.[17]

(11) While the position is contested by the administration's ONDCP Director, a wide cross section of drug policy experts inside and outside of the administration concur that the absence of direct Presidential involvement in foreign and domestic counter narcotics efforts is one reason for the recent reversal in youth drug use trends, reduced street prices for most narcotics, and increased potency of most illicit drugs.

(12) Prevention programs that teach a right-wrong distinction in drug use, or "no use," such as D.A.R.E., G.R.E.A.T., the Nancy Reagan After School Program, community-based efforts run by groups such as C.A.D.C.A., PRIDE, the National Par-

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[15] *See* Juvenile Offenders and Victims: A National Report, OJJDP, Department of Justice, September 1995.

[16] *See* 1995 surveys conducted by PRIDE, The National Household Survey, and The University of Michigan's Monitoring the Future Survey.

[17] Reportedly, the drug war's national security priority during the first 3 years of the Clinton administration was number 29 out of 29.

ents Foundation, and Texans War on Drugs, as well as other local school and workplace programs, have proven both successful and popular where they have been well-managed and accountable—despite the 1995 White House ONDCP Strategy statement that "[a]ntidrug messages are losing their potency among the Nation's youth."

(13) Federal drug prevention programs, such as Safe and Drug Free Schools, while supporting successful prevention programs in many parts of the country, have also been subject to misapplication, waste and abuse.

(14) The Nation's law enforcement community needs greater flexibility and support from the Federal Government in addressing the rise in juvenile and drug related crime. While certain developments are promising, such as the $25 million increase in Byrne Grant funding in fiscal 1996, a law enforcement block grant to supersede the COPS program, and increased reliance on joint interagency task forces, valuable time has been lost in addressing this need. Renewed attention to strengthening Local, County, State and Federal law enforcement's counter narcotics efforts is required.

(15) The Nation's interdiction effort has been dramatically curtailed over the past 3 years, due to lack of White House support for interdiction needs, reduced funding, a tiny staff at the U.S. Interdiction Coordinator's Office, the absence of an ONDCP Deputy for Supply Reduction, reduced support for National Guard container search days, the elimination of certain cost effective assets in the Eastern Caribbean, reassignment or absence of key intelligence gathering assets, reluctance by the Department of State to elevate counter narcotics to a top priority in certain source and transit countries, unnecessary interagency quarreling over asset management and personnel issues, and the apparent inability or unwillingness of the White House Drug Czar to bring essential interdiction community concerns to the attention of the President or to aid the President's Interdiction Coordinator in doing so; and

(16) There has been poor management and interagency coordination in source country counter-drug activities.

c. Hearings.—In 1995, the subcommittee held five days of hearings in conjunction with its investigation of ONDCP. Those hearings include the following: "Effectiveness of the National Drug Control Strategy and the Status of the Drug War" on March 9 and April 6, 1995; "Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?" on June 27 and 28, 1995; and "The Drug Problem in New Hampshire: A Microcosm of America," September 25, 1995.

On March 9, 1995, the subcommittee investigation resulted in its first hearing entitled, "Effectiveness of the National Drug Control Strategy and the Status of the Drug War." The purpose of this hearing was to examine President Clinton's 1995 National Drug Control Strategy, and to begin an assessment of how effectively the Nation is fighting illegal drug abuse, domestically and internationally. Acknowledged components of the Drug War under review include prevention, treatment, interdiction, law enforcement, and source country programs.

At this hearing, testimony was received from four panels. The subcommittee heard first from former First Lady of the United States, Nancy Reagan. The second panel included William J. Bennett, former Director of the Office of National Drug Control Policy (ONDCP); Robert C. Bonner, former Administrator of the Drug Enforcement Administration; and John Walters, former Acting Director of ONDCP. The subcommittee also heard testimony from Dr. Lee Brown, Director of ONDCP. Finally, the subcommittee heard from Admiral Paul A. Yost, Jr., former Coast Guard Commandant; and several nationally recognized drug abuse prevention experts, including Thomas Hedrick, Jr., senior representative of the Partnership for a Drug-Free America; G. Bridget Ryan, executive director of California's BEST Foundation; James Copple, national director of the Community Antidrug Coalitions of America (CADCA); and Charles Robert Heard, III, director of program services for Texans' War on Drugs.

With varying degrees of emphasis, all panels acknowledged that current Federal efforts are under strain from reduced emphasis on certain components of the Drug War, budgetary pressure, and in some cases accountability.

The panels also acknowledged that, over the past several years, there has been a marked reversal in several important national trends including most notably a rise in casual drug use by juveniles, but also reaching to perceived drug availability (up), perceived risk of use (down), average street price (down), drug related medical emergencies (up), drug related violent juvenile crime (up), total Federal drug prosecutions (down), and parental attention to the drug issue (down).[18]

All panels agreed that renewed national leadership, including both Presidential and congressional leadership, will be necessary to combat these recent trend reversals, especially the rise in juvenile drug abuse and drug related violent juvenile crime.

The subcommittee continued its investigation into the Nation's drug control strategy with a second hearing on April 6, 1995, which was a follow-up to the March 9 hearing. Testimony was received only from Dr. Lee P. Brown, Director of ONDCP, who continued testimony he gave the subcommittee on March 9, 1995. Dr. Brown testified on a range of topics, including treatment, prevention, law enforcement, interdiction and source country programs.

On June 27 and June 28, 1995, the subcommittee held hearings entitled, "Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?" to examine efforts to limit supply and availability by interdicting drugs before they cross our borders. On June 27, the subcommittee received testimony from a number of witnesses, beginning with a technology and K–9 dem-

[18] Press release, the University of Michigan, "Drug Use Rises Again in 1995 Among American Teens:" December 15, 1995; press release, PRIDE, "Teen Drug Use Rises for Fourth Straight Year," November 2, 1995; preliminary estimates from the Drug Abuse Warning Network, U.S. Department of Health and Human Services, September 1995; James E. Burke, "Presentation: An Overview of Illegal Drugs in America," Partnership for a Drug-Free America, fall 1995. The subcommittee found that these reversals have continued through the period 1993 to 1995, although certain trend lines, including a shift from falling to rising casual use, typically among juveniles, began in 1992. In addition, a shift of certain interdiction resources, which were earlier a part of the counter narcotics force structure, began in late 1991 with the advent of the Persian Gulf War.

onstration,[19] and proceeding through testimony from high school students. The hearing continued with testimony from the Administrator of the Drug Enforcement Administration and three investigators from the General Accounting Office (GAO), who evaluated the effectiveness of the Clinton administration's source country programs.

The subcommittee first heard from four students affected by drugs in their schools, including Michael Taylor of Browne Junior High School, Natasha Surles of Roper Junior High School, Willie Brown of McFarland Middle School, and Lan Bui of Bell Multicultural School.

Subsequently, the subcommittee heard testimony by Thomas A. Constantine, Administrator of the Drug Enforcement Administration, and expert witnesses Joseph Kelley, Allan Fleener and Ron Noyes of the General Accounting Office. Mr. Kelley is Director-In-Charge of the International Affairs Section and Mr. Fleener and Mr. Noyes are investigators who principally assisted in producing a June 1995 GAO report on source country anti-narcotics programs.

Finally, the subcommittee heard testimony from Jane E. Becker, Acting Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, U.S. Department of State; and Brian Sheridan, Deputy Assistant Secretary for Drug Enforcement Policy and Support at the Department of Defense.

During this hearing, the subcommittee examined the current drug interdiction efforts of the major Federal agencies engaged in the national drug control strategy, namely DEA, the U.S. Coast Guard, U.S. Customs, and the Departments of Defense and State.

Collectively, the expert witnesses confirmed that on November 3, 1993, President Clinton signed a Presidential Decision Directive for Counter narcotics (PDD–14), which instructed Federal agencies to shift the emphasis in U.S. international antidrug programs from the transit zones such as Mexico, Central America and the Caribbean to the source countries such as Colombia, Peru, and Bolivia. PDD–14 provided that the Director of the Office of National Drug Control Policy (ONDCP) should appoint a Coordinator for Drug Interdiction "to ensure that assets dedicated by the Federal drug program agencies for interdiction are sufficient and that their use is properly integrated and optimized." [PDD–14, November 3, 1993.]

The aim of this hearing was to offer the administration's principals on interdiction, those whose mission was affected by PDD–14, an opportunity to assess their own efforts and explain the impact on their agencies of PDD–14 and its concomitant "controlled shift" of resources.

Continuing these hearings on June 28, 1995, the subcommittee received testimony on interdiction policy from additional administration witnesses, including Admiral Robert E. Kramek, Commandant of U.S. Coast Guard and U.S. Interdiction Coordinator, and George Weise, Commissioner of the U.S. Customs Service.

[19] The U.S. Customs Service Canine Training Center provided a demonstration on the utilization of drug sniffing dogs in illicit narcotic interdiction. Also, a representative from the U.S. Coast Guard's Miami Law Enforcement Division demonstrated how an Ionscan and the Compact Integrated Narcotic Detection Instrument (CINDI) operate to detect and locate illicit narcotics.

Admiral Robert E. Kramek, U.S. Interdiction Coordinator and Commandant of the U.S. Coast Guard, serves a dual role in the Nation's interdiction efforts. He testified before the subcommittee in both capacities. He explained that the U.S. Coast Guard serves as the lead agency for maritime interdiction and as co-lead with Customs for air interdiction, adding that drug interdiction takes only *9 percent of the Coast Guard budget* and emphasizing the important role intelligence plays in drug interdiction. On this topic, he testified that 70 percent of our operations are based on intelligence.

Admiral Kramek took particular note of the importance of national leadership on this issue. Offering implicit criticism of a reduced interdiction effort in the Clinton administration, he testified that, when the smugglers see our foreign policy priorities change and make drug interdiction much lower on the priority list than other things, they're quick to take advantage of that.

George Weise, Commissioner, U.S. Customs, testified regarding efforts to interdict drugs at our Nation's borders. Mr. Weise reiterated the importance of knocking out smuggling by private plane into this country, and attributes the increased shift to ground smuggling along the Southwest border to the efforts against air transport. He believes that the 2,000 miles of the Nation's Southwest border has now emerged as the primary entry point for cocaine, although he did not contradict Admiral Kramek's assessment that Puerto Rico has recently taken on new significance as a port of entry into the United States.

The subcommittee's investigation also included an examination of the fight against drugs on the streets of America's cities. At the subcommittee's September 25, 1995 hearing on the drug problem in New Hampshire entitled "The Drug Problem in New Hampshire: A Microcosm of America," members received testimony from a number of witnesses fighting on the front lines at the local levels.

The purpose of the field hearing was to continue an examination of national drug control policy, focusing on the successful drug fighting efforts of Manchester, NH, which had recently participated in a joint interagency task force called "Operation Streetsweeper."

Collectively, the expert testimony confirmed the following facts: Early in 1995, statistics showed that the overall crime rate in Manchester, which is New Hampshire's largest city, had declined. However, these statistics also showed that arrests for drug offenses had increased dramatically, as they had for other drug related crimes. After a number of murders were linked to drug distribution and usage, the community came together to rid their city of this scourge.

Manchester Police Chief Peter Favreau received a $100,000 grant to help pay for State Police Officers to patrol city streets with city police, and a short time later Manchester Police were joined by the Sheriff's Department, the State Attorney General's Drug Task Force, the State Police Special Investigations Unit, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco and Firearms (ATF), and the Immigration and Naturalization Service (INS). This Federal-State-Local interagency task force put jurisdictional issues aside and singularly pursued the aim of getting drug dealers off the streets of Manchester.

As various panelists and community representatives testified, the change on the streets of Manchester could be felt immediately. As Chief Favreau testified, "With as much coverage as we have out there, I honestly feel [the criminals] are going elsewhere. It's almost impossible not to have that happen."

In an effort to understand how the interagency task force worked and what made it so effective, the principals in this successful anti-drug effort testified before the subcommittee. Since illegal drugs and associated violent crime plague virtually every city in America, the accounts these witnesses told offer valuable insights into how best to tackle drugs and violent crime in other cities around this country.

Witnesses included: Jeff Howard, attorney general for the State of New Hampshire; Geraldine Sylvester, the director of New Hampshire's Office of Alcohol and Drug Abuse Prevention; Paul Brodeur, commissioner of New Hampshire Department of Corrections; Neal Scott, assistant unit commander of the Narcotics Investigation Unit with the New Hampshire State Police; Billy Yout, Special Agent in Charge of Drug Enforcement Administration; Ray Wieczorek, the mayor of Manchester; Peter Favreau, chief of the Manchester Police Department (MPD); Paul Gagnon, U.S. attorney for New Hampshire; Alice Sutphen, a representative from the citizen's group Take Back Our Neighborhoods; Dana Mitchell, captain, Dover Police; Michael Plourde, executive director of the Nashua Youth Council; John Ahman, regional program director for Marathon House, and; Dick Tracy, sergeant, Crime Prevention Division, Manchester Police Department.

d. Fact-finding Trip.—The subcommittee's investigation included one fact finding trip to the Drug War's front line. Subcommittee members, the United States Coast Guard and staff, traveled to the Seventh Coast Guard District in the Caribbean transit zone between June 16 and June 19, 1995. In the transit zone, subcommittee members and staff attended briefings at Seventh District Headquarters in Miami, Coast Guard interdiction initiatives at sea, DEA activities in the Greater Antilles, high level interagency briefings in Puerto Rico by the FBI, DEA, Customs, Border Patrol, and local authorities, and received in depth briefings by Admiral Granuzo and others at Joint Interagency Task Force East (JIATF East) in Key West, dedicated to drug interdiction in the transit zone.

This interdiction trip was arranged in coordination with the U.S. Coast Guard, and invitations were extended to minority and majority members.

In briefings, a number of interdiction facts became more clear. Agents participating in OBAT (Operation Bahamas, Turks and Caicos), a multi-agency, international operation based in Nassau, Bahamas, made clear that they have lost major assets over the past 2 years.

At the Greater Antilles Section Coast Guard Base (GANTSAC) in Puerto Rico, which covers 1.3 million square miles, multi-agency briefers expressed the view that, if 70 percent of the cocaine coming into the United States comes over the Southwest border, the rest comes through Puerto Rico, which has seen as much as $40 million in money laundering in recent years. In attendance at the

briefing were representatives of the FBI, DEA, Border Patrol, Coast Guard, INS, Customs, Department of Defense and Puerto Rico.

Summarizing the briefing, the assets most needed are: more radars (including a suggested radar in Belize); more Jayhawk helicopters; more 378-foot Coast Guard Cutters; ion scanners and CINDI's; air rights agreements with more Caribbean nations (perhaps Cuba); and more senior level staff. The Coast Guard also indicated that they have recently lost 4 of 10 HU–25 intercepter aircraft by re-deployment or demobilization.

At JIATF East, briefers included Rear Admiral Andrew A. Granuzo, who admitted that the central obstacle to waging a more effective drug war, particularly in interdiction, is that "there is no one in charge." This assessment mirrored the testimony of Admiral Yost, Bill Bennett, John Walters, and Robert Bonner.

JIATF East was created by Presidential Decision Directive 14 (PDD 14), which ordered a review of the Nation's counter narcotics command and control intelligence centers. Creation of three joint interagency task forces and a domestic air interdiction center was authorized by the White House Drug Czar in April 1994. Accordingly, JIATF East is joined in its interdiction mission by JIATF West in Alameda, CA; JIATF South in Panama; the DAICC at March Air Force Base, CA; and JTF–6 in El Paso, TX.

JIATF East is dedicated to supporting all counterdrug activities in the transit zone. The command integrates intelligence with operations, and coordinates the employment of the U.S. Navy and U.S. Coast Guard ships and aircraft, U.S. Air Force aircraft, and aircraft and ships from allied nations, such as Great Britain and the Netherlands. The command's mission boils down to maximizing the disruption of drug transhipment, collecting, integrating and disseminating intelligence, and guiding detection and monitoring forces for tactical action.

Just as importantly, JIATF East integrates law enforcement personnel, primarily from Customs, into the international interdiction effort. For that reason, the command includes FBI, DEA and State Department, in addition to the Department of Defense.

2. "A Two-Year Review of the White House Communications Agency Reveals Major Mismanagement, Lack of Accountability, and Significant Mission Creep," House Report No. 104–748, August 2, 1996, Twelfth Report by the Committee on Government Reform and Oversight, Together with Dissenting Views.

a. Summary.—In March 1994, alarmed by allegations of waste, fraud and abuse within the White House Communications Agency (WHCA), Chairman William F. Clinger, Jr., and subcommittee Chairman William H. Zeliff, Jr., requested the General Accounting Office to conduct a comprehensive audit of the mission, functions and operations of that agency. WHCA, a military unit within the Department of Defense (DOD), is responsible for providing communications support to the White House.

The committee's request was met with strong and consistent opposition from the Clinton administration which argued that any inspection of WHCA would create an extreme national security risk and endanger the personal safety of the President. Nevertheless,

after blocking the investigation for nearly a year, and as a result of continued pressure by Chairmen Clinger and Zeliff, the administration agreed to permit the DOD Inspector General (IG) to conduct the requested review.

The IG audit resulted in a two-part report which confirmed that WHCA was suffering from severe mission creep, internal mismanagement, and a lack of oversight and accountability. The IG concluded that WHCA had significantly expanded its original mission of providing secure communications to the President, and that the agency was now providing extensive unrelated services to the President, First Lady, Vice-President, and to White House staffers in general. The IG further concluded that these extraneous services, which were provided and paid for by DOD, should have been funded by the White House. Although the IG did not provide a total dollar figure for inappropriate DOD–WHCA spending, they identified specific services amounting to more than $16 million in fiscal years 1994 and 1995 which were improperly paid from DOD's budget.

The reports concluded that WHCA's mission creep had been fostered primarily by vague and ambiguous mission statements and the gradual transfer of operational control of WHCA from DOD to the White House.

While WHCA and its predecessor agencies were initially devoted solely to military, strategic and national security support for the President, a broader mission statement was adopted by DOD in 1962 and subsequently refined in the 1970's and 1980's to, "provide telecommunications *and other related support* to the President of the United States *and to other elements related to the President.* . . . Elements related to the President are his staff, the First Family, the Vice President, the U.S. Secret Service Protective Forces, *and others as directed.*" In other words, the DOD had allowed the agency's mission to be broadened to include almost any task to support almost any member of the President's family or staff.

The second factor contributing to WHCA's mission creep was the transfer of operational control of WHCA from the Department of Defense to the White House. Although WHCA exists as a DOD agency under the command of the Defense Information Systems Agency (DISA), DISA does not in fact direct the operations of WHCA. Rather, WHCA receives its day-to-day orders and directions from the White House Military Office (WHMO), which is staffed by political appointees and is part of the Executive Office of the President. The Director of WHMO—a civilian, political appointee who holds the position of Deputy Assistant to the President—directs the activities of WHCA and writes the annual Officer Evaluation Report which determines the future career prospects of the WHCA Commander. This Officer Evaluation Report is reviewed, supplemented and signed by the White House Chief of Staff.

Thus, although WHCA is technically a sub-command of DISA, and is theoretically under the supervision of DISA, in practice the power relationship is exactly reversed. Because of WHCA's proximity and direct responsibility to the President, DISA has generally taken a deferential and subservient attitude toward WHCA, and

has focused on ministering to the requirements of WHCA rather than exercising effective supervision. In light of that fact, WHCA was willing to expand its mission to accommodate successive Presidents, even though many of the new missions should have been funded and performed by other agencies. This unique role reversal was fundamental to WHCA's profound mission creep, as well as its parent agency's lack of program oversight or operational control.

In addition to mission creep and a lack of effective oversight, the subcommittee's investigation found significant failings in the areas of procurement, disbursements, property and inventory management, and obligation controls.

The IG audit revealed that WHCA has routinely avoided statutorily required competitive bidding procedures for the purchase of goods and services, relying instead on "best guesses" in assessing the reasonableness of prices quoted. The agency has frequently ignored fundamental contract law, using unwritten oral agreements in lieu of clearly negotiated, verifiable contracts. As a consequence, the agency has often been held liable for questionable contracts with suspect terms. WHCA has also habitually bypassed required independent DOD review of major purchases. These contracting failures have resulted in millions of dollars of wasted taxpayers' money.

Specific examples of procurement waste cited in the IG reports included the $4.9 million purchase of two air-transportable mobile communications systems that did not meet WHCA's operational needs, and the agency's failed acquisition of replacement satellite terminals. While WHCA had planned and justified the purchase of 12 units at a cost of $269,000 each, the belated discovery that the terminals cost more than twice that amount, or $618,000 each, forced WHCA to reduce its purchase by half, thus failing to achieve the needed upgrade.

Additional management difficulties uncovered by the subcommittee included a lack of control over disbursements leading to untold numbers of duplicate vendor payments, the routine late payment of bills and invoices resulting interest and penalty charges, and the agency's inability to determine the validity of over $14.5 million in unliquidated payment obligations.

In the area of property management, the IG audit unearthed serious problems with WHCA's inventory controls. The reports disclosed $555,000 worth of computers and $22,000 worth of photographic equipment which was never recorded in the agency's property book. In testimony before the subcommittee, the IG conjectured that the total value of non-recorded property may have been as high as $738,000. In addition, the auditors noted that the lack of accountability often made it difficult for WHCA managers to determine whether non-expendable property which had been ordered and paid for had actually been received.

The subcommittee's investigation further disclosed that WHCA failed to follow DOD regulations requiring the regular inventory and re-validation of major equipment needs. As a result, the agency was paying over $117,000 a year to lease telecommunications circuits which were no longer required.

Upon completing its audit and in testimony before the subcommittee, the IG stated that "the Assistant Secretary of Defense

(Command, Control, Communications and Intelligence) management control program needs improvement because a material weakness exists in that administrative, financial and operational oversight was not provided to the White House Communication Agency." The IG identified the Assistant Secretary of Defense for Command, Control, Communications and Intelligence (the ASD/C3I) as the responsible entity because the ASD/C3I is in charge of DISA, WHCA's commanding unit.

b. Benefits.—DOD's management response to the IG audit was provided by Hon. Emmett Paige, Jr., the ASD/C3I, who submitted joint comments on his own behalf and on behalf of the Director of DISA and the Commander of WHCA. In response to the IG's findings of mission creep, the ASD/C3I denied the existence of any problem. However, the ASD/C3I did concur with almost all of the IG's findings and recommendations regarding WHCA's lack of accountability and internal controls. The ASD/C3I acknowledged not only that each individual accountability problem needed to be corrected, but also that the scope and nature of WHCA's accountability problems, taken as a whole, demanded an over-arching, systemic solution. To that end, the ASD/C3I entered into negotiations with White House administrators to resolve questions of WHCA's accountability. As a result of those meetings, a Memorandum of Agreement (MOA) was executed between the ASD/C3I and the White House to establish the terms and conditions governing WHCA's future operations and DISA's oversight responsibilities.

To address unresolved concerns over mission creep and further define DISA's oversight responsibilities, the committee issued a report, House Rept. 104–748, which recommended the adoption of legislation to statutorily limit WHCA's mission to providing national security-related telecommunications services required by the President. The subcommittee recommended that all other functions presently performed by WHCA either be transferred to the Executive Office of the President (EOP) or require EOP reimbursement. This recommendation was substantially adopted as an amendment to the 1996 Department of Defense Authorization Act.

The subcommittee further recommended that the WHCA Commander be given annual performance evaluations by the Director of DISA.

Finally, the subcommittee recommended the adoption of a 5 year period of annual reporting to monitor the agency's progress in resolving the problems identified by the DOD IG and by the subcommittee. This recommendation was also included in the 1996 Defense Authorization Act.

c. Hearings.—On May 16, 1996, the subcommittee convened a hearing to receive testimony from Hon. Emmett Paige, Jr., ASD/C3I; Colonel Joseph J. Simmons, IV, the Commander of WHCA; Mr. Robert J. Lieberman, Assistant Inspector General for Auditing for the DOD IG; and Mr. Henry L. Hinton, Jr., Assistant Comptroller General for the GAO's National Security and International Affairs Division.

While testimony was received from Messrs. Hinton and Lieberman, concerns over the submission of two differing sets of testimony on behalf of Colonel Simmons caused subcommittee Chairman Zeliff to adjourn the hearing to reconvene at a later

date. When the subcommittee reconvened on Jule 13, 1996, testimony was received from Secretary Paige and Colonel Simmons.

3. "Investigation Into the Activities of Federal Law Enforcement Agencies Toward the Branch Davidians," House Report No. 104–749, August 2, 1996, Thirteenth Report by the Committee on Government Reform and Oversight, Prepared in Conjunction with the Committee on the Judiciary, Together with Additional and Dissenting Views.

a. Summary.—The conduct of three executive branch departments and subsidiary agencies came under intense scrutiny following the raid and standoff at the Branch Davidian residence in West Texas in 1993. Accordingly, the subcommittee conducted a 5-month prehearing investigation into executive branch conduct of these departments and agencies and accepted testimony by 97 witnesses during 10 days of hearings in 1995.

In June 1992, the Austin, TX Office of the Bureau of Alcohol, Tobacco and Firearms (ATF) opened a formal investigation into allegations that members of a Waco, TX religious group, the Branch Davidians, and in particular their leader, Vernon Howell (a.k.a. David Koresh), possessed illegal firearms and explosive devices. A Federal judge issued a warrant for the search of the Branch Davidian residence and a warrant for the arrest of David Koresh.

On February 28, 1993, a force of 76 ATF agents stormed the Davidian residence to serve the arrest and search warrants. Prior to the commencement of the raid, however, the Davidians had learned of the ATF's plans. As the agents arrived at the Davidians' residence, the Davidians engaged the ATF agents in a gun battle which continued for almost 90 minutes. Four ATF agents were killed in the battle and more than 20 agents wounded. Two Davidians were killed by ATF agents and several others, including Koresh, were wounded. After a cease-fire was arranged, the Federal Bureau of Investigation dispatched members of its Hostage Rescue Team to Waco to take control of the situation at the request of the ATF. At 6 a.m. the next morning, the FBI formally took control of the situation and a 51-day standoff with the Davidians ensued.

In addition to continual negotiations with the Davidians, FBI officials took other steps to induce the Davidians to surrender. These tactics included tightening the perimeter around the Davidian residence, cutting off electricity to the residence, and at one point, shining bright lights at the residence and playing loud music and irritating sounds over loudspeakers.

During the week of April 12, senior Justice Department officials began considering a plan developed by the FBI to end the standoff. Attorney General Janet Reno, other senior Justice Department officials, and FBI officials held several meetings concerning the plan. The proposed plan centered around the injection of a chemical riot control agent through the walls of the Davidian residence in order to induce the residents to leave the structure. The plan provided for the methodical insertion of the riot control agent into different parts of the building over a 48 hour period. The plan also contained a contingency clause which called for the insertion of the riot con-

trol agent into all portions of the residence simultaneously, if the Davidians failed to obey orders or responded violently.

At approximately 6 a.m., on April 19, 1992, FBI agents using unarmed military vehicles with mounted booms began to insert the riot control agent into the compound by ramming holes into the sides of the building and then spraying the riot control agent into the holes in the walls. Almost immediately the Davidians began to fire on the vehicles used by the FBI to insert the agent. Shortly thereafter, the commander of the Hostage Rescue Team ordered that the contingency provision of the operations plan be implemented and that the riot control agent be inserted in all portions of the residence at once.

At approximately 12:07 p.m., a fire was observed in one portion of the residence. Within 2 minutes, two other fires developed. Soon the three fires engulfed the entire structure, destroying it completely. Nine persons escaped from the structure during the course of the fire, but more than 70 other residents remained inside and all of these persons died.

Pursuant to its oversight jurisdiction over the Federal law enforcement community, the committee's National Security, International Affairs, and Criminal Justice Subcommittee, jointly with the Crime Subcommittee of the House Committee on the Judiciary, conducted an investigation into the initial raid, ensuing standoff, and eventual fire at the Branch Davidian Compound near Waco, TX.

b. Benefits.—Throughout the investigation and the hearings, the subcommittee had difficulty obtaining information from certain agencies and offices under investigation. Correspondence files attest to a constant battle for documents and evidence relating to the situation at Waco. Nonetheless, the investigation and the hearings brought to light a great deal of new information, educated the public on a matter that remained unsettling, and put to rest many errant theories about the incident.

The central purpose of this investigation was to initiate internal reforms that would prevent any such tragedy from occurring again. As a result of this investigation, agencies have begun to change their policies such that they will approach future investigations and operations with less likelihood of tragedy and greater opportunity for success. Specifically, ATF has experienced an entire change of leadership. Moreover, the FBI now has 30 Senior Agents specially trained as "crisis managers," who can be called on at any time to assist in any similar crisis. The FBI's Hostage Rescue Team (HRT) has increased personnel and equipment, as well as the size and training of its negotiating team. Today, there are nine FBI SWAT teams around the country to assist the HRT in any similar emergency. The FBI has also established a working relationship with the crisis resolution centers at Michigan State University and George Mason University, and now keeps a resource list of experts on marginal eclectic or unusual religious groups. In addition, FBI Director Louis Freeh has implemented a new policy regarding the use of force in crisis situations that reinforces the FBI's standing policy in favor of a negotiated solution, and has disposed of the prior FBI policy permitting a barrage of unseemly noisemaking in hostage or barricade situation.

Perhaps the most beneficial aspect of the investigation of Waco was refutation of various conspiracy theories and accusations of malfeasance on the part of particular government agencies. The subcommittee made some of the following findings and recommendations:

FINDINGS

1. But for the criminal conduct and aberrational behavior of David Koresh and other Branch Davidians, the tragedies that occurred in Waco would not have occurred. The ultimate responsibility for the deaths of the Davidians and the four Federal law enforcement agents lies with Koresh.

2. While not dispositive, the evidence presented to the subcommittees indicates that some of the Davidians intentionally set the fires inside the Davidian residence.

3. The gunshot wounds which were the cause of death of 19 of the Davidians on April 19 were either self-inflicted, inflicted by other Davidians, or the result of the remote possibility of accidental discharge from rounds exploding in the fire.

4. Treasury Secretary Lloyd Bentsen and Deputy Secretary Roger Altman acted highly irresponsibly and were derelict in their duties in failing to even meet with the Director of the ATF in the month or so they were in office prior to the February 28 raid on the Davidians residence, in failing to request any briefing on ATF operations during this time, and in wholly failing to involve themselves with the activities of the ATF.

5. Senior Treasury Department officials routinely failed in their duty to monitor the actions of ATF officials, and as a result were uninvolved in the planning of the February 28 raid. This failure eliminated a layer of scrutiny of the plan during which flaws in it might have been uncovered and corrected.

6. The ATF's investigation of the Branch Davidians was grossly incompetent. It lacked the minimum professionalism expected of a major Federal law enforcement agency.

7. David Koresh could have been arrested outside the Davidian compound. The ATF chose not to arrest Koresh outside the Davidian residence and instead were determined to use a dynamic entry approach. In making this decision ATF agents exercised extremely poor judgment, made erroneous assumptions, and ignored the foreseeable perils of their course of action.

8. ATF agents misrepresented to Defense Department officials that the Branch Davidians were involved in illegal drug manufacturing. As a result of this deception, the ATF was able to obtain some training from forces which would not have otherwise provided it, and likely obtained other training within a shorter period of time than might otherwise have been available. Because of its deception, the ATF was able to obtain the training without having to reimburse the Defense Department, as otherwise would have been required had no drug nexus been alleged.

9. The ATF's raid plan for February 28 was significantly flawed. The plan was poorly conceived, utilized a high risk tactical approach when other tactics could have been successfully used, was drafted and commanded by ATF agents who were less qualified than other available agents, and used agents who were not suffi-

ciently trained for the operation. Additionally, ATF commanders did not take precautions to ensure that the plan would not be discovered.

10. There was no justification for the rehiring of the two senior ATF raid commanders after they were fired. The fact that senior Clinton administration officials approved their rehiring indicates a lack of sound judgment on their part.

11. The decision by Attorney General Janet Reno to approve the FBI's plan to end the standoff on April 19 was premature, wrong, and highly irresponsible. In authorizing the assault to proceed Attorney General Reno was seriously negligent. The Attorney General knew or should have known that the plan to end the stand-off would endanger the lives of the Davidians inside the residence, including the children. The Attorney General knew or should have known that there was little risk to the FBI agents, society as a whole, or to the Davidians from continuing this standoff and that the possibility of a peaceful resolution continued to exist.

12. The CS riot control agent insertion and assault plan was fatally flawed. The Attorney General believed that it was highly likely that the Davidians would open fire, and she knew or should have known that the rapid insertion contingency would be activated, that the Davidians would not react in the manner suggested by the FBI, and that there was a possibility that a violent and perhaps suicidal reaction would occur within the residence. The Attorney General should have rejected the plan and demanded the preparation of an alternative.

13. Following the FBI's April 19 assault on the Branch Davidian compound, Attorney General Reno offered her resignation. In light of her ultimate responsibility for the disastrous assault and its resulting deaths the President should have accepted it.

14. The FBI should have sought and accepted more expert advice on the Branch Davidians and their religious views and been more open-minded to the advice of the FBI's own experts.

15. While it cannot be concluded with certainty, it is unlikely that the CS riot control agent, in the quantities used by the FBI, reached lethal toxic levels. However, the presented evidence does indicate that CS insertion into the enclosed bunker, at a time when women and children were assembled inside that enclosed space, could have been a proximate cause of or directly resulted in some or all of the deaths attributed to asphyxiation in the autopsy reports.

16. There is no evidence that the FBI intentionally or inadvertently set the fires on April 19.

17. The activities of active duty military personnel in training the ATF and in supporting the FBI's activities during the standoff did not violate the Posse Comitatus Act because their actions did not constitute direct participation in the government's law enforcement activities.

RECOMMENDATIONS

1. Federal law enforcement agencies should verify the credibility and the timeliness of the information on which it relies in obtaining warrants to arrest or search the property of an American citizen.

2. The ATF should revise its National Response Plan to ensure that its best qualified agents are placed in command and control positions in all operations.

3. Senior officials at ATF headquarters should assert greater command and control over significant operations. The ATF's most senior officials should be directly involved in the planning and oversight of every significant operation.

4. The ATF should be constrained from independently investigating drug-related crimes.

5. Congress should consider applying the Posse Comitatus Act to the National Guard with respect to situations where a Federal law enforcement entity serves as the lead agency.

6. The Department of Defense should streamline the approval process for military support so that Posse Comitatus Act conflicts and drug nexus controversies are avoided in the future.

7. Federal law enforcement agencies should redesign their negotiation policies and training to avoid the influence of physical and emotional fatigue on the course of future negotiations.

8. The government should further study and analyze the effects of CS riot control agent on children, persons with respiratory problems, pregnant women, and the elderly.

c. Hearings.—Oversight hearings on Federal Law Enforcement Actions in Relation to the Branch Davidian Compound in Waco, TX, July 19, 20, 21, 24, 25, 26, 27 28, 31, and August 1, 1995. Witnesses testified regarding the involvement of different agencies on "agency days." Since several agencies were investigated, the evidence collected at these hearings is grouped under agency headings.

(i) The Bureau of Alcohol, Tobacco and Firearms.—The initial investigation of Vernon Howell was conducted by ATF. ATF's investigation began in late May 1992. A Federal judge issued warrants based on evidence uncovered in that investigation. The attempt to serve that warrant on February 28, 1993 went badly awry, resulting in an armed confrontation which cost the lives of four Federal agents and several Branch Davidians. Based on those facts, the subcommittee initiated an investigation into ATF's actions leading to the raid. The subcommittee submitted document requests to the Department of the Treasury for all documents in its possession pertaining to the initial investigation of Vernon Howell. The subcommittee carefully analyzed the documents relating to the investigation and interviewed numerous individuals involved in the investigation and the raid. ATF agents, supervisors and legislative affairs personnel briefed subcommittee staff on events surrounding the investigation of Vernon Howell and preparations for the initial raid on the Mt. Carmel complex. Surviving Branch Davidians instructed the subcommittee about conditions at Mt. Carmel and events surrounding the initial raid. In addition to the defense attorneys for certain Branch Davidians, representatives of the National Association of Criminal Defense Lawyers gave their interpretation of the sufficiency of the warrant that the ATF attempted to serve on Vernon Howell.

July 19 marked the first day of hearings. On that day, the subcommittee heard testimony from Dick Reavis, author of "Ashes of Waco;" Stuart Wright, contributor and editor of "Armageddon in

Waco;" Ray Jahn, assistant U.S. attorney; Gerald Goldstein, president of the National Association of Criminal Defense Lawyers; Robert L. Descamps, president of the National District Attorneys' Association; Henry McMahon, firearms dealer; David Thibodeau, resident at Mt. Carmel; Kiri Jewell, resident at Mt. Carmel; David Jewell, father of Kiri Jewell; Lewis Gene Barber, former lieutenant with the McLennan County Sheriff's Office; Bill Johnson, assistant U.S. attorney; Davy Aguilera, ATF Special Agent; Chuck Sarabyn, former ATF ASAC in Houston; Earl Dunagan, former ATF acting SAC in Austin; Dan Hartnett, former ATF Deputy Director for Enforcement; Ed Owens, ATF Firearms Expert; H. Geoffrey Moulton, Jr., Project Director of Treasury Department Review Team; and Dr. Bruce Perry, Associate Professor of Psychiatry and Behavioral Sciences at Baylor College of Medicine.

During the first day of hearings, former ATF Special Agent Davy Aguilera testified publicly for the first time in detail the fact that ATF agents knew the Branch Davidians were expecting the raid on Mt. Carmel. Aguilera testified about his desperate attempts to inform ATF Supervisory Special Agents not to go ahead with the raid, and tearfully recalled the results of not being able to turn back the raid.

Chuck Sarabyn, former ATF Assistant Special-Agent-in-Charge in Austin, testified before the subcommittee about his decision to allow the raid to proceed in light of the fact that the Branch Davidians knew the ATF was planning to raid Mt. Carmel. Sarabyn defended his decision to go ahead with the raid and maintained that the ATF was afraid of mass suicide among the Branch Davidians.

This second day of testimony concentrated on the investigation of Howell's collection of weapons and the alleged or initially asserted existence of a methamphetamine laboratory on the premises of Mt. Carmel. George Morrisson, of the Los Angeles Police Department, testified that ATF should have employed better investigative techniques and more organized methods for case management. He told the subcommittee that newspaper articles surfacing soon before the raid on Mt. Carmel could have assisted ATF in gathering information. Wade Ishomoto, of Sandia National Laboratories, told the subcommittee that the team assembled in Waco to serve the arrest warrant on Howell was inexperienced and that the raid plan lacked the sophisticated procedures necessary for such an operation. Several witnesses testified to the danger of explosive devices in the presence of chemicals necessary for the production of methamphetamine.

On this day the hearing consisted of testimony regarding the actions of ATF and the subcommittee heard testimony from former Secretary of Treasury Lloyd Bentsen. Secretary Bentsen testified about the actions he took in response to ATF actions at Waco. He told the subcommittee that, upon hearing of the failure of the raid, he established an in-house review commission that investigated the incident for 5 months and compiled a report based on a number of interviews. Bentsen listed those agencies involved in the Treasury investigation: Secret Service, Customs, the IRS, and the Financial Crimes Enforcement Network. Bentsen was unable to explain why a warning from Mr. Altman, his aide at the time, was not viewed

with seriousness or passed on to the FBI; the Altman warning indicated the possibility of "tragedy" if the Davidian Compound was, as occurred on April 19, 1993, confronted with what Davidians might perceive as an assault.

Secretary Bentsen also mentioned corrective actions taken by ATF and Treasury in the wake of the incident at Waco. According to Bentsen, ATF leadership was replaced, the intelligence chief was demoted, and the two raid commanders were relieved of their law enforcement duties. In addition, Bentsen told the subcommittee that Treasury has enhanced the formal and informal communication between the Office of Enforcement and the bureaus within the department.

The final day of hearings regarding the actions of ATF were held on July 24, 1995. The most compelling testimony this day was delivered by Robert Rodriguez. Rodriguez recounted how he warned Mr. Sarabyn and Mr. Chojnacki on the morning of the raid that the Davidians had been tipped off about the assault. Chojnacki and Sarabyn testified that Koresh often declared to followers that the government was coming. "We didn't know if he meant in the physical sense or the metaphysical sense," Chojnacki said. "These two men know what I told them," Rodriguez countered. "They knew exactly what I meant . . . They lied to the public, and in doing so destroyed a great agency." Sarabyn and Chojnacki denied that they lied to the public. They insisted that Rodriguez did not provide a clear warning that Koresh knew the raid was imminent. Rodriguez's version of the events was supported by Lewis Merletti.

(ii) The Federal Bureau of Investigation.—Almost immediately after the raid on Mt. Carmel, the FBI was called in to take over the operation of the standoff. The FBI Hostage Rescue team was in place and FBI negotiators were on the phone with Davidians almost continuously for the succeeding 51 days. Jeffrey Jamar, FBI Special Agent-in-Charge in San Antonio, commanded the FBI team and was charged with deciding which tactics to employ. The subcommittee investigation produced audiotapes and transcripts of these negotiations, as well as contemporaneous memoranda from both inside and outside experts attempting to explain the actions of Vernon Howell and the Branch Davidians. After 51 days of standoff, the siege ended tragically. The Branch Davidian compound burned to the ground and resulted in the death of 22 children and more than 60 adults.

Regarding the investigation into the role of the Department of Justice and the Federal Bureau of Investigation, the hearings continued with testimony from Jack Zimmerman and Dick DeGuerin, attorneys for Steve Schneider and Vernon Howell, testified before the subcommittee about their dealings with the Branch Davidians and explained in detail their attempts to assist in negotiating a surrender. DeGuerin testified about difficulties he personally encountered in brokering a potential surrender. DeGuerin told the subcommittee about his trips into Mt. Carmel and the breakthrough he had achieved upon receiving Howell's final promise to surrender. DeGuerin obtained a letter from Howell in which Howell promised to complete his interpretation of the "Seven Seals," contained in the Bible, and then surrender with all the Branch Davidians.

Also testifying on that day were several of the local Texas Rangers. The Texas Rangers were charged with investigating the deaths of the four ATF agents killed on the day of the initial raid. Captain Byrnes testified that the Texas Rangers had many disagreements with FBI's Jamar and generally felt excluded. Byrnes testified that, in addition to problems with destruction of the crime scene by FBI tactical personnel, the Rangers were disappointed about a lack of communication between FBI personnel and local officials.

The sixth day of hearings, provided in greater detail, the facts surrounding the Department of Justice and FBI involvement in Waco. James Cavanaugh, although an ATF Special Agent, testified before the subcommittee regarding negotiations with the Branch Davidians and the transition from ATF control of the operation to FBI control. Cavanaugh was the first person to engage in serious negotiations with the Branch Davidians. He recounted the planning of the initial raid, the ensuing negotiations for a cease fire, the first surrender offer of the Branch Davidians and the lengthy negotiations for a surrender. Cavanaugh described the tension between negotiators and tactical personnel. He expressed the view that negotiators prefer to wait for a peaceful solution to a crisis and tactical personnel generally prefer to intercede with tactical measures.

Peter Smerick was the Criminal Investigative Analyst the FBI used to profile Howell for the FBI negotiators and the FBI's Hostage Rescue Team. Smerick testified that his first four memoranda urged the FBI to "wait Koresh out" and advised against increasing the pressure from outside. Smerick told the subcommittee that he changed his final memorandum based on his knowledge that the FBI was not pleased with the tone of his memoranda and that, although he felt no overt pressure to change the approach of his memoranda, he knew that FBI agents on the ground in Waco wanted a view that supported a more clearly tactical approach.

Jeffrey Jamar, the FBI Special Agent-in-Charge in San Antonio at the time, was the on-site commander of all forces in Waco. Jamar testified before the subcommittee that he was hopeful of a surrender based on Koresh's promise to come out of Mt. Carmel, when he completed his interpretation of the Seven Seals. In response to questions regarding the possibility of the withdrawal of the FBI from Mt. Carmel, Jamar explained that the danger of gun fire from the building, the risk to children inside, and the sanitary conditions in Mt. Carmel made withdrawal untenable. Jamar also testified regarding the decision to implement the CS gas plan. Jamar said, "I would have waited a year if we had something to work with, if there was just something there we could attach something to. We did it from February 28 until a decision was made in late March that we thought we were going nowhere." Jamar told the subcommittee he was certain that Koresh would end the standoff "his way." Jamar also testified that he knew with "99 percent" certainty that the Davidians would open fire on the FBI's Bradley vehicles inserting CS gas, an eventuality that he also knew would mean acceleration of the CS gas, under the FBI's CS gas insertion plan.

The subcommittee heard compelling testimony from many decisionmakers and received testimony of Webster Hubbell, former

Associate U.S. Attorney General; Mark Richard, Deputy Assistant Attorney General; William Sessions, former Director of the FBI; Floyd Clarke, former Deputy Director of the FBI; Larry Potts, former Assistant Director of the FBI, Criminal Investigations; Harry Salem, Ph.D., Defense Department Toxicologist; Rick Sherrow, fire expert; Paul Gray, Houston Fire Department and leader of the Fire Review Team; James Quintere, arson expert, University of Maryland; and Clive Doyle, former Branch Davidian.

Webster Hubbell testified on the decisionmaking process that led to the implementation of the CS gas insertion plan. According to Hubbell, the decision to implement the CS gas insertion plan was based essentially on two facts: (1) a lack of progress in negotiations; and (2) military personnel assuring him that the inhabitants would exit the building upon insertion of CS gas. Hubbell testified that President Clinton wanted to be advised of any change in strategy from one of negotiation to one of tactical maneuvers. Hubbell testified before the subcommittee that he was told that Howell was manipulating the attorneys. Howell's statement that he would come out upon having interpreted the "Seven Seals," according to Hubbell, was a ruse. Hubbell told the members of the subcommittee that Howell was responsible for the deaths of those inside Mt. Carmel.

The assistant Director of the FBI at the time of the Waco standoff was Larry Potts. Potts testified before the subcommittee regarding the FBI's strategy for resolving the standoff. Potts stated that the strategy was: "(1) to verbally negotiate a peaceful surrender of Koresh and his followers; and, (2) to gradually increase the pressure on those inside the compound by tightening the perimeter around the compound and denying the Davidians certain comforts." Potts recounted how this strategy was perceived as a failure, and he outlined the roles that the FBI and the Department of Justice played in the development of the CS gas insertion plan.

Potts testified that the FBI, in response to questions about its conduct of the standoff at Waco, had improved three aspects of FBI crisis management. "Jurisdictional issues are being clarified, crisis response operations have been reorganized and expanded, including the availability and use of outside experts; and research efforts have been enhanced," he stated. Potts displayed a diagram of the crisis management changes implemented as a result of the standoff at Waco.

On the final day of hearings, the subcommittee heard from Attorney General Janet Reno. On August 1, 1995, Attorney General Reno gave her reasons for what she termed her decision to implement the plan to insert CS gas into Mt. Carmel. The Attorney General described the 51-day standoff, the efforts to negotiate a surrender, and the reasons that Howell was not trusted by FBI negotiators. Reno stressed changes the FBI had implemented since Waco. According to her testimony, the FBI now has 30 Senior Agents specially trained as "crisis managers" to be called on at any time to assist in a crisis the magnitude of Waco. These managers form an element of the Critical Incident Response Group, a group formed to deal with crisis situations. Reno told the subcommittee that the Hostage Rescue Team will increase its personnel, equipment, and the size and training of the negotiating team. Today,

there are nine FBI SWAT teams around the country to assist the Hostage Rescue Team in an emergency. To assist the FBI in dealing with complex, psychological hostage takers in the future, Reno testified that the FBI will establish a working relationship with the crisis resolution centers at Michigan State University and George Mason University, and will keep a resource list of experts on marginal religious groups.

Much of Reno's testimony involved her decision to implement the CS Gas Insertion Plan. The Attorney General told the subcommittee she thought she had all the information she needed to make her decision. She indicated however, that someone informed her of ongoing abuse in the compound; at no time could she recall who that individual was. She believed that briefings on CS gas were proper and complete. She did confirm that she had not read all prefire briefing material and was not in the command center when the tragedy occurred. In her statement to the subcommittee, Reno assured the members that the FBI was continuing its research into non-lethal technologies as alternatives to deadly force.

(iii) The Department of Defense.—The subcommittee investigated the participation of the Department of Defense personnel in the events at Waco. Testimony was heard from Ambassador H. Allen Holmes, Assistant Secretary of Defense for Solic; Maj. Gen. John M. Pickler, U.S. Army, Commander Joint Task Force 6; Brig. Gen. Walter B. Huffman, U.S. Army, Assistant Judge Advocate General for Civil Law; Chris Crain, Special Forces Group; Lt. Col. Philip Lindley, U.S. Army, former Deputy Staff Judge Advocate for U.S. Army, Special Forces Command; Maj. Mark Petree, U.S. Army, formerly of 3/3D Special Forces Group; Staff Sgt. Steve Fitts, U.S. Army, formerly of 3/3D Special Forces Group; Staff Sgt. Robert W. Moreland, U.S. Army, formerly of 3/3D Special Forces Group; and Sgt. Chris Dunn, U.S. Army, formerly of 3/3D Special Forces Group.

Ambassador Holmes testified on the role of the military in domestic law enforcement actions and about military participation before Waco. Holmes told the subcommittee that, in his opinion, the process developed to monitor military involvement in domestic law enforcement was a sound process. The Ambassador testified that, in his view, there were no violations of the law regarding military assistance at Waco and that the process regarding requests for military assistance had worked effectively.

Staff Sgt. Steve Fitts testified regarding the military preparations for involvement in methamphetamine laboratories. He told the subcommittee that he conducted extensive research on the dangers and precautions required to "take-down" methamphetamine laboratories. According to Staff Sergeant Fitts, he wrote the paper at the instruction of Maj. Mark Petree. Staff Sergeant Fitts testified that Major Petree then presented the paper to ATF agents in Houston. According to Staff Sergeant Fitts, it was clear to him from the reaction of the ATF agents that these agents anticipated no actual methamphetamine laboratory at Mt. Carmel. Indeed, based on the lack of interest shown by ATF agents in the procedures necessary to dismantle a methamphetamine laboratory, it was Fitts' belief that ATF agents knew that no methamphetamine laboratory existed at Mt. Carmel.

POSTAL SERVICE SUBCOMMITTEE

Hon. John M. McHugh, *Chairman*

1. "Voices for Change," House Report No. 104–438, December 21, 1995, Sixth Report by the Committee on Government Reform and Oversight.

a. Summary.—"Voices for Change" analyzes 10 hearings held by the Subcommittee on the Postal Service during the first session of the 104th Congress. Nearly 40 witnesses testified regarding the problems and challenges facing the current postal system. Witnesses urged members to consider fundamental reform of the quarter-century old Postal Reorganization Act because of the challenges confronting the Postal Service in a changing communications environment. Four key reform issues emerged in the hearings, including mail monopoly, labor-management relations, ratemaking and new postal products. Although witnesses raised a variety of issues and suggested a broad range of proposals for improving mail delivery, no unanimity appeared for any specific approach. However, the report notes that "maintenance of universal service and a need to either strengthen or modify the postal ratesetting process were the legislative-related issues consistently discussed by a large majority of witnesses."

b. Benefits.—The report provides Congress a concise record of the testimony received by the subcommittee regarding the operations of the Postal Service and its capacity to perform its constitutional and statutory mandates. The eight general oversight hearings highlighted by the report indicate the need for Congress to review, systematically, the statutory structure under which the Postal Service operates. An efficient and fiscally sound Postal Service benefits the American people by providing a cost-effective and reliable communications system. In addition, the constitutional undergirding of the Postal Service requires additional congressional attention in order to preserve and ensure the future viability of the institution.

c. Hearings.—On February 23, 1995, testimony was received from Marvin T. Runyon, U.S. Postmaster General, and Michael E. Motley, General Accounting Office. On March 2, 1995, testimony was received from the Postal Rate Commission: Edward J. Gleiman; W.H. LeBlanc; George W. Haley; Edward Quick, Jr.; and Wayne A. Schley. On March 8, 1995, the subcommittee heard testimony from Postal Service Governors: Sam Winters, LeGree S. Daniels, Einar V. Dyhrkopp, Susan E. Alvardo, Bert H. Mackie, and Norma Pace. On May 23, 1995, the subcommittee received testimony from Art Sackler, Mailers Council; Ian D. Volner, Advertising Mail Marketing Association; Richard Barton, Direct Marketing Association; David Todd, Mail Order Association of America; Timothy May, Parcel Shippers Association; Tonda Rush, National Newspaper Association; Cathleen P. Black, Newspaper Association of America; George Gross, Magazine Publishers of America; Steve Bair, Association of American Publisher; Alan Kline, Alliance of Nonprofit Mailers; and Lee Cassidy, National Federation of Nonprofits. The June 7, 1995, hearing testimony was received from Moe Biller, American Postal Workers Union; Vincent Sombrotto, National Association of Letter Carriers; Scottie Hicks, National

Rural Letter Carriers Association; William Quinn, National Postal Mail Handlers Union; W. David Games, National Association of Postmasters; Bill Brennen, National League of Postmasters; and Vincent Palladino, National Association of Postal Supervisors. On June 14, 1995, the subcommittee received testimony from John V. Maraney, Nation Star Route Mail Contractors Association; Randall Holleschau, National Association of Presort Mailers; Don Harle, Mail Advertising Service Association; Robert Muma, Envelope Manufacturers Association of America; Anthony W. Desio, Mail Boxes, Etc.; Kathleen Synnott, Pitney-Bowes; Neal Mahlstedt, Ascom Hasler; George W. Gelfer, Postalia; James Rogers, United Parcel Service; James Campbell, Federal Express; Peter N. Hiebert, DHL Worldwide; and Harry Geller, Air Courier Conference of America. On June 28, 1995, Postmaster General, Marvin Runyon and Deputy Postmaster General, Michael Coughlin testified before the subcommittee. On July 25, 1995, hearing testimony was received from Kenneth J. Hunter, Inspector General.

B. OTHER INVESTIGATIONS

CIVIL SERVICE SUBCOMMITTEE

1. Restructuring of the Office of Personnel Management.

a. Summary.—Vice President Gore's National Performance Review of 1993 (NPR) "challenged" the Office of Personnel Management (OPM) to become an agent for change. OPM, which oversees 2.1 million people in the Federal Civil Service System, announced it would meet this challenge by "leading the initiative to reinvent Federal human resource management by working with all agencies to assess their needs in accepting more responsibility in this area." Since the release of the administration's NPR, OPM has focused on decentralizing many of its functions.

OPM intends to concentrate on certain core functions and devolve other activities. Accordingly, the agency has already RIFed a large number of training staff and reduced its Federal investigative program in anticipation of privatization. The agency intends to cease all governmentwide training activities before the end of the fiscal year and to divest itself of the investigations function by the beginning of fiscal year 96.

OPM also intends to delegate all recruitment and staffing responsibilities to Federal agencies. The functions the agency will retain include retirement and health benefit programs, compensation programs, testing and evaluation on a reimbursable basis, and some policy and oversight responsibilities.

With deep reductions in its workforce, as well as the vast changes that will occur from the decentralization initiatives, concerns have been raised over what substantive role OPM will retain in the future. Of particular concern was OPM's continued ability to provide adequate oversight over and protection of the Merit System.

b. Benefits.—The subcommittee will continue to monitor OPM's restructuring process, and how this downsizing and decentralization will effect its client agencies. Subcommittee Chairman Mica voiced his commitment to instituting whatever remedies necessary

to unburden Federal employees from unnecessary rules and regulation, while ensuring that the process produces meaningful results that do not interfere with OPM's ability to carry out core functions and responsibilities.

c. Hearings.—A hearing entitled, "Restructuring Office of Personnel Management" was held on February 7, 1995.

2. Federal Workforce Restructuring Statistics.

a. Summary.—The Federal Workforce Restructuring Act of 1994 established personnel ceilings for fiscal years 1994 through 1996, while targeting 272,900 full-time-equivalent positions for elimination by the end of 1999. To accomplish this, without relying entirely on reductions-in-force (RIF's), the act established temporary financial retirement incentive programs to encourage voluntary separations from certain Federal agencies. However, the act does not specify where the cuts should occur, and preliminary figures indicate the Department of Defense is bearing the brunt of the reductions.

All executive branch agencies were provided with detailed guidance by OMB, including steps to be taken to flatten hierarchies, reduce headquarters staff, and pare down management control structures. However, nearly three-fourths of the fiscal year 94 reductions were among civilian employees in the Department of Defense, and DOD is expected to experience an even larger share of the reductions in 1995—reportedly up to 98 percent. From 1993 through the middle of fiscal year 95 over 90 percent of total reductions can be attributed to defense base closures and downsizing activities at the Department of Defense. The chairman expressed concern over the disproportionate distribution of workforce reductions and raised questions about whether the administration's reinventing government initiatives will result in meaningful government restructuring or prove to be simply a reduction of the Department of Defense civilian workforce.

b. Benefits.—This oversight review provided an early examination of restructuring activities in the executive branch and highlighted the disproportionate downsizing of the Department of Defense. The planning and out placement programs of the Department of Defense should serve as useful models for workforce reductions in other government agencies.

c. Hearings.—A hearing entitled, "Federal Workforce Restructuring Statistics" was held on March 2, 1995.

3. Examining the Federal Retirement System.

a. Summary.—The Federal pension system consists of two programs: the Civil Service Retirement System (CSRS) covers Federal employees hired prior to 1984, and the Federal Employees Retirement System (FERS) covers those employees hired after 1984. A total of 2.8 million active employees are covered, with 1.5 million in CSRS and 1.3 million in FERS. Currently, 2.3 million participants receive annuities. CSRS has 2.2 million retirees and survivors, FERS has 37,800.

Acccording to OPM's 1993 Annual Report on the Civil Service Retirement and Disability Fund (CSRDF) in 1996, the outlay for monthly payments for retirees of the Federal Government is esti-

mated to be $39.2 billion. The CSRDF is projected to take in approximately $10 billion in cash receipts and payments from employee payroll deductions and from cash contributions from the U.S. Postal Service. Transfers from the General Treasury will make up the difference between receipts and payments—nearly $30 billion. The annuities are projected to grow, while the cash receipts will stay relatively the same. In 2025, cash coming in will total $3.6 billion, while outlays will total $166.2 billion. And by 2035, cash receipts are estimated to be $5.6 billion, while outlays will top $218.5 billion. This increasing burden on the taxpayer and the overall financial stability of the Federal retirement system is of utmost importance to the chairman of the subcommittee.

The subcommittee is involved in an ongoing analysis examining a host of various proposals concerning Federal pension reform.

The subcommittee reviewed the retirement benefits available for Members of Congress, congressional staff, and executive branch employees under current law. In the 104th Congress a number of Members pension reform bills have been introduced and were reviewed by the subcommittee. Under current law, Members and staff under CSRS accrue benefits at 2.5 percent of preretirement pay for each year of service. Executive branch employees with 10 or more years of CSRS service accrue benefits at 2.0 percent per year. Members and staff under FERS accrue benefits at 1.7 percent per year of service up to 20 years, and 1.0 percent per year over 20. Executive branch FERS employees benefits accrue at 1.0 percent per year, or 1.1 percent if the individual retires at age 62 or over. Members and staff contribute a greater portion of payroll in exchange for the greater benefit.

b. Benefits.—The investigation exposed growing reliance of the Federal retirement system on general tax revenues. To stabilize the Federal retirement system the subcommittee will consider the creation of a new retirement system which would be fully funded outside of the Federal budget and would be subject to the same standards and requirements as private sector pension plans. Such a system would assure Federal retirees full payment of benefits without having to rely on the Treasury to subsidize their annuities. This is a responsible approach to financing the government's commitments to its employees and it allows for the permanent elimination of one entitlement program from the Federal budget.

The retirement reform of Members and congressional staff was included in the Balanced Budget Act of 1995. Under this reform Members and staff retirement benefits and payroll contributions will conform to that available to executive branch employees.

c. Hearings.—Hearings entitled "Federal Retirement Systems: Overview," "Federal Retirement: Congressional Pensions" and "Funding Civil Service Retirement" were held on March 7, 1995, March 10, 1995, and June 28, 1995.

4. Contracting Out.

a. Summary.—Federal policy, adopted during the Eisenhower administration and endorsed on a bipartisan basis by all subsequent Presidents, affirms that Federal agencies should not be performing commercial activities in competition with private sector businesses. Although Federal agencies contract for more than $200 billion in

goods and services each year, the Office of Management and Budget estimated in a 1987 Report to the President's Commission on Privatization that more than 900,000 civilian Federal employees were performing commercial functions. In spite of this substantial commercial activity by Federal agencies, previous hearings alleged that Federal agencies were involved in "arbitrary and perhaps ill-conceived contracting out."

OMB Circular A–76 provides administrative guidance to agencies for conducting cost comparisons to evaluate the efficiency of proposed contracts. In spite of the established mechanism, few cost comparisons of commercial functions are completed, in part because Federal agencies consider the process itself costly and a disruption to the workforce, and in part because Congress has included numerous provisions of law that restrict agencies from conducting the studies and/or from contracting after the studies are completed. In a June 16, 1995, release, the National Performance Review reported that 25 such obstacles to privatization remain in law.

Subcommittee Chairman Mica has routinely asserted his belief that it could and should be possible to contract out more than 50 percent of the services and activities of the Federal Government as we know it today. If the widespread contracting successes being achieved by State and local governments do not move the Federal Government in the direction of greater contracting for commercial services, inevitably budget constraints will.

OMB's Circular A–76 maintains that the government should use competition to reduce the costs of goods and services so that it would pay no more than necessary for the quality services that it needs. The subcommittee's analysis has shown that the absence of competition results in excessive costs, with the salaries and benefits of government employees comprising approximately 60 percent of the cost of government operations. Wendell Cox of the American Legislative Exchange Council testified that between 1980 and 1991, Federal employees' wages increased approximately $4.56 for each dollar that private sector compensation increased. As a result, average Federal employees make 45 percent more than private sector employees and 30 percent more than State Government employees. Over the course of a 40-year career, the expected lifetime earnings of a Federal employee have been estimated to be $600,000 greater than that of a comparable private sector employee. Surveys of government managers have demonstrated savings in 98 percent of the cases where functions have been converted to contract, and that the mere fact of competition has the effect of restraining cost increases. Although government must retain full policy control of all its operations, contracting could be used much more extensively to minimize the costs of providing public services and performing government activities.

b. Benefits.—The investigation highlighted the need to update OMB Circular A–76, and OMB reissued the circular in March 1996.

c. Hearings.—Hearings entitled "Contracting Out: Summary and Overview" and "Contracting Out: Current Issues" were held on March 29, 1995, and April 5, 1995.

5. Examination and Review of the Federal Workforce Restructuring Act of 1994.

a. Summary.—The Federal Workforce Restructuring Act of 1994 authorized Federal agencies to provide voluntary separation incentives ("buyouts") to Federal employees as one means of reducing Federal employment by 272,900 by fiscal year 1999. Civilian agencies were authorized to offer buyout incentives not to exceed $25,000 each during a period which expired March 31, 1995, and the Department of Defense was allowed to continue offering buyout opportunities through September 30, 1999. By the end of fiscal year 1995, OPM reported that more than 112,500 former Federal employees had been paid buyouts and left their agencies, with more than 68,000 of them leaving the Department of Defense. An additional 50,000 are anticipated to accept Department of Defense offers during the coming 4 years. Total costs to the government of these incentive payments are expected to exceed $2.4 billion.

Former Federal employees who accept the buyouts may not return to Federal employment for a 5-year period or are required to repay the full amount of the incentive. By encouraging voluntary separation, buyouts are intended to reduce reliance on reduction in force (RIF) procedures and enable agencies to retain relatively younger workers while senior employees (those eligible or nearly eligible for retirement) accept payments to leave. Separation rates, however, are severely affected by rumors that a buyout might be offered, as evidenced by the reduction in the number of voluntary retirements from Federal agencies while the buyout program was being authorized in legislation.

The General Accounting Office (GAO) has reported that 38 percent of buyout payments reported to date went to people in the overhead/administrative positions that were targeted by the National Performance Review. Nearly 70 percent went to employees at or above the GS–11 level, and 62.9 percent went to men. Minority members received 24 percent of the buyouts. The average age of people accepting buyouts was 60—about 1 year younger than regular retirement. Fifty-two percent of the buyout payments reported so far went to employees who were eligible for retirement. The GAO testified that there appears to have been some use of contract personnel to replace departed employees, but the absence, so far, of cost comparison studies required by Section 5(g) of the Workforce Restructuring Act makes difficult the tracking and analysis of buyout effects.

b. Benefits.—Buyout authority may be a beneficial tool in downsizing and restructuring the Federal workforce, provided certain procedures are followed: agencies must engage in long range planning and know how they want the organization to look at the end of the restructuring; buyout window should be short to avoid generating rumors and behavior changes based upon expectation of buyouts; buyouts should not be done in successive waves; and buyouts should be effective early in the fiscal year to maximize savings. Additionally, buyouts should be targeted and never offered across the board to avoid additional funds being used to hire and train people with skills identical to those benefiting from buyouts. Downsizing and reorganization are most successful when the importance of directing restructuring efforts to a revised organiza-

tional goal is recognized, and detailed planning strategies are employed to achieve it. As a result, the committee has not recommended extending executive branch buyout authority at this time.

c. Hearings.—A hearing entitled "Buyouts: Boon or Boondoggle" was held on May 17, 1995.

6. Review of the Ramspeck Act.

a. Summary.—The Ramspeck Act is a 1940 law that enables members of congressional staffs who have served at least 3 years to gain noncompetitive appointment to the career civil service if they lose their congressional positions through no fault of their own; often as a result of the defeat of a Member or a Member's choosing not to run again. GAO reported that more than 80 percent of recent Ramspeck appointments have been in offices of congressional affairs, public affairs, or policy and strategic planning.

Congressman Porter Goss introduced legislation to repeal the Ramspeck Act, H.R. 913, which was referred to the Civil Service Subcommittee. Representative Goss recommended repeal of the Ramspeck authority, arguing that constituents view this law as merely another special privilege that Members of Congress arrange for their staffs. Ramspeck procedures give former congressional employees privileges that are not available to other citizens, who must compete for positions in the Federal service. He believes that Ramspeck authority is inconsistent with the Congressional Accountability Act, adopted early in this session, which holds Congress subject to the same laws that affect other citizens.

b. Benefits.—Conditions have changed since the Ramspeck law was enacted, and it is no longer difficult to attract quality applicants to congressional staff positions. The committee was concerned that continued use of Ramspeck appointments creates situations where policies repudiated by the electorate in recent elections may gain continuity in the career civil service through non-competitive transfers of staff.

Congress repealed the Ramspeck Act authority as part of the Lobbying Disclosure Act (H.R. 1564). The repeal, which becomes effective 2 years after the President signed the law, will eliminate this end run around the merit system.

c. Hearings.—A hearing entitled "Ramspeck: Repeal, Reform or Retentions" was held on May 24, 1995.

7. Review of the Combined Federal Campaign.

a. Summary.—The Combined Federal Campaign (CFC) is an annual, taxpayer-subsidized solicitation drive in the Federal workplace that began as an effort to aid genuine charities while minimizing workforce disruption. However, many political and ideological advocacy groups and others, who do not directly provide or support human health and welfare, litigated and lobbied their way into the CFC.

On February 23, 1995, subcommittee Chairman Mica wrote to James B. King, the Director of the Office of Personnel Management (OPM), asking for his support and cooperation in restoring the Combined Federal Campaign to its rightful role of aiding genuine human health and welfare charities. While the chairman fully en-

dorses and encourages supporting genuine charities, the presence of advocacy groups raises questions about requiring taxpayers to subsidize organizations with which they disagree. A 1988 Task Force on the CFC established by OPM estimated that the CFC costs taxpayers between $55–60 million a year. (OPM's current leadership estimates the cost of the CFC as $22.1 million.)

b. Benefits.—Examination of this issue revealed the extent to which taxpayers are forced to subsidize numerous advocacy groups and other organizations with political agendas that participate in the CFC.

c. Hearings.—A hearing entitled "Combined Federal Campaign: Lawyers & Lobbyists v. People in Need?" was held on June 7, 1995.

8. Contracting Federal Investigations—Policy and Oversight.

a. Summary.—Since the Atomic Energy Act of 1954, background investigations have been an important factor in deciding the suitability, security, and public trust qualifications of Federal employees. President Eisenhower extended background investigation requirements through Executive Order 10450, but such investigation centered primarily around employee susceptibility to threats from foreign governments. Some critics believe that several Supreme Court decisions, the Freedom of Information Act, and the Privacy Act combine to make it difficult to gather the information essential to a meaningful adjudication of these areas. As part of the administration's initiatives to reinvent government, OPM abolished chapters of the Federal Personnel Manual establishing criteria for security, suitability, and public trust determinations required to oversee a diverse range of agency requirements in a unified civil service.

The administration considers the transition of investigations to the private sector an important component of its effort to reinvent government. This reflects a reorientation of the agency from providing services to conducting policy direction and oversight. OPM proposed an employee stock ownership program (ESOP) as the privatization vehicle chosen for this transition. A sole source contract to the ESOP is an essential ingredient to successful implementation of this plan. Oversight of the investigation function would remain a Federal responsibility under the purview of OPM, but the bulk of the current workforce is expected to shift to the ESOP. Data bases essential to the system would remain government-owned but reside on contractor-operated equipment. OMB testified that any savings from this program would be realized only when agencies became able to acquire investigative services competitively from private firms, thereby reducing the costs of background investigations. The ESOP would have to compete on an equal basis as a private provider.

The committee is concerned that Federal agencies with legitimate concerns about the security and suitability of Federal employees have adequate access to investigative services. Many agencies already obtain background investigations through private contractors; work that amounts to more than $20 million each year. Even agencies with significant national security concerns, such as the Department of Defense, contract for significant portions of their background investigations. These agencies rely upon OPM's Fed-

eral Investigations Processing Center at Boyers, PA, for essential data and information to support their suitability determinations. In the 6 months between announcement of the privatization plan and the subcommittee's oversight hearing, OPM witnesses were unable to describe systematic planning for conversion, with most of the planning being contracted through a trustee organization.

b. Benefits.—These hearings documented the deficiencies in the administration's planning for the transition from a government function to an ESOP operation. GAO and OPM testified that the gathering of information for background investigations is not an inherent function of the Government, the administration demonstrated less-than-effective planning for the proposed transition. Cost estimates included in OMB's budget submissions suggested that these initiatives would save 4 percent per year. OPM awarded a trustee contract to develop a business plan and negotiate a transition on June 9, 1995, only a week before the hearing. These planning deficiencies strengthened the argument to delay implementation from the December 31, 1995, administration proposal to March 31, 1996, as approved in the OPM appropriation for fiscal year 1996.

c. Hearings.—Hearings entitled "Oversight of Federal Investigations Policy" and "Outsourcing of OPM's Investigations Program" were held on June 14, 1995, and June 15, 1995.

9. Administration's AIDS Training Program.

a. Summary.—Title 5 authorizes training in the scientific, professional, technical, mechanical, trade, clerical, fiscal, administrative or other appropriate fields. Section 4101 requires workplace training to be a "planned, prepared, and coordinated program . . . which will improve individual and organizational performance and assist in achieving the agency's mission and performance goals."

Department heads are required, at least once every 3 years, to review training and other developmental needs essential to meeting mission and performance requirements. This review is an integral part of agency planning, the purpose of which is to ensure that public funds used to develop an organization's human resources have a direct relevance to (1) improving productivity; (2) fulfilling the organizational mission; and (3) providing quality products and services to the public.

On September 30th, 1993, President Clinton delivered a memorandum to the heads of executive departments and agencies directing full implementation of comprehensive HIV/AIDS workplace policies and employee education and prevention programs by World AIDS Day, 1994. The Office of the National AIDS Policy Coordinator was authorized to implement the directive, and in a follow-up memo, then-Director Kristine Gebbie required mandatory employee attendance at HIV/AIDS education and prevention training.

The HIV/AIDS mandatory training sessions received much adverse attention, due to reports that inappropriate and questionable materials were presented. The committee received numerous letters and calls from Federal employees objecting to being subjected to graphic talk about uncomfortable subjects in the midst of fellow workers. These recent reports raised questions as to whether the Federal HIV/AIDS education training is designed to meet the stat-

utory requirements designated in Title 5: to improve individual and organizational performance, and assist in achieving the agency's mission and performance goals.

b. Benefits.—Witnesses testified that many aspects of the administration's training program were not fit for the Federal workplace, either in content or method of presentation. They argued that Federal employees should not have to suffer training programs that assail their fundamental religious and moral principles on pain of losing their jobs, as was the case with the administration's mandatory AIDS training program. According to OPM's figures, Federal agencies spend more than $1 billion on training. In light of the controversy generated by the administration's AIDS training, it is clear that closer oversight of employee training is necessary in order to assure that training is appropriate for the Federal workplace, both in content and method of presentation. Legislation has been proposed to protect Federal employees from improper training and to ensure that taxpayers' dollars are used only for appropriate workplace training.

c. Hearings.—A hearing entitled "Administration AIDS Training Program" was held on June 22, 1995.

10. Privatization of OPM Training Responsibilities.

a. Summary.—On May 16, 1995, the Office of Personnel Management and the U.S. Department of Agriculture Graduate School signed a memorandum of understanding (MOU) transferring OPM's Workforce Training Services, along with its office space, training obligations, and student lists, to the Graduate School, effective July 1, 1995. OPM separated 220 individuals from the agency, 134 of whom were extended offers of employment by the Graduate School. This transfer of functions moved a service from OPM's revolving fund to a "non-appropriated fund instrumentality," a move that OPM Director James B. King described as a "seamless transition" enabling many former employees of the Workforce Training Services to retain employment while continuing arrangements through which Federal agencies could obtain training services without the burden of Federal procurement regulations.

This initiative has been described among the "privatization" initiatives advanced through the National Performance Review. Yet, by retaining authority to work through interagency agreements, this transition strategy reduced the exposure of the training services to competition—a critical factor in improving quality and reducing prices. Witnesses testified that full privatization—including the possibility of a sale of assets to interested private bidders—might have resulted in greater funds for the Treasury while increasing competitive pressures for quality. Moreover, OPM retains responsibility for oversight of training, even though the transition does not provide explicit description of that role.

b. Benefits.—More direct privatization of training activities could have resulted in substantial cost-savings to the government. However, concerns have been raised that OPM is choosing to compete unfairly with the private sector and closing off an area that would thrive if full competition were the result. Instead, the USDA Graduate School became eligible to receive annually more than $72 million of noncompetitive work funded by taxpayers, despite the fact

that these training activities are commercial services readily available from private competitors.

c. Hearings.—A hearing entitled "OPM Privatization Initiatives Training" was held on July 26, 1995.

11. Review of Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

a. Summary.—Beneficiaries of the military health care system are eligible to receive medical care at military facilities. However, depending upon the level of demand and ready access to facilities, this care is not always assured. In 1995, 6.6 million non-active duty people are eligible for care through the military health care system. The deficiencies of the overall military health system, of which the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) is a part, are identified by a July 1995 Congressional Budget Office (CBO) study. In that study, CBO reported that a major complaint among beneficiaries is that their access to health care at military medical facilities is poor, and that CHAMPUS is not a satisfactory alternative because of its high out-of-pocket costs.

CHAMPUS costs grew dramatically after the program's inception in 1966. Costs almost tripled from $1.2 billion in fiscal year 1984 to $3.18 billion in fiscal year 1990. Many of these costs were unanticipated and required supplemental appropriations or transfer authority. In 1983, in an attempt to put an end to the increasing costs of its health care system, and uneven access to health care services, the Department of Defense (DOD) began a managed care program, called TRICARE. TRICARE offers beneficiaries an alternative to the current CHAMPUS program. Beneficiaries are assigned a primary care physician to manage their care. In administering TRICARE, DOD has reorganized the military delivery system into 12 regions. TRICARE is scheduled to be implemented nationwide by May 1997. Four regional contracts have been awarded, all to the same civilian health care company, and all bid awards have been protested. However, while TRICARE is still in the early stages, some have suggested that it is unlikely to result in giving eligible military beneficiaries access to stable, high quality health care benefits, nor will it improve the efficiency of the military health care system.

The Federal Employees Health Benefit Plan (FEHBP) provides voluntary health insurance coverage for over 9 million Federal Government employees, annuitants, and their dependents, and has long been considered the foremost health care plan in the country. The Federal Government and enrollees jointly pay for the cost, or premiums, of the FEHBP plans, according to a statutory formula. The Government's portion of each enrollee's premium is a fixed dollar amount equal to 60 percent of the average of the high option premiums for what are commonly known as the Big Six plans. The average premium contribution for both nonpostal and USPS employees and all annuitants was 72 percent in 1994, with the employees paying the remaining 28 percent.

Federal employees and annuitants enroll voluntarily in FEHBP and may terminate their enrollment at any time. Employees are allowed to enroll in FEHBP or change from one plan to another during designated "open season" periods. In 1995, over 9 million indi-

viduals were covered: 2.3 million active employees, 1.8 million annuitants, and over 5 million dependents. Approximately 5 percent of enrollees change plans each year.

b. Benefits.—The government could benefit from an overall reduction in the cost of medical services provided to military families and access to services could be greatly improved by moving to an FEHB type of program. However, the cost of transition to such an alternative delivery system could be high and disruptive of readiness requirements. Further study of this issue is required.

c. Hearings.—A hearing entitled "FEHB/CHAMPUS: Improving Access to Health Benefits for Military Families" was held on September 12, 1995.

12. Review of Current Civil Service Reform Initiatives.

a. Summary.—The Civil Service Reform Act of 1978 reorganized the Civil Service Commission by creating the Office of Personnel Management to perform policy, oversight, and service functions; adding the Merit Systems Protection Board to adjudicate personnel disputes; and formed an Office of Special Counsel to investigate personnel management issues. In addition, the 1978 law enacted measures intended to make government more performance-oriented and to achieve greater accountability.

Vice President Gore's National Performance Review (NPR) of 1993 promised a Civil Service Reform program package that would be developed in conjunction with the President's Management Council. However, initiatives of NPR could rescind many of the Civil Service Reform Act's provisions. The administration's package considered a comprehensive range of changes, from hiring procedures through each phase of recruitment, retention, management, labor-management relations, dispute resolution procedures, termination, and Office of Personnel Management operations.

Although this National Performance Review product was initially presented as a comprehensive package for civil service reform. The modifications included in the NPR package were never formally submitted as legislation, and generated limited support among five panels of witnesses. The committee continues to analyze such civil service reform proposals.

b. Benefits.—Former OPM officials encouraged the subcommittee to approach civil service reform issues deliberatively, because the long-term effects of apparently sound proposals only surface after extensive experience. The normal constituencies share interests, especially increasing pay and benefits, in ways that do not easily surface in complex reviews of classification systems, performance evaluation systems, appeals procedures, and other details.

c. Hearings.—A hearing entitled "Civil Service Reform I: NPR and the Case for Reform" was held on October 12, 1995.

13. Continuation of Civil Service Reform Review: Performance and Accountability.

a. Summary.—Federal agencies experience difficulties linking the activities of their employees to results intended when laws are enacted and policies implemented. The Civil Service Reform Act of 1978 included provisions to improve Federal personnel management, among them the creation of the Senior Executive Service, the

GM–13–15 management grades, and greater incentives to better improved performance of agency managers. Oversight agencies reported that these incentives faced sustained resistance among the managers, who contended that the system limited the number of bonuses available and exacerbated the morale problems associated with performance ratings.

Abundant evidence points to the failure of performance management systems in Federal agencies. Most agencies use a five-step scale where managers are asked to rate subordinates as "outstanding," "exceeds fully successful," "fully successful," "minimally successful," and "unsuccessful." The Office of Personnel Management's report of fiscal year 1993 ratings shows that 99.6 percent of Federal employees who received a rating were evaluated at least "fully successful," and more than 73 percent were rated "exceeds fully successful" or "outstanding." OPM recently issued regulations enabling agencies to replace these multi-step evaluations with "pass-fail" rating systems.

Human resource professionals contend that performance management systems which focus on results or ratings concentrate attention on an end process and divert attention from earlier stages in the employee management process. Private sector consulting firms and corporations have testified before the subcommittee asserting a more comprehensive approach to personnel management can reduce the need for unsatisfactory ratings and/or firings to strengthen performance. The Hay Group, for example, encourages its clients to evaluate potential employees not only in terms of "knowledge, skills, and abilities" (factors identified on all Federal vacancy announcements), but also "values, attitudes, and motives," factors that are seldom (if ever) incorporated in Federal hiring decisions.

The 103d Congress repealed the Performance Management and Recognition System. With improved performance measures required by both the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993, Congress reaffirmed its commitment to pursue improved performance by attempting to shift attention to results rather than procedures.

b. Benefits.—The Merit Systems Protection Board surveyed Federal managers and learned that although 78 percent reported managing a "poor performer," only 23 percent of them initiated demotion or removal actions to address the problems. The hearing demonstrated that the challenges facing the Federal managers are identical to those in the private sector. The evaluation and management of poor performers must be linked to recruitment, hiring, promotion, and development activities if it is to be effective. This hearing provided additional material for deliberation related to civil service reform proposals.

c. Hearings.—A hearing entitled "Civil Service Reform II: NPR & the Case for Reform—Continuation" was held on October 26, 1995.

14. Review of Federal Employee Appeals Procedures.

a. Summary.—Federal employees have at their disposal many avenues through which they can appeal a variety of personnel actions. The U.S. Merit Systems Protection Board (MSPB), the independent quasi-judicial agency in the executive branch which has a statutory mandate to adjudicate appeals of personnel actions for

the government and its employees, decided approximately 8,500 cases in fiscal year 1994. Other agencies involved in the Federal employment complaints process, include: the Federal Labor Relations Authority (FLRA), the Office of Special Counsel (OSC), and the Equal Employment Opportunity Commission (EEOC). In addition, there are multiple levels of reviews of actions within employing agencies, internal agency grievance procedures, and negotiated grievance procedures in collective bargaining agreements, as well as special agency procedures for resolving discrimination claims.

The complicated, lengthy means of appeals available to Federal employees led witnesses to testify that the maze of multi-layer, multi-agency appeals processes deters managers from disciplining poor performers or initiating action in conduct cases. Due to the extraordinary amount of time and unknown expense involved in a lengthy appeal, both GAO and the National Academy of Public Administration have expressed the need for consolidating the appeals process and adjudicatory agencies. A recent Issue Paper published by the MSPB emphasized that "[t]he wide choice of review paths available to employees serves to exacerbate" the hesitancy of Federal managers to take appropriate action against poor performers. That Issue Paper concluded that the "current multi-level, multi-agency process should be reexamined," observing that the Federal Government needs "a system that ensures fairness, not one that deters appropriate actions from being taken."

b. Benefits.—The committee heard extensive testimony that creating a simpler, more straightforward, less duplicative mechanism for resolving disputes in the Federal workplace could improve performance management in the executive branch. Some components of the current system, most notably the unnecessarily complex "mixed case" procedure, are simply inefficient and needlessly burden American taxpayers with unnecessary costs. Testimony before the subcommittee clearly demonstrated that there are several attractive alternatives for simplifying and consolidating the appeals process. Witnesses also recommended greater use of alternative dispute resolution methods, which will be the subject of a future subcommittee hearing.

c. Hearings.—A hearing entitled "Civil Service Reform IV: Streamlining Appeals Procedures" was held on November 29, 1995.

15. Shutdowns of Federal Agencies Due to Lapses in Appropriations.

a. Summary.—President Clinton vetoed a continuing appropriations resolution on November 13, 1996, resulting in the 10th shutdown of government due to a lapse in appropriations since 1981. The first shutdown lasted from November 14 to November 21, 1995. Subsequent vetoes resulted in another shutdown of agencies covered by six appropriations bills that had not been enacted, with the second shutdown extending from December 16, 1995, to January 6, 1996.

The Office of Management and Budget documented that the administration had been coordinating planning for a potential shutdown beginning in August. Although all agencies were required to submit shutdown plans to OMB, committee staff found that the plans revealed little consistency in planning and an absence of

standards in assessing agency plans. Although the initial reason for the shutdown was a lapse of appropriations and fear of violating the Antideficiency Act, the President proposed to modify shutdown guidelines after only a few days, arguing that the shutdown had fostered conditions that would meet the legal exception for "emergency" recall of selected Federal employees. After hearing testimony from nine senior agency officials, several committee members expressed concern that many of the employees whose work could qualify as "emergency" in only a few days, probably should not have been furloughed in the first place. The subcommittee also received testimony from 14 members who were proposing a variety of legislation to address disruptions caused by the shutdowns.

b. Benefits.—The subcommittee's first hearing on the shutdown enabled members to identify functions that should not have been interrupted during the first shutdown. Those views were communicated to the President, and the designated functions remained open during the second shutdown, even though some of them still lacked appropriations.

c. Hearings.—Hearings entitled "Government Shutdown: What's Essential?" and "Government Shutdown II" were held on December 6, 1995, and December 14, 1995.

16. Employee Benefits in the Context of Total Compensation.

a. Summary.—Economic constraint is the primary factor that guides the level and design of compensation and benefit packages throughout the private sector. Some employment-based benefits, such as pensions, life insurance, and health insurance are provided voluntarily by employers. Employers and employees often jointly make payments to fund these voluntary employee benefit programs. Other benefits, including Social Security, Medicare, workers' compensation and unemployment insurance, are mandated by government. These mandatory programs are jointly funded by employers and employees, and provide retirement income and health care coverage for elderly and disabled workers and their dependents. Whether mandatory or voluntary, each of these programs is employment based and financed primarily through employer and employee payroll deductions. The government also promotes the granting of additional benefits through favorable treatment under the tax code.

Compensation packages can be tailored to achieve the workforce goals of the employer while simultaneously accommodating the needs and preferences of workers. The integration of benefit policy, with both short and long range personnel planning, is essential in the private sector. Flexible benefits plans are growing in popularity in response to the changing demographics of the American population, and the dual income family. Within such arrangements, employees are permitted choices among benefits and/or benefit levels. Employees thus may exchange benefits that they consider less valuable for others better suited to their needs. The level of benefit provided can vary greatly, and tends to be directly related to the size of the business. According to the Employee Benefits Research Institute's Data Book on Employee Benefits, less than half of all small employers provide a retirement benefit for their workers.

b. Benefits.—The Federal Government could benefit from a review of its compensation strategies to keep abreast of changing workforce demographics. As the population ages, as corporations face increasing competition in the global marketplace, and as the needs of their employees change, the private sector is adapting its human resource management strategies. As Congress seeks to better allocate available resources within realistic budget constraints, it makes sense to reevaluate our Federal personnel management strategies.

c. Hearings.—A hearing entitled "Civil Service Reform III: Private Sector Compensation Practices" was held on October 31, 1995.

17. Medical Savings Accounts (MSA's) in the Federal Employees Health Benefits Plan.

a. Summary.—A number of proposals have been introduced during the 104th Congress to allow individuals and families to establish tax-favored Medical Savings Accounts (MSA's) for uninsured medical expenses. An MSA can be viewed as a savings account for uninsured medical expenses. MSA's are primarily designed to encourage workers to be more cost conscious in how they spend their money on routine health care, and are also aimed at controlling employer costs. An MSA allows the employer to put aside a fixed amount of money into an account for each employee to pay for his or her own health expenses. In lieu of giving the employee first-dollar or low-deductible coverage, the employer puts cash into a medical savings account and insures or covers the employees' health care costs in full above the amount in the MSA—often referred to as catastrophic coverage. Whatever funds are not spent on health care can be withdrawn at the end of the year and used for any other purpose, or saved for future use.

MSA's make economic sense for the employee because out-of-pocket spending can be substantially less with an MSA than under the traditional health plans, and employees can keep any money left in their account at the end of the year while still retaining major medical coverage. In effect, MSA's permit people to manage the spending of their own funds for non-catastrophic health care.

b. Benefits.—In examining the utilization of MSA's in the private sector and at the local government level, witnesses testified that MSA's are an extremely attractive health care option for all ages, and that they have not experienced the "adverse selection" attributed to MSA's testimony also indicated that MSA's provided greater flexibility and freedom to choose doctors and services than do current plans. Witnesses also testified that with an MSA, an employee is less likely to neglect necessary or preventive care than with a traditional fee-for-service health care plan. Under conventional insurance, individuals receive no reimbursement until they have met the deductible. That places all the out-of-pocket spending on the first expenditures; expenditures that are most likely to cover preventive care. MSA's would actually provide a pool of money that could be used to pay for preventive care.

c. Hearings.—A hearing entitled "FEHB/MSA: Adding Medical Savings Accounts—Broadening Employee Options" was held on December 13, 1995.

18. Veterans' Preference.

a. Summary.—In general, veterans' preference laws give certain veterans preference in appointment to civilian employment with the Federal Government based upon their military service. The first such law was enacted in 1865. Until 1919, the hiring preference extended only to honorably discharged disabled veterans. In 1919, the preference was extended to nondisabled veterans, widows of veterans, and spouses of injured veterans.

The statutory basis for today's veterans preference is the Veterans Preference Act of 1944, as subsequently amended. Under that act, veterans were to be given "augmented scores" of 5 or 10 points, (depending upon their status) in examinations for employment, and retention preference in the event of a reduction in force. The act also prohibited adverse actions against veterans without "cause" and required certain due process protection, such as notice and an opportunity to be heard, as well as appeals.

The purpose of veterans preference has always been, as its name implies, to give veterans a legal leg up in acquiring and retaining civilian employment with the Federal Government. Federal employment statistics, however, draw into question whether this preference is having its intended effect.

As recently as 1984, veterans representation in the Federal work force was nearly 38 percent. That number is now down to 28 percent. Veterans have borne a disproportionate brunt of the government's downsizing. The number of veterans in the work force declined at nearly seven times the rate of the overall work force. In part, this reflects the concentration of veterans in the very defense-related agencies that account for the vast majority of the recent downsizing. OPM's figures show that in September 1994, 47 percent of all veterans were employed in one of the three military departments. It may also reflect the greater average age of veterans, who have accounted for over 50 percent of all retirements from Federal civil service in the last 5 years. These figures also suggest that veterans are under represented in many Federal agencies and support the claims that we need to create additional opportunities for veterans.

b. Benefits.—The subcommittee's investigation disclosed a number of problems with the current application of veterans' preference and laid the groundwork for the legislative remedies proposed in H.R. 3586.

c. Hearings.—A hearing entitled "Veterans' Preference: A New Endangered Species?" was held on April 30, 1996.

The subcommittee held a hearing to examine whether the employment preferences accorded veterans by law are being faithfully applied by the Federal Government and ways in which opportunities can be improved.

The first panel consisted of Hon. Stephen E. Buyer, chairman of the Subcommittee on Education, Training, Employment, and Housing of the Committee on Veterans' Affairs, and Hon. Jon D. Fox. Among other issues, Chairman Buyer addressed the need to strengthen veterans' preference protections during reductions in force and to provide veterans with an effective redress system. In particular, he pointed to the escalating use of single-position competitive levels in RIFs as a threat to veterans' preference. He noted

that it allowed managers to "effectively dictate who will retain employment," and pointed to recent RIFs at the U.S. Geological Survey, GAO, and the Army's Audit Agency as examples. Chairman Buyer also stated that, "There is simply no effective means by which a veteran may air a preference grievance, especially if the veteran is not hired." Establishing a redress system that provides a reasonable remedy for veterans is, he testified, a "primary concern."

Congressman Fox testified in support of H.R. 2510, his bill to extend veterans' preference to those who served in connection with Operations Desert Shield and Desert Storm. In his testimony, Congressman Fox pointed out that many reservists and National Guard members were ordered to active duty during the Persian Gulf War. Some were deployed to the theater of operations. Others were ordered to serve outside the theater. Those who served in the theater now qualify for veterans' preference. But those who served elsewhere do not, even though their contributions were also essential to the ultimate success of our military operations in the Persian Gulf.

On the second panel were James Daub, John Davis, and John Fales. Mr. Daub, a reservist who was called to active duty to support Operations Desert Shield and Desert Storm. He pointed out that his unit was split into two groups, one of which was sent to the Desert and his group was sent to Rhein Mein Air Force Base in Germany. The group in Germany performed aircraft maintenance that could not be performed in the theater. This was a task that was critical to the success of our combat operations and a task they performed proudly and to the utmost of their abilities. Those who served in Southwest Asia are now entitled to veterans preference, whereas those such as Mr. Daub who were uprooted from their families and their Federal jobs enjoy no more job protections than "the non-veteran who was home with his family watching the war on CNN." This is a matter of great concern to these veterans in this era of government downsizing, particularly those employed at the Department of Defense.

Mr. Davis, a Vietnam veteran who was awarded the Distinguished Flying Cross, the Bronze Star, and multiple awards of the Air Medal, described his experience during a RIF at the Army Corps of Engineers. He testified that in March 1993, the Corps headquarters announced that it would conduct a 50-person RIF. Mr. Davis was placed in a single-position competitive level. Consequently, Mr. Davis was the only employee covered by the RIF who was actually downgraded. (None were separated as a result of the RIF.) Moreover, Mr. Davis was not permitted assignment rights to positions for which he appeared capable of performing, including one job almost identical to the position he held before the RIF. In contrast, however, Mr. Davis testified that prior to the RIF, management went to great lengths to place other individuals whose jobs were to be abolished into positions at their current grade levels. In some cases, the agency actually created positions for these other employees that did not exist prior to the RIF. Nevertheless, both the Merit Systems Protection Board and the United States Court of Appeals for the Federal Circuit upheld the agency's action.

Mr. Fales is a decorated blinded Vietnam veteran who is a full-time Federal employee and president of the Blinded American Veterans Foundation. In his testimony, Mr. Fales emphasized the importance of recognizing the important service of the hundreds of thousands of American troops supporting America's military missions around the world. He pointed out that in the past 5 years the military has released 800,000 men and women from the armed forces, many of whom were not eligible for veterans' preference, which made their transition and pursuit of a Federal job much more difficult. Mr. Fales also testified that there are many in the Federal bureaucracy who actively seek to circumvent veterans' preference, and emphasized the need for improved remedies to deter future violations.

The subcommittee also heard testimony from Ronald W. Drach, the national employment director for the Disabled Veterans of America, and Emil Naschinski, assistant director, National Economics Commission, of the American Legion. Both testified that the lack of an effective redress system is the key defect in current veterans' preference law. Mr. Drach stated that "there has never been a meaningful appeal/ redress system available to an individual or a veterans service organization . . . if either thought veterans' preferences were being violated," and he contended that the Office of Personnel Management's "less than aggressive enforcement of veterans' preference" persuaded agencies they were free to ignore veterans' preference. Mr. Naschinski emphasized that, "If Congress is serious about improving veterans' preference, it must provide a clear, independent and user friendly redress mechanism that can be utilized by veterans who believe their veterans' preference rights have been violated." Both witnesses also testified to the importance of strengthening protections for veterans during RIFs and warned of the potential erosion of veterans' preference through the proliferation of alternative personnel systems.

19. Soft Landings To Enhance Federal Downsizing?

a. Summary.—Under the Federal Workforce Restructuring Act of 1994 and the Clinton administration's efforts to "reinvent" government, Federal agencies initiated efforts to reduce the Federal workforce by 272,900 positions by 1999. The Federal Workforce Restructuring Act authorized agencies to pay "voluntary separation incentive payments," (buyouts) as a means of increasing attrition through voluntary separations rather than reductions-in-force. This buyout authority expired for nondefense agencies on March 31, 1995. The subcommittee conducted hearings on the buyout program on May 17, 1995, after which subcommittee Chairman Mica communicated four criteria for any future buyouts to Government Reform and Oversight Committee Chairman William F. Clinger, Jr. These criteria reflected a consensus of the General Accounting Office, the Congressional Budget Office, and two private consulting firms with extensive experience analyzing and managing corporate downsizing. They included a requirement that any future buyouts be implemented consistent with a strategic plan that describes the agency's operation after downsizing, that buyouts be done early in the fiscal year, that they be accomplished swiftly, and that they be a one-time event wherever they are used.

Several agencies appear to have used previous buyout authority in ways that are inconsistent with workforce reduction objectives. The Environmental Protection Agency bought out 485 employees while reducing 97 positions. The Department of Education bought out 484 employees while reducing only 146 positions. The Department of Justice reported 835 buyouts while increasing staff by 7,536 employees. Several other agencies approached the subcommittee about renewed buyout authority, but few of them had done the planning necessary to prepare for their effective use. In light of the likelihood of additional workforce reduction, and in the absence of effective planning on the part of agencies, this hearing opened a series that would assess the future of the Federal workforce and review legislation proposed to ease the impact of reductions on Federal employees who would be affected by them.

b. Benefits.—This investigation enabled the subcommittee to review proposed legislation to ease the process of workforce reductions for Federal agencies. It identified several measures that were subsequently incorporated into H.R. 3841, the Omnibus Civil Service Reform Act of 1996.

c. Hearings.—The subcommittee conducted a hearing on proposed legislation, "Downsizing/Soft-Landings, and Related Legislation," on May 8, 1996.

Mr. Burton reaffirmed his commitment to reducing the size of government while recognizing Congress' obligation to ease the transition of current employees to positions in the private sector. He noted the difficulties imposed on such transitions by the lack of portability in current pension systems.

Mr. Moran lamented the lack of planning with which both Federal agencies and Federal employees approached recent workforce reductions. Although buyouts were available, employees often took them without adequate preparation for retirement or a different occupation, and agencies often awarded them without adequate planning for future operations.

Mr. Wolf emphasized the he and his cosponsors of H.R. 2751 had placed a priority on the avoidance of RIFs as Federal agencies reduce their workforces to implement either policy changes or budget reductions. He claimed that RIFs are disruptive, and asserted that Congress has a responsibility to make sure that reductions are achieved with as little disruption as possible. He sponsored the Federal Employee Separation Incentive and Reemployment Act to assist agencies in reducing workforces through attrition rather than RIFs. He observed that, regardless of congressional action, the legislation would have to be complemented with activities such as job fairs to assist Federal employees facing workforce reductions in finding new positions. He agreed with Mr. Mica that buyouts should be used only to avoid RIFs and save the government money, and observed that Federal agencies should be on notice that the Congress will follow their use of buyout authority closely.

Mrs. Morella endorsed Mr. Wolf's bill and testified in support of complementary companion legislation that she introduced. H.R. 2826, the Early Retirement Incentive Act, would phase out the 2 percent per year reduction in annuities that Federal employees face if they retire before the age of 55. Under her bill, this reduction would be adjusted annually so that full pensions would be restored

incrementally at age 55. She also recommended H.R. 2825, the Strategic Reemployment Training Act, for the subcommittee's consideration. This measure would foster partnerships with the private sector to facilitate placement of Federal employees who could no longer expect opportunities in other Federal agencies. The bill would allow Federal agencies to retrain their employees in ways that develop skills for private sector employment, a practice that is beyond the authority of Title 5.

Mr. Hoyer claimed that Federal employees no longer face the long-term employment security experienced in previous years. He observed that the administration has beefed up priority placement programs, but was uncertain whether these programs would be adequate to serve the employees affected by reductions. He supported Mr. Wolf's initiatives in training and job fairs, and endorsed both of Mrs. Morella's bills. Although he acknowledged the cost of buyouts, he commented that "a $25,000 payment up front may well be the cheapest incentive that the government can adopt." He conceded that he had not analyzed the fiscal note on any of the bills that he endorsed in this testimony. In response to questions, he commented that planning would be important to effective use of buyouts, but noted that abolished agencies such as the Bureau of Mines and the Interstate Commerce Commission were terminated through relatively quick appropriations actions. All Members supported provisions that would enable separated employees to extend their life and health insurance coverage.

All Members also recognized that the workforce reduction targets are often arbitrary, and that the 5,500 nondefense workforce reductions proposed in the President's FY–1997 budget should be achievable through normal attrition. Mr. Moran observed that the workforce reductions to date have been done exactly the reverse of the way that they should have been done, by creating an arbitrary dollar reduction number and backing it into personnel conclusions. Mr. Moran also expressed his interest in developing a method of easing the transition to retirement.

Mr. Shaw testified that the Senior Executives Association had ardently supported H.R. 2751. He noted that current reductions in the Federal workforce are targeted at middle and upper layers of agencies, and these are difficult cuts to achieve. He noted that public employees often face post-employment restrictions that impede their ability to use their professional skills in the private sector. He argued that the most effective means of placing Federal employees during agency reductions is to place the employees in other agencies. He reported that, rather than accept separated Bureau of Mines employees, other components of the Department of the Interior canceled vacancy announcements. Such actions would vitiate priority placement programs.

Ms. Chandler reported that the National Federation of Federal Employees believes that voluntary separation incentives are important to assist Federal agencies in downsizing. Attrition rates are lower than any recent years, and she believes that RIFs would be necessary without the buyouts.

Mr. Gable agreed with the criteria for new buyout authority outlined by the chairman at the start of the hearing. He contended that the phased reduction of the buyout amount authorized by Mr.

Wolf's bill might accelerate voluntary separations, and ease requirements for subsequent reductions. The Federal Managers Association recommends that buyout authority in nondefense agencies be extended to the 1999 deadline for the Department of Defense. The testimony supported every benefit increase proposed in legislation under consideration by the subcommittee.

20. Workforce Reductions: RIFs v. Buyouts: A Cost-Benefit Comparison.

a. Summary.—The subcommittee continued to monitor the administration's implementation of the buyout program authorized by the Federal Workforce Restructuring Act of 1994 and to assess the need for renewal of buyout authority, in light of recommendations from Members who had sponsored H.R. 2751. Although the administration was well on its way to meeting the 272,900 FTE workforce reduction required by the act, most reductions to date had come from downsizing at the Department of Defense rather than from efforts to "Reinvent Government." The administration's FY-1997 budget recommended further Department of Defense downsizing—cutting 54,300 DOD positions—and eliminating a total of only 5,500 positions from nondefense agencies. This reduction in nondefense agencies is well within the scope of normal attrition, so these positions could be eliminated simply by exercising buyouts that were deferred from 1995. The President's budget showed that while downsizing discussions continued, the Departments of Justice, Labor, Health and Human Services, and Treasury planned staff increases during fiscal year 1997. Buyouts had cost the government $2.8 billion, and half of these expenditures went to employees eligible for full retirement benefits. GAO reported that better management of normal attrition could have enabled more cost-effective method of achieving workforce reductions. In addition to extensive use of buyouts, several agencies had used their authority to conduct "reductions-in-force," (RIFs) in ways that caused concern about fair and equitable treatment of employees. As a result of provisions of the Legislative Branch Appropriations Act of 1995, GAO had secured authority to revise their RIF regulations, but the revisions that were promulgated provided no substantial changes from RIF rules governing other Federal agencies.

b. Benefits.—This investigation revealed that the administration had allowed some agencies to use buyouts beyond the authority granted under the Federal Workforce Restructuring Act of 1994. It also demonstrated that, where an agency was granted extensive authority to revise RIF rules, those revisions were relatively minor, and did not jeopardize any of the protections that are often deemed burdensome in administering RIFs. The extensive use of single-person competitive levels used by the U.S. Geological Survey in conducting its RIF influenced the subcommittee's decision to include additional protection for veterans in the Veterans Employment Opportunities Act of 1996.

c. Hearings.—The subcommittee conducted a hearing, "Reinventing Downsizing or Downsizing the Reinvention," on May 23, 1996.

Mrs. Morella recognized that previous buyouts did not necessarily achieve their intended results, and added that we must "avoid another situation whereby agencies pay the same employees

both separation incentives and retention, recruitment, or relocation bonuses."

Mr. Bowling reported that, as of September 30, 1995, Federal agencies had paid buyouts to more than 112,000 employees, enabling the agencies to exceed the workforce reduction targets required by law. Buyouts accounted for 48 percent of those reductions, with RIFs accounting for an additional 6 percent. The balance was achieved through normal attrition—retirements, resignations, and other terminations. He observed, however, that these reductions have not consistently targeted the management positions identified in the National Performance Review. Instead, these positions have actually increased as a portion of the Federal workforce in some agencies, and the portion of supervisory personnel diminished only slightly, even though the administration had relied on questionable techniques, such as renaming supervisors as "team leaders" without actually altering responsibilities, to achieve these numbers. Although he saw no need for governmentwide buyout authority, he admitted that some agencies might have to reduce their workforces disproportionately and, in such cases, targeted authority might be appropriate.

Mr. Koskinen contended that management of attrition through hiring freezes or similar measures might not provide agency managers the flexibility that they need to redesign their agencies during further workforce reductions. The administration submitted a proposed Federal Employment Reduction Assistance Act of 1996 that would authorize downsizing agencies to extend buyouts to employees at decreasing payment rates over a 4-year period. He expressed concern that, if distinct buyout legislation is approved for different agencies, differences between programs would result, and that some of these could be considered inequitable. He endorsed other "soft landing" measures, such as extending health and life insurance benefits for separated employees, but reported that the administration opposed measures, such as the so-called "2 percent solution," that would exacerbate the financial problems of Federal retirement funds.

Mr. King testified that buyouts had played an important role in enabling Federal agencies to reduce positions with minimal use of RIFs. He claimed that RIFs are much more disruptive of the morale and productivity of the workforce than voluntary reductions. He observed that future reduction requirements might result from budget reductions, and that renewed buyout authority could facilitate meeting future requirements. Mr. King denied that OPM had promoted radical changes in RIF policy during recent actions, and claimed that the portion of veterans among new hires had increased during the past 3 years.

Mr. Koskinen conceded that the President's budget submission contains actual workforce levels from previous years, but only projections for future years, and added that the projections contained in the FY–1997 submission are at least 30,000 persons higher than actual employment levels will turn out to be. Mr. Bowling admitted that Federal personnel data are unreliable at times, in part because of difficulties in OPM's Central Personnel Data File. Mr. Bowling agreed that normal attrition should be sufficient to man-

age planned downsizing, but added that unanticipated budget reductions might justify some targeted buyouts at affected agencies.

Mr. Mica questioned Mr. Koskinen about a Department of Energy legal opinion that was used to rationalize "renewed" buyout offers after the March 31, 1995, deadline enacted in the Federal Workforce Restructuring Act. Mr. Koskinen observed that the OMB General Counsel had reviewed the Department of Energy opinion, but had not issued its own opinion on the topic because OMB concluded that the DoE opinion was appropriate. Mr. Koskinen claimed that this authority was limited, and only agencies that had previously offered deferred buyouts could "recycle" those buyouts if they were not used. Mr. Moran emphasized that the Congress had never intended to give employees a second chance at buyouts, and chastised OMB because no effort had been made to contact the Congress before allowing the Department of Energy to "reoffer unused buyouts." Mr. Moran observed that when information about such actions first surfaces in unofficial channels, it establishes expectations among Federal employees, with adverse consequences for normal attrition rates. He requested GAO to provide a legal opinion assessing the Department of Energy's views on the authority to extend buyouts after the March 31, 1995, statutory deadline.

Mr. Koskinen argued that conditions had changed since his testimony a year ago that buyouts would not be necessary. The Workforce Restructuring Act reductions are being attained, but some agencies are facing constraints on their spending, and that is a different factor than previous conditions. He noted, for examples, that OPM, GSA, and NASA had absorbed reductions proportionately greater than the Department of Defense's 12 percent downsizing. Mr. Koskinen claimed that neither OMB nor the subcommittee would want to go through a period of guerilla warfare deciding on buyouts on an agency-by-agency basis through the appropriations process.

Mr. King conceded that RIFs can be cheaper than buyouts where units are eliminated, but claimed that the buyout offers a "more humane" method of reducing the workforce. He claimed that, with "bump and retreat" rights, an average RIF affects 2.5 other employees.

Mr. Luke reported that GAO experienced a 25 percent budget reduction, with 15 percent in FY–1996 and 10 percent in FY–1997. To reduce these expenditures while continuing to meet its responsibilities, the agency had to reduce personnel beyond rates that could be achieved through attrition. GAO offered buyouts that were accepted by 393 employees, and closed regional offices, which eliminated another 170 positions. A hiring freeze first imposed in 1992 remains in effect. GAO secured legislative authority to issue RIF regulations that differed from executive branch agencies, but included no major revisions in them. They did allow employees to volunteer for RIF, but retained the tenure, veterans' preference, performance, and length of service factors in conducting RIFs. Veterans' employment at GAO reduced slightly, a change that Mr. Luke attributed to more veterans taking advantage of buyouts.

Mr. Leahy recounted the extensive deliberations planning for the RIF at the U.S. Geological Survey's Geologic Division. He attributed the necessity of a RIF to a decade-long trend during which

payroll required an increasing portion of agency appropriations. This high portion of the annual budget allocated to salaries was increasingly constraining the agency's ability to conduct quality scientific research. He claimed that the planning was based on programmatic needs, and submitted copies of extensive materials distributed to keep agency personnel informed of this planning. The Survey began briefing employees about RIF planning at its three regional centers in March 1995. He testified that the Survey's old RIF plans did not conform to either current OPM guidelines or the Merit System Protection Board's standards, so revision of RIF procedures was a necessary element of this RIF planning. Along with this RIF, the Geologic Division engaged in a major reorganization to adapt its mission to current statutory authorities and to achieve savings by reducing managerial layers. Mr. Leahy testified that the 250 people managerial staff was cut nearly in half in the new organization. He reported that only 9 veterans were separated of the 292 veterans on the Division's 2,192-member staff.

Under questioning, neither Mr. Luke nor Mr. Leahy thought that their agencies needed additional buyout authority at this time. They also did not have any recommendations for statutory changes related to workforce downsizing. Under questioning from Mrs. Morella, Mr. Leahy reported that the RIF had generated 123 appeals to the Merit Systems Protection Board, and that the Office of Special Counsel was reviewing the actions. Mr. Leahy noted that Representatives Davis and Wolf had sponsored a job fair for affected employees in northern Virginia. USGS also placed 110 of its employees in other divisions or within the Department of the Interior.

21. Illegal Use of Buyouts.

a. Summary.—As a result of evidence presented at its May 23, 1996 hearing, the Subcommittee on Civil Service requested the General Accounting Office to review a Department of Energy legal opinion that the administration had used to support the extension of buyout authority to several other agencies after the Federal Workforce Restructuring Act of 1994's deadline had expired. Although the Federal Workforce Restructuring Act provided authority to offer employees buyouts to ease the transition from the public sector, the administration had continued to offer buyouts after the March 31, 1995, deadline set by law. Documents submitted by OMB demonstrated that OMB Deputy Director for Management John A. Koskinen had approved the Department of Energy's plan to "reoffer unused buyouts" on October 4, 1995, even though the administration made no effort to inform the Congress of the decision until after it was publicized in a May 2, 1996, newspaper column. The Department of Commerce had offered a new—1 day—round of buyouts to some of its employees on the very day that the subcommittee had conducted its previous hearing.

b. Benefits.—As a result of this oversight, the Office of Management and Budget directed Federal agencies to discontinue any further offers of buyouts to nondefense employees. These hearings also resulted in the development of legislative language to prevent repetition of the abuses revealed during these hearings. Buyout authority granted under the Omnibus Continuing Appropriations Act

of 1996 prohibits employees from receiving buyouts if they have received a relocation bonus within the past 2 years, or if they received a retention bonus within the last year. The new buyout authority omitted any provision that might have allowed for deferred separation of employees who accept voluntary separation incentive payments.

c. Hearings.—The subcommittee conducted a hearing, "Reinventing Downsizing or Downsizing the Reinvention," on June 11, 1996.

Mr. Mica commented, "[The GAO opinion] means . . . that at midnight on March 31, 1995, the Federal buyout window closed for nondefense agencies. . . . That GAO opinion means that neither OMB nor anyone else in the executive branch has the authority to create an additional application window." The subcommittee chairman concluded, "I will entertain no further discussion of new laws until the Clinton administration demonstrates its compliance with the old law."

Mr. Moran observed that the issue is important because it sets a precedent in terms of the Federal workforce's expectations and the question of who writes the laws. He rejected the idea that this was an issue of conflicting legal opinion, because the language in the Workforce Restructuring Act is not even remotely ambiguous.

Mr. Wray reported that the General Accounting Office had issued a legal opinion to the subcommittee on June 6, 1996, which concluded that the Department of Energy policy is inconsistent with the Federal Workforce Restructuring Act of 1994. GAO concluded that the clear language of the act and the fundamental logic and context of the statute lead to the conclusion that agencies could lawfully approve buyouts only until March 31, 1995. The Secretary of Energy's decision to extend buyout offers after that date was inconsistent with the statute.

Mr. Koskinen admitted that, in spite of the administration's claims about reinvention, "No one has tracked FTE declines for each of these [eliminated] activities, and there is no efficient way to obtain that information at this time." He reiterated that reductions in spending, rather than any reinvention effort, is the driving factor behind any further workforce reductions. In spite of the GAO opinion, he denied that any member of the administration was operating deliberately in contravention of the law.

Mrs. Morella concurred with the General Accounting Office's legal opinion that the law restricted buyouts to end on March 31, 1995, and observed that this experience erects barriers to enacting soft-landing measures for other employees.

Mr. Wray noted that the only practical corrective for the Congress would be to pass additional legislation. Mr. Mica explored options such as holding disbursing officers accountable for funds expended in violation of the law, but Mr. Wray did not view this remedy as effective. Mr. Moran argued that the consequence of the deficient legal opinion was to continue bad management practices, and Federal employees were subject to recurring rumors about new buyout opportunities. The fluctuations jeopardized the chance to bring stability to the workforce.

Mr. Koskinen reported that OMB was in communication with agencies that have offered renewed buyouts, and had requested them to review their actions in light of the GAO opinion. Mr. Mica

and Mr. Moran emphasized that the subcommittee had bipartisan agreement with the GAO opinion, a factor that OMB should consider in requesting further review by the agencies.

Mr. King observed that OPM's recommendations had consistently supported the GAO opinion.

22. Civil Service Reform Proposals.

a. Summary.—This oversight provided an opportunity to review issues related to preparation of the Omnibus Civil Service Reform Act of 1996 (H.R. 3841). This legislation drew from topics covered in hearings conducted by the subcommittee during October and November 1995 and legislation proposing soft landings for Federal employees which were the focus of a May 8, 1996, hearing by the subcommittee. The legislation incorporated provisions that reflected concerns widely shared among Members and addressed pressing needs of a public service oriented toward workforce reductions rather than expansion of agencies' responsibilities and workforces.

b. Benefits.—This hearing provided an opportunity for extensive discussion of issues related to H.R. 3841, and assisted in the modification of provisions necessary to secure House passage.

c. Hearings.—The subcommittee conducted a hearing on the Omnibus Civil Service Reform Act of 1996 on July 16, 1996.

Mr. Mica observed, "Just as the private sector has adjusted to accommodate people changing career patterns, the Federal workplace must adapt to accommodate new technologies, changing agency missions, and eliminate old functions and assume new roles that are so necessary in our dynamic and fluid Federal workplace." Mr. Mica added, "Throughout the past year, I have been struck by the challenges that Federal agencies face relating to managing poor performers. . . . We have heard from many witnesses that the current Federal service provides very limited incentives to our best employees while erecting enormous hurdles when it comes to improving or removing problem employees." The draft legislation included provisions to strengthen performance management, to streamline the Federal appeals processes, to expand benefits available through the Federal Retirement Board's Thrift Savings Plan, to provide soft-landings for Federal employees facing workforce reductions and to provide agencies flexibility in reorganizing, and several miscellaneous provisions to address technical and administrative problems in administering the Federal civil service.

Mr. Bowling reaffirmed testimony presented by GAO during November 1995. That testimony described the appeals processes available to Federal employees as "inefficient, expensive, and time consuming." He urged congressional action that would reduce the inefficiencies in the system, shorten the time involved, and save money. He contended that reforms needed to sustain two fundamental principles: fair treatment for Federal employees and efficient management of Federal agencies. He recommended measures to eliminate the mixed cases (where employees can appeal prohibited personnel practices to more than one agency), movement toward a private sector model for addressing employees' discrimination complaints, and increased use of alternative dispute resolution (ADR). He reported that, in FY–1994, agencies spent almost $34

million investigating discrimination complaints, and awarded more than $7 million in complainants' legal fees and discrimination settlements. Bowling noted, "The redress system's protracted processes and requirements can divert Federal managers from more productive activities and inhibit some of them from taking legitimate actions in response to performance or conduct problems." He noted that Federal employees file six times the per capita rate of complaints as private sector employees, and that only 18 percent of Federal filings are related to terminations, where 47 percent of private sector discrimination complaints result from terminations. Bowling reported that the Merit Systems Protection Board and the Equal Employment Opportunity Commission rarely differ in their findings, but employees have little to lose by having both agencies review the issue. Eliminating mixed cases would eliminate both the jurisdictional overlap and the inefficiency that accompanies it. He cautioned, however, that the modification of procedures would require the EEOC to learn new approaches to its work.

Mr. Heuerman thanked the subcommittee for incorporating several of the administration's recommendations in the consensus package. He welcomed expanded authority for demonstration projects, but the administration opposed allowing demonstration projects to modify leave and benefit programs. Although he welcomed the bill's inclusion of alternative dispute resolution provisions, he recommended thorough assessment of provisions consolidating appeals processes. The administration recognized the bill's interest in strengthening performance credit in developing RIF retention registers, but argued that this objective could be accomplished through regulation rather than statute.

Mr. Mehle observed that the bill would make important improvements to the Thrift Savings Plan provisions of the Federal Employees Retirement System Act (FERSA). FERSA authorized the creation of three investment funds, and allowed Congress to authorize additional investment vehicles. This bill would create two additional funds: one a small capitalization fund and the other an international stock index fund. The Board had previously recommended both to the Congress, and could implement them within 2 years. The Board also supported allowing new Federal employees to begin contributing to their accounts immediately and the elimination of restrictions on withdrawals and borrowing from employees' accounts.

Mr. Moyer thanked the subcommittee for the provisions that he saw as beneficial to members, especially expansion of the Thrift Savings Plan, provisions to assist agencies in reorganization, and soft landings for employees affected by workforce reductions. FMA supported provisions to extend liability insurance coverage to Federal employees acting in the line of duty. He advocated limiting demonstration projects to 10 percent of the Federal workforce. Rather than retain EEOC jurisdiction, FMA supports consolidating Federal appeals through the MSPB, with appeal to the Federal Circuit. He opposed linking performance management and RIF retention criteria.

Ms. Olsen welcomed the expansion of agencies' transition programs for Federal employees affected by downsizing. She opposed, however, giving employees additional credit in RIF processes for

outstanding service. She also appreciated the liability insurance protection afforded to Federal managers under this bill, and supported to strengthened monitoring and reporting requirements directed toward Federal training.

Mr. Sanders testified that the bill represents an important step in the right direction, and expressed strong support for swift passage. He commented that the bill addresses many of the critical needs for reform—especially of the appeals procedures—but questioned the benefits that might be derived from additional demonstration projects. Rather than a single solution to civil service problems, he argued that more particularized, tailored answers to limited questions are the most likely vehicle of future progress in managing Federal employees. He recommended consideration of reforms instituted in Australia and New Zealand, and also mentioned the private sector's cafeteria compensation plans as an appropriate model for future comparison. He strongly supported the bill's 90-day alternative dispute resolution provisions.

Mr. Divine thanked the subcommittee for including the soft landing provisions that would benefit employees separated during agency workforce reductions. He would limit demonstration projects, however, to agencies with partnership agreements. Federal unions, in general, favored a 10 percent cap on the number of employees who could be involved in a demonstration project. They also opposed increasing the credit given performance during a RIF, contending that employees could be adversely affected by being under different rating systems.

Mr. Donnellan expressed strong reservations about demonstration projects developed without the participation of employees' unions, and argued for retention of current appeals processes.

Mr. Tobias expressed general support of the bill, but expressed reservations about the breadth of potential demonstration projects.

Mr. Roth commented that several provisions in the bill do not have the support of employees represented by Federal employees' unions. He expressed concerns about waiver provisions related to demonstration projects. He asserted that Federal employee unions favor removing employees who do not perform their jobs, and contended that a "two-tiered" system (pass/fail) would enable agencies to remove those who fail. He also objected to including the increased rewards for outstanding performance in statute.

23. Review of the Federal Employees Health Benefit (FEHB) Program.

a. Summary.—The FEHB program is the largest employer-sponsored health insurance system in the country. In 1996, the $16 billion FEHB program will insure more than 9 million Federal employees, retirees, and their dependents. Partial portability, no preexisting conditions limitation, and an annual open enrollment period are facets of the FEHB program that make it an extremely attractive health care system. The program is administered by only 134 employees, and it serves more than 9 million enrollees.

Over the past 2 years, a number of FEHB-related issues have arisen. Some effect the coverage and benefits provided to Federal employees, others affect the costs borne by employees and the government.

In January 1, 1996, Blue Cross & Blue Shield (BCBS) changed their prescription drug benefit setting off a round of intensive lobbying by the National Association of Retail Druggists (NARD), the National Association of Chain Store Druggists (NACSD), the American Pharmaceutical Association (APHA), and by individual druggists and large chain stores.

BCBS for 1996 stopped waiving the 20 percent co-pay on prescriptions purchased at preferred (network) pharmacies for those retirees who also have Medicare Part B coverage. All other BCBS standard contract holders have always been responsible for paying the 20 percent co-pay and, accordingly, are not affected by the 1996 benefit change. The benefit change is expected to save $200 million in 1996. OPM has stated that without the benefit change all 1996 monthly premiums for BCBS Standard Option enrollees would have increased by $5.42/month for self enrollments and $12.03/month for family enrollments.

The pharmacists maintain that the benefit change is unfair, because the co-pay is still waived for prescriptions obtained through the mail order program. They see the benefit design as unfairly steering customers away from the community drug stores. Since the FEHB program is a government health care program, the pharmacists have sought to have Congress overturn this benefit decision by BCBS. Many stores posted signs telling all retirees that there is a new co-pay requirement and asking them to sign petitions to Congress and OPM.

The controversy is really about the economic consequences of retail store versus mail order prescription drug sales. The pharmacists apparently hope to achieve a result similar to what happened in Maryland when the State rescinded a prescription drug contract in the wake of organized protests from Maryland druggists. (The Federal Trade Commission and the Maryland Attorney General are now investigating the possibility that the organized campaign constitutes an antitrust violation).

Senators Pryor and Cohen, and Representatives Moran and Gilman, requested a GAO review of the prescription drug program. That request was narrowly drawn and could have elicited a skewed response. Subcommittee Chairman Mica requested the GAO conduct a more comprehensive and objective analysis of the prescription drug program in the FEHB and provide some external comparison with private sector programs. The external review will provide a better base of information to make a more informed judgement on the issue.

During the 104th Congress, a number of bills have been introduced either mandating that health insurance carriers provide coverage for certain benefits or that they provide direct reimbursement for certain health care providers.

H.R. 1057, introduced by Representative Ben Gilman (R–NY), would provide for hearing care services by audiologists to Federal civilian employees.

H.R. 2009, introduced by Representative Lynn Woolsey (D–CA), would include medical foods as a specific item for which coverage may be provided under the FEHB program; and

H.R. 3292, introduced by Representative Maurice Hinchey (D–NY), would provide for coverage of qualified acupuncturists services under the FEHB program.

b. Benefits.—The FEHB program is often cited as a model of efficiency and effectiveness that other public and private groups should seek to replicate. The free-enterprise-based FEHB program has effectively contained costs through private sector companies, with limited governmental intervention. The investigation reinforced the importance of the private sector competition that exists in the FEHB program, and that legislative efforts to mandate benefit levels would undermine the ability of health benefit carriers to contain costs. Any additional benefit mandates serve to increase the overall costs of the FEHB program, both to the government and the individual employee.

c. Hearings.—A hearing entitled, "FEHB Program Review and Oversight" was held on September 5, 1996.

The first panel was dedicated to examining the controversy involving the prescription drug benefit for FEHB Blue Cross and Blue Shield enrollees who also have Medicare. The panel consisted of GAO, Blue Cross and Blue Shield Association, Merck-Medco, and the National Association of Chain Drug Stores and the National Association of Retail Druggists.

GAO testified that BCBS made the benefit change to try to control an average annual 21-percent increase in its Federal health plan's drug costs. In early 1996, the volume of prescription the mail order pharmacy received was much greater and occurred more quickly than anticipated. As a result, Medco could not meet its customer-service performance measure for prompt dispensing and delivery of prescriptions to enrollees for several weeks during the benefit change's implementation. NACDS and other critics of the benefit change are concerned about its economic impact on retail pharmacies.

The second panel consisted of advocates for mandating that health insurance carriers provide coverage for certain benefits or that they provide direct reimbursement for certain health care providers. The American Academy of Audiology, the International Hearing Society, and the American Academy of Otolaryngology—Head and Neck Surgery, commented on legislation introduced by Representative Ben Gilman (R–NY) to mandate that audiologists be given reimbursement by FEHB carriers. The audiologists support the legislation, while both the Hearing Society and the Otolaryngologists were strenuously opposed. A professor from Florida International University testified on behalf of legislation that would add medical foods as an item for which coverage may be provided. The American Association of Pastoral Counselors testified regarding the possible direct reimbursement of their members by carriers. The issue of mental health parity was discussed by the American Psychiatric Association. The National Acupuncture Foundation testified on legislation proposing to mandate coverage of qualified acupuncture services.

An OPM official testified for the Clinton administration that the FEHB program is flexible enough to address coverage for those services and supplies and that mandating them "is contrary to the program's guiding philosophy of allowing flexibility for plans to re-

spond to changing health care practices and individual enrollee needs." Regarding the prescription drug issue, OPM said that high percentages of enrollees in fee-for-service plans are satisfied with the mail-order drug program.

24. Taxpayer Subsidy of Federal Unions.

a. Summary.—According to OPM data, as of September 1995, approximately 54 percent of the Federal workforce was unionized, encompassing some 1,0157,017 employees. Although most Federal employees are ostensibly represented by a union, it is widely acknowledged that union membership among Federal employees is quite low. Data from 1994 show that 19.3 percent of Federal employees belong to a union. (Hirsch and McPherson, Union Membership and Earnings Data Book 1994.)

The subcommittee has been investigating the extent to which taxpayers are forced to subsidize the activities of Federal employee unions. Federal employee unions receive substantial taxpayer subsidies. These come in the form of "official time," i.e., time on the payroll, for performing union representational work and even lobbying Congress and the executive branch. In addition, unions benefit from taxpayer funds in other ways as well. Agencies often furnish the unions that represent their employees with office space, office equipment, meeting rooms, and the use of such agency facilities as e-mail and other communication tools.

In addition, the Clinton administration has decided as a matter of policy to release the home addresses of employees in bargaining units to the unions representing those units. This has been a long-sought goal of Federal employee unions. Although ostensibly sought for the purposes of assisting unions' in discharging their duties as exclusive representatives, possession of these home addresses provides unions with invaluable mailing lists they can use for organizing and political activity.

b. Benefits.—The subcommittee's investigation has revealed that substantial sums of taxpayer moneys are consumed to finance the activities of Federal unions. However, further investigation is necessary to adequately quantify the amount of the subsidy Federal unions receive from taxpayers.

c. Hearings.—A hearing entitled "Taxpayer Subsidies of Federal Unions" was held on September 11, 1996

In connection with its investigation, the subcommittee held a hearing and has requested a GAO study of the use of official time.

The first panel at the hearing consisted of Sally Katzen, Administrator of the Office of Information and Regulatory Affairs of OMB, and Hon. Lorraine Green, Deputy Director of OPM. These witnesses focused primarily on the administration's decision to release home addresses to Federal unions. Both witnesses contended the decision to release home addresses was made after President Clinton shut much of the Government down as a result of his disagreement with congressional budget proposals and was justified by the "confusion" those shutdowns engendered among Government employees. However, they also conceded that OMB began examining options for complying with union requests for these addresses, at the request of Vice President Gore months before the first shutdown. They also conceded that despite these months of planning,

there were no written safeguards to protect employees from further invasions of their privacy as a result of secondary disclosures.

The second panel consisted of Timothy Bowling of the General Accounting Office (GAO), Michael P. Dolan, Deputy Commissioner of the Internal Revenue Service (IRS), and Robert Tobias, national president of the National Treasury Employees Union. Based upon GAO's analysis of the use of official time at the Social Security Administration and three other entities (the Postal Service, Department of Veterans Affairs, the IRS), Mr. Bowling testified there is insufficient data to estimate the amount or cost of official time government wide. He testified that these agencies either had no system for accounting for the use of official time or their systems had substantial limitations. Nevertheless, it is clear that these expenditures are substantial. GAO estimated that in calendar year 1995, the Social Security Administration alone spent about $11.4 million on an estimated 413,000 hours of official time. Both Deputy Commissioner Dolan and Mr. Tobias generally testified that the use of official time contributes to efficiency in the workplace and effective union-management relations. In addition, Deputy Commissioner Dolan also testified that the IRS has been required by the Federal Labor Relations Authority to release home addresses to the union since September 1995.

25. Review of Federal Firefighters Pay and Benefits.

a. Summary.—The Federal Government employs approximately 10,000 Federal structural firefighters. Structural firefighters fight fires in buildings, on airfields, and 94 percent are employed by the Department of Defense. Structural firefighters are also employed by the Veterans Administration, Coast Guard, Department of Interior, National Institutes of Health, and National Aeronautics and Space Administration. Wildland firefighters fight grass and forest fires and are employed by the Department of Interior and the Department of Agriculture. The subcommittee's investigation examined only the compensation package for Federal structural firefighters.

The agency head establishes the work schedule or regular tour of duty for firefighters. The most common work schedule or tours of duty for these firefighters are 40 hours, 56 hours, and 72 hours per week. For the most part the 40 and 56 hour tours of duty are for supervisory positions. Generally, 8 hours of actual work, 8 hours of standby duty, and 8 hours of sleep time comprise each 24 hours of the 72-hour work schedule. Three shifts are worked on a weekly basis for a total of 72 hours. Six shifts are worked on a biweekly basis for a total of 144 hours.

Pay for firefighters consists of base General Schedule pay, including locality-based comparability payments, premium pay for standby duty, and the Fair Labor Standards Act (FLSA) overtime. Standby duty premium pay is in lieu of Title 5 overtime pay for regularly scheduled overtime. The regular tour of duty determines the amount of standby duty premium pay a firefighter receives. Firefighters who work a 72-hour tour of duty receive 25 percent standby duty premium pay. Firefighters on these shifts receive 125 percent of base pay not to exceed 125 percent of GS–10, step 1. Firefighters who work a 56-hour tour of duty receive 15 percent

premium pay for standby duty. Firefighters on these shifts receive 115 percent of base pay not to exceed 115 percent of GS–10, step 1. Firefighters who work a 40-hour tour of duty do not receive this premium pay.

Firefighters on a 72-hour tour of duty receive an additional pay adjustment for 19 hours of "overtime." The "overtime" rate is computed according to the formula:

$$\text{Overtime Rate} = \frac{\text{(basic pay + 25\% premium)}}{\text{72 hours}} \times 0.5$$

Firefighters on a 56-hour tour of duty receive a pay adjustment for three hours of "overtime." The "overtime" rate is calculated as follows:

$$\text{Overtime Rate} = \frac{\text{(basic pay + 25\% premium)}}{\text{56 hours}} \times 0.5$$

For overtime hours beyond the regular work schedule (72 or 56), the "overtime" rate is computed as follows:

$$\text{Overtime Rate} = \frac{\text{(basic pay + 25\% premium)}}{\text{(72 or 56 hours)}} \times 1.5$$

Overtime rates are capped at GS–10, step 1.

Nearly 80 percent of firefighters are in grades GS–5 through GS–7 of the General Schedule. A fire chief's grade may range from GS–7 through GS–13 depending on the duties and responsibilities of the position.

Firefighters, like law enforcement officers, have special retirement provisions in the Federal retirement system. Firefighters may retire voluntarily at an early age with a special annuity computation if they are at least age 50 at the time of retirement and have 20 years of service. Firefighters are subject to mandatory separation at age 55. Firefighters pay an extra one-half percent of salary into the retirement system and in return they receive a higher accrual rate than other employees of the executive branch. The "normal cost" of retirement is the cost of the retirement benefit expressed as a percentage of payroll. The "normal cost" is 40 percent for firefighters, compared to the average 25.14 percent for all em-

ployees of the Federal Government enrolled in the Civil Service Retirement System (CSRS). The "normal cost" for firefighters enrolled in the Federal Employees Retirement System (FERS) is 25.6 percent, as opposed to the average 12.3 percent for all employees in FERS.

Under current law, DOD is prohibited from contracting out the Federal firefighter function. Funds appropriated to the Department of Defense may not be obligated or expended for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility.

Federal structural firefighters and their unions have been critical of the firefighter pay system for more than 20 years. Legislation has been introduced to reform the pay system for firefighters since the 86th Congress in 1959. While three hearings were held on the issue over the years, only in 1978 did any legislation move through the House and Senate. In 1978, President Jimmy Carter vetoed legislation to "substantially reduce the workweek of Federal firefighters while maintaining their pay at nearly the present rate." In his veto measure, President Carter outlined three principal objections to the bill. First, the bill would reduce firefighters' workweek without reducing the premium pay which was designed for a longer standby schedule.

Second, the bill would impair the ability of agency heads to manage the work force and regulate the workweek. Third, the bill would require DOD alone to hire 4,600 additional employees, at an annual cost of $46.7 million just to maintain existing fire protection.

In the 104th Congress one proposal was introduced in the House of Representatives to amend the pay system for Federal structural firefighters. Representative Steny Hoyer (D–MD) introduced H.R. 858, the Firefighters Pay Fairness Act of 1995.

The bill would pay firefighters the full General Schedule hourly rate for all non-overtime duty hours, including standby and sleep time. In addition, the FLSA overtime rate would be 1½ times the hourly rate of basic pay.

Under the bill firefighters annual base pay would be calculated on up to 106 hours of work biweekly and overtime would be paid at the rate of 1.5 times the hourly rate of pay for hours above 106. The bill would cap the overtime at the GS–10, step 1 hourly rate. The new hourly and overtime rates of pay would be phased in.

A draft document from the Department of Defense indicated that the legislation would provide a minimum of 44 percent pay increase for a firefighter working a 72-hour schedule. The Congressional Budget Office prepared a preliminary cost estimate and projected that the bill would cost more than $61 million in the first year, and more than $723 million over 5 years.

b. Benefits.—The investigation revealed that the current pay system for Federal firefighters is complex and somewhat confusing. Nevertheless, it attempts to compensate for some of the demands and hardships of the occupation. It is fair to say that complex systems sometimes produce inequities. An examination of pay for Federal and municipal firefighters shows that in certain localities total compensation for Federal firefighters may be higher than their municipal counterparts. Employing agencies have refuted the claim

that a recruitment and retention problem for Federal firefighters exists. It may be necessary to simplify the pay structure, while simultaneously addressing concerns over the current 72-hour tour of duty, of Federal firefighters. Enactment of H.R. 858 is opposed by the government's central personnel agency OPM, and the individual agencies employing firefighters. The bill is prohibitively expensive and may have a number of unintended consequences. The investigation found a legitimate need for pay simplification. However, justification for an across-the-board pay increase, similar to that contained in H.R. 858, does not exist. The subcommittee chairman has asked OPM and DOD, in cooperation with the unions representing Federal firefighters, to present a thoughtful, cost effective, comprehensive pay simplification proposal.

c. Hearings.—A hearing entitled, "Firefighter Pay and Benefits" was held on September 17, 1996.

The first panel consisted of two officials of the International Association of Fire Fighters; one from the National office and one from a local in San Francisco. Representatives from the OPM and the DOD made up the second panel. The hearing revealed disagreement between the National office of the IAFF and the OPM and DOD with regard to the pay gap between Federal firefighters and other Federal employees and the recruitment and retention issue. Brook Beesley, representative of IAFF's Local F–15 and F–259, said that the entry level pay gap for Federal firefighters in Northern California measured 67 percent in 1995.

The IAFF National office testified that "the pay rate of other Federal workers currently is 44 percent higher than the pay of a Federal firefighter at the exact same grade and step." The IAFF testified that ". . . municipal fire fighters earn an astounding 86 percent more per hour than their Federal counterparts." Regarding recruitment and retention the IAFF testified that "Turnover rates have been as high as 33 percent in recent years, with agencies finding it nearly impossible to retain entry-level firefighters. Reliable data show that the Federal fire service has a turnover rate twelve times higher than the industry norm." At the request of the subcommittee the Congressional Research Service examined the testimony presented at the hearing to resolve several inconsistent statistics cited by witnesses. The IAFF National office did not respond to the CRS request for documentation of its calculations. Data presented by CRS and hearing witnesses refuted the turnover claims and the claims of significant underpayment of Federal firefighters.

26. Drug Testing Policies in the White House.

a. Summary.—In 1986, President Ronald Reagan issued Executive Order 12564 directing Federal agencies to institute drug free workplace policies. Congress enacted legislation that slowed the implementation of this Executive order in the course of providing a statutory foundation for these drug free workplace programs in all Federal agencies. All Federal employees are subject to pre-employment screening for use of illegal drugs, and employees in national security, safety-related, or otherwise sensitive positions (commonly called "testing-designated positions" or TDPs) are also subject to periodic random drug testing programs administered by their agen-

cies. Nearly 40 percent of the Federal workforce is included in such TDPs.

In spite of the White House's reassurances that it treated national security concerns related to the use of illegal drugs seriously, the General Accounting Office had reported extensive delays in the submission of the forms needed to initiate background investigations of new employees at the start of the Clinton administration. Previous Senate hearings, as well as hearings and Government Reform and Oversight Committee depositions related to the firing of White House Travel Office personnel had revealed not only that the White House operated a "special drug testing" program for employees whom the Secret Service considered potential threats to the President, the Vice President, and the White House complex, but that the White House's Director of Personnel Security was one of the employees who had admitted previous use of illegal drugs during his own background investigation. The placement of a person with a history of previous drug use in such a sensitive position occasioned concern about the adequacy of the White House's drug free workplace program.

b. Benefits.—This investigation provided an opportunity to assess whether the institution of a "special testing" program for the Executive Office of the President resulted in any compromise of the personnel or physical security of the White House, and allowed the subcommittee to assess the adequacy of current testing standards and monitoring procedures. It also enabled a comparison between the hiring and testing practices of key agencies—the Department of Defense, the Secret Service, and the Federal Bureau of Investigation—and the looser procedures in place at the White House.

c. Hearings.—A hearing entitled, "Drug Testing Policy: White House Standards," was conducted on September 20, 1996.

Subcommittee Chairman Mica convened the hearing to reassure the American people that abuses identified in previous hearings did not compromise our country's national security interests, to confirm that the White House has instituted effective corrective measures, and to assess whether legislation might be necessary to correct any of these problems. Mr. Mica noted that the reports of illegal drug use by White House employees included recent use, and more serious hallucinogens than would be included in the experimental use of marijuana during college years. In a letter to Senator Richard Shelby, former White House Director of Administration Patsy Thomasson acknowledged that as many as 21 White House employees had participated in the "special testing program." Mr. Mica denounced the Clinton administration's partisan efforts to divert attention from these concerns, and expressed his hope that the White House would assist efforts to resolve these concerns.

Mr. Kanjorski reported that two White House employees had tested positive in random drug tests, and that both were career employees who were terminated as a result of these tests. He asserted that White House personnel during the Clinton administration have remained drug free, and he saw no reason to believe that this would change.

Mr. Burton noted that much of the American people's concern on this topic is derived from the example established by the White House. The President's flippant perspective on his "I didn't inhale"

remarks and the loose handling of FBI background checks for senior employees caused legitimate concern that this administration was setting a poor example that was resulting in a more relaxed approach to matters of serious concern.

Mr. Nelson reported that the Security Policy Board was working under the National Security Council and the Department of Defense to implement President Clinton's Executive Order 12968, which had directed the development of common adjudication guidelines for determining eligibility for access to classified information. These new guidelines were not completed, but would be submitted after approval.

Ms. Vezeris testified that the Secret Service maintains strict standards for the selection of applicants for employment and for ensuring that employees continue drug free during their careers. The Service can continue employees who come forward voluntarily and work through an employee assistance program to resolve drug use problems, but even in such cases, there is no bar against disciplinary procedures, up to the level of dismissal. She emphasized under questioning that the Service can be very selective because they have thousands of applicants for relatively few positions.

Mr. Reeder described the White House's drug free workplace program, and claimed that it had been the subject of regular reports to the Congress. He noted that all White House employees must pass pre-employment drug tests, that they are in TDPs throughout their employment, and that no administration employee has tested positive. Records of these tests are now maintained by career employees of the Office of Administration's Human Resource Division. He claimed that the White House has never overruled the Secret Service on questions of issuing a White House pass to an employee. He acknowledged that 11 individuals began in the "special testing program" in the spring of 1994. Under the terms of this program, these employees are subject to random testing at least twice per year, and can be included in other tests as well. Twenty-one employees out of more than 3,000 have been involved in the "special testing program" during the administration, at a cost of $1,500. Current enrollment in the program is eight. Mr. Reeder, in response to questions, reported that the modification of security policy under consideration in the administration would restrict access to classified information among employees who hold the blue White House passes. These employees had previously been deemed eligible for access to all classified information. In response to questions from Chairman Clinger, Mr. Reeder acknowledged that employees could be in the White House for up to 180 days without having a background investigation completed. Similarly, contractors and consultants, who serve the White House but remain on private payrolls, are not subject to either the drug testing or the background investigation requirements that affect full-time employees. Mr. Reeder reaffirmed that the White House supports language in the Presidential and Executive Office Accountability Act that would clarify the status of special government employees. Chairman Clinger emphasized that the "special testing program" was developed to address drug use that applicants admitted having occurred in the past 1 to 2 years, not experimental use during college. He

stressed the importance of resolving these concerns and implementing effective policies in these areas.

27. Effects of Privatizing OPM Investigations.

a. Summary.—In April 1996, the Office of Personnel Management signed a sole source contract with U.S. Investigations Services, Inc., (USIS) that authorized the new company to conduct background investigations for Federal employees. USIS was incorporated in Butler County, PA, as an employee-owned corporation whose primary stockholders were to be the personnel who had performed these functions as Federal employees in OPM's Office of Federal Investigations. The concept of privatizing Federal functions by coverting them to employee ownership had been advanced by then-OPM Director Constance Horner in 1987. Current OPM Director James B. King embraced the concept when the President proposed to privatize this function as part of the National Performance Review initiatives recommended in his FY–1995 budget. The subcommittee conducted oversight hearings of this proposal in June 1995, and learned that the administration had not developed an adequate cost analysis of the proposal. The General Accounting Office conducted intensive review of the proposal, and had issued letter reports raising questions about the financial plan of the new corporation, the adequacy of its protections for records subject to the Privacy Act, and whether the privatized employees would have effective access to the Federal, State, and local law enforcement records needed to complete these investigations.

b. Benefits.—This oversight was conducted in Butler, PA, which serves as the corporate headquarters for USIS and is the site of the OPM records management center. It provided an opportunity for the community most directly affected by this transition to learn the plans of both OPM and USIS for continued operation and development of new business opportunities. This development would provide substantial benefits to the community, where the firm is one of the largest employers in the northern section of Butler County.

c. Hearings.—The subcommittee conducted a field hearing, "OPM Privatization: Community Impact," in Butler, PA, on October 17, 1996.

Mr. King described the sequence of events leading to OPM's Office of Federal Investigations receiving RIF notices in early May, and all of the employees received employment offers from USIS the next day. On July 5, the employees were separated from OPM, and 94 percent of them accepted the offers to begin work with USIS on Monday, July 8. Rather than ease this transition, some facilities operated by the Department of Energy had revoked the security clearances of employees who were separated from OPM. OPM Director King and USIS CEO Harper testified that these transition problems were close to resolution. Subcommittee Chairman Mica noted that this transition could have been smoothed through more effective planning, and indicated that the GAO monitoring would continue. Mr. Harper indicated that the company had begun operations with some success, and already had hired 27 employees in addition to those inherited from OPM. In response to a petition from the American Federation of Government Employees, USIS held an election that allowed the employees to decide whether they

would be represented for collective bargaining purposes. With 94 percent of the employee-owners voting, USIS employees rejected the union, 65 percent to 35 percent.

DISTRICT OF COLUMBIA SUBCOMMITTEE

1. Closing of Pennsylvania Avenue.

a. Summary.—The purpose of this subcommittee investigation is to explore issues concerning the closure of Pennsylvania Avenue. Called "America's Main Street", it is a major artery connecting the Capitol Building and the White House, as well as a major east-west connector for the city, and is part of the original L'Enfant Plan for the District of Columbia. Any closing of this historic street, whether temporary or permanent, has enormous impact on the orderly flow of city traffic. Existing law gives both the DC government and Congress key roles in local street closings.

Subcommittee Chairman Davis convened a hearing on June 30, 1995, to gather information on the legal authority necessary to make permanent changes to city streets in the District, and to assess the consequences of taking such actions including lost revenue, and disrupted traffic patterns. The need for Presidential security was not questioned.

The subcommittee heard testimony from officials of the Washington municipal government including the Office of the City Administrator, the Departments of Public Works and Housing and Urban Affairs as well as the DC Council. The Municipal testimony stressed the loss of revenue from parking meters, and the dislocation caused by disrupted traffic patterns, as well as the cost of rerouting the transit system. The problem of jurisdiction between the Municipal and Federal law enforcement branches was discussed at length, and the matter of reimbursement of the city by the Federal Government.

The Department of the Treasury was asked to present written testimony to be included in the record. Following the hearing, subcommittee Chairman Davis again wrote Secretary Rubin, seeking additional information and clarification of points made in the original written testimony. Information was also requested from the Federal Bureau of Investigation regarding the parking ban in effect around the perimeter of their building.

The subcommittee also reviewed the Vulnerability Assessment of Federal Facilities report dated June 28, 1995, prepared by the U.S. Marshal Service of the Department of Justice in direct response to the April 19, 1995, bombing in Oklahoma City.

Subcommittee Chairman Davis convened a second hearing on June 7, 1996, to ascertain what effects the closing of Pennsylvania Avenue was having upon the District, businesses, visitors, and tourists a year after the initial closing. Testimony was taken from municipal officials, civic and business representatives, the U.S. Department of the Treasury, and the United States Secret Service.

b. Benefits.—This investigation furnished critical information to the Congress necessary to the formation of public policy regarding both government and commercial establishments in the effected area. The investigation, including the hearings, correspondence and several meetings with Treasury and Transportation officials,

heightened the administration's awareness of the impact the closure of Pennsylvania Avenue has imposed on the District of Columbia and increased its willingness to address those impacts. As a result of the subcommittee investigation, the Federal Highway Administration has contracted for a "Transportation Needs Assessment" for the District of Columbia. Such a comprehensive review of the District's transportation systems has not been conducted in 30 years and is currently beyond the means of the District to perform for itself. It is expected that the report will provide useful information to the District, the Financial Responsibility and Management Assistance Authority (control board), FHA, the Washington Metropolitan Area Transit Authority (Metro), and the Metropolitan Transportation Planning Organization in their important work in transportation and environmental planning.

c. Hearings.—On June 30, 1995, the subcommittee held an informational hearing on the closing of Pennsylvania Avenue. The hearing followed an order signed by Treasury Secretary Robert E. Rubin on May 19, 1995, prohibiting vehicular traffic on portions of Pennsylvania Avenue and certain other streets adjacent to the White House. Secretary Rubin delegated to the Director of the United States Secret Service "all necessary authority to carry out such street closings." Those testifying at the June 30, 1995 hearing were, Michael C. Rogers, D.C. city administrator; deputy mayor for operations Larry King, director of Public Works; Hon. Frank Smith, chairman, Committee on Housing and Urban Affairs, D.C. City Council; Hon. David A. Clarke, chairman of the Council of D.C.; Gregory W. Fazakerley, president, D.S. Building Industry Association; Dr. Henry L. Fernandez, chairman, Advisory Neighborhood Commission 2B; Millard Seay, director of planning, Washington Metro Area Transit Authority; Margaret O. Jeffers, Esq., executive vice president, Apartment and Office Building Association of Metropolitan Washington; and Ken Hoeffer, executive director, Washington, DC Area Trucking Association.

On June 7, 1996, the Subcommittee on the District of Columbia held a second hearing to ascertain what impact the closing of Pennsylvania Avenue has had on District residents, commuters, visitors, and the greater Washington Metropolitan area in general and administration actions or plans to deal with those impacts. The following witnesses testified: Senator Rod Gramms; Representative Jim Moran; James Johnson, Assistant Secretary for Enforcement, U.S. Department of the Treasury; Eljay Bowron, Director of the United States Secret Service; John Strauchs, CEO, SYSTECH Group, Inc.; Mayor Marion Barry; Larry King, director, DC Department of Public Works; Michael Rogers, DC city administrator; Rodney Slater, Administrator, Federal Highway Administration; William Lawson, Assistant Regional Administrator, General Services Administration; Dennis Galvin, Associate Director for Professional Services, National Park Service; Timothy Coughlin, president, Riggs National Corp.; Robert S. Krebs, vice president, Regional Affairs, Greater Washington Board of Trade; Tom Wilbur, president, DC Building Industry Association; Lon Anderson, staff director, AAA Potomac; Christopher Reutershan, District of Columbia Chamber of Commerce; Emily Vetter, president, Hotel Association of Washington, DC; William Lecos, president, Restaurant Associa-

tion of Metropolitan Washington, and Jon P. Grove, executive vice president, American Society of Association Executives.

2. Traffic Disruptions.

a. Summary.—The subcommittee held an oversight hearing into recent traffic disruptions in the District of Columbia organized by a local labor organization. The group, "Justice for Janitors" is organized and supported by the Service Industry Employees Union (SIEU). A concerted effort has been undertaken to pressure private companies to increase wages and benfits for service personnel through public demonstrations. The group repeatedly deliberately blocked major traffic arteries in the Nation's Capitol and caused massive traffic disruptions affecting both the public and private sectors. The subcommittee sought information into the consequences of the traffic disruption to area business, commuters, and police procedure.

An incident on September 20, 1995, generated the hearing, in which morning commuter traffic was brought to a standstill on Interstate 66, Routes 50 and 110, the Theodore Roosevelt Memorial Bridge, and the George Washington Memorial Parkway. An estimated 100,000 motorists were affected. As part of the disruption, a bus was pulled across the Roosevelt Bridge and abandoned. Each of the 34 persons arrested was fined $50. According to news reports, the traffic disruption "impeded an ambulance on call" and caused "neighboring small businesses untold losses of normal revenue."

Testimony at the hearing revealed the problems such demonstrations cause the law enforcement officers, and traffic management personnel. Additional testimony was heard that outlined the difficulties generated by the traffic disruption including a rise in the number of auto accidents. The impact on area businesses and medical facilities was discussed at length.

Following a subsequent disruption on December 4, 1995, which created a huge traffic jam in Northwest Washington in the area of the DC Financial Control Board offices, the subcommittee is reviewing legislative options to prevent and control future non-permitted demonstrations.

b. Benefits.—The investigation provided information critical to drafting legislation to discourage reoccurrence of deliberate traffic interruptions in Washington, DC. The refusal of the union instigating these disruptions to testify or attempt to justify such behavior strongly indicates that the objective of these incidents was publicity and maximum public disruption in an attempt to gain an advantage over private employers in labor negotiations. The subcommittee was able to encourage various law enforcement agencies to cooperate and plan for joint action to minimize the extent of any future demonstrations of this type. It should be noted that no more incidents of this nature have occurred since December 1995.

c. Hearings.—The subcommittee held an oversight hearing on October 6, 1995, concerning the recent traffic disruptions in the District of Columbia organized by a local labor organization.

3. District of Columbia Economic Recovery Act.

a. Summary.—In the past 2 years, individuals have suggested ways to help the District of Columbia improve its financial status and grow its economy. Most of the proposals that were brought contained various forms of tax reductions and incentives. District Delegate Eleanor Holmes Norton introduced H.R. 3244 to amend the DC Federal tax code to achieve some of these objectives. The bill was referred the Committee on Ways and Means. Due to the attention the District of Columbia's financial condition has generated and the widening national debate on the concept of the "flat tax" and other proposals, subcommittee Chairman Davis convened a hearing on July 31, 1996 to obtain various points of view on the concepts the bill sought to address. Joining the subcommittee in ex officio capacity for the hearing were, Committee Chairman Clinger, Representatives Morella, Moran, and Wynn.

b. Benefits.—This investigation furnished the subcommittee, Congress, and interested citizens with information that will assist them in considering tax and other remedies that have thus far been advanced. Witnesses presented statistical evidence in support of the plan and also indicating that it would have little immediate impact on the District of Columbia government or its performance. The hearing will give Congress and other interested parties significant data on the benefits and incentives of such tax reduction on individuals and whether such benefits by themselves could overcome concerns about safety, poor schools, and poor government services which are causing so many people to leave the city.

c. Hearings.—On July 31, 1996, the subcommittee held an informational hearing on H.R. 3244. The following witnesses testified: Jack Kemp, co-director, Empower America; Senator Joseph I. Lieberman; Speaker Newt Gingrich; Wade Henderson, executive director, Leadership Conference on Civil Right; James Prost, Basile Baumann Prost and Associates; Martin A. Sullivan, tax analyst; Edwin Kee, George Washington University; Steven Fuller, George Mason University; Thomas B. Ripy, Congressional Research Service; Kenneth J. Kies, chief of staff, Joint Committe on Taxation; James R. Atwood, Covington and Burling; Diane Duff, Greater Washington Board of Trade; H. Hollister Cantur, Fairfax County Chamber of Commerce; Kwasi Holman, executive vice president, DC Chamber of Commerce; and Timothy C. Coughlin, president, Riggs National Corp.

4. Public Law 104–8, District of Columbia Financial Responsibility and Management Assistance Authority Act of 1995.

a. Summary.—The subcommittee held two oversight hearings on the implementation of the legislation that established the District of Columbia Financial Responsibility and Management Assistance Authority (the control board). At the first hearing, subcommittee Chairman Davis stressed the importance of the act and called upon the parties working under it to state their understanding of their respective roles and to give their view on the state of the city's financial condition. At the second hearing, subcommittee Chairman Davis reiterated the importance of the positions of Chief Financial Officer and Inspector General as essential parts of the District's government. He also reviewed their relationship with the control

board. The rest of the hearing was devoted to the findings of an independent audit by KPMG Peat-Marwick of deficiencies and lack of controls in the District with regard to vender payments and information gathering and dissemination. In addition to holding public hearings on the implementation of Public Law 104–8, the subcommittee exercised its powers of oversight of the statute and the District of Columbia Financial Responsibility and Management Assistance Authority (control board) it created in several ways.

b. Benefits.—To assist the subcommittee to fulfill its oversight responsibilities and to bring essential information before Congress and the public, the subcommittee has initiated monthly meetings and briefings between staff of the control board and various congressional committees and subcommittees. It established ongoing lines of communications with the Chief Financial Officer and Inspector General, posts established by the statute. It consulted with control board members and staff about legislation affecting the District, such as H.R. 3663, the District of Columbia Water and Sewer Authority Act of 1996 and other measures Congress considered. Subcommittee Chairman Davis, Ranking Member Norton, and subcommittee staff met periodically with control board Chairman Brimmer and staff to ascertain the board's needs, assess its progress in meeting them, and to assure that the parameters under which the board operates conform to the letter and spirit of Public Law 104–108. It will continue in these endeavors throughout the life of the control board, as specified in the statute.

The benefits of Public Law 104–8 continue to mount as the control board moves aggressively to improve the performance of the District government, control its spending, and to improve revenue collection. The Chief Financial Officer, created by the legislation, has reformed the operation and personnel of the entire financial cluster in the District and has implemented firm control over financial management throughout the government. The Inspector General, which was substantially enhanced by the legislation, has initiated a number of management audits and performance improvements as well investigations of potential fraud, corruption, and waste.

The control board has disbanded the Lottery Board and placed operation of the Lottery under the CFO. It has also removed the Superintendent of the DC school system, replacing him with a temporary Chief Executive Officer and has created a Board of Trustees with most of the powers of the Board of Education to revive and reform the entire operation of the DC public schools.

Major financial reform has already taken place in the District government with longer term improvements still being worked on. The District was able to sell bonds on the private market in October 1996 at an acceptable interest rate without credit enhancements or other security instruments.

The benefits to Congress of better information on the District of Columbia and its government cannot be overemphasized because of its impact on appropriation decisions. More and better information is critical to Congressional efforts to improve and reform the District government. In addition, placing an autonomous agency between Congress and the District government has greatly benefited the residents of the District and its government by providing much

more direct and immediate assistance than would be possible for Congress as a body to provide while maintaining the home rule government of the Nation's capital.

c. Hearings.—The subcommittee held hearings on March 19 and 28, 1996. Those who testified were: Dr. Andrew Brimmer, chairman, District of Columbia Financial Responsibility and Management Assistance Authority; Stephen D. Harlan, vice chairman, DCFRMAA; DCFRMAA Members Dr. Joyce A. Ladner, Constance Berry Newman, and Edward A. Singletary, Mayor Marion Barry, DC City Council Chairman David Clark; Anthony Williams, DC Chief Financial Officer, Angela Avant, DC Inspector General; and John Hummel, KPMG Peat-Marwick, LLP.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

1. Capital Budgeting.

a. Summary.—Since the imposition of ever-tightening caps on discretionary spending in the 1990 Omnibus Budget Reconciliation Act, committee members have been concerned that long-term investments in capital have been neglected in favor of current consumption. Borrowing funds to invest in capital projects with long-term benefits is an appropriate activity, as the future generations that enjoy the benefits of the assets will also pay for them. However, the Federal Government lacks experience with capital budgeting concepts and techniques. Therefore, committee members were interested in examining the practices of State and local jurisdictions, as well as that of other nations.

The subcommittee examined H.R. 767, the Federal Budget Structure Act, introduced on February 1, 1995, by Chairman William Clinger. Two hearings were held to review various proposals to implement a Federal capital budget and the manner in which such budgets impacted other government operations. The hearings examined the workings of capital budgets operated by Fairfax County, VA, New York, NY, Philadelphia, PA, and the government of New Zealand, as well as the work of scholars and private sector financial experts in the area of investment budgeting.

b. Benefits.—Implementing a Federal capital budget will help rebuild the Nation's deteriorating capital stock, and will help improve Federal planning, investment and budgeting processes.

c. Hearings.—Subcommittee Chairman Horn convened the first hearing on March 2, 1995, to examine the practices and experience of local jurisdictions in the area of capital budgeting. He opened the hearing by noting the importance of planning capital projects, and that the Federal Government has failed to adequately plan. Chairman Clinger noted his endorsement of Federal capital budgeting and that his bill, the Federal Budget Structure Act of 1995, H.R. 767, had been co-sponsored by a number of committee members.

Representative Bob Wise also mentioned that he supports the concept of capital budgeting and has introduced two bills on the issue. Representative Norman Mineta testified that borrowing funds to invest in capital projects with long-term benefits was an appropriate activity, as the future generations that enjoy the benefits of that asset will also pay for it. Representative Ray Thornton

noted that Arkansas had successfully operated a capital budget for most of this century. Representative Thornton also referred to his support of a capital budget and his introduction of a bill to provide for a Federal capital budget.

Katherine Hanley, chairwoman of the Fairfax County Board of Supervisors, accompanied by William J. Leidinger, county executive, Fairfax County, discussed Fairfax's capital budget. Mr. Leidinger testified that the county is prohibited from allowing capital costs to exceed 10 percent of total general fund disbursements. This is the centerpiece of the county's Ten Principles of Sound Financial Management, which has allowed Fairfax to maintain a AAA bond rating, 1 of only 33 local governments out of 30,000 jurisdictions to claim that honor.

Thomas McMahon, director of Finance Division, New York City Council, testified on New York City's capital budget. Mr. McMahon noted that Federal adoption of a capital budget would help rebuild the Nation's deteriorating capital stock and testified that New York City has witnessed a decline in the quality and quantity of the city's capital stock.

Ted Sheridan, the president of Sheridan Management Corp., and former CFO of Fairchild, testified on behalf of the Financial Executives Institute. Mr. Sheridan stressed that capital budgeting was essential to efficiently plan the Federal investment program. He proposed a pilot program for capital budgeting based on three assets: a weapons system, an information system, and a power generation station.

David Chu, a fellow at the National Academy of Public Administration (NAPA), served on NAPA's expert panel on capital budgeting. Dr. Chu believes that capital budgeting has many strengths, including improving planning, investment and identifying budget expenditures for investments. Dr. Chu also mentioned technical problems with capital budgeting, such as the treatment of capital equipment, and the treatment of tax expenditures, government-sponsored enterprises.

On June 29, 1995, His Excellency John Wood, Ambassador of New Zealand, described how government agencies in New Zealand changed their accounting, budgeting, and management systems beginning in 1984. These changes affected (1) the way department heads were chosen; (2) the way in which agencies define, measure and report performance; (3) delegation of input control to departments or agencies; and (4) the way government fiscal performance is measured and reported.

Government departments in New Zealand are assessed a charge for capital controlled by the department, determined by multiplying total capital times a market rate of interest. In addition, agencies may sell surplus assets and use the proceeds to upgrade computer systems. These features make explicit to agencies the cost of owning assets.

Edward Rendell, mayor of Philadelphia, noted that capital budgets are common to local and State governments, are enforceable by a borrower's bond rating, and force long-range prioritization and planning for capital projects.

Mr. Paul Posner, Director of Budget Issues, Accounting and Information Management Division of the U.S. General Accounting Of-

fice, testified that if the Federal budget were balanced, the long-term boost to Gross Domestic Product would mean that GDP would be 34 percent larger in the year 2025 than if no action were taken to reduce the deficit. Similarly, Mr. Posner noted that within the budget process, care is needed to be taken to improve selection of investments to improve productivity.

Mr. Posner noted the temptation that lawmakers would face to classify non-capital expenditures as capital in order to get more favorable budget treatment for the asset. He also noted that the Federal Government does not own many of the capital assets it funds in the budget. Many are owned by States or local governments and funded by subsidies or grants. In addition, Mr. Posner noted the need to impose long-term control over the obligation of public funds. Finally Mr. Posner noted the importance of recognizing the full cost of a long-term obligation up front in order to impose discipline on agencies.

2. Integrity of Government Documents.

a. Summary.—On September 30, 1994, former U.S. Representative Barbara Jordan, as chair of the Commission on Immigration Reform, released the Commission's first report to the Congress on the status of the Nation's immigration policy. The report was required by the Immigration Act of 1990, Public Law 101–649. The Commission cited widespread counterfeiting of documents that entitle people to gain public benefits or to be hired for work as a major factor undermining current immigration policy. It recommended development of a "simpler, more fraud-resistant system for verifying work authorization."

In the President's Budget for fiscal year 1996, the administration proposed to reform the Nation's immigration process, in part through development of a nationally available employment verification system. In that connection, the subcommittee met to consider a range of views on the nature, the role, the need, the cost, and the potential social consequences of using fraud-resistant personal identification documents as part of a national employment verification system.

b. Benefits.—The shortcomings with regard to the security of government documents identified by the hearing will assist the committee in advising relevant Federal agencies on the need to develop more secure documents to verify work eligibility and immigration status.

c. Hearings.—Subcommittee Chairman Horn called the hearing on March 7, 1995, to examine the situation regarding the integrity of government documents with testimony from representatives from the U.S. Commission on Immigration Reform and the Immigration and Naturalization Service (INS).

Subcommittee Chairman Horn opened the hearing by describing it as a fact-gathering effort toward fraud-proofing personal identification documents. Congressman Becerra, the first witness, cautioned all concerned to remain sensitive to the considerations of personal privacy, data base accuracy, and total public cost as major factors bearing on U.S. immigration policy, "big-brotherism," and perceptions of discrimination.

Mr. Robert C. Hill and Dr. Susan Martin, U.S. Commission on Immigration Reform, summarized the Immigration Reform Commission's published recommendation for electronic validation of the Social Security number as the fairest, fastest, most reliable, and most efficient way to guard against employment authorization fraud. They advocated starting slow and small with one or more alternative "pilot programs" prior to constructing a nationwide employment verification registry, and letting the Commission monitor preliminary results.

Mr. James A. Puleo, Executive Associate Commissioner for Programs, INS, explained his agency's telephone verification system (TVS) for checking identities of Los Angeles area "green card" holders (immigrants) applying for work. TVS methodology is potentially usable in a national employment verification system. INS data bases on non-citizen U.S. residents need to be purified, reconciled, and integrated in order to be usable in a national employment verification system. The agency has taken some steps toward fraud-proofing "green cards" (resident alien registration cards), but the current re-issuance program will take a year longer than planned. INS is working with the Social Security Administration (SSA) on a multi-stage plan that would ultimately lead to a national employment verification registry.

Dr. Shirley S. Chater, Commissioner, Social Security Administration, emphasized that Social Security cards have never been intended to guarantee individual personal identity. Nonetheless, the current counterfeit-resistant Social Security card has been issued to 61 percent of active card holders. SSA has a toll-free telephone number which employers can use to verify Social Security numbers (SSN's) for payroll purposes, but it is not used much, and it could not handle a large nationwide verification workload at present. The agency's "enumeration at birth" program has nearly eliminated fraudulent SSN's for infants and children. SSA's data base, recently much improved, still needs more work in order to support employment verification nationwide.

Mr. Richard W. Velde, former head of the Law Enforcement Assistance Administration (LEAA), suggested that in today's established electronic data base networks for exchanging health and vital records, criminal history, and bad motor vehicle driving records, we may already have a framework for the proposed national employment registry. In addition, sophisticated moderate-cost biometric identification technology is available to produce encoded personal documents that definitively establish the bearer as either the person described on the document or as a different person. Several States use such technology in issuing drivers' licenses. A nationwide hookup of State motor-vehicle driver registries, coupled with uniform issuance of biometric State drivers' licenses, could serve as the functional equivalent of the Immigration Reform Commission's employment verification registry.

Mr. Frank W. Reilly, Ms. Hazel E. Edwards, and Mr. John Chris Martin, Accounting and Information Management Division, General Accounting Office, commented briefly on INS and SSA data bases, TVS's, and plans for a two-step process to cross-check each other's files for discrepant information. They described a newly implemented statewide system for managing public benefits eligibility

in Connecticut. The system uses state-of-the-art technology in providing a one-step application for three Federal benefit programs that links nine separate supporting data bases. Connecticut's experience could help in developing the Federal employment verification registry.

Joseph Eaton, professor at the Graduate School of Public and International Affairs, University of Pittsburgh, praised the Immigration Reform Commission's work and summarized the advantages and the ready availability of biometric identification technology. The protection of publicly stored private information can be assured and enhanced by (1) feedback to the individual whenever a privacy-sensitive personal file is accessed; (2) standards for data base matching; (3) bonding and licensing of sensitive data bank owners and employees; and (4) administrative and legal remedies.

Mr. Robert Rasor, Special Agent, United States Secret Service, mentioned several different kinds of identification-document fraud that the Secret Service pursues in conjunction with the INS's Forensic Identification Laboratory. He described his agency's role of coordinating and assisting the efforts of State bureaus of health and vital statistics and departments of motor vehicles to strengthen and standardize identification media and documents.

Mr. Russell Meltzer, Head of Security, Schlumberger-Malco, Inc., explained in concept how the credit card industry's authorization system could be copied and retrofitted to serve as a national employment registry and verification system. The Federal Government would function analogously to a bank, an employer to a retail merchant, and a job applicant to a consumer. Inquiry terminals at work places would not allow users (inquirers) to alter anything in the data bank. An applicant's document would take the form of a "smart (computer-chip) card," biometrically encoded to match to the individual bearer. Written testimony was provided by Mr. Lamar Smith of Visa USA, which described how today's credit card industry authorization process works.

3. Federal Role in Privatization.

a. Summary.—The Budget of the United States Government, the President's budget request submitted on February 6, 1995, contained numerous proposals for privatization of government functions, assets, and agencies, including the helium program, the National Weather Service, U.S. Enrichment Corporation, four of the Power Marketing Administrations, and the Naval Petroleum Reserve. The committee examined the history of privatization in other countries and levels of government to determine lessons to be derived from these sources.

b. Benefits.—This hearing demonstrated the necessity for additional private sector capital being deployed to meet public needs. From wastewater treatment to airports, many publicly owned assets are not receiving sufficient levels of investment. There are investors willing to provide this capital, and the experience of other nations proves that such measures can improve economic performance while increasing investment, and reducing the role of the Government in the economy.

c. Hearings.—Subcommittee Chairman Horn opened the hearing by noting the historical increase in the number of privatizations all

over the world, with the exception of the United States. Representative Klug, who chairs the Speaker's task force on privatization, listed the types of Federal agencies and activities which his task force has identified as possible candidates for privatization. Roy Bernardi, mayor of Syracuse, NY, testified about his city's plans for privatization. Chief among the plans is a proposal to privatize the airport. However, this sale is partially blocked by Federal rules regarding grant repayment of assets constructed with Federal dollars.

Andrew Jones, worldwide privatization coordinator at Arthur Andersen Consulting, testified about privatizations in other countries and lessons to be learned from those experiences.

Roger Leeds, managing director of Barents PLC, testified about his experience directing privatization efforts abroad. Mr. Leeds noted that the likeliest prospects for privatization in the Federal Government were services (though Leeds did mention the power marketing administrations).

Louis Albano, president of Civil Service Technical Guild in New York City, testified about the dangers of contracting out additional government services. Mr. Albano suggested that government workers could do the same job cheaper and better than a private contractor whose motive was profit.

Bert Concklin, president of Professional Services Council, testified that the Federal Government should contract out more. Mr. Concklin spoke against the system of cost comparison whereby costs of private contractors are compared against the cost of performing work in-house. He also testified that such cost comparisons were misleading, since Federal costs usually do not include many overhead items.

Ralph L. Stanley, a senior vice president with United Infrastructure Corp., testified on the need for private infrastructure finance initiatives. He proposed an infrastructure bank which would take several billion Federal dollars and leverage them with private investment.

Ronald Correll, president and CEO of United Water Resources, testified about the need for private financing of water system improvements.

Viggo Butler, president of Lockheed Air Terminal, testified about the need for relief from the Federal grant repayment requirement.

4. National Performance Review.

a. Summary.—On May 2, 1995, the subcommittee convened a hearing to evaluate the accomplishments of the National Performance Review. The National Performance Review (NPR) was initiated by Vice President Gore in 1993 and consisted of two phases. The purpose of the first phase was to make government work better and cost less; the second phase required agencies to fundamentally reevaluate their missions, goals, and objectives.

b. Benefits.—Ongoing review of the National Performance Review process will help Congress and the public assess what the NPR has accomplished to date, and what can be expected from the second phase of the NPR initiative. This effort will help the Federal Government determine how to better serve the Nation.

c. Hearings.—Witnesses were asked to give their opinions on the mission and role of the NPR, whether benchmarks for evaluating NPR's progress existed, whether NPR as implemented met their expectations for improving government, and whether NPR could achieve its stated objectives.

Dr. Alice Rivlin, Director, Office of Management and Budget, supported NPR's effectiveness in improving executive branch departments and agencies. She noted that Vice President Gore, who spearheaded Phase I, encouraged the agencies to adopt the 1,200 recommendations developed by NPR. In describing Phase II, Ms. Rivlin stated that the focus switched from "how" government operates to "what" it should do. She urged Congress to help NPR with funding.

Charles Bowsher, Comptroller General of the United States, applauded the concept and aims of the NPR, but saw many shortcomings. Two examples he cited were failing to address many critical management problems in the agencies and ignoring nearly three-fourths of other issues GAO had identified. He felt that the goals should be stated more clearly, reliable information should be available, and that the focus should be on outcome-based management.

Tony Dale, budget manager of the New Zealand Treasury, describes the public sector reform of New Zealand in the mid-eighties. The corporatization, privatization, and public sector reforms are the very reasons that New Zealand now has constant economic growth, a low inflation, a shrinking percentage in government expenditures, and instead of a 9 percent deficit, the country now has a 7 percent surplus. He strongly supports public sector reform.

Duncan Wyse, executive director, Oregon Benchmarking Project, made three points: (1) most of the Federal agenda is delivered by State and local governments, and improvement must be made by taking this into consideration; (2) the system needs to be reformed; and (3) Congress as well as the executive branch needs to be reformed.

Dwight Ink, Institute of Public Administration, thought that the implementation of NPR concepts has been very disappointing and he hoped the situation will change in the future. He pointed to the hiring process, the inconsistency among NPR agencies, and the inability of leadership as examples of NPR ineffectiveness. He blames the problems of organization and execution in the NPR on too much restructuring without establishing missions and roles.

R. Scott Fosler, National Academy of Public Administration agreed with the scope and purpose of the NPR. He believed the move from the "how" of government to "what" government does is a positive step; however, NPR has to address key areas if it wants to sustain its energy. Such key areas are accountability, a coherent framework, and capacity within the agencies.

Donald Kettl, senior nonresident fellow, the Brookings Institution, stated that NPR had made substantial progress, and achieved substantial savings, but the progress of NPR is not self-sustaining and that there are still many unanswered questions.

Herbert Jasper, McManis Associates, lauded many of the accomplishments of the NPR, while expressing some misgivings. He cited as disappointing NPR's lack of analysis, statutory promises that

are not backed up with resources, the "command" or top-down philosophies of some recommendations, and the "government bashing" that permeates NPR reports.

5. Strengthening Departmental Management.

a. Summary.—In the past 30 years, there has been a multiplication in the numbers of management functions, and a diffusion of their responsibility among numerous centers. These centers of management authority include Secretary, Chief of Staff, Inspector General, Chief Financial Officer, Chief Operating Officer, and Assistant Secretary for Management. The number of employees in executive levels I through V totaled 249 in 1960 and 1626 in 1992. Similarly, occupants of the Senior Executive Service (SES) also increased dramatically in number during the same period. The larger number of management and control personnel resulted in increased layers of management, who delayed implementation of management program and distorted information passing between levels of management.

b. Benefits.—The hearing demonstrated the need for a government focus on management issues. This was part of the subcommittee's ongoing interest in and oversight of the management practices at Federal agencies.

c. Hearings.—On May 9, 1995, the subcommittee convened a hearing entitled, "Strengthening Departmental Management." Subcommittee Chairman Horn opened the hearing by noting the framework of general management laws which exists to coordinate management reform efforts. Chairman Horn described his intent to bring together private and public sector experience to help solve the problems of government management.

Tom Glynn, the Deputy Secretary of Labor, testified about his experience as a Chief Operating Officer at the Department of Labor. Mr. Glynn described his agency's reinvention efforts, including reducing the steps it takes to hire a new worker from 120 to 41 steps. Chairman Horn and Glynn exchanged comments concerning the diffused nature of management responsibilities within the current organizational structure. The Chief Operating Officer, the Secretary's Chief of Staff, the Inspector General, the Assistant Secretary for Management and the Chief Financial Officer each have large management responsibilities. The proposed chief information officer would diffuse management responsibilities further.

George Muñoz, Assistant Secretary for Management and Chief Financial Officer, Department of the Treasury, testified concerning his agency's recent reinvention efforts. Mr. Muñoz described the principles which have guided Treasury's management improvements: customer service, strategic planning and streamlining. Representative Michael Flanagan and Mr. Muñoz gave their views on debt collection.

Johnny Finch, Assistant Comptroller, General Government Division, and Gene Dodaro, Assistant Comptroller, Accounting and Information Management Division, GAO, testified on GAO's reviews of agency management improvement efforts. Mr. Finch noted that the Government Performance and Results Act, the Chief Financial Officers Act and the Paperwork Reduction Act have formed the basis of the agency management improvement efforts. Mr. Finch

noted that agencies need to define their mission, improve operational effectiveness by using information technology to re-engineer, strengthen financial management, and build the capacity to manage the Federal workforce.

Upon questioning, Mr. Dodaro outlined the problem areas in information technology investment and described weaknesses in financial management at the Department of Defense. Mr. Finch detailed differences between the National Performance Review and successful government reform efforts abroad.

In panel III, Alan Dean, senior fellow of the National Academy of Public Administration, described recent changes in the Federal workforce, such as the increasing numbers of non-career officials. Mr. Dean also discussed reorganization proposals, including the creation of an Office of Federal Management and restructuring executive departments. William Hansen, former Chief Financial Officer at the Department of Education, outlined the reorganization of the Department in the 1980's, and the restructuring and block-granting of programs that occurred in 1981–1983. Mr. Dean testified that OMB's restructuring has denuded the agency of any expertise in government corporations.

Roger Sperry, director of management studies of the National Academy of Public Administration, identified the five key areas to any efforts at government reform: strengthening Federal leadership, automating, integrating and streamlining government, focusing on performance, streamlining Federal field structures and congressional-executive relations. Mr. Sperry also commented on interagency and intergovernmental coordination in a region responding to a critical situation.

6. Consolidating Federal Programs and Organizations.

a. Summary.—This is part of the Making Government Work series described in Section II.A.1.

b. Benefits.—These are described in Section II.A.1.

c. Hearings.—On Tuesday, May 16, 1995, the subcommittee began its third hearing in its "Making Government Work" series. The hearing was held in two parts and considered proposals for restructuring the programs and functions of the Departments of Energy and Education. The first part of the hearing will be held on May 16th; the second session was on May 23rd.

Subcommittee Chairman Horn noted at the opening of the hearing that a number of proposals recommended terminating the Departments of Education and Energy. He offered a criterion to be used when considering whether, if an agency or department did not already exist, it would make sense to create it.

Ranking subcommittee member Mrs. Maloney noted that the country had little experience with abolishing Cabinet departments. She cautioned against not adequately providing for the continuation of many of the activities of the Energy Department that she regarded as important.

In her testimony, Secretary O'Leary presented her agency's own plan to reduce its workforce by 27 percent and its budget by $14 billion over the next 5 years. She stated that the Department would still be required to perform its four critical missions. The Secretary identified these missions as national security protection

and nuclear danger reduction, weapons site clean up and environmental management, science and technology management, and energy security enhancement. She concluded that the Energy Department, smaller in size, was still the best institutional vehicle to perform these tasks.

In response to questions from the subcommittee, the Secretary stressed the advantages of maintaining civilian control over the Nation's nuclear weapons program. She criticized suggested alternatives to the Energy Department, such as the proposed Department of Science, as unwieldy and ill-advised. When asked by subcommittee Chairman Horn about the opportunities for closer policy coordination that a "Natural Resources Department" offered, as had been proposed by President Nixon, she responded that regular meetings by administration Cabinet members in related fields provided for policy coordination and the resolution of disputes.

The subcommittee reconvened its hearing on "Consolidating Federal Programs and Organizations" on May 23, 1995. Donald Hodel, former Secretary of Energy told the subcommittee that in a market economy, the Energy Department had little to do with producing or generating energy. He concluded that the very existence of a Department of Energy was undesirable, as "it suggests that the U.S. Government is doing or is going to do something about energy beyond what I believe government should do."

Former Energy Secretary Admiral James Watkins indicated that he appeared before the subcommittee neither as an advocate nor an opponent of the Department's elimination. Rather the Admiral stressed his concerns for the appropriate stewardship of the Nation's nuclear energy program. He called upon Congress to initiate a careful review, drawing upon outside experts, to determine which of the Department's functions should be retained, which ought to be transferred and which could be privatized.

Former Energy Secretary John Herrington called for the elimination of the Department. He advocated ending all energy research and development and energy conservation programs. He further supported the privatization of government owned laboratories engaged in research, the five Power Marketing Administrations and the naval petroleum reserves. He proposed placing nuclear weapons functions under the jurisdiction of a newly created Under Secretary of Defense.

Former Under Secretary of Energy Shelby T. Brewer observed that the Energy Department had strayed from its original mission of obtaining national energy security. He noted that as the Nation's energy circumstance had changed, the Department shifted its mission to become an environmental management department, a basic science department, and a biological and medical research department. As a result, according to Mr. Brewer, energy development and demonstration now accounts for a little over 10 percent of the total budget. Mr. Brewer also testified that a substantial contributory factor to the Department's lack of a clear mission was the multiplicity of congressional committees, each of which has its own set of interests, different from the others.

Former Under Secretary of Energy Donna R. Fitzpatrick joined her former colleagues in calling for the elimination of the Department, suggesting that it had outlived its usefulness. She advocated

placing weapons related activities into a sub-cabinet agency independent of the Defense Department.

As the hearing shifted its attention to the Department of Education, subcommittee Chairman Horn noted that several proposals would either eliminate the subcommittee and transfer its activities to the States, or else merge its functions into another Cabinet subcommittee, such as Labor.

Under Secretary of Education Marshall S. Smith stressed in his testimony the strong public support for the Department and its programs. He commented that: Federal involvement in education supports democracy and our economy. This is not just a State and local interest; this is a national interest. He claimed that administrative costs account for only 2 percent of the budget, with the subcommittee having the smallest ratio of employees to total budget in the Federal Government.

Accompanying Secretary Marshall was Donald Wurtz, Chief Financial Officer of the Department. Subcommittee Chairman Horn and Ranking Member Maloney engaged Wurtz in a discussion of the Department's efforts to improve its debt collection efforts for student loans.

Chester Finn, of the Hudson Institute, testified that the Federal Government had become a meddlesome force in American education. He advocated eliminating the Department and transferring its grant programs into either strings-free block grants to the States, or transferring all the Department's functions to other Federal agencies.

William Hansen echoed the views of Mr. Finn, adding that the number of the Department's categorical programs had grown from 130 in 1981 to over 250. According to Mr. Hansen the number of Federal employees and the extent of local intrusion could be reduced by greater use of program consolidation and block grants. Through program consolidation, he said, the Department could greatly reduce its staff.

George Muñoz, Assistant Secretary of Treasury and the Department's Chief Financial Officer testified that the Education Department has undertaken a number of management reforms. In particular he noted improvements in the Department's financial management practices.

Paul Posner, Director of Budget Issues in the Accounting and Information Management Division of the General Accounting Office, testified on his office's conclusions on duplicative and overlapping Federal programs. Program consolidation, he reported, held out promising opportunities for increasing the efficiency of government operations and improving performance. He noted that savings were possible when programs with similar objectives and clients were brought together and conflicting requirements, duplication and overlap were reduced.

7. Corporate Structures for Government Functions.

a. Summary.—As the Federal Government continues along the road of structural change, the demand for more efficient operations will become more evident. This hearing drew lessons from effective private and public sector managers on how to downsize institutions effectively. The hearing also probed recent proposals to create addi-

tional Federal entities (such as the Air Traffic Control Corporation, the Forrestal Corporation, and the Bonneville Power Corporation).

b. Benefits.—Learning from the best practices in business will assist lawmakers and Federal managers to downsize and streamline institutions effectively, with the least detrimental impact on vital public services.

c. Hearings.—On June 6, 1995, subcommittee Chairman Horn called the hearing which focused on the use of corporate forms of organization, examining various forms of government corporations and determining what advantages each possesses.

Donald H. Rumsfeld, chief executive officer, General Instrument Corp., testified about the general concept of using corporate structure for government functions. Mr. Rumsfeld testified that in a reorganization, it is essential to question an agency's mission, and restructure based on that review. If an agency restructures prior to this review, the effort is wasted. Mr. Rumsfeld also described several of the successful restructuring of corporations in which he had been involved.

Roger W. Johnson, Administrator, General Services Administration, testified on the reorganization underway at the General Services Administration. Mr. Johnson noted that the National Performance Review needs to make more progress, but this was blocked by risk aversion and governing by process rather than results. He also suggested that executives with profit-loss responsibility could be deployed in certain Federal jobs involved in operations. Johnson also criticized the capital planning and budget processes and the lack of incentives to invest in long-term systems to improve operations and the annual budget process.

Jack Robertson, Deputy Administrator, Bonneville Power Administration, testified concerning the Bonneville Power Administration's proposal to become a government corporation. Mr. Robertson described the competitive forces driving Bonneville toward a corporate structure, including increases in compliance costs associated with the Endangered Species Act and enhanced competition between local power producers.

Daniel V. Flanagan, the Flanagan Consulting Group, Inc., testified about the proposed Forrestal Corporation, which would funnel private sector investments into Federal energy improvement required by the 1990 Energy Act.

Harold Seidman, senior fellow, the National Academy of Public Administration, explained the history of the Government Corporation Control Act of 1945, and the need to update it to reflect modern realities. Mr. Seidman outlined a "Government Enterprise Standards Act" which would improve oversight over government corporations. Mr. Seidman described the uses of a government corporation and the need to have a central body of expertise to govern the creation of such entities.

Barry Krasner, president, National Air Traffic Controllers Association, and Jack Johnson, president, Professional Airways Systems Specialists, testified concerning the proposals to create an Air Traffic Control Corporation. Both endorsed the concept of corporatization, but advocated a government corporation rather than private ownership of such a corporation.

8. Streamlining Federal Field Structures.

a. Summary.—These two hearings were part of the Making Government Work Report, see section II.A.1.

b. Benefits.—See Section II.A.1. referenced above.

c. Hearings.—On Tuesday, June 13, 1995, the subcommittee held its sixth hearing in its "Making Government Work" series. The hearing, entitled "Streamlining Federal Field Structures" considered whether the Federal Government's existing network of field offices is best suited for the Government's current responsibilities. The hearing further inquired into the impediments that hinder making field office networks more efficient.

Subcommittee Chairman Horn noted at the opening of the hearing that close to a million Federal employees carry out the daily work of the Federal Government at some 30,000 filed offices, of which 12,000 have five or fewer employees. He observed that overlapping and conflicting agency responsibilities, programs, jurisdictions, and separate offices have often made an ordinary citizen's contact with the Federal Government a frustrating experience.

Ranking subcommittee member Carolyn Maloney commented that over the past 50 years the number of Federal field offices has proliferated with the initiation of each new Federal program. She observed that many were set up when transportation and communications were quite different. She praised the reform efforts of the National Performance Review recommendations for field office service improvement.

Mr. Dwight Ink, president emeritus of the Institute of Public Administration and a fellow of the National Academy of Public Administration, noted that field structure reforms ought to be the product of a comprehensive consideration of overall agency missions and activities. This review should consider three interdependent dimensions: structures, systems, and people. The review should also begin with a careful consideration of the agency's impact on the public. Mr. Ink noted that agency personnel ought to be well trained and that field employee grade levels should be increased relative to headquarters staff.

Mr. Alan Dean, former chairman of the board of trustees and currently senior fellow of the National Academy of Public Administration, commented that no single model for field structure could be applied to all department and agencies. Each agency, consequently, should design its field offices at every level to reflect its mission and impact upon the public. Mr. Dean also testified that agencies needed to decentralize management to the lowest practicable level in order to achieve greater responsiveness and best use of resources.

Professor Charles Bingman, of George Washington University, decried barriers to reform noting that once a program or activity had been enacted or implemented, all the relevant interests tend to resist efforts at change. The Federal Government, as a result, tended to lack the flexibility to accomplish reorganizations of operating structures.

Mr. Wardell C. Townsend, Assistant Secretary for Administration for the Department of Agriculture Department, testified both on the President's Management Council Federal Field Office Study and the Agriculture Department's own progress in field office re-

structuring. He proposed four general guidelines for field office restructuring. First, where face-to-face contact is necessary, government presence should be maintained at the point of service delivery. Second, if face-to-face contact is unnecessary, communication technology should be used to upgrade service. Third, back-room operations should be centralized for efficiency. Fourth, unnecessary layers of control should be eliminated.

Social Security Commissioner Shirley Chater testified on her agency's reappraisal of its own field structure. She reported her intention to reduce the number of its regional offices from 10 to 5. She also intends to reduce layers of management and increase the numbers of employees to supervisors from 1 to 7 to 1 to 15 by 1999. Commissioner Chater said that the changes were made possible, in part, by a 5-year, $1.1 billion investment in automation.

The Commissioner was followed by Ms. Mary Chatel, the president of the National Council of Social Security Management Associations. She presented her organization's plan for redeploying 30 percent of headquarters and regional office staff resources into the field. The plan would go farther than the Social Security Administration's own plan to reduce management layers.

Lynn Gordon, District Director of the Bureau of Customs in Miami, FL, and George Rodriguez, Area Coordinator, Department of Housing and Urban Development presented their National Performance Review stories. Each were involved in local initiatives, highlighted by the National Performance Review, to improve "customer service" through enhanced agency administrative flexibility. Both initiatives also seek to improve communications with affected individuals and institutions that are in contact with the agencies.

On June 19, 1995, the subcommittee held the second part of its "Streamlining Federal Field Structures" hearing in Chicago, IL, at the Chicago Historical Society. Subcommittee Chairman Stephen Horn, in his opening statement, noted that the subcommittee had come to Chicago for firsthand answers to four questions. How should agencies determine their most effective field structure? How can the management of field offices be improved? How can closer interagency cooperation in the field be encouraged? What factors deter agency heads from changing field structures?

In his opening statement, Representative Michael Flanagan welcomed the subcommittee to his hometown and his district. He noted that the hearing would focus on transportation and infrastructure issues. Representative Flanagan recalled that the Chicago area had long been a leader in this area, beginning with its role as a railroad crossroads and extending through the development of O'Hare as the world's busiest airport.

Mr. William Burke, the Regional Administrator of the General Services Administration (GSA) for the Great Lakes Region, reported both on GSA's and the Federal Government's presence in the area. Mr. Burke also serves as chair of the Chicago Federal Executive Board. This board coordinates certain activities of Federal agencies in the region. Among the initiatives that Mr. Burke described was the "Cooperative Administrative Support Unit" (CASU) program. CASUs are an effort to hold down administrative costs by sharing overhead costs among different agencies. He also cited telecommuting programs as another means to hold down administra-

tive costs. Gretchen Schuster, Regional Director of the Department of State's Passport Agency testified on her involvement with the Chicago Federal Executive Board. She described the board's efforts in coordinating the work of 154 member agencies in the Chicago area.

Mr. Joseph Morris, an attorney in private practice in Chicago, drew upon his prior experience as General Counsel for the Office of Personnel Management. In addition to recommending moving more of the Federal Government's work outside Washington, Mr. Morris advocated better coordination among field offices through the Federal Executive Boards and more reliance by the Federal Government on Federal managers in the field.

A second panel of witnesses, led off by Michael Huerta, Associate Deputy Secretary of Transportation, covered field offices involved in transportation and infrastructure programs. Mr. Huerta explained to the subcommittee his Department's proposal to reorganize. The plan would combine several functions into a new Intermodal Transportation Administration, combining all surface transportation and civilian maritime functions. In response to questions, he noted that the Department had yet to determine how the reorganization would affect regional offices.

Mr. Huerta was joined by Mr. Garrote Franklin, Regional Administrator of the Federal Aviation Administration, Mr. Kenneth Perret, acting Regional Administrator, Federal Highway Administration, and Mr. Donald Gismondi, Deputy Regional Administrator of the Federal Transit Administration. The regional officials discussed the cooperation among the various components of the Transportation Department located in Chicago. They noted that changes in Federal transportation grant process resulting from the Intermodal Surface Transportation Act of 1991 had necessitated even more cooperation than had been the practice in the past.

Col. Richard Craig, Commander and Division Engineer, North Central Division of the Army Corps of Engineers, described the current distribution of responsibility within the Corps among district, division and headquarters offices. The headquarters is primarily responsible for budget and broad policy issues, the division offices provide contact with State and local officials, program management and quality assurance. In response to questions, Col. Craig discussed the Corps' coordination with local governments on environmental regulatory issues.

9. Performance Measurement, Benchmarking, and Re-engineering.

a. Summary.—Performance measurement uses indicators and measures to assess how well a program or organization is doing in terms of its mission, goals, and objectives. It focuses on results and outcomes, not processes or compliance. The indicators used are inputs, outputs, and outcomes. Inputs are dollars or time expended, outputs are the quantity and quality of services delivered, and outcomes are the quality and quantity of the results the outputs achieved. Measures are benchmarks to evaluate the indicators, such as a percentage increase or decrease.

Performance measurement is necessary for benchmarking, which is the measuring of performance against some actual or desired standard of achievement, to be successful. Re-engineering involves

examining how a program or organization works, followed by improving performance by redesigning work processes.

b. Benefits.—Developing strategic plans that include performance goals, and measuring and monitoring performance on an ongoing basis, improves the quality of the activities performed or services rendered, contributes to greater efficiency, and can help to offset reductions in funding. Focusing on results rather than on inputs will lead to improvement in managing government operations.

c. Hearings.—On June 20, 1995, the subcommittee convened a hearing on performance measurement, benchmarking, and re-engineering. It received testimony from witnesses representing States and think tanks.

Representative Bass opened the hearing by stating that the subcommittee would examine performance measurement, benchmarking, and re-engineering and learn how the private sector, other countries, and State governments are using these techniques to respond to the needs of their customers, boost the quality of their products and services and lower costs.

Mr. Donald Kettl, professor of public affairs and political science, University of Wisconsin, and the LaFolette Institute of Public Affairs, and nonresident senior fellow, the Brookings Institute for Public Management, stressed that performance measurement offers the potential to measure success in terms of results produced. It requires a long-term view. Performance measurement is about communication and management, not number crunching. Citizens can find out how tax dollars are delivering and Congress can find out how programs are producing. It is very difficult to measure outcomes, easier to measure outputs.

Mr. Harry P. Hatry, director, State and local government research programs, the Urban Institute, had three recommendations for Congress: seek and use information on program quality and outcomes; coordinate among authorizing, appropriations and oversight committees to review agency performance information; and encourage State and local governments to measure performance in terms of quality and service to the public.

Mr. Herbert N. Jasper, senior associate, McManis Associates, Inc., cautioned that performance measurement is not a panacea, there are pitfalls such as gaming by selecting safe targets, selecting data because it is readily available, even if irrelevant, and ignoring the fact that it is labor-intensive. He indicated that performance budgeting seeks to make budget decisionmaking more analytical and objective. However, the budget process is highly political and decisions will not always be made objectively. He called re-engineering the systematic application of common sense and described its basic steps.

Mr. Johnny C. Finch, Assistant Comptroller General, General Government Division, GAO, reported that GAO studies on reform efforts show four actions to be critical if performance measurement is to be used effectively to improve programs: focus on mission and desired results; involve key stakeholders; develop performance measurement systems that have certain characteristics to provide relevant performance information for program managers, staff, and other decisionmakers; and use performance information in the selection and use of process improvement techniques that will further

enhance performance. He emphasized that the number of measures chosen should be limited to significant ones.

Ms. Linda Kohl, director of Minnesota Planning, described the comprehensive statewide benchmarking project known as Minnesota Milestones. It involved three stages. The first asked Minnesotans to decide on a long-term vision for the State. The second saw the development of measurable indicators called "milestones" which are clear, valid, associated with available data, accurate, and outcome-based. The third phase involved soliciting feedback on the indicators. In her opinion, benchmarking and the Milestones can be a tool to assure accountability for block grants.

Ms. Sheron Morgan, Office of State Planning, North Carolina, discussed North Carolina's use of performance measurement, known as Performance/Program Planning and Budgeting (P/PPB). It links policy and budgeting and shifts accountability from efforts to results. She mentioned the need for evaluation, analysis and agency buy-in for successful implementation of P/PPB, and for senior management involvement.

Mr. Joseph G. Kehoe, managing partner, government services, Coopers and Lybrand, LLP, described activity-based costing (ABC). He explained how ABC can be used to determine how much a service or activity truly costs and the usefulness of value analysis in ABC. Significant savings can be found with no associated reduction in quality when managers focus on activities and processes and eliminate the ones which do not add value.

Ms. Laura G. Longmire, national director of benchmarking, KPMG Peat Marwick, LLP, in discussing benchmarking, performance measurement, and business process re-engineering, made it clear that the key issue in adopting these techniques is enhancing accountability. She said that processes must be measurable to be improved. In her opinion, all processes can be measured both in terms of quality and response time. Successful projects share common themes: long-term scope; management commitment; investment in technologies and tools; and constant communication. The culture has to become one focused on results rather than compliance.

10. Agency Initiatives To Implement the Government Performance and Results Act of 1993.

a. Summary.—The Government Performance and Results Act of 1993 required agencies to evaluate their missions, goals, and objectives; develop strategic plans and performance measurement systems, set goals, and then evaluate results in the context of those goals. Strategic plans are due by September 1997, annual performance plans beginning in fiscal year 1997, and annual performance reports, beginning in the year 2000. The performance plans must include performance goals for agency program activities, and performance indicators that will be used to measure performance. OMB designated a series of pilots for fiscal years 1994 through 1996 in performance planning and reporting. A second set of at least five pilots will focus on managerial flexibility and accountability for fiscal years 1995 and 1996.

b. Benefits.—Using performance measurement will change the focus of management from process and inputs to results and out-

comes, increase efficiency and reduce costs by eliminating non-value-added activities.

c. Hearings.—Subcommittee Chairman Horn opened the hearing by summarizing the series of hearings on "Making Government Work". This final hearing in the series focused on the administration and its success in implementing the GPRA.

Mr. John A. Koskinen, Deputy Director for Management, Office of Management and Budget, gave an update on the administration's progress, saying that the pilot project stage is valuable because it provides time for experimentation. There are over 70 pilot projects in the first stage, none as yet in the second. OMB's aim is to integrate GPRA information into the budget and NPR processes.

Mr. Johnny C. Finch, Assistant Comptroller General, General Government Division, GAO, suggested that there were five challenges for agencies preparing to implement the GPRA: developing and sustaining top management commitment; building the capacity within the agencies to implement GPRA and use performance information; creating incentives to implement GPRA and change the focus of management and accountability; integrating GPRA into daily operations; and building a more effective congressional oversight approach. He thought the hearing was an important first step in communicating to the agencies the importance to Congress of performance-based management.

Dr. Paul C. Light, director, public policy program, the Pew Charitable Trusts, described the three types of accountability system, compliance based, capacity based, and performance based and these are not compatible, so changing from the compliance based system predominant in the administration currently to a performance based system will be difficult. He also discussed "thickening" of government, how it affects results, and how it can be reversed. He suggested getting rid of one-to-one spans of control and abolishing regional office layers.

Dr. R. Scott Fosler, president, National Academy of Public Administration, thought GPRA could be a critical tool in improving government performance, if properly understood and effectively implemented. GPRA changes the focus from inputs to results. Success of GPRA depends on leadership from the executive branch and support from Congress. He questioned whether the capacity was there in the agencies for GPRA implementation and suggested that GPRA implementation may lag behind schedule.

Mr. Anthony A. Williams, then-Chief Financial Officer of the U.S. Department of Agriculture, is responsible for coordinating GPRA implementation and testified on Forest Service efforts which constitute one of eight USDA pilots. He described how it had developed a set of 8–10 outcome-oriented corporate performance measures and the All Resources Reporting System, an integrated financial and reporting system which tracks both output- and outcome-related accomplishments. Performance measurement is achieved through a Management Attainment Report. He mentioned that good cost accounting systems are necessary to capture the cost of achieving outcomes, and that it is important to provide incentives to build management support for GPRA.

In his testimony, Vice Admiral Arthur E. (Gene) Henn described the Coast Guard's pilot project which was distilled from a business plan developed in the Vice Admiral's office. It is one of four pilots in the Department of Transportation. He described the process as using a simple formula to get the desired outcomes, set goals, empower, manage risks, and measure activities. He emphasized the need to get "buy-in" from everyone involved in the project and encouraged the subcommittee to review the reports sent to Congress by the agencies.

Mr. Joseph Thompson, Director, New York Regional Office, U.S. Department of Veterans Affairs, testified on the status of the implementation of GPRA in the New York regional office of the VA, which is also an NPR reinvention lab. Organization was changed from a hierarchical model to a self-managed team structure; the step process was reduced from 30 to 20. He praised the GPRA as a tool for organizational improvement.

Colonel F. Edward Ward, director of field offices, Defense Finance Accounting Service, reported on the Air Combat Command (ACC) GPRA pilot. ACC is involved in the performance measurement pilot now and hopes to take part in the performance budgeting pilot in 1988. He described how ACC had developed a cost accounting methodology to track costs per unit of output and capture cost associated with performance measures, the Job Order Cost Accounting System II. He stressed the need to link goals and performance measures, for measures to be quantifiable so that costs can be linked to the performance indicators, and to track areas important to the ACC's mission, not just areas that are easy to measure.

11. The General Services Administration's (GSA) Security Measures at Federal Office Buildings.

a. Summary.—On April 19, 1995, a bomb destroyed the Murrah Federal Office Building in Oklahoma City, killing 168 people, including 19 children, and injuring over 600 people. As a result of the bombing, security procedures were tightened and a thorough review conducted of security at Federal office buildings. In 1988, the Congress passed Public Law 100–440, which mandated that officer strength of the Federal Protective Service (FPS) be augmented by not less than 50 officers per year until a strength of 1,000 was reached. Instead, FPS personnel were reduced gradually to less than 400.

b. Benefits.—This hearing, part of the subcommittee's ongoing activities relating to oversight of the GSA, revealed that GSA had not complied with Public Law 100–440. By identifying the barriers to improving workplace security, including low pay, inadequate recruitment, and the extension of buyouts to security personnel, the subcommittee pointed out methods for remedying the situation.

c. Hearings.—Subcommittee Chairman Horn called the hearing on May 3, 1995, to examine GSA's security measures at Federal office buildings in the aftermath of the terrorist attack on the Oklahoma City Federal Building.

Mr. Roger Johnson, then-Administrator, General Services Administration (GSA), testified as to GSA's initial response to the Okla-

homa City bombing, and spoke about follow-up security measures to protect the Federal worker.

Mr. Kenneth Kimbrough, then-Commissioner, Public Buildings Services, GSA, noted that Federal Protective Service officers were understaffed at the time of Oklahoma City with only 409 positions filled. Mr. Kimbrough added that a 1988 law mandates that the Federal Protective Service shall be not less than 1,000 officers. GSA under the current and previous administrations were not in compliance with this law.

Mr. Gary Day, Assistant Commissioner for Federal Protective Services, Public Building Service, GSA, echoed Mr. Kimbrough's remarks and added that low pay and compensation have hindered the Federal Protective Service's ability to hire and retain up to its authorized complement of 1,000 officers.

Ms. Faith Wohl, Director, Family Workplace Institute, GSA, testified that GSA has taken numerous preventive measures to deter kidnaping and child abuse in Federal child care facilities, but that it was not in GSA's experience to expect a terrorist attack.

Ms. Julia Stasch, Deputy Administrator, GSA, testified as to the competence of contract security officers. Ms. Stasch noted that officers were well trained and worked in concert with local law enforcement forces.

Ms. Emily Hewitt, General Counsel, GSA, was questioned about whether she had performed a compliance audit to determine which laws GSA was not complying with. Ms. Hewitt had not performed such an audit. Subcommittee Chairman Horn recommended that administration orientation for new agency heads include such an audit.

12. Controls Over Illegal Immigration—Along the Border and Within the Interior.

a. Summary.—In 1993 and 1994, Congress voted to increase funds available to control immigration at the border, and increase the numbers of Border Patrol officers by 6,000. As these officers are deployed, the subcommittee remained interested in determining how they were being used, and how they were being divided amongst border duty and interior duty.

b. Benefits.—This hearing shed light on the problems faced by State and local officials as a result of Federal policies on illegal immigration. Moreover, the lack of intergovernmental coordination and Federal agency attention to the concerns of local government brought into relief the frustration of local officials: They have neither the policy levers to stop immigration, nor control of the Federal tools to minimize the impact, but still must bear the cost of criminal justice, health, and education related to illegal immigration.

c. Hearings.—On June 12, 1995, the subcommittee held a hearing to explore the resources that should be used to control illegal immigration at the border and within the interior of the United States. Witnesses included California State and county officials and officials from the Immigration and Naturalization Service (INS). Subcommittee Chairman Horn called the hearing to examine what resources should be deployed to control illegal immigration at the border and the interior.

Mr. Daniel E. Lungren, attorney general, State of California, testified on the impact of illegal immigration on California's prison population and crime problem. Mr. Lungren noted that the dramatic costs involved with illegal immigration drains California tax dollars.

Mr. Bill Jones, secretary of State of California, noted that the Motor-Voter Act increases the opportunity for a large number of people to participate in the political system. However, Mr. Jones voiced concern that a number of illegal immigrants would also participate unless California is allowed to take preventive steps.

Mr. Gustavo de la Vina, Director, Western Region, INS, testified that the INS has developed a comprehensive immigration enforcement strategy that consists of border enforcement and management, work site enforcement and verification, detention and removal of criminal and deportable aliens, and customer service and assistance to States. Mr. Richard K. Rogers, Western Region, Los Angeles District, INS, testified on a new L.A. initiative which will enable employers to become fraudulent document experts. Mr. Johnny N. Williams, Chief Patrol Agent, INS Border Patrol Sector Headquarters (San Diego), testified on the cooperation that his agency has received from State and local law enforcement agencies. Mr. Williams noted that the Border Patrol's interdiction rate has steadily increased.

Mr. Frank Ricchiazzi, assistant director of research, California Department of Motor Vehicles, testified on California policy and technological initiatives designed to improve their ability to provide secure, authentic and durable driver's licenses and ID cards.

Mr. Timothy J. Staffel, chairman of the board of supervisors, county of Santa Barbara, noted that local and county governments bear the brunt of costs associated with illegal aliens in California. For example, Mr. Staffel asserted that one in five births in Santa Barbara County were to illegal alien mothers whose deliveries were funded by Medicaid.

Mr. Jim Thomas, sheriff, county of Santa Barbara, voiced concerns about the large number of illegal aliens in California jails, the increase in the illegal criminal element in narcotic and gang investigations, and the lack of effective illegal employment investigations.

Mr. Thomas W. Sneddon, Jr., district attorney, county of Santa Barbara, described the responsibilities of the Immigration and Naturalization Service, the U.S. attorney's office and the Social Security Administration and the level of assistance given by those offices to local government. Mr. Sneddon faulted the Social Security Administration for not providing information to local government to assist in crime control by identifying illegal aliens.

13. Budget and Financial Information—Annual Shareholders Report: How Does the Citizen Know What Is Going On?

a. Summary.—Under the terms of the Congressional Budget Act, Congress passes a budget resolution outlining aggregate levels of discretionary spending and targets for reconciliation. Lacking from the annual budget process is a review of the total financial liabilities and assets of the Federal Government. The hearing examined

ways to improve information to bring liabilities totaling trillions of dollars under the discipline of an annual budget.

b. Benefits.—Increased public accessibility would enhance the Federal Government's accountability and demonstrate that it is fulfilling its stewardship duty to the American public. The hearing gave attention to the absence of important financial information in the budget process. It is important to regularly review this additional financial information and begin incorporating it into the annual budget process.

c. Hearings.—Subcommittee Chairman Horn called the hearing on July 11, 1995. The hearing focused on information on the financial health of the Federal Government available to private citizens, and options for improving access to that information. At the hearing, testimony was received from witnesses from the General Accounting Office, the Office of Management and Budget, Citizens for Budget Reform, and America *Report*.

Mr. Gene Dodaro, Assistant Comptroller General, Accounting and Information Management Division, General Accounting Office (GAO), noted the importance of having solid budgetary and financial information when making crucial policy decisions. Mr. Dodaro noted shortcomings in financial management, but asserted that progress in improving financial reporting was occurring as a result of the Chief Financial Officers Act and the creation of the Federal Accounting Standards Advisory Board (FASAB).

Mr. Don Chapin, Chief Accountant, GAO, updated the subcommittee on the activities of FASAB. According to Mr. Chapin, FASAB is developing standards for reporting financial information which will allow Congress to improve its ability to provide oversight of Federal operations. Mr. Chapin noted the possibility that agencies might not be able to make operational the standards recommended by FASAB.

Mr. G. Edward DeSeve, Controller, Office of Federal Financial Management, Office of Management and Budget, focused on three areas: the integration of the budget formulation and execution process with financial standards; the role of performance and program integrity in budgeting and financial management; and streamlining current reporting procedures.

Mr. Harrison Fox, president, Citizens for Budget Reform, testified on the importance of including non-budgetary financial information in the annual budget process, to give greater attention to the deteriorating financial position of the Federal Government, as measured by the USA Report published by Citizens for Budget Reform. Mr. Fox advocated adoption of a financial plan to improve accessibility of information, risk assessment, and measuring outcomes and results.

Mr. Brecht, publisher, America *Report*, testified about his project to make clear to citizens the financial health of the government in America *Report*, which is modeled on corporate annual reports. Mr. Brecht advocated a clearer vision of where the United States is headed, the role the Federal Government should play, and clarifying the core values which will guide these efforts. He also suggests that every agency be required to communicate its goals to citizens in an understandable fashion.

14. The Inspector General Act of 1978.

a. Summary.—On Tuesday, August 1, 1995, the subcommittee held an oversight hearing of the Inspector General Act of 1978. Inspectors General (IG's) are charged with protecting the integrity of Federal programs and resources. Through their audits and investigations, Offices of Inspectors General (OIG's) seek to determine whether program offices, contractors, Federal workers, grantees and others are conforming with regulations and laws.

Since the IG Act first established Inspectors General in 1978, the number of departments and agencies with IG's has grown to 61. Of these, 29 IG's are Presidentially appointed and subject to Senate confirmation. Another 32 IG's in smaller agencies are appointed by their agency heads. Presidentially appointed IG's have staffs totaling about 10,000 employees, with budgets adding to $900 million. Last year IG's' findings led to more than 14,000 successful criminal and civil prosecutions, $1.9 billion in investigative recoveries, and $24 billion in recommendations that agency funds be better used. Presidentially appointed IG's sit on the President's Council on Integrity and Efficiency (PCIE), chaired by the Deputy Director of the Office of Management and Budget; agency appointed IG's are on the Executive Council on Integrity and Efficiency (ECIE).

To assure their independence, the IG Act gives them latitude in running their offices. They report directly to agency heads when identifying serious shortcomings, and directly to Congress in semiannual reports. IG's are effectively the only executive branch officials reporting directly to Congress without the need for clearance. They historically have been vigilant in protecting their autonomy, and this has led to differences with their bosses on issues of resources, staffing, and priorities. Critics have argued that IG autonomy has made them less responsive to management's legitimate need to use its audit and program evaluation function for managing agency operations. Also at issue is that IG's "compliance" orientation may lead to adversarial relationships between them and their agency managers.

The National Performance Review (NPR) has led to a reappraisal of the IG mission. The NPR advocated that IG's broaden their focus "from strict compliance auditing to evaluating management control systems." The NPR further argued that the IG compliance focus stifled agency innovation. IG's have answered, in part, with a vision statement that commits them to greater cooperation with program managers to strengthen operations.

The PCIE is working on procedures for acting on allegations of OIG impropriety. The FBI would investigate criminal complaints, but the process is less clear on how to address non-criminal complaints, which might allege malfeasance or equal employment opportunity violations. The Associate FBI Director for Investigations usually serves as chair of the PCIE's Integrity Committee.

The Federal Government's reliance on information technology systems raises several issues for IG's. GAO, for example, concluded that "seriously inadequate automated financial management systems are currently the greatest barrier to timely and meaningful reporting" at Federal agencies. Weak automated systems are more vulnerable to fraud, and they reduce management's ability to monitor operations.

IG's have a stake in developments affecting Federal financial management. The Chief Financial Officer Act (CFOA) requires agencies to have audited financial statements beginning for fiscal year 1997. OIG's will perform most agency audits. Under the Government Performance and Results Act (GPRA) agencies will develop performance measures for agency management and eventually use the measures for allocating budgets.

b. Benefits.—The IG's work reduces fraud, waste, and abuse in the Federal Government and contributes to improvement in efficiency and effectiveness of agency operations. The independent status of the IG's renders their opinions more objective, and therefore of greater value to lawmakers and other reviewers.

c. Hearings.—Subcommittee Chairman Horn opened the hearing on August 1, 1995, stating that Inspectors General must be accountable. They should encourage improvement while not stifling innovation. He noted that the IG Community is working on increasing their cooperation with management.

June Gibbs Brown, Inspector General of the Department of Health and Human Services and Vice Chair of the President's Council on Integrity and Efficiency, noted that the IG's are in a unique position to help program managers and the Congress find ways to achieve a more effective and efficient government.

Hubert Sparks, the vice chair of the executive council on integrity and efficiency and inspector general of the Appalachian Regional Commission emphasized the unique role and relationship between IG's and the rest of their organization. IG's will always be in a position of balancing actions that will fulfill the requirements of the IG Act and contribute positively to improve government operations.

In response to a question from Mr. Bass, Ms. Brown disputed the conclusion of Vice President Gore contained in a National Performance Review report, from which Mr. Bass quoted, that "At virtually every agency he visited, the Vice President heard Federal employees complain that the IG's basic approach inhibits innovation and risk-taking. Heavy-handed enforcement with the IG watchfulness compelling employees to follow every rule, document every decision, and fill out every form has had a negative effect in some agencies." Ms. Brown stated that very little of the IG resources are really directed internally to people filling out forms or doing that last "i"-dotting.

Ms. Valerie Lau, the chairman of the PCIE audit committee and the Inspector General of the Department of the Treasury testified on the "substantial" new audit responsibilities imposed on the Inspectors General as a result of the Chief Financial Officers Act. She commented on the inherent difficulty of the audits.

Mr. Frank DeGeorge, Inspector General of the Commerce Department, reported on his office's experience with information technology evaluations. He testified that system acquisitions at Commerce are often disorganized and ad hoc.

Mr. William Esposito, Deputy Assistant Director, Criminal Investigative Division, Federal Bureau of Investigation and chairman of the PCIE's integrity committee, reviewed the process for considering allegations of wrongdoing against Inspectors General. He noted that revisions to the policy were currently under consideration.

Mr. Charles Dempsey, former vice-chair of the PCIE and former Inspector General of the Department of Housing and Urban Development thought the IG Act was the best piece of public administration legislation in the last 20 years.

Mr. Sherman Funk, former Inspector General of the Departments of State and Commerce, also commented on the balancing act that the Inspectors General perform. He disputed the contention, which he attributed to his fellow witness Paul Light, that IG's are too often focused on peripheral issues rather than concerned with the performance of the activities for which they were responsible.

Dr. Paul Light, Pew Charitable Trusts, recalled the observation from his book, *Monitoring Government* that the Inspectors General were not sufficiently focused on prevention. He was of the opinion that the IG's hide behind the Yellow Book too frequently when it comes time to give meaningful advice to their departments and agencies on how they might prevent mistakes before they happen.

Mr. Dwight Ink, president emeritus, Institute of Public Administration, observing that he testified from the perspective of his experience as a program manager, urged a narrower focus for the IG's. He testified that because program managers are held accountable for program outcomes, they ought to have their own resources for ensuring the integrity of the programs for which they are responsible.

15. Implementation of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994.

a. Summary.—The Chief Financial Officers (CFO) Act of 1990 required agencies to have audits of revolving funds, trust funds and all funds that resembled commercial enterprises. The 1994 Government Management Reform Act (GMRA) extended the CFO requirements to cover all agency resources, with agency-wide audited financial statements due in March 1997, and Federal Government-wide audited financial statements due in March 1998.

b. Benefits.—Audited financial statements improve the quantity and quality of information provided to users of financial statements, allowing better decisionmaking concerning the allocation of scarce resources. Requiring agencies to prepare and have audited their financial statements requires them to strengthen their internal controls over waste, fraud and abuse, and enhances the reliability of the information contained in the financial statements. In all, the result for the executive branch will be greater efficiency and effectiveness of agency operations.

c. Hearings.—Subcommittee Chairman Horn opened the hearing held on July 25, 1995, by stating that audited agency financial statements will minimize weak management controls, fraud and waste. The goal of each agency must be to produce a full statement on time and get an unqualified or "clean" opinion on the statement.

Mrs. Maloney, in her statement, said that quick action was necessary to ensure compliance with the laws and stressed that there should be no delay in meeting the deadlines for audited financial statements.

Mr. Charles A. Bowsher, Comptroller General of the United States, described the progress made by the 24 agencies of the exec-

utive branch in implementing the CFO Act and the GMRA and stressed that proper accounting and financial reporting leads to much better barriers against fraud, waste, and abuse.

Mr. G. Edward De Seve, Controller, Office of Federal Financial Management (OFFM), Office of Management and Budget (OMB), discussed the role of the Federal Accounting Standards Advisory Board in developing Federal accounting standards. He hopes these will be available in time to be used for the fiscal year (FY) 1996 agency audited financial statements and the fiscal year 1997 Governmentwide audited financial statements.

Mr. Gerald R. Riso, fellow of the National Academy of Public Administration and former Associate Director for Management and Chief Financial Officer, OMB, provided a historical perspective of the development of the CFO Act. In his view, the CFO Act has improved Federal financial management in many agencies, although the rate of progress in system improvement has slowed down.

Mr. Edward J. Mazur, vice president for administration and finance, Virginia State University, and former Controller, OFFM, OMB, had several recommendations to strengthen the CFO Act, for instance the Controller of OFFM should report directly to the OMB Director, and that agencies should establish audit committees.

Mr. Harold I. Steinberg, former Deputy Controller, OFFM, OMB, testified on four aspects of the CFO Act: its genesis and initial funding; agency CFO structures and appointments, financial management staffing; and the preparation of audited financial statements. In his opinion, agencies derive the real benefit from being audited from going through the process of preparing the financial statements, because they learn about and can correct weaknesses in their accounting and financial reporting systems.

Mr. Buel T. Adams, vice president and treasurer, CBI Industries, representing the Financial Executives Institute, described the state of fiscal affairs of the Federal Government as "woefully inadequate", especially with respect to financial management systems. He said that management accountability must be improved and that taxpayers should hold Congress accountable for ensuring that their tax dollars are being spent efficiently.

Mr. Thomas V. Fritz, president and chief executive officer of the Private Sector Council, listed benefits from audits required by the CFO Act: savings; knowledge about internal control and information systems problems; and clearer, more accurate and useful information about an agency's financial condition.

Mr. Anthony A. Williams, then-Chief Financial Officer (CFO), U.S. Department of Agriculture, described USDA's accomplishments in financial management, including procurement reform, developing cost management techniques, oversight of the National Finance Center, and the Financial Vision and Strategy project.

Mr. Alvin Tucker, Deputy CFO, Department of Defense, described steps the Department of Defense is taking to try to ensure that the goals of the CFO Act can be attained.

Mr. Dennis Fischer, CFO, General Services Administration, described GSA's approach to CFO Act compliance. GSA is one of only four agencies that routinely receive unqualified opinions as a result of agency-wide audits. He credited GSA's success on having implemented the fundamental aspects of good financial management:

CFO organization and responsibility well defined and strong controllers in place in major program areas such as the Public Buildings Service, Federal Supply Service, and Information Technology Service.

Ms. Bonnie Cohen, Assistant Secretary for Administration and CFO, Department of the Interior, stressed the advantages of having responsibility for both budget and finance functions, and predicted that, with increased use of performance measurement, the link between budget and finance will become even stronger.

16. Department of Defense's Financial Management Problems.

a. Summary.—The subcommittee has been examining certain indications, as expressed in news articles and in congressional hearings, of the Department's lack of ability to control problem disbursements, specifically negative unliquidated obligations and unmatched disbursements, as well as contractor overpayments which the Department of the Navy took years to recover. Additionally, as part of the ongoing subcommittee review of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, it appears that the Department of Defense (DOD) will be unable to comply with the requirements of the GMRA for a considerable number of years, until they implement modern accounting and financial systems that currently they lack.

Recent articles in the national press and other hearings on Capitol Hill have highlighted serious shortcomings in the Defense Department's financial management systems. The Washington Post reported that, in the past 10 years the Department of Defense had spent $15 billion that it could not account for. Contractors are routinely overpaid millions of dollars and are sometimes stonewalled when they try to give the money back. The systems are antiquated and make it difficult for staff to do their work accurately. The CFO Act of 1990 required the preparation and audit of financial statements for the Departments of the Army, the Air Force and 22 funds. Out of 24 parts of DOD examined in fiscal year (FY) 1994, only 1, a minor fund, received an unqualified opinion. Most were either not audited or received a disclaimer, meaning that the statements were not auditable, and therefore not in compliance with the CFO Act.

b. Benefits.—The hearing addressed areas of needed improvement in financial management at the Department of Defense. If the millions of dollars that have been reported as overpayments to contractors had been used for necessary expenses, the Department would have been able to improve its readiness at a lesser cost than at present.

c. Hearings.—A hearing was convened on November 14, 1995, to examine the Department of Defense's compliance with the Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994. Subcommittee Chairman Horn opened the hearing by saying that strong financial management was needed and that the hearing would focus on what the Department was doing to strengthen its management control.

Mrs. Maloney echoed Mr. Horn's statements and emphasized the need to follow generally accepted accounting principles (GAAP), cit-

ing the example of the improvement in the city of New York's fiscal situation after it adopted GAAP.

Mr. John Hamre, Comptroller, Department of Defense, responded to the criticisms in the May 14, 1995 Washington Post article, and asked that the letter he had sent to Hon. Bill Young, chairman, Subcommittee on National Security, Committee on Appropriations, dated May 22, 1995, be included in the record. He gave his perspective on how DOD was doing in reform and improvement of financial management, and emphasized DOD's commitment to consolidate its accounting systems, and resolve the longstanding problem of unmatched disbursements.

Mr. Richard Keevey, director, Defense Finance Accounting Systems, in answer to a question from subcommittee Chairman Horn as to how he would rate the DOD, on a scale of 1 to 10, with 10 being closest to getting clean audit opinions, he rated the Department as a 3.

Mr. Alvin Tucker, Deputy CFO, DOD, discussed DOD problem disbursements, specifically the unmatched disbursements problem and overpayments to contractors. He then described DOD's plans for financial management reform. He stated that the overarching problem preventing an unqualified or qualified opinion on the DOD's financial statements is that the accounting systems which support the financial statements do not have an integrated general ledger or produce account-oriented transaction files, but gave no timetable for implementing a transaction-driven general ledger system.

Mr. G. Edward DeSeve, Controller, Office of Federal Management, Office of Management and Budget, testified that OMB has been helping the Department of Defense move toward meeting the requirements of the CFO Act as set out in OMB Circular A–127, *Financial Management Systems* (the Circular). OMB has recommended that DOD look outside of its own current financial management structure for system solutions, rather than building on the best of the in-house systems, since 76 percent of them do not meet the Circular's requirement to be consistent with the U.S. Standard General Ledger.

Mr. Gene Dodaro, Assistant Comptroller General, General Accounting Office, gave the GAO's perspective on the challenges facing the DOD in meeting the objectives of the CFO Act. He stated that CFO Act audits have brought greater clarity to DOD's financial management problems. Progress is slow. According to a recent DOD IG report, general fund financial statements will remain unadaptable until September 1998 and the DOD IG will not be able to render an audit opinion on any of the services until the year 2000 at the earliest. He suggested the establishment of an independent, outside board of experts to aid in reform efforts.

Ms. Helen T. McCoy, Assistant Secretary of the Army, described the improvements the Department of the Army has made in implementing the Chief Financial Officers (CFO) Act. The Army has prepared agency-wide audited financial statements as a pilot under the CFO Act since fiscal year (FY) 1991 but the auditors have been unable to express an opinion on the reliability of the financial statements because the accounting systems that provide the information for the statements do not have an integrated general ledger

or produce account-oriented transaction files. The audit opinions, however, did note significant progress. The management control process has been restructured, and there is a new performance assessment process within Department of the Army headquarters.

Ms. Deborah P. Christie, Assistant Secretary of the Navy, discussed the plans that the Department of the Navy has for financial management improvement. She emphasized the role of selection, upgrading, and deployment of financial systems. Four key activities in improving Navy financial operations are: organizing the Department, consolidating finance and accounting services in DFAS, standardizing and upgrading accounting systems, and improving the feeder systems and the quality of the data they contain. The final step will be to ensure the input of accurate data through modern feeder systems and a system of internal controls to provide sound financial information for internal decisionmaking and external reporting.

Mr. Robert F. Hale, Assistant Secretary of the Air Force, discussed the progress the Department of the Air Force had made under his leadership. He has set up the Financial Improvement Policy Council, which works with senior Air Force and DOD leaders, and with organizations within the DOD such as DFAS and DBOF, the Financial Management Steering Committee, and the Senior Financial Management Oversight Council. He has called on the GAO and the Financial Executive Institute for advice and guidance on how to improve financial management. As a result, the Air Force has asked for assistance from Coopers and Lybrand and Electronic Data Systems in the area of systems certification and performance indicators. The Air Force is concentrating its efforts in the critical areas of inventory management, automated data processing security, internal controls, and streamlining the financial management process.

Ms. Eleanor Hill, Inspector General, DOD, provided an assessment of the Department's ability to improve its finance and accounting operations and to comply with the acts. She also discussed the audit approach devised by the DOD IG's office. She stated that the financial statement data for the vast majority of DOD funds remain essentially not in condition for audit, because of a general lack of effective internal management controls. Neither the OIG nor the Service audit organizations were able to give audit opinions on the financial statements for the largest DOD funds covered by the CFO Act requirements for fiscal year 1994, funds totaling $715.5 billion. The most fundamental problem was that accounting systems do not compile and report reliable audit information.

17. Electronic Reporting Streamlining Act of 1995.

a. Summary.—The Paperwork Reduction Act of 1995 included a number of reforms designed to reduce the burden of government-imposed paperwork on businesses and households. The Electronic Reporting Streamlining Act of 1995 would reduce the burden of regulatory reporting for business by allowing necessary data to be reported in an electronic format.

b. Benefits.—This will improve the efficiency of Federal Government operations by allowing electronic filing of the necessary documents.

c. Hearings.—Subcommittee Chairman Horn held a hearing on October 10, 1995, which focused on possibility of streamlining Federal operations, and easing the burden on private firms of reporting regulatory information, by adopting a scheme for electronic reporting.

Mr. Thomas Kelly, Director, Regulatory Management and Information, Office of Policy, Planning and Evaluation of the U.S. Environmental Protection Agency (EPA) testified concerning his agency's use of information technology and the various initiatives related to electronic reporting and dissemination of information. Many of these initiatives were associated with the National Performance Review projects.

Mr. Stephen Hanna, assistant for information technology, California EPA, explained his agency's pilot project for reporting regulatory information on hazardous waste manifests and other data required to be reported by private companies.

Mr. Brad W. Lamont, vice president, Romic Environmental Technologies Corp., testified about his company's role in the California pilot. Mr. Lamont noted the large number of pages of data that Romic was required to submit to Cal-EPA, and that this volume of data was transferred by modem in 45 seconds. Upon questioning, Mr. Lamont noted the receptiveness of the Cal-EPA to new electronic reporting initiatives.

Mr. David Roe, senior attorney, Environmental Defense Fund, noted the role that increased information about toxic release can play in improving enforcement and community information. Rose explained the manner in which electronic data in California eases the work of his organization in maintaining oversight of environmental data.

Mr. Richard Ferguson, board member and executive director of Environment and Safety Data Exchange, is a leading expert on data exchange and standards issues. Mr. Ferguson explained the rationale for moving toward increased electronic reporting. According to Mr. Ferguson, the primary reason is that some will benefit from a reduced reporting burden, and it is those who must do the work to achieve the standards required for the plan to work.

18. Use of Transportation by Senior Executive Branch Officials in Compliance with Federal Travel Guidelines.

a. Summary.—Continuing its oversight investigation and pursuant to Rules X and XI of the Rules of the House, the subcommittee has reviewed more than 40,000 documents relating to travel by senior executive branch officials. A pattern of neglect, if not abuse, was discovered on the part of some Federal agencies.

The Office of Management and Budget (OMB), in Circular A–126, has developed standards for government aircraft use by senior executive branch officials. These requirements have been supplemented by a White House Memorandum (dated February 10, 1993) and by OMB Bulletin 93–11. As President Clinton stated in the Memorandum: "The taxpayers should pay no more than is absolutely necessary to transport government officials. The public should be asked to fund necessities, not luxuries, for its public servants."

In addition to covering the use of government aircraft, the President's Memorandum contains limitations on the use of regularly scheduled commercial aircraft. It further requires that travel documentation "be disclosed to the public upon request, unless classified." The General Services Administration (GSA) is charged with compiling a semiannual "Senior Federal Travel Report," based on submissions from Federal agencies. It is incumbent upon the agency to supply full and accurate data in compliance with travel protocols and requirements. However, this has not been the case. OMB Circular A–126 requires the semi-annual publication of specific data in the Senior Federal Travel Report, published by the General Services Administration. Two problems exist in the reporting of senior official travel. First, agencies are frequently late in submitting completed reports to GSA. Second, agencies do not always supply all the needed data (specifically, cost to the government, reimbursable cost), intermediate destinations on round trip flights are frequently not reported, and costs are not pro-rated per individual.

Additionally, the published copies of the Senior Federal Travel Reports are difficult to read and interpret. The International Civil Aviation Organization (ICAO) codes as listed in the text of the reports are not parallel to the ICAO codes as listed in the index. Important data elements are omitted from the final reports. There is no audit structure that enables GSA to enforce compliance.

The subcommittee held two investigative hearings to examine the travel practices of Cabinet Secretaries and other senior executive branch officials. The first hearing was held on December 29, 1995, to examine the abuse of travel by Energy Secretary Hazel O'Leary, former White House staff official David Watkins, General Joseph Ashy, and the incomplete reporting by agencies such as NASA.

The subcommittee received testimony from Representative Barlett regarding his 2 year involvement in examining the use of government aircraft by senior Federal officials. He became interested in the abuse of aircraft after David Watkins, at the time a White House staffer, used a Presidential "whitetop" helicopter for transportation to play golf at a Frederick, MD golf course.

Mr. David E. Williams, research director, Citizens Against Government Waste, testified about the Citizens Against Government Waste's longstanding examination of the travel of Secretary O'Leary. Williams testified among other things that Secretary O'Leary retains a staff of 14 to handle her invitations and travel arrangements.

Mr. Peter B. Zuidema, Director, Aircraft Management Division, Federal Supply Service, General Services Administration, testified that Federal aircraft can be used only for official purposes, and only when commercial airlines are not reasonably available. A cost comparison must also be performed.

Mr. Dabis B. Buckley, Special Assistant to the Inspector General, Department of Defense, testified that as a result of investigations by the Office of the IG, the Department of Defense has taken steps to tighten its policy regarding the use of its aircraft.

A second hearing was held on May 16, 1996, to investigate practices at three executive branch agencies, the Department of Interior, the Department of Veterans' Affairs, and the Department of

Labor. Testimony was received from Gregory Walden, counsel, Mayer, Brown & Platt; Bonnie Cohen, Assistant Secretary for Policy, Management and Budget/Chief Financial Officer, the Department of Interior; Harold Gracey, Chief of Staff, Department of Veterans' Affairs; and Patricia Lattimore, Deputy Assistant Secretary for Administration and Management, Department of Labor.

Mr. Walden testified that Government travel is something that is often abused and overlooked. He reiterated subcommittee Chairman Horn's point that the issues involved are not only about Government waste, but rather, Government ethics. Walden placed all travel violations discussed into an ethical context.

b. Benefits.—Misuse of government aircraft and poor reporting of trips on government aircraft is a serious problem. Because of the casual reporting standards on the part of most Federal agencies it is difficult to determine which flights are in violation of Federal travel requirements. Subsequently it is difficult to determine how much money can be saved by eliminating abuse of the aircraft by senior Federal officials. With continuing congressional oversight, further hearings will instil some awareness into Federal agency management practices and that cost consciousness must be a factor in traveling on Government aircraft.

c. Hearings.—December 29, 1995 a hearing was held entitled, "The Use of Government Aircraft by Senior Federal Officials." May 16, 1996, a hearing was held entitled, "Senior Executive Branch Officials Compliance with Federal Travel Guidelines."

19. The Government's Response to the Northridge Earthquake.

a. Summary.—On January 17, 1994, the Los Angeles area was struck by one of the most damaging earthquakes in the Nation's history. The earthquake, referred to as the "Northridge Earthquake" resulted in more than 70 deaths, more than 18,000 injuries and caused 25,000 residents to become homeless overnight. The General Accounting Office (GAO) estimated more than 55,000 structures were damaged; 1,600 of these were deemed uninhabitable. The area's freeway system sustained heavy damage which resulted in closures in a number of locations. Of the $25–$30 billion losses sustained, FEMA provided relief in the amount of $3.4 billion, not counting assistance from 27 other Federal agencies and the American Red Cross.

On January 19, 1996, the subcommittee held an oversight hearing on the Federal Government's response to the 1994 Northridge earthquake. The focus of the hearing was to receive testimony on preventive and cost-effective lessons that could be learned from the earthquake. Testimony was received from Hon. James Lee Witt, director, Federal Emergency Management Agency; Hon. Richard Riordan, mayor, city of Los Angeles, CA; Richard Andrews, director, Governor's Office of Emergency Services, State of California; Constance Perett, manager, Office of Emergency Services, County of Los Angeles; Maj. Gen. Robert Brandt, Assistant Adjutant General and Commander, California Army National Guard; Donald Jones, vice president for disaster services, American Red Cross; James Haigwood, CEO, American Red Cross, Los Angeles Chapter; Terri Jones, director of special projects, California Community Foundation; John Suggs, director of public policy and government

affairs, United Way of Greater Los Angeles; Blenda Wilson, president, California State University, Northridge; Robert Maxson, president, California State University, Long Beach; and J. Richard Williams, dean of engineering, California State University, Long Beach.

Mr. Witt outlined some of the steps FEMA took in the aftermath of the earthquake and some of the problems encountered with the recovery effort which included the distribution of benefits to eligible recipients, errors of mistakenly giving relief multiple times to the same people and to ineligible people such as illegal aliens. He acknowledged that FEMA needed to enhance its effort to work with State and local governments to promote mitigation efforts.

Mayor Riordan described the efforts taken by the city of Los Angeles to provide relief from the earthquake, and suggested that in the future, the Federal Government could bypass FEMA and the Small Business Administration (SBA) and allocate disaster relief funds directly to local governments. This, he argued, would allow for a "real-time" relief process, expediting recovery efforts for victims. He added that the relief mechanism was not designed to enable localities to quickly provide assistance to multifamily apartment dwellings. He noted that SBA loans did not provide relief for multifamily apartments which sustained damage above the SBA limit of $1.5 million. In addition, FEMA should make a distinction between commercial and residential units. He also pointed out that instead of importing temporary relief workers from out-of-state, FEMA should make a concerted effort to hire local residents to provide assistance. In response to questioning, Mayor Riordan proposed that the SBA consider restructuring loans to allow for the decrease in value due to earthquake damage.

b. Benefits.—This hearing enabled members of the subcommittee to learn first-hand the impact of one of the most damaging natural disasters to ever confront the United States, and learn how the agencies designed to respond to such crises fared in their response. The hearing also allowed members to learn of the efforts underway or planned which would allow manmade structures to withstand future disasters of this type.

One of the actions taken was the establishment of a 24-hour disaster information network called the Recovery Channel which was broadcast on 125 cable television outlets. Another was the use of computer technology allowing for almost instantaneous assessments of relief available to victims of the earthquake.

Donald Jones testified that more than 14,000 Red Cross volunteers responded to the earthquake. The Red Cross has an agreement with FEMA to provide emergency support services, including food, shelter, and clothing and spent more than $38 million providing services to victims of the earthquake.

c. Hearings.—A field hearing entitled, "The Government Responses to the Northridge Earthquake," was held on January 19, 1996.

20. OMB 2000 Reforms: Where Are They Heading?

a. Summary.—In March 1994, the Office of Management and Budget (OMB) commenced a reorganization intended to make OMB more effective in serving the President and also how to achieve the

proper balance between its responsibilities for management practices within the executive branch and its responsibilities for budget formulation. This reorganization, dubbed OMB 2000, fundamentally changed the organizational structure of OMB. Former budget areas were recreated as resource management offices (RMOs), and the Office of General Management was abolished. Since the three statutorily required offices—the Office of Federal Procurement Policy (OFPP), the Office of Federal Financial Management (OFFM), and the Office of Information and Regulatory Affairs (OIRA)—were unable to be abolished, OMB reduced the staffs of these offices and reallocated staff to the RMOs. In the case of the OFFM, over half of the authorized staff positions were transferred out.

The subcommittee convened a hearing to review how a reform initiative, known as OMB 2000, has impacted upon management practices within the Office of Management and Budget and where OMB is headed as a result of this reform initiative. The subcommittee invited the following witnesses to testify at the February 7, 1996 hearing: Hon. Alice M. Rivlin, Director, and Hon. John A. Koskinen, Deputy Director for Management, Office of Management and Budget; Paul L. Posner, Director, Federal Budget Issues, General Accounting Office; L. Nye Stevens, Director, Federal Management Issues, General Accounting Office; Dwight A. Ink, president emeritus, Institute of Public Administration and former Assistant Director for Management, Bureau of the Budget and the Office of Management and Budget (Nixon administration); and Edwin Harper, former Deputy Director, Office of Management and Budget (Reagan administration).

In his opening statement, subcommittee Chairman Horn stated that some experts say that a proper balance between budget and management has never been achieved at OMB. These experts question whether it is feasible to integrate the two functions in one organization, and suggest a solution is to set up a separate office within the Executive Office of the President, devoted entirely to management issues.

Ms. Rivlin testified that the premise of OMB was based upon the notion that management is about using resources effectively. She asserted that there is not a way to separate resource management from other management. Prior to OMB 2000, OMB used a disjointed approach to dealing with both governmentwide and agency-specific management issues which was counterproductive.

Dr. Ink testified that the potential for improvement in the management function within OMB was low because of: the inherent competition with the budget process; the budget not being focussed on crosscutting issues; lack of expertise in OMB to advise agencies on reorganization; lack of emphasis on long-term investment; and financial management. Consolidation of management and budget functions limits the capacity of OMB to provide leadership for reform, and can hinder actions to prevent abuse. He supported the idea of establishing an Office of Federal Management within the Executive Office of the President, but outside OMB.

Dr. Harper defined good management as the efficient use of resources in pursuit of specific policy objectives, and said that it would be impossible to deal with improving management until we can measure government program outputs related to policy objec-

tives. He questioned whether the manpower resources assigned to OMB were adequate and whether the statutorily mandated offices were necessary. He would also approve of a separate Office of Management, whose head should have cabinet rank.

b. Benefits.—The new direction chosen for OMB, under the OMB 2000 initiative, was to make all OMB activities part of a comprehensive, integrating budget analysis, management review and policy development. The resource management offices (RMOs) were set up to implement this. These RMOs are responsible for budget formulation, program analysis, implementation of governmentwide policy as formulated by the three statutory offices, and program effectiveness and efficiency.

Agencies depend on OMB for guidance on implementing regulations required by new and existing legislation; it shares responsibility with the Office of Personnel Management for making sure that agency personnel are trained to perform new functions, such as those required under the Government Performance and Results Act. It should be a resource for the President in management of the executive branch agencies, drafting Executive orders as required or acting as a guide or goad, whichever is necessary, to ensure that agencies follow the administration's policies.

The intent of OMB 2000 was to increase the attention OMB staff give to management issues. In the opinion of the committee, as a result of its oversight activities, this has not happened, and it seems that more drastic action is needed to ensure that OMB has the capability to advise the executive branch concerning the complex problems of management facing it.

c. Hearings.—A hearing entitled, "OMB 2000 Reforms: Where Are They Heading?" was held on February 7, 1996.

21. Using the Best Practices of Information Technology in Government.

a. Summary.—Leading corporations use information systems to remake their organizations and improve performance. Enhanced communications let these organizations operate with a greatly reduced hierarchical structure. Fewer middle managers are now needed between line workers and senior management as organizations become "flatter" and less bureaucratic. Corporations are using more direct communications links with customers, suppliers and transporters to shorten delivery schedules and reduce expensive inventories. Use of cutting edge information resources at these organizations is often central to their core business strategies.

Despite the potential of information systems in strengthening organizations, the Federal Government has lagged behind in its successful application. Numerous reports have identified weaknesses with specific Federal Government information systems. The General Accounting Office has previously placed many of the Federal Government's largest information technology systems on its "high risk series" listing of specific programs most vulnerable to waste, fraud and abuse. These have included the Federal Aviation Administration's air traffic control modernization, the Internal Revenue Service's tax systems modernization and the Department of Defense's corporate information management initiative. Other similar reports, such as the Office of Management and Budget's high risk

list, have identified additional troubled information systems developments.

The subcommittee convened a hearing to address the problem of examining how leading private institutions are using information technology to improve their organizations and to capitalize on the opportunities available from information systems. Witnesses testifying were: Peter Huber, senior fellow, Manhattan Institute, columnist, and author; Chris Hoenig, Director, Information Management Policy and Issues, General Accounting Office; Dr. Renato A. DiPentima, vice president & chief information officer, SRA Corp.; C. Morgan Kinghorn, Jr., director, Coopers & Lybrand; John Kost, chief information officer, State of Michigan; and David R. Brooks, vice president, Health Care Technology Sector, Science Applications International Corp.

b. Benefits.—Despite the expenditure of approximately $25 billion per year and $200 billion over the past decade on information systems, the Federal Government lags behind the private sector in the effectiveness of its use of new technology. The Federal Government needs to draw upon the experience of other organizations that have successfully harnessed information technologies to be more efficient, effective organizations. The recommendations made at the hearing will improve the oversight activities conducted by the subcommittee.

c. Hearings.—A hearing on "Using the Best Practices of Information Technology in Government" was held on February 26, 1996.

22. Oversight of IRS Financial Management.

a. Summary.—Pursuing oversight issues designated in Public Law 103–356, the Government Management Reform Act of 1994 and Public Law 101–576, the Chief Financial Officers Act of 1990, the subcommittee convened two oversight hearings regarding the Internal Revenue Service's financial management. The first hearing examined several aspects of financial management and addressed the IRS' ability to produce financial statements, to have these statements audited, and to obtain verification of accuracy. Testimony was received from: Gene L. Dodaro, Assistant Comptroller General, Accounting and Information Management Division, General Accounting Office; Hon. Margaret Milner Richardson, Commissioner, Internal Revenue Service; Donald C. Alexander, former Commissioner of the Internal Revenue Service from 1973 to 1977; Donald L. Korb, former Assistant to the Commissioner of the Internal Revenue Service from 1984 to 1986; and Shannon O'Toole, former Resolution Trust Corporation Department Head and Section Chief of Real Estate Disposition.

Subcommittee Chairman Horn emphasized in his opening statement the importance of Congress receiving accurate information to properly oversee and evaluate the IRS' performance. In addition, he addressed concerns regarding the General Accounting Office's inability to give an opinion on audited IRS' financial statements, and weaknesses of internal controls and lack of audit documentation.

When GAO auditors review the IRS statements and underlying records, they were unable to reconcile these records and, thus, were unable to give an opinion on the financial statements from fiscal years 1992 through 1995. The audits have identified five significant

problems within the IRS' financial management, which if not corrected, will preclude future auditors from rendering an opinion on the IRS's financial statements. They include the: (1) inability to verify total revenue of $1.4 trillion and the amount of tax returns; (2) unsubstantiation of the amount of collection from Social Security, income and excise tax; (3) reliability of reported estimate for FY 1995 of $113 billion for valid accounts receivable and of $46 billion for collectible receivable; (4) verficiation of the $3 billion for non-payroll expenses that the IRS reports; and (5) amounts the IRS reported as appropriations available for operating expenditures which cannot be reconciled with Department of the Treasury's records.

Commissioner Richardson claimed that the IRS has strong systems and controls to ensure that the individual accounts are accurate and that they work. She explained that the IRS has two separate financial processes to track funds: the administrative system that handles our appropriated funds, and the revenue system that tracks tax collections. She stated that the current system the IRS uses, designed in 1994 (2 years after the IRS started doing servicewide audits as a pilot under the CFO Act), is not designed to provide the detailed information that is required by the CFO Act for financial statement presentation.

Regarding accounts receivable, she described the improvement in management of the receivables inventory that has been undertaken by the IRS. They are also stepping up efforts to increase collection yields. She provided an update on the status of the private debt collection pilot project, in which the IRS is contracting out debt collection activities to a small number of debt collection agencies.

A follow-up oversight hearing was held on September 19, 1996, to further discuss the state of financial management in the Internal Revenue Service. The hearing addressed whether there had been any improvement since the first hearing regarding the IRS' inability to produce reliable financial statements and the internal controls or the accuracy of data input. Witnesses testifying included Gene L. Dodaro, Assistant Comptroller General, Accounting and Information Management Division, GAO; Steven App, Deputy Chief Financial Officer, Department of Treasury; and Anthony Musick, Chief Financial Officer, Internal Revenue Service.

Gene Dodaro gave the subcommittee a status report about the progress the IRS is making in addressing its financial management problems. He explained that the IRS has two sets of financial statements to account for: statements on its revenue gathering function under its custodial responsibilities, running at about $1.3 to $1.4 trillion currently; and statements reporting on the administrative operations paid for out of appropriations, running at about $8 billion currently. The IRS has improved in this area, and the auditors were able to verify the validity of about $5 billion of their $8 billion in appropriations. However, two problems remain in the administrative area: Documentation of receipts and acceptance of goods and services is inadequate; and the cash accounts with the Department of the Treasury cannot be properly reconciled.

b. Benefits.—IRS financial management impacts congressional decisionmaking on many levels. The reliability of revenue and other information gathered by the IRS is of concern to Congress

since the revenues collected by the IRS represent more than 90 percent of all revenues available to the Federal Government. The confidence taxpayers have in the IRS to collect and account for the taxes they pay directly affects the degree to which they comply with the tax code which in turn impacts the taxes collected. The efficiency with which the IRS collects the taxes and other receivables owing to the Federal Government affects the cost of other Federal programs to the taxpayer. Subcommittee Chairman Horn introduced H.R. 2234, which is designed to improve debt collection efforts in the Federal Government, to include provisions related to the IRS use of private debt collection agencies.

c. Hearings.—On March 6, 1996, the subcommittee held an oversight hearing entitled, "Oversight of the Internal Revenue Service Financial Management." On September 19, 1996, a follow-up oversight hearing was held entitled, "Internal Revenue Service Financial Management: Has There Been Any Improvement?"

23. Is January 1, 2000 the Date for Computer Disaster?

a. Summary.—After midnight, December 31, 1999, computer systems throughout the world are at risk of failing. Computers may confuse the year 2000 with the year 1900 on January 1, 2000, and go backward in time instead of forward when the new century begins. The severity of the problem was raised when Congress was told that if businesses and governments continue to ignore this issue, disruption of routine business operations and the inability of the Federal Government to deliver services to the American people could result. According to a Congressional Research Service Memorandum dated April 12, 1996, "Many people initially doubted the seriousness of this problem, assuming that a technical fix will be developed. Others suspect that the software services industry may be attempting to overstate the problem to sell their products and services. Most agencies and businesses, however, have come to believe that the problem is real, that it will cost billions of dollars to fix, and that it must be fixed by January 1, 2000, to avoid a flood of erroneous transactions."

On April 16, 1996, the subcommittee convened a hearing to collect the facts on the steps Federal agencies are taking to prevent a possible computer disaster. Subcommittee Chairman Horn raised the question whether agencies are taking the necessary actions to identify where the problem lies and whether they are providing the necessary human and capital resources to correct the problem. In her opening statement, Ranking Minority Member Maloney noted: "The cost of failure is high—systems that deliver services to individuals will not work, and those services will not be delivered. Checks will not arrive on time. Planes will be grounded, and ports will be closed."

Testimony was received from: Kevin Schick, research director, the Gartner Group; Louis J. Marcoccia, director of data administration and logistics, New York City Transit Authority; Nicholas J. Magri, senior vice president, Securities Industry Automation Corp.; Michael B. Tiernan, the First Boston Corp. on behalf of the Securities Industry Association, Data Management Division; D. Dean Mesterharm, Deputy Commissioner for Systems, Social Security Administration; Hon. Emmett Paige, Jr., Assistant Secretary for

Defense Command, Control, Communications and Intelligence, Department of Defense; and Hon. George Muñoz, Assistant Secretary for Management and Chief Financial Officer, Department of the Treasury. The witnesses testified to a number of examples of incidences that could occur if industry and government continue to ignore this issue. In fact everything from unexpected expiration of drivers' licenses to erroneous dates for final mortgage payments could occur if two-digit date fields remain unable to recognize the year 2000.

On September 10, 1996, the subcommittee convened a joint hearing with the Subcommittee on Technology of the Committee on Science to review the impact on personal computers, on State and local governments, and on Federal agencies. Testimony was received from: Sally Katzen, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget; Larry Olson, deputy secretary, information technology for the Commonwealth of Pennsylvania; Harris Miller, president, Information Technology Association of America; and Daniel Houlihan, first vice president and president elect, National Association of State Information Resource Executives.

In her testimony, Sally Katzen provided an outline of the administration's current strategy for solving the problem: 1) raise the awareness of the most senior managers in Federal agencies to the dimensions of the problem; 2) promote the sharing of both management and technical expertise; and 3) remove barriers that may slow down or impede technicians fixing systems.

Larry Olson presented Pennsylvania's plan of action. As noted by Olson, the key to success of the plan is senior level support. Mr. Olson pointed out that during his first year as Governor of Pennsylvania, Tom Ridge quickly recognized the dramatic implications of the Year 2000 date field problem. Subsequently the Governor took quick action to ensure that Pennsylvania businesses and governments will be prepared before January 1, 2000.

Harris Miller presented an outline of how the Year 2000 situation presents three problems for personal computer users in homes and businesses across the country: 1) the BIOs chip of individual machines; 2) the operating system that generally comes bundled with new computers; and 3) the commercial software purchased for those machines. Most equipment manufacturers in the past 18 months have modified their products. Operating systems in personal computers in most cases can have their operating systems "fixed" through a simple procedure using the computer's mouse. Commercial software products may or may not be Year 2000 compliant. An issue of great concern for personal computer users is the increasing access with other systems. In order to ensure that computer systems are operational in the year 2000, most systems will need modification. Miller also testified further that personal computer users as well as mainframe information technology managers need to be aware of this issue and take appropriate corrective steps.

b. Benefits.—According to Mr. Schick, the crisis revolves around time, cost and risk. Businesses, Federal agencies, and State and local governments must understand that this information technology project cannot be allowed to slip: Saturday, January 1, 2000

cannot be postponed. Prevention of widespread disruption of services to citizens, breakdowns in information processing, and compromising of computer security controls must be kept to a minimum. The problem, although not technically complex, is managerially challenging and will be very time consuming for private and public sector organizations. It is the Government's responsibility to ensure that its constituents receive Federal services and that public safety is available to all citizens. (See section II.A.2.)

c. Hearings.—Hearings entitled, "Is January 1, 2000 the Date for Computer Disaster?" and "Solving the Year 2000 Computer Problems" were held on April 16, 1996 and September 10, 1996.

24. Oversight of the General Accounting Office.

a. Summary.—The primary mission of the General Accounting Office (GAO) is to investigate all matters relating to the receipt, disbursement, and application of public funds, which includes the audit requirements under the Chief Financial Officers Act of 1990. The scope of the GAO's authority has been extended to include conducting commercial audits of governmentwide operations; establishes principles and standards for accounting in executive agencies and audit evaluations of the adequacy of financial management and control; and to conduct a governmentwide audit of the executive branch's agencies in compliance with the Government Management and Reform Act of 1994.

The subcommittee convened an oversight hearing on April 30, 1996, to review the growing concerns regarding the GAO's operations and responsibilities; the efficiency of the GAO's processes; and the prioritization of the functions which the GAO performs. Testimony was received from Hon. Charles A. Bowsher, Comptroller General of the United States, U.S. General Accounting Office; Hon. John A. Koskinen, Deputy Director for Management, Office of Management and Budget; Dr. R. Scott Fosler, president, National Academy of Public Administration; Thomas V. Fritz, president and CEO, the Private Sector Council; and Dr. Cornelius (Neil) E. Tierney, accounting professor, George Washington University.

Comptroller General Bowsher stated that since 1983, the GAO had doubled its productivity. Some of GAO's accomplishment have led to budget reductions, cost avoidance, appropriation deferrals, and revenue collections that have provided financial savings and other benefits in the billions of dollars. In fiscal year 1995, this amounted to a return of $35 for every $1 appropriated for the GAO.

Dr. Tierney stated that, with respect to the GAO's government auditing standards, two conditions exist that might warrant assistance from Congress: the need to actually audit and have auditors render an opinion on the adequacy of a government's system of internal controls; and giving increased emphasis within and possibly requiring the Inspectors General community to periodically conduct the program performance audits outlined and contemplated by the GAO in its government auditing standards.

In addition, Tierney said that the concerns expressed about certain aspects of the GAO operations, its working relationships with individual Members of Congress and committees, and its independence, had been examined over the years. The GAO is continually concerned over the length of time taken to issue reports of its re-

views and audits. At times, report preparation and delivery have exceeded a year or more. Also he stated that the GAO workload includes various studies, reports, audits, etc., that are legislatively mandated. Much of what appears to be self-initiated, is, in fact, the result of mandates in laws by earlier Congresses.

b. Benefits.—In fiscal 1995, the GAO prepared 1,322 audit and evaluation reports, including 910 reports to Congress and agency officials, 166 congressional briefings, and 246 congressional testimonies delivered by 72 GAO executives and serves a valuable asset to the Congress in its oversight of the executive branch.

Mr. Bowsher also described steps the GAO has taken to improve its productivity and better serve Congress. It has streamlined its headquarters and field operations. It has improved its processes for conducting and reporting the results of its work. It plans to capitalize on advances in information resource technology and to enhance its methodological and technical skills. In addition, the GAO's financial audit division has successfully undergone an external peer review by KPMG Peat Marwick.

c. Hearings.—On April 30, 1996, the subcommittee held an oversight hearing entitled "Oversight of the United States General Accounting Office."

25. Oversight of the General Services Administration.

a. Summary.—The General Services Administration (GSA) was created to provide an economical and efficient system to supply goods and services to the Federal Government. It has not been reauthorized in the nearly 50 years of its existence.

The subcommittee held a hearing on May 10, 1996, to examine GSA's authority over the Federal motor vehicle fleet, personal property disposal, and leasing of Federal buildings. The subcommittee heard testimony from: David Barram, Administrator of General Services, GSA; G. Martin Wagner, Associate Administrator, Office of Policy, Planning and Evaluation, GSA; Frank Pugliese, Commissioner, Federal Supply Service, GSA; David Bibb, Deputy Commissioner, Public Buildings Service, GSA; Andrew Jones, senior manager, Arthur Andersen; John Dues, partner and director, Arthur Andersen; Chris Butterworth, president, National Association of State Agencies for Surplus Property; and Bill Wilson, vice president, National Association of State Agencies for Surplus Property.

Subcommittee Chairman Horn opened the hearing by noting that GSA had not been reauthorized since 1949, and asserted that this harmed GSA, since its programs do not have regular congressional input aside from the $257 million in appropriated funds. In addition to the lack of clear direction from Congress, GSA is split between policy and oversight and the provision of services. Chairman Clinger raised issues relating to the Federal motor vehicle fleet and if GSA could effectively operate a large fleet. Mr. Pugliese stated that the Federal Supply Service would be responsible for operating the GSA fleet, and the Office of Policy, Planning and Evaluation would handle the policy aspects. Pugliese noted that 90 percent of the dollars spent by the GSA fleet program are spent on private sector contractors—so much of the program is already privatized.

Mr. Wagner described the purpose of the surplus property program, which is to put Federal property toward the highest possible

use, in a Federal agency or a State or local government agency. Wagner agreed that GSA and other agencies should take a look at the property management function, since $30 billion in surplus personal property is declared excess each year by Federal agencies.

Subcommittee Chairman Horn raised the issue of leases and public buildings, describing how GSA was charging his predecessor $80,000 for office space he obtained for $30,000, with an increase in service for constituents. Administrator Barram noted that GSA was required to locate, where possible, in downtown city centers, which inflates the cost.

b. Benefits.—Administrator Barram noted that lease renegotiation and ensuring that tax reductions are passed through to the Federal Government will reduce office rate charges over the next few years. David Bibb noted that every 5 years appraisers examine buildings to establish the market rate. Several private real estate firms have approached GSA offering to assist GSA in locating savings through restructuring existing leases, challenging tax assessments, and performing lease audits for free in exchange for some portion of the savings. Some private firms say that $1 billion could be saved annually, whereas Arthur Andersen notes show that GSA could save $565 million annually.

c. Hearings.—On May 10, 1996, the subcommittee held a hearing on "Oversight of the General Services Administration (GSA)."

26. Federal Information Policy Oversight.

a. Summary.—As part of its oversight responsibility, the subcommittee has jurisdiction over the following aspects of the Government's information policy: the Freedom of Information Act (FOIA); the Privacy Act; Government in the Sunshine Act; and Federal Advisory Committee Act.

The subcommittee conducted an oversight hearing on June 13, 1996, to receive testimony from witnesses regarding the execution of these information policy laws. In his opening statement subcommittee Chairman Horn expressed his frustration upon learning that the Federal Bureau of Investigation (FBI) has a 4-year backlog for responding to FOIA requests. In noting the significance that the committee attaches to the Freedom of Information Act, he observed that the first report issued by the House Committee on Government Reform and Oversight was an updated version of "A Citizen's Guide on Using the Freedom of Information and Privacy Act of 1974 to Request Government Records."

The subcommittee received testimony from Senator Patrick Leahy who noted the role that FOIA requests had in uncovering information about various Government actions. He stated that the law needed to be updated to reflect the advancing use of information technology in Government to maintain records, adding "access should be the same whether they are on a piece of paper or a computer hard drive." The Senator also criticized the failure of agencies to comply with the statutory time limits for responding to requests.

Few agencies actually respond to FOIA requests within the 10-day limit required by law. Such routine failure to comply with the statutory time limits is bad for morale in the agencies and breeds

contempt by citizens who expect Government officials to abide by, not routinely break, the law.

Witnesses were Senator Patrick Leahy; J. Kevin O'Brien, Section Chief of the Freedom of Information/Privacy Acts Section, FBI; Roslyn Mazer, Deputy Assistant Attorney General, Office of Policy Development, Department of Justice; Anthony Passarella, Director, Directorate for Freedom of Information and Security Review, Office of the Assistant Secretary of Defense; Eileen Welsome, journalist; Larry Klayman, chairman and general counsel of Judicial Watch; Jane Kirtley, executive director, of the Reporter's Committee for Freedom of the Press; Byron York, reporter for the American Spectator; Marty Wagner, Associate Administrator, Office of Policy, Planning and Evaluation, GSA; James L. Dean, Director, Committee Management Secretariat Staff, GSA; Paul Kamenar, executive director, Washington Legal Foundation; Randolph May, attorney, Sutherland, Asbill & Brennan.

b. Benefits.—Access to government information, government records about individuals, and the protection of personal records from unwarranted disclosure are each important protection in a democratic society. Technological developments have the potential of dramatically enlarging the potential for disclosure of this information. Legislative and oversight initiatives are necessary to assure that these new developments facilitate the release of information intended for disclosure in a timely manner, while also better shielding those personal records which the public expects to be kept private.

c. Hearings.—Hearing entitled, "Federal Information Policy Oversight," was held on June 13, 1996.

27. Oil Royalties.

a. Summary.—The subcommittee has legislative and oversight jurisdiction with respect to the "overall economy, efficiency and management of government operations and activities, including Federal procurement." In addition, the subcommittee has the oversight responsibility to review and study on a continuing basis, the operation of government activities at all levels with a view to determining their economy and efficiency. Pursuant to this authority, the subcommittee convened an oversight hearing to examine whether companies under agreements to extract oil from Federal lands in California undervalued the oil and as a result, underpaid royalties to the Federal Government.

In 1975, the State of California and the city of Long Beach pursued litigation against seven major oil companies operating in California alleging that these companies conspired to keep posted oil prices low. The city and State claimed they had been damaged because their oil revenues depended on posted prices (posted prices are the announced prices at which crude oil purchasers, generally major refiners, will buy oil from producers at the wellhead) and the royalty thereon. If the posted price is below fair market value, the Federal Government loses tax and royalty revenue.

In 1986, the Minerals Management Service (MMS) of the Department of the Interior contacted State officials to assess the appropriateness of posted prices as the royalty value basis. MMS concluded that the system of posted prices existing at the time fairly

represented market value. Also weighing heavily in the MMS decision was the fact that the State and city had been unsuccessful in their antitrust claims in court. The Justice Department looked into the issue and chose not to pursue an investigation.

In the mid-1980's, MMS, the General Accounting Office and the Internal Revenue Service independently analyzed the issue, but the information available to them was inconclusive in proving that Federal oil was undervalued at posted prices. In 1991, six of the companies involved (ARCO, Shell, Chevron, Mobil, Texaco, and Unocal) reached settlements totaling $345 million to end the court actions by the State and city alleging undervaluation. A seventh defendant, Exxon, went to trial and was exonerated. That decision was appealed, and Exxon won the appeal in January 1995. A separate appeal covering a different time period is still pending. Given the length and circumstances of the litigation, it is not certain whether the companies settled as a practical matter to cut off litigation, or whether they were concerned about potential legal liability.

In light of the 1991 settlement, MMS performed a scoping exercise to estimate the size of any potential Federal royalty underpayment. In 1994, an interagency team consisting of MMS, the Department of the Interior's Solicitor's Office and the Departments of Energy, Commerce and Justice, investigated the allegations. The Justice Department resigned from the team, citing an inability to prove antitrust violations. The State of California assisted the Federal team in obtaining court records from the earlier litigation.

b. Benefits.—The Minerals Management Service has delayed the collection of oil royalties which are owed. This hearing was the first congressional hearing on the issue of undervaluation of crude oil. As such, the hearing benefited the Federal Government by focusing attention on the problem and demonstrating that there was bipartisan congressional interest in pursuing underpayment. (See section II.A.3.)

c. Hearings.—On June 17, 1996, the subcommittee held a hearing entitled, "Can the U.S. Increase Oil Royalties."

28. Field Hearing on the U.S. Border Patrol's Operation Gatekeeper.

a. Summary.—The U.S. Border Patrol is a part of the Immigration and Naturalization Service, the primary agency in the Department of Justice responsible for enforcing the Nation's immigration laws. The Border Patrol is responsible for securing the international land and water borders between ports-of-entry with the goal of preventing illegal entry into the United States, interdicting drug smugglers, and compelling those persons seeking admission to the country to present themselves legally at ports-of-entry for inspection.

On October 1, 1994, the Department of Justice initiated Operation Gatekeeper in an attempt to reduce illegal immigration across the United States-Mexico border in the San Diego region. Administered by the Border Patrol, Operation Gatekeeper has as one of its goals the shifting of illegal crossing routes to areas that are remote and difficult to cross—areas where the Border Patrol presumably has a tactical advantage. The operation has had the effect of moving the flow of illegal alien traffic eastward, away from

San Diego, Imperial Beach and Chula Vista to Brown Field and beyond eastern San Diego County.

A key objective of Operation Gatekeeper is providing a deterrent to illegal aliens crossing the United States-Mexico border. Accordingly, a measure of the operation's success is the number of individuals apprehended for illegally crossing the border. The fewer people caught, it is argued, the more successful the operation, since its aim is to reduce the number of illegal aliens arrested in the areas targeted by the initiative by deterring their crossings. Figures provided by the Immigration and Naturalization Service show reductions in the number of apprehensions in the southwest border region. Arrests in Imperial Beach have fallen to approximately 60,000 for the first 9 months of the current fiscal year versus 84,000 for the same period during the previous year. Arrests in Chula Vista have dropped from 105,159 to 91,987 during the same period. Arrests in Brown Field dropped from 109,141 to 94,206 during that time.

The subcommittee investigated allegations made by agents of the Border Patrol that the reported drop in arrests was due to falsification of the reports by officials within the Border Patrol. At a hearing before the California State Assembly Subcommittee on Border Crime, T.J. Bonner, president of the National Border Patrol Council testified that the Border Patrol has: "[E]ngaged in a comprehensive campaign of deception regarding the effectiveness of Operation Gatekeeper. In its zeal to make good on its promise to replicate the reduction in arrests that occurred in El Paso, the Border Patrol encouraged and ordered agents to create the appearance that illegal entries had declined dramatically in the westernmost fourteen miles of the border." Mr. Bonner made a number of specific allegations about the effectiveness of the operation.

In his opening statement, subcommittee Chairman Horn questioned the use of the apprehension rate as a gauge to assess the effectiveness of Operation Gatekeeper. He further noted the concerns of residents in areas where the traffic flow of illegal aliens has increased due to the operation. T.J. Bonner testified that: "[T]he Border Patrol has engaged in a comprehensive campaign of deception regarding the effectiveness of Operation Gatekeeper . . . Encourag[ing] and order[ing] agents to create the appearance that illegal entries had declined dramatically . . ." He stated that Border Patrol agents were ordered to remain in stationary positions and not to leave their locations even if illegal aliens crossed on either side of their stations. They were chastised and threatened with disciplinary action when they arrested illegal aliens. Illegal aliens were turned back without arresting them, and in other instances, the apprehensions were not recorded or reported. In addition, he testified that the Border Patrol altered the location for returning illegal aliens to Mexico by sending them hundreds of miles away from the San Diego area. This was done, Bonner noted, to ensure that if the illegal aliens attempted another crossing, the flow would not be felt in the area covered by Operation Gatekeeper. "The result of all of these actions was an artificial decrease in the number of apprehensions" stated Bonner.

Mr. Bonner was joined by a Border Patrol agent whose identity was shielded by the subcommittee from disclosure. This was done

at the agent's request for fear that if his identity was known to his supervisors at the Border Patrol, reprisals would occur against him for speaking publicly about allegations about the operation. His testimony supported the allegations raised in Mr. Bonner's statement. He added that quotas were set to limit the number of apprehensions, and noted that he witnessed the falsification of official reports on the number of illegal aliens stopped. In response to a question from subcommittee Chairman Horn, the agent noted that the order to manipulate data came from Johnny Williams, Chief of the Border Patrol's San Diego sector.

b. Benefits.—The testimony received during this hearing enabled members of the subcommittee to hear firsthand the impact of Operation Gatekeeper. The testimony leads to the conclusion that Operation Gatekeeper is not a complete success; it has had limited success in slowing the entry of illegal aliens in a few miles of the border. The subcommittee will continue its oversight of this initiative due to the findings from the hearing.

c. Hearings.—On August 9, 1996, the subcommittee held a field hearing on "U.S. Border Patrol Implementation of Operation Gatekeeper."

29. Oversight of the Smithsonian Institution.

a. Summary.—The subcommittee convened an oversight hearing with the Committee on House Oversight to review security and procurement procedures of the Smithsonian. The subcommittees heard testimony from I. Michael Heyman, secretary of the Smithsonian Institution; Tom Blair, Inspector General of the Smithsonian Institution, and Bill Gadsby, Director of Governmental Business Operations, General Accounting Office.

The Smithsonian entered into a contract with Hughes Aircraft Company to develop and build the Smithsonian Institution Proprietary Security System (SIPPS). It took 12 years to complete from the initial award of the contract. The SIPPS was handled in two phases. In spite of the facts that there were significant problems with phase I of the project, the Smithsonian proceeded with phase II. The SIPPS was a complete failure, in that it was unable to protect the collections of the Smithsonian. The procurement and the performance of SIPPS was reviewed by Inspector General Blair who recommended changes in the procurement system.

Secretary Heyman was in agreement with Mr. Blair regarding the procurement practices of the Smithsonian as they relate to the procurement of SIPPS. However, it was noted, many of the problems that existed during the initial SIPPS procurement have since been corrected. In addition, Secretary Heyman testified that during the 150th anniversary year of the Smithsonian, it has embarked on a program to enhance public exposure, accessibility and education. One of the ways in which the Smithsonian increased accessibility was to bring collections and collective experts on-line.

b. Benefits.—This oversight hearing was the first in many years. This was an opportunity for the subcommittee to exercise its oversight authority over the Smithsonian.

c. Hearings.—The subcommittee held an oversight hearing on September 25, 1996 on the Smithsonian Institution. The hearing was held jointly with the House Oversight Committee.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

1. Efforts To Reorganize and Improve Program Performance and Efficiency at the U.S. Department of Housing and Urban Development (HUD).

a. Summary.—The Human Resources and Intergovernmental Relations Subcommittee reviewed budget data, National Performance Review recommendations, Inspector General audits and reports, and General Accounting Office studies and recommendations to identify opportunities for cost savings, improved efficiency and consolidations in the programs and operations of the Department of Housing and Urban Development (HUD).

The subcommittee convened two oversight hearings with respect to the agency. On February 13, 1995, the subcommittee invited the HUD Secretary Henry Cisneros to testify about the agency's core mission, management, plans, programs, and potential cost savings. The Secretary was also asked to discuss successes and challenges facing HUD in meeting its core mission. Secretary Cisneros spoke about HUD's *Blueprint for Reinvention* which focuses on the consolidation of several programs, the Department's efforts to transform the Federal Housing Administration (FHA) "from a government bureau to a government corporation," and the agency's sweeping efforts to transform public housing throughout the country. Subcommittee Chairman Shays congratulated Secretary Cisneros on the agency's efforts to reorganize into a "leaner and more efficient" agency.

On February 22, 1995, the subcommittee held a second hearing to receive information from HUD's Inspector General (IG); the Director of Housing and Community Development Issues of the U.S. General Accounting Office (GAO); a senior fellow from the Hudson Institute; a former chairman of the Chicago Housing Authority and president of American Community Housing Associates; a private organization; and the founder of the National Low Income Housing Coalition.

b. Benefits.—American taxpayers and public housing residents, in particular, benefit from administrative savings, greater flexibility, and more effective concentration of limited HUD resources. The hearings demonstrated that there are opportunities at HUD for cost reduction, improved efficiency and reform and allowed HUD officials, former HUD officials, and other Federal and private officials the opportunity to come together to discuss what HUD is doing right as well as what the agency might be doing wrong.

c. Hearings.—Hearings entitled "Oversight Hearing on the Department of Housing and Urban Development" were held on February 13 and 22, 1995.

2. Efforts To Improve Program Performance and Efficiency at the U.S. Department of Health and Human Services (HHS).

a. Summary.—The subcommittee reviewed budget data, National Performance Review recommendations, Inspector General audits and reports, and General Accounting Office studies and recommendations to identify opportunities for cost savings, improved

efficiency and consolidations in the programs and operations of the Department of Health and Human Services (HHS).

On March 1, 1995, the subcommittee convened an oversight hearing to receive testimony from HHS Secretary Donna E. Shalala. The Secretary was invited to discuss the agency's core mission, goals, programs, and plans for cost saving; to indicate what HHS does well and describe what HHS programs could possibly be better done by the States and localities; and to address agency efforts to move Medicare and Medicaid into managed care systems.

Secretary Shalala testified about HHS efforts to reinvent the agency, and indicated that she continually asks the following questions with respect to the duties and responsibilities of HHS: Are the programs or functions critical to the agency's mission and based on customer input? Can the program or the function be done as well or better at the State or local level? Is there a way to cut cost or improve performance by introducing competition? Can the program be improved by putting customers first, cutting red tape, and empowering employees?

On March 22, 1995, the subcommittee convened a second oversight hearing to receive testimony from public and private sector witnesses, as well as testimony from the U.S. General Accounting Office (GAO), HHS's Office of Inspector General (OIG), and representatives from the Heritage Foundation and Project HOPE.

GAO and OIG officials focused on the critical area of losses due to waste, fraud and abuse in the Medicare and Medicaid programs. Losses in national health care spending are estimated by the GAO to be as high as 10 percent of total spending. If these estimates are correct, losses due to waste, fraud and abuse in Medicare and Medicaid in fiscal year 95 could be in excess of $24 billion.

b. Benefits.—Every American taxpayer benefits from a Federal health care and human services delivery system operated in the least costly manner with the needs of the customer given great weight in the decisionmaking processes. The subcommittee will continue to monitor waste, fraud and abuse in Medicare and Medicaid programs. Recommendations made by the GAO, OIG and others in the course of this hearing to reduce staggering and unacceptable losses will be carefully examined and monitored.

c. Hearings.—Hearings entitled "Oversight Hearing on Department of Health and Human Services" were held on March 1 and 22, 1995.

3. Efforts To Reorganize and Improve Program Performance and Efficiency at the U.S. Department of Labor (DOL).

a. Summary.—The subcommittee reviewed budget data, National Performance Review recommendations, Inspector General audits and reports, and General Accounting Office studies and recommendations to identify opportunities for cost savings, improved efficiency and consolidations in the programs and operations of the Department of Labor (DOL).

On March 9, 1995, the subcommittee convened an oversight hearing, DOL Secretary Robert B. Reich was asked to address what DOL does well and to describe particular situations that the agency was finding challenging in the accomplishment of its core mission,

goals, programs, and plans for cost saving. Secretary Reich was questioned about Representative Steven Gunderson's (IR–WI) proposal to combine the Departments of Education and Labor. The Secretary disagreed with the proposal, claiming that each agency has its own specialized and distinct function.

Secretary Reich presented charts that showed the decline of real wages for middle and lower income workers. The Secretary advocated raising the minimum wage and increasing the level of job training, which he defined as "any vocational course of instruction, directly related to gaining job skills, outside of a formal degree program." The Secretary also testified about efforts to consolidate job training programs and the agency's plans regarding downsizing.

On April 4, 1995, the subcommittee convened a second oversight hearing to identify other opportunities for cost reduction, increased efficiency and reform in the $33.8 billion Labor Department budget. Testimony was received from the U.S. General Accounting Office (GAO), DOL's Office of Inspector General (OIG), and a representative from the Urban Institute. The GAO and OIG officials focused on consolidation and termination of overlapping job training programs. The GAO told the subcommittee that the Federal Government runs 163 job training programs administered by 15 agencies. Secretary Reich of DOL has proposed to consolidate 70 education and training programs. Urban Institute officials testified about potential administrative cost savings from Federal program consolidations and about administrative savings that might be expected from various program consolidation models.

b. Benefits.—The hearings provided an overview of the policy issues presented by current DOL programs, particularly as the issues relate to opportunities for consolidations and terminations of ineffective and/or duplicative programs.

c. Hearings.—Hearings entitled "Oversight Hearing on Department of Labor" were held on March 9 and April 4, 1995.

4. Efforts To Reorganize and Improve Program Performance and Efficiency at the U.S. Department of Education (DOED).

a. Summary.—The subcommittee reviewed budget data, National Performance Review recommendations, Inspector General audits and reports, and General Accounting Office studies and recommendations to identify opportunities for cost savings, improved efficiency and consolidations in the programs and operations of the Department of Education (DOED).

On March 13, 1995, the subcommittee convened a hearing to allow DOED Secretary Richard Riley to discuss the agency's core mission, goals, programs, and plans for cost savings. Subcommittee Chairman Shays opened the hearing by mentioning the States' role in education and indicated his wish to understand the changes taking place in the Department of Education, especially in light of proposals to merge the Departments of Labor and Education.

Secretary Richard Riley testified about the new and controversial direct student loan program, training program consolidations, and problems the agency had with block granting. Secretary Riley also indicated that he did not agree that combining the Departments of Labor and Education would help to save money since the DOED was already consolidating programs.

Deputy Secretary of Education Madeleine Kunin testified that DOED had made significant managerial and attitudinal changes that she believed would break down agency bureaucracy and bring the DOED's philosophy in line with budget constraints.

On April 6, 1995, the subcommittee convened a second oversight hearing to discuss whether significant cost savings could be achieved through a consolidation or elimination of duplicative programs and improved efficiencies in DOED program administration. Testimony was received from: the public and private sectors; DOED's Office of Inspector General (OIG); the U.S. General Accounting Office (GAO); and a former DOED Assistant Secretary for Management and Budget.

GAO testified that according to Office of Management and Budget data, fiscal year 95 spending on education is estimated to be $70 billion. DOED spends less than half, $33.4 billion or 47 percent of the total. The Department of Labor spends $5.5 billion, or 7.9 percent of the total. Other Federal agencies also manage numerous education-related programs, including the Department of Health and Human Services with 129 programs, the National Endowment for the Arts and Humanities with 27, and the Department of Agriculture with 26. The OIG testified that, since 1965, the Federal Family Education Loan program has suffered $57 billion in defaults, with $4.7 billion in 1993 alone.

b. Benefits.—The hearings provided subcommittee oversight of DOED, its core missions, goals, and efforts to downsize and consolidate training and other programs. The hearings also produced information on the potential and the limitations of program consolidations in education and training.

c. Hearings.—Hearings entitled "Oversight Hearing on Department of Education" were held on March 13 and April 6, 1995.

5. Efforts To Reorganize and Improve Program Performance and Efficiency at the U.S. Department of Veterans Affairs (VA).

a. Summary.—The subcommittee reviewed budget data, National Performance Review recommendations, Inspector General audits and reports, and General Accounting Office studies and recommendations to identify opportunities for cost savings, improved efficiency and consolidations in the programs and operations of the Department of Veterans Affairs (VA).

On March 13, 1995, the subcommittee convened a hearing to allow VA Secretary Jesse Brown to discuss the agency's core mission, goals, programs and plans for cost savings. Secretary Brown was asked to testify about successes and challenges at the VA and about agency efforts to reform the VA's vast health care system. The Secretary testified that the agency's biggest success so far had been evidenced in its ability to respond more quickly to the needs of veterans. Secretary Brown also discussed VA's continuing efforts to help veterans from the Persian Gulf War, addressed questions relating to VA hospital utilization rates and the accessibility of health services to veterans.

On May 9, 1995, the subcommittee convened a second oversight hearing to identify opportunities for improved efficiency and management reforms in the $38.2 billion VA. Testimony was received from the U.S. General Accounting Office (GAO), the VA's Office of

Inspector General (IG), and from representatives of veterans organizations.

The subcommittee also probed the views of the witnesses on VA's plans for reorganizing hospital and medical facilities. Subcommittee Chairman Shays requested comments about plans to improve the efficiency and quality of the VA's health care service, and asked the witnesses for their views about how to raise the level of management coordination and accountability in VA programs and operations.

b. Benefits.—The VA health system is the largest centrally managed health care delivery system in the Nation. Veterans and every American taxpayer will benefit from cost effective VA programs and services. If the VA health care system is to remain viable, it must fundamentally change its approach to providing care. The need for structural change is acute. By holding these hearings, the subcommittee has benefited the system by demonstrating congressional concern that the VA adapt its health care delivery system to meet the changing demands of the health care marketplace.

c. Hearings.—Hearings entitled "Oversight Hearing on Department of Veterans Affairs" were held on March 13 and May 9, 1995.

6. Examination of Programs and Operations of the Corporation for National and Community Service.

a. Summary.—On April 25, 1995, the subcommittee directed an inquiry to the Corporation for National and Community Service (Corporation) regarding the agency's AmeriCorps program. The inquiry requested information on the per-participant costs of the program, the quality and performance standards applied to AmeriCorps grant applications and programs, the amount of training received by AmeriCorps participants and information on any AmeriCorps programs that did not involve AmeriCorps participants.

On May 4, 1995, the Corporation responded to the subcommittee's inquiry. The Corporation reported per participant costs to be $17,600 for full time members. They noted this figure was subject to change if their original fiscal year 95 funding levels were rescinded. The Corporation also provided a breakdown of the per-participant costs indicating the percent of costs devoted to educational awards, stipends, travel, training and benefits. Part-time participants were reported to have a cost of $8,800. Again, this figure would also be subject to change if the fiscal year 95 appropriations if rescissions were passed by Congress for that fiscal year.

The Corporation also outlined the selection criteria applied in the agency's evaluation of AmeriCorps program applications. The criteria were set out under the headings of: quality, sustainability, innovation, replicability and special considerations (such as geographic diversity and start dates). The Corporation further outlined the quality standards used at both Federal and State levels in selecting grantees. These standards are printed in the AmeriCorps grant application and are reflected in the Corporation's "Principles for High Quality National Service Programs" which include: strong organization, excellent service projects, evaluation, participant experience, community partnerships and diversity.

The Corporation also reported that the programs were made subject to several levels of performance reviews conducted by State commissions, national parent organizations, Corporation staff and impartial national evaluators. According to the Corporation, performance reviews include quarterly report forms, financial status reports, site visits, and independent evaluations. The Corporation stated that the performance results are taken into consideration during the grant renewal decisionmaking process.

In the response, the Corporation also described the statutorily mandated "planning grants" that make up 1.5 percent of their grant budgets. Planning grants, such as one awarded to the Northeastern University's Center for the Study of Sports in Society, must be used for activities such as: site selection, anticipating roadblocks, studying other AmeriCorps programs, creating partnerships with businesses, non-profits, police and school districts. The Corporation disputed allegations that planning grants are used to help organizations write grant applications.

The Corporation response indicated that AmeriCorps participants must devote at least 80 percent of their hours to direct service, with no more than 20 percent going to education, training or community building activities during a full-time or reduced term of service. The education or training activities may include preparation for the GED.

To address questions raised by the Corporation response, the subcommittee convened an oversight hearing to examine the programs and operations of the Corporation for National and Community Service. Testimony was received from Corporation Chief Executive Officer Eli Segal, along with representatives from AmeriCorps program sponsors, participants and critics of the Corporation.

This was the first oversight hearing on the Corporation since its creation in 1993, with the passage of the National and Community Service Trust Act (Public Law 103–82). The act consolidated responsibility for a number of community service programs, including AmeriCorps, Volunteers in Service to America (VISTA), the National Civilian Community Corps, Serve-America, and the Retired Senior Volunteer Program (RSVP).

b. Benefits.—The subcommittee hearing provided a balanced discussion of the costs and benefits of the national service programs which became operational under the Corporation umbrella in 1993.

c. Hearings.—A hearing entitled "Oversight Hearing on the Corporation for National and Community Service" was held on May 18, 1995.

7. Revelations of Medicaid Fraud and Scams.

a. Summary.—In 1992, the House Government Operations Committee issued a report concluding that waste, fraud and abuse "cost the government $300 billion in recent years."[20] The report added, "Government waste has not only bilked the taxpayer of billions of dollars, but it has created a public cynicism about government at a time when effective government is needed the most." After hav-

[20] "Managing the Federal Government: A Decade of Decline," December 1992, Majority Staff Report to the Committee on Government Operations.

ing received testimony from the Secretaries of five cabinet departments, the Human Resources and Intergovernmental Relations Subcommittee convened an oversight hearing in order to seek the perspectives and recommendations of commentators and investigators from outside the government on ways to identify and reduce waste, fraud and abuse in these departments. Testimony was received from: Thomas Schatz, president of Citizens Against Government Waste; Martin Gross, an author and commentator; James Bovard, journalist and author; and Dr. Ronald Walters, chairman of the political science department of Howard University.

Mr. Schatz testified about the Departments of Education and Veterans Affairs. He discussed collection problems in Student Financial Aid Programs, which he believes should be unsubsidized and administered by the Treasury Department. He testified that he believes that the VA frequently overpays pension and compensation benefits and suggested forms of data collection that he believes would fix problems of overpayment.

Mr. Gross testified about the Department of Health and Human Services. He believes that to prevent the insolvency of the Social Security system, the retirement age should be raised to 70 years. Mr. Gross also discussed his views regarding how Medicare and Medicaid could be run more efficiently.

Mr. Bovard discussed problems in the Section 8 housing system. He cited several examples of incidences where he belived that the government was paying for expensive housing for the poor, and argued that Section 8 projects are linked to many inner city problems.

Mr. Kennedy testified about his experience of going undercover for 2 months on the streets of New York City to expose scam artists—doctors, pharmacists and black marketeers—who he says rip off the Medicaid program in New York State for hundreds of millions of dollars. Mr. Kennedy said that he was able to "easily rent Medicaid cards" from unscrupulous people on the street and use the cards to obtain thousands of dollars "in unneeded tests, exams and services—all at taxpayer expense." Mr. Kennedy further testified that "after 30 years of existence, Medicaid has failed to require ID photos or any other descriptive information on its cards, allowing thousands of unscrupulous recipients to barter their cards for quick cash or drugs."

Dr. Walters lauded the efforts of the administration's Reinventing Government initiative, and voiced concern about the counterproductive outcomes of dismantling programs too quickly or ill-advisely. Dr. Walters contended that the reason many of the poverty programs do not work is because their operating costs are under funded. Dr. Walters testified about his fear that with further budget cuts to poverty programs and an increasing number of people entering poverty, that the situation would simply get worse.

b. Benefits.—It is the view of subcommittee Chairman Shays that "Even if it were possible to eliminate all losses to waste, fraud and abuse, the savings would still not balance the budget. However, Congressional action to produce a major reduction in losses would go a long was toward restoring public confidence in government.

c. Hearings.—A hearing entitled "Waste in Human Service Programs: Other Perspectives" was held on May 23, 1995.

8. Fraud and Abuse in Medicare and Medicaid.

a. Summary.—Pursuing oversight issues identified in previous general oversight hearings, the subcommittee requested information from the Health Care Finance Administration (HCFA), the HHS Inspector General and others concerning providers who defraud the programs but continue to bill Medicare and Medicaid. The effectiveness of legal and administrative sanctions against abusive providers, and management controls over provider access to Federal health care programs were examined. In particular, the subcommittee focused on whether more could be done to keep fraudulent providers out of those important government programs.

Testimony was received from: the Administrator as well as the Senior Advisor for Program Integrity of the Health Care Financing Administration; the HHS Inspector General; the Special Counsel for Financial Institutional Fraud of the U.S. Department of Justice; the Assistant Director of the Agency for Health Care Administration for the State of Florida; and the executive director of the National Health Care Anti-Fraud Association.

Federal health care programs will cost $262 billion this year. According to the GAO, up to 10 percent of health care spending is lost to fraud and abuse. That means Medicare and Medicaid losses are perhaps as much as $26 billion, or $71 million each day!

b. Benefits.—Losses of this magnitude pose a real threat to the solvency of Federal health care programs. The subcommittee learned of the limited impact of penalties—such as suspension or debarment—that can now be imposed on providers who are consistently abusive, or are indicted or convicted of defrauding the Government's health care systems.

c. Hearings.—A hearing entitled "Keeping Fraudulent Providers Out of Medicare and Medicaid" was held on June 15, 1995.

9. Lengthy FDA Delays in Reviewing Food Additive Petitions.

a. Summary.—This hearing was the first oversight hearing on the FDA's management of this premarket review program since enactment of the food additive amendments of 1958. As subcommittee Chairman Shays noted, a serious look at how the FDA handles its responsibilities was long overdue. Thus, the subcommittee convened an oversight hearing on this subject to span a 2 day period, June 22 and 29, 1995, where testimony was received from representatives of the FDA; the Grocery Manufacturers of America; National Food Processors Association; the University of Texas Graduate School of Biomedical Sciences; the Institute of Food Technologists; the National Academy of Sciences' Food Forum; the Calorie Control Council, the center for Science in the Public Interest and the Federation of American Societies of Experimental Biology and from others.

Under the Food Drug and Cosmetic Act, the FDA has up to 180 days to review and act on food additive petitions. The FDA has a backlog of 295 food additive petitions under review. Among the backlog of pending food additive petitions, 66 percent have been pending since 1990, 27 percent since the 1980's, and 7 percent since the 1970's. More than 100 new petitions are submitted each year to the FDA. Food additives affect the characteristics of food.

They are commonly used to impart or maintain consistency, nutrition, texture, flavor, color or wholesomeness.

b. Benefits.—The delays in the current food additive petition review process impede food technology research and delay benefits to the consumer. By convening these hearings, the subcommittee sought to identify the causes of and solutions to these lengthy FDA delays. According to subcommittee Chairman Shays, from a public health standpoint, the public wants minimum risk in food additives, but also wants the benefits of the same nutritional and dietary advances available to consumers in other nations. The current FDA review process appears to allow endless studies with no definite deadlines for action. The subcommittee will continue to explore the issue of whether the delays are caused by bad management, inadequate resources or a lack of confidence by the FDA in the agency's scientific personnel who review food additive petitions.

Based on these subcommittee oversight hearings, the committee adopted its fourth report to the 104th Congress on December 14, 1995, entitled "The FDA Food Additive Review Process: Backlog and Failure to Observe Statutory Deadline," House Report No. 104–436, December 21, 1995, Fourth Report by the Committee on Government Reform and Oversight, Together with Additional Views.

c. Hearings.—Hearings entitled "Delays in the FDA's Food Additive Petition Process and GRAS Affirmation Process" were held on June 22 and 29, 1995.

10. Bringing Health and Support Services to Women, Minorities and Adolescents—Growing Segments of the AIDS Population.

a. Summary.—On July 17, 1995, the subcommittee convened a field hearing held in Brooklyn, NY, to examine how the U.S. Department of Health and Human Services (HHS) and local health care providers are preparing to bring health and support services to women, minorities and adolescents—growing segments of the AIDS population. Testimony was received from: representatives from Deputy Inspector General for Evaluations and Inspections, HHS; the Associate Director of Health Policy of the U.S. General Accounting Office; the Director of the Office of HIV/AIDS Policy, Assistant Secretary of Health, HHS; the acting commissioner of health, New York City department of health; the director of the AIDS Institute of the New York State Title II grantee; the AIDS program coordinator of the Stamford department of health of the Connecticut Title II grantee; the vice president of institutional advancement of the Brooklyn and Caledonian Hospitals; the executive director of Brooklyn Housing Works; the chairman of the Stewart B. McKinney Foundation; a board member of the LAMBDA Independent Democrats; Senator Velmanette Montgomery, New York State Senator, 18th Senate District in Brooklyn, NY; and the executive director of the Corporation for Supportive Housing.

The subcommittee found that, in 1993 and 1994, over one-half of the newly reported AIDS cases were in minority groups. The United States has also seen a 17 percent yearly increase in the number of women infected with AIDS. Fifty-four percent of those women are between the ages of 13–19. HHS provides funding to local service providers through the Ryan White CARE Act, administered by

the Health Resources and Services Administration (HRSA). In fiscal year 95, HRSA will provide $633 million in Ryan White CARE Act funds.

b. Benefits.—By holding the oversight hearing, the subcommittee acknowledged the importance of slowing the spread of AIDS and provided an opportunity for members to discuss how available Federal funding can be effectively utilized to meet the needs of the changing AIDS population.

c. Hearings.—A hearing entitled "AIDS in the 90's: Service Delivery to Emerging Populations (Field Hearing)" was held on July 17, 1995.

11. Debating and Defining Federalism—the Sharing of Power Between the Federal Government and the States.

a. Summary.—The subcommittee is charged under the Rules of the House with the responsibility of studying the intergovernmental relationships between the United States and the States and municipalities. Pursuant to this authority, the subcommittee convened this oversight hearing in the form of a debate regarding what principles should guide Congress in balancing the relationship between the national government and the States, counties, cities and towns. This debate, essentially, a discussion of the meaning of federalism—the unique system of shared sovereignty that unites the States into one Nation—was actually launched by the ratification of the Constitution, waged fiercely in the Civil War, reshaped by the exigencies of the Depression and a World War.

Testimony at the hearing was received from: the director of State-Federal relations of the National Governors Association; a former regional EPA Administrator; an author and director for the center for american political studies at Harvard University; the director of the Center on Budget and Budget Policy Priorities; a senior fellow from the Progressive Policy Institute; a commissioner from the Advisory Commission on Intergovernmental Affairs; the director for the center for constitutional studies from the CATO Institute; and the director for the Governors' forum for the Heritage Foundation.

Today, it is hardly debatable that modern federalism is entirely out of balance. Federal powers and programs occupy, and in many cases, pre-empt, virtually every area of public concern. As subcommittee Chairman Shays explained, the legacy of the conflict between States' rights and civil rights continues to haunt efforts to empower State government. Any "new federalism" will have to overcome that historical barrier and reassure all Americans that States can do what needs to be done more effectively, more efficiency and more fairly than a top-heavy, one-size-fits-all Federal bureaucracy.

b. Benefits.—The great national debate over the proper distribution of the people's sovereign powers has raged since the Founders wrote the Constitution. Today, as Congress moves to implement a smaller Federal Government, it is beneficial to continue that discourse over the responsibility and capacity of each level of government to perform essential public functions.

c. Hearings.—A hearing entitled "Federalism Debate: Why Doesn't Washington Trust the States?" was held on July 20, 1995.

12. Joint Hearing on the FDA Regulation of Medical Devices, Including Silicone Gel Breast Implants.

a. Summary.—Continuing oversight conducted in previous Congresses, the Human Resources and Intergovernmental Relations Subcommittee and the National Economic Growth, Natural Resources, and Regulatory Affairs Subcommittee investigated FDA's approval process and enforcement standards for medical devices, including silicone gel breast implants.

The subcommittees reviewed scientific and medical literature on so-called "silicone diseases," requested extensive documents from the FDA on device review and enforcement policies and interviewed physicians, researchers and patients. These inquiries explored how the FDA, doctors and scientists assess the risks of silicone and other materials used in medical devices.

The subcommittees inquired how the FDA establishes enforcement standards for medical device regulations, how consistently those standards are enforced, and the appearance of arbitrary or selective enforcement practices. In addition, the subcommittees also explored formal and informal procedures used by the FDA to promulgate enforcement standards.

Pursuant to the results of these inquiries, both subcommittees became concerned that the FDA's evaluation standards and enforcement procedures for medical devices may create product shortages and inhibit innovation and technical advances. In order to explore these issues further, the subcommittees convened two oversight hearings.

At the first hearing, testimony was received from: Hon. Marilyn Lloyd, a former Member of Congress; Hon. James A. Traficant, Jr. (D–OH), a Member of Congress; Hon. Greg Ganske, M.D. (R–IA), a Member of Congress; the Commissioner of the FDA; the Director for the Center for Devices and Radiological Health from the FDA; the chief medical officer from Vanderbilt University Medical Center; an official from the department of pathology from the University of Tennessee in Memphis; an associate professor of medicine and epidemiology at the Mayo Clinic; an official from the department of gynecology and obstetrics from Emory University; medical device patients; device industry representatives; clinicians; and scientists.

At the second hearing, testimony was received from the FDA Deputy Commissioner, device industry representatives, and device manufacturers. The witnesses testified about the development and promulgation of FDA standards used in enforcement of statutes and regulations governing the manufacture and distribution of medical devices.

b. Benefits.—The investigation updated the status of FDA review of silicone gel breast implants and the impact of that protracted review on the development and availability of other life-sustaining devices containing silicones. In addition, there is a great need for the American public to know that there is an open and predictable FDA process for promulgating enforcement guidance. As a result of these hearings, the FDA committed to more timely device review and a more open process for the development and issuance of guidance.

c. Hearings.—A hearing entitled "FDA Regulation of Medical Devices (Joint Hearing)" was held on August 1, 1995. A hearing entitled "FDA Enforcement Standards for Medical Devices (Joint Hearing)" was held on September 14, 1995.

13. Federal Takeover of the Chicago Housing Authority.

a. Summary.—The subcommittee convened an oversight investigation into the Federal takeover of the Chicago Housing Authority (CHA) after Congresswoman Cardiss Collins, ranking member of the Government Reform and Oversight Committee (D–IL), submitted a request to Committee Chairman William F. Clinger, Jr., (R–PA) on June 1, 1995, that hearings be conducted in Chicago on the role of U.S. Department of Housing and Urban Development (HUD) in the operation of the CHA.

On May 30, 1995, HUD assumed control over the day to day operations of the "troubled" CHA. A declared breach of contract between CHA and HUD signed by HUD Secretary Henry Cisneros on June 2, 1995, made the takeover legally effective. Executed in the wake of the resignation of CHA's Board of Commissioners on May 26, 1995, the takeover was an unprecedented HUD action. Although HUD has authority to intervene in troubled housing agency operations at any time, HUD has never assumed responsibility for the day to day operations of a housing agency the size of CHA.

CHA is the Nation's third largest public housing authority (PHA), surpassed in size only by those of Puerto Rico and New York city. CHA was created in 1937 by a resolution of the city of Chicago pursuant to the Housing Authorities Act of the State of Illinois, and administers over 55,000 public and assisted housing units serving over 150,000 residents.

The socio-economic status of the resident population of CHA creates particular challenges for the housing authority. Eleven of the 15 poorest neighborhoods in the Nation are located in CHA communities.

CHA is plagued by a poorly conceived and distressed housing stock, an acutely poor resident population and a historically mismanaged administrative bureaucracy. HUD's ability to carry out the CHA takeover effectively has immediate impact on the people of Chicago and broad implications for the 86 other housing agencies presently listed as "troubled" by HUD. The subcommittee's hearing focused on HUD's progress at CHA since the May 30 takeover, the department's short and long term strategies for reforming CHA and HUD's plans for installing new leadership and management at the housing authority. At the hearing, testimony was received from Hon. Henry Cisneros, Secretary of HUD and other HUD officials; the U.S. General Accounting Office; panels of tenants; public housing management experts and city and private sector representatives.

b. Benefits.—Although HUD has not yet articulated a long term plan to reform CHA and to extricate itself from CHA management, if the takeover sets CHA on a course for recovery, HUD's assumption of control of CHA operations may be validated as an acceptable model of intervention at troubled housing agencies.

In addition, based on this and the subcommittee's two other oversight hearings of HUD (on February 13 and 22, 1995), the commit-

tee adopted its fifth report to the 104th Congress on December 14, 1995 entitled "The Federal Takeover of the Chicago Housing Authority—HUD Needs to Determine Long-Term Implications," House Report No. 104–437, December 21, 1995, Fifth Report by the Committee on Government Reform and Oversight, Together with Additional Views. (See II.A.2.)

c. Hearings.—A hearing entitled "HUD's Takeover of the Chicago Housing Authority (Field Hearing)" was held on September 5, 1995.

14. Management of Threats to the Nation's Blood Supply.

a. Summary.—After infection with the HIV virus, there is a period of time known as a "window" in which infection may be present but antibodies to the virus have not been produced in sufficient quantity for detection. This window can last up to 6 months in some individuals, but is usually about 20 days. However, antigens appear and can be detected sooner than antibodies, reducing the window by 10 days or more.

Subcommittee investigation discovered that on June 23, 1995, the FDA's Blood Products Advisory Committee (BPAC) recommended against routine HIV–1 antigen screening of blood donor units. On July 12, subcommittee Chairman Shays wrote to FDA Commissioner David Kessler urging him not to accept the BPAC's decision and to approve the immediate licensing of HIV–1 antigen tests for the screening of the Nation's blood supply. Subcommittee Chairman Shays pointed out that antigen testing would further close the window of potential infection in recipients of blood and blood products, a goal which was consistent with remarks made by Commissioner Kessler at a September 26, 1994 FDA Conference. Kessler said, "[The FDA has] an obligation to foster the development of new technologies, especially if these technologies hold the promise of a blood supply that is even safer. This is especially true for detecting HIV—the AIDS virus. We need to close the window."

On August 10, 1995, the FDA announced its recommendation that, despite the BPAC recommendation, blood establishments should test donors with new HIV–1 antigen test kits after the tests become available. Under the new guidance, the FDA recommended that blood establishments begin screening all blood and plasma donors with newer test kits for HIV–1 antigen within 3 months after FDA approves one of the kits.

To examine this and other issues raised by the subcommittee's inquiries, the Human Resources and Intergovernmental Relations Subcommittee convened two oversight hearings to discuss efforts by the U.S. Department of Health and Human Services (HHS) and the blood products industry under HHS jurisdiction to protect the Nation's blood supply from emerging infectious agents.

At the October 12, 1995 oversight hearing, HHS Secretary Donna Shalala provided the agency's response to a recent study that was critical of past HHS efforts to protect the blood supply from infectious agents. Secretary Shalala testified that HHS accepted recommendations of the report released by the Institute of Medicine (IOM)—*HIV and the Blood Supply: An Analysis of Crisis Decision-making (July 13, 1995)*—which had concluded that the medical and governmental response in the early 1980's to blood-borne HIV in-

fection strongly suggests the need for greater coordination and more aggressive policies by HHS to meet the threat of future infectious agents.

In addition, the Secretary named the Assistant Secretary for Health to the newly created post of Blood Safety Director and created a Blood Safety Committee which she indicated would include the FDA Commissioner, the Director of the National Institutes of Health (NIH), and the Director of the Centers for Disease Control and Prevention (CDC).

Other hearing witnesses included representatives from the Committee of 10,000, the National Hemophilia Foundation, the Hemophilia Federation, the Oklahoma Blood Institute, and Michigan State University.

A second oversight hearing on the subject was convened on November 2, 1995, so the subcommittee could consider the blood industry's response to the IOM report. In addition, the roles of the CDC and NIH in protecting blood safety were discussed. Witnesses included representatives from the CDC, NIH, the American Association of Blood Banks, the Council of Community Blood Centers, the American Red Cross, the American Blood Resources Association, the Bayer Corp., the Baxter Healthcare Corp. and the Armour Pharmaceutical Co.

b. Benefits.—With 4 million patients in the country receiving transfusions of whole blood and blood components each year, raising the standards for blood collection and processing to meet new threats is a critical national priority. These hearings brought together all the major governmental and private sector players in the blood safety field and elicited a new commitment to diligence in protecting against infectious agents in the blood supply.

c. Hearings.—Hearings entitled "Protecting the Blood Supply from Infectious Agents: New Standards to Meet New Threats" were held on October 12 and November 2, 1995.

15. The Occupational Safety and Health Administration's (OSHA) New Strategy for Changing the Way it Does Business.

a. Summary.—On October 17, 1995, the Human Resources and Intergovernmental Relations Subcommittee convened an oversight hearing to explore initiatives and programs claimed to have been adopted by the Occupational Safety and Health Administration (OSHA) as part of the agency's change in its strategy for doing business in a technology-based workplace. The agency had indicated in numerous publications and announcements that it was seeking to form new partnerships of employers, workers and OSHA to promote common sense regulations, focus on results, and reduce red tape.

In the past the agency had earned a "red tape reputation." The agency was widely perceived as an agency with a "gotcha" mentality, a preoccupation with small technical violations and governed by confusing, outmoded rules.

OSHA's Assistant Secretary of Labor for Occupational Safety and Health Joseph A. Dear discussed the innovative programs the agency has developed to improve workplace protections for America's working men and women. Assistant Secretary Dear fully discussed what the agency refers to as the newly reinvented and re-

sponsive—"New OSHA"—and promised that the agency would continue to become more customer friendly and less driven by adherence to red tape and technical rules.

In addition to Assistant Secretary Dear, testimony was also received from: the Associate Director for the U.S. General Accounting Office (GAO); the director of the Voluntary Protection Programs Participants' Association; and representatives from trade unions and the private industry.

b. Benefits.—Through this hearing, the subcommittee was able to confirm that OSHA's efforts to re-engineer worker safety standards and enforcement to meet the new realities of the 21st century workplace are welcomed by business and workers. Given that no amount of enforcement resources would ever permit the agency to inspect all of America's workplaces, cooperation as opposed to confrontation will permit OSHA to better focus scarce budget resource and meet its core mission of correcting the most serious hazards in the most dangerous workplaces.

c. Hearings.—A hearing entitled "OSHA: New Mission for a New Workplace" was held on October 17, 1995.

16. Management of U.S. Department of Housing and Urban Development Funds in Public Housing Tenant Programs.

a. Summary.—In September 1995, Representative William Martini (R–NJ), a member of the Human Resources and Intergovernmental Relations Subcommittee, forwarded to the subcommittee materials regarding a convention of public housing tenants sponsored by the National Tenants Organization (NTO). The subcommittee initiated inquiries to the Department of Housing and Urban Development (HUD) and several local public housing authorities regarding the use of HUD funds to attend the NTO convention which was described as a "vacation" in the promotional material.

The subcommittee also learned that public housing tenants attended this and other training sessions using funds from HUD's Tenant Opportunity Program (TOP). At least two tenant groups obtained advances of anticipated TOP grant awards from their public housing agencies.

As a result of these inquiries, the subcommittee also learned that 6 TOP grants had been awarded then rescinded by HUD in Delaware after questions were raised regarding the level of consultant fees and the planned use of the funds.

On November 9, 1995, the subcommittee convened an oversight hearing on possible waste and mismanagement of HUD grant funds used in public housing tenant programs. Tenant programs support training and leadership activities in order to empower tenants for resident management purposes.

The subcommittee investigated whether HUD has appropriately controlled or monitored TOP program results to ensure that program objectives are met. Testimony at the hearing was received from representatives from HUD, HUD's Inspector General, and from tenant and public housing organizations.

b. Benefits.—Abuses of HUD's management of tenant training funds suggest fundamental weaknesses that raise concerns about the goals and effectiveness of certain TOP supported programs. The

subcommittee will continue to monitor TOP and other public housing programs, as it does other Government programs within its jurisdiction, so as to ensure that the mission and integrity of HUD's tenant technical assistance grants and resident management programs will remain true to their principles and intended purposes.

c. Hearings.—A hearing entitled "HUD's Management of Tenant Empowerment Funds" was held on November 9, 1995.

17. Status of Major Computer System Development.

a. Summary.—Testimony at earlier oversight hearings on Medicare claims processing, and General Accounting Office (GAO) reports on Health Care Finance Administration (HCFA) acquisition and implementation of a centralized Medicare claims system, presented troubling questions regarding whether HCFA had the capacity to develop, procure and implement such a large computer application. Earlier testimony by HCFA also indicated the agency had foregone other claims management and program integrity efforts in favor of placing all their emphasis on the new Medicare Transaction System (MTS). Based on a GAO analysis, the subcommittees were concerned that the use of available claims screening software by HCFA contractors could yield significant savings to the Medicare program immediately, while the MTS system was being developed.

To answer these questions, the Subcommittee on Human Resources and Intergovernmental Relations and the Subcommittee on Government Management, Information, and Technology convened a joint oversight hearing on HCFA's MTS project, a proposed $127 million data system to process Medicare claims and enable HCFA to detect and control fraud and abuse.

Witnesses at the hearing discussed the status of the MTS computer programs which HCFA began planning in the early 1990's and which the agency claims will curb the loss of billions of dollars annually from fraud and abuse in Medicare claims. HCFA Administrator Bruce Vladek appeared before the Human Resources Subcommittee on June 15, and testified that the system would be fully implemented by late 1999. The subcommittee chairmen and other members wanted to know whether that schedule would be kept and whether the system, with potential for significant cost overruns, would be delivered on budget.

b. Benefits.—The hearing provided necessary oversight of the MTS contract terms and milestones. The subcommittees learned that HCFA's schedule and cost estimates for MTS were neither reliable nor realistic, and that HCFA was using an inconsistent approach to define current and future system requirements. This information will be beneficial to those guiding health care management and anti-fraud policy pending the implementation of the MTS system.

c. Hearings.—A joint hearing entitled "Oversight and Review of Medicare's Transaction and Information Systems" was held on November 16, 1995.

18. Radioactive Contamination of 27 People, Including Researcher Dr. Maryann Ma, in June 1995 at the National Institutes of Health (NIH).

a. Summary.—A study by the Human Resources and Intergovernmental Relations Subcommittee, requested by Congresswoman Constance Morella (R–MD), was conducted over a 5-month period to determine if the National Institutes of Health (NIH) was negligent in conforming to safety regulations in its handling of nuclear materials. On June 28, 1995, a contamination of 27 people occurred at the NIH Main Campus in Bethesda, MD, Building 37, Fifth Floor, Laboratory 5D18.

The subcommittee also studied the 3-year safety record of NIH to see if there was a pattern of safety violations present at the facility. These studies were aided through documentation, meetings and conversations with the Nuclear Regulatory Commission (NRC) and with the NIH.

b. Benefits.—The subcommittee study, in conjunction with an NRC investigation, established that NIH's current handling of nuclear materials at its Bethesda facilities are not a threat to the safety of NIH employees, the community, or the public at large.

c. Hearings.—None.

19. Unfunded Mandates in Medicaid.

a. Summary.—The subcommittee examined the cost of unfunded Medicaid mandates and the inflexibility of the joint Federal/State Medicaid program, which adds burdensome costs to the States and prohibits them from taking full advantage of market efficiencies which exist in the private sector.

Medicaid's enacting legislation and the subsequent regulations dictate that every State provide specific services to specific populations. Federal mandates in the Medicaid program expanded rapidly between 1983 and 1993 to include such requirements as catastrophic care provisions, mandated coverage for families leaving the AFDC program, coverage for women and children with incomes at 133 percent of the poverty line, and mandated coverage for children up to age 18 at 100 percent of the poverty line. Medicaid costs have more than tripled since this expansion and program enrollment has grown by more than 50 percent. Viewed by States as the most burdensome mandate, the 1980 Boren Amendment was interpreted (through substantial litigation) to require a cost-based payment standard, where all costs incurred by providers must be reimbursed. Without program modifications, CBO and GAO project Medicaid spending is likely to double in the next 5 to 7 years, having serious fiscal and human consequences in the States.

In response to this rapid growth of unfunded Federal mandates, States have attempted Medicaid delivery reforms in order to reduce their budgets. Governors are in agreement on the need for more flexibility in the Medicaid program. Through the waiver process, States (approximately half) have requested greater flexibility to address issues related to financing and delivery of care, arguing that if States are receiving less money to meet the increased eligibility and services coverage requirements then they must have the flexibility to operate programs that can respond to cost efficiencies. In response to the increased cost burden to State budgets, State re-

form initiatives have resulted in 40 States now enrolling a portion of their Medicaid population in some form of managed care.

To address the issue, the Clinton administration's FY 96 budget for Medicaid proposed a *per capita* cap on Federal Medicaid spending to limit growth, control costs of per beneficiary expenditures (keeping in place the mandated eligibility and services), contribute savings to the Federal budget, and provide States with additional flexibility. The House Republicans proposed that Medicaid be turned into a block grant program, called "Medigrant."

Those States testifying agreed they would like authority to design effective, innovative health care programs responsive to the special needs of their respective States, arguing that changes are imperative because the current rate of growth in State Medicaid spending will exceed the rate of total State spending ability, at which point the States will be forced either to increase taxes or to divert money from other important State programs to Medicaid.

GAO reviewed for the panel those States that have been involved with innovation and reform in their Medicaid programs, elaborating on the States' experiences transitioning to new delivery systems.

b. Benefits.—The hearing served as a forum to broaden the discussion of unfunded mandates and as such, helped Members of Congress and policymakers quantify and assess the cost of the unfunded Medicaid mandates to the States in their delivery of Medicaid services to beneficiaries. The Boren Amendment was cited as the most costly expansion mandate, which State officials feel should be repealed in order to help States reduce the escalating cost of Medicaid services.

c. Hearings.—A hearing entitled, "Unfunded Mandates in Medicaid" was held on January 18, 1996.

20. HUD Management of Tenant Initiative Programs.

a. Summary.—On November 9, 1995 the subcommittee held a hearing to hear testimony about the Department of Housing and Urban Development's (HUD) role in the National Tenants Organization (NTO) August 1995 conference in Puerto Rico. At that hearing the subcommittee received strong indications that more than $330,000 in Federal taxes were inappropriately spent on the conference and that there was little substantive training offered. As a result, the subcommittee asked the Inspector General to investigate HUD's active, visible and taxpayer-funded support for a convention advertised as a vacation.

At the February 29, 1996 hearing the Inspector General testified among other things, that HUD officials played a key role in planning and conduction the conference, the NTO cleared an estimated $35,000 to $45,000 from the conference, little substantive resident training was provided, there was substantial lobbying and advocacy against Republican housing proposals, and HUD's participation in the convention violated department policies issued by HUD's Office of General Counsel regarding participation in conferences sponsored by non-Federal entities. The Inspector General also made a number of specific recommendations on steps HUD needed to take to remedy the problems and prevent future ones.

Kevin Marchman, the Acting Secretary for Public and Indian Housing at HUD, told the subcommittee the steps HUD was taking to implement the Inspector General's recommendations and to strengthen HUD's internal controls and management. Also testifying at the hearing were Maxine Green, president of the NTO; Miguel Rodriguez, the executive director of the Puerto Rican Housing Authority; Ed Moses, deputy executive director of community relations and involvement for the Chicago Housing Authority; and Patricia Arnaudo, Deputy Director for Program Development at HUD.

b. Benefits.—Tenant empowerment programs, such as TOP, are an important path out of isolation and dependence for those who use them. The investigation and hearing identified the weaknesses that led to the misuse of the TOP funds, ensured that steps were being taken to rectify the problems, and strengthened HUD's management and internal controls.

c. Hearings.—A hearing entitled, "HUD Management of Tenant Initiative Programs" was held on February 29, 1996.

21. The Status of Efforts to Identify Persian Gulf War Syndrome.

a. Summary.—The subcommittee investigated issues related to the Gulf War veterans' illnesses and convened four hearings during 1996 as a result of those investigations. These hearings began with a primary concern—how ongoing efforts to diagnose, treat and compensate Gulf War veterans can be more sharply focussed and urgently pursued.

The first two hearings, in March 1996, dealt with veterans' symptoms and complaints about the handling of their health problems by the VA, especially about inappropriate medical treatment or denial of treatment, compensation issues, and lack of funded research by the VA into causes of their illnesses. The subcommittee also wanted to ensure that any research programs conducted by the Departments of Defense (DOD), Health & Human Services (HHS), and the Environmental Protection Agency (EPA), were focussed and coordinated. Witnesses in these hearings included sick veterans, veterans service organizations, the VA, and non-government medical research experts.

The third hearing in June dealt with coordination of Gulf veterans issues between the DOD and VA, including medical recordkeeping and compensation procedures. Witnesses included DOD and VA health and compensation officials. The fourth hearing in September covered typical symptoms of sick Gulf veterans, studies of effects on humans and animals to low level chemical exposures, and probable exposures of large numbers of troops to chemical warfare agents and other toxins during the war. Witnesses were from the VA, EPA, Central Intelligence Agency (CIA), Gulf War Research Foundation, and non-government experts from the field of neurology and toxicology.

The September hearing was critical and a turning point in the subcommittee's investigation. It was established that the typical complaints of Gulf veterans—chronic fatigue, flu-like symptoms, rashes, joint pain, headaches, gastrointestinal problems and other maladies—are similar to known effects on humans who have been exposed to organophosphates, such as pesticides and other chemical

agents. Organophosphates are chemically related to sarin and other chemical warfare agents.

Until recently, DOD had denied that chemical weapons were deployed or used in the Gulf. They also denied that troops were exposed to chemical agents, in spite of information to the contrary available to the Pentagon from reliable sources such as UN inspectors and Czech detection experts. Based on this DOD position, the VA appears to have given little priority to the possibility of low level chemical exposures in their diagnosis, treatment and compensation of sick Gulf War veterans.

In the September hearing, Dr. Frances Murphy, Director of the VA Environmental Health Service, conceded in testimony that the VA research agenda through 1995 placed a low priority on low level chemical warfare agent exposure "because military and intelligence sources had stated that U.S. troops had not been exposed to chemical agents."

In June, DOD finally admitted that 400 troops may have been exposed to chemical agents. In August, DOD raised the exposure estimate to 1,100 troops; in September to 5,000; and in October to more than 20,000. And recently the Associated Press quoted a high Pentagon official as conceding that "big numbers" of 130,000 troops could have been exposed. These probable exposures came from fallout following the detonation of Iraqi munitions bunkers at Khamisiyah and the air bombardment of Iraqi chemical/biological weapons factories.

The health problems of some veterans may have come also from other sources such as: the heavy use of pesticides and insect repellants during the war, leaded diesel fuel used in vehicles and for heating and dust mitigation, radioactivity from depleted uranium shells fired at Iraqi tanks, dense smoke from the oil well fires, parasites that cause a chronic infection called leishmaniasis, and perhaps the side effects of troop inoculations in combination with taking the experimental anti-nerve gas drug, pyridostigmine bromide.

It is of major concern that many VA doctors have insisted since the war's end that the veterans' symptoms are physical manifestations of Post-Traumatic Stress Disorder (PTSD). While this may be true in some cases, this may also indicate an over-reliance on theories of psychological causation to the exclusion of obvious physical toxins and stressors.

With DOD's admission of troop exposures to low level chemical warfare agents, the next concern of the subcommittee was the extent to which DOD and the VA acknowledge the *effects* of those exposures.

In testimony before the subcommittee, Dr. Stephen Joseph, DOD's Assistant Secretary for Health Affairs, stated that ". . . chronic symptoms or physical manifestations do not later develop among persons exposed to low levels of chemical nerve agents who did not first exhibit acute symptoms of toxicity." This statement was challenged at the September 1996 hearing.

A 1974 study of low level exposures (e.g. workers in chemical weapons plants) entitled "Delayed Toxic Effects of Chemical Warfare Agents," by German scientist Dr. Karlheinz Lohs, tends to refute Dr. Joseph's testimony. The study concludes that ". . . even

in the case of exposure to very slight amounts [of low level mustard agents] which do not necessarily bring on acute symptoms, toxic reactions may later set in."

The question of whether delayed or chronic effects result from exposure to low level chemical agents without first having acute or immediate symptoms is critical to veterans. The answer determines whether or not Gulf veterans will be compensated appropriately for injuries suffered during the war. Many sick veterans did not report acute symptoms during the war but later developed chronic symptoms, thereby being denied higher compensation for war-related injuries. On the other hand, many veterans report that they may have had flu-like symptoms or rashes in-theater which they ignored as part of serving in a harsh, desert environment. These "low-level" symptoms could be considered acute, but mild, reactions to low level chemical agents.

In December, the subcommittee held two additional hearings to discuss recent revelations about chemical detections and exposures in the Gulf War, and to determine the extent to which VA research and treatment protocols are being modified to take these disclosures into account. A panel of active-duty military officers testified regarding their experiences during Operation Desert Shield. Two of the witnesses operated sophisticated chemical detection equipment during the war. They testified that positive readings for mustard and other chemical warfare agents had been verified and recorded at locations other than Khamisayah. The third veteran testified that he heard chemical alarms and was told an Iraqi chemical mine had been detonated. He believes his subsequent medical problems, including Amyotrophic Lateral Sclerosis, or Lou Gherig's Disease, are the direct result of his exposure to residual chemicals after the "all clear" was sounded and his unit proceeded through the contaminated area.

A former Central Intelligence Agency analyst testified that standard intelligence sources were not relied upon to reach the conclusion that no chemical warfare agents were present in the Gulf War. Instead, the analyst believes the agency relied solely on representations made by the Department of Defense.

At the second hearing, veterans of the Gulf War testified about the difficulty in getting the VA health system to recognize war-related illnesses. The VA's Chief Public Health and Environmental Hazards Officer testified that while the VA "has always remained open to the possibility" of chemical exposures, no veteran had even been diagnosed as suffering from the after-effects of such an exposure. She testified that the VA health screening protocol for Gulf War veterans was modified in late 1995 to ask specific questions about toxic exposures. She also said epidemiological research into the effects of low-dose chemical exposures was just beginning.

Two VA doctors who treat Gulf War veterans also testified. They believe the various combinations of symptoms and illnesses presented by Gulf War veterans are the result of exposures to one or more environmental hazards present in the Gulf, including chemical warfare agents.

b. Benefits.—The series of subcommittee hearings focused attention on the Persian Gulf War veterans' illnesses and helped produce admissions from the DOD that U.S. troops were exposed

to chemical warfare agents. The investigation and hearings generated pressure on the VA to change their medical protocol and compensation policies toward sick Gulf veterans.

The VA has also updated its research priorities and has begun studies into the long term health effects of low-dose exposures to chemical warfare agencts and other toxins. Also as the result of increased congressional scrutiny, the Department of Defense increased the size of its Gulf War Illnesses Investigation Team from 12 to more than 100 investigators and staff.

c. Hearings.—Hearings entitled, "The Status of Efforts to Identify Persian Gulf War Syndrome" were held on March 11, March 28, June 25, and September 19, 1996. Hearings entitled, "Persian Gulf Veterans' Illnesses: Intelligence on Chemical/Biological Exposures" were held on December 10 and 11, 1996.

22. Unfunded Mandates Reform Act of 1995: A One Year Review.

a. Summary.—On March 22, 1996, exactly 1 year after the bill was signed into law, the subcommittee convened a hearing that focused on implementation and the impact of the Unfunded Mandates Reform Act of 1995 (Public Law 104–4).

The act requires the legislative and executive branches to identify and quantify implementation costs of statutory and regulatory mandates on State and local governments. The subcommittee has been monitoring Federal department compliance with the requirements of Title II of the act regarding analysis of mandates in proposed and final regulations.

Title II also requires the executive branch to conduct an explicit analysis of proposed and final rules to quantify the costs and benefits of mandates and identify the most cost effective, least burdensome regulatory approach. Departments and agencies are required to consult with State and local governments, and the Office of Management and Budget (OMB) is directed to collect those regulatory statements and forward them "periodically" to the Congressional Budget Office (CBO). OMB is required to submit a written report detailing compliance by each agency during the preceding year.

The subcommittee also been monitored the design and implementation of the study of existing mandates required under Title III of the act. Title III required the Advisory Commission on Intergovernmental Relations to (a) study issues involving the calculation of costs and benefits of mandates on State and local governments, (b) conduct a study and make recommendations to the President and Congress concerning the impact of existing mandates on intergovernmental (Federal-State/local) relations, and (c) monitor and evaluate the implementation of the act. Testimony was received from representatives from Federal departments and agencies; State and local governments; community organizations, and Members of Congress.

b. Benefits.—As a result of the investigation and hearing, the subcommittee found that OMB had concluded in the report required by Title II that only 16 out of more than 3,000 proposed or final rules met the act's threshold for a detailed cost/benefit analysis and review. Moreover, the subcommittee found that OMB compliance with the requirement to share these analyses with Congress had been minimal since enacted of the act. Although report-

ing is required "periodically," not one of the required statements had been forwarded to CBO prior to a day or two before the subcommittee's hearing convened. Then all 16 arrived at once, just in time to be included in the report. The subcommittee was assured that future compliance would be more periodic and less episodic.

Additionally, the subcommittee discovered that agencies had "begun considering, but had not yet developed" pilot programs to reduce reporting and compliance requirements on small governments, as required by the act.

c. Hearings.—A hearing entitled, "Unfunded Mandates Reform Act of 1995: A One Year Review" was held on March 22, 1996.

23. Job Training That Works/Common factors in effective job training programs.

a. Summary.—At the subcommittee's request, the General Accounting Office (GAO) prepared a report on the common features shared by effective job training programs. The GAO studied six programs that successfully helped graduates attain self-sufficiency. It was learned that the programs employed four key features to ensure that participants were successful in obtaining and maintaining employment. First, there was a focus on ensuring that participants were committed to training and getting a job. Second, the programs removed barriers that could limit clients' ability to finish training and get and keep a job. The third feature was improving participants' employability skills as part of their training curriculum. This included skills such as dependability, promptness, ability to work effectively in groups, and the ability to resolve conflicts appropriately. The fourth feature was linking occupational skills training with the local labor market so that the project could monitor the local labor market and make adjustments in course offerings to meet employer demand.

At the hearing the GAO testified about its work and findings. The subcommittee also heard from the directors and graduates of two of the programs reviewed by the GAO, and two additional successful job training programs.

b. Benefits.—As the GAO noted, in fiscal year 1995, the Federal Government appropriated about $20 billion for about 163 employment training programs yet large numbers of individuals remain unprepared for employment. The report and hearing form a basis from which to start in redesigning the structure and delivery of Federal job training so that it more successfully helps disadvantaged adults acquire and maintain permanent employment.

c. Hearings.—A hearing entitled, "Job Training That Works" was held on April 18, 1996.

24. Preventing Teen Pregnancy: Coordinating Community Efforts.

a. Summary.—The subcommittee examined strategies at the community level to prevent and reduce teen pregnancy in America. The subcommittee found that teen pregnancy is a near certain path to poverty, and that poverty is a major underlying cause of teenage childbearing. More than 1 million American teenagers become pregnant each year the rate of births per 1,000 teenagers (age 15–19) in the United States is six times the rate of France and Italy, and twice the rate of Great Britain. About half the pregnant teens

in the United States will go on to give birth, and of those, 72 percent will be unmarried. Childbearing teens make up less than one-third of out-of-wedlock births, but for a variety of reasons, they represent a disproportionate economic and social burden to society. Most teenage parents who drop out of school never return. Teenage mothers have half the lifetime earnings of women who postpone childbearing under age 20. Teen mothers are at greater risk of developing complications in pregnancy and of delivering low birth weight babies due to poor prenatal care. Low birth weights in turn are associated with increased infant mortality, illness and disabilities.

The subcommittee also found that adult men father more than half the children born to 15 to 17 year old mothers. This shocking finding, combined with information on the extent to which initial sexual activity by teenage girls is involuntary, shattered some of the myths surrounding teen pregnancy.

At on oversight hearing on Federal, State and private sector programs to reduce teen pregnancy, testimony was received from: Dr. Henry. W. Foster, Jr., senior advisor on teenage pregnancy to President Clinton, and White House liaison to the National Campaign to Prevent Teenage Pregnancy; the National Campaign to Prevent Teen Pregnancy; U.S. Congress; the U.S. Department of Health and Human Services; the Maryland Lieutenant Governor; Child Trends; Advocates for Youth; the Best Friends Foundation; and the Institute for Responsible Fatherhood and Family Revitalization.

b. Benefits.—The subcommittee's investigation and hearing into teen pregnancy prevention programs brought needed public attention to the need for greater public/private collaboration in the design and implementation of effective intervention programs. This was the first examination of Federal, State and private teen pregnancy prevention programs since publication of new studies attributing the majority of under-age pregnancies to have been caused by men over the age of 20. This finding argues for a greater emphasis on enforcement of statutory rape laws, along with traditional program focus on abstinence and education about the results of early parenthood.

c. Hearings.—A hearing entitled, "Preventing Teen Pregnancy: Coordinating Community Efforts" was held on April 30, 1996.

25. Food Safety: Oversight of the Food and Drug Administration's Center for Veterinary Medicine.

a. Summary.—The subcommittee reviewed the performance of the FDA's Center for Veterinary Medicine (CVM), particularly regarding FDA's failure to issue a regulation prohibiting feeding of ruminant protein to other ruminant animals. This was a step recommended by the World Health Organization in preventing the spread of Bovine Spongiform Encephalopathy (BSE) or "Mad Cow Disease" in countries currently believed to be free of the disease, such as the United States.

The subcommittee convened an oversight hearing into FDA's management of the programs of the Center for Veterinary Medicine on May 10, 1996. The hearing examined the lack of adequate funding and program priority for veterinary medicine issues overseen

by FDA's Center for Veterinary Medicine as evidenced by the lengthy review process for new animal drugs. Testimony was provided by: FDA Deputy Commissioner Michael Friedman; Dr. Frederick Murphy, University of California School of Veterinary Medicine; Dr. Lester Crawford, Association of American Veterinary Medical Colleges; Dr. Gary Weber, National Cattlemen's Beef Association; Dr. Don Franco, National Renderers Association; Robert Hahn, Public Voice for Food and Health Policy; Dr. John Welser, Pharmacia and Upjohn; Dr. Sherbyn Ostrich, American Veterinary Medical Association and Dr. Cindy Wolf, American Sheep Industry Association.

b. Benefits.—Delays in the review of new and supplemental animal drug applications were identified and corrective measures were examined. At the hearing and during subsequent meetings with the subcommittee, the FDA took further action on the issuance of the regulation banning the feeding of ruminant protein to other ruminant animals.

c. Hearings.—A hearing entitled, "Food Safety: Oversight of the Food and Drug Administration's Center for Veterinary Medicine" was held on May 10, 1996.

26. Food Safety: Monitoring of Food Borne Illnesses by the Centers for Disease Control, Food and Drug Administration and U.S. Department of Agriculture.

a. Summary.—Three of the four pathogens considered most important by the Centers for Disease Control were unrecognized as causes of food borne illnesses just 20 years ago. While the food supply becomes more vulnerable to pathogens, the food safety system on which we rely appears fragmented among three different Federal agencies.

Therefore, subcommittee investigated issues affecting food safety and convened an oversight hearing on the monitoring of food borne illnesses by CDC, FDA and USDA. The oversight hearing evaluated the need for closer coordination, better surveillance and implementation of scientifically based hazard control systems. Testimony was taken from: Dr. David Satcher, Director, Centers for Disease Control; Dr. Fred Shank, Food and Drug Administration; Dr. Glen Morris, USDA; Mr. Robert Robinson, GAO; Dr. Ban Mishu Allos, Vanderbilt University School of Medicine; and Dr. John Kobayashi, Washington State Department of Health.

b. Benefits.—The growing threat to the public health posed by food borne pathogens, such as Campylobacter jejuni which causes over 40 percent of the Nation's cases of the paralytic illness Guillaine-Barre Syndrome, was brought to the attention of the public. The inadequate monitoring of food borne illnesses by three different Federal agencies as well as State governments was identified and corrective actions suggested.

c. Hearings.—A hearing entitled, "Food Safety: Monitoring of Food Borne Illnesses by the Center for Disease Control, Food and Drug Administration and U.S. Department of Agriculture" was held on May 23, 1996.

27. The Development of Successful Public Housing Resident Management (Field Hearing).

a. Summary.—This hearing was the third oversight hearing on resident management programs in public housing developments. The field hearing examined the elements of success at Cochran Gardens in St. Louis, MO. Cochran Gardens has operated one of the best tenant management programs in the country and the hearing examined the elements that make it, and other programs a success. Effective resident programs can provide superior and more cost effective site management than public housing authority management.

At the hearing the subcommittee learned that the elements of successful resident management programs include strong tenant leadership, active housing authority support, and effective Department of Housing and Urban Development oversight.

The subcommittee heard from non-resident public housing professionals as well as from residents engaged in resident management.

b. Benefits.—The hearing demonstrated that resident management programs can be effective and can build strong communities and improve the lives of their residents. The hearing identified the key elements of successful resident management programs, challenges all programs to use those elements to meet the same standards of success.

c. Hearings.—A hearing entitled, "The Development of Successful Public Housing Resident Management" (Field Hearing) was held on June 3, 1996.

28. Department of Education Oversight: Gatekeeping.

a. Summary.—Gatekeeping is the process for screening higher education institutions for participation in Federal student financial aid (SFA) programs. Institutions must meet standards set by the triad of State licensing authority, accrediting agencies, and the U.S. Department of Education. Effective front-end controls are more efficient than back-end institutional monitoring and enforcement. Gatekeeping is particularly important in controlling non-degree-granting vocational trade schools, which pose the greatest risk to SFA programs in terms of fraud, waste, and abuse.

b. Benefits.—The Department of Education discussed plans for a more focused oversight effort, including plans to realign staffing toward a case-management approach to enforcement. State government representatives made recommendations for a strong State role in improving institutional integrity following the elimination of State Postsecondary Review Entities. State governments can be effective due to their proximity to institutions within their borders, and because, unlike accrediting bodies, State governments are independent and accountable to the public. Also discussed were institutional concerns about over reliance on student loan default rates to determine institutional quality. High default rates supersede other regulatory reviews that institutions must pass to participate in Title IV.

c. Hearings.—A hearing entitled, "Department of Education Oversight: Gatekeeping" was held on June 6, 1996.

29. Oversight of the Department of Labor's Efforts Against Labor Racketeering.

a. Summary.—As a result of an oversight review of Department of Labor Enforcement activities, the subcommittee found that racketeering is costly to the interests of union members in particular, and to society as a whole. Corrupt union officials betray the trust bestowed upon them as elected representatives of union workers and undermine the public confidence and trust in the collective bargaining agreement system. In some cases, millions of dollars of workers' dues and benefit moneys have been siphoned off by organized crime through outright embezzlement or more sophisticated devices, such as loans or excessive fees paid to corrupt union and trust fund service providers. Millions of consumers unknowingly pay organized crime what amounts to a surcharge on a wide range of goods and services due to organized crime's exercise of power in the marketplace.

The subcommittee also examined the Department's current anti-racketeering strategy in view of the administrative and legislative recommendations made 10 years ago by the President's Commission on Organized Crime (Report to the President and Attorney General: "The Edge: Organized Crime, Business and Labor Unions," 1985). The subcommittee found that despite the recommendations of the Presidential Report more than 10 years ago, despite the work of the Labor Secretary's 1989 Task Force on Enforcement, despite a report in 1990 and subsequent reports by the DOL Inspector General of "material weakness" in DOL criminal enforcement efforts, and despite more than 5 years of in-depth oversight by the Inspector General, DOL enforcement activities "remain inconsistent and uncoordinated with no integrated approach to common criminal enforcement issues." Moreover, the Report's call for "New directions for the Department of Justice and fundamental changes in the structure and operation of the Department of Labor, the two principal agencies charged with responsibilities involving organized crime, labor organizations, and businesses' had not been implemented. The Department continues to resist repeated call to integrate and coordinate criminal and civil enforcement efforts to provide a sharper focus on labor racketeering. As a result, the Department appears to remain an inattentive, at times unwilling, partner in the fight against organized crime in labor unions.

The subcommittee convened an oversight hearing to assess the Department of Labor's (DOL) strategies designed to detect, prosecute and eliminate labor union corruption. Testimony was received from representatives from the Office of Labor-Management Standards, the Pension and Welfare Benefits Administration, the Office of the Solicitor and the Division of Labor Racketeering, a part of the Office of Inspector General—all DOL operations responsible for the effectiveness and efficiency of the agency's efforts against criminal labor racketeering activity.

b. Benefits.—The investigation and hearing were the first attempt in many years to resolve the issue of what it would take to overcome the legal, political and bureaucratic barriers that prevent the Department of Labor from playing a more effective role in the detection of labor racketeering and the protection of union members' rights and funds from exploitation by organized crime. Testi-

mony at the hearing exposed bureaucratic resistance within DOL to a more unified, effective assault on labor racketeering. Calls for uniform case information, Department-wide outcome tracking, consistent information sharing and cross-agency training cooperation were pronounced too difficult, too complicated, too time-consuming, too costly, not feasible, unnecessary, impractical or secondary to the unique mission each enforcement entity within the DOL responsible for preventing labor racketeering.

The Department of Labor and the Inspector General committed to a review of longstanding recommendations and a resolution of outstanding coordination issues.

c. Hearings.—A hearing entitled, "Oversight of the Department of Labor's Efforts Against Labor Racketeering" was held on July 13, 1996.

30. Oversight of the Department of Education and the National Institute of Mental Health: Current Approaches to Attention Deficit/Hyperactivity Disorders.

a. Summary.—Attention Deficit/Hyperactivity Disorder (ADHD) has become the Nation's leading psychiatric disorder. The Department of Education estimates that 3 to 5 percent, or up to 2½ million school-aged children, have ADHD. As measured by growth in the use of methylphenidate, or Ritalin, the most commonly prescribed drug treatment for ADHD, the number of children diagnosed with the disorder has grown two and a half times since 1990. ADHD diagnoses in adults are also increasing dramatically. These trends have profound implications for health research and education policy.

The subcommittee review and hearing examined what constitutes a proper diagnosis of the disorder, why there has been an increase in the diagnosis of individuals with the disorder, the appropriate treatment for the disorder, the role of medications such as methyphenidate (Ritalin) in treatment, the implications for Federal educational and health policies of current information and planned research, and the appropriate accommodations by schools to the diagnosis and treatment.

b. Benefits.—The hearing helped address the uncertainty and controversy surrounding the proper definition, accurate diagnosis and appropriate treatment of ADHD. It also identified the significance of the problem and its implications on Federal education policy and research priorities.

c. Hearings.—A hearing entitled, "Oversight of the Department of Education and the National Institute of Mental Health: Current Approaches to Attention Deficit/Hyperactivity Disorders" was held on July 15, 1996.

31. Consumers and Health Informatics.

a. Summary.—With today's health care consumers demanding more and more information at ever increasing speed in receiving that information, the subcommittee explored the accessibility of health care information to consumers through the use of computers and other telecommunication tools. A report prepared by GAO at the request of subcommittee Chairman Christopher Shays, titled

"Consumer Health Informatics: Emerging Issues," was released at the hearing.

The GAO report stated that health informatic systems are capable of providing many different types of health related information to consumers, giving them additional information resources to assist them in making more informed choices and decisions as it relates to their health care. The information benefits health care consumers in areas such as the pros and cons of elective surgery, self-care techniques when appropriate, preventative habits and life style choices, training and practice patterns of physicians, medically approved alternative types of treatments, et cetera. In addition, medical practitioners have the benefit of easily accessible patient records and updates on the latest medical practice techniques.

HHS highlighted the growth in consumer interest in the data sources available through their information programs, noting that consumers are seeking more detailed health informatics, but are limited in gaining access. HHS reported their primary informatics efforts are coordinated in four main areas: (1) the direct provision of information through these technologies; (2) coordination to improve access to consumer health informatics; (3) partnerships with other pubic and private organizations to extend the reach and impact of consumer health informatics; and (4) research and development and evaluation.

Witnesses from private sector organizations and medical facilities presented testimony about their specific health information projects which are providing health information products, infrastructure, data bases and information banks to help disseminate health care information more widely to health care consumers in a variety of settings.

b. Benefits.—The hearing highlighted increased demand for health care related information, the potential cost savings in overall health care dollars spent and the benefit to consumers, at the same time calling attention to the problems associated with accessability, quality, privacy and availability of such information.

c. Hearings.—A hearing entitled, "Consumers and Health Informatics" was held on July 26, 1996.

32. The Management of HUD's Section-8 Multi-Family Housing Portfolio.

a. Summary.—The subcommittee examined this issue to begin to address a potential multi-billion dollar housing problem. The cost of rent subsidies on more than 700,000 units of low-income, multi-family housing will soon be unsustainable. As a result, the Federal Housing Administration (FHA) will be forced to pay up to $18 billion on defaulted mortgages. Without definitive administrative and legislative action, this will mean that the place that 1 million Americans call home will be left to decay, or be torn down.

At the hearing the subcommittee heard from the Department of Housing and Urban Development (HUD) about its plans to address this problem. The subcommittee also learned from the General Accounting Office (GAO) that there are three main factors that have caused this problem. These factors are high subsidy costs, high exposure to mortgage insurance loss, and the poor physical condition of many properties. These factors can be attributed to program de-

sign flaws that inflate subsidies above market rents and place all the risk of financial loss on HUD. The GAO also told the subcommittee that weakness in HUD's oversight and management of its multi-family portfolio has permitted the physical and financial problems facing these units to fester and grow.

In addition to hearing from the GAO, the subcommittee learned what past efforts HUD took to address this problem and why they failed, and HUD's current plans and why HUD expects them to succeed.

b. Benefits.—The hearing began to identify the causes and depth of a potentially multi-billion dollar problem. The hearing also examined the management and information challenges facing HUD so that any proposed solutions are made with a complete understanding of the capacity to structure and manage such an undertaking.

c. Hearings.—A hearing entitled, "The Management of HUD's Section-8 Multi-Family Housing Portfolio" was held on July 30, 1996.

33. Off-Label Drug Use and FDA Review of Supplemental Drug Applications.

a. Summary.—The subcommittee evaluated the extent of off-label drug use in cancer, rare disease and pediatric indications and the rate at which supplemental indications are added by the FDA to the labeling of already marketed drugs. GAO testified that approximately 90 percent of cancer drug use, 80 percent of pediatric use and 80–90 percent of drugs used to treat rare diseases are used off-label. For 50 million children, 40 million cancer patients and 20 million Americans suffering from rare, or orphan, diseases, most of their treatments are off-label. While perfectly legal, the widespread off-label use of medicines raises significant public policy and public health issues. Physicians need label information to treat patients effectively. Patients need the same information to make decisions about their own care. Both public and private health care payers need safety and efficacy data upon which to base reimbursement policies GAO and representatives of Tufts University Center for Drug Development testified that FDA's review of supplemental indications in the past was not timely.

Testimony was heard from: Sarah Jagger, GAO; Dr. Joseph DiMasi, Tufts University Center for Drug Development; FDA Deputy Commissioner Michael Friedman; Dr. Carolyn Runowicz, American Society of Clinical Oncology; Dr. Ralph Kauffman, American Academy of Pediatrics; Abbey Meyers, National Organization for Rare Diseases and Dr. William Kennedy, Zeneca Pharmaceuticals (representing the Pharmaceutical and Research Manufacturers of America).

b. Benefits.—This hearing examined the impact of the absence of up-to-date labeling for drugs used by nearly half of America's patients and the adverse impact this lack of information has on medical care. At the hearing, FDA, patient groups, physicians and the pharmaceutical industry pledged to address the problem of inadequate drug labeling and problems with FDA's review of supplemental indications for already marketed drugs.

c. Hearings.—A hearing entitled, "Off Label Drug Use and FDA Review of Supplemental Drug Applications" was held on September 12, 1996.

34. Investigation into Possible Misuse of "New Age" Training Programs by Federal Departments and Agencies.

a. Summary.—On February 21, 1996, the subcommittee directed an inquiry to the Equal Employment Opportunity Commission (EEOC) regarding the number and type of objections or complaints regarding training programs, including diversity, management, motivation, "new age," and other work training programs.

On March 15, 1996, the EEOC reported a total of 22 charges made against private sector employers and no charges made against public sector employers. Of the 22 charges located, 8 had Letters of Determination issued citing a violation of Title VII of the Civil Rights Act of 1964, as amended, on the basis of religious discrimination. In addition, in seven of the cases it is clear that the respondent conducted its own training.

The EEOC analysis indicated that 17 of the 22 charges involved allegations that employees were inappropriately required to participate in Church of Scientology training sessions or religious practices and/or were told to utilize Church of Scientology philosophies in conducting their work. The other charges involved a diffuse set of "new age" practices that employees found objectionable.

On May 29, 1996, the subcommittee directed inquiries to the Federal departments and agencies within its oversight jurisdiction regarding the impact of "new age" training programs, including the use of consultants for that purpose. The inquiries sought: a list of all requests for proposals for employee training issued; a list of all contracts for employee training entered into; copies of not less than five of the contracts; a tally of the number of objections or complaints from any source involving training programs; an analysis of the tally indicating the basis of each complaint; and an analysis of the objections or complaints tallied indicating common themes or trends.

The departments and agencies all responded between June 5, 1996 and August 2, 1996. Many of the agencies did not utilize or rarely utilized training programs. All responses, however, proved comprehensive. The responses were characterized by very few or no objections or complaints concerning the violation of individual civil rights.

b. Benefits.—As questionable, and often dubious, practices falling under the category of "new age" training have gotten more attention, it has become important to protect against such explicit and implicit indoctrination and insure continued use of proven and effective training practices. The department and agency responses provided the subcommittee with a comprehensive listing of training programs. Based on these responses, it was concluded that Federal dollars were used responsibly in the choosing of appropriate and sound diversity, management, motivation, and other such employee training programs.

c. Hearings.—None.

NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS SUBCOMMITTEE

1. Grantee Lobbying.

a. Summary.—For decades, the Federal Government has awarded billions of dollars in grants to organizations that engage in lobbying and other forms of political advocacy. Much of this money is given to non-profit organizations. According to IRS figures, in 1992 alone, approximately 44,274 non-profit groups received $42.6 billion in grants from the Federal Government. Non-government sources put the figures even higher.[21] The Independent Sector, a coalition of some of the largest non-profits in the country, reports that non-profits received nearly $160 billion from all government sources in 1992; and OMB Watch's Gary Bass claims the Federal Government granted approximately $226 billion in fiscal year 1994 to non-profits, for-profits, and to State, local and tribal governments.

In many instances, government funding far exceeds donations received directly from private citizens. For example, in 1994 Catholic Charities, one of the largest non-profit organization in the country, obtained $1.2 billion or 65 percent of its total annual revenue from government sources.

While much of the money given away by the government is undoubtedly put to good use, too much of it is spent to subsidize political advocacy—whether it be lobbying on pending legislation, buying paid advertisements for political races, or simple grass-roots organizing. Federal grantees naturally develop a symbiotic relationship with their governmental funding sources. Even where Federal funds are not *directly* used for political advocacy, *indirect* support is inevitable—after all, money is fungible. Several votes have clearly demonstrated that Congress firmly believes the practice of giving grants to politically active organizations, termed "Welfare for Lobbyists," must stop.

The subcommittee explored the issue of Welfare for Lobbyists in great detail throughout the first session of the 104th Congress. A total of four hearings were held by the subcommittee to investigate allegations that certain groups receiving Federal grants were engaging in political advocacy; to consider how Welfare for Lobbyists adversely affects both government and charity; and to explore possible solutions to the problem.

The subcommittee also worked in coordination with the General Accounting Office to investigate the National Council of Senior Citizens (NCSC). NCSC is a non-profit organization that receives over 95 percent of its funding from the Federal Government (ostensibly to provide housing and jobs to senior citizens). Yet it is highly active in partisan politics. Half of NCSC's annual report for 1994 was devoted to a description of its political activities. As part of this investigation, electronic copies of NCSC's financial records for fiscal year 1994 were requested. Those records are now being analyzed to determine whether current restrictions on the use of Federal funds were violated, and, if no violations took place, to identify

[21] Letter from the U.S. General Accounting Office, Associate Director, Tax Policy and Administration Issues, Natwar M. Gandhi, to Ernest Istook, 11/08/95, found in subcommittee files.

the loopholes that permit an organization so heavily funded by the government to engage in significant political activity.

In addition to investigatory hearings, the subcommittee and other Members also proposed legislation to address some of the problems associated with Welfare for Lobbyists. Ultimately, language was added to section 18 of the Lobbying Disclosure Act of 1995 to prohibit certain non-profit organizations (qualified as tax-exempt under IRC section 501(c)(4)) from receiving Federal funds in any form, if they engage in lobbying activities. That bill was signed into law by President Clinton on December 19, 1995, as Public Law No. 104–65. Those restrictions have no effect on grantees other than 501(c)(4)'s, nor do they prevent a 501(c)(4) grantee from creating shell corporations to separate, on paper, the grant receipts from the political activity.

b. Benefits.—There is a need to protect the taxpayers by ensuring that Federal funds are not used to subsidize legislative or political advocacy. To that end, the subcommittee's hearings have exposed abuses of Federal grants. Many Members believe that further reforms are needed to increase accountability to the taxpayers and to prevent the abuse of tax dollars. With at least $42 billion in government grants each year, there is substantial room for waste, fraud, and abuse by unscrupulous grantees. The subcommittee's efforts will continue with an eye toward exposing existing abuses and demonstrating the case for reform to protect the American taxpayers.

c. Hearings.—As part of its investigatory work, the subcommittee held four hearings on the question of Welfare for Lobbyists. Hearings were held to investigate allegations that certain groups receiving Federal grants were engaging in political advocacy; to consider how Welfare for Lobbyists adversely affects both government and charity; and to explore possible solutions to the problem. On June 29, 1995, the subcommittee heard from representatives from nonprofits that refuse to engage in political activity or take Federal grants; General Accounting Office researchers and private scholars who have studied Welfare for Lobbyists; and Congressmen and Senators who are concerned about the problem as well. In addition, the subcommittee questioned representatives of the Nature Conservancy and the National Fish and Wildlife Foundation about allegations of improper political activity in connection with Federal grants they receive. Subsequent hearings were held on July 28, August 2, and September 28, 1995.

2. Investigation of Improper EPA Lobbying on Pending Legislation.

a. Summary.—The Anti-Lobbying Act is a criminal statute that prohibits executive branch agencies from using *any* appropriated money directly or indirectly to influence a Member of Congress on pending legislation, except through proper official channels. (18 U.S.C. sec. 1913.) The dual purpose of the act is to prevent agency officials from squandering public money in attempts to increase their budgets or protect their jobs, and to prevent executive branch agencies from using tax dollars to disseminate propaganda about pending legislation. Pursuant to this statute, and other Federal anti-publicity and propaganda statutes, the executive branch is free to propose such legislative measures as the President deems appro-

priate and communicate its comments directly to Members of Congress on any pending legislation. Executive branch officers and employees are prohibited, however, from engaging in any grass-roots lobbying, even indirect grass-roots lobbying, that is intended to influence the legislative debate.

In late February 1995, the committee learned the following facts regarding improper EPA lobbying: (1) EPA officials had used taxpayer funds to create non-public advocacy material strongly condemning pending regulatory reform legislation; (2) the EPA used taxpayer funds to fax these documents to more than 150 grass-roots lobbying organizations and industry groups that are active in lobbying Members of Congress on these legislative proposals; (3) an objective reader would interpret these documents as a call to action, or in the words of one newspaper, "a call to arms;" (4) most of the documents, including the strongest advocacy pieces, were not solicited; (5) the mass-faxing of these documents was carefully timed to coincide with important votes in the House of Representatives; and (6) such action was consistent with a pattern of other EPA contacts with grass-roots lobbying organizations to defeat the reform legislation. These undisputed facts constituted strong evidence that some EPA officials had violated the criminal anti-lobbying laws. Indeed, the concerted EPA actions appeared to precisely fit the accepted definition of prohibited grass-roots lobbying.

On March 2, 1995, a written request for information was submitted to EPA Administrator Carol Browner. The Administrator initially responded that the EPA would cooperate with the oversight investigation and provide answers to the questions. However, EPA did not provide complete answers to any of the questions that were posed after an extension of time was granted. For example, EPA refused to say who approved the content of the lobbying material and who was involved in the decision to send it out. The EPA also refused to disclose whether EPA officials had meetings or conversations with outside lobbying groups to discuss lobbying Members of Congress. Instead, EPA's response to the legitimate oversight request was largely an argument why EPA need not provide Congress information regarding potential wrongdoing and waste of taxpayer resources.

On March 21, 1995, subcommittee Chairman McIntosh and ranking subcommittee Member Peterson sent Administrator Browner a letter insisting on complete responses to all of its questions pursuant to its authority under Rules X and XI of the U.S. House of Representatives. The March 21 letter explained that the subcommittee knew of documents that EPA was refusing to produce, which raised concerns about possible violations of several Federal statutes besides the Anti-Lobbying Act, including other appropriation laws, the Hatch Act prohibitions against political activity by executive branch officials, the conspiracy statute, and the statute prohibiting misprision of felony. As the March 21 letter relayed:

> EPA simply cannot pick and choose which of the subcommittee's requests for information it will honor and which it will reject. We insist on complete responses to all of our requests. . . . It is impossible for the subcommittee to discharge its oversight duty without uncovering all of the facts. Your position that the Congress is not entitled

> to the information because no one at EPA violated the Anti-Lobbying Act is troubling for two reasons. First, your assertion that the act prohibits almost nothing is unsupportable. The very opinions cited in the EPA letter from the Department of Justice refute EPA's interpretation of what the law allows and what it prohibits.
>
> Second, even if we accepted EPA's . . . construction of the law and blindly accepted EPA's conclusion (based on EPA interviews not provided to us) that no laws were violated, the information we seek still would be highly relevant to our core legislative duty. If current law is as empty as you assert, then our oversight investigation is necessary to determine whether to propose new legislation, similar to that which exists for many agencies, which prohibits an even broader category of publicity and propaganda activities.

The March 21 letter also contained a four-page appendix that refuted the agency's legal interpretation of the Anti-Lobbying Act.

In the following months, EPA missed every agreed-upon deadline to provide the requested information. Although EPA eventually produced a significant number of documents, the agency continued to stonewall on producing answers to the most important questions and the most relevant documents and e-mail messages. At the same time, the Department of Justice's Office of Legal Counsel (OLC) issued new "guidelines" to executive branch agencies on interpreting the Anti-Lobbying Act. The OLC guidelines were substantially different from prior General Accounting Office (GAO) and OLC guidelines and directly contradicted the text of the Anti-Lobbying Act without justification.

Despite the Department of Justice's refusal to investigate the facts, committee Chairman William F. Clinger, Jr., and subcommittee Chairman McIntosh reviewed the available evidence of improper lobbying by EPA and a host of other executive branch agencies. That evidence was more than sufficient to find a widespread pattern of lobbying by executive agencies within the Clinton administration, including the Departments of Commerce, Interior, Housing and Urban Development, Labor, the EPA, the Small Business Administration, and AmeriCorps.

Chairman Clinger introduced an amendment to H.R. 2564, the "Lobbying Disclosure Act of 1995," which would clarify existing prohibitions and create a civil enforcement mechanism to prevent further improper lobbying activity. Although the amendment was narrowly defeated, there was widespread recognition that legislation of this type was needed to correct executive branch abuses.

In early 1996, Chairman Clinger introduced H.R. 3078, "The Federal Agency Anti-Lobbying Act," to create a civil law prohibiting agency grass-roots lobbying in support of or in opposition to pending legislation. Although H.R. 3078 did not move from committee, Chairman Clinger was able to have a similar prohibition enacted as section 631 of the Treasury Postal portion of the Omnibus Consolidated Appropriations Act of 1997.

b. Benefits.—This investigation demonstrates the need for additional civil legislation, and greater enforcement of existing criminal laws regarding improper executive branch lobbying. The investiga-

tion also laid the groundwork for the consideration of civil legislation which was passed as part of the Omnibus Consolidated Appropriations Act that creates a civil enforcement mechanism to prevent further waste and abuse of taxpayer resources.

c. Hearings.—The full committee conducted a hearing on H.R. 3078, on May 15, 1996, (see Part Two I.A.4.k.)

3. OSHA's Ergonomics Standards.

a. Summary.—During the 104th Congress, the subcommittee conducted oversight into the Occupational Safety and Health Administration's (OSHA) rulemaking process for an ergonomics standard. The term "ergonomics" originated in industrial engineering to explain the idea that workplaces should be designed around the people who use them. The recent attention focused on ergonomics comes from its association with repetitive strain injuries (RSI's), also known as cumulative trauma disorders (CTD's). In spite of the lack of scientific evidence to support either of these theories, OSHA has proceeded aggressively with an ergonomics regulation.[22]

The regulatory moratorium bill (H.R. 450) would have prevented further work by OSHA on an ergonomics standard. When an OSHA official publicly indicated her intent to defy the moratorium, Congress passed a "Stop Work Order" on this rulemaking as part of H.R. 1158 and H.R. 1944, the 1995 Rescissions Bill. Press accounts in June 1995 reported that OSHA had abandoned the ergonomics rulemaking. As Congress continued to review comprehensive regulatory reform proposals, the subcommittee held a hearing on July 12, 1995, with OSHA Assistant Secretary Joseph Dear as a witness, to finally establish the status of OSHA's regulatory activities on the ergonomics issue.

The committee also examined whether a single, one-size-fits-all rulemaking could ensure workplace safety and health, especially when serious questions still existed about the scientific basis of the regulation. The investigation brought into light the fact that the sweeping regulation would require that 96 million jobs across the Nation be formally reviewed for ergonomic "risk factors." These risk factors are inherent in every job they include: repetitive motion; frequent or heavy lifting; contact stress; unsupported or awkward postures for long periods; and vibrating tools and equipment.[23] Under this standard, workers would be prohibited from repeatedly pinching small binder clips or twisting their necks to cradle a telephone receiver. The investigation revealed that many jobs which include these risk factors would be abolished altogether in favor of automation.[24] As a result of this investigation, the committee was able to establish that OSHA is continuing to work on the promulgation of an ergonomics rulemaking. Prior to the July 12, 1995 hearing, conflicting press reports were written on the subject. In addition to establishing the status of the ergonomics rulemaking, the hearing helped make a strong case that the rule-

[22] Eugene Scalia, "Ergonomics: OSHA's Strange Campaign to Run American Business," *White Paper, National Legal Center for the Public Interest*, Vol. 6, No. 3, August 1994, pp. 8–20.

[23] *OSHA's Regulatory Process and Activities Regarding Ergonomics* before the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs. Testimony of Joseph A. Dear, Assistant Secretary of Labor for Occupational Safety and Health. (Original transcript pp. 26–28, in subcommittee files.)

[24] Ibid., pp. 36–40.

making was overreaching and the House showed its agreement by passing a rider to deny funding DOL for promulgation of the ergonomics regulation.

b. Benefits.—During the investigation, the committee learned from Assistant Secretary Dear that the agency is continuing to work on its proposed ergonomics regulation. Assistant Secretary Dear also confirmed that the agency is already enforcing the scientifically dubious ergonomics principles under the general duty clause, without a regulation. The airing of this information refuted press reports that the agency had stopped work on the massive regulation and renewed congressional scrutiny of the rulemaking process. A study released in January 1995, conducted by experts in occupational medicine, concludes that OSHA did not ground its proposed ergonomic regulation in sound medicial science. Rather OSHA selected research that supported its position and ignored or minimized findings that did not. In the Labor-HHS Appropriations bill to fund OSHA in 1996, Congress approved a prohibition on funds for further work on the ergonomics standard.

c. Hearings.—The subcommittee held a hearing on July 12, 1995, on "OSHA's Regulatory Activities and Processes Regarding Ergonomics." Testimony was received from: Joseph A. Dear, Assistant Secretary of Labor for Occupational Safety and Health, U.S. Department of Labor; Joseph M. Woodward, Esquire, Associate Solicitor, Occupational Safety and Health Division, Office of the Solicitor, U.S. Department of Labor; David Sarvadi, attorney, Keller and Heckman; Howard M. Sandler, M.D., president, Sandler Occupational Medicine Associates, Inc.; C. Boyden Gray, Esquire, chairman, Citizens for A Sound Economy; Rick Treaster, president, Local 2400, Amalgamated Clothing and Textile Workers Union; Deborah Berkowitz, director, office of occupational health, United Food and Commercial Workers International Union.

4. Improper FDA Rulemaking.

a. Summary.—The committee conducted an investigational hearing on the improper use of informal rulemaking by the Food and Drug Administration in cooperation with the Subcommittee on Human Resources and Intergovernmental Relations. This investigation resulted from a compelling Citizens' Petition filed with the FDA pursuant to section 553 of the Administrative Procedures Act by the Indiana Medical Device Manufacturers Council and the law firm of Baker & Daniels on May 2, 1995. That Citizens' Petition asked the FDA to add back certain language that the agency had deleted from its regulations in 1991 requiring notice and comment procedures for most rules. The 1991 language deletion permitted the FDA to issue guidance documents without subjecting them to notice and comment rulemaking. The Petition also asked the FDA to implement a consensus-based approach to the initiation, development and issuance of guidance documents that do not impose new rules, and to adopt greater internal controls over its communications with the public. In support, the Petition identified dozens of examples where informal guidance documents had been used by the FDA to justify enforcement actions or approval decisions that could not be otherwise justified by a formal rule or statute.

Subcommittee Chairmen McIntosh and Shays submitted written questions to the FDA, which resulted in the production of hundreds of pages of documents and a number of instructive answers. For example, the FDA revealed that its decision in 1991 to exempt guidance documents from notice and comment rulemaking procedures was made despite criticism from an independent government agency charged with improving government regulations. In a September 24, 1990 letter, Marshall Breger, chairman of the Administrative Conference of the United States, advised the Acting Commissioner of the FDA, James Benson, "FDA should reconsider its seeming "all-or-nothing" approach with regard to using notice-and-comment procedure in the promulgation of interpretive rules."

In addition to focusing on the Citizens' Petition, the hearing also provided an opportunity for Members to consider a briefing paper published by David Murray of the Hudson Institute, entitled "The Human Cost of Regulation: The Case of Medical Devices and the FDA." In that paper, the Hudson Institute concluded thousands of Americans had died as a result of FDA delay in approving just four medical devices. As one example from the paper indicates, nearly 1,100 Americans died as a result of a 24-month delay in the FDA's approval of endocardial leads.

On October 30, 1995, the FDA provided a preliminary written response to the Citizen's Petition. Significantly, the FDA granted the petitioners' request that the FDA improve its guidance document procedures. In a letter signed by the Deputy Commissioner for Policy, the FDA concluded:

> "FDA believes that there is merit to your concern about the initiation, development, and issuance of guidance documents. FDA agrees that public participation benefits the guidance document development process. Moreover, FDA believes that the Agency can do a better of [sic] job of communicating to its employees and to the public the nonbinding nature of guidance documents."

However, the FDA denied the petitioners' request for the FDA to add back certain language that the agency had deleted from its regulations in 1991 requiring notice and comment procedures for most rules. The FDA ruled "notice-and-comment rulemaking would significantly delay the issuance of guidance documents, or more likely, make it impracticable to issue them at all. The Agency believes that the proper balance between the need for public input and the need for timely guidance can be struck if FDA modifies its guidance document procedures. This approach addresses your concerns regarding adequate public participation but does not make it impossible for FDA to continue making guidance available."

In that same letter, the FDA also announced plans to publish by January 31, 1996, a Federal Register notice setting forth its proposed ideas for revising guidance document procedures and its intention to solicit comment on the issues raised in the Citizens' Petition.

b. Benefits.—The investigation helped focus both the public's and the FDA's attention on an issue that is of significant importance to the regulated community. The extent to which guidance documents and other informal statements issued by a regulatory body

are used by that body is a core problem for any regulatory system. The Administrative Conference of the United States has recognized this concern, and has attempted to address solutions on a governmentwide basis. This investigation helps to highlight this concern with respect to the FDA. However, the FDA is not the only agency that could benefit from considering its treatment of informal rulemaking. The EPA, OSHA, and every other regulatory body needs to voluntarily examine their current rulemaking procedures. Failure to act voluntarily will inevitably lead more private citizens to use the Citizens' Petition process as a means of forcing the agencies to act responsibly. The subcommittee encouraged the filing of such petitions, and invites private citizens to bring them to its attention.

c. Hearings.—A hearing on this matter was held on September 14, 1995. Witnesses included: William Schultz, Deputy Commissioner for Policy, FDA; Brad Thompson of the law firm of Baker & Daniels; Larry Pilot, counsel to the Medical Device Manufacturers Association; Ed Kimmelman, regulatory affairs director for Boehringer Mannheim Corp.; Thomas Lenard, Ph.D., director of regulatory studies at the Progress & Freedom Foundation; David Murray of the Hudson Institute's Competitiveness Center; and Jeff Brinker, M.D., director of interventional cardiology, Johns Hopkins Hospital.

5. Regulatory Reform.

a. Summary.—The committee conducted an examination of the impact of Federal regulations on average Americans across the Nation. The subcommittee visited 17 cities and held hearings on the need for regulatory reform. Testimony from the hearings clearly showed that Government regulations place undue burdens on small business and the American people—burdens that are not outweighed by regulatory benefits.

In Washington, DC, Federal agency officials and some Members of Congress make the case that more and more regulations are needed. However, outside Washington, DC, citizens plead for relief from the needless burden of regulations that already exist. In some cases the burden of regulations just makes it more difficult for these individuals to do their jobs. In other cases, regulations threaten to drive them out of business completely.

The subcommittee found that America's hard-working farmers, who grow the food on which we all subsist, are heavily and unnecessarily burdened by regulations. One farmer in Oklahoma, Robert Ross, testified that Federal agencies issue so many convoluted regulations that it is nearly impossible for farmers *not* to break the law. Farmers are left with no other option but to follow the rules to the best of their ability, knowing that at any time, an agency inspector could fine them for a minor violation or, worse, take their land away. Another Oklahoma farmer, Ruby Henderson, testified that she can no longer farm her own land because it has been classified as a wetland—although it remains dry most of the year.

The subcommittee also found that regulations can be counterproductive, hurting the very people our society and our government should be trying to help. In Modesto, CA, a Laotian immigrant farmer leased 20 acres of land between two major roads which are

good for only one thing—farming strawberries. Two agencies, the Fish and Wildlife Service and the Army Corps of Engineers, quickly stepped in to stop him from farming his own land. After much headache and paperwork, which involved the agencies first losing and then rejecting his forms because the drawings were not quite to scale, this farmer is still in limbo. He came to America because he thought it was the land of opportunity, and he wanted to escape governmental abuse. Unfortunately, he has not been able to do that here. His American dream has become a personal nightmare.

Testimony from the field hearings also showed that regulations can have a counterproductive impact on large pockets of the American populace. For example, the small city of Manson, IA was forced to reduce the level of fluoride in the public drinking water—it was 4 to 5 milligrams per liter while Federal regulations required only 4 milligrams per liter. Even though the discrepancy between the actual level and the mandated level was very small, and fluoride is a good thing, the city was forced to install a reverse osmosis treatment plant to remove 1 milligram or less of fluoride per liter of water at a cost of more than $700,000. Water rates were increased by 45 percent to cover the operational costs of the plant. Property taxes were raised and now approximately 24 percent of these taxes are allocated to paying off the bonds the city had to sell to build the plant. Some 50,000 gallons of water are rejected by the plant daily.

In some cases, regulations aren't as much at fault as the methods Federal agencies use to enforce them. According to Dr. Jonathon Wright, on May 6, 1992, a group of flak-jacketed police and FDA agents kicked in the front door of the Tahoma Clinic, and with guns pointed at the staff demanded, among other things, their B vitamins. The raid came without any prior contact or inquiry from the FDA. In September 1995, the FDA's "criminal investigation" was dropped without as little warning as it was started—and without any explanation, apology or reimbursement of costs.

b. Benefits.—The field hearings have given private citizens across the Nation the opportunity to participate in the regulatory reform debate in Congress. By reaching outside Washington, DC, and listening to those people who must comply with Federal regulations on a daily basis, the subcommittee learned about many of the problems that the Federal regulatory system poses: use of excessive force by agencies, costly regulations that threaten to drive farmers and small business owners into bankruptcy, and counterproductive regulations that burden the American consumer without providing the benefits of protection for health and safety. The testimony of witnesses at the field hearings has helped build the record for regulatory reform, supporting the need for legislation to enact true, common-sense reform. Such significant legislation was enacted in the Small Business Regulatory Enforcement Fairness Act of 1996, which gives Congress veto power over agency regulations.

c. Hearings.—The subcommittee held the following field hearings: "The Regulatory Transition Act of 1995 (H.R. 450) and Clean Air Act Regulations" in Fairfax, VA, on February 2, 1995. Testimony was received from: Robert W. McGillicuddy, AutoCare, Inc.; Dennis Dwyer, Potomac Mills Exxon; Ron Harrell, Capital Services, Inc.; Becky Norton Dunlop, secretary of natural resources, Com-

monwealth of Virginia; Robert E. Martinez, secretary of transportation, Commonwealth of Virginia; Robert B. Dix, Jr., Fairfax County board of supervisors; Lorraine Lavet, Fairfax County chamber of commerce; Stan Laskowski, Deputy Regional Administrator, Region 3, Environmental Protection Agency; Ellen Bosman, vice chairman, Arlington County board; Sheryll Crosby, Shortness of Breath Club, American Lung Association. "The Need for Regulatory Reform" in Muncie and Indianapolis, IN, on April 17, 1995. In Muncie, testimony was received from: Betty Devoe, executive director, Westminster Village; Joseph Russell, farmer; Wayne Townsend, farmer; Tom Miller, vice president, commercial lending, American National Bank; Lowell Williams, senior vice president, First Merchants Bank; Eugene Roach, M.D., medical director, Anderson Center of St. John's; James Currier, M.D., radiation oncologist; Robert Brodhead, president, Ball Hospital; George Brannum, M.D., Pathologists Associated; G.W. Bartlett, president, G.W. Bartlett Co.; Richard Brown, sales manager, Beckett Bronze; Robert Kersey, president, Rochester Metal Products; Robert Anderson, plant manager, Delphi Interior and Lighting Systems; Richard Sullivan, vice president and division manager, New Venture Gear; Mike Lunsford, realtor; Terri Quinter, supervisor, Rose View Transit; Katherine Kleber, Abate of Indiana PAC; Dan Conaway, Abate of Indiana PAC. In Indianapolis, testimony was received from: Alan Kemper, farmer; Warren Baird, farmer; Bart Dye, farmer; Jean Ann Harcourt, president, Harcourt Outlines; Malcolm Applegate, president and general manager, Indianapolis Newspapers; Jeff Bowe, president, Benham Press; John Keach, Jr., president, Home Federal Savings Bank; Jerry Baumgartner, president, Tri County Bank and Trust; Jeff Robinson, Indiana American Water Co.; Myles Brand, president, Indiana University. "Regulatory Problems Maine Citizens Face Under the Clean Air, Clean Water, and Safe Drinking Water Acts" in Portland, ME, on May 26, 1995. Testimony was received from: Richard Verville, Citizens for Sensible Emissions; Monte Sloan, United Bikers of Maine; David Dixon, Earth Tech; Jinger Duryea, C.N. Brown Co.; Edward F. Miller, American Lung Association of Maine; Everett B. Carson, Natural Resources Council of Maine; Senator Jeffrey H. Butland, president of the senate, Maine State Senate; David Sweet, superintendent, Kennebunk, Kennebunkport and Wells Water District; Delores Lymburner, Maine Peoples Alliance; Judy W. Hayes, president, Consumers Maine Water Co.; Dale Glidden, superintendent, Augusta Sanitary District. "Regulatory Reform and the FDA Drug Approval Process" in Norristown, PA, on June 9, 1995. Testimony was received from: Beverly Zakarian, president, Cancer Patients Action Alliance; David and Faith Samowitz; Mariah Gladis; Kiyoshi Kuromiya; Dr. David Bios, vice president, worldwide regulatory affairs, Merck & Co.; Dr. James Molt, vice president, worldwide regulatory affairs, Rhone-Poulence Rorer; Dr. Robert Powell, vice president, regulatory affairs, SmithKline Beecham Co.; Bruce Carroll, manager, government relations division, Centocor, Inc.; Dr. Robert Larkin, director, registration & regulatory affairs, agricultural chemicals business, Rohm & Haas Co.; Mike Lumpkin, Deputy Director, Center for Drug Evaluation and Research, FDA. "The Need for Regulatory Reform" in Tampa, FL, on July 17, 1995. Testimony

was received from: Juan Adriatico, farmer; Roy Davis, nurseryman and president, Hillsborough County Farm Bureau and president, Tampa Bay Chapter of the Florida Nurserymen and Growers Association; Tommy Brock, farmer and president, Hillsborough County Strawberry Growers Association; David Boozer, executive director, Florida Tropical Fish Farms Association; Charles E. Weeder, chairman and CEO, Homes of Merit, Inc.; Bruce Congleton, president and CEO, Florida Food Industry Association. "Federal Regulatory Reform" in St. Cloud, MN, on August 7, 1995. Testimony was received from: Harold Anderson, president, Anderson Trucking Service; Mike Helfeson, CEO, Gold'n Plump Poultry; Bruce Gohman, president, W. Gohman Construction Co.; Morrie Lanning, mayor, Moorhead, MN; Don Adams, director, Stearns County Environmental Services; David Volker, loss control manager, Berkley Administrators; Peter Larsen, M.D., F.A.C.S., St. Cloud Eye Clinic; John Solheim, CEO, St. Mary's regional health center, Detroit Lakes; Ed Zapp, president, chairman and CEO, Zappco Inc. "Federal Regulatory Reform Pertaining to Federal Contracts" in St. Paul, MN, on August 8, 1995. Testimony was received from: Ron Turner, president, Minnesota Federal Contractors Council, Joe Weis, chairman, Weis Builders; Todd Goderstad, legal counsel, Ames Construction Co.; Ted Arneson, president, Professional Instruments; Donnovan Eaker, owner, Steve's Meat Market; Charles McDuff, director of government and technical affairs, Ecolab Inc.; Lyle Clemenson, president, CEI, Inc.; William D. Smith, Jr., executive vice president, Brown & Bigelow. "FDA Medical Product Approvals" in Rochester, MN, on August 8, 1995. Testimony was received from: Dr. Robert Schwartz, cardiologist, the Mayo Clinic; Dr. Richard Geier, president, Olmsted Medical Group; Dr. Mike Murray, president-elect, Minnesota Medical Association; Paul Citron, vice president of science and technology, Medtronic; Mike Gozola, president, Rochester Prosthetic Laboratories. "The Federal Regulatory Climate in Maryland," in Towson, MD, on January 26, 1996. Testimony was received from: Paul Abenante, president, American Bakers Association; William Paterakis, H&S Bakery; John Morrison, vice president of Human Resources, Schmidt Baking Co.; Alvin Manger, president, Manger Packing Co.; Edward Lauer, owner, Lauer's Super Thrift; Joseph DeFrancis, president, chairman and CEO, Pimlico Race Course; Timothy Capps, Maryland Horse Breeders Association; William A. Good, executive vice president, National Roofing Contractors Association; Mark Gaulin, president, Magco, Inc., and president, Associated Roofing Contractors of Maryland; Calvin Coblentz, president, Wimpey Minerals U.S.A., Inc., and president, Maryland Associated General Contractors; William T. Popmaronis, president, EPIC MD Professional Pharmacies and owner, Edwards and Anthony Pharmacy; Hugh Brown, president, Safeguard Maintenance Corp.; Michael Stappler, president, Overlea Caterers, Inc.; Thomas Meighan, safety manager, Stromberg Metal Works, Inc.; Rabbi Moshe Heinemann, Star-K Kosher Certification; Joseph DiCara, GOW International, Inc. "The Need for Regulatory Reform," in Sioux City, IA, on February 8, 1996. Testimony was received from: Harold Higman, Higman Sand & Gravel; David Calhoun, Wells Blue Bunny Dairy; Corky Bailey, JEBRO; Ellen Prescott, Security National Bank; George Valentine, Terra Industries,

Inc.; Craig Davis, Davey & Jim's Seed Store, Inc.; Ron Marr, Petroleum Marketers of Iowa; Bob Hamilton, chief, Sioux City Fire Department; Linda Madison, Sioux City Community School District; Stephen Brevig, Northwest Iowa Power Cooperative; Don Meisner, Siouxland Interstate Metro Planning Council. "The Need for Regulatory Reform," on February 9, 1996 in Des Moines, IA. Testimony was received from: Wes Houston, human resources manager, Johnson Machine Works, Inc.; Loren Duchman, consultant, James B. Meehan, PE, PC; Don Beal, president, Beal Development Corp.; David Whiton, owner, Whiton Feed and Milling Co.; Bill Willis, Soil Conservation Consultant; Richard Seigel, farmer; Royal "Curly" Holtz, II, farmer; Howard Alff, farmer; Harvey Johnson, farmer; Dean Torreson, city administrator, city of Atlantic; Robert Layton, city manager, city of Urbandale; Fletcher Reel, mayor, city of Missouri Valley; Tom Hanafan, mayor, city of Council Bluffs; Joe A. Gray, mayor, city of Manson; L.D. McMullen, CEO and general manager, Des Moines Water Works. "The Impact of Regulations on California's Central Valley," in Modesto, CA, on April 1, 1996. Testimony was received from: Shel Thompson, president, Charter Mortgage; Robert Rucker, president, Rucker Construction; Ron West, Ron West Consulting; John Roberts, CEO, California Rice Industry Association; Norma Cordova, director, Sand Creek Flood Control District; Dan Nelson, executive director, San Luis Delta Mendota Water Authority; Allen Short, general manager, Modesto Irrigation District; Roger Wood, corporate vice president, J.R. Wood Co.; Manuel Cunha, president, NISEI Farmer's League; Carolyn Richardson, director, Department of Environmental Advocacy; Pat Paul, chair, Stanislaus County Board of Supervisors. "Creating an Employer-Friendly Regulatory System," in Auburn, WA, on April 2, 1996. Testimony was received from: Dr. Jonathon Wright, Tahoma Clinic; Timothy S. Cooke, CEO, the Electrode Store; Ray Schow, State senator and owner, All-Night Printery and ANP Publishers; Ann Anderson, State senator; Suzette Cook, State representative; Pat Cattin, owner, Cattin's Restaurant; Don Guthrie, vice president, Wayne's Roofing; David Cornforth, co-owner, Cornforth-Campbell Pontiac, Buick, GMC; Keith Shay, former employee, Cornforth-Campbell Pontiac, Buick, GMC. "Taxing Times: The Case for IRS Reform," in Phoenix, AZ, on April 3, 1996. Testimony was received from: Sybille Koberstein; Alma Davis; Marlan Walker, Walker Ellsworth, P.L.C.; Yale Goldberg, Fraiser, Ryan, Goldberg & Hunter, L.L.P.; Mike Pietzsch, Polese, Pietzsch, Williams and Nolan; William Raby, the Raby Law Office; Natwar Ghandi, Associate Director of Tax Policy, General Accounting Office; Leigh Cheatham, deputy director, Arizona Department of Revenue; Judith C. Dunn, Associate General Counsel (domestic), Internal Revenue Service. "The Impact of Regulations on the Oil Industry," in Norman, OK, on May 20, 1996. Testimony was received from: Frank McPherson, chairman of the Board, Kerr McGee; Richard Bilas, John A. & Donnie Brock Chair in Energy Economics & policy director, University of Oklahoma Energy Center; Christine Hansen, Interstate Oil and Gas Compact Commission; Terry Ross, executive vice president, Love's Country Stores; Susie King, senior staff engineer, Conoco; Barbara Price, vice president, Health, Environment and Safety, Phillips Petroleum; Mike Cantrell, president, Okla-

homa Independent Petroleum Association; Troy Vickers, deputy director of Regulatory Services, Amoco Corp.; Commissioner Ed Apple, Oklahoma Corporation Commission. "The Hidden Cost of Government Regulations," in Claremore, OK, on May 20, 1996. Testimony was received from: Wayne Francis, mayor of Henryetta; Sam Wade, deputy CEO, National Rural Water Association; Gene Whatley, executive director, Oklahoma Rural Water Association; Ron Meadows, superintendent, Prue Public Schools; Sue Ann Clayton, Cystic Fibrosis Patient; Joe Cox, president, Hydrohoist International; Ted McGuire, president & CEO, RCB Bank; Ruby Henderson, farmer; Robert Ross, farmer; Charles Sloan, farmer, Sequoyah County Farm Bureau; Don Turner, Turner Bros. Meats; Larry McFerron, McFerron's Quality Meats; James Zangger, Greenleaf Nursery.

6. Privatization of Sallie Mae and Connie Lee.

a. Summary.—The Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs and the Subcommittee on Postsecondary Education, Training and Life-Long Learning of the House Committee on Economic and Educational Opportunities held a joint hearing on the possible privatization of Sallie Mae and Connie Lee, both of which were chartered under the Higher Education Act. Sallie Mae was established in 1972 as a shareholder-owned, for-profit corporation to help ensure adequate private sector funding for federally guaranteed education loans. Sallie Mae supports financing for higher education loans primarily by making a secondary market in such loans and providing related financial and operational support to lending and educational institutions. Connie Lee was established in 1986 as a Triple-A rated, for-profit municipal bond insurance company which guarantees the repayment of bonds issued by colleges, universities, and teaching hospitals for the construction and renovation of facilities. Connie Lee helps educational institutions with lower investment grades obtain low cost, long-term capital.

Members were interested in hearing testimony on whether it was in the public interest, and the interest of the stockholders of Sallie Mae and Connie Lee, that they be privatized because of changes in the secondary markets that these government-sponsored enterprises (GSE's) serve, and other changes in government policy.

b. Benefits.—The information gained by the hearing provided valuable information on the following three questions: (1) whether the markets served by Sallie Mae and Connie Lee were mature enough to allow these GSE's to be privatized and pursue other socially productive business opportunities; (2) if the markets were mature enough, whether it was fundamentally unfair to prevent the stockholders of these companies from deciding for themselves the future of their companies; and (3) if privatization of Sallie Mae and Connie Lee was in the public and private interest, what general form the legislation should take to accomplish this objective.

c. Hearings.—On May 3, 1995, the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs and the Subcommittee on Postsecondary Education, Training and Life-Long Learning of the House Committee on Economic and Educational Opportunities held the joint hearing. The first panel of

witnesses included Larry Hough, the president of Sallie Mae; Oliver Stockwell, the president of Connie Lee; along with representatives from the U.S. Department of Education and the U.S. Department of the Treasury. These witnesses testified about advantages of privatizing these GSE's and the possible terms of such privatization arrangement. The second panel of witnesses included experts on the financial markets served by Sallie Mae and Connie Lee. These witnesses discussed the typical life cycle of a GSE and explained that the secondary markets served by Sallie Mae and Connie Lee were sufficiently mature to make privatization appropriate.

7. Mismanagement of Grants by the Environmental Protection Agency.

a. Summary.—The subcommittee initiated an investigation of the Environmental Protection Agency's grantmaking process. The subcommittee's investigation, spurred by a September 28, 1995 report entitled "Final Report of Audit on EPA's Controls Over Assistance Agreements" by the EPA's Inspector General, found financial mismanagement that potentially places billions of tax dollars at risk. Grants generally compose more than half of the EPA's annual budget of approximately $6 billion.

The agency's Inspector General found violations of EPA policies and procedures, destruction of critical grant documents, and blatant disregard for sound management practices.

The Inspector General's report stated that "audits have shown that the recipients of assistance agreements have at times misspent and wasted millions of dollars." The report attributes some of the abuse to the fact that EPA "personnel did not comply with EPA policies and procedures when administering assistance agreements."

The Inspector General's audit revealed that an examination of agency grant records showed a "disregard of basic management techniques." For example, in many documents, the grant agreement itself—the contract between the grantee and the government—could not be found. In some cases, EPA employees improperly destroyed grant documents, despite "numerous directives prohibiting the destruction of records."

The EPA has acknowledged the problems. In response to the Inspector General's report, the official EPA response stated flatly: "The findings are consistent with the findings in previous reports. Basically, no new issues are identified."[25] A later agency response indicated that "many of the conditions which affect [EPA's] ability to administer and close out assistance agreements are a result of Agency priorities and lack of resources."[26]

The EPA has clearly indicated what its priorities are. Today, there are only 11 people in EPA headquarters in Washington watching out for the billions of dollars in taxpayer's money sent out

[25] A memorandum from Sallyanne Harper, Acting Assistant Administrator for Administration and Resource Management at EPA to Elissa Karpf, Deputy Assistant IG for Acquisition and Assistance Audits dated September 19, 1995.

[26] A memorandum from Al Pesachowitz, Acting Assistant Administrator for Administration and Resource Management at EPA to Elissa Karpf, Deputy Assistant IG for Acquisition and Assistance Audits dated March 25, 1996.

each year in grants. To put that in perspective, more than 13 people work in EPA's public relations shop.

On July 30, 1996, the subcommittee held a hearing to hear from Inspector General John Martin regarding the variety and volume of abuses of the grantmaking process uncovered. EPA Administrator Carol Browner was invited but refused to appear before the subcommittee to respond to the concerns raised by the Inspector General about half of the Agency's annual budget. Instead, the subcommittee heard from Deputy Administrator Fred Hansen.

The subcommittee heard from Inspector General Martin that the Agency had not filed a formal response outlining proposed corrective action related to the September 28, 1996 report until just days before the subcommittee's hearing. Under the EPA's own guidelines, this report should have been provided months before the hearing.

Further, the subcommittee heard from Deputy Administrator Hansen that it would take the EPA years in order to relieve the backlog of unmonitored grants and to establish the policy, procedures, and training necessary to adequately protect taxpayer funds from abuse.

Mr. Hansen also testified that the EPA could not assure the Congress that taxpayer funds are not being used for lobbying or political purposes due to the EPA's lax management practices. Inspector General Martin agreed to work with the subcommittee's staff to initiate a review of potential abuse of taxpayer-funded grants to subsidize lobbying and political activity.

b. Benefits.—The EPA Inspector General found that more than $33 million in additional funds could have been spent cleaning up the environment if EPA had properly closed out completed grants. By failing to do so, grantees escaped a final audit and the American public was cheated out of a cleaner, safer environment.

The subcommittee and the Inspector General of the EPA both intend to carefully monitor the Agency's ongoing corrective actions in order to ensure that the taxpayer's money is adequately protected while maintaining a cleaner, safer environment.

c. Hearings.—"Mismanagement of Grants by the Environmental Protection Agency," July 30, 1996.

8. Investigation of the White House Database (WhoDB).

a. Summary.—In response to press reports related to the committee's investigation of the improper acquisition of FBI files by the White House, the subcommittee undertook a review of the White House Database.

The subcommittee has requested documents and information from the White House, various Federal agencies, and outside contractors with regard to their involvement with the WhoDB. The White House has not cooperated with the subcommittee's requests in a timely fashion.

The subcommittee's initial review of the WhoDB shows that it is a computerized system of records that has information on more than 350,000 individuals and 80,000 organizations. The computer data base maintains sensitive personal and political information on these individuals and organizations.

The subcommittee held an initial hearing on the WhoDB on September 10, 1996 and heard from witnesses from the General Accounting Office and legal experts on privacy and appropriations law.

The General Accounting Office (GAO) testified that the White House cannot "ensure that users are properly accessing and using" the White House Database and that there is "an opportunity for misuse" of the system. In testimony by GAO's Director of Information Resources Management, Jack Brock, the independent auditing agency stated that the WhoDB system lacks basic security features, such as an access log and audit trail, that would track whether the "sensitive information" was being misused. He testified that the White House should assure "accountability" in the WhoDB by operating under the "principles of [OMB Circular] A–130."

OMB Circular A–130, the official guidance document for computerized data bases, states that the government shall "limit the collection of information which identifies individuals to that which is legally authorized and necessary for the proper performance of agency functions." It does not appear that the White House's policy of keeping information on the fact that individuals attended DNC functions or received DNC or Re-election Committee Holiday Cards in 1995, as the WhoDB does, complies with this standard.

b. Benefits.—The subcommittee's investigation of the WhoDB is ongoing, as is the General Accounting Office's review of the system. The investigation seeks to ensure that taxpayer funds are protected from abuse and that the White House has properly and legally spent appropriated funds.

The investigation also will determine whether new safeguards or other restrictions need to be placed on the White House Database specifically or on government information systems generally.

Internal White House estimates show that more than $1.7 million of taxpayer money has been spent to design, develop and maintain the WhoDB.

c. Hearings.—"Propriety of the White House Database," September 10, 1996.

9. The Effects of a Minimum Wage Increase.

a. Summary.—The subcommittee examined the consequences of an increase in the minimum wage. The subcommittee held a hearing at which it heard from economic experts on the wage issue as well as employers and minimum wage employees. The testimony presented to the subcommittee clearly showed that an increase in the minimum wage would have a significant negative effect on employment.

David Neumark, professor of economics at Michigan State University, testified that a hike in the minimum wage would have detrimental effects. Neumark has researched the minimum wage issue with William Wascher of the Federal Reserve Board for the past 6 years. In their first paper on the general employment effects of a minimum wage increase, Neumark and Wascher used data from the 50 States and Washington, DC between 1973 and 1989 to estimate the effects of a change in the minimum wage on the employment of workers, aged 16 to 24. They concluded from the data that a 10 percent increase in the minimum wage results in a reduction

of the employment rate of young workers by 1 or 2 percent. Applied to the proposed minimum wage increase of about 20 percent, their results predict a decline in employment of 2 to 4 percent among young workers. Neumark testified that, taking into account a rise in nominal wages, he now estimates the proposed minimum wage hike will result in a decline of 100,000 to 200,000 jobs among young workers.

Given the fact that employment declines when the minimum wage goes up, Neumark examined the question of whether minimum wage increases are the best way to reduce poverty. He concluded that minimum wage increases are an ineffective means of reducing poverty because such increases do not target individuals in poor families and they result in some low-wage workers losing their jobs.

Neumark and Wascher's research went beyond employment effects to examine the effects of minimum wage increases on school enrollment. Their findings were compatible with economic theory which suggests that minimum wage increases lead employers to decrease the number of lowest-skilled workers, who cost more to employ when the minimum wage goes up, and choose more skilled workers. This leads to two results for teenagers: those teenagers who have already left school and are employed full time lose their jobs at a high rate; and those teenagers who were enrolled in school and are more skilled have more attractive job opportunities and leave school for full-time work. Thus, increases in the minimum wage lead to increases in the high school drop out rate.

Neumark and Wascher's most recent research has disproved the study done by David Card and Alan Krueger, which is most frequently cited in support of raising the minimum wage. The Card and Krueger study looked at fast-food restaurants in New Jersey before and after the minimum wage was increased from $4.25 to $5.05. They concluded from their data that relative employment rose in New Jersey as a result of the minimum wage increase. Neumark and Wascher, however, point out that Card and Krueger's data were obtained from a telephone survey and were very imprecise measures of changes in employment. Neumark and Wascher studied payroll data from the same restaurants and came to the exact opposite conclusion—that New Jersey's minimum wage increase led to a decline in employment in fast-food restaurants in the State.

Several renowned economists also testified about the negative consequences of an increase in the minimum wage, particularly on employment. Finis Welch, Abell Professor of Liberal Arts and Distinguished Professor of Economics, Texas A&M University testified that his studies have shown that increases in the minimum wage will cause significant unemployment, particularly among teenagers. Kevin Murphy, George Pratt Shultz Professor of Business Economics and Industrial Relations, University of Chicago, testified that his studies have shown that increases in the minimum wage will cause significant unemployment among the least skilled workers. His studies have also shown that the minimum wage is one of the least effective means of helping poor wage earners. He explained how the cost of goods and services will increase for the poor under a hike in the minimum wage. William A. Niskanen, Ph.D. econo-

mist, former Economic Adviser to President Reagan, and chairman, Cato Institute, has studied what type of worker earns the minimum wage. He testified that current minimum-wage workers are not family breadwinners. He testified that other anti-poverty approaches, such as EITC and other tax cuts, are much more targeted to help family breadwinners.

In contrast to the other witnesses, Edward Montgomery, Professor of Economics at the University of Maryland, testified that the evidence suggests that the employment losses associated with an increase in the minimum wage would be small. He also stated that since the evidence points to small employment losses, it would be short-sighted to ignore the financial gains a minimum wage increase would offer to minimum wage workers. All of the other expert and citizen witnesses disputed Montgomery's conclusions.

b. Benefits.—The subcommittee learned that the unintended consequences of raising the minimum wage would be felt most by those least able to absorb them—seniors, the disabled and new employees in the work force—because it would create higher unemployment and higher prices for goods and services. Subcommittee Chairman David McIntosh introduced legislation proposing a minimum wage tax cut as an alternative to raising the minimum wage. McIntosh's legislation would cut Federal taxes for workers earning between $4.25 and $5.15 an hour, and it would raise workers' take home pay to $4.57 an hour, compared to the current $3.92 when Federal withholdings are deducted.

c. Hearings.—The subcommittee held a hearing on May 14, 1996, on "The Effects of a Minimum Wage Increase." Testimony was received from: David Neumark, Ph.D., professor of economics, Michigan State University; Melody Rane, Burger King Franchisee; Don Baisch, manager, Burger King Franchise; Jim Militello, Jr., Attorney, Militello, Zanck & Coen, owner, Source Team, and Partner, Super Wash; Bernie Hellgeth, Source Team; Taalib-Din Abdul Uqdah, co-owner, Cornrows & Co., and president, Hairbraiders & Natural Haircare Association; Gail Robbins, Pizza Inn Franchisee; Finis Welch, Ph.D., professor of economics, Texas A&M University; Kevin Murphy, Ph.D., professor of economics, University of Chicago; William A. Niskanen, Ph.D. economist, chairman, Cato Institute; Edward Montgomery, professor of economics, University of Maryland.

10. The Impact of Regulations on Employment.

a. Summary.—The subcommittee examined the impact of Federal regulations on employment. Witnesses at many of the subcommittee's field hearings testified that if they didn't have to absorb the huge cost of complying with government red tape, they would hire more workers, pay higher wages, or otherwise expand their businesses. Testimony presented before the subcommittee clearly showed that Federal regulations and big government in general depress job and economic growth.

The subcommittee held a hearing on this issue at which expert economists and policy analysts, who have studied how the cost of big government depresses job, wage, and overall national economic growth presented testimony. One witness, Professor Lowell Gallaway from Ohio University, conducted a recent study for the

Joint Economic Committee which showed that limiting big government spending is critical to raising the average American worker's wages. In fact, it showed that if Federal spending levels were held constant at their 1965 level and Federal taxes were adjusted accordingly, the typical worker would have taken home enough additional pay between 1973 and 1994 to buy a home. His study used historical data on Federal regulatory costs from the Center for the Study of American Business to determine the relationship between productivity growth and regulation. One of the study's results showed that rising regulatory activity is to blame for almost half of the slowdown in long-run productivity growth from the last year of the Kennedy administration (1963) to the first year of the Clinton administration (1993). Therefore, if regulatory activity had remained at its 1963 level, annual productivity growth today would be nearly 1 percent higher. The cumulative effect of this 30-year drag on productivity caused by regulation has been to lower the Nation's output by 1993 by $1.3 trillion a year.

Gallaway pointed to work by other economists supporting the idea that growth in regulatory activity lowers productivity growth. For example, Clark University Economist Wayne Gray has studied EPA and OSHA regulations in 450 manufacturing industries and found that increased regulatory activity explained more than 30 percent of the growth slowdown from the 1960's to the 1973–78 period. In a National Bureau of Economic Research study, Gray and Ronald J. Shadbegian concluded that each dollar of regulatory compliance costs lowered total factor productivity by $3 to $4 dollars.

Another witness, Professor Thomas D. Hopkins of the Rochester Institute of Technology, has studied the effects of regulations on the economy since he served in the Executive Office of the President from 1975–1984, conducting regulatory analysis. Hopkins has concluded that not only does Government regulation impose burdens on those who are regulated, but regulatory compliance costs are not distributed evenly and burden small businesses disproportionately. His work has shown that approximately $670 billion is spent each year to comply with all Federal regulations. If all regulatory compliance costs were shared evenly, every American household in 1995 would have paid $7,000. Although it is the household that ultimately pays the price of regulation, initially business pays the compliance costs. Ninety percent of all U.S. firms are small businesses with fewer than 20 employees. In 1992, the average small firm with under 20 employees spent some $5,500 per employee to comply with Federal regulations. The larger the firm, the smaller the compliance cost per employee, with firms of 500 or more spending about $3,000 per employee. Hopkins points out that compliance costs alone do not capture the decline in productivity that results from Government regulation. Regulation forces businesses to change their methods, giving up their most profitable and productive ways of doing business. Regulation also limits innovation and growth.

Regulation makes it more expensive for businesses to hire workers—particularly small businesses which account for more than half the total employment in the United States. Mark Wilson, labor policy analyst at the Heritage Foundation, testified that the average cost of hiring an employee in private industry is $17.10 per

hour, 43 percent of which is due to Government regulations, taxes and mandated benefits. For a minimum wage worker the cost is $4.76 per hour, 22 percent of which is due to Government regulations, taxes and mandated benefits.

Several small business owners also presented testimony to the subcommittee. Gary Bartlett, President, G.W. Bartlett & Co. in Muncie, IN, testified that if it weren't for the huge regulatory burden, he would be able to build a new facility and create 100 new jobs in 18 months. Judi Moody, a small business owner in Washington State testified that she wants to open a small retail business. When she started investigating the matter seriously, she discovered that she would have to comply with myriad regulations and codes, hire a lawyer, and get industrial insurance before she could even open the doors. Due to this regulatory burden, she has decided not to open the business. Her spirit of entrepreneurship has been squashed and the jobs she would have created are lost.

b. Benefits.—The subcommittee learned that reducing the cost of regulation, and big government in general, will promote greater productivity and economic growth, creating new jobs and enabling workers to take home more pay. Getting rid of unnecessary and counterproductive regulations will lift some of the disproportionate burden off small businesses, which comprise 90 percent U.S. firms. As a result, small businesses will have more money to expand, hire more workers and pay their workers higher wages.

c. Hearings.—The subcommittee held a hearing on May 16, 1996, on "The Impact of Regulations on Employment." Testimony was received from: Gary Bartlett, president, G.W. Bartlett Co.; Judi Moody, owner, CEG Northwest; Dick Walton, owner, Maroney's Cleaners & Laundry; Lowell Gallaway, distinguished professor of economics, Ohio University; Thomas D. Hopkins, Arthur J. Gosnell professor of economics, Rochester Institute of Technology; Mark Wilson, Rebecca Lukens Fellow in Labor Policy, the Heritage Foundation.

11. Travel Practices of Department of Transportation Administrators.

a. Summary.—The subcommittee investigated the travel practices of the Department of Transportation's administrators to determine the cost and nature of senior executive travel in the department. An initial letter was sent from subcommittee Chairman McIntosh on April 26, 1996, to Administrator Rodney Slater, Federal Highway Administration (FHWA); Administrator Jolene Molitoris, Federal Railroad Administration (FRA); Administrator David R. Hinson, Federal Aviation Administration (FAA); and Admiral Robert E. Kramek, U.S. Coast Guard (USCG). Subcommittee Chairman McIntosh sent an initial letter on May 23, 1996 to Administrator Albert J. Herberger, Maritime Administration; Administrator Ricardo Martinez, National Highway Traffic Safety Administration (NHTSA); Administrator Gail McDonald, Saint Lawrence Seaway Development Corp. (SLSDC); and Administrator Gordon Linton, Federal Transit Administration (FTA). This letter requested information from each DOT Administration about their travel budget for fiscal years 1991 through 1996 and about compliance with Federal travel practices. The letter also requested each

administrator to disclose each time he or she traveled at government expense since becoming administrator, the purpose of the trips, and the cost to the Federal Government for the trips.

Based on each administrator's response to the subcommittee's initial request for information, subcommittee Chairman McIntosh sent follow-up letters to Administrators Slater, Molitoris, Hinson, and Admiral Kramek.

b. Benefits.—The subcommittee learned that certain DOT administrators traveled on frequent trips at great expense to the taxpayer. FHWA Administrator Rodney Slater took 134 trips totaling 328 travel days, between June 14, 1993 and January 17, 1996. His travel included 9 trips to 11 foreign cities: Moscow, St. Petersburg, Berlin, Acapulco, Johannesburg, Calgary, Budapest, Paris, San Juan, Montreal, and Tokyo. His total travel (including accompanying staff) cost the taxpayer $168,719. Among his domestic trips, Slater traveled at least 14 times to his home State of Arkansas at taxpayer expense. At least one of these trips included political activity. On October 29, 1994, Slater billed taxpayers for a trip to Austin, TX, while he also participated in political events for then-Governor Richards' re-election campaign. From June 16 to 26, 1996, Slater took a $20,000 cross-country trip to celebrate the Federal highway system. This costly trip included stops at several national landmarks and popular vacation spots, such as the Lone Tree Gold Mine in Nevada and the Olympic Sports Park in Utah.

FRA Administrator Jolene Molitoris traveled almost as frequently as her colleague at the FHWA, taking 86 trips between August 10, 1993 and April 10, 1996. Her total travel (including accompanying staff) cost the taxpayer $116,567.79. On 32 of these trips she had free, unscheduled days, some of which she took as personal time. These trips included 12 visits to Columbus, OH, her home town where she keeps a residence. On most occasions her trips to Columbus did not coincide with any official business in the city. She attached stops in Columbus to other trips to Ohio. In one case, Molitoris attached a stop in Columbus to a trip to San Francisco, spending five personal days in Columbus when she had no official business in the city or even in the State. Molitoris also took six international trips to 21 foreign cities: Caracas, Vienna, Frankfurt, Calais, Paris, Geneva, Lille, London, Berlin, Warsaw, Yokota, Bangkok, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Osaka, Tokyo, Manila, Vancouver, and Victoria.

Coast Guard Commandant Robert Kramek, incurred especially high travel costs relative to the number of trips he took due to his frequent use of Government (USCG) aircraft. Between June 1994 and June 1996, Admiral Kramek took 62 trips. Five of these trips were international, during which he visited England, France, Cuba, Norway, Russia, Iceland, Japan, Panama, Argentina, Bolivia, Peru, and Venezuela. His travel costs (including accompanying staff and his wife) were $304,471.30. Admiral Kramek's wife accompanied him on about half (30) of his official trips. The USCG covered her transportation costs. The USCG justifies Mrs. Kramek's travel because she "plays a critical representational role" as a service chief's wife.

In response to the subcommittee's inquiry, the USCG noted that Admiral Kramek "will reduce his overall travel by 15%" in 1996

and that "Admiral Kramek has also mandated that all other Coast Guard flag officers and SES's reduce their overall travel by 15%." Admiral Kramek's seemingly sudden decision to reduce travel in 1996 is curious because as of the second quarter of the year, he had already spent more than half of his total travel expenses for previous years. To achieve a 15 percent reduction in travel, he would have to sharply curtail his travel for the remainder of the year.

FAA Administrator David Hinson took 90 trips between August 1993 and April 1996. His travels included eight international trips to 15 foreign locales: Paris, Toulouse, Zurich, Amsterdam, Brussels, Bejing, Tokyo, Geneva, Tel Aviv, Frankfurt, London, Madrid, Santiago, Montreal, and Saudi Arabia. His trips (including airfare for accompanying staff, but not their per diem and lodging expenses) cost $320,963.53. Like Admiral Kramek, Administrator Hinson incurred very high travel costs because of his frequent use of Government (FAA) aircraft. For many of the trips, the FAA did not report an estimated cost for the FAA aircraft, so the subcommittee's figure for Hinson's costs is an underestimate.

[NOTE: All the above data on each DOT administrator was provided to the subcommittee by the respective DOT Administrations at the subcommittee's request.]

c. Hearings.—None.

12. Travel Practices of SEC Chairman Arthur Levitt.

a. Summary.—The subcommittee investigated the travel practices of the Securities and Exchange Commission's (SEC) Chairman Arthur Levitt. An initial letter was sent from subcommittee Chairman McIntosh to Chairman Levitt on March 8, 1996, requesting information about the SEC's travel budget for fiscal years 1991 through 1996 and about compliance with Federal travel practices. The letter also requested that Levitt disclose each time he traveled at government expense since becoming chairman, the purpose of his trips, and the cost to the Federal Government for the trips. In subsequent letters sent on April 23, April 29, May 6, June 4, November 13, and December 6, 1996 as well as in meetings with Levitt's staff, the subcommittee requested further information, including copies of his schedule for all travel days, a complete list of all days he took as personal leave, copies of vouchers for all his trips, and a list of all the occasions on which Mrs. Levitt accompanied him on official travel.

The period of Levitt's travel reviewed by the subcommittee is August 1993 through November 1996 (approximately 3 years). During that time, Levitt took numerous trips paid for or subsidized by the U.S. taxpayer. The approximate total cost of his international and domestic travel through October 1996 (*not* including accompanying staff) was $104,758.

b. Benefits.—The subcommittee plans to continue its inquiry into the travel practices of Chairman Levitt. Particularly, the subcommittee will examine what internal controls are in place at the SEC to prevent abuse of taxpayer dollars and whether these controls are being properly implemented by the comptroller and others.

[NOTE: All the above data on SEC Chairman Arthur Levitt's travel was provided to the subcommittee by the SEC at the subcommittee's request.]

c. Hearings.—None.

13. Travel Practices of NTSB Chairman Jim Hall.

a. Summary.—The subcommittee investigated the travel practices of the National Transportation Safety Board (NTSB) Chairman Jim Hall. An initial letter was sent from subcommittee Chairman McIntosh to Chairman Hall on March 8, 1996, requesting information about the NTSB's travel budget for fiscal years 1991 through 1996 and about compliance with Federal travel practices. The letter also requested that Hall disclose each time he traveled at Government expense since becoming chairman, the purpose of his trips, and the cost to the Federal Government for the trips. In subsequent letters on April 17 and June 4 as well as in discussions with Hall's staff, the subcommittee requested further information, including copies of his schedule for all travel days, copies of vouchers for all his trips, copies of NTSB trip reports filed for each of his official trips, and information regarding the designation of Chattanooga as an alternate home base.

b. Benefits.—The subcommittee learned that Chairman Hall has traveled extensively since taking the position as acting chairman in June 1994. (He was confirmed as chairman in October 1994.) He took 51 official trips between July 1994 and February 1996. His trips were largely domestic, but also included visits to foreign locales, including London, Paris, Moscow, Australia, Puerto Rico and Canada. The total cost to the taxpayer for his travels (including accompanying staff) was $141,251.14.

In Hall's May 10 letter to the subcommittee, he wrote that, "During the process of compiling the requested documents, a few instances were discovered in which the complex and confusing rules governing alternate home base appear to have been unintentionally misinterpreted. For example, my understanding that establishing Chattanooga as my alternate home base allowed me to be reimbursed as if I were traveling out of Washington was incorrect." Therefore, as a result of the subcommittee's investigation into the matter, Hall was forced to reimburse the Government $1,887, a direct savings to the American taxpayer.

[NOTE: All the above data on NTSB Chairman Hall's travel was provided to the subcommittee by the NTSB at the subcommittee's request.]

c. Hearings.—None.

14. Cleaning Up the Superfund Program.

a. Summary.—On May 8, 1996, the subcommittee held a hearing on the Federal Superfund program in order to continue the oversight performed by its predecessor subcommittee and to assist ongoing efforts to reauthorize this program. The subcommittee's review focused on: the current state of the Superfund program; how well the program is being managed under the reforms initiated by the Environmental Protection Agency (EPA); and on the limits to improving the cleanup process without new legislation.

The Superfund program was created in 1980 when Congress enacted the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) to identify and cleanup the Nation's worst hazardous waste sites. Activity under the program includes emergency cleanups (removal actions) and the designation of sites on a National Priorities List (NPL) for longer-term remedial actions. Since 1980, approximately $16 billion has been obligated by the EPA. For this investment, EPA's program has cleaned up only 128 sites as of November, 1996, about 9 percent of the 1,387 sites on the NPL.[27] Moreover, at least 40 percent of the deleted sites required no remedial action at all.

On April 23, 1996, in testimony before the Senate Committee on Environment and Public Works, EPA Administrator Carol Browner claimed great strides in reforming Superfund. She stated that "the current program is fundamentally different from the program as it existed just three years ago." Over the past 3 years, the Agency has implemented three rounds of Superfund reforms. Among other initiatives, the EPA has established a remedy review board to consider costly remedies, and drafted guidance to better control costs in remedy selection, to increase the number of protected small contributors, and to conduct national risk-based priority-setting for funding cleanups. Administrator Browner maintained that these initiatives have produced "measurable benefits" to Superfund stakeholders and to public health and the environment by providing significant resource savings, accelerating cleanups, reducing transaction costs, and relieving small businesses of liability.

About 11 million Americans live within one mile of the Nation's Superfund sites.[28] Nonetheless, the current pace of cleanups has not accelerated at all. It still takes at least 12 years on average to clean up a Superfund site.[29] The fact that, within the last 3 years, sites are finally reaching the construction completion stage is simply a function of the Superfund pipeline and has nothing to do with the pace of cleanup. Indeed, testimony from a wide array of witnesses who appeared at the subcommittee's hearing indicated that EPA's initiatives have done little as yet to reduce the inordinate cleanup delays caused by interminable legal disputes over liability issues and the remedy selection process. Moreover, these disputes continue to generate enormous transaction costs. Over 30 percent of the $28 billion that has been spent on Superfund to date has gone to lawyers, consultants, and other non-cleanup expenses, instead of to cleaning up the most serious hazardous waste sites threatening the health and environment of the American public.[30]

In his testimony at the hearing, EPA's own Inspector General identified negotiations over who pays for cleanup costs as a major barrier to cleaning up Superfund sites. Based on an audit of several highly toxic waste sites, the Inspector General concluded that liability negotiations clearly consume a lot of time and significantly

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[27] 40 CFR Part 300, App. B, Table 1. Also, see the Federal Register generally for NPL deletions.

[28] Agency for Toxic Substances and Disease Registry's "Report to Congress: 1993, 1994, 1995" at 5 (Oct. 1996).

[29] EPA, Office of Inspector General, "Review of Barriers to Superfund Cleanups," at 2 (Nov. 29, 1995).

[30] See testimony of Jan Paul Acton, Assistant Director, Congressional Budget Office, Superfund Reauthorization Hearings, Committee on Transportation and Infrastructure, June 22, 1995, at 678.

delay completion of site cleanups. Moreover, several witnesses observed that such extended negotiations are inescapable due to the inherent unfairness of the current liability scheme. In theory, Superfund is supposed to enforce a "polluter pays" policy. That is, if culpable parties can be linked to a polluted site, these "potentially responsible parties" (PRPs) must pay for cleanup efforts. However, these witnesses testified that, in practice, Superfund's rule of "retroactive, joint and several, and strict liability" has been used to force numerous parties to pay for cleanup, even when they were not at fault. The Superfund statute established a sweeping liability system that declares that any person who contributed to contamination at a Superfund site at any time can be held liable for all costs of cleaning up that property, regardless of the degree of involvement of that person with the site, or even if the person fully complied with the laws at the time of disposal. As a result, EPA's Inspector General found that cleanups have been significantly delayed while PRPs and EPA negotiate the extent of the total liability and the allocation of liability among the PRP's.

Several witnesses also pointed out the disproportionate impact that this unjust liability scheme has had on small businesses. Indeed, Mr. Leon Dixon testified that his family bronze foundry business, Beckett Bronze, is now facing a third party liability suit seeking a contribution of about $26,000 for cleanup costs. The only evidence of Beckett Bronze's contribution to the contamination is a dump receipt for $16.l5, dated January 3, 1972. Furthermore, as Mr. James Nerger testified, persons are frequently named as PRP's even when they had no control over where their wastes were sent for disposal, and even though they were not required at the time to keep detailed records. His small family-owned solvent recycling business, Marisol, Inc., is potentially liable for $3–$10 million. This is a business with $12 million in total annual sales that recently received its fifth consecutive E.I. Digest's Regulatory Compliance Award.

Remedy selection, when based on unrealistic land-use assumptions, also can be viewed as a barrier to cleanups. By making cleanups unnecessarily expensive, such remedies reduce the cost-effectiveness of the Superfund program. As Representative Lincoln stated in written testimony, "Sites that are located in industrial areas should not meet soil eating standards that are required for land used for day care centers." Stated differently by the representatives of the General Accounting Office (GAO), using realistic land-use assumptions will help to maximize Superfund resources for the protection of public health and the environment. GAO reviewed the sites contained in an EPA data base on health risks from Superfund sites to evaluate the significance of land-use assumptions. About half of the sites (119) in the data base did not pose health risks serious enough to justify their cleanup under current land-use assumptions. However, EPA nonetheless judged cleanup necessary because the agency assumed the sites' uses would change in a way that would increase human exposure to contaminants in the future. (The sites studied represent most of the sites where EPA made cleanup decisions between 1991 and mid-1993.)

Both GAO and Mr. Jeffrey Rosmarin, whose company is the current owner of the Liberty Industrial Finishing Superfund Site, tes-

tified that EPA has often assumed a site will be used for residential purposes and used residential exposure scenarios when calculating risks, even when the planned future use of a site was commercial or industrial redevelopment. Mr. Rosmarin testified that, although the Liberty Site has been zoned light industrial and used for that purpose for over 80 years, EPA Region II did not even include light industrial use as a possible future use at this site in the Remedial Investigation report, issued in January 1994. According to one EPA estimate, the commercial level cleanup would be in the $6 million range, while the residential level cleanup would be approximately $60 million. Moreover, Mr. Rosmarin noted that an EPA toxicologist has stated that the commercial industrial level cleanup would have the same health benefits for the surrounding community as the residential cleanup.

In addition, GAO testified that EPA can reduce the risks at sites more quickly and economically by using its removal authority, where appropriate, instead of its more expensive and time-consuming traditional remedial techniques. If the accelerated cleanup techniques were used more consistently, GAO estimated that the Federal Government's and private sector's Superfund costs could be reduced by as much as $1.7 billion over the life of the program. However, GAO also noted that restrictions in CERCLA on the cost and time allowed for removal actions and inflexible funding arrangements have limited EPA's use of non-time-critical removals (where removal action in response to threats to human health or the environment can be delayed for at least 6 months in order to adequately plan for cleanup.)

Finally, Representative Lincoln pointed out that "one size does not fit all" when it comes to cleanup remedies. Today, a large amount of cleanup spending is devoted to meeting cleanup criteria under other statutes and regulations that were not developed for remediation waste and/or complying with Superfund's current statutory preference for treatment—whether or not such standards are, in fact, necessary to protect human health and the environment at a specific site. The Congresswoman believes that, given the truly local impacts of the Superfund program, States should be given the flexibility to design site-specific, risk-based remedies that are tailored to their particular environmental make-ups.

Witnesses also testified regarding significant management inefficiencies in the implementation of the Superfund program. GAO observed that the estimated cost of cleaning up the Nation's hazardous waste problem has grown to $75 billion for nonfederal Superfund sites. GAO maintains that, in this time of fiscal constraint, EPA could achieve more cost-effective cleanups by basing its priorities for funding cleanups on the principle of risk reduction. However, GAO has found that, to date, although one of the EPA's key policy objectives is to address the "worst sites first," relative risk plays little role in the agency's determinations of priorities. EPA headquarters leaves the task of setting priorities to the regions, yet the regions do not rank sites by risk. As a result, the risks most dangerous to human health are not necessarily those that are addressed first.

Commissioner Charles Williams of the Minnesota Pollution Control Agency stated that while the national average cost for cleaning

up Federal Superfund sites is $31 million, the average cost to the State of Minnesota for cleaning up its sites is $3 million.

Finally, Mrs. Helena Tielmann testified that the "cleanup" of her property by EPA contractors represents a prime example of gross mismanagement; a case where the property was left in far worse environmental condition than before remediation. Mrs. Tielmann lives with her husband and three children on a Superfund hazardous waste site, a 30-acre farm that had been the dumping ground for asbestos 25 years ago. After excavating the asbestos throughout their property and solidifying the flaky substance into a concrete monolith in their backyard, EPA's contractor backfilled the excavated soil with more than 100,000 tons of untested industrial fill from a contaminated industrial site. When later tested, the industrial fill, which, in fact, contained asbestos, exceeded New Jersey's residential use criteria. There is now more asbestos on the surface of the Tielmann's yard than there was before EPA implemented its remedy. Mrs. Tielmann maintains that this nightmare would never have occurred if there had been proper management, supervision, and controls; if EPA had used competent contractors; and if the Agency had been responsive to the property owner and the local community.

b. Benefits.—This hearing has served to document further Superfund's fundamental flaws. Once again, testimony reflects a rigid statutory process that does not provide the flexibility to address effectively the wide variety of circumstances encountered at sites. It also is clear from the testimony that this program continues to wreak havoc on the lives of hard-working and law-abiding citizens. Overall, the program continues to fall far short of protecting human health and the environment.

Moreover, the record developed in the subcommittee's hearing stands in sharp contrast to Administrator Browner's recent assertion that the current program is fundamentally different from the one in years past. This subcommittee has heard testimony that shows that EPA's initiatives to improve the pace, cost, and fairness of the Superfund program within the constraints of the law are not really being implemented. Clearly, these reforms have not received sustained management attention and follow-through.

Most importantly, the testimony given in this hearing reflects a dire need for legislative reform of this wasteful and expensive program. As J. Lawrence Wilson, chairman and chief executive of Rohm & Haas Co, stated before the Senate Environment and Public Works Committee on April 23, 1996: "Every month that continues to go by without reauthorization means more delays in cleanups, more litigation resulting from an inequitable liability scheme, more controversy between the public and EPA, and more wasteful spending by both the government and the private sector."

c. Hearings.—The subcommittee held a hearing entitled, "Cleaning up the Superfund Program," on May 8, 1996.

15. Havertown Superfund Site.

a. Summary.—The subcommittee is examining the process that the Environmental Protection Agency has followed in developing a cleanup plan for the Havertown PCP Superfund site (NPL No. 542; CERCLIS No. PAD 002338010). This investigation was prompted

by complaints from township citizens. Residents of the local community expressed difficulty in obtaining information about EPA's technical and economic analyses and raised concerns about whether the Agency has properly evaluated all viable remediation options. In addition, the subcommittee undertook this inquiry because this case involves issues that are the focus of EPA's Superfund administrative reforms.

The Havertown PCP site is a National Priorities List Superfund site in Havertown, PA. The site, which has been on the NPL since 1983, is surrounded by a mixture of commercial establishments, industries, parks, schools and residential homes. The site covers 12 to 15 acres, including a wood treatment facility. From 1947 to 1963, National Wood Preservers disposed of wood treatment waste materials into a 25 to 35 foot deep well that entered the groundwater under the plant. These wastes generally consisted of spent wood-treatment solutions containing pentachlorophenol (PCP) and diesel-type oil. The Agency also has found arsenic and dioxins on the site. The liquid wastes leached into a nearby small stream that flows through a residential area and eventually into the Delaware River.

EPA has taken various steps, such as conducting an emergency removal action, fencing the site, and installing an oil/water separator, in order to stem the further spread of site contamination and, thus, to reduce the potential of exposure to contamination. Recently, to respond to soil and ground water contamination, EPA began the preparatory work for placing a protective cap over areas of the site. The cap is part of EPA's response action at the site and will be used to prevent contact with contaminated soil and prevent rain water from trickling down through the soil and moving additional contamination into the groundwater.

On July 26, 1996, the subcommittee sent a letter of inquiry to EPA requesting information about its remedy decisions. The letter called upon EPA to provide the studies and analyses on which the Agency has relied for remedy selection at the Havertown site. On August 15, 1996, the subcommittee received from EPA Region III information and documentation in response to the inquiry. In reviewing these documents, the subcommittee has focused particularly on the following matters:

1. *Re-evaluation of the Remedy Decision.* Whether material changes in site conditions and/or technological developments have occurred since the Havertown site was listed on the NPL that justify an alternative or modified remedy. Has EPA performed a coordinated current review of the site to determine the potential effectiveness of the selected remedy, including collecting and analyzing updated site information, re-appraising the remedy's expected performance and costs, and evaluating currently available alternatives.

2. *Community Participation.* Whether the community has had the opportunity to play a meaningful role in the selection of the cleanup remedy. Has EPA provided the local community with the material information needed for informed participation.

3. *Consideration of Future Land Use.* To what extent has EPA conferred with local officials and other interested parties in developing a land use plan to guide decisionmaking on remedy selection.

4. *Economic Redevelopment of Contaminated Property.* To what extent will the selected remedy inhibit productive use of the property. To what extent will this remedy keep the source areas under control so that the contamination will not continue to migrate.

5. *National Risk-Based Priority Setting.* Whether the Havertown site is truly 1 of the 10 worst sites in this country, based on the criteria that EPA used to set national risk-based priorities for funding cleanups.

Finally, the subcommittee's review of EPA's responses has raised additional questions that the subcommittee plans to probe further.

b. Benefits.—In this Superfund case, the issues that are in dispute between the local community and EPA are the focus of the Agency's administrative reforms. The subcommittee is reviewing the Agency's implementation of such reforms at this site. Also, the Agency has listed this site as 1 of the 10 worst sites in the country on its national risk-based priorities list for funding. After reviewing the Havertown Superfund documentation, this designation appears inappropriate based on the criteria that the Agency applied in developing the list.

c. Hearings.—None were held.

NATIONAL SECURITY, INTERNATIONAL AFFAIRS, AND CRIMINAL JUSTICE SUBCOMMITTEE

1. Office of National Drug Control Policy.

a. Summary.—The National Narcotics Leadership Act of 1988 (21 U.S.C. 1501 et seq.) established the Office of National Drug Control Policy (ONDCP). The act also provided for appointment of a Director of ONDCP, and required that the Director develop an overall strategy and budget for Federal anti-narcotics efforts, including both supply and reduction. Specifically, the statute provides that ONDCP: "(A) include comprehensive, research based, long-range goals for reducing drug abuse in the United States; (B) include short-term measurable objectives which the Director determines may be realistically achieved in the 2 year period beginning on the date of the submission of the strategy; (C) describe the balance between resources devoted to supply reduction and demand reduction; and (D) review State and local drug control activities to ensure that the United States pursues well-coordinated and effective drug control at all levels of government." Pursuant to the Government Reform and Oversight Committee's jurisdiction over ONDCP, the Subcommittee on National Security, International Affairs, and Criminal Justice convened five indepth oversight hearings during 1995 to assess the status and effectiveness of the Nation's Federal drug control strategy and the strategy's implementation. The subcommittee zeroed in on the interdiction program, source country, law enforcement, prevention and treatment components as prescribed by the Federal strategy.

Before, during and after these hearings, expert advice and recommendations were sought from top administration officials and preeminent outside experts. The subcommittee's twin aims were to (a) identify strategic and implementation problems, and (b) identify sound recommendations for achieving measurable improvement in combating illegal drug importation and use.

As a backdrop for this investigation, the committee recognized that the impact of illegal drugs on our society has been a growing concern since the early 1970's. For example, in June 1971, President Nixon told Congress that a national response to drug addiction was needed since "the problem has assumed the dimensions of a national emergency."[31]

Moreover, by 1980, illegal drug use was so widespread that anti-drug parent groups such as Pride and National Family Partnership began to take root in America's heartland; in fact, by 1979 more than half of all minors surveyed acknowledged illegal drug use.[32]

During the early 1980's, the Nation awakened to the enormity of the incursion being made by illegal drugs. Former First Lady Nancy Reagan became a leader in the anti-drug, or drug abuse prevention, movement. Mrs. Reagan effectively led the campaign to educate our Nation's youth and stem rising youth drug abuse. Her most famous statement, "Just Say No," the answer to a child's question about how to respond if pressed to take drugs, became a guiding phrase in the prevention movement. Unrivaled in her energy and commitment, Nancy Reagan became the movement's chief spokesperson for much of the decade.

Finally, as indicated earlier, during the mid-1980's, President Reagan showed unprecedented leadership in what soon became known as a war against illegal drug use and those who trafficked in illegal drugs.[33]

In 1988, Congress passed the Anti-Drug Abuse Act of 1988 (Public Law 100–690, Title I, Subtitle A), which established the Office of National Drug Control Policy (ONDCP) and created the new position of "White House Drug Czar" or ONDCP Director. In recognition of the threat posed to our society by the menace of illegal drug use, the act required the White House ONDCP Director to present an annual strategy with measurable goals and a Federal drug control budget to the President and Congress.[34]

The 1988 act has been tinkered with in the years since. In 1994, pursuant to the Violent Crime Control and Law Enforcement Act of 1994 (Public Law 103–322, Title X), the "Drug Czar" was authorized to make recommendations to agencies during budget formulation. The aim of this 1994 change was to improve resource targeting and policy consistency at Federal agencies involved in implementing the National Drug Control Strategy, as well as to heighten overall counternarcotics coordination throughout the Federal Government. In addition, the "Drug Czar" was authorized under the 1994 act to exercise discretion over 2 percent of the overall drug budget. While some have suggested that this provision achieved little, the "Drug Czar" could theoretically transfer up to 2 percent of the budget among National Drug Control Program accounts, upon approval by the appropriations committees.[35]

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[31] Musto, David F. The American Disease: Origins of Narcotic Control, at 256 (1987).

[32] In 1979, 54 percent of youth respondents to the Monitoring the Future Survey indicated drug use. *See* the *1995 Pride Report*, Executive Summary, at 1.

[33] *See* "Testimony of Admiral Paul Yost," *supra*.

[34] Public Law 100–690, Title I, Subtitle A.

[35] In fact, this 2 percent measure has proved more theoretical than actual, as particular agency heads have resisted the transfers and prevailed in those efforts. For example, FBI Director Louis Freeh reportedly blocked resource allocations by ONDCP in 1994.

Beyond these hallmark 1995 hearings, during recent prior sessions of Congress, legislative and oversight hearings have been held on various aspects of national drug policy. However, these hearings have focused on particular aspects of the ONDCP Strategy and have been conducted against the backdrop of falling drug use or general support by the minority-controlled Congress for the overall White House Strategy.

This subcommittee's 1995 oversight hearings, proposed and supported by both minority and majority subcommittee members, were the result of recent developments, including the steep rise in juvenile and overall drug use (including both rising casual drug use, and increasing regularity of use); the growing awareness that increased juvenile drug use is linked to rising juvenile crime;[36] the absence of a long-promised White House Heroin Strategy;[37] an objective reduction in interdiction efforts;[38] an apparent lack of progress in source countries toward goals set forth for so-called source country programs;[39] reports of lagging accountability in certain drug prevention programs;[40] deemphasis by the media on drug abuse;[41] overall rise in drug related juvenile violence;[42] and general concerns about interagency coordination of the Federal counternarcotics effort.[43]

The intent to examine National Drug Control Strategy was set forth in the February 6, 1995 subcommittee Strategic Plan in accord with both the majority and minority view that the area required oversight.[44]

In the course of investigating the status of the National Drug Control Strategy, the Strategy's implementation and the need for improvement, the subcommittee engaged in extensive correspondence with the administration, including direct correspondence with the President; the Vice President; Anthony Lake, the President's National Security Advisor; Dr. Lee P. Brown, Director of ONDCP; Admiral Robert E. Kramek, U.S. Interdiction Coordinator and Coast Guard Commandant; Thomas A. Constantine, Administrator of the Drug Enforcement Administration; George Weise, Commissioner of the U.S. Customs Service; Brian Sheridan, Department of Defense Deputy Assistant for Drug Enforcement Policy; Ambassador Jane E. Becker, Department of State Deputy Assistant Secretary for International Narcotics and Law Enforcement; and others at the Departments of Justice, Defense, State, ONDCP and elsewhere in the administration.

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[36] 1995 OJJDP Report, pp. 58–65.

[37] The President promised a Heroin Strategy within 120 days of taking office. Without any White House announcement, he signed a Heroin Strategy in late November 1995. The signed Strategy offers little detail, and was promulgated without Implementing Guidelines, which has so far made it a nullity.

[38] See "Interdiction Policy Oversight" section, below.

[39] *See* "Source Country Program Oversight" section, below.

[40] In particular, reports of waste and misapplication of funds have been associated with certain States' administration of Safe and Drug Free Schools moneys, and these allegations are under continuing investigation by the Department of Education Inspector General's Office and the General Accounting Office.

[41] *See* "prevention Policy Oversight" section, below.

[42] *See* "Background" section, below.

[43] *See*, *e.g., Yost Testimony,* below.

[44] The topic was discussed at a meeting of the full subcommittee in early February, views were solicited by the subcommittee chairman, and both minority and majority members indicated a desire to conduct oversight in this area.

The committee investigation included one fact finding trip. Subcommittee members, and members of the United States Coast Guard traveled to the Seventh Coast Guard District in the Caribbean transit zone. There, they attended briefings at Seventh District Headquarters in Miami, Coast Guard interdiction initiatives at sea, Drug Enforcement Administration (DEA) activities in the Greater Antilles, high level interagency briefings in Puerto Rico by the FBI, DEA, Customs, Border Patrol, and local authorities, and received indepth briefings by Admiral Granuzo and others at Joint Task Force Six in Key West, dedicated to Eastern Caribbean Drug Interdiction. This trip was arranged in coordination with the U.S. Coast Guard, and invitations were extended to majority and minority members. The trip occurred on June 16 through 19, 1995. Additionally, in coordination with ONDCP, subcommittee Chairman Zeliff traveled with the White House Director of ONDCP to see prevention and treatment programs first-hand in Massachusetts.

Throughout 1995, the subcommittee met extensively with the agencies involved in the counternarcotics effort, and endeavored to collect directly and indirectly both statistical and anecdotal evidence on the effectiveness and accountability of the current National Drug Control Strategy and programs. These efforts spanned the key areas of interdiction, law enforcement, prevention, treatment, and source country initiatives. The subcommittee sought further insight from GAO investigators, agents in the field, and departmental inspectors general.

b. Benefits.—As a result of its investigation into the use of illegal drugs in America and the Nations fight against drugs, the committee uncovered the following basic facts:

(1) Casual teenage drug use trends have suffered a marked reversal over the past 3 years, and are dramatically up in virtually every age group and for every illicit drug, including heroin, crack, cocaine hydrochloride, LSD, non-LSD hallucinogens, methamphetamine, inhalants, stimulants, and marijuana.

(2) Rising casual teenage drug use is closely correlated with rising juvenile violent crime.

(3) If rising teenage drug use and the close correlation with violent juvenile crime continue to rise on their current path, the Nation will experience a doubling of violent crime by 2010.[45]

(4) The nature of casual teenage drug use is changing. Annual or infrequent teenage experimentation with illegal drugs is being replaced by regular, monthly or addictive teenage drug use.[46]

(5) The nationwide street price for most illicit drugs is lower than at any time in recent years, and the potency of those same drugs, particularly heroin and crack, is higher.[47]

(6) Nationwide, drug related emergencies are at an all time high.[48]

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[45] *See* Juvenile Offenders and Victims: A National Report, OJJDP, Department of Justice, September 1995.

[46] *See* 1995 surveys conducted by PRIDE, The National Household Survey, and The University of Michigan's Monitoring the Future Survey.

[47] *See* "Interdiction Policy Oversight" section, below.

[48] *See* "Background" section, below.

(7) The 1994 and 1995 White House ONDCP strategies consciously shift resources away from priorities set in the late 1980's, namely from prevention and interdiction to treatment of "hardcore addicts" and source country programs.

(8) During 1993, 1994, and most of 1995, the President put little emphasis on, and manifested little interest in, either the demand side war against illegal drug use or the supply side war against international narcotics traffickers. An objective look at the President's public addresses and his actions regarding gutting the ONDCP when he became President, interactions with Congress, and discussions with foreign leaders reveals that attention to the rising tide of illegal drug use is a low Presidential priority.[49]

(9) The President's actual attention to this problem, measured by other than the paucity of speeches and proposed budget cuts, has been uniformly low. In addition to the absence of direct Presidential involvement in the drug war, the President produced no 1993 Annual Strategy, despite a statutory duty to do so under the 1988 Antidrug Abuse Act; delayed appointment of a White House Drug Czar, or ONDCP Director, until half way through 1993; and produced only a terse "interim" 1993 Strategy.

(10) The Drug War appears also to have been expressly reduced to a low national security priority early in the administration, and not to have been formally elevated at any time since.[50]

(11) While the position is contested by the administration's ONDCP Director, a wide cross section of drug policy experts inside and outside of the administration concur that the absence of direct Presidential involvement in foreign and domestic counternarcotics efforts is one reason for the recent reversal in youth drug use trends, reduced street prices for most narcotics, and increased potency of most illicit drugs.

(12) Prevention programs that teach a right-wrong distinction in drug use, or "no use," such as D.A.R.E., G.R.E.A.T., the Nancy Reagan After School Program, community-based efforts run by groups such as C.A.D.C.A., PRIDE, the National Parents Foundation, and Texans War on Drugs, as well as other local school and workplace programs, have proven both successful and popular where they have been well-managed and accountable—despite the 1995 White House ONDCP Strategy statement that "[a]ntidrug messages are losing their potency among the Nation's youth;".[51]

(13) Federal drug prevention programs, such as Safe and Drug Free Schools, while supporting successful prevention programs in many parts of the country, have also been subject to misapplication, waste and abuse.[52]

(14) The Nation's law enforcement community needs greater flexibility and support from the Federal Government in ad-

[49] *See* "Background," "Interdiction Policy Oversight" and "Prevention Policy Oversight" sections, below.

[50] *See* "Interdiction Policy Oversight" section, below. Reportedly, the drug war's national security priority during the first 3 years of the Clinton administration was number 29 out of 29.

[51] *See* "Prevention Oversight" section, below.

[52] *See* "Prevention Oversight" section, below.

dressing the rise in juvenile and drug related crime. While certain developments are promising, such as the $25 million increase in Byrne Grant funding in fiscal 1996, a law enforcement block grant to supersede the COPS program, and increased reliance on joint interagency task forces, valuable time has been lost in addressing this need. Renewed attention to strengthening Local, County, State and Federal law enforcement's counternarcotics efforts is required.

(15) The Nation's interdiction effort has been dramatically curtailed over the past 3 years, due to lack of White House support for interdiction needs, reduced funding, a tiny staff at the United States Interdiction Coordinator's Office, the absence of an ONDCP Deputy for Supply Reduction, reduced support for National Guard container search days, the elimination of certain cost effective assets in the Eastern Caribbean, reassignment or absence of key intelligence gathering assets, reluctance by the Department of State to elevate counternarcotics to a top priority in certain source and transit countries, unnecessary interagency quarreling over asset management and personnel issues, and the apparent inability or unwillingness of the White House Drug Czar to bring essential interdiction community concerns to the attention of the President or to aid the President's Interdiction Coordinator in doing so; and

(16) Poor management and interagency coordination in source countries.

c. Hearings.—The subcommittee held five hearings in conjunction with its investigation of ONDCP. Those hearings include the following: (1) "Effectiveness of the National Drug Control Strategy and the Status of the Drug War," March 9 and April 6, 1995. (2) "Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?," June 27 and 28, 1995. (3) "The Drug Problem in New Hampshire: A Microcosm of America," September 25, 1995.

On March 9, 1995, the subcommittee investigation resulted in its first hearing. The purpose of this hearing was to examine President Clinton's 1995 National Drug Control Strategy, and to begin an assessment of how effectively the Nation is fighting illegal drug abuse, domestically and internationally. Acknowledged components of the Drug War under review include prevention, treatment, interdiction, law enforcement, and source country programs.

At this hearing, testimony was received from four panels. The subcommittee heard first from former First Lady of the United States, Nancy Reagan.

Testimony was received from William J. Bennett, former Director of the Office of National Drug Control Policy (ONDCP); Robert C. Bonner, former Administrator of the Drug Enforcement Administration; and John Walters, former Acting Director of ONDCP.

The subcommittee also heard testimony from Dr. Lee Brown, Director of ONDCP. Finally, the subcommittee heard from Admiral Paul A. Yost, Jr., former Coast Guard Commandant; and several nationally recognized drug abuse prevention experts, including Thomas Hedrick, Jr., senior representative of the Partnership for a Drug-Free America; G. Bridget Ryan, executive director of California's BEST Foundation; James Copple, national director of the

Community Antidrug Coalitions of America (CADCA); and Charles Robert Heard III, director of program services for Texans' War on Drugs.

With varying degrees of emphasis, all panels acknowledged that current Federal efforts are under strain from reduced emphasis on certain components of the Drug War, budgetary pressure, and in some cases accountability.

The panels also acknowledged that, over the past several years, there has been a marked reversal in several important national trends including most notably a rise in casual drug use by juveniles, but also reaching to perceived drug availability (up), perceived risk of use (down), average street price (down), drug related medical emergencies (up), drug related violent juvenile crime (up), total Federal drug prosecutions (down), and parental attention to the drug issue (down).[53]

The subcommittee found that these reversals have continued through the period 1993 to 1995, although certain trend lines, including a shift from falling to rising casual use, typically among juveniles, began in 1992. In addition, a shift of certain interdiction resources, which were earlier a part of the counter narcotics force structure, began in late 1991 with the advent of the Persian Gulf War.

All panels agreed, albeit with differing emphases, that renewed national leadership, including both Presidential and congressional leadership, will be necessary to combat these recent trend reversals, especially the rise in juvenile drug abuse and drug related violent juvenile crime.

Subcommittee Chairman Zeliff initiated the hearing by noting that Mrs. Reagan "woke the Nation up to this [juvenile drug abuse] problem and its pervasiveness in the early 1980's." Subcommittee Chairman Zeliff observed that the former First Lady's "Just Say No" campaign effectively launched a "national crusade" for drug abuse prevention.

Subcommittee Chairman Zeliff also noted that, in April 1985, Mrs. Reagan held the first International Drug Conference for the world's First Ladies. In 1988, she held the second such conference and became the first American First Lady to speak before the United Nations; and after leaving the White House, she founded the Nancy Reagan Foundation, which has since "awarded grants in excess of $5 million to drug prevention and education programs . . ."

Appearing before the subcommittee, First Lady Nancy Reagan testified that America has forgotten the dangers of drug use, that America's children are at increased risk in 1995, that there is an absence of national leadership on the drug issue, and that a national strategy focused on treatment of so-called hardcore addicts misses the largest at-risk population, namely children participating in casual use. Specifically, Mrs. Reagan explained that she had "decided to speak [before Congress on the drug issue] only after a lot

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[53] Press Release, the University of Michigan, "Drug Use Rises Again in 1995 Among American Teens," December 15, 1995; Press Release, PRIDE, "Teen Drug Use Rises for Fourth Straight Year," November 2, 1995; Preliminary Estimates from the Drug Abuse Warning Network, U.S. Department of Health and Human Services, September 1995; James E. Burke, "Presentation: An Overview of Illegal Drugs in America," Partnership for a Drug-Free America, Fall 1995.

of soul searching . . . because my husband and everything he stands for calls for me to be here."

She then explained that the Nation "is forgetting how endangered our children are by drugs," that societal "tolerance for drugs" is up, and that "the psychological momentum we had against drug use [in the late 1980's and early 1990's] has been lost." In short, she asked, "How could we have forgotten so quickly?"

Directing herself to national policy, Mrs. Reagan quoted from President Clinton's 1995 National Drug Control Strategy, which states that "[a]nti-drug messages have lost their potency." Mrs. Reagan disagreed, testifying: "That's not my experience. If there's a clear and forceful 'no use' message coming from strong, outspoken leadership, it is potent . . . Half-hearted commitment doesn't work. This drift, this complacency, is what led me to accept your invitation to be in Washington today . . . [W]e have lost a sense of priority on this problem, we have lost all sense of national urgency and leadership."

John P. Walters, president of the New Citizenship Project and former Acting Director of ONDCP, testified that President Clinton has promoted policies that reversed or accelerated the reversal of nearly a decade of falling drug use. Mr. Walters tagged President Clinton as the source of major reversals in: the cultural aversion to drug use, falling drug availability, falling drug purities and rising drug prices. He sees these trends as significant and dangerous.

Mr. Walters pointed to the President's 80 percent reduction of ONDCP staff,[54] the Attorney General's stated goal of reducing mandatory minimum sentences for drug trafficking,[55] and a Presidential directive reducing Department of Defense support to drug interdiction efforts as damaging to the drug control program. Further, Walters testified, the reduction in resources to transit and source countries by 33 percent (from $523.4 million in fiscal year 1993 to $351.4 million in fiscal year 1994),[56] a reduction in Federal domestic marijuana eradication efforts, a call by the President's Surgeon General for study of drug legalization,[57] and "no moral leadership or encouragement" from President Clinton himself as significant factors in the Nation's rising drug problems.

In short, Mr. Walters testified, "the drug problem is simply not a part of the foreign policy agenda of the United States under President Clinton—there is no carrot and no stick facing countries from which the poison destroying American lives every day comes." Finally, he noted that this de-emphasis on international efforts "fuels calls in other countries for abandoning antidrug cooperation." [*See also* the New York Times (February 20, 1994), pp. A6; the New York Times (February 27, 1994), Section 4, pp. 15.]

In Mr. Walter's view, "if these trends continue, by 1996, the Clinton administration will have presided over the greatest increase in drug use in modern American history."

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[54] On February 9, 1993, the White House announced that ONDCP would have its personnel cut from 146 to 25.

[55] *See also* Isikoff, the Washington Post (November 26, 1993), pps. A1, A10–A11.

[56] *See also*, ONDCP, *National Drug Control Strategy: Budget Summary* (February 1994), pp. 184.

[57] *See also*, Reuter, "Elders Reiterates Her Support for Study of Drug Legalization," the Washington Post (January 15, 1994), pp. A8.

William J. Bennett, current Co-Director of Empower America and former Director of ONDCP, testified that there has been a "sharp rise in drug use," citing many of the same studies cited by subcommittee Chairman Zeliff, Mrs. Reagan, Mr. Walters and others.

According to Mr. Bennett, this rise should have "mobilized the Federal Government to forcefully state the case against drug use, enforce the law and provide safety and security to its citizens." Instead, "the Clinton administration has abdicated its responsibility" and "has been AWOL in the War on Drugs," said the former White House Drug Czar.

Widely regarded as the most effective White House Drug Czar to date, Mr. Bennett denounced the 80 percent cut by President Clinton in the ONDCP staff, and the willingness of Clinton's Attorney General to endorse reductions in mandatory minimum sentences for drug traffickers.

Mr. Bennett introduced new facts into the national dialog when he observed that, "last year, the Clinton administration directed the U.S. Military to stop providing radar tracking of cocaine-trafficker aircraft to Colombia and Peru," a policy "Congress again had to reverse," and noted that "last month, for the first time in history, the nation's drug control strategy was introduced without the participation of the President." He also believes that, if present trends continue, by 1996 the Clinton administration will have presided over the greatest increase in drug use "in modern American history."

Expanding his analysis beyond the failure of public policy, Mr. Bennett testified that "the Clinton administration suffers from moral torpor on the issue" and that, as a general matter, "policy follows attitude." In support of this statement, Mr. Bennett quoted several statements by the President on his own prior use of drugs, in particular, President Clinton's 1991 statement that he had never "broken any drug law," followed by the 1992 statement that he had used marijuana in England but "didn't inhale it," followed in turn, when asked if he would inhale if he had it to do over, by: "Sure, if I could, I tried before."

Mr. Bennett noted, on closing, that "success in the drug war depends above all on the efforts of parents and schools and churches and police chiefs and judges and community leaders." Giving examples from more than 100 cities visited when President Bush's Drug Czar, Mr. Bennett urged renewed leadership.

Robert C. Bonner, former Administrator of the Drug Enforcement Administration (DEA) under both Presidents Bush and Clinton, a former Federal judge, and currently a partner at Gibson, Dunn and Crutcher, testified forcefully for renewed leadership in the Drug War: "The bottom line is unmistakable—during the past two years, drug use among the youth of America has soared in nearly every category of illegal drug . . . When juxtaposed against the immediately preceding period and nearly a decade of declining drug use, there can be only one conclusion—the Clinton administration's National Drug Strategy has failed miserably, and indeed it is a tragedy."

Crediting Mrs. Reagan's "Just Say No" campaign and the Anti-drug Abuse Act of 1988, Mr. Bonner noted that the onslaught of

direct and indirect damage from illegal drugs was turned back in the mid-1980's and early 1990's. In Mr. Bonner's view, national will and a combination of "strong law enforcement," a strong "educational and moral message," and effective treatment programs for hardcore users made the difference. However, he warns that drug treatment programs should not be "oversold."

Bluntly, Mr. Bonner concluded, "there has been a near total absence of presidential leadership by President Clinton in the fight to turn back illegal drug use . . ." and his Surgeon General's remarks on legalization "arguably encourages it" by further reducing perceived risk; Mr. Bonner called Surgeon General Jocelyn Elders' statement on legalization "dead wrong and flagrantly irresponsible for a national public health official."

Dr. Lee P. Brown, Director of ONDCP, testified defending the 1995 National Drug Control Strategy. Dr. Brown testified that President Clinton's fiscal 1996 budget sought $14.6 billion in funding across the Federal Government for drug related Federal programs.

For context, the President's 1995 National Drug Control Strategy lists the total "Drug Budget" as $14,550.4 (millions). This figure is somewhat misleading, however, since it contains funding for a variety of programs mixed purposes, such as the Federal Court System, Food and Drug Administration, Social Security Administration, Department of Agriculture's Agricultural Research Service and U.S. Forest Service, Department of Interior's Bureau of Indian Affairs, Bureau of Land Management, Fish and Wildlife Service, and National Park Service, Department of Justice's Community Policy, Immigration and Naturalization Service, U.S. Marshal's Service and Tax Division, an unidentified grant to the Department of Labor, ONDCP's "gift fund" (zeroed out in fiscal 1996), the Small Business Administration, the Agency for International Development (AID), the Department of Treasury's Internal Revenue Service, and United States Secret Service, the U.S. Information Agency (USIA), and a range of other disparate Federal initiatives.[58]

A dual concern raised by some members of the subcommittee was how these funds are actually spent and who coordinates the spending. The latter concern boiled down to accountability, avoiding duplication, and assuring interagency coordination.

Seeking to justify the administration's acknowledged shift to treatment of hardcore drug users and the President's request for "$2.8 billion for treatment" in fiscal 1996, Dr. Brown noted that "chronic hardcore drug users comprise 20 percent of the drug user population but consume two-thirds of the drugs . . ." From this, he argued that "past strategy [sic] ignore this inextricable part of the drug problem."

In fact, while the 1995 National Drug Control Strategy does increase the proportion of overall spending devoted to treatment, past strategies have included—and have steadily increased—funding for treatment. In fact, Federal treatment funding has increased every year from 1982 to 1995.[59]

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[58] *See* National Drug Control Strategy, February 1995, the White House, pp. 120–121.

[59] Fiscal year 1992, Federal treatment spending stood at $505.6 million. Fiscal year 1995, Federal treatment spending stood at $2.65 billion. *National Drug Control Strategy: Budget Summary*, Office of National Drug Control Policy, February 1995, pp. 238.

Dr. Brown acknowledged that "drug use among adolescents is rising," but attributed the trend to the final year of the Bush administration. Dr. Brown offered the view that Safe and Drug Free Schools moneys are "the cornerstone of this nation's efforts to educate our children about drug use" and are currently disbursed to "94 percent of the school districts in this country."

Dr. Brown confirmed a shift in trafficking patterns toward greater use of container cargo and noted that "over 70 percent of the cocaine entering our country crosses the border with Mexico," but was unable to explain reduced emphasis in the current strategy on National Guard Container Search Workdays along the United States-Mexican border. Specifically, Dr. Brown had no answer for the question why National Guard Container Search Workdays fell from 227,827 in 1994 to a 1996 projection of 209,000, as described in ONDCP's own 1995 Strategy at page 41.

Generally, Dr. Brown condemned "Congress" for having "failed to fulfill [the President's] budget request." However, Dr. Brown made no attempt to provide specific answers to Members' questions concerning (1) the President's own proposed deep cuts in interdiction and international program funding; (2) accountability; (3) shifting interdiction resources to source countries, (4) a reduction of Customs agents at the Southwest border; or (5) the shift in resources from prevention of casual use (80 percent of total users) by juveniles to treatment for older, chronic, hardcore users (20 percent of total).

Subcommittee Chairman Zeliff introduced an unclassified piece of correspondence dated December 1994 between the Interdiction Coordinator, Admiral Kramek, and the Director of ONDCP, Dr. Brown, which stated that a consensus of agency heads believed "we need to restore assets to the interdiction force structure . . ." and "we must return to the 1992–1993 levels of effort."

The Kramek letter also indicated that the source country programs were not yet "producing necessary results." Addressing drugs as a national security threat, the Kramek letter specifically asked for a meeting with the President. The letter read, "I believe it appropriate that we meet with the President and National Security Advisor as soon as possible to brief them on the results of our conference and discuss the current state of implementation and national strategy . . . Of key importance to this meeting is the determination of priority of counting narcotics trafficking as a threat to national security of the United States as evaluated against other threats to our security that compete for resources."

Subcommittee Chairman Zeliff asked Dr. Brown if he had followed the Interdiction Coordinator's and agency heads' consensus that drug interdiction resources be returned to the "1992–1993 levels." Dr. Brown indicated that he held a view different from that of the Interdiction Coordinator and had, apparently, not followed that recommendation. Similarly, subcommittee Chairman Zeliff asked Dr. Brown if he had taken the Interdiction Coordinator's request to the President or National Security Advisor. Dr. Brown indicated that he had not, and apparently also had not set up the requested meetings between Kramek and the President, or between Kramek and the National Security Advisor to "determin[e] [the]

priority of counting narcotics trafficking as a threat to national security . . ."

Admiral Paul Yost, former 18th Commandant of the U.S. Coast Guard and presently president of the non-partisan James Madison Fellowship Foundation, testified on the topics of interdiction and interagency coordination. He testified that the Nation witnessed a "major build-up in drug interdiction in the at-sea war on drugs from 1984 through 1990," with the result that this interdiction effort "successfully interrupted the flow of bulk marijuana by sea and cocaine by air over the water routes [of the Caribbean]."

In Admiral Yost's view, "strong interdiction and law enforcement were providing a climate [from 1984 through 1990] that made it clear to the [drug] trafficker that 'this is wrong, and your chances of being intercepted are very high.'"

Since that time, he testified, there has been a "tragic dismantling" of the at-sea interdiction effort, so that today "there are several orders of magnitude less effort spent on drug interdiction."

Calling the resultant increase in drug availability and drug use predictable, Yost testified that the Nation "will never stop drug use without a solid interdiction foundation for . . . education and treatment programs."

Accordingly, Admiral Yost favored a return to "emphasiz[ing] the interdiction prong of the drug strategy" and increased budget authority for the Coast Guard.

Finally, Admiral Yost discussed the need for better interagency coordination. He supports greater "authority" for the White House Drug Czar and President's Interdiction Coordinator. Without the ability, specifically, to "direct cabinet-level officers regarding budget allocation, personnel allocation, or forced deployments" on this issue, both positions are "largely ceremonial," he said.

Thomas Hedrick, Jr., vice chairman of the Partnership for a Drug-Free America, testified that prevention and interdiction advocates must begin to work together, and that "preventing drug use by young people" is essential "if we are to have prayer of building safe and healthy families and communities."

As a prevention expert with 10 years of experience, Mr. Hedrick testified that, "quite frankly, I am frightened because after nearly a decade of progress, drug use is rapidly increasing. The issue has 'overarching importance.' 'Crisis' is not an overly dramatic or inappropriate description, particularly when you consider that drug use among our youngest kids, 13 and 14, has more than doubled in the last three years," observed Mr. Hedrick.

Mr. Hedrick favors increased parental involvement in setting a "clear expectation of no use," better in-school education, and reduced exposure of children to "pro-drug information," especially exposure to the "recent re-glamorization of drug use in some of the media."

Significantly, Mr. Hedrick reported that the Partnership has received—since inception—"over $2 billion in time and space" from the media. In 1990 and 1991, this produced roughly one antidrug message per household per day.

However, Mr. Hedrick testified that "support for these messages has declined 20 percent in the past three years," apparently "be-

cause the media is not as convinced that the drug issue is as important as it was."

Media coverage is also down, from 600 antidrug stories on the three major networks in 1989 to 65 last year, which Mr. Hedrick said is tantamount to "zero" from a communications point of view.

Mr. Hedrick expressed the view that "Federal support and Federal leadership in making drugs a critical national priority is essential, if we are to help convince the media that this is an important issue." National leaders must also tell those community leaders involved in this fight that what they are doing is important.

Mr. Hedrick's 14-year-old son, Todd, testified briefly that his generation is surrounded by drugs. He said that "parents need a serious wake-up call" and that all kids now know where to get drugs in their schools. "This entire country needs a huge turn-around in how it deals with drugs," since "the fact that drugs aren't a prominent issue anymore tells kids that adults don't care about it." The younger Hedrick said, "that's suicide to my generation . . ." He proposed starting prevention earlier, in elementary school, having parents talk more with their kids, increasing media attention to the problem, and stopping the legalization movement.

Bridget Ryan, former program director for the Charles Stuart Mott Foundation and presently executive director of the BEST Foundation for a Drug-Free Tomorrow, testified that a recent RAND study advocated drug prevention as "the first priority" in curbing drug abuse. Ms. Ryan distinguished between "validated" and "unvalidated" drug prevention programs, and urged that the former be adequately funded.

The best "validated" prevention programs build, Ms. Ryan testified, on three propositions: first, "target[ing] substances used first and most widely by young people;" second, "helping students develop the motivation to resist using drugs;" and third, teaching effectively.

Ms. Ryan described a recent RAND study on the effectiveness of prevention as one "conducted with methodological exactitude" and "one of the most rigorous ever undertaken."

Ms. Ryan testified that the RAND prevention study disproves three common criticisms of prevention—"first, that it works only for middle class, largely white, suburban situations; second, that the programs work only for kids who need them least; and finally, that prevention programs prevent only trivial levels of use."

RAND found that a properly designed prevention program, such as Project Alert, "works well in urban, suburban, and rural areas, in middle- and low-income communities, and in schools with high and low minority populations." Project Alert is one of the prevention programs made available to "schools across America" by the BEST Foundation.

James Copple, national director of the Community Anti-Drug Coalitions of America (CADCA), testified that CADCA is a non-partisan group with approximately 2,500 community coalition members in every State and two U.S. territories. He noted that CADCA was founded in 1992 by the President's Drug Advisory Council, a creation of President Bush, and is privately funded.

Expressing support for the Safe and Drug Free Schools Program, Mr. Copple retold a moving story of a young child that "made her

stand" against drugs, while forced to live in a crack house. During a law enforcement raid of the house, this child was found in her room, surrounded by antidrug posters and "a workbook on drug refusal skills;" the posters and workbook were funded by Safe and Drug Free Schools moneys.

In closing, Mr. Copple cited Peter Drucker's recommendation that budget cutting be conducted without imperiling the Federal Government's ability to conduct some "national crusades." Mr. Copple noted that Drucker identified the war on drugs as one such crusade, and Mr. Copple urged the Congress to "embrace a national strategy that is comprehensive, balanced and directs the majority of the resources to local communities to address local problems."

Charles Robert "Bobby" Heard III, director of program services at the Texans' War on Drugs, testified that "parents, community leaders, and elected officials don't realize how easy it is for kids to get involved in drugs." He credited the precipitous drop in drug use "between 1979 and 1992" to substance abuse prevention, and noted that "no other social issue can claim that kind of success."

Mr. Heard sees the primary solution to drug abuse in demand reduction. He testified that "prisons alone will not break the cycle," and "we can't treat our way out of this problem." He also noted that prevention is not a one-time mission, but an ongoing duty that must continue "from generation to generation."

The subcommittee continued it's investigation into the Nation's drug control strategy with a hearing on April 6, 1995. Testimony at this hearing was received from Dr. Lee P. Brown, Director of ONDCP, who continued testimony he gave the subcommittee on March 9, 1995. Dr. Brown testified on a range of topics, including treatment, prevention, law enforcement, interdiction and source country programs.

The purpose of this hearing was to continue an evaluation of President Clinton's 1995 National Drug Control Strategy, and assess the status of the Nation's fight against illegal drug trafficking and drug abuse.

In his opening statement, subcommittee Chairman Zeliff noted that the subcommittee's March 9 hearing may have jump-started media interest in the drug war, since a series of articles appeared after the hearing. Subcommittee Chairman Zeliff credited the Washington Post with "an excellent series of articles describing the brutal infiltration by Colombia's Cali drug cartel in our own society." The series included the assessment that, "[t]he Cali cartel is increasingly using violence to protect it's lucrative U.S. cocaine market . . . and they are trying to do things in this country similar to what they do in Colombia." Subcommittee Chairman Zeliff also noted that the newly powerful Mexican drug cartels present looming challenges to United States law enforcement, and credited the media with writing about this development.

Subcommittee Chairman Zeliff returned to the December 1, 1994 letter from Admiral Kramek, U.S. Coast Guard Commandant and Interdiction Coordinator, addressed to Dr. Brown containing Kramek's views that drugs constituted a national security priority, and that funding of drug interdiction must be returned to the 1992–1993 levels. Admiral Kramek's letter also requested a meet-

ing with the President and National Security Advisor to discuss this issue.

Subcommittee Chairman Zeliff and others were disturbed by Director Brown's failure to divulge the existence of the December 1, 1994 Kramek letter, despite clear oral and written requests for it. Subcommittee Chairman Zeliff noted that he had personally asked Dr. Brown on March 3, 1995—4 days before they met in subcommittee Chairman Zeliff's congressional office and 6 days before the March 9, 1995 hearing—for "any communications received by you from the administration's Interdiction Coordinator regarding the adequacy of interdiction resources." Dr. Brown had provided several letters, but the key December 1, 1994 letter was not included.

Subcommittee Chairman Zeliff asked Dr. Brown, who subsequently acknowledged having received the subcommittee chairman's requests, why he had failed to include this unclassified and critical letter.

Dr. Brown conceded that subcommittee chairman had been denied the document, but explained that this was because "this letter was attached to a classified document." Dr. Brown's answer struck many as non-responsive, since the letter itself was unclassified. Indeed, it was secured by the subcommittee through other sources independent of attachments. Moreover, it was obvious to all present that there was no legitimate reason for a Federal agency to hide or refuse disclosure of such a material document to a Member of Congress, whether classified or not. The issue was thereafter dropped.

On the substance of the Kramek letter, Brown stated that Admiral Kramek's recommendation for returning interdiction funding to "1992–1993 levels" did not "provide [Brown] with the appropriate information upon which to make decisions."

Although he did not elaborate, Dr. Brown indicated he was "working with the Interdiction Coordinator," and "once we come to a conclusion about what we need, then we can make some decisions" Dr. Brown did not address the then-existing lapse of 6 months from October 1994 to April 1995, and why the relevant interdiction decisions had not been made during that period.

Referring again to the Kramek letter, subcommittee chairman Zeliff asked Dr. Brown if he had presented to the President the October 1994 interdiction conference findings, along with Admiral Kramek's specific request to meet with the President and National Security Advisor. Brown conceded that "the specific request was never given to the President. . . ."

The subcommittee chairman closed the discussion by observing that the Admiral Kramek's letter represented not only the Interdiction Coordinator's views, but an "agency head consensus." Dr. Brown responded that he was a co-sponsor of the conference, and was "working with the Interdiction Coordinator," which struck many as non-responsive.

Dr. Brown testified that the Bush administration's "linear kingpin strategy" was still being pursued, contradicting testimony on March 9, 1995, by former Clinton DEA Administrator Bonner, but stressed that the Clinton administration had shifted resources to source country programs and away from the "less than effective

interdiction efforts." Dr. Brown offered no statistical support for his view that interdiction was "less than effective."

Questioned about the President's fiscal 1993, 1994, and 1995 requests for reduced interdiction spending—collectively, a 12.3 percent cut, Brown responded that it was Congress which had cut the Defense and State Department budgets in 1993, and further that the President's interdiction cuts were part of the administration's "controlled shift" to the source countries.

During the hearings, there was much debate about the success of safe and drug free schools programs and their accountability. On balance, the difference of opinion between those who favored deep 1995 cuts in programs which appear subject to abuse, such as Safe and Drug Free Schools, and those who did not favor such cuts was relatively straight forward: whether to fund programs that are highly successful in some locations, but have been subject to waste and abuse in others, and do not yet have adequate accountability mechanisms.

The aim shared by all subcommittee members and Dr. Brown appeared to be strong encouragement for effective and accountable drug prevention programs, as well as adequate funding for such programs, once accountability and the no-use message could be assured.

Subcommittee Chairman Zeliff closed the hearing by applauding Dr. Brown's participation, noting that the drug war and drug abuse is "probably the number one issue facing our country," and pledging to work with the administration if the administration will refocus on this issue. The subcommittee chairman also asked Dr. Brown to seek a meeting between key congressional leaders concerned about this issue and the President.

The subcommittee's investigation into the Nation's war on drugs turned to efforts to fight the influx of drugs from outside America's borders. In the first of two back-to-back interdiction hearings held on June 27, 1995, and June 28, 1995, entitled "Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?," the subcommittee received testimony from a variety of witnesses, beginning with a technology and K–9 demonstration,[60] and proceeding through testimony from student witnesses. The hearing continued with testimony from the Administrator of the Drug Enforcement Administration and three investigators from the General Accounting Office (GAO), who evaluated the effectiveness of the Clinton administration's source country programs.

The subcommittee first heard from four students affected by drugs in their schools, including Michael Taylor of Browne Junior High School, Natasha Surles of Roper Junior High School, Willie Brown of McFarland Middle School, and Lan Bui of Bell Multicultural School.

Subsequently, the subcommittee heard testimony by Thomas A. Constantine, Administrator of the Drug Enforcement Administration, and expert witnesses Joseph Kelley, Allan Fleener and Ron Noyes of the General Accounting Office. Mr. Kelley is Director-In-

[60] The U.S. Customs Service Canine Training Center provided a demonstration on the utilization of drug sniffing dogs in illicit narcotic interdiction. Also, a representative from the U.S. Coast Guard's Miami Law Enforcement Division demonstrated how an Ionscan and the Compact Integrated Narcotic Detection Instrument (CINDI) operate to detect and locate illicit narcotics.

Charge of the International Affairs Section and Mr. Fleener and Mr. Noyes are investigators who principally assisted in producing the June 1995 GAO report on Source Country Programs.

Finally, the subcommittee heard testimony from Jane E. Becker, Acting Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, U.S. Department of State; and Brian Sheridan, Deputy Assistant Secretary for Drug Enforcement Policy and Support at the Department of Defense.

During this hearing, the subcommittee examined the current drug interdiction efforts of the major Federal agencies engaged in the National Drug Control Strategy, namely DEA, the U.S. Coast Guard, U.S. Customs, and the Departments of Defense and State.

Collectively, the expert witnesses confirmed that on November 3, 1993, President Clinton signed a Presidential Decision Directive for counter narcotics (PDD–14), which instructed Federal agencies to shift the emphasis in United States international antidrug programs from the transit zones such as Mexico, Central America and the Caribbean to the source countries such as Colombia, Peru, and Bolivia. PDD–14 provided that the Director of the Office of National Drug Control Policy (ONDCP) should appoint a Coordinator for Drug Interdiction "to ensure that assets dedicated by the Federal drug program agencies for interdiction are sufficient and that their use is properly integrated and optimized." [PDD–14, November 3, 1993.]

The aim of this hearing was to offer the administration's principals on interdiction, those whose mission was affected by PDD–14, an opportunity to assess their own efforts and explain the impact on their agencies of PDD–14 and its concomitant "controlled shift" of resources.

The opening panel consisted of local students: Michael Taylor of Browne Junior High School, Natasha Surles of Roper Junior High School, Willie Brown of McFarland Middle School, and Lan Bui of Bell Multicultural School. The students offered testimony on the availability of illegal drugs in their schools. Summing up their collective testimony, Lan Bui stated that "[drugs] are really cheap to buy . . . I have seen them everywhere, from the streets which we use to get to school every day to right in front of my building." The students focused on the importance of role models, antidrug programs in their schools, student drug testing, and the need for national leadership.

Thomas A. Constantine, Administrator of the Drug Enforcement Administration (DEA), testified on the role that the DEA, as the lead Federal agency in enforcing narcotics and controlled substances laws and regulations, plays in the interdiction of illicit narcotics. He noted that DEA has offices throughout the United States and in more than 50 countries.

Emphasizing the importance of interdiction Constantine stated, "[w]hat happens in the source country often affects what happens on the streets of Boston or Schenectady or Tulsa or Savannah, GA," adding that those in charge of interdiction efforts must "strike a balance between our domestic and our international role."

Mr. Constantine addressed the "controlled shift" to source countries by stressing that it is imperative that we "destroy some of these organizations [drug trafficking cartels] rather than merely

disrupt them." He also testified that he was "concerned that if we relent on any of our efforts to control the drug problem in this country [the United States] . . . we're going to be facing immense problems in the future . . . [so] we have to address this problem effectively and dramatically in the present."

Joseph Kelley, Director-In-Charge of International Affairs Issues at the General Accounting Office (GAO), testified on the GAO's review of the source country programs, including sub-strategies and Federal efforts to stop production and trafficking of cocaine and heroin.

As part of GAO's review, investigators traveled to Colombia, Mexico, and other nations to observe counter narcotics programs in those countries. GAO discussed these programs with U.S. officials at in-country headquarters and field locations. Mr. Kelley offered five general observations, each corroborated by the investigators themselves.

First, in response to the shift in strategy from the transit zone to the source countries, the executive branch has had difficulty implementing key elements of their strategy. In fact, "resources applied to the transit zone [have] been significantly reduced," said Kelly. "At the same time, we have not seen a shift in resources to the source countries." This observation troubled GAO, and Kelly confirmed that counter narcotics assistance to each of the three primary source countries (Colombia, Bolivia, and Peru) was less in 1995 than it was in 1991 and 1992. Mr. Kelley also emphasized that "a plan for a country as well as a region [is necessary]."

Second, GAO found that there is high intensity competition for attention and resources with other foreign policy objectives which are deemed important by the Department of State. As Mr. Kelley noted, ". . . these decisions may result in counter narcotics objectives receiving less U.S. attention than other objectives." For example, "In Mexico . . . countering the drug trade is the fourth highest priority in what the [U.S. Department of State] call[s] the U.S. Mission Program Plan." Incredibly, the United States Ambassador to Mexico told the GAO that he had focused his attention during the last year and a half on other issues.

Third, GAO found that more coordination and leadership are needed in this effort. Mr. Kelley, in his testimony, stated they found U.S. officials generally agreed that "no single organization was in charge of antidrug activities in the cocaine source countries of the transit zone."

Fourth, GAO reports that U.S. funds are "not always well managed." While end-use monitoring requirements have been established in the source countries, oversight is limited. Mr. Kelley testified that, "In Colombia, the Narcotics Affairs Section of the Embassy conducts reviews of how the national police uses counter narcotics assistance," but "they lacked reports from the Colombian Air Force on how U.S. provided equipment is being used—and this is some of the big ticket items . . . C–130s and things like that."

Finally, GAO found that our dependence on the willingness and ability of the foreign governments to combat the drug trade leaves us vulnerable in our counter narcotics efforts. This is especially apparent in countries such as Colombia and Mexico, where extensive corruption is prevalent, according to GAO. As the Ambassador in

Mexico emphasized to the GAO review team, in Mexico, the key lies with the Mexicans, who must be committed and involved if counter narcotics efforts are to take hold.

Jane E. Becker, Acting Assistant Secretary of State for International Narcotics and Law Enforcement Affairs, testified on what she sees as her two missions. Ms. Becker said that the office of International Narcotics and Law Enforcement Affairs (INL) "provide[s] counter narcotics support to those countries that demonstrate a commitment to narcotics control," adding the observation that "the goal is for those countries to use this assistance to reduce the supply of illicit drugs destined for the United States." She noted that "INL leads bilateral and multilateral diplomatic efforts to advance our international narcotics control policies."

Ms. Becker noted, somewhat surprisingly and contrary to other testimony on this topic, that cooperation with Mexico and Colombia has been good. She highlighted the source country focus of the administration when she stated that "transit interdiction is important to our overall counterdrug effort, [but] it is not the sole solution." For the record, no member of the subcommittee had suggested that interdiction alone could serve as a "sole solution." Ms. Becker drove the point home when she stated that "the heart [of the administration's counterdrug] policy lies in the source countries."

Ms. Becker had no response to the GAO study, and seemed unfamiliar with essential facts surrounding the source countries, for example, she seemed unable to identify major cities in Colombia.

Brian Sheridan, Deputy Assistant Secretary for Drug Enforcement Policy and Support at the Department of Defense (DOD), focused on DOD's five-point counterdrug program. DOD offers support to the following efforts: source nations, transit zone, domestic law enforcement, demand reduction, and dismantling drug cartels.

Mr. Sheridan emphasized DOD's objectives in the source nations, testifying that these efforts were threefold: They were: (1) to support the host nation interdiction efforts and help them disrupt the flow of semi-finished cocaine from Peru and Bolivia up to Colombia; (2) support for our law enforcement and for host nation C14 programs, communications, equipment, and intelligence support; and (3) to provide a significant amount of training for host nation police and for some military units that are engaged in counter narcotics work.

Assessing programs in Colombia, Peru, and Bolivia, Sheridan testified that Colombia gets a "C" for their counterdrug performance, but their efforts of late have been much better. One area he highlighted is the Colombian military occupation of San Adreas Island and denial of the island to the drug traffickers as a transshipment point.

Mr. Sheridan noted that, in the transit zone, the use of general aviation aircraft by drug traffickers continues to decrease. He offered no clear support for this apparent development, although he observed that smuggling of drugs is now more common via maritime and ground transport.

On DOD program for reduction of demand, Mr. Sheridan again rolled out three points: (1) DOD employs rigorous military drug testing; (2) prevention and education are part of DOD's plan; (3)

community outreach is conducted. Details of these programs and who they reach were not discussed.

On June 28, 1995, the subcommittee received testimony on interdiction policy from additional administration witnesses, including Admiral Robert E. Kramek, Commandant of U.S. Coast Guard and U.S. Interdiction Coordinator, as well as George Weise, Commissioner of U.S. Customs. This hearing, was a continuation of the June 27 hearing, "Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?"

Admiral Robert E. Kramek, U.S. Interdiction Coordinator and Commandant of the U.S. Coast Guard, serves a dual role in the Nation's interdiction efforts. He testified before the subcommittee in both capacities. Initially, he explained that the U.S. Coast Guard serves as the lead agency for maritime interdiction and as co-lead with Customs for air interdiction, adding that drug interdiction takes only *9 percent of the Coast Guard budget* and emphasizing the important role intelligence plays in drug interdiction. On this topic, he testified that "70 percent of our operations are based on intelligence."

Admiral Kramek, in his role as Interdiction Coordinator, does not have command or control of the affected agencies, nor does he have any authority over their budgets. Rather, he works with the agencies "in a collegial atmosphere" and coordinates their activities. According to Kramek's testimony, the Interdiction Coordinator holds quarterly conferences that bring agency heads together.

Admiral Kramek took particular note of the importance of national leadership on this issue. Offering implicit criticism of a reduced interdiction effort in the Clinton administration, he testified that, when the smugglers see our foreign policy priorities change and make drug interdiction much lower on the priority list than other things, they're quick to take advantage of that.

More pointedly still, he said ". . . when they see it doesn't rate number one on our national security priority list, they're quick to take advantage of that." He stressed that, in his view, the issue stands "number one" with the American people.

George Weise, Commissioner, U.S. Customs, testified on Customs' interdiction of drugs at the Nation's borders. Mr. Weise reiterated the importance of knocking out smuggling by private plane into this country, and attributes the increased shift to ground smuggling along the Southwest border to the efforts against air transport. He believes that the 2,000 miles of the Nation's Southwest border has now emerged as the primary entry point for cocaine, although he did not contradict Admiral Kramek's assessment that Puerto Rico has recently taken on new significance as a port of entry into the United States.

Said Weise, "Our big load strategy is causing traffickers to . . . reduce the load size," although support for this assertion was thin. Reckless and aggressive driving along the border, or "port running," has increased in the last few years, Weise stated.

The subcommittee's investigation led to an examination of the fight against drugs on the streets of America's cities. At the subcommittee's September 25, 1995, hearing on the drug problem in New Hampshire, entitled "The Drug Problem in New Hampshire:

A Microcosm of America," members received testimony from an array of highly qualified witnesses.

The purpose of the hearing was to continue an examination of national drug control policy, focusing on the successful drug fighting efforts of Manchester, NH, which had recently participated in a joint interagency task force called Operation Streetsweeper.

Collectively, the expert testimony confirmed the following facts. Early in 1995, statistics showed that the overall crime rate in Manchester, which is New Hampshire's largest city, had declined. However, these statistics also showed that arrests for drug offenses had increased dramatically, as they had for other drug related crimes. After a number of murders were linked to drug distribution and usage, the community "came together to rid their city of this scourge."

Manchester Police Chief Peter Favreau received a $100,000 grant to help pay for State police officers to patrol city streets with city police, and a short time later Manchester Police were joined by the Sheriff's Department, the State Attorney General's Drug Task Force, the State Police Special Investigations Unit, the Drug Enforcement Administration, the Bureau of Alcohol, Tobacco and Firearms (ATF), and the Immigration and Naturalization Service (INS). This Federal-State-local interagency task force put jurisdictional issues aside and singularly pursued the aim of getting drug dealers off the streets of Manchester.

As various panelists and community representatives testified, the change on the streets of Manchester could be felt immediately. As Chief Favreau testified, "With as much coverage as we have out there, I honestly feel [the criminals] are going elsewhere. It's almost impossible not to have that happen."

In an effort to understand how the interagency task force worked and what made it so effective, the principals in this successful anti-drug effort testified before the subcommittee. Since illegal drugs and associated violent crime plague virtually every city in America, the accounts these witnesses told offer valuable insights into how best to tackle drugs and violent crime in other cities around this country.

First, Jeff Howard, attorney general for the State of New Hampshire, offered testimony regarding the value of effective coordination between local, State, and Federal law enforcement in the fight against drugs. The Attorney General specifically credited the creation of the New Hampshire Drug Task Force with "keep[ing] pressure on all areas of the problem, going from what we have identified as kingpins to mid-level dealers to street dealers, and putting as much of the resources as we can into treatment programs to include treatment of State prisoners, and prevention particularly through educational efforts."

The Attorney General also singled out the Byrne grant programs as an effective means of funding law enforcement, since it offers needed flexibility in how valuable law enforcement funds may be utilized. In New Hampshire's case, Howard noted that the State has committed less than one-quarter of the grant funds to State agencies. The rest of it has all gone back to the communities.

The subcommittee then heard from Geraldine Sylvester, the director of New Hampshire's Office of Alcohol and Drug Abuse Pre-

vention. Ms. Sylvester, in her testimony, emphasized the importance of giving "equal attention to the battle fronts of treatment and prevention." She also noted the important role that student assistance programs, parental training and peer leadership groups play in preventing or abating drug usage among young people.

Paul Brodeur, commissioner of New Hampshire Department of Corrections, offered testimony on the Byrne grant funded correctional options program called "Pathways" utilized by the New Hampshire Department of Corrections. Mr. Brodeur noted that Pathways emphasizes education, substance abuse treatment and employment counseling. He further illustrated the importance of programs like Pathways by pointing out that in New Hampshire 20 percent of the State's inmates are incarcerated for drug related offenses, and 80 percent or more of the inmates have substance abuse problems.

Neal Scott, assistant unit commander of the narcotics investigation unit with the New Hampshire State Police, offered testimony regarding the status of current drug usage in New Hampshire. Statewide, he testified, the No. 1 problem is marijuana; cocaine in powder form is No. 2; crack, LSD and heroin run third. Mr. Scott quantified drug usage according to regions of New Hampshire, further emphasizing the importance of localities being able to set their own priorities according to local need.

Billy Yout, Special Agent in Charge of Drug Enforcement Administration, concurred with Commander Scott, stating that "marijuana . . . is by far the biggest problem [because it is] easily accessible to children." Mr. Yout also testified on how traffickers are moving their bases of operation into New Hampshire from Massachusetts and other New England States, although he noted that New Hampshire remains predominantly a consumer State.

Ray Wieczorek, the mayor of Manchester, in his testimony, focused on the important role that a public sector-private sector relationship plays in the war against illegal drugs. Wieczorek encouraged other communities to follow Manchester's model of how to establish a public-private partnership. Mayor Wieczorek explained how the city has effectively tapped all available resources, including cooperation from financial institutions, citizens and the business community, in uniting to fight this battle.

Peter Favreau, chief of the Manchester Police Department (MPD), reviewed the creation of Operation Streetsweeper and its importance as a model for future multi-agency efforts. Early in 1995, Favreau and U.S. Attorney Paul Gagnon, planned a round-up of crack dealers. Favreau testified that MPD's undercover people, along with the State drug task force arranged to make a lot of buys from crack dealers, and make the round-up all at one time. This round-up occurred in June 1995. As a result, most of the 55 dealers picked up by more than 150 law enforcement officers are now behind bars. This was Phase I of Operation Streetsweeper.

Favreau testified that Phase II included cooperation between the MPD and the New Hampshire State Police in dismantling street gangs and getting them off Manchester's streets. Phase III was a continuation of the anti-gang component of the Operation, Phase II, but included Federal law enforcement agencies.

Paul Gagnon, U.S. attorney for New Hampshire, focused on interagency cooperation, indicating that the success of Operation Streetsweeper was as dependant upon cooperation as upon the institutional framework that made it possible. Mr. Gagnon also noted the importance of Federal funding in the success of Operation Streetsweeper, and urged continued funding. Finally, Mr. Gagnon recommended a similar marshaling of law enforcement resources and key agencies in the future.

Alice Sutphen, a representative from the citizen's group Take Back Our Neighborhoods, delivered testimony to the subcommittee on the importance of citizens working with law enforcement and local authorities, as well as mobilizing on their own, to take back their neighborhoods. She described how a coordinated and dedicated citizenry can make a difference, and can genuinely assist law enforcement. Chief Favreau and Mayor Wieczorek credited Sutphen and the local citizenry with making Operation Streetsweeper a success and echoed her sentiments about citizen participation.

Dana Mitchell, captain, Dover Police, offered testimony on the success and overall utilization of Dover's Drug Free program. He testified that this program includes an expansive D.A.R.E. program beginning in elementary school, and continuing through junior high and high school. Ms. Mitchell also stressed the importance of law enforcement's role in prevention, focusing on Dover's Youth Outreach Program. Ms. Mitchell noted that this program represented a successful initiative to bring the community's young people into the prevention effort in the form of organized student groups.

Ms. Mitchell also urged congressional leaders to allow greater creativity and flexibility as they authorize Federal drug prevention programs. For example, Mitchell noted that the Dover Police Department recently approached the director of a 180-unit low-income Dover Housing Authority, which is a Department of Housing and Urban Development facility, about mandating that all parents receiving the housing subsidy receive a D.A.R.E. seminar. The Housing Authority's director stated that Federal regulations bar that kind of condition on a housing subsidy. Greater flexibility in the hands of local authorities would allow them to cooperate more fully and adapt Federal programs to community needs.

Michael Plourde, executive director of the Nashua Youth Council, offered testimony on how community coalitions assist in assessing the priorities that are needed for a locality. Mr. Plourde recommended that any Federal money that comes down to localities should require that those coalitions exist prior to the money being received, and that those coalitions assess the community needs prior to the money being distributed to those communities.

John Ahman, regional program director for Marathon House, testified that there is a definite link between crime and drug use, and emphasized the importance of effective drug treatment in breaking this link. Effective treatment, Ahman said, means that "after treatment, recovering addicts are less likely to be involved in crime and more likely to be employed." Ahman also stated that, in the case of drugs, treatment is often more appropriate and less expensive than incarceration.

Dick Tracy, sergeant, crime prevention division, Manchester Police Department, offered testimony on the effectiveness of the 17-week D.A.R.E. program for Manchester students. Tracy went on to testify that having a police officer in the school to teach the kids about the dangers of drugs is more effective because the officer can relate firsthand experience of cases he has dealt with. Tracy's testimony concluded the expert witness portion of the hearing.

As indicated above, the subcommittee's 1995 investigation included one fact finding trip to the Drug War's front line. Subcommittee members, the U.S. Coast Guard and staff, traveled to the Seventh Coast Guard District in the Caribbean transit zone between June 16 and June 19, 1995.

In the transit zone, subcommittee members and staff attended briefings at Seventh District Headquarters in Miami, Coast Guard interdiction initiatives at sea, DEA activities in the Greater Antilles, high level interagency briefings in Puerto Rico by the FBI, DEA, Customs, Border Patrol, and local authorities, and received indepth briefings by Admiral Granuzo and others at Joint Interagency Task Force East (JIATF East) in Key West, dedicated to drug interdiction in the transit zone.

This interdiction trip was arranged in coordination with the U.S. Coast Guard, and invitations were extended to minority and majority members. Additionally, in coordination with ONDCP, subcommittee Chairman Zeliff traveled with the White House Director of ONDCP to prevention and treatment programs in Massachusetts.

In the transit zone, the subcommittee learned a number of important facts. In addition to traveling on HU–25 interdiction aircraft as they demonstrated interceptions, witnessing FLIR or forward-looking infrared radar tracking during interceptions, and traveling to the United States Coast Guard Cutter MELLOIN on the heels of that cutter's successful interdiction of 5,000 pounds of marijuana, the subcommittee received demonstrations of the ion scanner and CINDI technologies, received briefings by agents participating in Operation OPBAT on the remote island of Great Inagua, and toured OPBAT assets by HH–60 helicopter. Before receiving briefings at JIATF East, the subcommittee also visited the interdiction cutters Ocracoke and Spenser.

In briefings, a number of interdiction facts became more clear. Agents participating in OBAT (Operation Bahamas, Turks and Caicos), a multi-agency, international operation based in Nassua, Bahamas, made clear that they have lost major assets over the past 2 years.

At the Greater Antilles Section Coast Guard Base (GANTSAC) in Puerto Rico, which covers 1.3 million square miles, multi-agency briefers expressed the view that, if 70 percent of the cocaine coming into the United States comes over the Southwest border, the rest comes through Puerto Rico, which has seen as much as $40 million in money laundering in recent years.

In attendance at the briefing were representatives of the FBI, DEA, Border Patrol, Coast Guard, INS, Customs, Department of Defense and Puerto Rico.

Summarizing the candid counsel received at this briefing, the assets most needed are: more radars (including a suggested radar in

Belize); more Jayhawk helicopters; more 378-foot Coast Guard Cutters; ion scanners and CINDI's; air rights agreements with more Caribbean nations (perhaps 1 day Cuba); and more top people. The Coast Guard also indicated that they have recently lost 4 of 10 HU–25 intercepter aircraft by re-deployment or demobilization.

At JIATF East, briefers included Rear Admiral Andrew A. Granuzo, who bluntly admitted that the central obstacle to waging a more effective drug war, particularly in interdiction, is that "there is no one in charge." This assessment mirrored the views of Admiral Yost, Bill Bennett, John Walters, Robert Bonner, and a host of others inside and outside the administration.

JIATF East was created by Presidential Decision Directive 14 (PDD 14), which ordered a review of the Nation's counternarcotics command and control intelligence centers. Creation of three joint interagency task forces and a domestic air interdiction center was authorized by the White House Drug Czar in April 1994. Accordingly, JIATF East is joined in its interdiction mission by JIATF West in Almeda, CA; JIATF South in Panama; the DAICC at March Air Force Base, CA; and JTF–6 in El Paso, TX.

JIATF East is dedicated to deconfliction of all non-detection and monitoring counter drug activities in the transit zone. The command integrates intelligence with operations, and coordinates the employment of the United States Navy and United States Coast Guard ships and aircraft, United States Air Force aircraft, and aircraft and ships from allied nations, such as Great Britain and the Netherlands. The command's mission boils down to maximizing the disruption of drug transhipment, collecting, integrating and disseminating intelligence, and guiding detection and monitoring forces for tactical action.

Just as importantly, JIATF East integrates law enforcement personnel, primarily from Customs, into the international interdiction effort. For that reason, the command includes FBI, DEA, DIA and State Department, in addition to the Department of Defense.

2. Federal Law Enforcement Actions in Relation to the Branch Davidian Compound in Waco, TX.

a. Summary.—The conduct of three executive branch Departments, and subsidiary agencies, came under intense scrutiny following the defective raid and burning of the so-called Branch Davidian compound in West Texas in 1993. Accordingly, the committee conducted a 5-month prehearing investigation into executive branch conduct of these departments and agencies, presented testimony by 97 witnesses in 10 days of hearings, and concluded 1995 with a 4-month post-hearing investigation.

The essential facts, while well known and extensively covered in the media, nevertheless bear reporting. On February 28, 1993, the Bureau of Alcohol, Tobacco and Firearms (ATF) attempted to serve an arrest warrant on Vernon Howell (a.k.a. David Koresh) at the Branch Davidian Compound in Waco, TX. The initial raid brought about the death of four ATF agents and numerous Branch Davidians, thereby commencing the longest stand-off in the history of the Federal Bureau of Investigation. The siege ended tragically. The Branch Davidian compound burned to the ground, resulting in the death of 22 children and more than 60 adults. The initial raid

apparently consisted of participants from the Department of Treasury (DOT), ATF, and local law enforcement officials. U.S. Special Forces personnel may have been involved in training some of the foregoing agents in specific raid techniques. The standoff progressed, the effort intensified and brought about the involvement of the Federal Bureau of Investigation (FBI) and others at the Department of Justice (DOJ), the White House, the Department of Defense (DOD) and the Texas National Guard.

Pursuant to its oversight jurisdiction over the Federal law enforcement community, the committee's National Security, International Affairs, and Criminal Justice Subcommittee, jointly with the Crime Subcommittee of the House Committee on the Judiciary, conducted an investigation into the initial raid, ensuing standoff, and eventual fire at the Branch Davidian Compound near Waco, TX.

b. Benefits.—As has been widely reported, throughout the investigation and the hearings, the committee had difficulty obtaining information from certain agencies and offices under investigation. Unfortunately, correspondence files that will likely be released with the committee's final report attest to a constant battle for documents and evidence relating to the tragedy at Waco. This battle was largely institutional with the legislative and executive branches both seeking to assert and protect their respective procedural and institutional rights. Nonetheless, the investigation and the hearings brought to light a great deal of new information, educated the public on a matter that had continued to be unsettling, and put to rest many errant theories about the incident. The committee meticulously organized and indexed hundreds of thousands of documents in its possession, some of which were law enforcement sensitive and classified. After months of investigating the facts about Waco, the subcommittee heard from 97 witnesses during 10 days of televised hearings. To the committee's knowledge, there exists no more exhaustive compilation of testimony or comprehensive set of documentation than that which was gathered during these hearings into executive branch conduct at the Branch Davidian Compound near Waco, TX.

This investigation opened up to the public more information about this tragedy than ever before and also unearthed many of the institutional strengths and weaknesses inherent in our current Federal executive branch.

Unlike prior reports and investigations undertaken by the agencies involved in the tragedy, the subcommittee presented a divergence of highly detailed views to be presented, and seen together, in an attempt to find out exactly what went wrong at Waco. The central purpose of this investigation, as indicated earlier, was to initiate internal reforms that would prevent any such tragedy from occurring again. As a result of this investigation, agencies have changed their policies in an attempt to approach future investigations and operations with less likelihood of tragedy, and greater opportunity for success.

Specifically, ATF has experienced an entire change of leadership. Moreover, the FBI now has 30 Senior Agents specially trained as "crisis managers," who can be called on at any time to assist in any similar crisis. The FBI's Hostage Rescue Team (HRT) has increased

personnel and equipment, as well as the size and training of its negotiating team. Today, there are 9 FBI SWAT teams around the country to assist the HRT in any similar emergency. The FBI has also established a working relationship with the crisis resolution centers at Michigan State University and George Mason University, and now keeps a resource list of experts on marginal eclectic or unusual religious groups. In addition, FBI Director Louis Freeh has implemented a new policy regarding the use of force in crisis situations that reinforces the FBI's standing policy in favor of a negotiated solution, and has finally disposed of the prior FBI policy permitting a barrage of unseemly noise-making in hostage or barricade situation.

Perhaps the most beneficial aspect of the investigation of Waco was refutation of various errant theories of conspiracy and generally circulating accusations of malfeasance on the part of particular government agencies.

c. Hearings.—Oversight Hearings on Federal Law Enforcement Actions in Relation to the Branch Davidian Compound in Waco, TX, July 19, 20, 21, 24, 25, 26, 27, 28, 31, and August 1, 1995. Witnesses testified regarding the involvement of different agencies on pre-assigned "agency days." This testimony grouped witnesses together by agency, but also allowed the presentation of raid and post-raid evidence in rough chronological order. The particular days, witnesses and testimony are described below. Since several agencies were investigated, the evidence collected at these hearings is grouped under agency headings, e.g. ATF, FBI, etc.

(i) THE BUREAU OF ALCOHOL, TOBACCO AND FIREARMS.—The initial investigation of Vernon Howell was conducted by ATF. ATF's investigation began in late May 1992. With the results of that investigation, the ATF obtained an arrest warrant for Vernon Howell. The attempt to serve that warrant on February 28, 1993, went badly awry resulting in an armed confrontation which cost the lives of four Federal agents and several Branch Davidians. Following a 51 day stand-off, the siege ended tragically, on April 19, 1993, when the compound was totally destroyed by fire costing the lives of 22 children and more that 60 adults. Based on those facts, the subcommittee initiated an investigation into ATF's actions leading to the raid. The committee submitted document requests to the Department of the Treasury for all documents in its possession pertaining to the initial investigation of Vernon Howell. The committee carefully analyzed the documents relating to the investigation and interviewed numerous individuals involved in the investigation and the raid. ATF agents, supervisors and legislative affairs personnel briefed subcommittee staff on events surrounding the investigation of Vernon Howell and preparations for the initial raid on the Mt. Carmel complex. Surviving Branch Davidians instructed the subcommittee about conditions at Mt. Carmel and events surrounding the initial raid. In addition to the defense attorneys for certain Branch Davidians, representatives of the National Association of Criminal Defense Lawyers gave their interpretation of the sufficiency of the warrant that the ATF attempted to serve on Vernon Howell. These briefings and interviews were in addition to the many telephone conversations and informal briefings that were conducted.

An integral part of the inquiry into ATF's investigation of Vernon Howell was a schedule of hearings lasting 10 days and comprising 97 witnesses. As indicated earlier, the subcommittee held these hearings jointly with the Subcommittee on Crime of the House Committee on the Judiciary. Following the chronology of the actual events, the early days of the hearings focused on ATF's investigation and plan to serve Vernon Howell (a.k.a. David Koresh) with an arrest warrant.

July 19 marked the first day of hearings. On that day, the subcommittee heard testimony from Dick Reavis, author of *Ashes of Waco*; Stuart Wright, contributor and editor of *Armageddon in Waco*; Ray Jahn, assistant U.S. attorney; Gerald Goldstein, president of the National Association of Criminal Defense Lawyers; Robert L. Descamps, president of the National District Attorneys' Association; Henry McMahon, firearms dealer; David Thibodeau, resident at Mt. Carmel; Kiri Jewell, resident at Mt. Carmel; David Jewell, father of Kiri Jewell; Lewis Gene Barber, former lieutenant with the McLennan County Sheriff's Office; Bill Johnson, assistant U.S. attorney; Davey Aguilera, ATF Special Agent; Chuck Sarabyn, former ATF ASAC in Houston; Earl Dunagan, former ATF acting SAC in Austin; Dan Hartnett, former ATF Deputy Director for Enforcement; Ed Owens, ATF Firearms Expert; H. Geoffrey Moulton, Jr., Project Director of Treasury Department Review Team; and Dr. Bruce Perry, associate professor of psychiatry and behavioral sciences at Baylor College of Medicine.

Noteworthy among those testifying on the first day of hearings was Kiri Jewell. Jewell, a former resident of Mt. Carmel, testified about the conditions as she understood them at Mt. Carmel, her view of the beliefs of the Davidians, and her treatment by Vernon Howell. In particular, she strengthened the existing view that Howell was a nefarious individual.

Another engrossing witness on the first day of hearings was former ATF Special Agent Davey Aguilera. Aguilera went undercover among the Branch Davidians posing as a philosophy student. A fact discussed publicly for the first time in detail through the testimony of Aguilera was that ATF agents knew the Branch Davidians were expecting the raid on Mt. Carmel. Aguilera testified to his desperate attempts to inform ATF Supervisory Special Agents not to go ahead with the raid, and tearfully recalled the results of not being able to turn back the raid.

Chuck Sarabyn, former ATF Assistant Special-Agent-in-Charge in Austin, testified before the subcommittee about his decision to allow the raid to proceed in light of the fact that the Branch Davidians knew the ATF was planning to raid Mt. Carmel. Sarabyn defended his decision to go ahead with the raid, and to do so forcefully. Sarabyn maintained the view that the ATF was afraid of mass suicide among the Branch Davidians.

The subcommittee heard additional testimony on day two, July 20, 1995. Those testifying before the subcommittee regarding the role of ATF included Robert Sanders, Former ATF Deputy Director for Enforcement; Wade Ishimoto, Sandia National Laboratories; George Morrison, Los Angeles Police Department; William Buford, ATF Resident-Agent-in-Charge, Little Rock, AR, Office; Lewis Merletti, Deputy Director of Treasury Department Review Team.

This second day of testimony concentrated on the investigation of Howell's collection of weapons and the alleged or initially asserted existence of a methamphetamine laboratory on the premises of Mt. Carmel. Mr. Morrisson, of the Los Angeles Police Department, testified that ATF should have employed better investigative techniques and more organized methods for case management. He told the subcommittee that newspaper articles surfacing soon before the raid on Mt. Carmel could have assisted ATF in gathering information. Mr. Ishomoto, of Sandia National Laboratories, told the subcommittee that the team assembled in Waco to serve the arrest warrant on Howell was inexperienced and that the raid plan lacked the sophisticated procedures necessary for such an operation. Several witnesses testified to the danger of explosive devices in the presence of chemicals necessary for the production of methamphetamines.

The third day of hearings on Waco was July 22, 1995. On this day, the subcommittee obtained the statements of Steve Higgins, former Director of the ATF; John Simpson, former acting Assistant Secretary of Treasury; Christopher Cuyler, ATF Liaison for Acting Deputy Assistant Secretary Michael Langan; Michael Langan, former acting Deputy Assistant Secretary of Treasury; Lloyd Bentsen, former Secretary of Treasury; Joyce Sparks, Texas Department of Child Protective Services; George Morrison, Los Angeles Police Department; Tim Evans, attorney; John Kolman, formerly with the Los Angeles County Sheriff's Department; Victor Oboyski, Law Enforcement Officers Association; Lewis C. Merletti, Deputy Director of the Treasury Department Review Team; Robert Rodriguez, ATF Special Agent; Chuck Sarabyn, former ATF Special Agent-in-Charge in Houston; Phillip Chojnacki, former ATF Special Agent-in-Charge; Sharon Wheeler, ATF Special Agent; Dan Hartnett, former ATF Deputy Director for Enforcement; Daniel Black, ATF Personnel Office; James Cadigan, FBI Firearms expert; William Buford, ATF Resident Agent-in-Charge; Roland Ballesteros, ATF Agent; and John Henry Williams, ATF Agent.

On this final day of testimony regarding the actions of ATF at Waco, the subcommittee heard the testimony of former Secretary of Treasury Lloyd Bentsen. Secretary Bentsen testified about the actions he took in response to ATF actions at Waco. He told the subcommittee that, upon hearing of the failure of the raid, he established an in-house review commission that investigated the incident for 5 months and compiled a report based on more than 500 interviews. Secretary Bentsen testified that he believed the review team had the total cooperation of ATF. Bentsen listed for the subcommittee those agencies involved in the Treasury investigation: Secret Service, Customs Service, the IRS, and the Financial Crimes Enforcement Network. Notably, Bentsen was unable to explain why a warning from Mr. Altman, his aide at the time, was not viewed with seriousness or passed on to the FBI; the Altman warning indicated the possibility of "tragedy" if the Davidian Compound was, as occurred on April 19, 1993, confronted with what Davidians might perceive as an assault.

Secretary Bentsen also mentioned corrective actions taken by ATF and Treasury in the wake of the incident at Waco. According to Bentsen, ATF leadership was replaced, the intelligence chief was

demoted, and the two raid commanders were relieved of their law enforcement duties. In addition, Bentsen told the subcommittee that Treasury has enhanced the formal and informal communication between the Office of Enforcement and the bureaus within the department.

(ii) THE FEDERAL BUREAU OF INVESTIGATION.—Almost immediately after the raid on Mt. Carmel, the FBI was called in to take over the operation of the standoff. The FBI Hostage Rescue team was in place and FBI negotiators were on the phone with Davidians almost continuously for the succeeding 51 days. Jeffrey Jamar, FBI Special Agent-in-Charge in San Antonio, commanded the FBI team and was charged with deciding which tactics to employ. The subcommittee investigation produced audiotapes and transcripts of these negotiations, as well as contemporaneous memoranda from both inside and outside experts attempting to explain the actions of Vernon Howell and the Branch Davidians. After 51 days of standoff, the siege ended tragically. The Branch Davidian compound burned to the ground and resulted in the death of 22 children and more than 60 adults.

The investigation into the role of the Department of Justice and the Federal Bureau of Investigation continued into a second day, constituting day four, of the subcommittees' hearings. On this day, the subcommittee heard from John Coonce of the Drug Enforcement Administration and Donald A. Bassett, Former FBI Crisis Management Specialist.

John Coonce testified before the subcommittee on the dangers of the use of explosives in the presence of those chemicals used to produce methamphetamine. The Branch Davidians had been accused of operating a methamphetamine laboratory at Mt. Carmel. Coonce testified that in order to "take down" a methamphetamine laboratory, an agent must first be certified by the Occupational Safety and Health Administration (OSHA), and must be very knowledgeable about the process involved. Coonce enumerated the hazards involved with drug enforcement of laboratories producing methamphetamines. In particular, he discussed the effect of firing a gun, the possibility of explosion or leakage of chemicals, and the safety of individuals inside or entering any such laboratory.

The investigation into the Department of Justice and FBI participation at Waco continued on the fifth day of hearings. On July 25, 1995, the subcommittee heard the testimony of Jack Zimmerman, attorney for Steve Schneider; Dick DeGuerin, attorney for Vernon Howell; Philip Arnold, Ph.D, Reunion Institute, Houston, TX; James Tabor, Ph.D., associate professor of religious studies, University of North Carolina at Charlotte, author of *Why Waco?*; Captain Maurice Cook, senior Texas Ranger; Captain David Byrnes, Texas Ranger; Glen Hilburn, Baylor University; Captain Frank McClure, deputy sheriff, Douglas County, GA.

Jack Zimmerman and Dick DeGuerin, attorneys for Steve Schneider and Vernon Howell, testified before the subcommittee about their dealings with the Branch Davidians and explained in detail their attempts to assist in negotiating a surrender. DeGuerin testified about difficulties he personally encountered in brokering a potential surrender. DeGuerin told the subcommittee about his trips into Mt. Carmel and the breakthrough he believed he had

achieved upon receiving Howell's final promise to surrender. DeGuerin obtained a letter from Howell in which Howell promised to complete his interpretation of the "Seven Seals," contained in the Bible, and then surrender with all the Branch Davidians. DeGuerin testified that he believed Howell was sane. Although others later disagreed, DeGuerin perceived Howell as a person deeply committed to and sincere in his religious beliefs.

Also testifying on July 25 were several of the local Texas Rangers. The Texas Rangers were charged with investigating the deaths of the four ATF agents killed on the day of the initial raid. Captain Byrnes testified that the Texas Rangers had many disagreements with FBI's Jamar, and generally felt excluded. Byrnes testified that, in addition to problems with destruction of the crime scene by FBI tactical personnel, the Rangers were disappointed about a lack of communication between FBI personnel and local officials.

On its sixth day of hearings, the subcommittee heard, in greater detail, the facts surrounding the Department of Justice and FBI involvement in Waco. On July 26, 1995, the subcommittee received testimony from Peter Smerick, former Criminal Investigative Analyst, Investigative Support Unit, National Center for the Analysis of Violent Crime, FBI Academy, Quantico, VA; Jim Cavanaugh, ATF Special Agent; Byron Sage, FBI Supervisory Special Agent, San Antonio, TX; Ronald McCarthy, former officer, Los Angeles Police Department; George F. Uhlig, professor of chemistry, College of Eastern Utah; David Upshall, Ph.D, British biochemist; Paul Rice, Ph.D., toxicologist, Environmental Protection Agency; Dr. Alan A. Stone, professor of psychiatry and law, Harvard Law School; Larry Potts, former FBI Assistant Director, Criminal Investigations; Anthony Betz, FBI CS Gas Expert; Dick Rogers, former Head of the Hostage Rescue Team; Jeffrey Jamar, former FBI Special Agent-in-Charge in San Antonio; Byron Sage, FBI Supervisory Special Resident Agent in Austin; and Harry Salem, Defense Department Toxicologist.

James Cavanaugh, although an ATF Special Agent, testified before the subcommittee regarding negotiations with the Branch Davidians and the transition from ATF control of the operation to FBI control. Cavanaugh was the first person to engage in serious negotiations with the Branch Davidians. He recounted the planning of the initial raid, the ensuing negotiations for a cease-fire, the first surrender offer of the Branch Davidians and the lengthy negotiations for a surrender. Cavanaugh described the tension between negotiators and tactical personnel: in general, he expressed the view that negotiators prefer to wait for a peaceful solution to a crisis and tactical personnel generally prefer to intercede with tactical measures.

Peter Smerick was the Criminal Investigative Analyst the FBI used to profile Howell for the FBI negotiators and the FBI's Hostage Rescue Team. Smerick testified that his first four memoranda urged the FBI to "wait Koresh out" and advised against increasing the pressure from outside. Smerick told the subcommittee that he changed his final memorandum based, essentially, on his knowledge that the FBI was not pleased with the tone of his memoranda. Smerick told the subcommittee that, although he felt no overt pressure to change the approach of his memoranda, he knew that FBI

agents on the ground in Waco wanted a view that supported a more clearly tactical approach.

Jeffrey Jamar, the FBI Special Agent-in-Charge in San Antonio at the time, was the onsite commander of all forces in Waco. Jamar testified before the committee that he was hopeful of a surrender based on Koresh's promise to come out of Mt. Carmel when he completed his interpretation of the Seven Seals. In response to questions regarding the possibility of the withdrawal of the FBI from Mt. Carmel, Jamar explained that the danger of gun fire from the building, the risk to children inside, and the sanitary conditions in Mt. Carmel made withdrawal untenable. Jamar testified before the subcommittee regarding the decision to implement the CS gas plan. Jamar said, "I would have waited a year if we had something to work with, if there was just something there we could attach something to. We did it from February 28 until a decision was made in late March that we thought we were going nowhere." Jamar told the subcommittee he was certain that Koresh would end the standoff "his way." Jamar also testified that he knew with "99 percent" certainty that the Davidians would open fire on the FBI's Bradley vehicles inserting CS gas, an eventuality that he also knew would mean acceleration of the CS gas, under the FBI's CS gas insertion plan.

On July 28, 1995, the subcommittee heard compelling testimony from many decisionmakers regarding the events at Waco. The subcommittee took the testimony of Webster Hubbell, former Associate U.S. Attorney General; Mark Richard, Deputy Assistant Attorney General; William Sessions, former Director of the FBI; Floyd Clarke, former Deputy Director of the FBI; Larry Potts, former Assistant Director of the FBI, Criminal Investigations; Harry Salem, Ph.D., Defense Department Toxicologist; Rick Sherrow, fire expert; Paul Gray, Houston Fire Department and leader of the fire review team; James Quintere, arson expert, University of Maryland; and Clive Doyle, former Branch Davidian.

Webster Hubbell, the former Associate U.S. Attorney General and close associate of President and Mrs. Clinton, testified before the subcommittee on the decisionmaking process that led to the implementation of the CS gas insertion plan. According to Hubbell, the decision to implement the CS gas insertion plan was based essentially on two facts: (1) a lack of progress in negotiations, and (2) military personnel assuring him that the inhabitants would exit the building upon insertion of CS gas. Hubbell testified that the President wanted to be advised of any change in strategy from one of negotiation to one of tactical maneuvers. Hubbell testified before the subcommittee that he was told that Howell was manipulating the attorneys. Howell's statement that he would come out upon having interpreted the "Seven Seals," according to Hubbell, was a ruse. Hubbell told the members of the subcommittee that Howell was responsible for the deaths of those inside Mt. Carmel.

The Assistant Director of the FBI at the time of the Waco standoff was Larry Potts. Potts testified before the subcommittee regarding the FBI's strategy for resolving the standoff. Potts stated that the strategy was: "(1) to verbally negotiate a peaceful surrender of Koresh and his followers; and (2) to gradually increase the pressure on those inside the compound by tightening the perimeter around

the compound and denying the Davidians certain comforts." Potts recounted how this strategy was perceived as a failure, and he outlined the roles that the FBI and the Department of Justice played in the development of the CS Gas insertion plan.

Potts testified that the FBI, in response to questions about its conduct of the standoff at Waco, had improved three aspects of FBI crisis management. "Jurisdictional issues are being clarified, crisis response operations have been reorganized and expanded, including the availability and use of outside experts; and research efforts have been enhanced," he stated. Potts displayed a diagram of the crisis management changes implemented as a result of the standoff at Waco.

The subcommittee followed up on the investigation into the actions of the Department of Justice and the FBI at Waco with the testimony of Jeffrey Jamar, former FBI Special Agent-in-Charge; Dick Rogers, former Head of Hostage Rescue Team; Edward S.G. Dennis, Jr., former Assistant Attorney General, Criminal Division; R.J. Craig, FBI Special Agent; James McGee, FBI Special Agent; John Morrison, FBI Special Agent; and Byron Sage FBI Special Supervisory Resident Agent in Austin.

The most compelling testimony was given on July 31, hearing day nine, by Resident Agent, Byron Sage. Sage testified regarding his last pre-fire conversation with Attorney General Reno. In Sage's view, Reno was attempting to gauge negotiators' opinions regarding the potential for a negotiated surrender to the standoff. Sage testified that he told Reno the negotiations were at a standstill and that there was no evidence that negotiations were meeting with renewed success. Apparently, in this conversation, Sage stated or implied to Reno that he favored the tactical option.

On the final day of hearings into the events at Waco, the subcommittee heard from the Nation's top law enforcement officer, the Attorney General, Janet Reno. On August 1, 1995, Attorney General Reno gave her reasons for what she termed her decision to implement the plan to insert CS gas into Mt. Carmel. The Attorney General described the 51-day standoff, the efforts to negotiate a surrender, and the reasons that Howell was not trusted by FBI negotiators. Reno stressed changes the FBI had implemented since Waco. According to her testimony, the FBI now has 30 Senior Agents specially trained as "crisis managers" to be called on at any time to assist in a crisis the magnitude of Waco. These managers form an element of the Critical Incident Response Group, a group formed to deal with crisis situations. Reno told the subcommittee that the Hostage Rescue Team will increase its personnel, equipment, and the size and training of the negotiating team. Today, there are 9 FBI SWAT teams around the country to assist the Hostage Rescue Team in an emergency. To assist the FBI in dealing with complex, psychological hostage takers in the future, Reno testified that the FBI will establish a working relationship with the crisis resolution centers at Michigan State University and George Mason University, and will keep a resource list of experts on marginal religious groups.

Much of Reno's testimony involved her decision to implement the CS Gas Insertion Plan. The Attorney General told the subcommittee she thought she had all the information she needed to make

her decision. She indicated however, that someone informed her of ongoing abuse in the compound; at no time could she recall who that individual was. She believed that briefings on CS gas were proper and complete. She did confirm that she had not read all pre-fire briefing material and was not in the command center when the tragedy occurred. In her statement to the subcommittee, Reno assured the members that the FBI was continuing its research into non-lethal technologies as alternatives to deadly force.

(iii) THE DEPARTMENT OF DEFENSE.—The subcommittee investigation into the participation of Department of Defense personnel in the events at Waco continued with the subcommittee hearings on the events at Waco. On July 20, 1995, the first day of hearings that delved into the participation of military personnel, the subcommittee heard the testimony of Ambassador H. Allen Holmes, Assistant Secretary of Defense for SOLIC; Major General John M. Pickler, U.S. Army, Commander Joint Task Force 6; Brigadier General Walter B. Huffman, U.S. Army, Assistant Judge Advocate General for Civil Law; Chris Crain, Special Forces Group; Lieutenant Colonel Philip Lindley, U.S. Army, former Deputy Staff Judge Advocate for U.S. Army, Special Forces Command; Major Mark Petree, U.S. Army, formerly of 3/3D Special Forces Group; Staff Sergeant Steve Fitts, U.S. Army, formerly of 3/3D Special Forces Group; Staff Sergeant Robert W. Moreland, U.S. Army, formerly of 3/3D Special Forces Group; and Sergeant Chris Dunn, U.S. Army, formerly of 3/3D Special Forces Group.

Ambassador Holmes testified before the subcommittee regarding the role of the military in domestic law enforcement actions and about military participation before Waco. Holmes told the committee that, in his opinion, the process developed to monitor military involvement in domestic law enforcement was a sound process. The Ambassador testified that, in his view, there were no violations of the law regarding military assistance at Waco and that the process regarding requests for military assistance had worked effectively.

Staff Sergeant Steve Fitts, U.S. Army, formerly of 3/3D Special Forces Group, testified before the subcommittee regarding the military preparations for involvement in methamphetamine laboratories. Staff Sergeant Fitts told the subcommittee that he conducted extensive research on the dangers and precautions required to "take-down" methamphetamine laboratories. According to Staff Sergeant Fitts, he wrote the paper at the instruction of Major Mark Petree, U.S. Army, formerly of 3/3D Special Forces Group. Sergeant Fitts testified that Major Petree then presented the paper to ATF agents in Houston. According to Staff Sergeant Fitts, it was clear to him from the reaction of the ATF agents that these agents anticipated no actual methamphetamine laboratory at Mt. Carmel. Indeed, based on the lack of interest shown by ATF agents in the procedures necessary to dismantle a methamphetamine laboratory, it was Fitt's belief that ATF agents knew that no methamphetamine laboratory existed at Mt. Carmel.

3. The Bureau of Census and Its Planning for the 2000 Census.

a. Summary.—Article I, Section 2, of the U.S. Constitution calls for an "actual enumeration" of the citizens of the country "within every subsequent term of ten years, in such manner as they shall

by Law direct." The Nation's first census was taken in 1790. Title XIII, enacted into law on August 13, 1954, established the parameters for taking the national census and created the Bureau of the Census. This law requires the compilation of statistics and information far in excess of that intended by the Constitution. That element of the Census which evokes the greatest controversy, however, remains the counting of citizens of the United States.

Until recently, the percentage of people not being counted has declined each census since that particular statistic was first measured in 1940. However, in 1990 the undercount rose to 1.8 percent, from 1.2 percent in 1980. Furthermore, official reports suggest that the 1990 Census may have missed substantially more persons, particularly blacks and other minorities, than suggested by the official net undercount estimate. The decline in the accuracy of the census cannot be attributed to spending less than was spent in 1980. The 1980 Census cost $1.1 billion over 10 years, while the 1990 Census cost about $2.6 billion. If the current approach to taking the census is retained in the year 2000, the costs could rise to about $4.8 billion in current dollars. In 1994 an expert panel at the National Academy of Sciences concluded that to contain costs and increase accuracy, the Bureau should use statistical sampling as an integral part of the design for Census 2000.

Pursuant to its oversight jurisdiction of the Bureau of the Census, the committee conducted an investigation into the preparations for the next census which resulted in the hearing, "Oversight of the Census Bureau: Preparations for the 2000 Census." With the focus on the status of preparations, the committee wanted to learn the Bureau's plans for changes to the 2000 Census that will alleviate problems encountered in the 1990 Census. The committee had additional concerns about the Bureau's success in obtaining consensus among major stakeholders for these planned changes.

b. Benefits.—The investigation and subsequent hearing was the first real effort to study the complexities surrounding the taking of the Census. The investigation showed unresolved questions and problems at the Bureau of the Census. In addition, the investigation confronted the controversy surrounding the adjustment issue, and potential solutions to the problem of undercounting. With the analysis of the issues surrounding the development of Census 2000, the committee is now prepared to offer substantive contributions to those who will administer the Census 2000.

c. Hearings.—"Oversight of the Census Bureau: Preparations for the 2000 Census," October 25, 1995. The subcommittee heard from three witnesses regarding Census 2000. The first panel consisted of Inspector General Francis D. DeGeorge of the U.S. Department of Commerce and L. Nye Stevens, Director of Planning and Reporting of the General Government Division of the U.S. General Accounting Office. The first panel concentrated on management problems at the Bureau of the Census and controversy surrounding the preparations for Census 2000. Martha Farnsworth Riche, Director of the Bureau of the Census, responded to those questions in the second panel.

Francis D. DeGeorge told the subcommittee that he believes the recommended statistical sampling does not go far enough to address the problems of the 1990 census. He recommended that the

Bureau increase the amount of sampling over the amount currently planned. DeGeorge also expressed concern with the Bureau's selected design. He testified that the value of the design changes is unsubstantiated and vulnerable to cost growth beyond the design's estimated $3.9 billion price tag. He suggested the bureau use a design that is simpler, operationally less risky, and less vulnerable to cost growth.

The Inspector General blamed the Bureau's choice on a fragmented organizational and decisionmaking structure that is not conducive, in his opinion, to completing, substantiating, and implementing a design.

L. Nye Stevens testified that he is encouraged by the bureau's design for the 2000 Census. Stevens said the new design should both save money and improve quality. He said he was particularly encouraged by the decision to adopt sampling among the nonresponse population as a basic foundation of the count. But he said the Bureau's decisions should be carefully reviewed by the subcommittee and by Congress. He also warned that managing a radically different census process presents a formidable challenge to the Bureau. Without very tight management over the next few years, there is a risk not only of failing to achieve the savings that are projected, but also a risk of a "failed Census."

Martha Farnsworth Riche, Director of the Bureau of the Census, told the subcommittee that the Bureau is designing a census that will be simpler to answer, cheaper to conduct, and more accurate. Riche outlined, in her testimony, four strategies to meet her objectives. She testified that one strategy is to build partnerships at every stage of the process. Riche stated that the taking of the Census is so far reaching that it requires the cooperation of a broad range of State and Federal agencies and people of diverse expertise. Riche explained that her second strategy is to keep it simple. The simpler the taking of the Census, according to Riche, the better response rate we can expect. Strategy three is to use technology intelligently. The Bureau of the Census is experimenting with a number of innovations to help take a better count of the people. And strategy four is to increase the use of statistical methods in an attempt to offset the undercount.

4. Counterterrorism Activities in the United States.

a. Summary.—On April 19, 1995, Timothy McVeigh and Terry Lynn Nichols allegedly parked a truck bomb adjacent the Alfred R. Murrah Federal Building in Oklahoma City, OK. The result was the explosion of the Murrah building. Hundreds of people, including several children, were killed and the building was destroyed. The bombing stirred the fears of citizens throughout the country regarding terrorist attacks on American soil. As a result of this act of domestic terrorism, the committee initiated an investigation into the intelligence apparatus of the Nation's law enforcement and national security agencies. The aim was to better understand preparations being taken to confront the possibility of further terrorism and to prepare for recurrence.

Pursuant to its oversight of the Department of State, the Federal Bureau of Investigation, the Central Intelligence Agency, the National Security Agency, and the Defense Intelligence Agency, the

committee conducted an investigation of counterterrorism activities in the United States. The investigation resulted in a briefing of Members of Congress and an oversight hearing.

The subcommittee held one briefing and one hearing on the issues of terrorism and counterterrorism. The purpose of the closed briefing was to obtain general information about terrorism, interagency coordination of counterterrorism initiatives, and performance of agencies of the U.S. Government assigned to collect intelligence on terrorist organizations, prevent terrorism and investigate terrorist incidents.

Knowledgeable counterterrorism representatives from FBI, DOD, State, DOE, DEA, FEMA, and ATF attended the briefing. At the briefing, agency officials educated the members of the subcommittee about ongoing anti and counterterrorism efforts, and gave Members an overview of the scope and threat of terrorism both from the preventative and the responsive points of view. The Federal response to the Oklahoma City tragedy was also reviewed from an operational point of view. Since the briefing was closed the dialog may not be summarized.

The purpose of the closed hearing on terrorism and the correlative intelligence gathering was to gain a better understanding of, and to review the quality of, sharing and cooperation among intelligence gatherers related to anti and counterterrorism. At the hearing, members learned how terrorism is defined, and were briefed on types of worldwide terrorist groups, how such groups are organized, and the tools they may employ. Further discussion is foreclosed by the nature of the closed briefing.

b. Benefits.—In general, the investigation shed light on the threat of domestic and international terrorism to the citizens of the United States. It also informed the committee members about the intelligence and law enforcement communities fighting terrorism. The results may be improved by intelligence sharing, improved training, resource sharing, and exploration of preventive measures, that do not violate Constitutional guarantees, which can be taken to stop terrorists before they act. The briefing and the hearing began a constructive dialog between the committee and the respective agencies.

c. Hearings.—"The Effectiveness of Coordination of the Nation's Anti and Counterterrorism Intelligence," held on May 23, 1995. The subcommittee heard testimony from the Federal Bureau of Investigation; the National Security Agency; the Department of State; the Defense Intelligence Agency; and the Central Intelligence Agency.

Each witness presented a 10 minute overview of their agency's approach to gathering, processing, analyzing, and sharing anti and counterterrorism intelligence. In addition, each witness offered examples of intelligence sharing in response to specific terrorist activities, and cited recent instances in which intelligence sharing facilitated apprehension of terrorists or prevention of terrorist acts.

Since the hearing was closed, the actual testimony may not be summarized here.

5. Army Ranger Training Deaths of February 15, 1995.

a. Summary.—In the worst incident in the 44-year history of this elite program, four U.S. Army Rangers died from hypothermia during training at Elgin Air Force Base, near Pensacola, FL, on Wednesday, February 15, 1995. The training provides instruction in advanced combat skills in a punishing 2-month course in wooded, desert, mountainous and swampy conditions. The soldiers spent up to 6 hours in chest-deep water that ranged from 52 degrees to 59 degrees. The Army's standard limit is 3 hours in waist deep, 50 degree water. These casualties were part of a 34 man patrol in the final phase of the Army's 8 week Ranger training. The soldiers had been in the field since Saturday, February 11. At approximately 5:30 p.m., one of the students showed signs of hypothermia (numbness). The students had been training in 52 degree water; the air temperature was 65 degrees. An instructor called in a medical evacuation helicopter which arrived 15 minutes later. When the helicopter arrived, the original casualty and two more students showing signs of cold were flown out. The students were treated and released.

At approximately 9:50 p.m., two more cases of hypothermia were reported. After being flown to the military hospital at Elgin, these two soldiers died. At approximately 11:45 p.m., two more hypothermia cases were reported. Heavy fog prevented helicopter evacuation. Carried to the nearest road in approximately 40 minutes, the soldiers were taken by ambulance to a civilian hospital, where one died. At midnight, one soldier had not been found. At 7:35 a.m., Thursday morning, a search party discovered his body in waist-deep water. Four instructors were assigned to the 34-man patrol. In 1977, hypothermia caused the death of two Ranger students at Elgin. Since then, one Ranger student died at Elgin from drowning in 1985.

The committee conducted an investigation of this incident, by examined internal DOD investigation results, explored the Army's interpretations of those results, as well as reviewing both post incident disciplinary and corrective actions taken by the Army. The committee was concerned with the overall process of the DOD investigation. The committee also made efforts to review precisely what went wrong in this incident, and how it can be fixed while maintaining the quality of Ranger training.

The AR 15–6 collateral investigation found that "lack of experienced personnel and reduction in the number of officers available to prepare for, oversee, and conduct this training had a detrimental effect on command and control." The AR 15–6 collateral investigation also found that the lack of MEDEVAC fuel may have been a contributing factor in the deaths.

The committee, as part of its investigation, held numerous meetings with the office of Army Legislative Liaison. In addition, the subcommittee participated in three briefings. The first briefing, held on April 6 in conjunction with the Subcommittee on Military Personnel, heard from Major General Hendrix, Commanding General of the Infantry Center at Fort Benning, GA. The second briefing, held on May 11, heard from Togo D. West, Jr., Secretary of the Army. The final briefing, held on May 17, was held with the Secretary of the Army, a representative of the Department of the

Army Inspector General's office and a representative from the Department of the Army Safety Command. In this briefing, the subcommittee fully reviewed the military investigation of the incident and the AR 15–6 investigations. The subcommittee, prior to the May 17 briefing, considered holding a hearing in late May. Following the May 17 briefing the chairman, with the agreement of the ranking minority member, decided to postpone the proposed hearing.

b. Benefits.—The committee investigation focused on the actions undertaken in response to this incident. The committee's concern regarding the Army Ranger deaths turned on the Army's investigative process, and in particular on the process that surrounds review of tragic incidents of this nature. After monitoring this investigation and indepth inquiries of the Secretary of the Army, Army Inspector General and Commanding General of the Army Infantry Training Center, and upon careful review of the findings, conclusions, and recommendations of both the AR 15–6 collateral investigation and the safety investigation, the committee was reassured that the Army investigative process had advanced properly, and that necessary changes were in progress.

c. Hearings.—None were held.

6. The Ballistic Missile Defense Program.

a. Summary.—The committee conducted an investigation into the status of the Nation's Ballistic Missile Defense Program. The end of the cold war lessened the threat of a Ballistic Missile attack from the former Soviet Union. However, as a result of proliferating weapons of mass destruction and missile delivery system technology, the need remains to research and explore implementation of theater and strategic missile defenses. On May 18, 1995, Lieutenant General Malcolm R. O'Neill, U.S. Army, Director of the Ballistic Missile Defense Organization briefed the chairman and the staff on the status of the Nation's Ballistic Missile Defense Program.

Lieutenant General O'Neil told subcommittee Chairman William Zeliff that the current program is designed to address the post cold war environment. The program continues within the financial constraints set by Congress. O'Neil detailed the existing strategy for the Ballistic Missile Defense Program. The first priority is Theater Missile Defense. The existing budget devotes approximately $2.3 billion to Theater Missile Defense. General O'Neil said that the program builds on existing systems to provide new defense capabilities as soon as possible to meet existing threats. New systems and enhancements are to be added to ensure robust protection.

The second priority is national strategic missile defense. This program maintains the technological base and continues its maturation. General O'Neil told the committee that the program provides for evolutionary contingency deployment options if a threat suddenly emerges. The General also stated that the program is concentrating on technologies that will increase the capabilities and allow the system to be deployed more rapidly and efficiently.

During the fall of 1995 and early 1996, several developments occurred regarding the Ballistic Missile Defense issue. In November 1995, a National Intelligence Estimate (NIE 95–19) was produced

which dealt with missile threats to the Continental United States in the next 15 years. This National Intelligence Estimate subsequently received much criticism from Congress and intelligence experts including, R. James Woolsey, former Director of Central Intelligence.

In December 1995, President Clinton vetoed the original fiscal year 1996 Defense Authorization Act stating that its provisions calling for deployment of a national missile defense system by 2003 would be "costly" and that such a deployment was "unwarranted."

In March 1996, the Clinton administration released its fiscal year 1997 Defense Budget request which called for $2.8 billion for Theater Missile Defense, National Missile Defense, and the associated support technologies that comprise the Department of Defense's Missile Defense Program. The administration's budget request reflected a reduction of more than 25 percent from the amount authorized for ballistic missile defense in the fiscal year 1996 National Defense Authorization Act.

In March 1996, Congressman Bob Livingston (LA) introduced the Defend America Act of 1996, H.R. 3144, which calls for a national missile defense system by 2003 to defend against a rogue missile attack or an accidental launch. Currently, the Deployment Readiness Program (formerly called the Technology Readiness Program) would not result in the deployment of an actual missile defense system because the Program is designed to support development, within 3 years of core elements of a nationwide Ballistic Missile Defense. The actual process of deploying such a missile defense system would take an additional 3 years, if and when a decision to deploy is made.

In May 1996, the President repeated his assertions that a national missile defense system by 2003 would be costly and unwarranted. Among the administration's reasons for reluctance to support Congressional attempts to mandate a national missile defense were these: Deployment of an effective national missile defense system could raise concerns over compliance with the ABM treaty, and no immediate urgency to the long range missile attack threat.

As a result of the foregoing events, this subcommittee the first in what is expected to be a series of hearings on May 30, 1996. In that hearing, the subcommittee explored the rapidly evolving threat to national security posed by existing or potential rogue ballistic missile forces, and options for confronting this risk. The hearing also addressed the costs and benefits associated with competing near-term BMD options.

b. Benefits.—The investigation into the Ballistic Missile Defense Program gave the committee timely insights into an important element of America's national security protection. Ensuring that this program continues to progress is crucial to our preparedness against the growing threat of ballistic missile terrorism. The committee learned a great deal about the budgetary constraints under which the program is operating, as well as it's potential for cost effective protection over the near-, medium-, and long-term.

c. Hearings.—On May 30, 1996, the subcommittee held a hearing on the Nation's Ballistic Missile Defense System. The following witnesses offered testimony: Hon. Curt Weldon (PA); Hon. R. James Woolsey, former Director of Central Intelligence; Frank J. Gaffney,

Jr., president of the Center for Security Policy; Dr. Keith B. Payne, president of the National Institute for Public Policy; and Michael Krepon, president of the Henry L. Stimson Center.

7. National Drug Control Strategy.

a. Summary.—The threats posed by illegal drug use, especially among the Nation's youth, have continued to grow since the subcommittee's investigation began in January 1995. All national studies show a rise in drug use among teenagers. Both minority and majority members of the subcommittee have demonstrated a commitment to enhancing the drug control strategy.

Pursuant to the National Narcotics Leadership Act of 1988 (21 U.S.C. 1501 et seq.), the Director of the Office of National Drug Control Policy (ONDCP) develops a strategy and budget for antinarcotics efforts, including both supply and demand reduction. In order to evaluate the strategy and find ways to both improve and supplement in the public and private sector, the Subcommittee on National Security, International Affairs, and Criminal Justice held 19 hearings supplemented with a fact-finding trip to the Caribbean drug transit zone and a full committee congressional delegation (CODEL) to the transit and source countries of Mexico, Panama, Colombia, Bolivia, and Peru. The first five subcommittee hearings and trip to the transit zone resulted in the March 19, 1996 subcommittee report entitled "National Drug Policy: A Review of the Status of the Drug War," and are described in an earlier section of this report. The following is a description of the other 14 hearings and congressional delegation trip to Central and South America.

The National Narcotics Leadership Acts requires that the strategy: "(A) include comprehensive, research based, long-range goals for reducing drug abuse in the United States; (B) include short-term measurable objectives which the Director determines may be realistically achieved in the 2 year period beginning on the date of the submission of the strategy; (C) describe the balance between resources devoted to supply reduction and demand reduction; and (D) review state and local drug control activities to ensure the United States pursues well-coordinated and effective drug control at all levels of government." The oversight and investigation of drug policies and programs enabled the subcommittee to determine whether the current strategy and its execution continues to meet these statutory obligations.

b. Benefits.—In addition to special orders by Members on the House floor, the creation of counterdrug working groups and an overall increase of awareness to the Nation's drug problem, the subcommittee's work also elevated interagency coordination, and contributed greatly to the advancement of the appropriations process. The subcommittee Members and staff met repeatedly with appropriators from each of the major appropriations subcommittees, as well as the full appropriations committee. The result was a careful targeting of additional counternarcotics funds in areas of paramount need. The hope is that sustained effort in these newly-revitalized areas will generate results over the short and long-run.

c. Hearings.—(i) General Oversight.—On May 8, 1996, the subcommittee held a hearing entitled "Oversight of the 1996 National

Drug Control Strategy," to hear from then newly-confirmed Director of the Office of National Drug Control Policy, General Barry McCaffrey. This hearing was an opportunity for General McCaffrey to discuss and elaborate on the President's 1996 National Drug Control Strategy. The 1996 National Drug Control Strategy states certain emphasis, goals, and budget priorities that are subject to congressional oversight.

On October 1, 1996, the subcommittee held a second oversight hearing as a result of whistle-blower information regarding a secret, Pentagon-commissioned report on the effectiveness of interdiction in combating drugs and the ineffectiveness of Clinton's drug treatment strategy. The hearing, entitled "Review of Internal Administration Study Critical of Clinton Drug Policy and White House Suppression of Study," was held to determine why the secret study's results had not previously been shared with Congress or even other government drug-fighting agencies. The subcommittee also sought to find out why analysis did not lead to changes in President Clinton's National Drug Control Strategy.

The subcommittee reached three basic conclusions from examining the secret report: (1) Interdiction is a highly effective method of reducing the drug-using population leading to the inference that Clinton's deep interdiction cuts have been devastating to drug availability, potency, price and use; (2) the administration's heavy emphasis on drug treatment, at the expense of drug prevention and drug interdiction, has been a failure notably marked by reliance on a flawed RAND study; and (3) the Drug Czar's office actively suppressed this report and ignored its thorough analysis in forming policy.

The study, conducted by the Institute for Defense Analysis (IDA), a well-respected and independent Pentagon think tank, refuted the conclusions of the flawed "Controlling Cocaine" study released by the RAND Corporation on which the President's strategy relies. The IDA study tracks close correlations between major interdiction operations and increases in the street price of cocaine, as well as availability and use. Based on this data, IDA revised the RAND estimates of cost-effectiveness for interdiction compared to treatment and interdiction was shown to be much more cost-effective than the RAND study indicated.

The subcommittee heard testimony from the authors of the study including Messrs. Rex Rivolo, Gary Comfort, and Barry Crane, and independent experts on research design, including Tom Snitch. Based on their testimony, the subcommittee determined that the report was extremely credible and confirmed their prior findings that interdiction is a cost effective counter-narcotics approach and Clinton's heavy-treatment approach has failed. The IDA study confirmed the importance of the efforts of subcommittee members to increase appropriations for interdiction activities in the FY 97 spending bills.

In an attempt to uncover the source of suppression, the subcommittee also called General McCaffrey, the Drug Czar, and Admiral Robert E. Kramek, U.S. Interdiction Coordinator, who were involved in the events surrounding the suppression of the report. While testimony from several witnesses were not consistent, the subcommittee believes that Admiral Kramek took the preliminary

findings of the report to General McCaffrey in March 1996. General McCaffrey declined to discuss the findings with the authors of the report who waited in the hall while Kramek and McCaffrey discussed the report. According to the authors, they felt that McCaffrey had dismissed their work out of hand and treated Kramek dismissively. Testimony received led the subcommittee to the same belief. At that point, in May 1996, the report entered a seemingly endless process of revision and redrafting designed to prevent its release.

In the subcommittee's preliminary investigation, it obtained several memos that passed between the authors of the studies and various administration officials suggesting inexplicable alterations in the findings of the document, like removing the cost-effectiveness comparison and the critique of the RAND study. The subcommittee believes that these were two of the most valuable sections of the report and clearly should have had great impact on forming a viable drug control strategy; failure to consider this evidence was deemed intent to support the misguided priorities of the current strategy for non-policy reasons.

Based on the hearing, the subcommittee requested that agencies involved in the Drug War keep it apprised of all emerging research findings that should influence policymaking. Members of the subcommittee also renewed their commitment to enhancing interdiction as a vital component of the War on Drugs.

(ii). Transit Zone Interdiction.—On May 23, 1996, the subcommittee held a hearing titled, "National Drug Control Strategy: The Decline in Interdiction Efforts in the Caribbean." This hearing focused on the Nation's interdiction strategy in the international narcotics transit zone. According to U.S. Law enforcement officials, up to 30 percent of the cocaine entering the United States comes through the Caribbean section of the transit zone. U.S. officials believe that the level of maritime activity is increasing. In April 1994, the executive branch issued the National Interdiction Command and Control Plan to strengthen interagency coordination. The plan called for creating several joint interagency task forces made up of representatives from Federal agencies, including the Department of Defense (DOD), the Drug Enforcement Agency (DEA), the U.S. Customs Service (USCS) and the U.S. Coast Guard (USCG). The various U.S. activities are expected to be coordinated through the Joint Interagency Task Force East (JIATF–East) in Key West, FL. JIATF–East was to be supported by personnel from various agencies.

Witnesses at this hearing included Jess Ford, Associate Director of International Affairs and Trade Issues, U.S. General Accounting Office; Admiral Robert Kramek, Commandant, U.S. Coast Guard; and a hands-on panel of Coast Guard officials directly involved in drug interdiction. This panel included Commander Arthur Brooks, Commanding Officer, U.S. Coast Guard Cutter SENECA; Lieutenant Kristine Horvath, Aircraft Commander, U.S. Coast Guard Air Station Miami; Lieutenant Glenn Gebele, Aircraft Commander, U.S. Coast Guard Air Station Clearwater; Lieutenant Greg Sanial, Commanding Officer, U.S. Coast Guard Cutter ATTU.

As a follow-up to the May 23d hearing, the subcommittee conducted another transit zone hearing titled, "Puerto Rico: The Rising

Drug Threat and Some Recent Successes," held on June 10, 1996. This hearing was held aboard the U.S. Coast Guard Cutter *COURAGEOUS* in San Juan Harbor, Puerto Rico, and focused on the rising drug threat to the United States and Puerto Rico.

It specifically explored the island's status as a major thoroughfare into the United States for narcotics, as well as Governor Rossello's achievements in the current war on drug trafficking organizations, and the requirements of Operation "GATEWAY" and Operation "LASER STRIKE."

Curbing the flow of illicit drugs through Puerto Rico would have a profound effect on the availability of drugs in the United States. Due to its proximity to both narcotics source countries and the United States mainland, the island has become a haven for those trying to escape more heavily funded interdiction efforts in the Bahamas and at the United States-Mexican border.

According to the DEA, Puerto Rico, along with the U.S. Virgin Islands corridor, is the target site of over 26 percent of all drug ventures. Once narcotics shipments reach the island, there is no further Customs inspection before the shipment reaches the United States mainland. The San Juan Airport has become the largest United States point of entry for illegal drugs by air.

This hearing also addressed the problems facing the whole Caribbean region as a drug transit zone. The Puerto Rican State Government has implemented several initiatives which are committed to taking quick action against the many drug trafficking rings that have established themselves on the island. Included among these programs are the Safe Streets Task Force, the Most Wanted Task Force, the Money Laundering Task Force, and the Drug Enforcement Administration Task Force. Each of these programs works in concert with Federal agencies to combat the many criminal activities brought to the island by narcotics trade.

The hearing also addressed Operation "GATEWAY." Launched on April 15, 1996, Operation "GATEWAY" is a Customs interdiction program aimed at reducing the chances for successful smuggling in the air and on the seas. "GATEWAY" employs an array of sophisticated technology such as cargo container x-ray systems which Customs officials expect will greatly reduce the opportunities for undetected drug smuggling in Puerto Rico and the Caribbean.

Witnesses at this hearing included Pedro Rossello, Governor, Puerto Rico; Pedro Toledo, superintendent of police and commissioner of public safety, Puerto Rico; Carlos Vivoni, secretary of housing, Puerto Rico; Manuel Diaz Saldana, secretary of the treasury, Puerto Rico; Vice Admiral James Loy, commander, U.S. Coast Guard Atlantic Area; Harv Pothier; Director, Air Interdiction Division, U.S. Customs Service; Felix Jimenez; Special Agent in Charge, Drug Enforcement Administration.

The subcommittee then conducted a third interdiction hearing titled, "Oversight of Federal Drug Interdiction Efforts in Mexico," on June 12, 1996, focusing on the growing threat posed by increased drug trafficking across the United States-Mexico border. It also explored the initiatives currently being enacted to foster enhanced joint efforts between the two nations.

This hearing revealed findings of a 6 month GAO investigation into Mexican-United States counternarcotics efforts. This hearing

also examined counternarcotics issues between the United States and Mexico as well as the extent to which four Mexican drug trafficking cartels dominate cocaine transshipment to the United States, and are major suppliers of heroin, marijuana and methamphetamine.

Today, 400 tons of cocaine enter the United States annually, 70 percent across the Mexico-United States border; and 150 tons of methamphetamine are now produced in Mexico. These facts will be amplified at the hearing. Cross border shipments of these drugs have increased markedly in the past several years, while at the same time incidences of drug-related arrests and confiscations have decreased. In 1995, Mexican authorities seized half as much cocaine as they did in 1992 and made only a third as many drug-related arrests. This discrepancy persists despite what appears to be a renewed commitment by the Zedillo government to address this growing national security threat to both the United States and Mexico.

Over the past 3 years, the United States played only a peripheral role in stemming the movement of drugs within Mexico. Following the 1993 kidnaping of a Mexican national for trial in the United States, the Mexican Government refused nearly all United States counternarcotics assistance, and has restricted the presence of the DEA within its borders. Consequently, U.S. efforts in the region have been all but paralyzed. Although the Zedillo government has recently made a show of force against major trafficking organizations, there are widespread reports of corruption among the ranks of the Federal and State police forces, as well as within the National Institute for Combating Drugs.

The growing influx of narcotics along the U.S. Southwestern border poses a rising national security threat. The inability of the Mexican Government to contain the problem underscores the need for renewed cooperation with United States officials. Prior to its 1993 decision to assume all costs of the counternarcotics effort within its borders, Mexico was the largest recipient of anti-narcotics aid from the United States, which also provided much-needed equipment and personnel training support.

The shortage of United States anti-narcotic support contributed to the deterioration of the situation in Mexico. With this realization, steps were finally initiated this year to forge new ties between drug enforcement authorities in the two governments. In March 1996, The Clinton administration joined with Zedillo's government to establish a high level contact group to address the narcotics threat faced by both nations. Drug control issues have also been assigned elevated importance at the United States embassy in Mexico City. A key challenge is the need to strike a balance between restoring stronger interdiction measures and continuing the free trade practices introduced through NAFTA.

Witnesses at this hearing included Ben Nelson, Director of International Relations and Trade Issues, U.S. General Accounting Office; George Weise, Commissioner, U.S. Customs Service; Doug Wankel, Chief of Operations, Drug Enforcement Administration.

(iii). Drug Testing in Corporate America.—The subcommittee also conducted a hearing on Corporate America's role in the counterdrug effort and the importance of drug testing on June 27,

1996. This issue is of paramount importance because there is a serious drug abuse problem in America's present and future work place. Department of Labor studies have estimated that drug abuse in the workplace costs American businesses in excess of $100 billion annually. This affects the employer and consumer through decreased worker productivity, increased accidents, poor quality products, and higher medical and insurance costs. In addition, co-workers of abusers are unnecessarily burdened by higher medical and insurance premiums, greater risk of injury on the job (drug-using employees are 3.6 times more likely to have accidents according to *Strategic Planning for Workplace Drug Abuse Programs,* National Institute on Drug Abuse), and the general disruption that intoxicated and compromised employees bring to the workplace.

Witnesses included Mark A. de Bernardo, executive director, Institute for a Drug-Free Workplace; C.R. Cummings, manager of labor relations & employment, Chevron; William L. Bedman, Esquire, assistant general counsel, Brown & Root; and Kevin Connors, director for Safety and Department of Transportation Compliance, Waste Management, Inc.

Drug testing offers companies, employers and employees an excellent means to combat drug abuse. The subcommittee well understands that drug testing must be done properly and with full respect for individuals' civil rights. To be effective, there are several criteria which must be met as a threshold matter: (1) all testing should be done in accordance with a written policy which may be reviewed by employees; (2) test samples should be properly handled and documented; (3) only certified laboratories that employ scientifically accepted methods should test; (4) multiple tests and multiple techniques should be used to assure a positive result; and (5) confidentiality should be maintained whenever reasonable, feasible or necessary.

The subcommittee, after extensive review, concluded that when done professionally and fairly, drug testing is unintrusive and highly effective, both case-by-case and as a deterrent to future use. However, drug testing itself is clearly just one element in drug prevention. It is an important first step to help businesses move beyond detection, and into treatment and future prevention through education.

Based on the subcommittee's investigation, subcommittee Chairman Zeliff introduced H.R. 4017, the "Drug-Free Workplace and Public Safety Assurance Act of 1996," on August 2, 1996. This bill would amend the Americans with Disabilities Act of 1990 and the Rehabilitation Act of 1973 to exclude individuals with records of engaging in the abuse of drugs or alcohol from protection under the Americans with Disabilities Act regarding "safety-sensitive" employment functions (any job in which an employee could significantly contribute to an accident resulting in loss of human life, serious bodily injury, or significant property or environmental damage). Currently, former drug addicts and alcoholics are considered "disabled," and therefore receive protection from discrimination even if they pose a risk to the general public. Subcommittee Chairman Zeliff's bill would properly narrow the definition of "disabled" and remove former drug abusers from this classification. This would (1) prevent suits against employers who, in good faith, trans-

fer or remove individuals from "safety-sensitive" positions that have a provable medical history of extensive illegal drug abuse or alcoholism, and (2) allow employers to consider former drug use as a condition for denial of employment for "safety-sensitive" positions, such as airline or oil tanker pilots.

(iv) Field Hearings.—Members of the subcommittee also traveled to several regions of the country to examine the counter-narcotics efforts by communities, State, and local law enforcement agencies, as well as cooperation of those groups with local offices of Federal counter-drug agencies.

Taken as a whole, these field hearings generated two basic conclusions. First, the most successful way to combat drugs is for whole communities to become engaged in tackling the issue and to work in partnership or collegially. This includes families, schools, law enforcement, business, church, synagogue, and other community leaders. Second, controlling drugs at the border and at their origins is essential to combating their abuse, and to limiting the violence associated with their use and distribution, especially in the southwest border States.

The subcommittee held three field hearings in the Midwest: one in Fort Wayne, IN on June 24, 1996, entitled "Report from the Front Line: Fort Wayne's Battle Against Drugs"; the second in Elgin, IL on June 24, 1996, entitled "Report from the Front Line: Chicago's Land Area's Battle Against Drugs"; and the third in Lansing, MI on September 3, 1996, entitle "Report from the Front Line: Michigan's Battle Against Drugs." In these Midwestern States, testimony made clear that border activity has a dramatic effect on drug-related efforts in the schools, communities, and homes of America's "heartland." According to Harold Wankel, of the Drug Enforcement Agency, drug traffickers move their illegal cargo over the border in Texas and Arizona, bring it through Fort Wayne and on to Chicago and Detroit. This trafficking pattern has had serious adverse impacts in cities like Fort Wayne where the drug problem was fairly mild only a few years ago and has become a crisis in the last 2 years with soaring levels of drug-related gang violence. Controlling drugs at the border is one key component of reducing their insidious effects in the Midwest.

In the West and Southwest, the subcommittee held field hearings in Los Angeles and San Lusi Obispo entitled "Report from the Front Line: The Drug War in Hollywood" and "Report from the Front Line: The Drug Battle in California" on September 21 and 23, 1996, respectively, and in Phoenix, AZ on October 10, 1996, entitled "Report from the Front Line: Losing America's Drug War, 'Just Say No' to 'Just Say Nothing.'" The first hearing in this area covered a topic of growing significance and concern, namely Hollywood's "glorification," promotion, and general influence on youth drug use. The subcommittee heard testimony from several actors and producers who have been fighting what they describe as a "losing battle" to reduce the portrayal and promotion of drug use and violence in contemporary American films. According to these witnesses, including Dee Wallace Stone, the film business elite are convinced that drugs and violence "sell." Until they are brought face-to-face with the violence and tragedy this approach creates,

Hollywood will remain aligned against producing more positive, family-oriented entertainment.

The hearings in San Luis Obispo and Phoenix focused on law enforcement, education, and treatment. Based on testimony from leading local officials in the FBI, DEA, Customs Service, Immigration and Naturalization Service, National Guard and State and local police, the subcommittee identified weaknesses in the sharing of intelligence and cooperation between these groups. The subcommittee was encouraged with the success of the High-Intensity Drug Trafficking Area (HIDTA) initiative which has enhanced cooperation and intelligence sharing, especially in Arizona. The subcommittee also learned that the most effective treatment programs are "faith-based" and receive no government funds. As witnesses testified, part of the success of these programs appears to be their reliance on the community, rather than government, for support. This community self-reliance allows programs to grow responsively and thus benefit the community rather than becoming untargeted, bureaucratic, or a nuisance to it. Awareness of the programs and substantial success rates have resulted.

The subcommittee conducted its final field hearing in Lake Mary, FL, a suburb of Orlando on October 14, 1996. The hearing was entitled "Report From the Front Line: The Drug Crisis in Central Florida." Several years ago, Orlando was only a transshipment point for drug traffickers; in the past year, however, it has become a major distribution point. Heroin-related deaths of several area teenagers have motivated the community to address this problem conscientiously and together. Again, the subcommittee found that "faith-based," non-government treatment programs had the greatest impact. The subcommittee also received persuasive testimony on the importance and challenges of fighting drugs in the schools. In a nutshell, school officials are extremely limited by current regulations and laws in the actions they can take to uncover youth drug use and drug distribution in the schools.

(v). Current Availability and Drug Use Trends.—The subcommittee held two hearings on the magnitude and growth of the drug problem: "Heroin: A Re-Emerging Threat" on September 19, 1996; and "The Epidemic in Teen Drug Use" on September 26, 1996. Both hearings were held after the release of significant 1996 studies on the magnitude of drug use. These studies included the National Household Survey, the Drug Abuse Warning Network (DAWN) report, the 1996 PRIDE Survey, and a study by the Center on Addiction and Substance Abuse at Columbia University gauging attitudes of parents and youth toward drug use. All of the studies point to an alarming increase in drug use by youth in the last 4 years, and correlate disturbingly with rising violent, drug-related youth crime.

At the heroin hearing, the subcommittee learned that heroin has roared back as a major threat to America's youth. The new heroin is both more potent and cheaper than in the 1960's and 1970's, when heroin made a major appearance on the national scene. New international heroin trafficking routes have also appeared. Today, heroin comes not only from Southeast Asia, but from Latin America as well. Indeed, 62 percent of the heroin entering the United States now originates in, or passes through, Colombia. The Colom-

bian cartels have begun to use their increasingly secure cocaine distribution network to market heroin, in part accounting from the dramatic upsurge in use.

Throughout 1996, the subcommittee investigated the administration's lack-luster response to the new usage patterns for heroin. The administration released their heroin strategy more than a year after it was promised by President Clinton; while it was promised in 1993, the Clinton anti-heroin plan only appeared at the start of the Presidential primary season on November 29, 1995. That strategy has yet to be implemented, or to have any implementing guidelines issued to support it. Accordingly, little progress had been made on any of the ambitious goals articulated therein. Finally, a GAO report commissioned by the subcommittee identified many emerging problems associated with enforcement in Southeast Asia, and the general failure of the administration to respond to them.

At the subcommittee's hearing on teen drug use, testimony was heard from organizations that conducted leading surveys on teen drug abuse, as well as from individuals involved in preventing drug abuse among America's youth. Expert witness testimony clarified the already alarming picture presented by the studies, and expounded the difficulties in delivering a no-use anti-drug message against the backdrop of a President, media, and parents, who seem ambivalent. The subcommittee also discussed H.R. 4016, the Drug Free Schools Reform Act of 1996, introduced by subcommittee Chairman Zeliff which was designed to help correct this problem by eliminating fraud and abuse in the Drug Free Schools program, while insuring that all moneys spent under the program support a clear, no-use message.

(vi). Congressional Delegation to Transit and Source Countries.—A delegation of committee and subcommittee members participated in a counternarcotics trip to the major transit and source countries of Mexico, Panama, Colombia, Bolivia and Peru from April 8–15, 1996. Members met with top counternarcotics officials in each country, including the Presidents of Mexico and Peru, the chief of the Colombian Police (who has lost more than 3,000 officers), Colombia's top counternarcotics prosecutor (who has indicted the top Cali drug kingpins, seven cabinet officers and over 100 members of the Colombian Congress), top Bolivian officials and DEA agents in the field, Bolivian military counternarcotics leaders, and Peru's air force and marine personnel, including generals and pilots responsible for Peru's highly successful force-down/shoot-down policy (a policy that has virtually arrested air traffic in cocaine from Peru to Colombia, reduced coca prices ten-fold, and resulted in 20 percent to 40 percent of the coca fields being abandoned in Peru).

Despite cables indicating 22 deaths from terrorist bombings on April 10, 1996 in Colombia, and discovery of dynamite at Colombia's Supreme Court also on April 10, CODEL Members stood by their commitment to meet with the Colombian Chief of Police, General Serrano, and top counternarcotics and anti-corruption prosecutor, Prosecutor General Valdivieso on April 11.

In Bolivia, Members traveled by C–130 military transport to a deep jungle military base camp in the Chapare region, where most of the coca leaf is grown. After classified briefings on the status of counternarcotics efforts in this major region of cocaine base produc-

tion, Members boarded UH–1H Huey helicopters and flew to the location of a remote drug lab and coca fields, where they observed first-hand the destruction of the drug lab by UMOPAR (elite Bolivian counternarcotics troops) and observed destruction of clandestine coca fields, and seed beds.

The CODEL's mission was essentially two-fold: Members sought to observe how effective the source and transit country programs were, including what resources in-country teams needed to better implement U.S. counternarcotics strategy; and the CODEL sought to deliver strong messages to each of the respective governments on the U.S. commitment to counternarcotics and the commitment expected of these countries by the United States, as well as our appreciation for their efforts where that was appropriate. Both missions were accomplished, as reflected not only in subsequent subcommittee work, but in the total 1996 anti-drug appropriations package, and such subsequent events as Peruvian President Fujimori's first visit to the United States in 1996.

On April 8, CODEL Members flew to Mexico City, where they were briefed by Ambassador Jones on counternarcotics efforts underway in Mexico. Members delivered the strong message to Mexican President Zedillo and Members of the Mexican Congress that counternarcotics efforts must become a top priority with the Mexican Government, and close cooperation with United States is vital for both nations. Joined by Senator Paul Coverdell, Members spent 2 hours meeting with the Mexican Congress; the American delegation expressed frustration at that nearly 70 percent of the cocaine entering the United States comes across the United States-Mexican border, along with significant quantities of methamphetamine, heroin, and marijuana.

The CODEL confirmed that counternarcotics is now a top objective of the United States Embassy in Mexico, which it had not been until very recently, and further confirmed that U.S. policy us directed at four subsidiary priorities: (1) apprehending heads of the highly violent Mexican drug cartels; (2) encouraging Mexico to enact money laundering, Anti-Organized Crime, conspiracy, criminal forfeiture, confidential informant and wiretap legislation similar to United States laws; (3) institution building to stem the corrupting influence of narcotrafficking; and (4) continued narcotics crop eradication and operational counternarcotics law enforcement.

The CODEL was pleased to hear President Zedillo and his Foreign Minister, Jose Angel Gurria, state that narcotrafficking is "Mexico's number one national security threat." Both the President and his Foreign Minister expressed a personal commitment to fighting the narcotraffickers with U.S. cooperation.

On April 9, Members flew to Panama and the United States Southern Command (SOUTHCOM), which plans and coordinates U.S. counternarcotics strategy for the source countries. Members discussed potential vulnerabilities in the War on Drugs with the U.S. Ambassador and U.S. Officials at SOUTHCOM. Meetings with Panama's Vice President and National Security Advisor reinforced the vulnerability of Panama as a major money laundering and drug transit route, especially at its border with Colombia, which remains essentially uncontrolled. A briefing was conducted on the 1995 operation called GREEN CLOVER, which featured a highly success-

ful regional coordination counternarcotics effort run by SOUTHCOM.

In Bogota, Colombia, the Members met with U.S. Ambassador Frechette, Prosecutor General Valdivieso, National Police Chief Serrano, Defense Minister Esguerra and Commander of the Colombian Armed Forces Admiral Delgado.

Members expressed clear appreciation for Colombia's recent anti-Cali efforts, particularly those of General Serrano and Prosecutor General Valdivieso, and discussed the status of current and future counternarcotics cooperation and efforts. Members focused on ways to improve United States and Colombian cooperation and coordination in destroying the Colombian drug trafficking organization, particularly the Cali cartel, which ships cocaine and heroin to Mexico and the United States. Members also inquired about, and expressed concern about, a longstanding (October 1995) request for replacement helicopters needed by the Colombian National Police (replacing two shot down or destroyed in crashes).

On April 12, the congressional delegation arrived in Santa Cruz, Bolivia. Bolivia is the second largest producer of coca and cocaine base, which is then generally processed in Colombia (into cocaine HCL, cocaine) for transshipment (through Mexico and the Caribbean) to the United States. Colombian cocaine has been found in quantity in every city in the United States. This cocaine originates with the coca and cocaine base created in Bolivia's Chapare region and in the Peruvian Andes mountains, largely the Upper Huallaga Valley.

The delegation traveled to a key jungle base camp manned by DEA and Bolivian elite counternarcotics troops (UMOPAR) in Chapare region of Bolivia. Field commanders briefed the Members on the strategy being employed to find and destroy clandestine coca labs, eradicate illegal coca fields, and spur alternative crop development.

Members were able to see where major coca fields had been eradicated and where others were growing. At the same time, Members could see evidence of successful alternative development, in particular the increased production of bananas. Members then traveled with the UMOPAR, DEA representatives and the U.S. Ambassador to the site of a jungle cocaine drug lab and maceration pit discovered the day before. In this remote location, Members saw firsthand the coca leaves, chemicals and other implements used by the cocaine base producers. With the Members present, the military destroyed the cocaine lab and maceration pits, and then destroyed adjacent coca fields and coca seed beds.

On April 13, the Members left Santa Cruz, Bolivia for Lima, Peru. Peru is the single largest coca-producing country in the world, responsible for two-thirds of all coca production worldwide and 80 percent of the cocaine that reaches the United States. In Lima, the delegation met with President Alberto Fujimori, becoming one of the most recent congressional delegations to meet with Peru's President in many years. The delegation expressed appreciation for Fujimori's successful efforts to cut off the so-called "Peru-to-Colombia air bridge," the route by which narcotraffickers were—until very recently—flying the cocaine base to Colombia. The Peruvian President's conviction that this link had to be broken, and his

implementation of a force-down/shoot-down policy (with carefully identified warnings, chances to come to ground, signals and radio contacts prior to shoot down), has been highly successful.

This U.S. counternarcotics CODEL generated enormous insight into our counternarcotics strategy's strengths and weaknesses, operational strengths and weaknesses, coordination problems and gaps, specific in-country resource needs, various national convictions and attitudes toward fighting and winning this war, and the extreme circumstances and dangers under which all those (including American government personnel) pursing our joint strategy function on a day-to-day basis.

Specific facts and recommendations resulting from the CODEL include:

1) A higher degree of cooperation and coordination in counternarcotics efforts is badly needed with Mexico. However, recent and foreseeable events have the potential for making a marked difference in addressing what has now become Mexico's—and our—No. 1 national security threat;

2) Mexico is now acknowledging that drugs present the "number one national security threat" to that nation;

3) Mexico's President and Foreign Minister appear ready to work more closely with the United States in a number of specific areas which will assist in combating the rise of the four main drug cartels in Mexico;

4) The CODEL confirmed that counternarcotics is now a priority of the United States Embassy in Mexico, focusing on four main objectives: a) apprehending heads of four highly violent Mexican drug cartels; b) encouraging Mexico to enact money laundering, anti-organized crime, conspiracy, criminal forfeiture, confidential informant and wiretap legislation similar to United States laws; c) institution building to stem the corrupting influence of narcotrafficking; and d) continued narcotics crop eradication and operational counternarcotics law enforcement;

5) Mexico objects to the certification process, despite having been fully certified this year. This objection is deeply rooted in apprehensions about their northern neighbor;

6) Mexico's Congress and Administration want closer direct ties with the U.S. Congress, to facilitate both communication and policy coordination and understanding;

7) Panama's current position of transition, particularly with respect to U.S. base hand-overs, is presenting the country with a serious dilemma. Against the backdrop of rising money laundering by Colombian drug traffickers in Panama (particularly in projects such as high-rise construction) and nearby border incursions from criminal elements in Colombia, there is a view that Colombia's narcotraffickers could increase their presence in Panama if coordinated regional action is not more forthcoming and vigorous. It is a critical thing for the United States to stay engaged and to provide needed counternarcotics and other assistance to Panama;

8) Colombia's National Police, Prosecutor General and Defense Chief all displayed their clear and convincing commitment to the drug war, and creative new thinking in ways to increase the pressure on the Cali Cartel and others. Clear U.S. appreciation for the commitment of the Police and Prosecutor is deserved, although the

Nation's constitutional crisis at the very top was also evident. Narcoterrorism remains a clear problem, and there is concern that the U.S. commitment in-country to this mission must remain strong to fight these two closely allied elements of terrorism and narcotrafficking. Particular resource needs in-country were discussed. Particular funding priorities were also discussed, and will be explored further. The need, for example, for replacement helicopters—still inexplicably delayed by the Department of State—was a matter of shared and serious concern;

9) Bolivia's UMOPAR and in-country team, especially DEA and others on the front lines, was in considerable need of support and seemed a victim of the phenomenon that "Washington often punishes those who effectively do more with less." This impression was compounded by basic observation in the Chapare of the obstacles facing lab identification, crop eradication, narcoproducer apprehension, UMOPAR training and support, attitude change with respect to coca and alternative crop production. Specific resource needs were discussed—as they were with each in-country team—and were openly weighed against the results being shown. Regional coordination—and the need for more of it—was voiced by those in every country; and

10) Peru's air interdiction and riverine efforts in the Central Huallaga Valley, and the United States presence that has assisted in these efforts, need greater support. As with Bolivia and Colombia, near heroic efforts are being shown by those on the ground and in the local and United States counternarcotics teams. These efforts should receive needed resources, particularly now, with President Fujimori's current political will and support. These include clear needs for consistent, adequately funded counternarcotics and alternative crop development programs.

Perhaps more than any other recommendations out of this trip three elements stand out: First, our source and transit country interdiction, overall counternarcotics and alternative crop development efforts must be consistent over the long-term. There can be no more, for example, halting and reprogramming of key alternative development assistance (as has occurred in the past 3 years); no more failure to provide key support assistance to facilitate programs known to be successful when properly and consistently funded.

Second, these programs, while perhaps subject to earlier coordination or management problems, are now clearly making a difference and are positioned to establish significant, increasingly permanent gains—in population attitudes, apprehensions and prosecutions, narco-organizational destruction, crop eradication, air interdiction, riverine interdiction and obtainment of overall counternarcotics aims.

Third, for a small amount of moneys for police training, air wing operations and other counter-narcotics initiatives, we can and must end the massive flow of drugs to our Nation.

8. Department Of Defense Bulk Fuel: Appropriations vs. Usage.

a. Summary.—The Department of Defense (DOD) has consistently requested and received excessive funding for fuel products. For a number of years, DOD's funding requests have been signifi-

cantly in excess of both anticipated and actual needs. For example, for fiscal year 1996, DOD requested $4.01 billion to buy fuel from the Defense Fuel Supply Center (DFSC), which is the central DOD component that supplies fuel to all the services. However, the DFSC estimated that the services would need to purchase only $3.57 billion worth of fuel in FY 1996, leaving the additional $440 million as "extra" money which DOD could divert to other expenditures, such as administrative costs, property management and contingency operations. Similarly, the General Accounting Office (GAO) has estimated that for fiscal year 1997, DOD's $3.796 billion request for fuel is excessive by $183 million. While it may be a positive sign that the predicted overage is smaller for FY 1997 than it was for FY 1996, the amount of extra funding is still substantial.

DOD has attempted to justify its large bulk fuel funding requests by explaining that the services are often faced with new missions and other unanticipated contingencies, which require significant expenditures by DOD. However, these new missions and contingencies are supposed to be funded by supplementary appropriations—and not by "extra" money in certain DOD accounts—so that Congress has firm control over the appropriations process. Still, DOD contends that sometimes supplementary appropriations do not occur in a timely and sufficient manner.

The larger point, however, is that when DOD develops the habit of requesting money for one purpose and then diverting it to another, it is usurping the power of Congress to appropriate funds. DOD may request additional funds to cover the cost of unanticipated contingencies, or for expenses which it knows Congress will approve of in order to spend the money on something that Congress might not approve; however, in either case, Congressional oversight and control over the public purse is being thwarted. This lack of oversight and accountability can easily lead to significant waste of taxpayer dollars.

The example of bulk fuel spending is repeated in many other areas within the $81 billion fiscal year 1996 Operations and Maintenance (O&M) budget (almost a third of the entire defense budget). It covers everything from the training of tank battalions to the running of day care centers, and is a particularly "flexible" source of funding within DOD.

b. Benefits.—If it is just a matter of DOD using faulty accounting methods to put together its budget request, then those methods must be revised. If, on the other hand, this over budgeting is intentional, then we must reform the DOD budgeting process to insure greater honesty and accountability. More generally, responding to heightened congressional scrutiny, the GAO has found that within the O&M accounts, the Army and the Air Force consistently request excess funding for combat-readiness-related purposes, yet actually spend the money on administrative costs and infrastructure expenses. The GAO was unwilling to speculate as to whether or not such miscalculations were intentional or merely accidental.

For example, the Navy was consistently miscalculating future fuel requirements because it based those requirements on average fuel consumption over 4 years. Because the Navy downsized from over 500 ships to about 350 in the last 6 years, the estimate was overstated. To correct this, the Navy will now calculate future re-

quirements based on the previous 3 years' usage. Furthermore, DOD contends that the lengthy request and appropriations process makes accurate estimations extremely difficult. DOD witnesses maintain that budget adjustments during the course of a fiscal year are understandable, due to unpredictable military operations, a desire to provide budget flexibility to field and base commanders, and uncertainty surrounding supplemental appropriations.

It is clear and indisputable that, with DOD budgets shrinking in recent years and the number and variety of DOD missions continuing to increase, every dollar should be appropriated and spent efficiently in accordance with the direction of Congress. There is no room for padding of accounts within the O&M budget. Improvements can only enhance the security of our Nation.

c. Hearings.—"Department Of Defense Bulk Fuel: Appropriations vs. Usage," July 30, 1996. Sharon A. Cekala, Associate Director, Military Operations and Capabilities Issues, National Security and International Affairs Division, and Michael J. Curro, Assistant Director, Budget Issues Area, testified for the General Accounting Office. These witnesses testified that extra money is consistently requested for Purpose A, and then diverted to Purpose B. They referred to specific examples, such as the bulk fuel account, the operating tempo (optempo) account, from which the Army diverted one-third of its $3.6 billion combat training budget to other purposes, (e.g., base operations and real property maintenance), during fiscal years 1993 and 1994, and the depot maintenance account. In the later area, the Army and Navy requested $418 million more—and received $838 million more—than they executed for depot-level maintenance in fiscal year 1993 and 1994.

9. Oversight of the National Aeronautics and Space Administration.

a. Summary.—The subcommittee conducted an investigation of the National Aeronautics and Space Administration's infrastructure "downsizing" efforts. In the early 1990's, NASA infrastructure supported an agency with a projected annual budget of more than $20 billion by fiscal year 2000. Yet, over the last few years, the agency has been repeatedly directed to reduce its future years' budget levels: In the fiscal year 1994 budget request, NASA's funding for fiscal year 1994 though fiscal year 2000 was decreased by 18 percent, or $22 billion. In the fiscal year 1995 budget request, total funding for NASA was reduced again by almost 13 percent, or another $13 billion. And in fiscal year 1996, NASA's projected budget through fiscal year 2000 was lowered an additional 5 percent, or $4.6 billion.

In response to these early budget reductions, NASA initially focused on adjusting programs (stretching out, reducing the scope, or terminating existing efforts and/or postponing new initiatives). However, after the fiscal year 1996 budget request, NASA Administrator Dan Goldin announced that the agency would compensate the budget shortfall by reducing infrastructure, including consolidating and closing facilities. In addition, NASA planned to reduce its use of support contractors and decrease its workforce to about 17,500 by the year 2000, calling for its smallest workforce since the 1960's. NASA also set a goal of decreasing the current replacement

value[61] of its facilities by $4 billion (25 percent) by the end of fiscal year 2000. By all indications, current facilities reduction plans will not meet NASA's reduction goal or even yield substantial cost reductions. In addition, many of NASA's closure and consolidation efforts have lacked objective, well-supported decisions and not included sufficient consideration of reasonable alternatives.

The General Accounting Office (GAO) has found that NASA personnel in identifying, assessing, or implementing some cost-reduction opportunities have (1) overlooked larger potential cost-reduction options; (2) limited the scope of consideration for consolidation; (3) performed poor initial cost-reduction studies; (4) made inappropriate closure recommendations; and (5) substantially overstated cost-reduction estimates. GAO has also identified NASA's failure to decrease its current value replacement and lack of progress in DOD and NASA cooperative efforts. The subcommittee and GAO acknowledge that environmental clean-up costs could affect facility disposition efforts.

In GAO's report,[62] it has recommended that NASA conduct an objective review of network consolidation. NASA agreed that an independent group would conduct the review and decided that its telecommunications experts would not participate in the review because they have a "biased" perspective.

In June 1995, NASA teamed up with DOD to begin studying how the two agencies could reduce their operations costs and increase mission effectiveness and efficiency. These study teams began work in September 1995 in seven areas. GAO monitored the groups progress in three areas—major facilities, space launch activities, and base/center support and services.

Both the major facilities and space launch activities teams were to assess facilities' utilization and recommend potential consolidation and closures. Neither team made such recommendations nor identified cost reductions in their April 1996 briefings to the Aeronautics and Astronautics Coordinating Board. However, they did identify barriers to increased cooperation and coordination which include conflicting goals and differences in cost accounting systems, practices and standards. Another significant barrier they identified is that each NASA and DOD program was protecting its ability to maintain technical expertise and competence, i.e. the "old paradigm."

The base/center support and services team did examine eight NASA centers and one test facility geographically near DOD installations and reported finding over 500 existing support arrangements and identified additional cooperative opportunities. However, barriers to the joint support arrangement were cited, including different negotiated wage rates and possible complications in existing procurement in small and disadvantaged business set-aside programs. Additional work will continue and a joint DOD–NASA report is expected to be released in the near future.

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[61] Current Replacement Value is the acquisition cost of facilities, excluding land, plus the cost of collateral equipment and incremental book value changes escalated to the current year using a 20-city average cost index for building.

[62] *Telecommunications Network: NASA Could Better Manage Its Planned Consolidation* (GAO/AIMD–96–33, Apr. 9, 1996).

If NASA is to remain within its budget constraints and downsizing goals, NASA must institute major changes in how it conducts consolidation studies and implements its downsizing plans. To maximize its infrastructure cost-reduction opportunities, NASA needs to ensure that its consolidation and closure decisions are well supported, with an adequate balance of expertise and interests on study teams and a fair and thorough consideration of reasonable alternatives.

b. Benefits.—The subcommittee's review of major management issues at NASA focused attention on significant weaknesses in the agency's infrastructure downsizing efforts, which will require a long-term commitment and a sustained effort to correct. Throughout its year-and-a-half-long investigation, the subcommittee has exposed a number of problems in the National Aeronautics and Space Administration's downsizing efforts. Three GAO reports[63] resulting from the subcommittee's review, found a number of deficiencies in NASA's efforts.

In this time of shrinking budgets, it is important to ensure that NASA's programs are well-managed and that each tax dollar is spent wisely. The subcommittee's oversight has strongly encouraged NASA management to review the process by which it was downsizing infrastructure and led to a candid recognition of these problems by Administrator Goldin and he promised to take corrective action.

c. Hearings.—On September 11, 1996, the subcommittee held a hearing entitled, "Oversight of NASA's Infrastructure Downsizing Efforts." Testimony was received from NASA Administrator Daniel S. Goldin, NASA Inspector General Roberta Gross and General Accounting Office personnel. This hearing examined those deficiencies in NASA decisionmaking process found in our investigation and attempted to address other problems that NASA management is encountering.

10. INS.

INS Citizenship USA Program.

a. Summary.—An investigation of the Immigration and Naturalization Service's ("INS") Citizenship USA (CUSA) program has uncovered a pervasive and alarming pattern of election-year fraud and abuses within the INS' naturalization process.

CUSA was designed to enlarge and accelerate the INS' naturalization process from August 31, 1995 through September 30, 1996. INS statistics suggest that during that period INS almost reached its stated goal of naturalizing approximately 1.3 million new citizens. This represents roughly four times the annual average of naturalization from 1990 through 1994, and triple 1995's total of 450,000. INS efforts focused on five major cities—Los Angeles, San Francisco, New York City, Chicago and Miami—while affecting the naturalization process in smaller cities throughout the United States.

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[63] *Telecommunications Network: NASA Could Better Manage Its Planned Consolidation* (GAO/AIMD–96–33, April 1996); *NASA Chief Information Officer: Opportunities to Strengthen Information Resources Management* (GAO/AIMD–96–78, Aug 1996); *NASA Infrastructure: Challenges to Achieving Reductions and Efficiencies* (GAO/NSIAD–96–187, Sept 1996).

Beginning in May 1996, media reports began alleging that the CUSA program was politically motivated and rife with fraud and abuse, a vehicle used by the Clinton administration to naturalize 1.3 million people who, given their geographic location and ethnicity, were considered likely Democratic voters in 1996. Various reports argued that CUSA focused on the five cities chosen because they were located in the swing States of California, New York, Florida and Illinois, whose electoral college tallies would be critical to victory in the 1996 Presidential campaign. Further, they alleged that this enormous and precipitous influx of applicants for naturalization was made possible only by easing dramatically the legal and procedural requirements long in place to safeguard the process.

In a July 9, 1996, letter to INS Commissioner Meissner, subcommittee Chairman Zeliff requested certain information and documents regarding CUSA be provided to the subcommittee by July 18, 1996. On July 17, 1996, INS informed Representative Zeliff that it would be unable to respond to his request until after Labor Day but declined to provide any justification for non-production. Representative Zeliff reiterated his request and INS grudgingly responded to his inquiries and produced some 30,000 pages of documents from INS headquarters and field offices throughout the country beginning in August 1996. No confidentiality provisions were attached to any of this material.

While INS headquarters was providing an official response to subcommittee Chairman Zeliff, numerous INS employees nationwide began contacting the subcommittee on a confidential basis. These "whistle blowers," working in INS offices in Los Angeles, San Francisco, San Jose, Las Vegas, Denver, Dallas, Oklahoma City, Chicago, Miami, New York City, Arlington, VA, and Washington, DC, offered disturbing information and corroborative documents regarding CUSA program abuses. One and all were outraged by politically-motivated fraud and abuse. They provided the subcommittee with a detailed picture of CUSA's operations across the country.

INS and the Clinton administration consistently have maintained that CUSA was nothing more than a timely and efficient response to a growing backlog of citizenship applications which only coincidentally ended on September 30, 1996, near the close of voter registration in many States. The administration attributed the increase in applications primarily to the fact that: (1) a large number of formerly illegal aliens, granted amnesty and permanent resident status under the Immigration Reform and Control Act of 1986 recently had become eligible to apply for citizenship; and (2) many long-term resident aliens perceived California's Proposition 187 and other proposed reforms as "anti-immigrant" and decided to become citizens to preserve their rights.

In fact, INS documents and information indicated that INS was doing much more than reducing its backlog of applications. Beginning in FY 1995, and on an even greater scale in FY 1996, INS actively solicited applications in certain communities and geographic areas. The majority of solicitations was conducted through "community-based organizations" (CBOs), most of which were Democratic Party affiliated (or leaning) advocacy groups. The CBOs generated massive numbers of citizenship applications within their respective communities: 60 percent of citizenship applications handled by the

INS in Chicago and some 700,000 of the 1.3 million citizenship applications received by the agency during FY 1996. Some solicitations were done through the mail.

INS also changed its method of calculating the application backlog. While applications previously were counted as part of the backlog only after they were logged into the agency's data files, they were counted as soon as they were received in the mail under CUSA. This single accounting change increased the INS' backlog by 100,000 to 200,000 applications.

The Vice President's Office (which began playing an active role in CUSA by early 1996) and INS and CUSA articulated speed and numbers as paramount goals. In an effort to achieve these goals, many longstanding legal and procedural safeguards of the naturalization process were deliberately discarded or ignored. While a comprehensive listing of CUSA's fraudulent practices is beyond the scope of this report, examples include:

- Every applicant for citizenship is required by law to undergo a criminal record check to establish the good moral character required for citizenship. The FBI conducts these checks after receiving applicant fingerprint cards from INS. Under CUSA, however, INS refused to allow sufficient time for routine FBI background checks; thus INS had no opportunity to review "positive" identifications of applicants with criminal histories which automatically or otherwise might disqualify them for citizenship. Subcommittee examination of more than 20,000 criminal histories (from among more than 60,000 such histories) suggest that tens of thousands of people granted citizenship under CUSA were not legally entitled to it and many should have been deported.
- Tests on the English language and American history and government, which applicants must pass to win citizenship, were "dumbed down" until they were virtually fail-safe. Even so, rampant cheating was allowed, even encouraged, by INS-licensed test administrators. Convincing evidence indicate that tens of thousands of people who could not speak or understand a word of English paid hundreds of dollars to "pass" the English and civics test, and were then granted citizenship. Documents establish that INS was aware of this fraud for more than a year, but allowed it to continue in order to "keep the numbers up."
- INS citizenship examiners, also called District Adjudication Officers (DAOs) were pressured to ignore evidence of welfare fraud, tax delinquency, failure to register for Selective Service, non-payment of alimony or child support, extensive travel abroad, and other illegalities and irregularities which legally preclude the granting of U.S. citizenship.
- Even after the INS hired a thousand new DAOs nationwide, experienced and new DAOs were forced to work mandatory overtime, including evenings and weekends, for many months, rewarded for "high production," and punished, harassed or removed for opposing or delaying applications, or voicing concerns about expedited procedures.

- Most of the new DAOs were unqualified temporary employees, hired so quickly they did not go through required background investigations or receive proper job training.
- Personnel and resources were stripped from other INS divisions to accommodate the politically-driven acceleration. Legalization, Investigation, Asylum, Deportation, and Border Patrol officers were diverted from essential duties to assist in CUSA processing before September 30, 1996. This severely hindered INS' enforcement functions.
- Naturalization swearing-in ceremonies became so large and frequent that in some cases, control over tens of thousands of green cards and naturalization certificates was lost, creating a lucrative black market for those documents.
- Finally, naturalization was linked closely to voter registration. New citizens immediately were registered to vote. Democratic Party-affiliated CBOs provided volunteer clerical services for the naturalization and voter registration processes in direct violation of the Federal Anti-Deficiency Act. Overall, advocacy groups with close Democratic Party ties blatantly were favored over other CBOs.

Naturalization Testing Fraud.

The subcommittee has focused on naturalization testing fraud among other areas of inquiry. To become a citizen, an immigrant is required by law to speak and understand English, acquire a basic knowledge of U.S. history and government. Each applicant must pass written tests in English and civics.

The subcommittee uncovered a pattern of testing fraud, most of which involved the largest INS licensee, Naturalization Assistance Services, Inc. (NAS), a private company with 400 branches nationwide. The subcommittee discovered that INS continued to rely on NAS even after learning of its fraudulent activities, preferring to maximize naturalization granted by the September 30, 1996, deadline.

The subcommittee believes NAS should not have been approved by INS in the first place. INS requirements for licensee approval clearly state that each organization must demonstrate expertise in administering English and civics tests but NAS was a Florida-based driver education school when it filed its application with INS in July 1994. Incredibly, while it taught neither English nor civics, and possessed no testing expertise in either, it was approved a month later in August 1994. INS employee William R. "Skip" Tollifson approved the application—then left INS to work for NAS in April 1996. This legal and ethical conflict of interest has yet to be explored, let alone resolved.

NAS was by far the largest of INS' six private testing organizations, administering 200,000 tests annually, or roughly as many tests as the other five firms combined. As early as June 1995, NAS was plagued by revelations of fraudulent and abusive testing practices at many sites. Tens of thousands of applicants who could not speak English or conceivably pass written English or civics tests, received "pass" certificates from NAS. Multiple reports confirm that test administrators orchestrated blatant cheating, making tests as simple as possible, giving applicants the correct answers, and

sometimes filling in answers themselves for aliens who knew no English. In return for this "service," applicants paid as much as $850 apiece for same-day "training courses" which in reality translated into sure passes.

Though well-aware of widespread irregularities, NAS not refused to crack down on fraud, its officials routinely pressured local INS officers to accept "pass" certificates when applicants could not speak or understand English. Worse, NAS appears to have allowed, and even encouraged, testing fraud among its 400 affiliates. NAS went so far as to refuse to allow Dallas-based INS officials suspecting NAS fraud to inspect local NAS testing sites.

INS headquarters in Washington, DC, appears to have abandoned its statutory duty to insure the integrity of its citizenship testing program. Although high-ranking INS officials were aware of the scope of NAS' fraudulent activities for at least 16 months—abundant and compelling evidence of NAS fraud was presented to the INS both privately and publicly in the media and in a subcommittee hearing—INS allowed NAS to administer citizenship tests in ever-increasing numbers. INS headquarters also pressured local INS officers continually to accept NAS "pass" certificates held by applicants unable to speak or understand English.

Pressured by the Clinton White House, INS appears to have focused on maximizing politically valuable naturalization by knowingly permitting, and even assisting, NAS' fraudulent testing for perceived political gain. Only after CUSA's political goals were achieved did INS bow to mounting public pressure and terminate NAS' testing authority. That long-overdue termination did nothing to address the harm inflicted by widespread fraudulent citizenship testing and naturalization.

Naturalization of Criminals.

Perhaps the most disturbing pattern of abuses discovered by the subcommittee involves the widespread granting of American citizenship to unqualified and violent criminals. This appears to have been the consequence of recklessness by top administration officials, including INS officials, the Deputy Attorney General, and those in the Vice President's Office. The INS is required by law to send the fingerprints of each applicant for naturalization to the FBI and await return of the applicant's criminal record before deciding whether to grant U.S. citizenship. Beginning in August 1995, this was not done in a consistent or reliable manner in the CUSA program.

Under CUSA, when INS dramatically increased the number of fingerprint cards submitted to the FBI, the average processing time also increased. However INS, determined to accelerate naturalization, intentionally *decreased* the amount of time allowed for the return of a criminal record, before granting citizenship. Predictably, this led to the granting of citizenship to numerous unqualified and dangerous criminals before their criminal records arrived at local INS offices, and were placed in individual files. Indeed, there is evidence that in Los Angeles, where the largest number of CUSA applications were processed, INS management intentionally disabled safeguards its own computer programs, thus increasing the number

of applicants being naturalized before their criminal record checks had been completed.

INS also is required by law to deny citizenship to any one who fails to report his criminal history in full—i.e. any past arrests, charges or convictions—during the mandatory INS application and sworn interview process, even if the applicant's criminal history is minor (i.e. administrative action, misdemeanor conviction, or a dismissed or unresolved charge). Since INS refused to await the return of FBI criminal records, it is likely that many applicants who misrepresented their criminal history were nonetheless naturalized.

Worse still, the subcommittee learned that thousands, perhaps tens of thousands, of fingerprint cards may not have been submitted to the FBI at all, but were lost, misplaced, or destroyed in the rush to meet INS' 1996 "production goals." Recently, the INS provided the FBI with a supposedly comprehensive computer tape identifying people naturalized under the CUSA program whose fingerprint cards were submitted to the FBI. That list contained only 864,000 individual entries (an additional 60,000 entries were duplicates). Since INS itself conservatively estimated that it granted citizenship to at least 1.1 million people under CUSA, it is likely that tens of thousands of fingerprint cards were never submitted to the FBI. The subcommittee has learned that in Los Angeles, and other CUSA, INS management was surreptitiously destroying or concealing thousands of unsubmitted fingerprint cards to cover up the scope of this problem. INS' only response to these serious criminal actions was to intimidate employees courageous enough to expose the situation.

Furthermore, criminal background information already in INS' possession routinely was ignored because numerous individual naturalization files ("A-files") were misplaced or delayed in transit, and INS refused to allow sufficient time for them to be located before naturalizing the applicants. The FBI provided the subcommittee 60,000 raw rap sheets which fully confirmed that a large number of violent criminals improperly were granted U.S. citizenship under CUSA. This group includes individuals charged with or convicted of murder, rape, drug trafficking, spouse abuse, child molestation, and virtually every serious crime imaginable. The FBI expects to deliver thousands of additional rap sheets to the subcommittee in the future. While INS continues to deceive the public by minimizing the extent of this problem, the evidence of it is both irrefutable and highly disturbing.

In short the administration and the INS, in pursuit of partisan political advantage, created a grave national security and criminal justice problem, the full proportions of which are not yet fully known. While INS spokesmen repeatedly have promised to track down and denaturalize those criminals on whom it bestowed citizenship, the sheer number of criminals naturalized makes that all but impossible. In fact, INS has demonstrated no willingness to do so. For example, the subcommittee requested, under two subpoenas, detailed information regarding all felons naturalized under CUSA. As of this writing, INS steadfastly has delayed and obstructed the subcommittee's inquiry for months, providing no information in response to these requests. Sadly, the Department of

Justice has aided and abetted INS in its obstruction by incorrectly challenging the validity of subcommittee subpoenas, spending endless time "clearing" letters from the FBI, and falsely suggesting that the subcommittee has deemed all "FBI hits" to be "convictions" or has knowingly revealed any names or addresses of naturalized citizens.

Political Motivation.

All of these abuses appear to have resulted from the Clinton administration's political agenda. Substantial evidence indicates that the CUSA was initiated by the Clinton administration and "hijacked" by the Office of the Vice President for political gain. Beginning in February 1996, Vice-Presidential staffers Douglas Farbrother, Elaine Kamarck, and Laurie Lyons among others began directing substantial changes in INS' naturalization policies and procedures. Operating with the apparent consent of the Vice President, they dictated a rapid and substantial increase in CUSA resources a 40 percent increase its "production goals"; and, in effect, the disabling of legal and procedural safeguards associated with the naturalization process. Documents state this was done "to produce a million new citizens before election day," an objective that resulted in a pervasive pattern of fraud, abuse and recklessness.

Indeed, Vice President Gore apparently sent President Clinton a memo detailing methods to "Lower the Standards for Citizenship," and the INS proceeded to implement them. Worse yet, the Vice President's own Mr. Farbrother and Ms. Kamarck achieved some of their ends by pressuring Deputy Attorney General Jamie Gorelick, who in turn pressured INS to "waive" key rules, regulations, and standards. In the White House itself, senior Presidential aides Leon Panetta, Harold Ickes, Rahm Emanuel and Carol Rasco were involved in the process, though the extent of their involvement is not yet clear.

Based on the criminal wrongdoing and high-level political involvement associated with CUSA, subcommittee Chairman Zeliff wrote Attorney General Janet Reno on October 31, 1996, to request that she appoint an Independent Counsel to investigate it. Subcommittee Members Souder, Mica, Ehrlich, and Shadegg joined in this request. That request was denied on December 4, 1996. In a letter to subcommittee Chairman Zeliff, the Department stated, "The Criminal Division is conducting a careful review of the issues identified in your letter, and the Division and the Office of Inspector General have agreed to pursue any matters that might warrant further investigation."

b. Benefits.—The subcommittee's investigation has begun to expose the full scope and nature of CUSA fraud, abuse and recklessness and media reports have chronicled some of the criminal activities and abuses of power wrought by this politically-motivated program. INS, given mounting public pressure, has begun to make incremental and long-overdue reforms.

INS finally terminated NAS' license to conduct citizenship testing in late October 1996. In addition, it promulgated new anti-testing-fraud policies which, if actually enforced, may begin to address the problem of fraudulent testing by the remaining licensees.

In addition, the INS belatedly has enacted new regulations allowing it to conduct administrative denaturalization proceedings, against people erroneously naturalized. INS has had statutory authority to do so since 1990, but heretofore neglected to promulgate the necessary regulations. In response to our investigation, these administrative proceedings will be substantially less time-consuming and burdensome than judicial denaturalization, previously the agency's only method of denaturalization: a small step in the right direction. Unfortunately, for legal and logistical reasons, these new procedures are unlikely to be applied retroactively to those illegally and improperly naturalized under CUSA. This raises legal and national security concerns beyond the scope of this report.

Finally, there are indications INS' Chicago office has begun to remedy some CUSA-related problems. In Los Angeles, the Department of Justice Inspector General's office apparently has begun to investigate abuses occurring there.

In the wake of intense pressure from Congress, the public, and the media, INS has begun to take incremental steps to reform the naturalization process. However, remains to be done by INS, DOJ, FBI, Congress, and possibly an Independent Counsel. The subcommittee intends to pursue its investigation as long as necessary to expose and correct the fraud, abuses and recklessness CUSA.

c. Hearings.—On September 10, 1996, the subcommittee held a hearing on naturalization testing fraud, focusing on the operations of NAS. Ms. Jewell Elghazali, a former employee, testified at length regarding NAS testing fraud which she testified was permitted and even encouraged to increase NAS corporate revenue.

Also testifying were NAS's CEO Paul W. Roberts, and William R. (Skip) Tollifson, a former INS employee who also worked for NAS. Both men denied any intentional wrongdoing by NAS. Mr. Alexander Aleinikoff, INS' Executive Associate Commissioner for Programs, and Louis D. Crocetti, INS' Associate Commissioner for Examinations also were present Aleinikoff acknowledged the testing fraud by NAS affiliates, but denied that INS knowingly tolerated fraud. Mr. Crocetti said nothing.

On September 24, 1996, the subcommittee held a hearing on CUSA. The following INS employees testified as whistle blowers, exhibiting exceptional courage and integrity in so doing: Tom Conklin, Chicago INS; Diane Dobberfuhl, Chicago INS; Ethel Ware, Chicago INS; Joyce Woods, Chicago INS; James Humble-Sanchez, Los Angeles INS; Neil Jacobs, Dallas INS; Cora Miller, Las Vegas INS; and Robin Lewis, Oklahoma City INS. They addressed fraud, abuses and recklessness with special emphasis on testing fraud and the naturalization of dangerous criminals. They also testified that after participating in CUSA, they and their colleagues reluctantly had concluded that it was politically motivated, and was intended to favorably influence the November 1996 elections on behalf of the Clinton administration and the Democratic Party.

Mr. David Rosenberg, Director of the Citizenship USA Program, and Louis D. Crocetti, INS Associate Commissioner for Examinations testified on behalf of the INS. Both minimized problems associated with CUSA, and denied any politically motivation.

POSTAL SERVICE SUBCOMMITTEE

1. General Oversight of the U.S. Postal Service: The Postmaster General and the General Accounting Office.

a. Summary.—Congress established the Postal Service as an independent establishment of the executive branch of the Federal Government pursuant to the Postal Reorganization Act of 1970 (Public Law 91–375). The act provides that the Postal Service must establish "reasonable and equitable classes of mail and reasonable and equitable rates of postage and fees for postal services." Further, the act mandates that the Postal Service "break even" as nearly as practicable. Postmaster General Marvin Runyon testified that though the Postal Reorganization Act has worked well for 25 years, the act did not anticipate the highly competitive communications industry that exists today. Mr. Runyon urged Congress to reexamine the act in order to allow the Postal Service to become more businesslike and more responsive to the American people. Suggested solutions include: freeing postal employees from bureaucracy and burdensome rules; simplifying and speeding up the price-setting process to respond to market needs; and making postal products more customer oriented and modern through pricing and product flexibility. The Postmaster General testified that the collective bargaining process is outmoded and that employee dispute resolution mechanisms are faulty. In addition, he urged Congress to reexamine the ratemaking process and review proposals which would allow the Postal Service to price its products and services to better reflect its competitive environment.

The General Accounting Office (GAO) testified that poor labor-management relations continue at the Postal Service. Delivery service problems remain and customer satisfaction indicators have not improved. GAO further reported that postage meter revenues were declining due to fraud and deficiencies in program controls. Automation has fallen behind schedule and anticipated savings have not been realized.

b. Benefits.—The information received by the subcommittee during this oversight hearing was instrumental in documenting the progress and deficiencies of the Postal Service. This information would be used to craft legislative language to shape appropriate corrective measures.

c. Hearings.—Hearing entitled "Oversight of Postal Service" was held on February 23, 1995.

2. General Oversight of the U.S. Postal Service: The Postal Rate Commission.

a. Summary.—The Postal Reorganization Act of 1970 established the Postal Rate Commission (Commission) as an independent agency of the executive branch with authority to recommend postal rates and classes. Prior to its creation, Congress was responsible for setting postal rates and classes.

Postal Rate Commission Chairman Edward Gleiman testified to the role played by the Commission in postal affairs because of its mandate to ensure that postal rates and fees are reasonable and equitable. In addition, the Commission hears mail classification proceedings to determine the groupings, classes and subclasses of

mail, and the more than 100 work-sharing discounts affecting the postage rates paid by various mailers. The Commission is permitted to take up to 10 months for consideration of an omnibus rate case. Chairman Gleiman stressed that the Commission is interested in streamlining and expediting these proceedings. The Commission reissued rules (which went unused for 5 years) giving the Postal Service the authority to accelerate changes in Express Mail rates to meet market pressures.

b. Benefits.—Improvements in the ratemaking process will better enable the Postal Service to implement rate changes and respond to competitive pressures in the communications marketplace. Presently, competitors are able to react quickly to changing markets, whereas the Postal Service must adhere to a complex, mandated process before changing its rate structure or offering new products. For the Postal Service to be competitive, its pricing and product mechanisms must be flexible to react to changing market forces. By having an improved and more flexible ratemaking structure, the Postal Service should prove competitive with its products and prices thereby reducing losses in market share and keeping postal rates stable. These flexibilities would help the Postal Service fulfill its statutory mandate to break even. Americans benefit from a fiscally sound Postal Service which operates independently of taxpayer financed appropriated funds.

c. Hearings.—Hearings entitled "General Oversight of the U.S. Postal Service" were held on March 2, March 8, June 7, June 14, and June 28; on July 25, 1995, a hearing entitled "Oversight of the U.S. Postal Inspection Service and Postal Operations" was held.

3. General Oversight of the U.S. Postal Service: The Board of Governors.

a. Summary.—Chairman Sam Winters testified on behalf of the Presidentially appointed Postal Service Board of Governors. He said that the Postal Service is one of the most complex enterprises in our country. However, both the Postal Service and its employees could be doing better. The 1970 act empowered the Board of Governors to authorize postal rates and classifications following the Governors' review of the Rate Commission's recommended decision. The board directs the overall policy of the Postal Service and acts as the customer representative in managing the Postal Service in a businesslike manner. The chairman believes that cumbersome restraints levied on the Postal Service by the Postal Reorganization Act place a burden on the Postal Service which impedes its ability to operate in a businesslike manner. He emphasized that the Postal Service's competitive efforts are hampered because of the collective bargaining process. Chairman Winters said almost 80 cents of each dollar goes toward salaries and benefits. Cost restraints and a need to pay for performance are necessary to achieve effective operation of the Postal Service. He echoed Postmaster General Runyon's concern for redesigning the current ratemaking process to make it more sensitive to market rates.

b. Benefits.—Testimony from the Board of Governors stressed the need for further study of the Postal Reorganization Act in order to give the Postal Service the tools to make it more businesslike and more competitive. It is apparent that the present act places undue

restrictions on the Postal Service which, ultimately, costs the postal customer in money, service and reliability.

c. Hearings.—The Board of Governors appeared before the Subcommittee of the Postal Service on March 8, 1995.

4. General Oversight of the U.S. Postal Service: Major Mailing Customers.

a. Summary.—Eleven witnesses representing major mailing groups (commercial mailers, publishers, and nonprofit mailers) testified at this hearing. The witnesses included: the Mailers Council; Advertising Mail Marketing Association; Direct Marketing Association; Mail Order Association of America; Parcel Shippers Association; National Newspaper Association; Newspaper Association of America; Magazine Publishers of America; Association of American Publishers; Alliance of Nonprofit Mailers; and the National Federation of Nonprofits. All had distinct opinions on privatization, the usefulness of the Postal Rate Commission, the reform of the Postal Service and the effect of labor-management relations on the mission of the Postal Service. However, all but one witness testified against privatization of the Postal Service. The witnesses also presented their views on the Postal Service's filing in Docket No. MC95–1 regarding mail reclassification.

b. Benefits.—This hearing provided important information regarding the concerns of the major stakeholders in the U.S. Postal Service. In order to meet competitive pressures, the Postal Service must evolve into a service-oriented organization attuned to its customers' needs. Further, the witness testimony will facilitate the subcommittee's efforts in the conduct of its oversight responsibilities of the Postal Service.

c. Hearings.—Hearing entitled "Oversight of the U.S. Postal Service: Commercial Mailing and Non-Profit Mailing Organizations" was held on May 23, 1995.

5. General Oversight on the U.S. Postal Service: Postal Employee Unions and Organizations.

a. Summary.—The employees represented by the unions and organizations who testified are responsible for moving 5 million pieces of mail each day. These organizations serve as a sounding board for employee suggestions and complaints dealing with labor and management problems. The organizations must address issues pertaining to restructuring, technology, privatization, employee schedules, delivery standards, along with prompt, reliable and efficient customer service. At the time of the hearing, three of the unions engaged in contract talks with postal management were critical of management particularly at postal headquarters. The president of the Rural Letter Carriers Union reported that his members had job satisfaction, motivation, and pride in their jobs. They have an evaluated pay system that measures various criteria which cannot be directly transferred to urban carriers. The unions spoke, with one voice, supporting universal delivery and uniform postal cost. They were of the opinion that the Postal Reorganization Act served them well. They testified that though the Postal Service can be improved, the Postal Reorganization Act should not, and need not, be revised in the area of labor relations. However,

the unions expressed support for more flexibility on ratesetting and the introduction of new products. The unions testified that management should be streamlined as there are too many intermediate steps confusing lines of communication. The three management groups focused on labor-management issues, adverse actions and compensation.

b. Benefits.—The subcommittee's continuing examination of labor-management problems and collective bargaining obstacles will serve to inform the Postal Service and the unions that these issues are serious impediments to the good health of the Postal Service and to employee job stability. This information will help the subcommittee to tailor solutions when considering legislative reforms to the Postal Service.

c. Hearings.—The subcommittee held a hearing on June 7, 1995, entitled "Oversight of Postal Employees and Management Group."

6. General Oversight of the U.S. Postal Service: Postal Reliant Businesses and Competitors.

a. Summary.—Twelve witnesses representing postal reliant businesses and competitors participated in this hearing. These diverse entities expressed varied opinions regarding the letter mail monopoly, the international mail market, the inequity created because the Postal Service is exempt from rules and regulations applicable to private sector businesses (for example, taxes, parking fines), and the commercial and research value in the sale of postage meters in lieu of renting them. Some of the witnesses testified regarding their valued partnership with the Postal Service while others viewed the Postal Service as an unfair competitor. The hearing explored the extent to which the Postal Service affects contracting, manufacturing, transportation, both inter- and intrastate commerce, international law and business opportunities for large and small firms.

b. Benefits.—The hearing provided useful information from diverse witnesses regarding their evaluations of the Postal Service. The subcommittee will continue to investigate how better partnerships can be forged between the Postal Service and other entities for the benefit of the customers.

c. Hearings.—On June 14, the subcommittee held a hearing entitled "Oversight of Postal Reliant Businesses and Competitors."

7. General Oversight Hearing on the Postal Service: Return of the Postmaster General.

a. Summary.—The Postmaster General, at his second appearance before the subcommittee, expressed his interest in remaining on the job for several more years. He appealed to the Congress to revise the laws governing collective bargaining. Mr. Runyon testified regarding postal workers' right to strike, he cautioned that in granting such rights Congress would need to allow the Service the ability to hire replacements for striking employees. He suggested allowing postal unions the same bargaining rules as railroad workers under which the President may impose a cooling off period before a strike and can use the power of his office to persuade the parties to reach a settlement. The Postmaster General defended his agency, declaring it had "come a long way" since delivery debacles

in 1994. Congress was urged to approve legislative initiatives which would authorize the sale of postal assets in incremental parts. The Postmaster General again asked Congress to reduce red tape and regulations in an effort to streamline the Postal Service making it more efficient and competitive.

b. Benefits.—This forum enabled the Postmaster General to respond to concerns and issues raised subsequent to his previous appearance before the subcommittee.

c. Hearings.—The Postmaster General appeared for the second time before the subcommittee on June 28, 1995, at the hearing entitled, "General Oversight: Postal Service."

8. General Oversight of the U.S. Postal Service: Postal Service Inspector General.

a. Summary.—The Inspector General of the Postal Service serves as the watchdog of Postal Service operations. The hearing focused on the operational, financial and security challenges facing the agency. The Inspector General echoed many of the statutory restrictions on pricing, new products, and managing the workforce that the Postmaster General had shared with the subcommittee. The Inspector General noted that the immediate abolition of the postal monopoly would be devastating to the Postal Service and the concept of universal service. However, he stated that if everything the Postmaster General wants in the area of postal reform is granted, the monopoly will be eliminated.

b. Benefits.—Testimony from the Inspector General underscored many of the same problems with which the subcommittee had been concerned. The Office of the Inspector General and the Inspection Service are responsible for keeping the U.S. mail safe and preventing waste, fraud and abuse in the Postal Service.

c. Hearings.—The Inspector General appeared before the subcommittee on July 25, 1995, at a hearing entitled "Oversight of the Postal Service Inspector General."

9. Review of International Mail Market.

a. Summary.—The U.S. Postal Service seeks to expand its role in the international mail markets. However, because it has less control over pricing than its competitors, and its delivery systems appear unable to provide sufficiently reliable service, the Postal Service may have neither the authority nor the ability to compete effectively in the growing international market competition.

The subcommittee examined the Service's statutory, current, and planned role in the delivery of international mail. Areas under examination include the existing relationships between the Postal Service, foreign postal administrations and the Universal Postal Union; and whether current postal laws and international agreements may limit the Service's ability to participate internationally.

The subcommittee received a final report on this issue early in 1996. "U.S. Postal Service: Unresolved Issues in the International Mail Market," March 11, 1996, GAO/GGD 96–51 found that through multilateral and bilateral agreements, the Postal Service, together with other foreign postal administrations provides a worldwide delivery network that covers even the most remote localities for the rate of $1 for a 1-ounce letter to any overseas location

in the world. Private carriers often provide some mail services that are more dependable, faster, and cheaper than those provided by the Postal Service. As a result, the Postal Service is concerned that it has lost and continues to lose market share in a growing $4.6 billion international mail market. Despite lost market share, the Postal Service has embarked on an aggressive marketing strategy to regain market share which includes new service offerings, service improvements, and market-based prices.

This aggressive strategy has drawn criticism from some Service competitors. They say the Postal Service benefits unfairly from its status as a Federal entity and its exclusive access to foreign postal administrations as the sole U.S. representative to the Universal Postal Union. In addition, some charge that Service rates do not cover costs in contravention of the Postal Reorganization Act directive that each class of mail recover its direct and indirect costs. These competitors urge Congress to give the Postal Rate Commission authority to recommend the Service's international postage rate.

b. Benefits.—This continuing review will provide essential information required by Congress in order to make sound determinations regarding the role of the Postal Service in the international mail markets.

c. Hearings.—The subcommittee and the Senate Subcommittee on Post Office and Civil Service conducted a joint oversight hearing on international postal administration reform on January 25, 1996.

10. General Oversight of the U.S. Postal Service: The Board of Governors, the Postmaster General, the Postal Rate Commission, the Chief Postal Inspector and the General Accounting Office.

a. Summary.—The joint oversight hearing was intended to provide a general overview of the operation of the Postal service. A series of major events had occurred since the oversight hearings during the first session. The Postal Service had achieved a positive financial performance and service record in fiscal year 1995; and the Postal Rate Commission had recently provided a recommended decision on the reclassification case which greatly affects the Postal Service and was in the process of addressing a series of rulemaking proposals.

Tirso del Junco, Chairman of the Postal Service's Board of Governors testified that the Board had focused on audit, compensation, strategic planning and capital projects. The Postal Service is committed to keep the postal rates stable through 1997. A quality management program, *Customer Perfect!,* based on the Malcolm Baldridge criteria for an effectively managed private-sector business, had been instituted and was proving to be effective.

The Postmaster General, Marvin Runyon, testified that fiscal 1995 was a year of achievement—volume increased to 181 billion pieces (an increase of 3 billion pieces), overnight service was at an all-time high of 87 percent for local, overnight delivery and record net income was $1.8 billion, more than twice the previous high. However, he projected a dim future due to anticipated and recorded decreasing mail volume during the first and second quarters in 1996. The Postal Service is growing in only one of its six product lines whereas the overall communication market is growing in dou-

ble digits. First-Class Mail is greatly eroded with much of today's financial transactions being made electronically. The Postmaster General informed that 3,600 additional pieces of automation would be available, bringing the total to more than 10,000 machines at an investment of $4.6 billion. He reported that the Board of Governors approved the first revision in the mail classification rules since 1970; the changes will benefit mailers who participate in worksharing. Further reform measures for non-profit mail, special services, parcels and expedited services were being prepared for forwarding to the Postal Rate Commission. Several new products are being introduced and a separate Priority Mail network and Global Priority Mail are being implemented. The Postal Service is trying to improve productivity by at least 2 percent yearly, saving $1 billion annually. Labor costs have climbed 54 percent this decade and need to be reduced. He said that the Postal Service must have the ability to compete and have the freedom to run like a business—"to respond to market at market speed," and to have the flexibility to test products.

Postal Rate Commission Chairman, reported that the Commission issued the omnibus rate case and had completed a major mail classification reform case. He expressed concern that the Board of Governors rejected the Commission recommendation regarding the "bulk parcel" issue and the Courtesy Envelope Mail. The Commission was deliberating the USPS' request for expedited consideration of an experimental case regarding First Class and Priority small parcels. Progress has been made in receiving quality data from the Postal Service as a result of testimony for an improved process in the previous oversight hearing; however, untimely responses are still a problem. Reversing his position from previous testimony because of difficulties in obtaining Postal Service information, Mr. Gleiman requested subcommittee Chairman McHugh to include statutory authority to subpoena Postal Service records and documents in postal reform legislation. (This provision was included in postal reform legislation.)

Kenneth J. Hunter, Chief Postal Inspector and Inspector General, testified that audits regarding Delivery Point Program (DSP) showed that additional savings could have been gained if there had been increased conformance with national policies and procedures. The Inspection Service conducted developmental, financial, financial opinion, financial installation, capital investment, contract, and six performance audits. It conducted investigations: protecting Postal Service revenue and assets; procurement, expenditure and false claims; employee and contract post office embezzlements; and workers' compensation fraud.

Michael E. Motley, Associate Director, Government Business Operations, General Government Division, General Accounting Office, commented on areas related to improving labor-management relations, setting and providing competitive rates and services and controlling operating costs. Labor-management problems still persists; the Postal Service and employee organization had not met to address GAO's recommendations to develop and sign a framework of agreement. The number of employee grievances referred to higher levels has increased 31 percent since 1993. The Postal Service is not as competitive as it could be and has lost market share of prod-

ucts, including Express Mail, because of limited flexibility in rate setting, cost and growth of labor, less reliable service and the inability to control internal operating costs.

b. Benefits.—The forum enabled a thorough review of all postal operation and the status of rulemaking proposals set forth by the Postal Service. The subcommittee had an opportunity to explore the issues raised and recommendations proposed by the GAO in testimony the previous session. Close oversight by the subcommittee has focused the Postal Service's attention to on-time nationwide delivery performance.

c. Hearings.—A consolidated hearing entitled, "General Oversight of the U.S. Postal Service: The Board of Governors, The Postmaster General, the Postal Rate Commission, the Office of the Postal Service Inspector General and the General Accounting Office" was held on March 13, 1996.

11. Joint Hearing with the Senate Subcommittee on Post Office and Civil Service, of the Committee on Governmental Affairs on International Postal Reform.

a. Summary.—During the past decade, a number of countries, including Argentina, Australia, Canada, Denmark, France, Germany, Netherlands, New Zealand, Sweden, and the United Kingdom, have moved toward postal deregulation and corporatization. Some of the countries were forced to change their system because of crises such as workplace unrest and union and management conflict, resulting in lack of trust and respect between employee and employer. Some countries initiated postal reforms as a part of greater government privatization initiatives. While each country labored under its own set of circumstances, a consensus among international postal observers was that the most successful reform efforts were made when the targeted postal system was not operating in a state of crisis.

In general, most of the countries that have restructured their postal system conduct their business like a private sector concern with great latitude in rate setting. However, rate increases for monopoly services must still be approved by some branch or department of government or are subject to a rate cap, though non-monopoly services enjoy greater freedom in price setting. These postal administrations have greater managerial freedom and many are mandated to make a profit. Though not all of the administrations are mandated to maintain uniform rates for letter mail, all of them do; they also have explicit social obligations to the citizens of the country and the government. There appears to be an international view to require universal service.

The U.S. Postal Service is unique in terms of the volume, size and purposes for which it is used. No other postal system compares in size to the USPS which boasts of annual revenues in excess of $55 billion. Additionally, no other postal system is utilized as an advertising medium to the extent of the U.S. Postal Service.

During the first session of the 104th Congress, the subcommittee on the Postal Service initiated a series of hearings on postal reform. A dialog was initiated in querying whether, and in what manner, the quarter-century old Postal Reorganization Act should be changed. When the act was adopted, the Postal Service faced lit-

tle competition in terms of its product structure and the act was widely heralded as progressive legislation designed to ensure the future viability of the Postal Service. However, advances in electronic communication and aggressive business practices on the part of competitors during the past 25 years has necessitated the reevaluation of the role of the Postal Service in today's marketplace.

b. Benefits.—Given the studies which have been commissioned by the USPS and requested by the Senate Subcommittee on Post Office and Civil Service regarding progressive postal administrations and Private Express Statutes, respectively, the oversight committees are in a position to analyze the applicability to the U.S. postal system the changes which have taken place in foreign postal administrations. Since the changes in foreign postal administrations have included evolving from a traditional government-owned monopoly operation into variations of profitmaking entities with significant commercial freedom, the suitability to the American scenario in establishing a paradigm would be beneficial.

c. Hearings.—The U.S. Senate, Subcommittee on Post Office and Civil Service, of the Committee on Governmental Affairs, and the U.S. House Subcommittee on the Postal Service, of the Committee on Government Reform and Oversight held a joint hearing on January 25, 1996. The witnesses included, Graeme T. John, managing director Australia Post, Georges C. Clermont, president and director general, Canada Post Corp.; Elmar Toime, chief executive officer, New Zealand Post Limited; Ulf Dahlsten, president and chief executive officer, Posten AB, Limited, Sweden, accompanied by Tommy Perrson, senior vice president, Posten AB, Limited, Sweden; Michael E. Motley, Associate Director, Government Business Operations Issues, U.S. General Accounting Office, accompanied by James T. Campbell, Assistant Director, Government Business Operation Issues, GAO; James Waddell, partner, Price Waterhouse, accompanied by David E. Treworgy, principal consultant, Price Waterhouse.

12. Postal Reform: H.R. 210, a Bill To Provide for the Privatization of the United States Postal Service; H.R. 3717, the Postal Reform Act of 1996; H.R. 3690, the Postal Service Core Business Act of 1996.

a. Summary.—The U.S. Postal Service was created by statute to operate efficiently and economically without benefit of taxpayer funds but with mandates to provide universal service at uniform rates and to break even. Whereas competitors can tailor their capital and labor resources to narrow markets, the Postal Service must support a broad infrastructure in order to meet its obligation of providing universal postal service. These statutory structures impose conflicting mandates on the Postal Service. Today, the Postal Service operates without benefit of taxpayer financing but service and delivery questions burden the agency along with increasing competition from new and emerging communication technologies as consumers and businesses move away from communicating via hard copy delivery. Various modules have been proposed to restructure the Postal Service, including the experiences international postal services.

Representative Crane's bill, H.R. 210, transforms the current Federal Government-owned Postal Service to a private corporation with ownership divested from the U.S. Government to the employees of the Service. The entity would operate under some of the same restrictions as the current Postal Service. During the first 5 years, the company would operate with benefit of the current monopoly and rates would be established upon consultation with the Postal Rate Commission. Following the initial 5 years, the President would have the discretion of continuing or nullifying the Postal Rate Commission.

Subcommittee Chairman McHugh's comprehensive reform measure, H.R. 3717, retains the Postal Service as a government-owned enterprise, mandated to maintain universal service and uniform rates for noncompetitive products but with considerable flexibility in the rate-setting of competitive products and the launching of new products, though under the fullest extent of antitrust provisions and under the oversight of Congress.

H.R. 3717 is the first comprehensive reform effort of the Postal Service since the Postal Reorganization Act of 1970. The legislation is the result of testimony presented by more than 60 witnesses over 18 months of hearings. Issues were brought to the subcommittee's attention by postal customers, postal employees, and business leaders, among others, whose voices were heard and incorporated within the legislation. The legislation guarantees the continuation of universal postal service at uniform, affordable rates. However, during the past decades, methods of communications have changed drastically resulting in shifting mail volumes and stagnant postal revenue growth. There has been a steady erosion of standard correspondence which formerly moved through the Postal Service but is now being sent by electronic alternatives, facsimile machines or by private mail carriers. The General Accounting Office (GAO) reported that within the past 25 years the Postal Service lost approximately 13 percent of its express mail market and is moving fewer parcels. For instance, in 1971 the Postal Service handled 536 million parcels and in 1990 the volume dropped to 122 million pieces, or a market share of only 6 percent. The shift of revenues negatively impacts the ability of the Postal Service to serve the Nation.

The Postal Reorganization Act served the Nation well for a quarter century. However, rapid changes force Congress to examine adjustments which permit the Postal Service more flexibility in areas where it faces competition while guaranteeing that postal customers will receive universal service. The legislation accomplishes this mission. The bill allows the U.S. Postal Service the opportunity to make a profit and removes the break-even mandate required by 1970 law.

H.R. 3690, the Postal Service Core Business Act of 1996, was considered with postal reform legislation because it would restrict the ability of the Postal Service to provide services while limiting its nonpostal services.

b. Benefits.—Because of the many challenges confronting the Postal Service in an era of ever changing technology and competition, it is important to explore postal reform before a major crisis befalls the Service and reform is made in haste. The subcommittee

has made consideration of substantive postal reform its major focus. Testimony from all quarters was heard, solicited and accepted to address each concern, including ratemaking, the statutory monopoly, new technologies, and organizational structure.

c. Hearings.—A joint hearing with the Senate Subcommittee on Post Office and Civil Service was held on January 25, 1996. Witnesses were the heads of several international postal corporations, as listed above. Four hearings entitled "Postal Reform Act of 1996" were held on July 10, July 18, September 17, and September 26, 1996. The following witnesses presented testimony:

July 10—Postmaster General Marvin Runyon and Chairman Edward J. Gleiman of the Postal Rate Commission.

July 18—(Postal Employee Unions and Management Organizations) Moe Biller, president, American Postal Workers Union; Vincent Sombrotto, president National Association of Letter Carriers; Scottie Hicks, president, National Rural Letter Carriers Association; William Quinn, president, National Postal Mail Handlers Union; John Pesa, president, National Labor Council, Fraternal Order of Police; Hugh Bates, president, National Association of Postmasters of the United States; Bill Brennan, president, National League of Postmasters; Vince Palladino, president, National Association of Postal Supervisors.

September 17—(Major Mailers) Jerry Cerasale, senior vice president, Direct Marketing Association; Ian D. Volner, general counsel, Advertising Mail Marketing Association; Timothy May, general counsel, Parcel Shippers Association; David Todd, counsel, Mail Order Association of America; Mark Silbergeld, president, Alliance of Nonprofit Mailers; Lee Cassidy, executive director, National Federation of Nonprofits; Christopher M. Little, chairman Government Affairs Council, Magazine Publishers of America; Steven B. Waters, vice president & publisher, Rome Sentinel Co., National Newspaper Association; John Sturm, president & CEO, Newspaper Association of America; Steve Bair, senior vice president, Law and Business Affairs for Time Life, Inc., Association of American Publishers.

September 26—(Postal Service Reliant Business and Competitors) Honorable Duncan Hunter; Maynard H. Benjamin, president, Envelope Manufacturers Association of America; Dan Goodkind, chairman of the board, Mail Advertising Service Association; Charmaine Fennie, chairperson, Coalition Against Unfair USPS Competition; John T. Estes, executive director, Main Street Coalition for Postal Fairness; Robert Williamson, executive director, National Association of Presort Mailers; Frederic W. Smith, chairman & CEO, Federal Express; Kent (Oz) C. Nelson, CEO, United Parcel Service; Philip A. Belyew, president, Air Courier Conference of America.

13. Field Hearing on Chicago Mail Service and Postal Operations.

a. Summary.—The Chicago Division of the Postal Service has been the subject of concern over a period of years. The various issues include problems arising from delivery standards and the construction of a new general mail facility in downtown Chicago which faced cost overruns.

A Postal subcommittee hearing in Chicago during the 101st Congress reviewed similar issues. After a visit to the Chicago area in 1994, the Postmaster General formed the Chicago Task Force and appointed a new Postmaster in an attempt to improve service problems. However, the need for this oversight was necessitated because improvement of on-time delivery in the area has not been evident. On-time delivery scores in the Chicago area are the lowest in the country. Quarterly statistics issued by the Postal Service show that Chicago has, for many quarters, consistently performed below the national average.

The Chicago Post Office had an impact on modern postal history. In October 1966, operations in the Chicago Post Office came to a halt for 3 weeks under a deluge of more than 10 million pieces of mail. The results were devastating for Chicago and for the entire Midwest. Reportedly, this was a result of inadequate infrastructure and improper focus of attention to postal operations nationwide. Postal observers recognized that there were accumulated stresses and concerns which could lead to crisis. The Chicago incident precipitated congressional hearings which made a case for postal reform and the formation of the Kappel Commission which lead to the Postal Reorganization Act of 1970.

b. Benefits.—The hearing explored the reasons for the last place showing of the Chicago postal service. It reminded the Postal Service of its mission of service to its business and residential customers and that a delivery problem exists at the hub of the Nation's commerce and airline activities. As a result of the hearing, Postal Service witnesses pledged to improve the delivery standards in the Chicago Division by the end of the next quarter.

c. Hearings.—A field hearing was held at the DePaul University campus in Chicago on October 11, 1996. Members of Congress from the Chicago area were invited to attend and testify on the first panel. The second panel consisted of J.T. Weeker, vice president, Area Operation, Great Lakes Area; Postmaster Rufus Porter, district manager, Chicago accompanied by David C. Fields, plant manager, Chicago Processing and Distribution Center. The third panel was made up of witnesses from local users and postal customer councils (composed of volunteers from the local communities): Allan Bennett, Postal Advisory Council; Donald Gutowski, village trustee, Village of Norridge; Caroline Hill, Customer Advisory Council and Diane Winter, Chicago Postal Customer Council. Witnesses on the third panel were pleased with the amount of progress that has been made during the past few years because of the new management and their commitment, even though continued improvements are necessary.

14. Qui Tam Provisions within the False Claims Act.

a. Summary.—The False Claim Act (FCA) Amendments was signed into law by President Reagan in 1986. This law enables private citizens, who have evidence, to play a role in antifraud endeavors. *Qui tam* provisions, revitalized in this legislation permit individuals to sue, on behalf of the Government, against the entity which has fraudulently obtained profits from the Government. The individual is permitted to keep a portion of the compensation if awarded. *Qui tam* provisions originated in the Middle Ages, en-

couraging police action by private citizens because there were no organized methods of policing. President Lincoln incorporated the principle in the False Claims Act in 1863 but, until 1986, the provision became greatly eroded both by statute and by inconsistent case law. Because of clarification made by the 1986 amendments, *qui tam* litigation has enabled the Federal Government to recover more than $1.13 billion in damages with individuals (relators) receiving about 18 percent of the total amount.

b. Benefits.—Potential for fraud against the Postal Service, which initiates contracts worth billions of dollars, is great. The subcommittee has initiated a study of the *qui tam* provisions and the possibility of including the Postal Service under the rubric of its application.

c. Hearings.—None.

15. USPS contract for 8,879 Cargo Minivans.

a. Summary.—The subcommittee was informed that the U.S. Postal Service recently awarded a contract to Ford Motor Co. of Detroit, MI for 8,879 minivans with front wheel drives. The informant stated that though the contract award went to the lowest bidder, there was no real competitor as there is only one vehicle on the market which fits the Postal Service' specification; had the Postal Service permitted more flexibility, there would have been more competition. Furthermore, the specification for a front wheel drive vehicle would be costly to maintain. The Postal Service averred that its decision to specify front wheel drive configuration took into account the potential costs for maintenance; the conclusion was that the benefits outweigh the drawbacks. The solicitations were issued on July 8, 1996. Some bidders requested that the return date for subject solicitation be extended from 8/5/96 to 9/12/96 because of the specified amount of equipment and training materials required. The Postal Service responded that because the Postal Service's fiscal year ends on September 13 the solicitation is committed to be spent by that date and the extension was denied. The Postal Service set specifications for training. One of the bidders suggested that training for "off the shelf" minivans that were specified was unnecessary as all maintenance requirements are specified in the owners and service manuals. The Postal Service responded that it requires specified training therefore the specification would remain unchanged. It was alleged that this was essentially a sole-source contract.

The cost of the 8,879 Cargo Minivans totaled $161.6 million. The subcommittee was informed that the Postal Service may not have received the standard customer discount per vehicle. Generally, a $1,500 discount is given per single vehicle bought; the claim was that the successful bidder did not feel the need to give bid assistance as there was no real competition due to the specifications. The charge was that had there been a larger competitive field with greater flexibility in the specifications the Postal Service may have been able to save at least $30 million in this contract. The Postal Service indicated that the price they contracted for per vehicle included the discount.

The subcommittee is also interested in answers from the Postal Service regarding the justification for 7,954 front wheel drive vehi-

cles, whether rear wheel drive vehicles would have been adequate in some areas, could rear wheel drive vehicles been bought at a lesser cost, how much would the General Services Administration have paid per vehicle for the same or similar vehicle, whether a market study was done, was a study done on the life cycle cost of the product, and what procurement manual and procedures were used.

Initial dialog was initiated between the Postal Service and the subcommittee staff. Consequently, the chairman of the subcommittee requested the Postal Inspection Service to provide a report on the matter.

b. Benefits.—The investigation by the Postal Inspection Service may find that the contract is in order; however, the likelihood is that there could have been additional savings on a contract of this size. Revenue protection helps the Postal Service from seeking earlier rate increases, which in turn benefits the users of postal services. Efficient and careful contracting will help the Postal Service meet its mandate to act more like a business.

c. Hearings.—No hearings were held on this issue.

16. Review of Postal Service Bulk Business Mail Acceptance Practices; Assessment of the Adequacy of the Postal Service's Systems for Assessing, Collecting, and Otherwise Protecting Revenue and/or Accountable Paper.

a. Summary.—Postage discounts are allowed for presorted and prebarcoded bulk business mailings because processing costs for the Postal Service are reduced. Discounts allowed in fiscal year 1994 totaled $8 billion. The subcommittee is concerned that the Postal Service may allow discounts on mail that is not properly prepared and does not reduce processing costs. With the assistance of the GAO, the subcommittee is evaluating whether the Postal Service's acceptance procedures provide reasonable assurance that all revenues due from bulk business mailings are being received, and what actions the Postal Service is taking to minimize its vulnerability to bulk business mail losses.

The subcommittee received a report from the GAO on June 25, 1996, "U.S. Postal Service: Stronger Mail Acceptance Controls Could Help Prevent Revenue Losses," GAO/GGD–96–126. GAO reported that the Service's system of revenue controls were insufficient to provide it with reasonable assurances that all significant amounts of revenue due from bulk business mailings were correctly identified and received because of systemic weaknesses. While the Postal Inspection Service has long considered bulk business mail acceptance to be a high-risk activity, postal management has not devoted sufficient attention to the adequacy of acceptance controls.

b. Benefits.—This review will provide essential information on the extent of revenue losses to the Postal Service and review improvements to the Service's revenue protection efforts. For fiscal year 1994, bulk business mail accounted for $23.1 billion or 48.4 percent of the Services total mail revenue. Identifiable losses totaled $168 million with more than $8 billion of postage discounts at risk. This continuing review will benefit the Nation and postal ratepayers by helping the Service identify revenue shortfalls and areas subject to waste, fraud and abuse.

c. Hearings.—None.

17. Review of Selected Major Postal Service Procurements.

a. Summary.—One of the major areas of subcommittee concern is the Postal Service procurement program. In the past, the program which is exempt from most Federal procurement laws, has exhibited major deficiencies which have created procurement problems. The GAO, at subcommittee Chairman McHugh's request, reviewed the Postal Service procurement program to determine what the underlying problems are and what might be done to alleviate them.

The GAO found in its report, "Postal Service: Conditions Leading to Problems in Some Major Purchases," January 18, 1996, GGD–96–59, problems encountered during the seven purchases it reviewed were due to Postal officials' poor judgment, circumventions of existing internal controls, and failure to resolved conflicts of interest. It also found that many contracting officers could not exercise independent judgment, since they reported directly to those officials who required the products or services. Further, the GAO maintained that the Service has taken action to increase oversight and accountability over its purchasing process and to safeguard against such future occurrences. In response to recommendations by the Office of Government Ethics, the Service has outlined actions it is taking to improve its ethics program which should help prevent the recurrence of such purchasing problems. The Service has also instituted a formal ethics education and training program for contracting officers and personnel. Further, the Service has established one purchasing executive with management authority over the three separate Postal purchasing groups; and the Service plans to adopt a requirement for more explicit documentation of and rationale for contracting officers' business and policy actions. The subcommittee will explore the findings in subsequent oversight hearings.

b. Benefits.—This report provided program information and indicated possible solutions to ensure that the Postal Service maintains appropriate internal controls and ethics rules in its procurement program.

c. Hearings.—This issue, and others, were raised during the conduct of the subcommittee's General Oversight hearing, entitled "General Oversight of the U.S. Postal Service: The Board of Governors, the Postmaster General, the Postal Rate Commission the Office of the Postal Service Inspector General and the General Accounting Office" on March 13, 1996.

18. Evaluation of USPS Oversight of National Change of Address Program Licensees.

a. Summary.—The Postal Service National Change of Address (NCOA) program provides postal customer address change information to licensees who, in turn, use the data to update proprietary address lists which are sold nationwide. In order to protect the privacy of its customers, the USPS imposes restrictions on licensees' use of NCOA information and monitors compliance with those restrictions. The subcommittee, with the assistance of GAO, is examining what restrictions the NCOA license agreement imposes re-

garding the use and release of address information; whether those restrictions are consistent with "privacy" requirements of Federal law; how USPS monitors the licensees' compliance with NCOA license agreements and oversees corrective actions for identified violations.

The subcommittee received a report from GAO entitled "U.S. Postal Service: Improved Oversight Needed to Protect Privacy of Address Changes," August 13, 1996, GAO/GGD–96–119. The report concluded that the Postal Service has been unable to prevent, detect, or correct potential breaches in agreements with the 24 licensees who collect and disseminate address-correction information. These licensees provide address service to other private firms and organizations in accordance with the standard licensing agreement. GAO reported that the Service has not expressed a clear and consistent position regarding the use of change of address data by licensees to crease new-movers list in violation of Federal privacy guarantees. In addition, the Service was not enforcing its contract limitations with licensees to ensure that the use of change-of-address data is limited to the purpose for which it was intended.

b. Benefits.—This report provided the subcommittee with critical information regarding privacy issues for postal patrons. It analyzed the Postal Service's ability to quickly and accurately correct customers' addresses which is key to effective and cost-efficient mail delivery. However, the report also provided the subcommittee with information identifying concerns regarding potential misuse of change-of-address data. The findings contained in this report further provide the subcommittee with informational resources necessary for the effective conduct of its oversight responsibilities. Further, the recommendations will serve as a basis for additional legislative inquiry regarding needed postal reforms.

c. Hearings.—None.

19. Final-Offer Arbitration as an Alternative Means of Resolving Contract Disputes Between Postal Management and Labor Unions.

a. Summary.—In September 1994, GAO reported that adversarial postal labor-management relations have resulted in reliance on arbitration to settle contract disputes. Both management and unions have expressed dissatisfaction with such a procedure. The subcommittee asked that GAO obtain more information on final-offer arbitration as an alternative to the current procedure. Specifically: What is final-offer arbitration? How and where has final-offer arbitration been used? What do management and labor officials believe has been the impact of final-offer arbitration on their relations?

The subcommittee received one briefing by the GAO regarding final offer arbitration. GAO reported that final offer is a specific approach to interest arbitration in which an arbitrator's decision is restricted to the selection of either management's offer or the union's offer. In contrast, the approach used by the Postal Service and its four major postal unions has been conventional interest arbitration, an approach that allows an arbitrator to develop an award decision that may be different from the offers submitted by the Service and the unions.

Final offer has been suggested as an alternative approach to contract dispute resolution that can encourage Postal Service management and the unions to settle their disputes instead of relying on an arbitrator to do it for them.

b. Benefits.—The report will indicate ways that Congress can encourage and assist postal management and unions to resolve longstanding labor relations problems. In addition, the subcommittee will continue its review in determining whether final offer interest arbitration should be included as part of any future postal legislative reform efforts.

c. Hearings.—None.

20. Review of the Quality and Quantity of Data Produced by the Postal Service for the Rate Setting Process.

a. Summary.—One of the areas of the subcommittee's continuing concern is the quality and quantity of data collected and provided by the Postal Service in the ratesetting process.

Given the general public concern, the subcommittee, GAO, the Postal Rate Commission, and the Postal Service are working together to assess the setting of postal rates. The GAO study will determine the extent to which existing systems produce complete, current, and accurate data necessary for ratemaking. The report should demonstrate whether the systems produce data that are reliable enough to set and adjust rates in accordance with relevant provisions of the Postal Reorganization Act of 1970. It should also assess the cost and quality of reports and other results generated from existing Postal Service rate data systems compared to alternative approaches, systems, and techniques for gathering and reporting such data. The subcommittee anticipates the final results by the end of 1996. These findings will assist the subcommittee in evaluating reform of the Postal Service's ratemaking process.

b. Benefits.—For an entity like the Postal Service that accounts for $54 billion in annual revenue and touches the lives of all Americans, the data provided to the Commission is essential to establishing fair and equitable rates. In many instances, it is the same data that the Postal Service needs to effectively manage an organization of 855,000 people in a businesslike manner. The results of this study will be critically important to the Congress' deliberations on whether to modify the ratesetting process.

c. Hearings.—None.

21. Evaluation of the Management Practices, Working Conditions, and Security at Postal Facilities in Southern California.

a. Summary.—On July 9, 1995, at the City of Industry Processing Center in California, a postal worker shot and killed one of his supervisors. About the same time, workers at the La Puente California Post Office staged street protests over what they perceived to be a "hostile" work environment. Because of these and similar incidents and complaints, the Postal Service Inspector General was requested to evaluate the working conditions, management practices, and security at postal facilities in the Santa Ana District of California. The evaluation should clarify the state of labor-management relations in the Santa Ana District, and help indicate how Congress and the executive branch can encourage and assist postal

management and unions to address the longstanding and severe labor-management problems in the Postal Service. The subcommittee coordinated a briefing with the U.S. Postal Service, the Inspection Service and the Southern California House delegation.

b. Benefits.—This restricted report, which the subcommittee received from the Inspector General/Chief Postal Inspector in February 1996 provided critical information to the subcommittee on the status of labor-management relations at the southern California facilities in question. It also highlighted several problems which the subcommittee hopes is unique to these facilities, involving favoritism in employment and promotions; allegations of sexual harassment and a working environment that was less than conducive to effective performance of its many duties. The subcommittee is continuing to examine ways in which it can encourage and assist postal management and unions to resolve longstanding labor relations problems not only in southern California, but, nationwide.

c. Hearings.—None.

22. Miscellaneous Investigative Issues.

a. Summary.—The subcommittee has conducted a variety of investigations into other specific issues that are the subject of continued monitoring through oversight hearing questions and informal inquiries. In addition to an extensive number of matters examined as part of the oversight hearing record, the subcommittee reviewed the following six specific issues: (1) the quality of the Postal Service's performance management systems which were found to be inadequate by the GAO in previous reviews; (2) the decision by the Postmaster General to restructure the Service in 1992 and the extent to which, if at all, he was aware that this decision would be viewed as a reduction in force; (3) the feasibility of implementing the requirements of the Postmark Prompt Payment Act (H.R. 1963); (4) the extent to which the whistle blower protection laws apply to Postal Service employee; (5) the extent to which the applicable criminal statutes regarding mail fraud and theft apply to the Postal Service's efforts in the electronic mail environment; and (6) the effectiveness of these criminal statutes as a deterrent to criminals utilizing the U.S. mail.

b. Benefits.—These investigations help to facilitate the effective conduct of oversight responsibilities by the subcommittee of the operations of the U.S. Postal Service. Ensuring efficient postal operations meets the mandate of the Postal Reorganization Act that the Postal Service operate in a businesslike manner so as to break even over the long term. The inability to prove financially viable places at risk the obligation for the Postal Service to provide universal service since an insolvent postal administration would require an infusions of taxpayer funds to conduct its operations. The conduct of these investigations furthers the public interest that the Postal Service is operated in an efficient and effective manner and furthers the ability of the institution to meet its public service obligations.

c. Hearings.—None.

23. Review of the Postal Service Board of Governors.

a. Summary.—As the governing body of the U.S. Postal Service, the Board of Governors is comparable to a board of directors of a private corporation. The Board is comprised of nine Governors who are appointed by the President with the advice and consent of the Senate. The nine governors select a Postmaster General, who becomes a member of the Board, and those 10 select a Deputy Postmaster General who also serves on the Board.

The Postmaster General and the Deputy Postmaster General participate with the Governors on all matters except that they may not vote on rate or classification adjustments, adjustments to the budget of the Postal Rate Commission, or election of the chairman of the Board. While the entire Board approves requests to the independent Postal Rate Commission for changes in rates and classes of mail, the Governors alone, upon receiving a recommendation from the Commission, may approve, allow under protest, reject or modify that recommendations. The entire Board is responsible for determining the dates on which new rates and classification adjustments become effective.

The Board directs the exercise of the powers of the Postal Service, directs and controls its expenditures, reviews its practices, conducts long-range planning, and sets policies on all postal matters. The Board takes up matters such as service standards, capital investments and facilities projects exceeding $10 million. It also approves officer compensation.

As part of the subcommittee's continuing review of postal operations, it found that the Board of Governors had not been reviewed since the 1970's. The subcommittee is concerned that the board's legal status, e.g., its authority and responsibilities, and the compensation and qualifications of its members may be outdated when compared to similar boards. Key issues to be addressed include the similarities and differences between the Postal Service Board of Governors and other selected boards. In addition, this review solicits the input from current and former Governors regarding the strengths and weaknesses of the present Board structure.

b. Benefits.—The subcommittee believes that this review will provide a long overdue review of the operations of the governing body of the USPS. The Board is ultimately responsible for the efficient operation of the Postal Service, a public entity with estimated revenues of $59 billion for fiscal year 1997. Consequently, the Board, and ultimately the American public and all postal ratepayers, will benefit by this thorough review in order to determine what reforms may be needed of this important governing body.

This review will be conducted in reference to the recent enactment of Public Law 104–208 which granted the Governors an increase in compensation from $10,000 per year to $30,000, the first increase since enactment of the Postal Reorganization Act 25 years ago.

c. Hearings.—The subcommittee addressed the subject of governance of the Postal Service in the conduct of two of its general oversight hearings: (1) a hearing entitled "General Oversight of the U.S. Postal Service—the Board of Governors" held on March 8, 1995; and (2) a hearing entitled "General Oversight of the U.S. Postal Service—the Board of Governors, the Postmaster General,

the Postal Rate Commission the Office of the Postal Service Inspector General and the General Accounting Office" was held on March 13, 1996.

24. Review of the Status of USPS Initiatives to Improve Employee Working Conditions and Organizational Performance.

a. Summary.—In its September 1994 report on Labor-Management issues within the USPS (U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor, GAO/GGD–94–201A & B), the GAO made several substantive recommendations to address the myriad of difficulties it encountered in its analysis. That report was prompted by the November 1991 shooting of postal employees in the Royal Oak Mail Service Center in Royal Oak, MI, and other incidents of workplace violence at Postal facilities. The report evaluated (1) the status of labor-management relations in the Postal Service, (2) past efforts to improve relations, and (3) opportunities to improve relations.

The report found that labor-management relations problems persist on the factory floor of postal facilities. These problems have not been adequately dealt with over many years because labor and management leadership at the national and local levels have been unable to work together to find solutions to employee problems. GAO found that labor-management problems are long-standing and have multiple causes that are related to an autocratic management style, adversarial employee and union attitudes, and inappropriate and inadequate performance management systems. Further, changing working relations on the workroom floor will require increased flexibility, necessitating changes in union contracts and personnel systems to allow experimentation with and evaluation of new approaches in relations between supervisors and employees.

Specifically, GAO recommended that the Postal Service, the unions, and management associations develop a long-term agreement of at least 10 years for changing the workroom climate of both processing and delivery functions. This agreement should provide incentives that encourage teamwork and give employees greater responsibility and accountability for work results.

The subcommittee has endorsed this GAO recommendation and has urged the parties to agree to participation in this labor-management "summit." Further, the subcommittee has asked the GAO to revisit those recommendations to determine if any have been implemented to improve working conditions.

b. Benefits.—The subcommittee is concerned that poor postal labor-management relations continue to plague the operations of the U.S. Postal Service. In addition, the nature and extent of poor labor-management relations may differ substantially from one facility to another; this may reflect the impact of individual management or labor representation styles. The subcommittee believes it is incumbent upon labor and management to review the recommendations made by the GAO in its 1994 report and to seek to implement those initiatives to provide a better working environment for all postal employees and improved service for postal customers. History has shown what hostile management-labor relations can foster. Consequently, a mutual climate of respect between

labor and management ensures both a safe working environment and more efficient postal operations.

c. Hearings.—The subcommittee conducted a hearing on June 7, 1995, as part of its general oversight hearing agenda, entitled "Oversight of Postal Employees and Management Groups" which explored the recommendations presented by the GAO in its labor-management report.

25. Continued oversight of Internal Audits of the existing Inspector General.

a. Summary.—The subcommittee receives a quarterly summary of significant internal Audits/Investigations conducted by the Postal Inspection Service (PIS) as part of its Inspector General function and prepared for the Board of Governors of the Postal Service. The format for these summaries allows the Governors and the subcommittee to quickly monitor the amount of the total costs of the audited subject, the total amount avoided or recovered as result of the audit and the total amount not recovered or avoided. For example, in Fiscal Year 1996, the Inspection Service conducted a series of Contract Audits which relate to the purchasing or contracting for equipment, facilities, supplies, services and transportation. These audits questions a significant portion of postal operating expenses and 94 percent of the costs ($1.3 billion) questioned by the PIS in their Contract Audits was subsequently recovered by postal management.

The Inspection Service further conducts Capital Investment Audits which review after-cost studies of facility projects and are used to evaluate the effectiveness of the projections contained in the original Decision Analysis Reports (DARs). These audits allowed the Inspection Service to make recommendations to postal management for savings which amounted to $33.3 million in fiscal year 1996. Financial Installation and District Accounting Office Audits identified revenue deficiencies of $2.4 million within postal operations for FY 1996. These audits point out deficiencies in accounting and operational controls and practices. As an example, in a single facility, the Inspection Service found that Post Office box and caller service fees totaling $41,023 were not collected. In addition, the Inspection Service found that a general lack of management oversight regarding second-class mailings led to a revenue deficiency of $94,334 while an additional $100,000 was not refunded to postal customers or reported in an appropriate postal account as required. These facility financial audits allow the Inspection Service to focus local management's attention on the weak spots in their internal management and accounting practices that result in the overall loss of revenues. With 40,000 individual facilities, it is critical the accounting and management operations function as efficiently as possible. In another facility, the Inspection Service found that approximately 2.5 million pieces of first-class and priority mail had been delayed from 24 to 48 hours due to inadequate staffing, misunderstandings regarding reporting requirements and certain internal practices.

b. Benefits.—These audits and investigations have has proved invaluable for the subcommittee in the conduct of its oversight responsibilities. In addition, this information is critical to the sub-

committee in monitoring the progress of the Postal Service in cost-avoidance and revenue protection via audits of its various procurement. Such audits aid the subcommittee in evaluating the seriousness with which the Postal Service views its internal reporting organization. These internal controls are mandatory for organizations such as the Postal Service. As an example, the Postal Service utilizes the world's largest cash transaction system through which it processes postal receipts totaling from $300 to $500 million at more than 5,000 banks daily through more than nearly 40,000 facilities. The Service owns and maintains 6,962 buildings with 174 million square feet and leases an additional 27,626 buildings with 92 million square feet. The cost of gasoline for the Postal Service increases by more than $1 million when the price per gallon goes up by a penny. The protection and recovery of postal revenues should be of prime importance not only to postal management but to every person who buys a postal stamp or product.

Wasteful spending by the Postal Service results in higher postage rates or reduced service for all postal customers. The subcommittee is committed to working to ensure that the Postal Service operates as efficiently as possible and will work with the General Accounting Office, the Inspector General, the Postal Inspection Service and postal management to accomplish this important goal.

c. Hearings.—These internal audits and the performance of the Inspection Service, were the subject of oversight hearings conducted during both sessions of the 104th Congress.

26. Oversight of the implementation of the new Office of Inspector General for the Postal Service as provided in Public Law 104–208.

a. Summary.—The 1988 amendments to the Inspector General Act of 1978 provided that the Chief Postal Inspector of the Postal Service perform the dual role as the designated agency Inspector General. The subcommittee, as well as prior oversight committees, perceived this dual role as an inherent conflict of interest and expressed concern regarding the credibility of this organizational structure. The subcommittee requested the GAO to investigate whether this dual role compromised the ability of the Inspector General to perform audits and investigations pursuant to its statutory mandates. The GAO reported in "Inspectors General: A Comparison of Certain Activities of the Postal IG with other IGs," September 20, 1996, AIMD–96–150, that the current structure organizationally impaired the Inspector General in performing independent audits of the Inspection Service.

This issue was addressed by the subcommittee in H.R. 3717, the Postal Reform Act of 1996. Title I of this measure provided for a Presidentially appointed Inspector General independent of Postal Service management. Subsequent hearings and discussions led to subcommittee Chairman McHugh obtaining authorizing legislation in the Omnibus Appropriations Act of 1996 which established an Independent Office of Inspector General; one who is appointed by the Governors of the Postal Service for a term of 7 years (see section 662 of Public Law 104–208).

b. Benefits.—An independent Office of Inspector General benefits the Postal Service, postal ratepayers and the American people by

providing for an independent watchdog over postal operations, free of control and organizationally independent of postal management. It is expected this new office will provide significant oversight of an agency which accounts for more than $54 billion in revenue in fiscal year 1995. This arrangement will also allow the Chief Postal Inspector to focus his energies on his duties of ensuring the security of postal facilities and employees, protecting the public from mail fraud schemes and other criminal usage of the mail, and enforcing the laws regarding revenue protection. The subcommittee will continue to monitor the implementation of this amendment and looks forward to working with the Governors and the new Inspector General.

c. Hearings.—None.

27. Continued oversight of labor-management relations within the Postal Service.

a. Summary.—The subcommittee continues to receive reports from labor and management representatives that problems exist in the working environments of certain postal facilities as well as between the national representatives of labor and management. As part of its in-depth review of this topic in 1994 the GAO recommended that the Postmaster General conduct a "labor summit" of the heads of all the employee groups and labor unions and himself. This summit should be used to discuss issues that are outside of the normal collective bargaining discussions and that reflect the larger problems of poor communication, numbers of grievances and treatment of managers and employees.

b. Benefits.—Early in the first session the chairman of the subcommittee called upon the Postmaster General to hold such a summit. While the Postmaster General did issue invitations for a summit, it was during the time of labor negotiations and the invitations were generally declined until the negotiations were completed. By the end of the second session those negotiations were completed. The subcommittee chairman has again called upon the Postmaster General and the presidents of the employee associations and labor unions to conduct a summit to explore in detail the basic problems that exist in the framework of the existing labor-management relationships. To ensure that such a summit takes place the subcommittee chairman included in H.R. 3717, the Postal Reform Act of 1996, provisions establishing a Presidentially appointed, non-postal, Labor-Management Commission to address these issues and make recommendations to the Congress and the Postal Service on improvements. The subcommittee believes that a serious dialog and a complete understanding of individual views would serve to greatly improve the working environment for each employee, improve service to postal customers and allow the Postal Service to achieve increased productivity, performance and better revenue utilization.

c. Hearings.—None.

28. Continuing Review of the Competitive Role of the U.S. Postal Service.

a. Summary.—The subcommittee is continuing to follow-up on an earlier report of the General Accounting Office entitled, "U.S. Post-

al Service: Pricing Products in a Competitive Environment," GAO/GGD 92–49, which outlined the competition the U.S. Postal Service faces in the marketplace and its response to that competition. The report also examined the constraints and obstacles that hinder Postal Service efforts to compete effectively and evaluated the major issues of pricing postal services in a competitive environment. Specifically, GAO recommended Congress examine the nine ratemaking criteria set forth in the Postal Reorganization Act and consider amending them to give demand factors—including elasticities of demand—a greater weight in order to assure the long-term viability of the Postal Service as a nationwide full-service provider of postal services. GAO found that such use of demand factors would not be inconsistent with the rate criterion requiring the establishment of a fair and equitable rate schedule. Further, GAO suggested that Congress consider allowing the Postal Service to offer volume discounting to the extent it would not result in "undue or unreasonable discrimination" among mailers or result in an "undue or unreasonable preference" to a mailer.

This report served as the foundation for the subcommittee's efforts in reviewing the ratemaking criteria and in establishing guidelines for the Postal Service to offer volume discounts in H.R. 3717. The subcommittee will continue to review ratemaking efforts in order to prepare the Postal Service with the capability of providing efficient, cost-effective service to universal audience of postal customers.

b. Benefits.—The subcommittee recognizes that a financially viable Postal Service is critical toward meeting the mandate of universal mail service as provided by the Postal Reorganization Act of 1970. The subcommittee questions whether the private sector is capable or desirous of offering such a guarantee of universal mail delivery. However, the impact of competition from private couriers, private mail box retail facilities and the emerging electronic alternatives is being felt by the Postal Service. Lost mail volumes and revenues can contribute to a spiral of low mail volume and increased postage rates further decreasing volume. The GAO has recognized the competitive nature of the Postal Service, but, queries whether it can compete fairly. The subcommittee has asked the GAO to continue to gather data on this rapidly changing environment. This information will be taken into consideration as it continues to prepare postal reform legislation.

c. Hearings.—None.

29. Continuing Review of Universal Mail Service and Ratemaking in Canada.

a. Summary.—The Canadian Government enacted the Canada Post Corporation Act in 1981, which created Canada Post, a Crown Corporation with commercial freedoms to operate similar to a private business. On July 31, 1996, the Ministry Responsible for Canada Post Corporation received the report of the Canada Post Mandate Review. The review was critical of Canada Post's excursions into the private sector competitive markets.

b. Benefits.—Of all foreign postal administrations, Canada Post most resembles the U.S. Postal Service. However, mail volume in Canada lags considerably behind the United States. The benefits

and problems experienced by Canada in its postal reform will prove valuable to the subcommittee as we consider reforms for the U.S. Postal Service.

c. Hearings.—None.

30. Continuing Review of Mailing Costs for the Federal Government.

a. Summary.—The U.S. Government incurs an estimated $1.2 billion annually in mailing costs. According to the General Accounting Office, the General Services Administration (GSA), the central mail manager for the government, lacks data on the extent to which Federal agencies take advantage of centralized mail preparation and postal discounts. The subcommittee has requested the GAO report to it concerning government mailing costs and the extent to which agencies have taken advantage of available postage discounts.

b. Benefits.—The subcommittee believes that opportunities exist for the Federal Government to take advantage of the myriad postage discounts offered to postal customers to a greater degree than is occurring presently. Better coordination of governmental mailing needs to take place in order to make these opportunities a reality. By taking advantage of readily available postage discounts, agencies—and taxpayers—can benefit through more efficient mail service and cheaper mailing rates.

c. Hearings.—None.

31. Continuing Review of Growth in Postal Service Employment.

a. Summary.—The subcommittee is very interested in the apparent connection between the number of postal employees and the impact such employment numbers have on the quality of postal services. The Postal Service has invested billions on automation equipment to reduce human handling of mail. Yet, the Postal Service remains a very manually intensive operation with more than 80 percent of its costs reflective of employee pay and benefits.

b. Benefits.—According to the GAO, in 1989 the Postal Service reached record employment of career and noncareer employees at 845,141. Throughout 1992 and 1993 the Postal Service went through an aggressive downsizing effort that brought its numbers of employees to 781,591. Unfortunately, service was noticeably degraded and the Postal Service immediately launched an effort to hire additional workers to improve service. This effort has allowed the numbers of full and part-time employees to reach 855,471 in November 1995. While this number exceeds 1989 employment figures, it is important to recognize that the current number of career employees—739,804—is less than the 1989 career employment count of 773,699. Arguably, this indicates a conscious effort on the part of the Postal Service to hold down its labor costs. The numbers of employees, the need for quality postal services and the elasticities of demand for those services require the subcommittee to continue its oversight efforts.

c. Hearings.—None.

32. Continuing Review of the Statutory Mail Box Restriction.

a. Summary.—The United States is one of few nations to have restricted access to the individual's mail box. Current law provides that only that individual and the U.S. Postal Service may have access to the mailbox. During the joint hearing with the Senate Subcommittee on Post Office and Civil Service, representatives of foreign postal administrations testified that lack of restrictions on mailbox access had little effect on exacerbating mail theft. Other witnesses expressed envy regarding protections this offered postal customers and law enforcement.

b. Benefits.—This restriction is an emotional issue for postal employees and officials, customers and private sector competitors. However, no data exists to substantiate the views of either those who want to continue to restrict access or those who wish to open the mail box up to non-Postal Service delivery. The subcommittee intends to work with the GAO to secure some insight into postal customer views on this issue and provide the necessary data upon which future decisions can be based.

c. Hearings.—None.

33. Express Mail Accounts and Insufficient Controls for Revenue Protection.

a. Summary.—Express Mail Corporate Accounts allow customers to deposit money with the Postal Service for using as needed to pay for Express Mail delivery services. The subcommittee is concerned that the Service's protection of postage revenue in this area may prove inadequate and be subject to abuse. The subcommittee requested the GAO to help it in its investigation and requested the GAO to investigate what steps the Service is taking to prevent fraud in this area and what steps the Service can take to help avoid or minimize revenue losses in this area.

GAO reported to the subcommittee in "U.S. Postal Service: Revenue Losses from Express Mail Accounts Have Grown," October 24, 1996, GAO/GGD–97–3, that some mailers obtained Express Mail services using invalid corporate accounts and that the Service did not collect the postage due. In fiscal year 1995, the Service lost revenue of about $800,000—a 91 percent increase from fiscal year 1993—largely because the Service had not verified corporate accounts, which it later determined were invalid.

The subcommittee is concerned that this investigation, and others conducted by the subcommittee regarding revenue protection, present a troubling pattern of lack of adequate control and protection of Service revenues. The subcommittee is continuing to maintain a focus on the problems identified and will work with the Postal Service to assure it takes seriously the weaknesses in its systems.

b. Benefits.—Tight controls over revenue protections benefit both the Service and ratepayer by helping forestall future rate increases. While some revenue losses due to lax controls may not seem significant in comparison with an overall Service income of $59 billion for fiscal year 1997, an established pattern of lax revenue protection invites future fraud and abuse in this area while requiring ratepayers to fund the services for mailers who intentionally defraud the system.

34. Continuing Review of the role of the U.S. Postal Service in the Electronic Information Age.

a. Summary.—The subcommittee has been monitoring the discussions at the Postal Service regarding its tentative efforts to develop and offer certain electronic services such as: telephone cards, kiosks, so-called "smart cards" and the "electronic" postmark.

b. Benefits.—These topics go to the root of what type of products the Postal Service may offer in the future and impact greatly on similar evaluations being done in the private sector and the need, or lack of need, for a centralized authority, such as the Postal Service with 40,000 retail outlets, to be a part of these emerging industries.

c. Hearings.—None.

35. Review of Postal Inspection Service investigations of the public threat to the U.S. mails in the Unabomber case.

a. Summary.—The so-called "Unabomber" waged an unprecedented, two-decade campaign of terror, setting off as many as 15 bombs in a period of 17 years.

The apprehension of the Unabomber represented the combined efforts of Federal, State and local law enforcement. Due to his frequent utilization of the U.S. mail as a vehicle for the delivery of his bombs, the Unabomber's actions fell within the jurisdiction of the Postal Inspection Service. Following the capture of the Unabomber, the subcommittee arranged a briefing by the Chief Postal Inspector, Kenneth J. Hunter, for interested congressional staff.

b. Benefits.—This briefing and review, which included examples of how the Unabomber's packages were wrapped and addressed, provided additional information that individuals could use to protect themselves against suspicious packages. While a suspect has now been arrested in the Unabomber case, the subcommittee intends to continue to monitor use of the U.S. mail to illegally transmit explosives and other nonmailable matter to consider appropriate legislative changes.

c. Hearings.—None.

III. Legislation

A. NEW MEASURES

CIVIL SERVICE SUBCOMMITTEE

1. H.R. 3586, Veterans' Employment Opportunities Act of 1996.

a. Report Number and Date.—House Report No. 104–675, July 12, 1996.

b. Summary of Measure.—To amend title 5, United States Code, to strengthen veterans' preference, to increase employment opportunities for veterans, and for other purposes. It permits preference eligibles and certain other veterans to overcome artificial restrictions on the scope of competition for announced vacancies, provides preference eligibles with increased protections during reductions in force, establishes an effective redress system for veterans who believe their rights have been violated, extends veterans' preference to certain positions at the White House and in the legislative and judicial branches of government, and requires the Federal Aviation Authority to apply veterans' preference in reductions in force.

c. Legislative History/Status.—H.R. 3586 was introduced on June 5, 1996, and referred to the Committee on Government Reform and Oversight. On June 12, 1996, the Subcommittee on Civil Service reported H.R. 3586 to the full committee. The bill was approved and order reported, as amended, by the Committee on Government Reform and Oversight on June 20, 1996. H.R. 3586 passed the House by voice vote under suspension of the rules on July 30, 1996, and was received in the Senate on July 31, 1996.

d. Hearings.—No hearings were held on this legislation. However, the subcommittee held a hearing, entitled "Veterans Preference: A New Endangered Species," on April 30, 1996.

2. H.R. 3841, Omnibus Civil Service Reform Act of 1996.

a. Report Number and Date.—House Report No. 104–831, September 23, 1996.

b. Summary of Measure.—H.R. 3841, the Omnibus Civil Service Reform Act of 1996, revises the executive branch's ability to conduct demonstration projects under Chapter 47 of Title 5, U.S.C., and enhances the role of performance management in several employee evaluation activities. The bill expands the array of benefits available under the Thrift Savings Plan, including enabling new employees to begin contributing to their retirement accounts when they enter the workforce, allowing entering employees to roll their individual 401(k) retirement accounts into their Thrift Savings Plan accounts, and liberalizing the terms under which employees can borrow or withdraw their contributions.

The bill also authorizes agencies to exercise additional flexibility in reducing their workforces by allowing employees to volunteer for

RIFs and by authorizing employees to enter into nonreimbursable details as a means of demonstrating their skills for potential new employers. The bill creates a variety of "soft-landing" options to ease the transition between Federal and private sector employment. These include allowing employees to continue their Federal Employees Group Life Insurance coverage by paying the premiums after leaving Federal service, extending for up to 18 months the period during which agencies may continue to pay the employer share of premium in the Federal Employees Health Benefits Program, and creating a combination of within-agency priority placement programs, education, retraining, and relocation assistance programs that will ease post-Federal employment transitions.

The bill enables agencies to reimburse Federal employees for the costs of certain forms of liability insurance, authorizes disbarment of health care providers who have committed fraud against the Federal Employees Health Benefits Program, and will ensure that FBI personnel have access to the same Merit System Protection Board personnel appeals system as other Federal employees.

c. Legislative History/Status.—H.R. 3841 was introduced by subcommittee Chairman Mica on July 17, 1996. It was referred to the Committee on Government Reform and Oversight and subsequently to the Subcommittee on Civil Service on July 17, 1996. The subcommittee forward H.R. 3841 to the full committee. On July 25, 1996, the Committee on Government Reform and Oversight approved and ordered reported to the House, as amended, H.R. 3841. It was called up under suspension of rules and passed the House on September 27, 1996, by voice vote. The Senate received H.R. 3841 on September 28, 1996.

d. Hearings.—The Subcommittee on Civil Service conducted a hearing on the bill on July 16, 1996. In addition, the subcommittee held a number of hearings in 1995 addressing concerns related to the civil service reform proposals on October 12, 13, 26, and November 29. In 1996, the subcommittee also held related hearings on May 8 and 23.

3. S. 868, Federal Employees Emergency Leave Transfer Act.

a. Report Number and Date.—None.

b. Summary of Measure.—S. 868, the "Federal Employees Emergency Leave Transfer Act of 1995," provides the authority for the President to direct the Office of Personnel Management to establish an emergency leave transfer program when a substantial number of Federal employees are adversely affected by a disaster or emergency, including natural disasters and emergency situations such as that created by the Oklahoma City bombing.

c. Legislative History/Status.—This bill was introduced in the Senate on May 25, 1995, and referred to the House Committee on Government Reform and Oversight on October 24, 1995, and referred to the Subcommittee on Civil Service on October 25, 1995. The Committee on Government Reform and Oversight approved S. 868 on September 18, 1996, and ordered it reported. The House passed an amended version on September 25, 1996, incorporating revised language from H.R. 3586 to strengthen veterans' preference and provisions from H.R. 3841 and S. 1080 to improve the Thrift Savings Plan for Federal employees by adding two new investment

funds, eliminating restrictions on borrowing, establishing authority for a one-time permanent withdrawal, and authorizing new employees to deposit funds from their private 401(k) plans in the Thrift Savings Plan. There was no further action in the Senate.

d. Hearings.—No hearings were held on this measure.

DISTRICT OF COLUMBIA SUBCOMMITTEE

1. H.R. 1345, District of Columbia Financial Responsibility and Management Assistance Act of 1995.

a. Report Number and Date.—House Report No. 104–96, March 30, 1995.

b. Summary of Measure.—The purpose of H.R. 1345 is to assist the District of Columbia in addressing its financial problems and would (1) establish a new entity, the District of Columbia Financial Responsibility and Management Assistance Authority (Authority), to advise the District, oversee and improve its financial and managerial activities, and (2) provide the District with additional access to short- and long-term debt financing.

The Authority would consist of five members appointed by the President in consultation with Congress. The Authority would review and approve annual financial plans and budgets submitted by the District. These financial plans would require the District to move its budget into balance by 1999. In order to ensure that the actions of the District are consistent with the approved plan, the bill would require the Authority to (1) review District-passed legislation before it is submitted to Congress; (2) approve or disapprove leases or contracts that the Mayor proposes to execute; (3) comment on budget reprogramming requests; (4) review the District's performance quarterly and report any variances between budgeted and actual transactions; and (5) approve all borrowing by the District, whether from the U.S. Treasury or in the private market. Also, the Authority would control access to the annual Federal payment to the District as well as any funds advanced to the District by the U.S. Treasury.

The legislation also calls for creating the position of a Chief Financial Officer (CFO) of the District of Columbia. The CFO is appointed by the Mayor with the advice of the City Council. The Authority must confirm the Mayor's candidate. Only the Authority may fire the Chief Financial Officer during a control period. Public Law 104–8 also significantly enhanced the Inspector General position and provided the same Mayoral appointment, Authority confirmation and firing procedure as for the CFO.

In addition, H.R. 1345, would create an extensive and detailed 4 year financial plan for the District.

c. Legislative History/Status.—H.R. 1345 was introduced on March 29, 1995. On March 29, 1995, the Subcommittee on the District of Columbia reported H.R. 1345, to the full committee. The bill was approved and ordered reported to the House by the Committee on Government Reform and Oversight on March 30, 1995. On April 3, 1995, H.R. 1345 passed the House amended by voice vote and was received in the Senate on April 4, 1995. H.R. 1345 passed the Senate with amendments on April 6, 1995, and the House agreed

to the Senate amendments on April 7, 1995, and was signed by the President on April 17, 1995, Public Law 104–8.

d. Hearings and Subcommittee Actions.—The Subcommittee on the District of Columbia held hearings on February 22, March 2, and March 8, 1995, on the financial status of the District of Columbia and on the experience of other cities which have operated under financial control boards. The following witnesses testified: Johnny C. Finch, Assistant Comptroller General, General Government Division, General Accounting Office, on February 22; Rudolph W. Giuliani, mayor of the city of New York; George V. Voinovich, Governor of Ohio; Hugh L. Carey, former Governor of New York; Edward V. Regan, former comptroller of New York State; David Cohen, chief of staff to the mayor of Philadelphia, on March 2nd; Dr. Bernard E. Anderson, Assistant Secretary for Employment Standards, U.S. Department of Labor and former chairman of the Pennsylvania Intergovernmental Cooperation Authority (PICA); and Ronald G. Henry, former executive director of PICA, on March 8th.

On March 29, 1995, the subcommittee held a Mark-up session, and forwarded the measure to the full committee. On March 30, 1995, the full committee held a mark-up session and ordered H.R. 1345 to be reported by voice vote.

2. H.R. 2108, District of Columbia Convention Center and Sports Arena Authorization Act of 1995.

a. Report Number and Date.—House Report No. 104–227, August 2, 1995.

b. Summary of Measure.—The purpose of H.R. 2108 is to amend the District of Columbia Home Rule Act to allow a governmental entity selected by the Mayor to develop a new sports arena to: (1) pledge tax revenues dedicated by local law as security for revenue bonds to finance the cost of a sports arena preconstruction activities; and (2) spend these dedicated revenues without appropriations from the District Government for both preconstruction activities and debt service. The legislation further provides that bonds issued for arena development are not backed by full faith and credit of the District of Columbia and that revenues dedicated to sports arena development are not to be included in the calculation of the accumulative debt limit of the District.

In addition, H.R. 2108 would eliminate the current requirement that the Washington Convention Center Authority receive appropriations from the District Government to use tax revenues currently dedicated to the Convention Center Authority. These revenues may be used to pay for operating expenses of the existing convention center and preconstruction activities of the new convention center.

c. Legislative History/Status.—H.R. 2108 was introduced on July 25, 1995. On July 26, 1995, the Subcommittee on the District of Columbia reported H.R. 2108 to full committee. The bill was approved and ordered Reported to the House by the Committee on Government Reform and Oversight on August 2, 1995, and placed on Union Calendar No. 119. H.R. 2108 passed House by Voice Vote on August 4, 1995, and was received in the Senate on August 7, 1995, and referred to the Senate Committee on Governmental Affairs.

On August 9, 1995, the Subcommittee on Oversight of Government Management held a hearing. On August 10, 1995, it was ordered to be Reported to the Senate by the Senate Committee on Governmental Affairs and placed on Senate Legislative Calendar under General Orders, Calendar No. 180. The Senate on August 11, 1995, passed the legislation by Voice Vote. On September 6, 1995, it was signed by the President, Public Law 104–28. Several amendments to Public Law 104–8 have been enacted as part of the District of Columbia Appropriations bills for FY 1996 and FY 1997.

d. Hearings and Subcommittee Actions.—On July 12, 1995, the Subcommittee on the District of Columbia held a hearing on H.R. 1862, District of Columbia Convention Center Preconstruction Act of 1995, and H.R. 1843, District of Columbia Sports Arena Financing Act of 1995. At the hearing the following witnesses testified: Barry Campbell, DC chief of staff, Office of the Mayor; David A. Clarke, chairman, DC City Council; Charlene Drew Jarvis, council member, DC City Council; Michelle Bernard, chairwoman, Redevelopment Land Agency; Abe Pollin, chairman, Centre Group USAIR Arena; Eugene Godbold, senior vice president, Nationsbank; and Jeffrey C. Steinhoff, Director of Planning and Reporting, General Accounting Office.

3. H.R. 2661, District of Columbia Fiscal Protection Act of 1995.

a. Report Number and Date.—House Report No. 104–408, December 14, 1995.

b. Summary of Measure.—H.R. 2661 would allow the Mayor of the District, with prior written notification to the District Council, the District Control Board, the Congress, and the President, to obligate and spend District funds in the event that a new fiscal year begins and the District's regular appropriations bill has not been enacted. As amended, H.R. 2661, would provide that the District of Columbia could continue its normal municipal operations using only its own locally raised revenues in a fiscal year while awaiting final action on its appropriation even if there is no Continuing Resolution in effect. This measure specifically mandates that the city must spend at the lowest spending level approved by Congress.

c. Legislative History/Status.—H.R. 2661 was introduced on November 17, 1995, and was referred to the Committee on Government Reform and Oversight. On November 21, 1995, the bill was referred to the Subcommittee on the District of Columbia. The bill was approved and ordered reported, as amended, to the House by the Committee on Government Reform and Oversight on December 14, 1995, and placed on Union Calender 205.

d. Hearings and Subcommittee Actions.—The Subcommittee on the District of Columbia held a hearing on December 6, 1995, and the following witnesses testified: Representative George W. Gekas, (R–PA); Edward DeSeve, Controller, Office of Management and Budget; Dr. Andrew Brimmer, chairman, District of Columbia Financial Responsibility and Management Assistance Authority; Marion Barry, Mayor, District of Columbia; Anthony Williams, chief financial officer, District of Columbia; Michael Rogers, city administrator, District of Columbia; Charles Hicks, president, American Federation of State, County, and Municipal Workers; David Schlein, American Federation of Government Employees; Diane

Duff, director of Federal affairs, Greater Washington Board of Trade; and Dr. Marlene Kelley, deputy commissioner for public health, District of Columbia.

4. H.R. 461, Closing of Lorton Correctional Complex.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 461, to close the Lorton Correctional Complex, and to prohibit the incarceration of individuals convicted of felonies under the laws of the District of Columbia in facilities of the District of Columbia Department of Corrections. The legislation would also create a Commission to determine the future use of the 3,000 reservation which is owned by the Federal Government.

For several years, Virginia local and State elected officials, Members of Congress, and criminologists have recommended closing this complex, which is obsolete and potentially dangerous facility. In response to a congressional mandate in the FY 1995 Commerce, State and Justice Appropriations bill, the National Institute of Corrections commissioned a study of the D.C. Department of Corrections. The National Council on Crime and Delinquency (NCCD) was commissioned to conduct that investigation. The subcommittee convened an informational hearing on May 22, 1996, to review the preliminary findings of that study. Subcommittee Chairman Davis directed attention of the hearing to living and working conditions at the prison, which the NCCD report showed to be universally substandard. Other issues discussed were problems in personnel and procurement, underfunding and the physical condition of the facility, which was described as unhealthy and life threatening.

c. Legislative History/Status.—H.R. 461, was introduced on January 9, 1995, and referred to the Committee on Government Reform and Oversight. On January 24, 1995, it was referred to the Subcommittee on the District of Columbia.

d. Hearings and Subcommittee Actions.—The subcommittee held three hearings on this matter and the following witnesses testified: Senator John Warner (R–VA); Representative Frank Wolf (R–VA); Representative James Moran (D–VA); James Gilmore, attorney general, Commonwealth of Virginia; Michael Rogers, city administrator, District of Columbia; David E. Clarke, chairman, District of Columbia City Council; William Lightfoot, District of Columbia council member; Kate Hanley, chairman, Fairfax County board of supervisors, VA; Gerald Highland, Fairfax County board of supervisors, VA; Maureen Caddigan, vice chairwoman, Prince William County board of supervisors, VA; and Michelle McQuigg, Prince William County board of supervisors, VA, on March 17, 1995. The June 7, 1995, hearing allowed testimony from a diverse group of citizens and organizations.

The third hearing was held on May 22, 1996, to review the findings of the NCCD study. The subcommittee received testimony from the following witnesses: Margaret Moore, director, District of Columbia Department of Corrections; Dr. James Austin, executive vice president, National Council on Crime and Delinquency; and Steve Harlan, vice chairman, District of Columbia Financial Responsibility and Management Assistance Authority (Control Board).

5. H.R. 1855, To Amend Title 11, District of Columbia Code, To Restrict the Authority of the Superior Court of the District of Columbia Over Certain Pending Cases Involving Child Custody and Visitation Rights.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 1855, is intended to enable a child to return to her native land free of fear of continued court battles and judicial rulings on her custody and supervision.

c. Legislative History/Status.—H.R. 1855, was introduced on June 15, 1995, and referred to the Committee on Government Reform and Oversight. On June 19, 1995, H.R. 1855 was referred to the Subcommittee on the District of Columbia.

The language of H.R. 1855 was incorporated as Section 350 of H.R. 3675, Transportation Approporiations for FY 1997 and signed by the President on September 30, 1996 as Public Law 104–205.

d. Hearings and Subcommittee Actions.—The subcommittee held a hearing on August 4, 1995, and the following witnesses testified on the bill: Dr. Eric Foretich; Jonathan Turley, professor of law, George Washington University; Hollida Wakefield, Institute of Psychological Therapies; Antonia Morgan; Robert Morgan; Charles D. Gill, Superior Court Judge, State of Connecticut; David Harmer, Esquire; Susan Hall, vice president, Alliance for the Rights of Children; and Nieltje Gedney, Committee for Mother and Child Rights.

6. H.R. 3663, District of Columbia Water and Sewer Authority Act of 1996.

a. Report Number and Date.—House Report No. 104–635, June 25, 1996.

b. Summary of Measure.—To amend the District of Columbia Self-Government and Governmental Reorganization Act to permit the Council of the District of Columbia to authorize the issuance of revenue bonds with respect to water and sewer facilities, and for other purposes. H.R. 3663 is needed to implement legislation already passed by the District of Columbia Council, as signed by the mayor, and approved by the Control Board under Public Law 104–8, creating the District of Columbia Water and Sewer Authority (Act 11–201, amended by Emergency Act on June 5, 1996). H.R. 3663 accomplishes the intent of Congress to allow the issuance of revenue bonds for water and sewer purposes by the District of Columbia and to permit the District Government to delegate the power being vested to the new Water and Sewer Authority. Other related provisions prevent the District Government from altering the Authority's budget and exempts bond proceeds and repayments from being part of the District's appropriations process. The legislation also removes both the revenues of the Water and Sewer Authority and outstanding General Obligation bonds issues for water and sewer purposes from the calculation of the District debt ceiling.

c. Legislative History/Status.—H.R. 3663 was introduced on June 18, 1996 and was referred to the Committee on Government Reform and Oversight. The subcommittee considered and approved H.R. 3663, by voice vote and forwarded it the full committee on June 18, 1996. The Government Reform and Oversight Committee met on June 20, 1996, approved and ordered reported H.R. 3663 to the House unanimously by voice vote. On June 27, 1996, the House

considered the measure by unanimous consent and passed H.R. 3663, as amended by voice vote. It was received in the Senate on June 28, 1996 and passed the Senate by unanimous consent on July 30, 1996. It was signed by the President on August 6, 1996, and became Public Law 104–184.

d. Hearings and Subcommittee Actions.—The Subcommittee on the District of Columbia held two hearings on February 23, 1996 and June 12, 1996. The first hearing was devoted to oversight issues associated with the District's waste and water systems. It also examined the overall operation and performance of the Blue Plains Waste Water Treatment Facility and its compliance with Environmental Protection Agency (EPA) permits and orders. The following witnesses testified: Michael McCabe, Director of Region III, EPA; Larry King, director of the District of Columbia Department of Public Works, Tom Jacobus, Chief of Washington Aqueduct, U.S. Army Corps of Engineers; Erik Olson, senior attorney of the Natural Resources Defense Council, and Dr. Peter Hawley, medical director of the Whitman-Walker Clinic. The second hearing was intended to evaluate what had taken place at the Blue Plains Facility since the February 23 hearing. The following witnesses testified: Hon. Steny H. Hoyer; Michael Rogers, city administrator of the District of Columbia; Larry King, director of the DC Department of Public Works; Katherine Hanley, chairman of the Fairfax County Board of Supervisors; Bruce Romer, chief administrative officer of Montgomery County, MD; Howard Stone, chief administrative officer of Prince Georges County, MD: Michael McCabe, Region III Administrator of EPA; and Henri Gourd, vice president/manager of MBIA Insurance Corp. Written testimony was received from John Hill, executive director of the District of Columbia Financial Responsibility and Management Assistance Authority (Control Board).

7. H.R. 3336, Bill granting the District of Columbia Temporary authority to waive reduction for early retirement under the Civil Service Retirement System.

a. Report Number and Date.—None.

b. Summary of Measure.—A bill to provide for temporary authority to waive the reduction for early retirement under the Civil Service Retirement System to assist the District of Columbia government in its workforce downsizing efforts, and for other purposes. H.R. 3336 authorizes the Office of Personnel Management to establish a temporary program under which mandatory reductions in annuities for certain employees of the District of Columbia who voluntarily separate from service would be waived in connection with the District of Columbia's plans for downsizing its workforce. This legislation is intended to assist the District of Columbia in its ongoing efforts to reduce the size of its workforce in an orderly and effective fashion.

c. Legislative History/Status.—H.R. 3336 was introduced by Delegate Norton on April 25, 1996 and was referred to the Committee on Government Reform and Oversight and subsequently referred to the Subcommittee on District of Columbia on May 1, 1996.

d. Hearings and Subcommittee Actions.—None.

8. H.R. 3389, District of Columbia Pension Liability Funding Reform Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—A bill to reduce the unfunded liability of the teachers', firefighters', police officers', and judges' pension funds of the District of Columbia by increasing and extending the contributions of the Federal Government to such funds, increasing employee contributions to such funds, and establishing a single annual cost-of-living adjustment for annuities paid from such funds, and for other purposes.

c. Legislative History/Status.—H.R. 3389 was introduced on May 2, 1996, by Delegate Norton and was referred to the Committee on Government Reform and Oversight. On May 8, 1996, it was referred to the Subcommittee on the District of Columbia and it currently has one co-sponsor.

d. Hearings and Subcommittee Actions.—None.

9. H.R. 3664, District of Columbia Government Improvement and Efficiency Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—This bill would make several technical corrections and enhance the operations aspects of the District's government.

c. Legislative History/Status.—H.R. 3664 was introduced on June 18, 1996, and was referred to the Committee on Government Reform and Oversight and subsequently referred to the Subcommittee on the District of Columbia. The subcommittee considered and approved H.R. 3664 and forwarded to the full committee by voice vote on June 18, 1996. The Committee on Government Reform and Oversight considered, approved and ordered reported by voice vote to the House on June 20, 1996.

d. Hearings and Subcommittee Actions.—None.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

1. H.R. 1271, Family Privacy Protection Act of 1995.

a. Report Number and Date.—House Report No. 104–94, March 29, 1995.

b. Summary of Measure.—Legislation protecting the privacy of minors from federally sponsored questioning traces its origins to the General Education Provisions Act (GEPA) (Public Law 90–247, January 2, 1968, as amended).

The GEPA, originally enacted as Title IV of the Elementary and Secondary Education Amendments of 1967 (Public Law 90–247), brought together in one document statutory provisions enacted during the previous 100 years that applied to Federal education programs. Since 1970, most major acts extending Federal education programs' authorization for appropriations, have amended GEPA in some significant way. Three of those changes have greatly affected the section of GEPA on "Protection of Pupils": (1) the "Kemp amendment" of 1974; (2) the "Hatch amendment" of 1978; and (3) the "Grassley amendment" of 1994.

1. The Kemp amendment (Public Law 93–380, August 21, 1974) required that parents of pupils participating in federally assisted educational "research or experimentation program[s] or project[s]" be provided access to the instructional materials used therein. A "research or experimentation program or project" was defined as an instructional activity using "new or unproven teaching methods or techniques."

2. The Hatch amendment (Public Law 95–561, November 1, 1978) enhanced pupil protection by inserting several provisions of the Privacy Act of 1974 to apply specifically in cases covered by the Kemp amendment. The provision prohibited requiring pupils to participate in certain forms of testing as part of a federally assisted education program, without the prior consent of the pupil (if an adult or emancipated minor) or the pupil's parent/guardian. The requirement was specific in referring to "psychiatric" or "psychological" tests or treatments that gather information on: political affiliations; "potentially embarrassing" mental or psychological problems; sexual behavior or attitudes; illegal, antisocial, or "demeaning" behavior; "critical appraisals" of family members; privileged relationships, such as those with lawyers, physicians, or ministers; or income (except where necessary to determine eligibility for financial aid).

3. The Grassley amendment (Public Law 103–227, General Education Provisions Act, March 31, 1994) sought to restore parents/guardians' rights and powers in obtaining the redress of family privacy violations resulting from intrusive questions or improper procedures. The provision was no longer limited to only research or experimentation programs or projects and psychiatric or psychological tests. It expanded consent requirements to "any survey, analysis, or evaluation" that was federally assisted. The Grassley amendment also contained a lower threshold for triggering the consent requirement. Questions that happen to reveal private information trigger the prior-consent requirement, not just questions with a primary purpose of revealing private information. According to a Congressional Research Service memorandum, the Department of Education had yet to modify its regulations in order to reflect any of the Grassley amendment provisions as of March 1995.

Because the Grassley amendment impacts only the Department of Education, not all intrusions on family privacy by federally sponsored questionnaires or surveys are being addressed. New legislation is necessary to expand the scope of parental consent requirements to cover surveys or questionnaires funded by agencies other than the Department of Education. Some of the Federal nationwide surveys, not now covered by the Grassley amendment, that might be affected by the Family Privacy Protection Act include: Head Start and other child development programs, as well as potentially health or welfare related surveys of the Department of Health and Human Services; child nutrition programs of the Department of Agriculture; education and related programs of the National Science Foundation and National Endowments for the Arts and the Humanities; and national surveys done by the Department of Commerce's Bureau of the Census, either as part of its own decennial population updates or as contract work for other Federal Departments and agencies.

The Department of Health and Human Services and the Bureau of the Census regularly conduct and update a number of large-scale nationwide surveys that include minors among the respondents. None of these surveys, as currently conducted (except where noted otherwise), require all parents/guardians of participating minors to provide verbal or written consent. To the extent that any of H.R. 1271's seven categories of private information might be revealed in the course of surveying, the proposed legislation would significantly affect the conduct of these surveys: National Crime Victimization Survey; National Health Interview Survey; and Youth Risk Behavior Survey.

H.R. 1271, the Family Privacy Protection Act, establishes a consent requirement for those conducting a survey or questionnaire funded in whole or part by the Federal Government. Those seeking responses of minors on surveys or questionnaires must obtain parental/guardian consent before asking seven types of sensitive questions. The bill also provides five types of common sense exceptions from this requirement.

Areas of concern for which parental consent is required for minors are questions related to: parental political affiliation or beliefs; mental or psychological problems; sexual behavior or attitudes; illegal, antisocial, or self-incriminating behavior; appraisals of other individuals with whom the minor has a familial relationship; relationships that are legally recognized as privileged, including those with lawyers, physicians, and members of the clergy; and religious affiliations and beliefs.

The areas of exception are: the seeking of information for the purpose of a criminal investigation or adjudication; any inquiry made pursuant to a good faith concern for the health, safety, or welfare of an individual minor; administration of the immigration, internal revenue or customs laws of the United States; the seeking of any information required by law to determine eligibility for participation in a program or for receiving financial assistance; and the seeking of information to conduct tests intended to measure academic performance.

The legislation requires that Federal agencies provide implementation procedures and ensure full compliance with the legislation. The procedures shall provide for advance availability of each survey or questionnaire for which a response from a minor is sought. The Family Privacy Protection Act does not apply to the Department of Education, because a similar provision is already contained in the General Education Provisions Act pertaining to that subcommittee. The act would become effective 90 days after enactment.

The *Contract With America* includes a commitment to protect and strengthen the rights of families. As part of this commitment, H.R. 1271, the "Family Privacy Protection Act of 1995," provides for parents/guardians' rights to supervise and choose their children's participation in any federally funded survey or questionnaire that involves intrusive questioning on sensitive issues. H.R. 1271 is an outgrowth of the original legislation provided for in Title IV of H.R. 11, the Family Reinforcement Act, which is included as part of the *Contract With America.*

The requirements of H.R. 1271 take effect 90 days after enactment and would apply to current grantees of departments and agencies, not just future recipients of funds. Therefore, time will be of the essence in providing those conducting surveys and questionnaires with necessary guidance through implementing rules and regulations. By incorporating the requirements of the Family Privacy Protection Act into these existing administrative processes, OMB can assure expeditious implementation.

The reported bill provides the parents or guardians the opportunity to decide whether to consent to the participation of their minor children in federally funded surveys or questionnaires.

c. Legislative History/Status.—H.R. 11, Title IV was referred to the Committee on Government Reform and Oversight, and a hearing was convened by the Subcommittee on Government Management, Information, and Technology on March 16, 1995. The bill was marked-up in the subcommittee on March 22, 1995, where subcommittee Chairman Horn presented an amendment in the nature of a substitute to H.R. 11, Title IV. This amendment was introduced as H.R. 1271 on March 21, 1995. Two amendments were considered and adopted without objection. The first, offered by Representative Maloney, ranking minority member of the Subcommittee on Government Management, Information, and Technology, required that agency rules and regulations promulgated pursuant to the legislation provide for protection of the confidentiality of survey data. The other amendment, offered by Representative Tate, provided for advance public availability of proposed surveys and questionnaires. The legislation passed the subcommittee unanimously by voice vote. On April 4, 1995, the legislation passed the House by a vote of 418 to 7, and was received in the Senate on April 5, 1995.

d. Hearings and Subcommittee Actions.—On March 16, 1995, the Subcommittee on Government Management, Information, and Technology, held a hearing to solicit comments from interested parties on Title IV of H.R. 11, the Family Reinforcement Act. Witnesses included Senator Charles E. Grassley (R–IA), Dr. Lloyd Johnston, program director, Survey Research Center, University of Michigan, Dr. Matthew Hilton, member of the Utah Bar and an authority on family privacy issues, Ms. Sally Katzen, Administrator of the Office of Information and Regulatory Affairs, Office of Management and Budget, and Dr. William T. Butz, Associate Director, Demographic Programs, Bureau of the Census. Written statements were provided from the American Association of School Administrators, the American Civil Liberties Union, the American School Counselor Association, the American School Health Association, the National Association of School Nurses, Inc., the National Association of School Psychologists, and the National School Boards Association.

The Government Reform and Oversight Committee met on March 23, 1995, to consider H.R. 1271. Chairman Clinger presented an amendment in the nature of a substitute to H.R. 1271 reflecting the two subcommittee amendments. The bill, as amended, was favorably reported to the House unanimously by voice vote and without further amendment by the full committee.

2. H.R. 1756, The Department of Commerce Dismantling Act.

a. Report Number and Date.—None.

b. Summary of Measure.—The Commerce Department contains a diverse group of programs, including the Bureau of Economic Analysis, the Census Bureau, Economic Development Administration, Export Administration, Patent and Trademarks Office, National Institute of Standards and Technology, Technology Administration, U.S. Travel and Tourism Administration and the National Weather Service. About 60 percent of its budget is used for the National Oceanic and Atmospheric Administration (NOAA), which includes the National Weather Service. The Department has an annual budget of $4 billion and has 35,000 employees.

Title I of H.R. 1756 would redesignate the Commerce Department as the "Commerce Programs Resolution Agency" (CPRA) effective 6 months after enactment, an independent executive branch agency headed by an administrator appointed by the President and confirmed by the Senate. CPRA would be charged with "winding down" or the elimination of those activities not intended for continuation. While most of the continuing functions of the Commerce Department would be transferred out of Commerce to their receiving agency 6 months after the date of enactment of the Chrysler bill, the specific disposition of Commerce programs are contained in Title II of the Chrysler bill.

c. Legislative History/Status.—The bill was introduced by Representative Chrysler on June 7, 1995, and was referred to the Committee on Government Reform and Oversight in addition to Committees on Commerce, Transportation and Infrastructure, Banking and Financial Services, International Relations, National Security, Agriculture, Ways and Means, the Judiciary, Science, and Resources. On June 16, 1995, it was referred to the Subcommittee on Government Management, Information, and Technology. It was reported amended from Ways and Means on September 21, 1995, Report No. 104–206, Pt. I.

d. Hearings and Subcommittee Actions.—The subcommittee held a legislative hearing on September 6th to enable the members, among other things, to examine the CPRA model as a possible prototype for future program resolution agency models. Subcommittee Chairman Horn, in his opening statement, noted that the hearing would attempt to determine if the Commerce Program Resolution Agency, as proposed, could effectively dispose of the Department's functions. He also noted that several other bills for eliminating agencies contained the "Program Resolution Model," consequently CPRA could provide the model for the process for eliminating a number of agencies.

Committee Chairman Clinger observed that "Our goal is to improve government activity where it is necessary, refocus government efforts where it is misdirected, and get government out of activities in which it does not belong."

Congressman Chrysler provided testimony on his bill, citing a Congressional Budget Office (CBO) savings estimate of $8 billion over 5 years. He emphasized what he regarded as the inappropriateness of many of the activities in which the Department is engaged.

In her opening statement, Mrs. Collins stressed the effectiveness of the current Commerce Secretary in advancing American trade interests abroad and in supporting the development of the Nation's technological capacity.

The subcommittee received testimony from Secretary of Commerce Brown who questioned the CBO savings estimate, contending the new law would cost $1.542 billion more in the next 5 years. He proposed elimination of duplicated functions around the Federal Government by consolidating them in the present Department.

In his questioning of the Secretary, Mr. Mica challenged the use of Department resources to engage in a grass roots lobbying effort to oppose legislation which would change the organization of the Federal Government's trade functions.

Dr. Rodgers, the CEO of Cypress Semiconductor provided testimony describing several examples of what he termed "corporate welfare," which are some of the programs that could be terminated by dismantling the Department of Commerce.

Mr. Black, president, Computer and Communications Industry Association, provided testimony advising deliberation in examining alternatives to the status quo, including possibly keeping a trimmed Department of Commerce.

Mr. Cobb, Heritage Foundation, offered testimony in support of dismantling the Department and recommending staffing the Commerce Programs Resolution Agency with members of the Office of the Inspector General to ensure a successful phaseout. He noted that CPRA would not be a new agency, only the mechanism through which an existing agency would be phased-out.

Nye Stevens, Director of Federal Management and Workforce Issues, General Accounting Office, testified on the purpose, structuring, and projected continuing need for a capacity like that of the Commerce Programs Resolution Agency.

Dr. Dwight Ink, president emeritus, Institute of Public Administration, and senior fellow, National Academy of Public Administration cited his personal experience presiding over the elimination of a Government agency in warning of possible legal and personnel problems with creating the temporary resolution agency, questioning across-the-board funding cuts, suggesting the dismantling could be done in less than 3 years, and reaffirming longstanding support for phasing out the Department of Commerce.

Mr. Raymond J. Keating, the chief economist of the Small Business Survival Committee, expressed full support for dismantling the Department of Commerce, advocating that it be pursued rapidly and boldly, in the spirit of small-business entrepreneurship, in order to serve as a model for more difficult and even bolder Federal agency reductions in the future.

Mr. Robert McNeill, executive vice chairman, Emergency Committee on American Trade, supported the general dismantling thrust but expressed the need for a continued strong Government presence in the area of international commerce.

Mr. Jeffrey Smith, executive director, Commercial Weather Services Association, urged the committee to provide greater opportunities to entrepreneurs through privatization to furnish weather forecasting services on a competitive basis.

Professor Charles Bingman, another veteran of Government agency abolition, reorganization, and creation, suggested in written testimony that abolishing an agency is not only a political responsibility but a management process, and is best done as quickly as possible, with concern and sensitivity to human consequences.

3. H.R. 2234, Debt Collection Improvement Act of 1995.

a. Report Number and Date.—None.

b. Summary of Measure.—Federal agencies are currently authorized to use a number of debt collection tools under Title 31 of the U.S.C. H.R. 2234 strengthens the debt collection tools available to agencies. In addition to strengthening these tools, H.R. 2234 envisions several other changes to improve agency performance in collecting debts. The Department of the Treasury will be given lead responsibility for collecting debts owed to the government and establishing consistent treatment of similarly situated debtors. Agencies will be eligible to retain some portion of increased debt collections, establishing an incentive for agencies to collect debts.

Since the 1930's, Federal agencies have been occupying an ever larger role in the Nation's credit markets. According to the "Analytical Perspectives" of the fiscal year 96 Budget of the U.S. Government, the Federal Government is responsible for a portfolio of $155 billion in direct loans; $699 billion in guaranteed loans; $4,986 billion in insurance; and $1,502 billion in obligations of government-sponsored enterprises. This increased credit role has led to increased delinquencies. The Federal Government currently has $49.9 billion in delinquent nontax debts and $70 billion in tax debts. These amounts have increased each of the last 5 years, despite writeoffs averaging $10 billion each and every year. It is the upward trend in delinquencies that H.R. 2234 is designed to remedy.

The first modern statutory authority to collect Government claims dates from the Federal Claims Collection Act in 1966 (the "1966 act"). Prior to 1966, the Federal Government collected debts under common law authority. The Debt Collection Act of 1982 (the "1982 act") built upon the 1966 act and created a number of tools available to agencies to assist in collecting debts. The 1982 act allowed agencies the ability to use private debt collectors, credit reporting bureaus, and other debt collection tools.

c. Legislative History/Status.—H.R. 2234 was introduced on August 4th with 10 original coauthors, including Mr. Horn, Mrs. Maloney, Mrs. Morella and Ms. Norton of the Government Reform and Oversight Committee. The major provisions include: offsetting payments; agency coordination; disbursements/facilitating offset; additional collection tools; and improving financial management. The Debt Collection Improvement Act passed the House of Representatives as part of Title V of H.R. 2491 by a vote of 227–203 on October 26, 1995. The provisions in H.R. 2234, as amended by the Committee on Government Reform and Oversight on September 19, 1995, were adopted by the House on April 25, 1996, as part of H.R. 3019 by a recorded vote of 399–25, and was signed into law on April 26, 1996; Public Law 104–134.

d. Hearings and Subcommittee Actions.—The Subcommittee on Government Management, Information, and Technology held a leg-

islative hearing on H.R. 2234 on September 8, 1995. In addition, the subcommittee has examined the issue of debt collection in related hearings on financial management issues.

Representative Jim Lightfoot testified that by moving toward electronic disbursements, the Federal Government could streamline its operations, send payments and benefits to recipients faster, reduce crime and fraud, and save $66 million over 5 years. Representative Lightfoot testified that if we moved to electronic disbursements, the problem of lost checks would diminish.

In the second panel, John Koskinen, Deputy Director, Office of Management and Budget testified that the administration supports H.R. 2234 because it will lower the deficit and improve financial management. Mr. Koskinen mentioned the deteriorating Federal credit picture, and that delinquencies for nontax debts increased by nearly 25 percent from 1993 to 1994. He also referred to a report on debt collection prepared by the President's Council on Integrity and Efficiency, which endorsed many of the tools included in H.R. 2234.

George Muñoz, Chief Financial Officer/Assistant Secretary for Management of the Department of the Treasury also testified, highlighting the anticipated benefits of adopting H.R. 2234. Mr. Muñoz cited the increased collections from improved litigation tracking and systems integration. Mr. Muñoz also testified on the benefits of electronic disbursements.

Anthony Williams, then-Chief Financial Officer, U.S. Department of Agriculture, detailed the collections achieved by USDA using various collection tools, including administrative offset, tax refund offset, and litigation. Upon questioning, Mr. Williams discussed the agency's policies regarding compromising debts.

Michael Smokovich, Deputy Commissioner, Financial Management Service, Department of the Treasury, testified on the advantages of moving toward electronic funds transfer. He cited statistics demonstrating savings of $66 million per year, a reduction in the 800,000 lost checks per year, and other reductions in fraud, theft, crime, and forgery. Upon questioning, Mr. Smokovich cited the security record of electronic disbursements, noting that nobody has ever broken through the security procedures established by Treasury and the Federal Reserve.

Jeff Steinhoff, Director of Policy and Planning, U.S. General Accounting Office, endorsed the additional tools included in H.R. 2234. Mr. Steinhoff noted that agencies assumed greater credit risk than lenders in the private sector, and that the Government should expect higher default rates as a result. In addition, he supported the idea to use private tax collectors to supplement other tax collection personnel.

Bob Tobias, president of the National Treasury Employees Union, mentioned his concern that the use of private collection agencies would undermine voluntary taxpayer compliance and damage operations at the Internal Revenue Service. Mr. Tobias advocated increasing appropriations for civil servant tax collectors and raised concerns over taxpayer privacy.

On the final panel, Thomas Gillespie testified on behalf of the American Collectors Association, a group of private debt collection firms. Also on the panel were Stephen Sale of Sale, Quinn, Deese

and Weiss, James Tracey of Diversified Collection Services, and Robert Bernstein of the Commercial Law League. Mr. Bernstein endorsed centralization of debts within the Treasury Department. Mr. Tracey recounted his firm's successful experience with wage garnishment in collecting student loans.

4. H.R. 1162, Lockbox Deficit Reduction Proposals.

a. Report Number and Date.—None.

b. Summary of Measure.—This hearing examined a number of proposals designed to create a deficit reduction Lockbox, or guarantee, that a spending cut passed during debate on an appropriations bill is not reallocated during the House/Senate Conference Committee to another project or program. The multiplicity of these proposals, the varied approaches they take, and their complicated effects on the budget process, were important topics that Members examined in detail.

H.R. 1162 would establish a Deficit Reduction Trust Fund and provide for downward adjustment of discretionary spending limits in appropriations bills. This legislation stems from perceived problems experienced when the House of Representatives voted for a spending cut and the funds were redirected to another project or account either in the conference committee or when another appropriations bill was considered. Members were interested in making permanent any reduction in spending which was passed on the floor of the House.

c. Legislative History/Status.—H.R. 1162 was introduced on March 8, 1995 and was referred to the Subcommittee on Government Management, Information, and Techonology on March 10, 1995. It was reported amended by the Committee on Rules, H. Rept. 104–205, Part I. On September 13, 1995, the House passed H. Res. 218, and was received in the Senate on September 14, 1995.

d. Hearings and Subcommittee Actions.—Subcommittee Chairman Horn and subcommittee Chairman Goss of the Subcommittee on Legislation Budget Process of the Committee on Rules, held a joint hearing to examine proposals related to Lockbox deficit reduction efforts. Interested Members of Congress were invited to testify before the subcommittees.

Hon. Michael Crapo noted his frustration at passing cuts to appropriations bills, only to see the funding shifted to another program rather than being reduced. Representative Crapo described his past efforts at passing Lockbox type bills.

Hon. Mark Foley described the frustrations experienced by the freshman class in reducing Government spending. Representative Foley presented a letter signed by virtually every freshman advocating adoption of a Lockbox-type approach.

Mr. James Blum, Deputy Director, Congressional Budget Office, noted the success that Congress has had in controlling the type of discretionary spending targeted by the Lockbox proposal, and the heavy contribution of mandatory programs (uncontrolled by the Lockbox bill) to the problem of the deficit.

Dr. Alice Rivlin, Director, OMB explained the Clinton administration's views on the Lockbox proposal, and possible unintended consequences of a Lockbox law. Dr. Rivlin also testified that the

Lockbox issue was a technical accounting device, and that far more important was making real choices to balance the Federal budget.

5. H.R. 1698, Mandatory Electronic Funds Transfer Expansion Act of 1995.

a. Report Number and Date.—None.

b. Summary of Measure.—The purpose of H.R. 1698 is to amend title 31, U.S.C., to require electronic funds transfer for all Federal payments by 2001 to promote efficiency and economy in the disbursement of Federal funds and to eliminate crime incident to the issuance of Treasury checks.

c. Legislative History/Status.—H.R. 1698 was introduced on May 24, 1995, and currently has four co-sponsors. On May 26, 1995, H.R. 1698 wa referred to the subcommittee.

d. Hearings and Subcommittee Actions.—None.

6. H.R. 1907, the Federal-aid Facility Privatization Act of 1995.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 1907 would relax the requirement that State or local governments wishing to privatize infrastructure facilities, but constructed partially or wholly with a Federal grant, repay the grant prior to privatizing or selling the asset. This change is contingent upon several conditions, such as the asset continuing in use for the purpose it was originally constructed, and adherence to all applicable grant assurances.

c. Legislative History/Status.—The bill H.R. 1907 was introduced by Representatives McIntosh and Horn on June 21, 1995. It was referred to the Committee on Government Reform and Oversight, and in addition the Committee on Transportation and Infrastructure.

d. Hearings and Subcommittee Actions.—Subcommittee Chairman Horn called the hearing on November 15, 1995. The purpose of the hearing was to focus on the use of corporate forms of organization to examine H.R. 1907, the Federal-aid Facility Privatization Act of 1995. H.R. 1907 would ease the requirement that Federal grants associated with State or locally owned infrastructure projects are repaid prior to privatization.

Representative David McIntosh (R–IN), the author of the bill, testified on the origins of the bill in Executive Order 12803. Representative McIntosh stressed the importance of reducing the burden on local governments.

Mr. Robert Poole, president, Reason Foundation, testified in support of H.R. 1907. Mr. Poole argued that H.R. 1907 could increase the flow of funds to improve infrastructure assets and that if Federal grants were to be repaid, they should be considered loans.

Mr. Allen Roth, executive director, New York State Research Council on Privatization, testified in support of H.R. 1907, and suggested that it could be improved. Mr. Roth offered his experience reviewing New York State infrastructure assets, especially the New York airports.

Mr. Michael B. Cook, Director, Office of Wastewater Enforcement and Compliance, Environmental Protection Agency testified on the U.S. Environmental Protection Agency's water programs, and the crucial need for increased investment in infrastructure assets re-

quired to comply with the Clean Water Act and the Safe Drinking Water Act. Mr. Cook noted that the official administration position would be available soon after the hearing.

Mr. John Dowd, senior vice president, Wheelabrator Clean Water Systems, Inc., testified about Wheelabrator's experience privatizing a wastewater treatment plant in Ohio based on Executive Order 12803, and provided extensive comments on H.R. 1907, offering suggestions for improvements.

Mr. James Barr, chairman of the board, National Association of Water Companies testified in support of H.R. 1907 on behalf of private water companies. Barr noted the large capital investment requirements necessitated by current law.

Mr. Raymond Holdsworth, president, Daniel, Mann, Johnson and Mendenhall testified in support of H.R. 1907, and noted the importance of bringing private sector expertise to bear on solving America's infrastructure needs. Mr. Holdsworth also surveyed some of the larger projects on which his company was working, including the Alameda Corridor project.

Mr. Ralph L. Stanley, senior vice president, United Infrastructure Corp. testified in support of H.R. 1907. While supportive of the bill, Mr. Stanley believed that other barriers to privatization should be reduced. Mr. Stanley also advocated the increased use of toll roads.

Mr. John Collins, senior vice president, American Trucking Association testified in support of H.R. 1907, so long as several amendments were made protecting highway users from fee increases unless road improvements were made.

Mr. Viggo Butler, vice president, Airport Group International testified in support of H.R. 1907, and described his company's experience with operating privatized airports throughout the world, and his interest in providing capital and expertise to solve airport management problems in the United States.

Mr. John Yodice, general counsel, Aircraft Owners and Pilots Association testified that the inclusion of airports in H.R. 1907 was premature, since the Federal Aviation Administration would be considering airport rates and the bill should await that study before action.

Mr. Rod Grimm, president, Thicksten, Grimm, Burgum, Inc., testified that some of the practical difficulties of privatizing an asset, and offered suggestions tightening the bill's language to increase clarity.

Ms. Peggy Kelly, policy analyst, Service Employee's International Union testified in opposition to H.R. 1907. Ms. Kelly disagreed that privatization was the answer for providing new capital for public infrastructure projects and that privatization would endanger safety and threatens public employment.

7. H.R. 2521, The Statistical Consolidation Act of 1995.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 2521 is designed to establish a Federal Statistical Service. The bill would improve coordination and planning among the statistical programs of the government and to reduce duplication and waste in information collected for statistical purposes.

c. Legislative History/Status.—H.R. 2521 was introduced by subcommittee Chairman Horn on October 24, 1995, and currently has 18 co-sponsors. It was jointly referred to the Subcommittee on National Security, International Affairs, and Criminal Justice, and to the Subcommittee on Government Management, Information, and Technology on October 31, 1995.

d. Hearings and Subcommittee Actions.—On March 22, 1996, the subcommittee held a legislative hearing on H.R. 2521. Testimony was received from: Hon. Everett Ehrlich, Under Secretary for Economic Affairs, Department of Commerce; Hon. Katherine Abraham, Commissioner, Bureau of Labor Statistics, Department of Labor; Hon. Martha Riche, Director, Bureau of the Census, Department of Commerce; Hon. Sally Katzen, Administrator, OIRA, Office of Management and Budget; Nye Stevens, Director, Federal Management and Workforce Issues, General Accounting Office; Janet Norwood, senior fellow, the Urban Institute; Dr. James T. Bonnen, professor of agricultural economics, Michigan State University; Dr. Maurine Haver, president, National Association of Business Economists (NABE); Dr. John Knapp, president, Council on Professional Associations on Federal Statistics; and Dr. Lynn Billard, president, American Statistical Association.

Subcommittee Chairman Horn opened the hearing emphasizing the importance of Federal statistics and that the integrity of the data not be compromised. He pointed out that most Federal statistical programs were established to serve the information needs of the particular agency in which they were based. However, government is increasingly more interconnected, and most economical and social issues far exceed the bounds of any one agency.

Dr. Norwood made several points noting that the United States has the most decentralized statistical system, and that American citizens must have access to accurate and objective statistical data. Norwood further emphasized this data must be collected and interpreted by competent professionals, free from political pressure. Finally, an effective statistical system must be grounded in an institutional and legal framework which is credible, set appropriate priorities and have the flexibility to conduct the appropriate and needed research.

Mr. Ehrlich, Dr. Riche, Dr. Abraham and Ms. Katzen echoed the Clinton administration's position that agencies should not be consolidated. They further stated that allowing for the sharing of data is enough to address any of the concerns that consolidation may give rise to.

Dr. Haver testified that the data produced by the Census Bureau, the Bureau of Labor Statistics and the Bureau of Economic Analysis, are as vital to the private sector as to the public. These statistics provide the basis for many operational and planning decisions and have real dollar consequences. While the economy of the United States has changed rapidly, the resources to measure the growing service and hi-tech sectors have not been available.

Dr. Billard focused on five points in her testimony. First, the need for good statistics is fundamental to the functioning of the government; second, it is important to build an institutional framework which enables statistical agencies to meet basic statistical practices prerequisites such as integrity, quality and the confiden-

tiality of data; third, the new agency will have to have staff expertise in many disciplines; fourth, the commitment to quality and professional standards and independence are best assured by a strong, independent Chief Statistician; and finally, H.R. 2521 has the opportunity to clarify the relationship between the administrator of the new agency and the coordination system established by the Paperwork Reduction Act.

8. H.R. 3184, The Single Audit Act Amendments of 1996.

a. Report Number and Date.—House Report No. 104–607, June 6, 1996.

b. Summary of Measure.—H.R. 3184 is designed to promote sound financial management, including effective internal controls, with respect to Federal awards administered by non-Federal entities; establish uniform requirements for audits of Federal awards administered by non-Federal entities; promote the efficient and effective use of audit resources; reduce burdens on State and local governments, Indian tribes and nonprofit organizations; and ensure that Federal departments and agencies rely upon and use audit work done pursuant to chapter 75 of title 31 United States Code, to the maximum extent practicable.

Prior to the passage of the Single Audit Act, multiple grant-by-grant audits had produced inefficiency and duplication of audit efforts. There was a myriad of overlapping, inconsistent, and duplicative Federal requirements for audits of individual programs. The Single Audit Act eliminated this disparate approach, replacing it with a comprehensive, organization-wide approach to the audit.

The threshold of $100,000 for requiring a single audit was based on the premise that 95 percent of direct Federal assistance to local governments would be subject to audit, but resulted in approximately 98 percent of Federal assistance being audited. Program managers were concerned because the single audit did not appear to provide much detailed coverage of their particular programs, especially if the dollar amount was such that the program was not considered to be a major program.

In 1990, the General Accounting Office conducted a study to illustrate the influence of the act on the financial management practices of State and local governmental entities receiving Federal funds; identify issues that burden the current single audit process and limit the usefulness of the single audit reports; and develop workable solutions to improve the single audit process.

The standards subcommittee of the President's Council on Integrity and Efficiency (PCIE) released a report noting concerns about some aspects of single audit implementation.

The National State Auditors Association (NSAA) also conducted a survey of its members in 1991, and found that the members thought the act was an effective piece of legislation that improves overall accountability and internal controls over Federal funds, and provides an effective mechanism to determine compliance with applicable Federal program laws and regulations. NSAA believed the act provided information to Federal program managers in a cost-effective manner and strengthened general fiscal accountability through all levels and units of government.

The results of these studies indicated that the Single Audit Act is working, and has caused improvements in financial management practices. However, the studies also indicated that a number of issues burden the single audit process, hinder the usefulness of the reports, and limit its impact. They all agreed that changes could improve the functioning of the act.

c. Legislative History/Status.—Senator Glenn introduced S. 1579, the Single Audit Act Amendments of 1996 on February 27, 1996; subcommittee Chairman Horn introduced the same bill as H.R. 3184 on March 28, 1996. The subcommittee held a hearing on March 29, 1996; and considered H.R. 3184 on April 18, 1996, and forwarded it to the full committee. The Government Reform and Oversight Committee considered and ordered reported H.R. 3184 favorably to the House on April 24, 1996. S. 1579 passed the Senate by unanimous consent on June 14, 1996; the House passed the provisions of H.R. 3184 as S. 1579 by voice vote on June 18, 1996; and S. 1579 was signed into law on July 5, 1996, Public Law 104–156.

d. Hearings and Subcommittee Actions.—On March 29, 1996, the subcommittee held a hearing to address the need for changes to the original act and examined what the changes will accomplish. Testimony was received from: Edward DeServe, Controller, Office of Federal Management, Office of Management and Budget; Gene Dodaro, Assistant Comptroller General, General Accounting Office; Randy Main, representing the Association of Independent Research Institutes; Anthony Verdecchia, legislative auditor of Maryland; and Kurt Sjoberg, California State Auditor.

9. H.R. 3869, The Electronic Reporting Streamlining Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—The bill is designed to amend the Federal Advisory Committee Act to direct the Director of the Office of Management and Budget (OMB) to conduct a negotiated rulemaking for the purpose of establishing electronic data reporting standards for the electronic interchange of certain data that is required to be reported under existing Federal law.

The act will also streamline government-wide use of electronic data transmissions in place of paperwork submissions to included a number of reforms designed to reduce the burden of government-imposed paperwork on businesses and households. The proposed bill was intended to encourage a reduction in the burden of regulatory reporting for business through the more rapid development of data interchange standards for reporting regulatory information in electronic formats through an advisory committee process.

Greater use of electronic filing will improve the efficiency of Federal Government operations by allowing electronic submission of required information. Increased use of electronic data interchange could ease the burden on private firms required to report regulatory information, reduce Federal Government administrative costs associated with processing data, and increase the public accessibility of submitted information.

c. Legislative History/Status.—Subcommittee Chairman Horn introduced H.R. 3869, the "Electronic Reporting Streamlining Act of 1996," on July 23, 1996, and has 9 co-sponsors. The subcommittee

considered H.R. 3869 and reported it favorably to the full committee on July 23, 1996. The Committee on Government Reform and Oversight considered and approved H.R. 3869, as amended, on July 25, 1996, and ordered it reported to the House.

d. Hearings and Subcommittee Actions.—The subcommittee held two hearings on October 10, 1995 and on May 22, 1996 on the Electronic Reporting Streamlining Act. Witnesses at the October hearing were: Thomas E. Kelly, Director, Regulatory Management and Information, Office of Policy, Planning and Evaluation, Environmental Protection Agency; Stephen D. Hanna, assistant for information technology, California Environmental Protection Agency; Brad W. Lamont, vice president, Romic Environmental Technologies Corp.; David Roe, senior attorney, Environmental Defense Fund; and Richard A. Ferguson, board member and executive director, Environment & Safety Data Exchange (ESDX). Witnesses at the May hearing were: Hon. Sally Katzen, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget; Richard A. Ferguson, board member and executive director, Environment & Safety Data Exchange (ESDX); David Roe, senior attorney, Environmental Defense Fund; and Jeffrey Snow, Electronic Data Interchange Project, International Association of Industrial Accident Boards and Commissions.

10. H.R. 3189, To Delay Privatization of the Office of Federal Investigations of the Office of Personnel Management.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 3189 is formulated to delay the privatization of the Office of Federal Investigations of the Office of Personnel Management in order to allow sufficient time for a thorough review to be conducted as to the feasibility and desirability of any such privatization.

The Office of Federal Investigations (OFI) performs background checks on Federal employees and potential Federal employees. Agencies granting security clearances must comply with the same security standards for background investigations, which are overseen by the Information Security Oversight Office (ISOO), within the Executive Office of the President. The background checks to comply with these requirements are subject to OPM's authority. Agencies may either use OPM investigators, or can employ a private contractor after obtaining a delegation of OPM's authority.

The Office of Personnel Management intends to privatize this function through an Employee Stock Ownership Program. The new entity will be called the U.S. Investigations Service (USIS). OPM will grant USIS a sole-source contract for the first 5 years of its existence. In addition, OPM will partially prepay USIS, in effect capitalizing USIS for its initial operations.

Questions have been raised regarding the costs of outsourcing this function. OPM has contracted with a private consultant to determine the costs and benefits of privatizing USIS, and determined that $73.8 million would be saved by the ESOP, on a net present value basis. The General Accounting Office is working on a report related to the costs and benefits of privatizing the Office of Federal Investigations, and will review the OPM methodology and findings.

Others are concerned about the security and privacy of background checks for Federal employees and the advisability of private contractors having access to sensitive information. Reportedly, some agencies have expressed this concern, and will seek to establish an in-house staff of investigators to perform checks in the future.

In addition, H.R. 3189 would delay the privatization of the Office of Federal Investigations for 2 years, and would require a report submitted to Congress on the feasibility of terminating the Office of Federal Investigations and privatizing its functions.

c. Legislative History/Status.—H.R. 3189 was introduced by Representative Davis on March 28, 1996 with six co-sponsors. It was referred to the Committee on Government Reform and Oversight on March 28, 1996, and was referred to the subcommittee on April 2, 1996.

d. Hearings and Subcommittee Actions.—The subcommittee held a hearing on May 22, 1996. Testimony was received from: Hon. James B. King, Director, Office of Personnel Management; Richard A. Ferris, Associate Director, Investigations Service, Office of Personnel Management; Lorraine Lewis, General Counsel, Office of Personnel Management; Deborah Apperson, Investigator, Office of Personnel Management; and Herb Saunders, chairman, Varicon International.

11. H.R. 1281, War Crimes Disclosure Act.

a. Report Number and Date.—House Report No. 104–819 (Part 1), September 24, 1996.

b. Summary of Measure.—This bill is to amend title 5, United States Code, and the National Security Act of 1947 to require disclosure under the Freedom of Information Act of information regarding certain individuals who participated in Nazi war crimes during the period in which the United States was involved in World War II.

Identification of Nazi War Criminals.—Current law restricts access to information concerning individuals who are suspected of engaging in Nazi war crimes due to privacy or national security exemptions. Under H.R. 1281, the War Crimes Disclosure Act, information about these individuals in Federal Government files could be released through the Freedom of Information Act.

The bill allows justice to be better served by allowing information to be released to interested parties concerning persons who may be guilty of committing such crimes.

c. Legislative History/Status.—H.R. 1281 was introduced by Ranking Minority Member Maloney on March 21, 1995 with 29 cosponsors, and referred to the subcommittee. The subcommittee held a hearing on June 14, 1996, and marked up the bill on July 16. The committee marked up the bill on July 25. On September 24, 1996, H.R. 1281 passed the House by unanimous consent. On October 3, 1996, it passed the Senate by unanimous consent, and was signed into law by the President on October 19, 1996 as Public Law 104–309.

d. Hearings and Subcommittee Actions.—A legislative hearing was held on June 14, 1996. Testimony was received from: Representative Tom Lantos (D–CA.); Professor Robert Herzstein, a

member of the Department of History at the University of South Carolina in Columbia, SC; and Hon. Elizabeth Holtzman, a former Member of Congress.

12. H.R. 3802, Electronic Freedom of Information Amendments of 1996.

a. Report Number and Date.—House Report No. 104–795, September 17, 1996.

b. Summary of Measure.—H.R. 3802 is designed to amend section 552 of title 5, United States Code, known as the Freedom of Information Act, to provide for public access to information in an electronic format.

The Freedom of Information Act was written more than 30 years ago, well before the advent of the Internet and changing technologies. H.R. 3802 clarifies that under the Freedom of Information Act, records maintained in an electronic format are subject to disclosure to the public. The bill also simplifies the administration of information requests and makes more information about the Freedom of Information Act available to the public via the Internet.

These are important changes which will allow citizens greater access to information.

c. Legislative History/Status.—H.R. 3802 was introduced on July 12, 1996 by Representative Tate and was referred to the Committee on Government Reform and Oversight. The subcommittee held a hearing on June 14, 1996, on S. 1090, the "Electronic Freedom of Information Improvement Act of 1995." The subcommittee considered and approved H.R. 3802 on July 16, 1996 and forwarded it to the full committee. The Committee on Government Reform and Oversight considered, approved and ordered reported, as amended, by voice vote to the House on July 25, 1996. H.R. 3802 passed the House on September 17, 1996 by 402–0, and was received and passed in the Senate on September 18, 1996. It was signed into law by President Clinton on October 2, 1996 as Public Law No. 104–231.

d. Hearings and Subcommittee Actions.—On June 14, 1996, the subcommittee held a legislative hearing on S. 1090, the "Electronic Freedom of Information Improvement Act of 1995," and received testimony from Senator Patrick Leahy, (D–VT), Robert Gellman, attorney and a privacy and information policy consultant and Alan Adler, attorney.

Mr. Gellman praised the principle in S. 1090 requiring agencies to respond to requestor format requests for electronic records, but suggested that S. 1090 might go too far in allowing the requestor to unreasonably require disclosure in seldom used formats. He further suggested that a requirement that agencies identify redacted material on electronic records should be subject to a standard of technical feasibility. He criticized the Department of Justice for its handling of FOIA litigation for agencies, stating that: "the Department of Justice defends unreasonable agency denials in court and will make an argument, without regard to the purpose of FOIA or the policies of the President, department litigators bear substantial responsibility for much of the bad FOIA case law in recent years."

Mr. Adler recounted the barriers that journalists face when they request production of records in an electronic format. In recounting

the evolution of Senator Leahy's initiatives toward an electronic Freedom of Information bill, Adler stressed that the legislation was intended to help agencies to reduce request backlogs and to more effectively use scarce resources. He noted that the legislation had evolved in response to agency concerns.

Also testifying was James Lucier, director of economic research at Americans for Tax Reform, in support of S. 1090. He observed that the public was now more eager to obtain government information than it was when the FOIA was first enacted in 1966. He suggested that increasing public access to government information through electronic means was essential if the government were to approach the pace of private sector developments. He argued that government needed to keep pace in its use of communication technologies that made information about private institutions more accessible. Lucier testified that the government needs to meet the expectations for responsiveness that consumers insist upon from private institutions.

13. H.R. 3452, The Presidential and Executive Office Accountability Act.

a. Report Number and Date.—House Report No. 104–820 (Part 1), September 24, 1996.

b. Summary of Measure.—The Presidential and Executive Office Accountability Act extends certain rights and protections to employees of the Executive Office of the President. The bill amends title three of the United States Code, by applying 11 civil rights, labor and employment laws to the Executive Office of the President; extending rights and protections under these laws to covered employees, and permitting administrative and judicial dispute-resolution procedures, including punitive damages if applicable. H.R. 3452 as originally drafted, established a Chief Financial Officer in the White House, amended the definition of "special Government employee," made future employment laws applicable, amended the Congressional Accountability Act to permit awards of punitive damages, and repealed section 320 of the Government Employee Rights Act of 1991. The Senate made amendments to H.R. 3452, which resulted in the above provisions being eliminated.

The Executive Office of the President will be required to abide by the same laws that Congress and private industry must comply with.

c. Legislative History/Status.—Representative Mica introduced H.R. 3452 on May 14, 1996 and was referred to the Committee on Government Reform and Oversight. Section 3 of H.R. 3452 was referred to the subcommittee and a hearing was held on June 25, 1996. The subcommittee considered and forwarded as amended to the full committee on July 16, 1996. The Committee on Government Reform and Oversight considered, approved and ordered reported as amended H.R. 3452 on July 25, 1996. On September 24, 1996, H.R. 3452 was considered under suspension of the rules and passed the House by a recorded vote of 410–5, and passed the Senate, with amendments, by unanimous consent, on October 3, 1996. The House agreed to the Senate amendments, by unanimous consent, on October 4, 1996. The bill was signed by the President and became law on October 26, 1996; Public Law 104–331.

d. Hearings and Subcommittee Actions.—The subcommittee held a legislative hearing on June 25, 1996 on H.R. 3452. Testimony was received from: Hon. John L. Mica, (R–FL); Hon. Christopher Shays, (R–CT); Gregory S. Walden, counsel, Mayer Brown & Platt; Sandra J. Boyd, assistant general counsel, Labor Policy Association; Deanna R. Gelak, chair, Congressional Coverage Coalition, and director of Congressional Affairs, Society for Human Resource Management; and Hon. Franklin S. Reeder, Director, Office of Administration, Executive Office of the President. All witnesses confirmed the need for the provisions of H.R. 3452 to apply to the White House and those other divisions of the Executive Office of the President that are not widely covered by employment laws.

At the committee markup on July 25, written testimony on constitutional issues related to establishing an Inspector General in the Executive Office of the President from CRS/ALD and from the Office of Legislative Affairs, Department of Justice, were put into the record.[64] The CRS/ALD memo concluded that encroachment on the President's authority must be balanced by the need of Congress to be able to conduct effective oversight over the executive branch, and, on balance, the bill did not impermissibly encroach on the President's constitutional authority. The letter from the Office of Legal Counsel at the Justice Department claimed that to establish an IG in the Executive Office of the President violated the separation of powers between the executive and legislative branches and was not balanced by the Congress's need for effective oversight.

Written testimony[65] was also received from the Department of Justice's Office of Legislative Affairs reiterating their support of the removal of the injunctive relief provisions from the bill.

14. H.R. 3872, The White House Inspector General Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—Establishing an Office of Inspector General in the Executive Office of the President would provide the President with a tool to prevent waste, fraud, and abuse, and serve as an early warning system of potential problems. H.R. 3872 amends the Inspector General Act of 1978 and would set up an Inspector General in the Executive Office.

The White House Inspector General would serve as a watchdog of Presidential and Executive Office financial management and fiscal resources. It would have complemented H.R. 3452's original provision applying the Chief Financial Officer Act to the White House. The IG would have brought to the President's attention situations which could cause problems before such problems arise, and ensure that controls are in place to prevent waste, fraud, or abuse.

c. Legislative History/Status.—H.R. 3872 was introduced by Representative Charles Bass on July 23, 1996 and referred to the Committee on Government Reform and Oversight. H.R. 3872 was added as an amendment to H.R. 3452 on July 25, 1996, and approved by

[64] Memorandum dated October 22, 1993, *Congressional Research Service/American Law Division* Letter undated but received July 24, 1996, *U.S. Department of Justice Office of Legislative Affairs.*

[65] Letter undated but received July 24, 1996, *U.S. Department of Justice Office of Legislative Affairs.*

voice vote. However, this amendment was deleted from H.R. 3452 by the Senate prior to Senate passage of H.R. 3452 on October 3, 1996.

d. Hearings and Subcommittee Actions.—None were held.

15. H.R. 3637, The Travel Reform and Savings Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—To amend chapter 57 of title 5, United States Code, and title 31, United States Code, to provide employees who transfer in the interest of the government more effective and efficient delivery of relocation allowances by reducing administrative costs and improving services.

Prior to 1921, Federal agencies established their own individual travel and relocation policies. In 1921, the legislation which created the Bureau of the Budget (BoB) included a small section called the Federal Coordinating Service, which enabled the President to coordinate executive branch activities to ensure economical and efficient operations. In 1926, President Coolidge issued Executive Order 4493 to implement uniform regulations, known as Standard Government Travel Regulations (SGTR), recommended by the Federal Coordinating Service. The SGTR incorporated the first set of standardized maximum subsistence expense rates which had just been enacted in the Subsistence Expenses Act of 1926. The SGTR was issued by Executive order until 1931, when BoB was given the authority to issue regulations with the President's approval. In 1949, the Travel Expense Act of 1949 conferred authority on the Director of the BoB to promulgate the SGTR without the President's approval. BoB, and then OMB, continued to issue the regulations until 1971, when the function was transferred to the General Services Administration (GSA).

The Federal Government spends $7.6 billion per year on Federal travel, according to the General Accounting Office. An additional $2 or $3 billion per year is spent processing the paperwork that this generates.

c. Legislative History/Status.—Subcommittee Chairman Horn introduced H.R. 3637 on June 13, 1996. It was referred to the subcommittee on June 18, 1996. The subcommittee held two hearings and considered and reported favorably to the full committee H.R. 3637 on July 16, 1996. The Government Reform and Oversight Committee considered, approved and ordered reported to the House on July 25, 1996. H.R. 3637 was incorporated into H.R. 3230, the National Defense Authorization Act, as Title XVII: Federal Employee Travel Reform and passed the House on August 1, 1996. It was signed into law on September 23, 1996 as Public Law 104–201.

d. Hearings and Subcommittee Actions.—The subcommittee held a hearing on May 10, 1996 and another hearing on July 9, 1996 to examine H.R. 3637, the Travel Reform and Savings Act of 1996. Testimony was received from: Jack Brock, Jr., Director, Information Resources Management/General Government Issues, Accounting and Information Management, General Accounting Office; Edith Pyles, Assistant Director, Information Resources Management/General Government Issues, Accounting and Information Management, General Accounting Office; Virginia Robinson, executive director, Joint Financial Management Improvement Project; G.

Martin Wagner, Associate Administrator, Office of Policy, Planning and Evaluation, General Services Administration; Hon.John J. Hamre, Comptroller, Department of Defense; and Hon. Donald K. Charney, Chief Financial Officer, Agency for International Development.

16. S. 1130, Federal Financial Management Improvement Act of 1996.

a. Report Number and Date.—None.

b. Summary of Measure.—The Federal Financial Management Improvement Act of 1996 is intended to strengthen Federal financial management. It requires Federal financial agencies to implement and maintain financial management systems that comply substantially with Federal financial management system requirements; applicable Federal accounting standards; and the U.S. Standard General Ledger at the transaction level. Agencies not in compliance must develop a remediation plan which will bring them into compliance within 3 years. It builds upon the Chief Financial Officers Act of 1990 (Public Law 101–576), the Government Performance and Results Act of 1993 (Public Law 103–62), and the Government Management Reform Act of 1994 (Public Law 103–356).

Compliance with this legislation by executive branch agencies will enable them to have better control over errors and irregularities in financial management systems processing, and will reduce the risk of fraud, waste, and abuse.

c. Legislative History/Status.—Senator Hank Brown introduced S. 1130, the "Federal Financial Management Improvement Act of 1996," which was referred to the committee on September 4, 1996, and subsequently referred to the subcommittee on September 6, 1996. The subcommittee held two hearings in April, 1996. S. 1130 passed the Senate on August 2, 1996; and was inserted into the Treasury, Postal Service, and General Government Appropriations Act, 1997 which was included in H.R. 3610, the "Omnibus Consolidated Appropriations for Fiscal Year 1997," and signed into law on September 30, 1996 as Public Law 104–208. On September 11, 1996, Representative Talent (R–MO) introduced a similar bill, H.R. 4061, which was referred to the subcommittee. No action was taken on H.R. 4061. Conference Report No. 104–863 was filed on September 28, 1996, which includes S. 1130 as Title VIII of SEC. 101(f).

d. Hearings and Subcommittee Actions.—The subcommittee held two hearings on April 23 and 25, 1996, on Federal Financial Management at which time an early draft of the proposed legislation was discussed. Testimony was received from: Hon. Charles A. Bowsher, U.S. Comptroller General, General Accounting Office; Hon. G. Edward DeSeve, Controller, Office of Federal Financial Management, Office of Management and Budget; George Muñoz, Assistant Secretary for Management and Chief Financial Officer, the Department of the Treasury; Donald R. Wurtz, Chief Financial Officer, U.S. Department of Education; and Ted Sheridan, president, Financial Executives Institute.

Comptroller Bowsher testified that, "when the Congress passed the Budget and Accounting Act of 1950, they expected the systems and our Government to be modernized over the years and to pro-

vide good information, information that the Members of Congress and the public and taxpayers could understand; and the truth of the matter is that this did not happen, until the last four or five years. Now, with the CFO Act of 1990, the GMRA of 1994, there is in place a legislative basis for modernizing the accounting and the financial reporting and the auditing of the Federal Government."

With the memorandum of understanding (MOU) that the GAO worked out with Treasury and the OMB in 1990 to update the standards for the Federal Government, real progress has been made. All the basic accounting standards have been issued by the Federal Accounting Standards Advisory Board (FASAB) which was established under the MOU.

Mr. DeSeve provided an overview of how the administration is continuing to improve the way the Federal Government manages its finances and programs. The administration believes that the FASAB process for establishing accounting standards, as envisioned by the agreement between GAO, OMB, and Treasury, is working. The MOU signed by Treasury, the related financial statement preparation and auditing requirements of the CFO Act and the GMRA achieve the same management ends without further legislation. The administration does not believe any legislation in this area is needed at this time.

Assistant Secretary Muñoz said that the CFO Act is working, and because of it, the Federal Government is better off than 5 years ago when it comes to financial management reform. He stated that the development of cost accounting systems has been identified as a priority for the Department of the Treasury, because they will augment Treasury's ability to develop performance measures. Treasury has also developed a framework for financial statements, which will be helpful in preparation for the governmentwide audited financial statements required by the GMRA.

Mr. Wurtz said that the CFO Act of 1990, the Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994, have each strengthened the statutory underpinning of Federal financial management.

Witnesses at the second hearing included representatives from the accounting industry.

17. Federal Budget Process Reform.

a. Report Number and Date.—None

b. Summary of Measure.—The subcommittee took various legislative proposals from this and prior Congresses and incorporated them into a proposed omnibus budget reform bill.

Three hearings were held to assess the adequacy of current Federal budget law and review recent proposals for reform. The budget process currently in use by the Federal Government is the result of 75 years of legislative action which have resulted in 15 major acts and dozens of supplementary legislative provisions.

Starting with the Budget and Accounting Act of 1921, the Federal Government began to establish rules and procedures for budget formulation. In the three decades since the Second World War and the Legislative Reorganization Act of 1946, Congress passed the Accounting and Audit Act of 1950, the Budget and Accounting

Procedures Act of 1950, the Federal Claims Collection Act of 1966, the Congressional Budget and Impoundment Control Act of 1974, and the Inspector General Act of 1978.

Major budget initiatives were enacted into law during the 1980's with the purpose of putting the Federal Government's fiscal house in order and making deficit reduction part of the law. The Balanced Budget and Emergency Deficit Control Act of 1985, otherwise known as Gramm-Rudman-Hollings and the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 both promised to bring Federal spending under control and reduce the size of government. This promise was not realized.

During the first half of the 1990's, a number of comprehensive budget reform bills were crafted. One of them, the Budget Enforcement Act of 1990, added new budget enforcement mechanisms for discretionary spending, entitlement and receipts. These were intended to ensure deficit reduction over the 1991–1996 timeframe.

The subcommittee believes that a comprehensive bipartisan effort to reform the Federal budget process and law is warranted, and that this would provide better control of spending by the Federal Government, reduction of the deficit, and minimize the burden of debt passed on to future generations.

c. Legislative History/Status.—No legislative action taken.

d. Hearings and Subcommittee Actions.—During March and April 1996, the subcommittee held a series of hearings on Budget Process reform. The hearings were held on March 27, April 23, and April 25. Congressional witnesses were Representatives Joe Barton (R–TX); Nick Smith (R–MI); Chris Cox (R–CA); Mike Crapo (R–ID); Lamar Smith (R–TX); Ray Thornton (D–AK); Steve Stenholm (R–TX); and Mike Castle (R–DE). They discussed various legislative proposals they had introduced. They were followed by a panel of expert witnesses including Roger Zion, honorary chairman of the 60 Plus Association, accompanied by its president, James L. Martin; Michael Monroney, former chairman, Coalition for Fiscal Restraint; Thomas A. Schatz, president, Council for Citizens Against Government Waste; Stephen Moore, director of fiscal policy studies, the Cato Institute; Joseph White, senior fellow, government affairs, the Brookings Institution; Richard Kogan, budget director, Center on Budget and Policy Priorities; and Dave M. Mason, vice president, government relations, the Heritage Foundation.

Mr. Zion indicated that the biggest contribution to budget simplification would be to tackle the problem of entitlements. His organization has advocated privatizing entitlement programs, following the Chilean model that has been successful for 14 years.

Mr. Monroney advocated discontinuing current services budgeting, extending some form of enhanced rescission authority to the President, ensuring that funds cut from appropriations bills are not spent without proper subsequent authorization, that the Federal budget should be in the form of a binding joint resolution, and ensuring that entitlement programs are brought within budget control; stricter budgetary controls for costs relating to emergencies, and an end to the abuse of waivers which permit the Congress to ignore the budget. He thought that the Transportation Trust fund and the Superfund cleanup fund should not be taken off budget.

Mr. Schatz favored biennial budgeting and appropriations, a two-thirds requirement for spending over the budget ceiling, fixed dollar amounts for entitlements, and deficit reduction through a lockbox mechanism.

Mr. Moore supported a balanced budget amendment and a supermajority for raising taxes. He also thought that the Congressional Budget Office should use dynamic rather than static revenue analysis.

Mr. White questioned some of the legislative proposals, because, if taken together, they are inherently contradictory. He noted that two-thirds majority requirements may not meet with the public's approval, and questioned the meaning of generational accounting for programs that are all annually appropriated where there are no commitments beyond 1 year. He reminded the subcommittee that balancing the budget, though helpful, does not provide markedly positive returns, that most entitlements are entitlements for good reason, and that they are designed to be automatic stabilizers of the economy.

Mr. Kogan pointed out difficulties with some of the proposals. He stated that supermajorities are basically undemocratic, unfair, and have no place in Congress. He noted that the framers of the Constitution specifically rejected supermajorities as a way of deciding public policy. Kogan further testified that fixed deficit targets are wrong because the size of the deficit or surplus in any given year depends or should depend on what the net national savings rate is, and that spending caps are unwise policy. He concluded that there is a real reason to reform Medicare and Medicaid, but attaching entitlement caps is not the right way to do it.

Mr. Mason thought that it is critical to get a mechanism for regular review of entitlement programs, although entitlement caps are the wrong way to do it. He supported looking at fundamental reforms in the programs and favored a binding budget resolution.

Witnesses at the second hearing on April 23, 1996 testifying on Federal budget process reform included Representatives Robert Wise, (D–WV) and Jim Saxton (R–NJ); James L. Blum, Deputy Director, Congressional Budget Office; and Herbert N. Jasper, fellow of the National Academy of Public Administration (NAPA), representing David Chu, also a fellow of NAPA.

Representative Wise spoke about an amendment he had sponsored to balance the Federal budget using a capital budget. He supported higher real growth, and the recognition of infrastructure needs, and stated that the present budget system is a disincentive to investing in infrastructure improvements.

Mr. Blum expressed the view that the Congressional Budget office was cautious about reforming the Federal budget process. He thought that the budget process is working reasonably well and does not need major reform at this time. The budget process is not and cannot, in his opinion, be designed to force particular outcomes in the absence of broad political agreement or to obstruct those outcomes when agreement has been reached. Blum stated that budget decisions tend to be incremental in nature, and the budget process has evolved in a similar manner over a period of time.

Blum further testified that the major proposals now on the table, such as converting the budget resolution into a joint resolution in

order to get early agreement between the President and the Congress on a overall budget plan, converting the annual budget cycle into a biannual cycle so as to free up legislative time for other matters, and imposing caps on mandatory spending so as to control the annual growth rate, have been on the table for a number of years and have potential drawbacks that could present serious problems. He opined that joint budget resolutions could be the cause of further delays in making budget decisions; biennial budgets could raise the stakes and also lead to delays; and mandatory spending caps, by themselves, are not likely to be effective without political consensus. Further, in evaluating reform proposals, especially omnibus proposals, Blum thought it was important to be cognizant of the implementation costs in terms of time and resources needed to carry out the reforms.

Dr. Jasper, who had played an active role in fashioning the Congressional Budget and Impoundment Control Act of 1974, discussed the draft omnibus budget legislation. He stated that, in his opinion, the current budget process is basically sound. Its principal structure and provisions have lasted more than 20 years. The budget is primarily a reflection and accommodation of many conflicting objectives and contending interest. The current process provides a workable way of channeling inevitable differences toward negotiations and agreements in order to produce a budget.

At the final hearing on Federal budget process reform, witnesses testifying included Representative Tom Campbell (R–CA) and Ron Moe, Senior Specialist, Congressional Research Service.

Representative Campbell asked support for a resolution which expresses the sense of the Congress to use dynamic economic modeling for Congressional Budget Office and Joint Committee on Taxation projections on revenue. Presently Congress is using something in between a completely static model and a truly dynamic model.

Mr. Moe discussed a proposal in the omnibus budget legislation that he supported. The proposal is to provide for the reorganization of the present Office of Management and Budget into two equal separate offices, an Office of Budget and an Office of Management. This was recommended in the subcommittee's report, "Making Government Work," (see Sec. II.A.1.) Mr. Moe emphasized that governmental management is different than private sector management, in that the actions of governmental officials must have their basis in public law, not in the pecuniary interests of private entrepreneurs or owners or in the fiduciary concerns of private managers. Moe rejected the draft Omnibus Budget Act as an example of extensive congressional involvement in the detailed direction of executive management, reflecting the frustration felt by many in Congress with what they see as the lack of management capability in the executive branch. He suggested the establishment of an Office of Federal Management to provide the President and the Congress with the institutional authority and capacity to maintain quality general management laws while permitting flexible exceptions to these laws and encouraging innovative experiments with an accountable system overseen by this committee.

18. Health Information Privacy Protection Act.

a. Report Number and Date.—None.

b. Summary of Measure.—This legislation would have established "protected health information." Under this legislation, medical records which are created or used during the process of medical treatment would become protected health information.

The bill would require doctors and hospitals to maintain appropriate administrative, technical, and physical safeguards to protect the integrity and privacy of health information. It would require that the information be used for a purpose related to the reason it was originally collected. Generally, the bill would limit the use or disclosure of medical records to the minimum number of necessary users.

The legislation also would have allowed for a review of protected health information by subjects of the information, and established rules for the inspection and copying of protected health information. The act also would have established procedures for an individual to correct information contained in their medical records. General rules for the use and disclosure would have been established to govern disclosures for treatment, payment, next of kin notification, emergency circumstances, and the creation of non-identifiable health information for health research.

Civil penalties would be established for persons who fail to comply with the provisions of the act. Further, anyone who knowingly violates provisions of this act would have been subject to a criminal penalty.

Restrictions on the disclosure of electronic payment information to third parties for purposes other than collection of debts would be established. An Office of Information Privacy would have been established to serve as the principal advisor to the Secretary of Health and Human Services on the provisions of the act.

No provision of the act would have preempted individual State laws, and the act would not affect the rights of a witness or person in a non-Federal court proceeding. Further, States could have established and enforced criminal penalties for failing to comply with provisions of the act.

Most Americans are under the impression that their medical records are confidential—they are not. The Health Information Privacy Protection Act would have provided for the confidentiality of medical records.

c. Legislative History/Status.—No legislative action was taken.

d. Hearings and Subcommittee Actions.—The subcommittee held a hearing on June 14, 1996 to examine the Health Care Privacy Protection Act. Witnesses at the hearing were Janlori Goldman, deputy director of the Center for Democracy and Technology (CDT); Kathleen Frawley, director of the Washington, DC, office of the American Health Information Management Association (AHIMA); Gerry Bay, vice president of Pharmacy Operations, East Division, American Drug Stores, National Association of Chain Drugstores, and Dr. Steven K. Hoge of the American Psychiatric Association.

Ms. Goldman stated that the major change affecting the protection of personal health information has been in the health care industry, and noted that the goal of this type of legislation is to protect patients' privacy. She further expressed concerns about the ad-

ministrative simplification provisions in the health portability bill since it gives total rulemaking authority to the Secretary of Health and Human Services.

Ms. Frawley testified that a greater professionalism is needed when handling and reviewing patient medical records. Frawley pointed out that AHIMA, in the absence of Federal legislation, has taken on the responsibility for protecting the confidentiality of health information, educating consumers of their rights, and further noted that the Health Information Privacy Protection Act appropriately addresses patient concerns.

Mr. Bay testified that implementation of this legislation would create an administrative burden for an industry which does a great deal of its work through paperless transactions. The legislation would "tie the hands of the day-to-day operations of the pharmacy." Bay further testified that this legislation could hamper a person's ability to pick up a prescription for another.

Dr. Hoge noted in testimony that the legislation incorporated many of the suggestions which APA has made over the years. He noted that in the past it was much easier to protect an individual's privacy by relying on the ethical standards of the medical profession. However, there are now a great number of non-physicians involved in the maintenance of medical records.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

1. H.R. 2086, the Local Empowerment and Flexibility Act of 1995.

a. Report Number and Date.—House Report No. 104–847, September 26, 1996.

b. Summary of Measure.—The Local Empowerment and Flexibility Act allows for the more efficient use of Federal, State, local and tribal resources through program flexibility and coordination. The legislation enables State, local and tribal governments, and nonprofit organizations to adapt Federal grant programs to the particular circumstances of their communities by: (1) Integrating Federal programs into "flexibility plans" that increase the effectiveness of the programs; (2) eliminating wasteful duplication across Federal programs; and (3) authorizing Federal officials to waive statutory and regulatory program requirements to enhance the delivery of services.

The purpose of the bill is to make each program included in a "flexibility plan" more effective so that it better serves individuals and the community. To get approval of a "flexibility plan" an applicant must be able to demonstrate that each program included will be at least as effective as it would have been if it had not been included in the plan.

The legislation has a bipartisan history. In the 103d Congress, the Local Flexibility Act of 1993, legislation to provide greater flexibility and allow the waiver of regulatory and statutory requirements, was introduced by Congressman John Conyers (D–MI), then-Chairman of the House Government Operations Committee, and then-Ranking Member William Clinger.

The Local Empowerment and Flexibility Act retained and clarified the same statutory and regulatory waiver authority that was

included in the Local Flexibility Act of 1993. The Local Empowerment and Flexibility Act adds additional language to prohibit the waiver of constitutional rights and non-discrimination provisions. Language to prohibit waiver that would diminish national standards in certain sensitive areas such as labor and environmental protections was also added.

c. Legislative History/Status.—H.R. 2086 was introduced in the House on July 20, 1995, by Congressman Christopher Shays (R–CT), chairman of the Human Resources and Intergovernmental Relations Subcommittee and by Congressman William F. Clinger, Jr., (R–PA), chairman of the Committee on Government Reform and Oversight. On April 24, 1996, H.R. 2086, was approved and ordered reported, as amended, by the Committee on Government Reform and Oversight.

d. Hearings and Subcommittee Actions.—The Human Resources and Intergovernmental Relations Subcommittee held three hearings on the Local Empowerment and Flexibility Act. On August 3, 1995, the subcommittee held its first hearing on H.R. 2086. Testimony was received from: Hon. Mark O. Hatfield (R–OR), U.S. Senator and former Governor of Oregon; the Director of Housing and Community Development Issues of the U.S. General Accounting Office; the Director of Intergovernmental Liaison of the Advisory Commission on Intergovernmental Relations; and the Director for the Center for Public Service of the University of Virginia representing the National Academy of Public Administration.

On September 20, 1995, the subcommittee held a second hearing on H.R. 2086. Testimony was received from: the Deputy Assistant for Operations of the Office of Community Planning and Development from the U.S. Department of Housing and Urban Development; the Deputy Director for Management for the Office of Management and Budget; the superintendent of public instruction for the State of Oregon; the chairman of the Governor's Task Force on Human Services Reform for the State of Illinois; a senior attorney for the Natural Resources Defense Council (NRDC) and the director of public division for the Services Employees International Union.

The subcommittee's third hearing on the Local Empowerment and Flexibility Act was held on February 22, 1996. Testimony was received from Congressman Steny Hoyer (D–MD); Andrew Norton, Connecticut State Representative; Angela Park, coordinator, Sustainable Communities for the President's Council on Sustainable Development; Lloyd Smith, president and chief executive officer of the Marshall Heights Community Development Organization; Dick Cowden, executive director of the American Association of Enterprise Zones; and Eddy R. Battle, of Eddy Battle Associates.

2. H.R. 2326, The Health Care Fraud and Abuse Prevention Act of 1995 and H.R. 1850, The Health Care Fraud and Abuse Act of 1995.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 2326 and H.R. 1850 are designed to combat waste, fraud and abuse in the Medicare and Medicaid programs through increased cooperation and coordination between regulators and law enforcement agencies.

c. Legislative History/Status.—H.R. 2326 was introduced in the House on September 13, 1995, by subcommittee Chairman Christopher Shays (R–CT), and Congressman Steven Schiff (R–NM). Joining Representatives Schiff and Shays as original co-sponsors were chairman of the Committee on Government Reform and Oversight, William F. Clinger, Jr. (R–PA) and Congressmen Edolphus Towns (D–NY), Jon Fox (R–PA) and Charles Schumer (D–NY). Currently, the bill has 33 co-sponsors.

d. Hearings and Subcommittee Actions.—On September 28, 1995, the Human Resources and Intergovernmental Relations Subcommittee held a hearing on H.R. 2326. Testimony was received from: the Special Counsel for Health Care Fraud from the U.S. Department of Justice; the Deputy Administrator from the Health Care Financing Administration; a past president from the American Association of Retired Persons; the executive director of the National Health Care Anti-fraud Association; and the president of Citizens Against Government Waste.

Testimony focused on the need for stronger and more specific criminal sanctions against health care fraud. Witnesses supported "all payer" provisions defining various Federal health care crimes against any health care plan. Currently, Federal enforcement agencies must proceed against interstate scams using only the mail fraud or wire fraud statutes. Strengthened provisions to exclude convicted and sanctioned providers were also supported.

Witnesses who submitted statements for the record included: the Inspector General of the Department of Health and Human Services; president of the National Association of Medicaid Fraud Control Units; and president of Citizens Against Government Waste.

At the May 2 hearing, the HHS Inspector General testified on the vulnerability of Medicare to waste and abuse due to inflexible pricing regulations used to establish the reimbursement amount for certain medical supplies and services.

NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS SUBCOMMITTEE

1. H.R. 450, the Regulatory Transition Act of 1995.

a. Report Number and Date.—House Report No. 104–39, Part I, February 16, 1995, together with minority views.

b. Summary of Measure.—Prior to the start of the 104th Congress, Republican leaders of the House of Representatives and the Senate wrote the President of the United States to ask that he voluntarily impose a moratorium on all Federal rulemaking for the first 100 days of the 104th Congress. (See letter from House and Senate Leaders to President William Clinton dated December 12, 1994, reprinted in House Rept. 104–39, Part 1, pp. 37–38.) This request was based on the fact that Federal regulations are estimated to drain the American economy of approximately $600 billion every year, and that current law does not adequately ensure that such regulations are justified in terms of their overall impact. Congressional leaders proposed to the President that, during the moratorium, all Federal agencies be directed to: (1) identify regulations in which the costs exceed the benefits; (2) recommend actions to eliminate unnecessary regulatory burdens; (3) recommend ways to give

State, local and tribal governments more flexibility to meet Federal mandates; and (4) share their information and analysis with Congress.

The President refused to issue such a moratorium in a December 14, 1994 letter signed by Sally Katzen, of OMB's Office of Information and Regulatory Affairs. (See House Rept. 104–39, Part 1, pp. 38–39).

As a result, Congressmen Tom Delay (R–TX) and David McIntosh (R–IN), along with 32 other House co-sponsors, introduced the Regulatory Transition Act of 1995 on January 9, 1995. That bill sought to ensure economy and efficiency of Federal Government operations by establishing, through statute, a moratorium on regulatory rulemaking actions.

That bill, as amended, was eventually passed by the House of Representatives. The Senate has failed to act on H.R. 450, but is actively pursuing other bills that enact regulatory reform.

c. Legislative History/Status.—Following its introduction on January 9, 1995, H.R. 450 was referred to the Committee on Government Reform and Oversight. Within that committee, the bill was referred to the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs for consideration.

The subcommittee held two hearings into the merits of the bill—on January 19, 1995, in Washington, DC, and on February 2, 1995, in Fairfax, VA. At these hearings, 28 witnesses testified about the state of regulatory affairs, the need for a moratorium, and the merits of the particulars contained in H.R. 450. Following those hearings, the subcommittee held a mark-up on the bill on February 8, 1995, at the conclusion of which, the subcommittee voted 10 to 4 to report the bill, as amended, favorably to the full committee.

On February 10 and 13, 1995, the committee marked up the bill. On February 13, 1995, the committee voted 28 to 13 to report the bill, as amended, favorably to the House (Report No. 104–39, Part I).

The bill was debated in the House of Representatives on February 23 and 24, 1995. Following debate, it was passed, as amended, by electronic vote, 276 to 146.

On February 27, 1995, the bill was received in the Senate, and referred to the Senate Committee on Governmental Affairs. No action was taken on H.R. 450 by the Senate in the first session of the 104th Congress. However, the Senate did take action on S. 219, a companion piece of legislation to H.R. 450. That bill was passed by the Senate on March 29, 1995, by a unanimous vote of 100 to 0. On May 17, 1995, the House of Representatives amended S. 219 by replacing its text with the text of H.R. 450 (as passed by the House). The Senate, in turn, disagreed to the House's amendment and requested a conference on June 16, 1995. The House did not respond to the Senate's request for a conference in the first session of the 104th Congress.

d. Hearings and Subcommittee Actions.—January 19, 1995, the Regulatory Transition Act of 1995. February 2, 1995, in Fairfax, VA, the Regulatory Transition Act of 1995 and Clean Air Regulations.

2. H.R. 994, the Regulatory Sunset and Review Act of 1995.

a. Report Number and Date.—House Report No. 104–284, Part 1, October 19, 1995, together with additional views; Report No. 104–248, Part 2, November 7, 1995, together with additional views (Committee on the Judiciary).

b. Summary of Measure.—H.R. 994, the Regulatory Sunset and Review Act of 1995, provides a framework for the systematic review of current and future Federal rules. The bill requires Federal agencies to periodically review their significant rules to determine whether the rules should be continued without change, modified, consolidated with other rules, or allowed to terminate. The legislation also creates a petition process that would permit the public and appropriate committees of Congress to request that agencies review less significant rules in the same manner.

A rule designated for review will not expire if the issuing agency reviews and reissues it in accordance with the procedures established by the bill and the rule meets all the legal requirements that apply to the issuance of new rules. This legislation will help ensure that obsolete, unnecessary, duplicative, or conflicting rules are reviewed and either modified or terminated.

c. Legislative History/Status.—H.R. 994 was introduced by Representatives Jim Chapman, John Mica, Tom DeLay, Nathan Deal, and Gene Green on February 21, 1995, and referred to the Committee on Government Reform and Oversight and the Committee on the Judiciary. On May 18, 1995, the subcommittee reported H.R. 994 to the full committee, with a bipartisan amendment in the nature of a substitute cosponsored by over two-thirds of the subcommittee members. On July 18, 1995, the committee approved H.R. 994 on a recorded vote of 39–7 and ordered it to be reported, with an amendment in the nature of a substitute offered by Chairman Clinger. On October 19, 1995, the committee reported the bill to the House. On November 7, 1995, the Committee on Judiciary reported H.R. 994 favorably with an amendment in the nature of a substitute.

d. Hearings and Subcommittee Actions.—On March 28, 1995, subcommittee Chairman McIntosh convened the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs for the first day of hearings on H.R. 994. The witnesses at the hearing included Representatives Jim Chapman and John Mica, OIRA Administrator Sally Katzen, former Associate Counsel to the President and regulatory expert, Gene Schaerr, and private citizens and business people concerned about Federal regulations, including Charles Bechtel, Kaye Whitehead, Steven Dean, Joe Bob Burgin, Paul Mashburn, and David Vladeck.

At the request of four minority members of the subcommittee, subcommittee Chairman McIntosh scheduled a second day of hearings with additional testimony heard from administration witnesses. On May 2, 1995, the subcommittee reconvened and heard testimony from Richard Roberts, Commissioner of the Securities Exchange Commission, Judith Feder, Principal Deputy Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services, James Gililand, General Counsel for the Department of Agriculture, Edward Knight, General Counsel for the Department of the Treasury, Stephen Kaplan, General

Counsel for the Department of Transportation, and Mr. William Kennard, General Counsel for the Federal Communications Commission. In addition to the testimony of the hearing witnesses, the subcommittee received written testimony from a variety of sources, including the President of the American National Standards Institute (ANSI), Sergio Mazza.

3. Grantee Lobbying Legislation.

For a description of legislative proposals to stop Welfare for Lobbyists, see II. Investigations, section B, "Grantee Lobbying."

4. Corrections Day.

a. Summary.—The purpose of Corrections Day is to correct rules, regulations, statutory laws, and court decisions which impose a severe financial burden, or are ambiguous, arbitrary, or ludicrous, through an expedited process in the U.S. House of Representatives. Five months after passage of H. Res. 168 designating the Corrections Calendar, the House has held six Corrections Days and passed 11 bills. Three of these bills have become law. Seven bills remain to be considered by the Senate.

b. Benefits.—Through the Corrections Day process, the U.S. House of Representatives has routinely corrected dumb laws and regulations in an expeditious manner, answering the call of American citizens for responsive public officials.

c. Hearings.—On May 2, 1995, the subcommittee and the Subcommittee on Rules and Organization of the House held a joint hearing on Speaker Newt Gingrich's proposal to create a "Corrections Day" in the House of Representatives specifically for correcting legislative and regulatory mistakes.

POSTAL SERVICE SUBCOMMITTEE

1. H.R. 1026, To Designate the United States Post Office Building Located at 201 East Pikes Peak Avenue in Colorado Springs, Colorado, as the "Winfield Scott Stratton Post Office".

a. Report Number and Date.—None.

b. Summary of Measure.—The bill designates the U.S. Post Office building located at 201 East Pikes Peak Avenue in Colorado Springs, CO as the "Winfield Scott Stratton Post Office". The late Mr. Stratton was a Colorado Springs philanthropist and benefactor. Following a successful mining career Mr. Stratton dedicated his life to helping others less fortunate and to advancing the development of Colorado Springs and the State of Colorado.

c. Legislative History/Status.—The legislation was introduced on February 23, 1995, by Representative Hefley of Colorado and cosponsored by the entire Colorado House delegation, as required by the Committee on Government Reform and Oversight. The Subcommittee on Postal Service considered and marked-up the bill on June 20, 1995, and was forwarded to the full committee. On June 21, H.R. 1026 was ordered to be reported by voice vote by the Committee on Government Reform and Oversight. H.R. 1026 was called up by the House under suspension of rules on October 17 where it passed by voice vote. It passed the Senate by voice vote on October

24 and was signed by the President on November 3, 1995, and became Public Law 104–44.

d. Hearings and Subcommittee Actions.—No hearings were held on the measure.

2. H.R. 2077, To Designate the United States Post Office Building Located at 33 College Avenue in Waterville, Maine, as the "George J. Mitchell Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 2077 designates that the U.S. Post Office located at 33 College Avenue in Waterville, ME, as the "George J. Mitchell Post Office Building". The legislation honors Senator Mitchell who served in the U.S. Senate from 1980 to 1995. He served as Senate Majority Leader for 5 years and has a long career in public service.

c. Legislative History/Status.—H.R. 2077 was introduced by Representative Longley on July 18, 1995, and co-sponsored by the House delegation of the State of Maine. It was referred to the House Committee on Government Reform and Oversight on August 4, 1995, and the committee discharged the bill. The House called up H.R. 2077 by unanimous consent and the measure was passed by voice vote on August 4. The Senate approved the bill by voice vote on August 9, 1995. The President signed H.R. 2077 on September 6, 1995, and it became Public Law 104–27.

d. Hearings and Subcommittee Actions.—No hearings were held on this legislation.

3. H.R. 1826, To Repeal the Authorization of Transitional Appropriations for the United States Postal Service, and for Other Purposes.

a. Report Number and Date.—House Report No. 104–174, July 10, 1995.

b. Summary of Measure.—H.R. 1826 repeals the authorization for transitional appropriations to the Postal Service. The transitional appropriations provided funds to the Postal Service to cover workers compensation liabilities incurred by the former Post Office Department. The bill provides that liabilities of the former Post Office Department to the Employees' Compensation Fund shall be liabilities of the Postal Service payable out of the Postal Service Fund.

c. Legislative History/Status.—The bill was introduced by subcommittee Chairman McHugh on June 13, 1995, and referred to the Subcommittee on Postal Service. The subcommittee considered and marked up the legislation on June 20, 1995. It was forwarded to full committee which marked up the bill on June 21, 1995, and ordered it to be reported. H.R. 1826 was reported to the House by the Committee on Government Reform and Oversight, House Report No. 104–174. H.R. 1826 was subsequently included in the Balanced Budget Act of 1995, H.R. 2491, House Report No. 104–350.

d. Hearings and Subcommittee Actions.—No hearings were held on this measure.

4. H.R. 210, a Bill To Provide for the Privatization of the United States Postal Service.

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 210 establishes the current Postal Service as a private corporation with ownership divested among its employees. The measure provides for incorporation by up to nine individuals who are qualified to establish and operate an effective mail service. Ownership of securities would be limited to postal employees during the first year and then sold to the general public. The new structure would operate under some of the same restrictions under which the current Postal Service operates. Small or rural post offices could not be closed solely for operating at a deficit. Rates would have to meet the "fair and equitable" criterion. During the first 5 years of the corporation's existence, rates would be established in consultation with the Postal Rate Commission. Retirement benefits would be comparable to the benefits of current postal employees.

c. Legislative History/Status.—H.R. 210 was introduced on January 4, 1995, by Representative Philip M. Crane. It has two co-sponsors.

d. Hearings and Subcommittee Actions.—On November 15, 1995, the Subcommittee on the Postal Service held a hearing on H.R. 210. Representatives Philip Crane and Dana Rohrabacher testified in support of the measure.

5. H.R. 1963, "The Postmark Prompt Payment Act of 1995."

a. Report Number and Date.—None.

b. Summary of Measure.—The Postmark Prompt Payment Act, H.R. 1963, introduced by subcommittee Chairman John McHugh, provides that the date postmarked on the envelope containing a payment, bill, invoice or statement of account due stands as prima facie evidence of timely payment if the date of the postmark is on or before the bill's due date. The use of the postmark is premised on the common law of contracts which provides that an offer to a contract is deemed accepted at the time such acceptance is mailed. In addition, the Internal Revenue Service uses the postmark on envelopes as proof that taxpayers mailed income tax returns on or before the April 15 deadline, regardless of when the IRS receives actual payment. The legislation specifies that the envelope must be correctly addressed with adequate postage affixed to it. Metered mail is excluded.

The provisions of the bill would not apply to any other type of payment other than a bill, invoice or statement of account due. Currently, covered creditors are required to post payment on the date received. The legislation would require that the payment received by a creditor be posted as of the date of the postmark. The legislation is intended to remedy the inequity of conscientious bill payers who pay their bill on time but, who through no fault of their own, are assessed late fees and interest charges because the delays of others result in the actual delivery of their payment in an untimely manner. In addition to these charges, many bill payers see their credit ratings adversely affected through no fault of their own. Furthermore, the legislation would ultimately place the burden of late delivery on the Postal Service. Unsatisfactory delivery

and service will not be tolerated by the Postal Service's largest customers. Ultimately, the provisions of the bill should lead to better postal service for all customers.

c. Legislative History/Status.—H.R. 1963 was introduced on June 29, 1995, by subcommittee Chairman McHugh. The measure has 34 co-sponsors.

d. Hearings and Subcommittee Actions.—Two hearings entitled "Postmark Prompt Payment Act" were held on October 19, 1995, and February 28, 1996.

On October 19, 1995, testimony was received from Representatives Sherwood L. Boehlert, Andy Jacobs, Steve Stockman, Thomas M. Barrett, Peter Blute, Carlos Romero-Barcelo, Peter T. King, Thomas M. Davis, and James T. Walsh. Also testifying were Mark Silbergeld, Consumers Union and Bruce Williams, a syndicated radio talk show host who broadcasts on approximately 400 stations in all 50 States, Guam, the U.S. Virgin Islands and Puerto Rico, who suggested the legislation. All the witnesses were in favor of the legislation.

On February 28, 1996, the subcommittee received testimony from Casey Sewruk, Credit Union National Association; Leland Stenehjen, Independent Bankers Association of America; Mallory Duncan, National Retail Federation; Paul S. Reid, Mortgage Bankers Association; and Vice Admiral Thomas J. Hughes (Ret.), National Association of Federal Credit Unions; Al Stevens, Opex Corp., accompanied by Mark Stevens and Bob Dewitt; Ben Brude, ElectroCom Automation L.P.; and Tod Mongan, BancTec Inc., accompanied by Nolan Klier. These witnesses generally voiced concerns about the cost of implementing the provisions of the legislation in terms of actual monetary loss due to the costs of retroactively crediting interest charges and technical and operational problems. The current payment systems cannot read the postmark or retain envelopes as evidence of timely payment. Therefore, new systems would have to be redesigned or developed and the costs would necessarily be passed on to the consumers. However, the cost is yet unknown.

6. H.R. 1398, To Designate the United States Post Office Located at 1203 Lemay Ferry Road, St. Louis, Missouri as the "Charles J. Coyle Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—The bill was introduced by Representative Clay of Missouri on April 5, 1995, and was cosponsored by the entire House delegation of the State of Missouri as required by the Committee on Government Reform and Oversight. The bill designates the U.S. Post Office building located at 1203 Lemay Ferry Road, St. Louis, MO as the "Charles J. Coyle Post Office Building". Mr. Coyle was a U.S. Army veteran and career postal worker. Mr. Coyle died on February 18, 1995.

c. Legislative History/Status.—The bill was referred to the Subcommittee on Postal Service on April 7, 1995. The Committee on Government Reform and Oversight considered and approved the bill on December 14, 1995, and ordered it to be reported. On December 19, H.R. 1398 was called up by the House under suspension of rules and the measure passed by voice vote. The Senate received

it the same day and referred it to the Senate Committee on Governmental Affairs.

d. Hearings and Subcommittee Actions.—No hearings were held on the measure.

7. H.R. 1606, To Designate the United States Post Office Building Located at 24 Corliss Street, Providence, Rhode Island, as the "Harry Kizirian Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 1606 designates the U.S. Post Office Building located at 24 Corliss Street, Providence, RI as the "Harry Kizirian Post Office Building". It honors Mr. Kizirian, a World War II Marine veteran and former Providence Postmaster.

c. Legislative History/Status.—The bill was introduced by Representative Reed on May 10, 1995, and referred to the Subcommittee on Postal Service. H.R. 1606 was cosponsored by the House members of the Rhode Island delegation. The subcommittee approved the legislation on June 20, 1995, and forwarded it to full committee which marked up the bill and ordered it to be reported by voice vote. H.R. 1606 was called up by the House under suspension of the rules where it passed by voice vote on October 17, 1995. The measure was amended and approved by the Senate on October 24, 1995. The House disagreed to Senate amendments, Jan. 5, 1996, and the Senate receded from its amendments the same day. (Legislative day of Jan. 3, 1996) by voice vote. The bill was cleared for the White House and was presented to the President on January 23, 1996; and became Public Law 104–100, on February 1, 1996.

d. Hearings and Subcommittee Actions.—No hearings were held on the legislation.

8. H.R. 1880, To Designate the United States Post Office Located at 102 South McLean, Lincoln, Illinois as the "Edward Madigan Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 1880 honors the late Edward Madigan by naming the U.S. Post Office located at 102 South McLean, Lincoln, IL after him. Mr. Madigan, a native of Lincoln, IL, served 10 terms in the House of Representatives and was the 24th Secretary of Agriculture.

c. Legislative History/Status.—Representative LaHood introduced the measure on June 16, 1995, and the measure was referred to the Subcommittee on Postal Service on June 19. The bill was cosponsored by the entire House delegation of the State of Illinois. The committee considered and marked up the legislation on December 14, 1995, and it was ordered to be reported. H.R. 1880 was called up by the House under suspension of rules on December 19, 1995, and passed by voice vote. The measure was received in the Senate that day and referred to the Senate Committee on Governmental Affairs. On April 18, 1996, H.R. 1880 was ordered to be reported in lieu of S. 1443. H.R. 1880 was reported to the Senate by the Senate Committee on Governmental Affairs on May 23, 1996, and it was placed on the Senate legislative calendar under general orders Calendar No. 423. On June 27, 1996, the bill passed

the Senate by unanimous consent and it was cleared for the White House. On July 2, 1996, the bill was presented to the President and signed on July 9, 1996, becoming Public Law 104–157.

d. Hearings and Subcommittee Actions.—No hearings were held on this bill.

9. H.R. 2262, To Designate the United States Post Office Located at 218 North Alston Street in Foley, Alabama as the "Holk Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 2262 designates that the U.S. Post Office Building located at 218 North Alston Street in Foley, AL, as the "Holk Post Office Building". It honors Arthur A. Holk and his father, George Holk, both of whom served as mayor of the city of Foley. Both father and son participated actively in various city organizations and on the city and county school boards.

c. Legislative History/Status.—H.R. 2262 was introduced on September 6, 1995, by Representative Callahan. The bill was cosponsored by all the House members of the Alabama delegation. The committee considered and marked up the bill on December 14, 1995, when it was ordered to be reported. On December 19, 1995, H.R. 2262 was called up by the House under suspension of the rules and passed the House by voice vote. It was received in the Senate the same day and referred to the Senate Committee on Governmental Affairs.

d. Hearings and Subcommittee Actions.—No hearings were held on this legislation.

10. H.R. 2704, a Bill To Provide That the United States Post Office building Located on the 2600 block of East 75th Street in Chicago, Illinois Shall Be Known as the "Charles A. Hayes Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 2704 provides that the U.S. Post Office building that is to be located on the 2600 block of East 75th Street in Chicago, IL, shall be known and designated as the "Charles A. Hayes Post Office Building". The legislation honors former Representative Charles Hayes who was elected to Congress in 1983. Prior to his departure from Congress, Mr. Hayes served as chairman of the Subcommittee on Postal Personnel and Modernization of the former Committee on Post Office and Civil Service.

c. Legislative History/Status.—H.R. 2704 was introduced by Representative Collins of Illinois on December 5, 1995. The committee considered and marked up the measure on December 14, 1995, and ordered it to be reported as amended. The amendment reflected the correct address of the facility. H.R. 2704 was called up by the House under suspension of the rules on December 19, 1995, and the measure passed by voice vote in the same form as passed in committee. The amended bill was received in the Senate the same day and referred to the Senate Committee on Governmental Affairs. On April 18 the bill was ordered to be reported and on May 23, 1996, it was reported to the Senate by the Committee on Governmental Affairs and placed on the legislative calendar under gen-

eral orders (Calendar No. 425). The Senate passed the measure by unanimous consent on June 27 and it was cleared for the White House the same day. On July 2, the bill was presented to the President and was signed into law July 9, 1996, becoming Public Law 104–159.

d. Hearings and Subcommittee Actions.—No hearings were conducted on this legislation.

11. H.R. 885, To Designate the United States Post Office Building Located at 153 East 110th Street, New York, New York, as the "Oscar Garcia Rivera Post Office Building."

a. Report Number and Date.—None.

b. Summary of Measure.—The bill designates the U.S. Post Office building located at 153 110th Street, New York, New York, as the "Oscar Garcia Rivera Post Office Building". The legislation honors the first Puerto Rican to be elected to public office in the continental United States. He was instrumental in organizing and establishing the Association of Puerto Rican and Hispanic Employees within the Post Office Department when he was assigned to the post office in City Hall. In 1937, Mr. Oscar Garcia Rivera was elected assemblyman in the State of New York by the 14th District.

c. Legislative History/Status.—The legislation was introduced on February 9, 1995, by Representative Serrano of New York and cosponsored by the entire New York House delegation, as required by the Committee on Government Reform and Oversight. The committee considered and ordered H.R. 885 to be reported on June 20, 1996. H.R. 885 was called up by the House under suspension of rules on July 30, and passed by voice vote. The bill was received in the Senate on July 31, 1996 and referred to the Senate Committee on Government Affairs the same day.

d. Hearings and Subcommittee Actions.—No hearings were held on the measure.

12. H.R. 2700, a Bill to Designate the United States Post Office Building located at 7980 FM 327, Elmendorf, Texas, as the "Amos F. Longoria Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—The legislation provides that the U.S. Post Office building located on the Farm to Market Road in Elmendorf, Texas be named after Amos F. Longoria, born in Elmendorf, drafted into the U.S. Army during World War II and who died in service to the country.

c. Legislative History/Status.—The bill was introduced by Representative Tejeda of Texas on November 30, 1995 and cosponsored by the full Texas House Delegation, pursuant to committee policy. The legislation was referred to the House Committee on Government Reform and Oversight and subsequently referred to the Subcommittee on Postal Service. On April 24, 1996, the committee considered and approved the bill, as amended to correct the address, and was ordered to be reported. On July 30, 1996, the legislation was called up by the House under suspension of the rules and the amended bill was passed by voice vote. It was received in the Senate the following day and referred to the Senate Committee on Government Affairs. The Senate Committee on Governmental Af-

fairs discharged the measure by unanimous consent on September 28, 1996, and it was laid before the Senate. At that time, the Senate attached an amendment and passed the amended bill by unanimous consent. The new provision amended section 3626(b)(3) of title 39, United States Code to include in the definition of an "institute of higher education," a nonprofit organization that coordinates a new network of college-level courses that are sponsored primarily by nonprofit, educational institutions for older adults. This provision is contained in H.R. 3717, the Postal Reform Act of 1996 which has been the subject of four legislative hearings, and was the subject of a free standing bill, H.R. 2578. The House agreed to the Senate amendment by unanimous consent the same day and it was cleared for the White House. The bill was presented to the President on September 30, 1996 and it was signed on October 9, 1996, when it became Public Law 104–255.

d. Hearings and Subcommittee Actions.—No hearings were held on the legislation.

13. H.R. 3139, a Bill To Redesignate the United States Post Office building Located at 245 Centereach Mall on Middle Country Road in Centereach, New York, as the "Rose Y. Caracappa United States Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—The bill redesignates the U.S. Post Office building located at 245 Centereach Mall in Centereach, New York as the "Rose Y. Caracappa United States Post Office Building". The legislation honors Rose Caracappa who served in the Suffolk County legislature for 14 years and was chairperson of various committees. At the time of her death she was working on building a World War II monument to honor all who served.

c. Legislative History/Status.—The bill was introduced by Representative Forbes of New York on March 21, 1996. H.R. 3139 was cosponsored by the full New York House Delegation as required by committee policy. The committee considered and ordered it to be reported on June 20, 1996. On July 30, 1996, the bill was called up by the House under suspension of the rules and passed by voice vote. The Senate passed H.R. 3139 by unanimous consent on August 2, 1996, and it was cleared for the White House. The legislation was presented to the President on August 9, 1996, and signed by the President as Public Law 104–187 on August 20, 1996.

d. Hearings and Subcommittee Actions.—No hearings were conducted on this legislation.

14. H.R. 3768, a Bill to Designate a United States Post Office to be located in Groton, Massachusetts, as the "Augusta 'Gusty' Hornblower United States Post Office".

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 3768 provides that the United States Post Office to be located at 80 Boston Road in Groton, Massachusetts, shall be designated and known as the "Augusta 'Gusty' Hornblower United States Post Office" in honor of Augusta Hornblower who served as State Representative to the Massachusetts General Court from 1985 to 1994, representing the towns of Groton, Ayer, Dunstable, Lunenberg, Pepperell, Townsend and

Tyngsborough. She served as Assistant Minority Whip for 2 years prior to her death from breast cancer in 1994.

c. Legislative History/Status.—H.R. 3768 was introduced on July 10, 1996, by Representative Blute of Massachusetts and cosponsored by all the members of the House Delegation from Massachusetts. The committee considered, and approved H.R. 3768 on July 25, 1996; and ordered it reported. On July 30, 1996, the House called up the bill under suspension of the rules and passed it by voice vote. The bill was received in the Senate the following day and referred to the Senate Committee on Governmental Affairs.

d. Hearings and Subcommittee Actions.—No hearings were conducted on this legislation.

15. H.R. 3834, a Bill to Redesignate the Dunning Post Office in Chicago, Illinois, as the "Roger P. McAuliffe Post Office".

a. Report Number and Date.—None.

b. Summary of Measure.—The legislation would redesignate the "Dunning Post Office" located at 6441 West Irving Park Road, Chicago, Illinois as the "Roger P. McAuliffe Post Office". The naming of this Post Office honors the late Roger McAuliffe who was elected to the Illinois House for 24 years. He served the 14th District of Chicago's Northwest Side and the suburbs of Park Ridge, Rosemont, Norridge and Schiller Park. He had also previously represented the 16th District. He served in the U.S. Army and graduated from the Chicago Police Academy and remained on active duty with the Chicago Police Department even as he served in the legislature. Roger McAuliffe was assistant majority leader of the Illinois House when he died unexpected in a boating accident.

c. Legislative History/Status.—H.R. 3834 was introduced by Representative Flanagan of Illinois on July 17, 1996, and referred to the Committee on Government Reform and Oversight. On July 25, 1996, the committee considered approved and the bill was ordered to be reported. On July 30, 1996, the House called up the bill under suspension of the rules and it passed by voice vote. H.R. 3834 passed the Senate by unanimous consent on August 2, 1996, and was cleared for the White House. On August 9, 1996, the bill was presented to the President and the measure was signed on August 20, 1996, becoming Public Law 104–189.

d. Hearings and Subcommittee Actions.—No hearings were conducted on this legislation.

16. H.R. 3877, a Bill to designate the United States Post Office Building in Camden, Arkansas, as the "Honorable David H. Pryor Post Office Building".

a. Report Number and Date.—None.

b. Summary of Measure.—The legislation states that the United States Post Office building located at 351 Washington Street in Camden, Arkansas is designated as the "Honorable David H. Pryor Post Office Building" in honor of Senator David H. Pryor who served as former chair of the Senate Subcommittee on Post Office and Civil Service and currently serves as that panel's ranking minority member. He was elected to serve Ouachita County in the State legislature and he then served in the U.S. House of Representatives from 1967 through 1972. He was elected Governor of

Arkansas in 1974 and in 1976. In 1978, David Pryor won the U.S. Senate seat and has retained it for three terms until his retirement at the end of the 104th Congress.

c. Legislative History/Status.—H.R. 3877 was introduced by Representative Dickey of Arkansas on July 23, 1996, and cosponsored by the full Arkansas House Delegation as required by committee policy. The committee considered the bill on September 18, 1996, and the measure was ordered to be reported as amended by voice vote. The amendment corrected technical changes of the bill. On September 24, 1996, the bill was called up by the House under suspension of the rules and the bill, as it was amended by the committee, passed the House by voice vote. The Senate received the legislation the same day and passed the bill by unanimous consent on September 27, 1996. It was cleared for the White House and on September 30, 1996, the bill was presented to the President. H.R. 3877 was signed by the President on October 9, 1996, and became Public Law 104–268.

d. Hearings and Subcommittee Actions.—No hearings were conducted on this legislation.

17. H.R. 3610, The Omnibus Appropriations Act of 1996.

a. Report Number and Date.—Conference Report H. Rept. 104–863.

b. Summary of Measure.—Sections 103 and 104 in H.R. 3717 relating to the salary of the Directors and to establishment of the Office of the Inspector General of the Postal Service and the appointment and removal of the Inspector General by the Board of Governors were amended to the above-reference legislation and required to be effective as if included in the provision of the Treasury Postal Service and General Appropriation Act, 1996.

c. Legislative History/Status.—H.R. 3610 was introduced by Representative Young of Florida on June 11, 1996. The legislation passed the House as amended on June 13, and received in the Senate on June 14. The Senate struck the bill after the enacting clause and substituted the language of S. 1894 and passed the measure on July 18, in lieu of S. 1894. The Senate insisted on the amendment and requested a conference. The House disagreed to the Senate amendment. A Conference was held on September 10, and September 28. A Conference Report, H. Rept. 104–863 was filed on September 28. A motion to recommit failed in the House by voice vote but the House agreed to Conference Report by a yea-nay vote. The Senate agreed to the conference report by voice vote on September 30, 1996, and it was cleared for the White House, presented to the President and signed by the President on the same day. The legislation became Public Law 104–208.

d. Hearings and Subcommittee Actions.—The issues of increasing the salaries of Postal Service Directors and establishing the Office of the Inspector General were heard during the course of hearings on postal reform on July 10, July 18, September 17 and September 26.

18. H.R. 3690, the "Postal Service Core Business Act of 1996".

a. Report Number and Date.—None.

b. Summary of Measure.—The legislation was introduced to address claims regarding unfair competition by the United States Postal Service (USPS). Many new industries have emerged over the last 15 years including the Commercial Mail Receiving Agent (CMRA) which provides value added and ancillary services to postal customers. Many home-based businesses use CMRAs as mini offices. They also help their customers in packing and sending packages in the most cost effective manner. CMRAs provide services which the USPS does not. Within the past two decades, one franchise has grown into an entity of nearly 10,000 small business persons. The CMRA industry fears that it is at a disadvantage because of the vast resources of the Postal Service.

Among those concerns are that the USPS: does not charge tax on its retail items; is self-insured as an agency of the U.S. Government; does not have to make a profit; can borrow money from the Federal Reserve System at the most favorable rates; and has a statutory monopoly on the delivery of first class mail which the CMRAs think can subsidize other services.

The legislation prohibits the USPS from competing with private industries unless the Postal Service was offering the service nationwide as of January 1, 1994. H.R. 3690 limits the types of commercial nonpostal service which may be offered by the Postal Service.

c. Legislative History/Status.—The legislation was introduced on June 20, 1996, by Representative Duncan Hunter (R–CA) and it was referred to the Committee on Government Reform and Oversight. Within the committee, it was then referred to the Subcommittee on the Postal Service. Though the merits of the bill, per se, were not the subject of a hearing, it was heard in the context of postal reform under the rubric of H.R. 3717 when on September 26, 1996, Mr. Hunter testified on the impact of postal reform on small related business, specifically CMRAs.

d. Hearings and Subcommittee Actions.—H.R. 3690 was heard in context with H.R. 3717, the Postal Reform Act of 1995, on September 26, 1996. No further action was taken on the legislation.

19. H.R. 3717, the "Postal Reform Act of 1996."

a. Report Number and Date.—None.

b. Summary of Measure.—H.R. 3717 introduced by subcommittee Chairman McHugh, amends Title 39, United States Code regarding the United States Postal Service. Title I redesignate the name of the Board of Governors to the Board of Directors and makes additional name changes of the Postmaster General and Deputy Postmaster General to convey the business responsibilities of the Postal Service anticipated by the reform bill and to communicate the experience, professionalism and business acumen expected of the people who hold these positions. The bill creates a Presidentially-appointed Inspector General for the Postal Service and establishes both an Office of the Inspector General and a separate Office of the Chief Postal Inspector General. The bill mandates that the Office of Inspector General will be a separate item in the annual budget. The Inspector General is authorized to hire and manage the office in a manner independent from Postal Service functions and control. Compensation for the employees of the Inspector General's Office and the Chief Postal Inspector's Office will be compensated simi-

larly to offices of other Inspectors General and Federal law enforcement entities. Both offices are mandated to develop strategic plans outlining their goals, missions, and resources needs. Clarifying and technical changes are included.

Title II of the legislation permanently authorizes the employment of Postal Police Officers. This corrects an oversight in the 1970 law which has required Congress to enact temporary authority each fiscal year by the appropriations process. Current law states that an appeal of a post office closing by anyone served by that post office may be considered if the appeal is received by the Postal Rate Commission within 30 days of notification. H.R. 3717 changes the provision by considering the appeal timely if the date stamped on the envelope is postmarked within 30 days of the notification.

Title III of the legislation repeals the inactive Postal Service Advisory Council and establishes a temporary Presidentially-appointed Postal Employee-Management Commission which would sunset after a 3 year tenure. The Commission would evaluate and recommend solutions to employee-management problems which have permeated the Postal Service. This issue was reported on by the General Accounting Office at great length in report, U.S. Postal Service: Labor-Management Problems Persist on the Workroom Floor (GAO/GGD–94–201A and 201B (Vols. 1 & 2), Sept. 29, 1994. Testimony received from GAO in March 1996 stated that the problems still exist. The make up of the Commission is specified and the first report will be submitted within 18 months of the Commission's origination and annually thereafter until the third report is submitted.

Title IV of the bill relates to finance issues. The measure grants the Postal Service sole discretion to deposit its revenues in the Postal Service Fund within the U.S. Treasury, as it already must do, or to any Federal Reserve banks or depositories for public funds. The Postal Service must, however, submit a master plan detailing how it will exercise its authority, measures to safeguard against losses, procedures for regular accounting of its authority, to the President, the Secretary of the Treasury, and both Houses of Congress 30 days prior to the funds being deposited elsewhere. This section also removes Treasury control from Postal Service investments, allowing it to invest any excess funds only in obligations of, or guaranteed by, the U.S. Government. This will give the Postal Service the opportunity to take advantage of favorable market conditions and make equity investments which fit its business strategies. The bill severs the access of the Postal Service to the Federal Financing Bank which would result in the Postal Service taking advantage of the speed, flexibility, innovation and requirements of the open market to serve its financial needs. Though these provisions remove the control of the Secretary of the Treasury from Postal Service financial borrowing decisions, the Postal Service must consult with the Secretary on the terms and conditions of sale of any obligations issued by the Postal Service. This provision would allow the Postal Service to minimize interest expenses by obtaining the most cost efficient services. The bill would also remove the requirement that the Secretary of the Treasury purchase up to $2 billion in obligations of the Postal Service, though it would still permit the Secretary to purchase Postal Serv-

ice obligations, but only upon mutual agreement of both parties. Removal of the Treasury requirement is consistent with the purpose of directing the Postal Service to borrow in the private sector where it will be able to take advantage of broader markets, though with some restriction. This provision places the Postal Service in conformity with some other government-sponsored enterprises.

Title V refers to the budget and appropriations process. It carries out the function of H.R. 1826 which subcommittee Chairman McHugh introduced last session, repealing the authority for the transitional appropriations (funding for worker's compensation liabilities of pre-1971, former Post Office Department employees) and making those liabilities those of the United States Postal Service, to be handled in the same manner as all Postal Service employee worker compensation claims. Technical and clarifying amendments are included regarding the status of the employees affected by the change. This section also ends the authorization for all appropriations and funding of any postal services by the American taxpayer but maintains a phased-in schedule of rates for certain nonprofit organizations, free mail for the blind and disabled, free mailing of balloting material under the Uniformed and Overseas Citizens Absentee Voting Act and reduced rates for voter registration purposes. The Postal Service will ultimately bear the responsibility for social obligations as part of its mission and charge to provide universal service. Though there would not be an appropriation for the Postal Service, this provision would still retain Congressional oversight of the Postal Service.

Title VI provides for miscellaneous provisions relating to postal rates, classes and services. It authorized the Postal Service to forward mail in the same manner as other postal customers, for addressees receiving their mail in Commercial Mail Receiving Agencies (CMRAs) accepting mail on behalf of their customers. At present, CMRAs must add postage to mail that requires forwarding. Another provision includes in the definition of an "institute of higher education," a nonprofit organization that coordinates college-level courses for older adults by nonprofit, educational institutions, such as "elder hostels." This provision passed as an amendment to H.R. 2700 and was enacted into law. This section would also authorize the Postal Service to request from the Postal Rate Commission a rate category for periodical requester publications. The powers of the Postal Rate Commission are expanded in this title. The Commissioners, law judges appointed by the Commission and any designated employee are permitted to administer oath, examine witnesses, take deposition and receive evidence. Additionally, the chairman or any Commissioner designated by the chairman, and any Commission appointed law judge may issue subpoenas to require attendance, presentation of testimony, production of documents and order depositions and responses to written interrogatories. Any subpena requires the written concurrence of a majority of the Commissioners then holding office. Failure to obey a subpena may be referred to the United States district court and failure to obey is punishable as a contempt of court. If any information requested by the Commission is considered proprietary, the Postal Service must inform the Commission in writing. In cases where proprietary information is received, the Commission may use the

information only for the purpose supplied and restrict access to the information to Commission officials.

A section within Title VI permits the Postal Service to offer volume discounts in which all customers would be eligible for the same volume discount as long as the discounted rate is set in accordance with statutory provisions. This provision is intended to insure greater pricing flexibility in markets exposed to growing competition. The Postal Service is permitted to offer volume discounts on a negotiated basis as along as the agreements are restricted to postal services in the Competitive Mail category, enumerated in Title X. The rates would be attractive to the mailer and beneficial to the Postal Service. This authority would be tested for 3 years; after notice and comment the Comptroller General of the General Accounting Office will report the evaluation to Congress.

Title VII deletes obsolete provisions referring to the Interstate Commerce Commission and other matters such as contracting for surface transportation of mail, the duration of postal transportation contracts. One section expands the flexibility of the Postal Service to contract for international air transportation of mail at competitive market rates. Current restrictions stifle the Postal Service' competitiveness in international markets. This provision would contribute to improvements in cost and service performance. An important provision in this title provides that a letter may be carried outside the Postal Service under existing law or when the amount paid for private carriage is at least $2. Further, this title provides for a 3 year demonstration project which would test the feasibility of allowing non-Postal Service access to private mailboxes. This project directs the Postal Service to include at least one urban, suburban, and rural area in the pilot project. Importantly, the section allows individuals in affected areas to opt-out of the test.

Title VIII of the bill amends title 5 of the United States Code. It permits the Chief Executive Officer (CEO) of the Postal Service to obtain a review of any final order or decision of the Merit Systems Protection Board (MSPB) regarding any employee or applicant for employment with the Postal Service by petitioning for judicial review in the United States Court of Appeals for the Federal Circuit. The CEO could proceed with the request if it is determined that the MSPB has erred in interpreting civil service provisions affecting personnel management and that the ruling would have significant impact on civil service policies. If the CEO had not intervened in the matter earlier, then the CEO must first petition the Board for reconsideration. This provision gives the MSPB an opportunity to correct any errors which may have been made at this level. If reconsideration is denied, the CEO has the right to appear before the Court of Appeals; judicial review would be at the discretion of the Court.

Title IX is applicable to law enforcement. It specifically includes contract employees within the protection of law afforded to Federal and postal employees against the threat of assault. The amendment broadens the deterrent to the continued receipt of unsolicited sexually oriented advertising by authorizing a civil monetary penalty of $500 to $1,500 for each sexually oriented advertising mail piece in violation of specific sections of law. The new provision al-

lows the deposit of asset forfeitures in which the Postal Service had primary responsibility for investigation to be deposited directly in the Postal Service Fund. This title also provides that the Postal Service may bring civil action for penalties against mailers who violate postal statutes and regulations in regard to mailing and packaging hazardous matter. Civil penalties were included for improper transportation of hazardous material in the Hazardous Materials Transportation Act, but the mailing of such items were not. This title creates criminal penalties for stalking of Federal and postal employees; updates existing law to prohibit the mailing of controlled substances, as defined by the Controlled Substances Act and makes the violation a felony punishable by fines or imprisonment or both; directs the U.S. Sentencing Commission to appropriately enhance its sentencing guidelines for volume mail thefts and the use of the credit line of credit cards to compute the dollar loss in the unauthorized use of a credit card; clarifies the Postal burglary statute to specifically include the robbery of the large number of post office boxes and vending machines that are not in postal facilities and includes penalties for the receipt or possession of stolen property through a violation of this statute; enhances the penalties for postal robberies, including those that result in the death of any person, to be equivalent to the enhanced penalties for bank robber as included in the Violent Crime Control and Law Enforcement Act of 1994.

Title X of H.R. 3717 establishes a new system for establishing postal rates, classes, and services. It replaces the postal rate setting process by creating a new ratemaking framework. It is designed to reflect the regulatory approach for monopolies or market dominant entities currently in use by regulatory commissions in nearly all States, the Federal Communication Commission, and several other nations. The new system recognizes the marketplace realities and competition faced by the Postal Service this year and into the 21st century. This title establishes a price cap regulatory regime for those postal products that are protected by the Private Express Statutes and those products that have few if any alternatives outside the Postal Service. The noncompetitive products will be divided among four groupings of similar classes of mail. The Postal Service will have the flexibility to price postal products that have a sufficient number of non-Postal Service alternatives, according to economic decisions required in the marketplace.

The Postal Service is also given the authority to introduce and test experimental postal services, encouraging the investment into new services for the benefit of postal customers. The Postal Service will then have the flexibility of a privately owned entity to react to market conditions, to introduce and test new products and to earn a profit.

The Postal Service is required to initiate an omnibus rate case before the Postal Rate Commission ensuring that the most current rates and fees are in effect before the application of the new formula for rate setting. The baseline rates and fees must take effect no later than 18 months after enactment. The factors which the Postal Rate Commission must consider in establishing baseline rates and fees include cost, demand, and quality of service. These

elements would determine the competitiveness of the Postal Service with other delivery services and methods of communication.

Prices in the noncompetitive mail category will be indexed to the Gross Domestic Product Chain-Type Price Index (GDPPI) which is published quarterly by the Bureau of Economic Analysis of the Department of Commerce. Thus, the statistic is straightforward and easily verifiable; it cannot be manipulated by the regulated entity. As the GDPPI is an economy-wide measure of prices that reflect the cost of business, it is an appropriate link to the Postal Service as a business. Furthermore, numerous State utility commissions and the Federal Communication Commission base their price cap policies on GDPPI.

B. REVIEW OF LAWS WITHIN COMMITTEE'S JURISDICTION

1. Federal Property and Administrative Services Act of 1949, as Amended June 30, 1949, 63 Stat. 377 (the act) (40 U.S.C. Section 471 et seq.; Public Law 152, 81st Congress).

This law provides the Federal Government with a system for procurement of personal property and nonpersonal services, for storage and issues of such property, for transportation and traffic management; for further utilization and disposal of surplus property, and for management authority was modified in 1985. GSA's original responsibilities were enacted as part of title 44, U.S.C. The committee has amended certain sections of the 1949 act.

With respect to Title III (Procurement Procedure), H.R. 1670, reported by the committee on August 1, 1995, as House Report 104–222, Pt. I, would amend contract solicitation provisions, provide for preaward debriefings, amend preaward qualification requirements and replace these provisions with a contractor performance system; amend all commercial items from the Truth in Negotiations Act; and apply simplified acquisition procedures to all commercial items regardless of their dollar value.

Division D of Public Law 104–106, the Federal Acquisition Reform Act of 1996, retains the provisions regarding commercial item purchasing in modified form. The law also maintains the original language authorizing preaward debriefings for excluded offerors where appropriate.

Division E of Public Law 104–106, the Information Technology and Reform Act of 1996, includes a Senate provision that would require agencies to inventory all agency computer equipment and to identify excess or surplus property in accordance with title II of the act. The statement of the committee of conference on S. 1124, which became Public Law 104–106, contains a direction of the conferees that GSA, exercising current authority under title II of the act, should issue regulations that would provide for donation of such equipment under title II on the basis of this priority: (1) elementary and secondary schools and schools funded by the Bureau of Indian Affairs; (2) public libraries; (3) public colleges and universities; and (4) other entities eligible for donation under the act.

2. Brooks Automatic Data Processing Act (40 U.S.C. 759).

This provision of law is found at section 111 of the Federal Property and Administrative Services Act (the act). It provides the au-

thority to coordinate and provide for the purchase, lease, and maintenance of automatic data processing equipment for all Federal agencies through the Administrator of General Services. It also provides authority for the General Services Board of Contract Appeals to review any decision by a contracting officer that is alleged to violate a statute, a regulation, or the conditions of a delegation of procurement authority.

Division E of Public Law 104–106 repeals section 111 of the act. It provides authority for the acquisition of information technology within each of the Federal agencies and gives the Office of Management and Budget the responsibility for coordinating governmentwide information technology management and purchasing. It also establishes the General Accounting Office as the sole independent administrative forum for bid protests.

3. Office of Federal Procurement Policy Act (41 U.S.C. Section 401 et seq., 88 Stat. 796, Public Law 93–400).

The Office of Federal Procurement Policy (OFPP) Act established OFPP within the Office of Management and Budget to promote economy, efficiency, and effectiveness in the procurement of property and services by and for the executive branch of the Federal Government and to provide governmentwide procurement policies, regulations, procedures, and forms.

H.R. 1760, reported by the committee on August 1, 1995, as House Report 104–222, Pt. I, would revise the current OFPP Act to provide for improved definitions of competition requirements; to establish an alternative quality-based pre-qualification system for meeting the government's recurring needs; to exempt commercial items from the Truth in Negotiations Act and the Cost Accounting Standards; to add a new section to encourage the government's reliance on the private sector sources for goods and services; to revise and simplify Procurement Integrity provisions; to remove certain certification requirements currently in statute and other regulatory certifications (unless justified); to add a new section providing that each executive agency establish and maintain effective value engineering processes and procedures; and to establish a series of policies and procedures for the management of the acquisition workforce in civilian agencies.

Division D of Public Law 104–106 contains many of the provisions of House Report 104–222 in addition to other changes to the OFPP Act. The provisions of Public Law 104–106 include: exempting commercial item purchases from the Truth in Negotiations Act and Cost Accounting Standards; removing certain unnecessary certification requirements; providing for the inapplicability of certain procurement laws to commercially available off-the-shelf items; extending authority for executive agencies to establish and maintain cost-effective, value engineering procedures and processes; establishing a series of policies and procedures for the management of the acquisition workforce in the civilian agencies. It also repeals the current procurement integrity provisions and their certification requirements. New language provides for the protection of confidential procurement information by prohibiting both the disclosure and receipt of such information and imposing criminal and civil penalties for violations. There also is a limited ban on contacts

between government officials and industry contractors, as well as governmentwide "revolving door" restrictions.

4. The Competition in Contracting Act of 1984 (41 U.S.C. 253, 98 Stat. 1175, Public Law 98–369, July 18, 1984).

The Competition in Contracting Act of 1984 amended title III of the Federal Property and Administrative Services Act of 1949 to establish a statutory preference for the use of competitive procedures in awarding Federal contracts for property or services; to require the use of competitive procedures by Federal agencies when purchasing goods or services—sealed or competitive bids; and to direct the head of each agency to appoint an advocate for competition who will challenge barriers to competition in the procurement of property and services by the agency and who will review the procurement activities of the agency.

Division D of Public Law 104–106 contains language which retains the current statutory competition standard, but adds a requirement that the standard is to be implemented in a manner which is consistent with the government's need to "efficiently" fulfill its requirements. Further provisions are added to allow contracting officials more discretion in determining the number of proposals in the "competitive range," to provide for preaward debriefings of unsuccessful offerors, and to authorize the use of special two-phase procedures for design and construction of public buildings.

5. The Federal Acquisition Streamlining Act of 1994 (Public Law 103–355, October 13, 1994).

The Federal Acquisition Streamlining Act (FASA) of 1994 was developed to provide the foundation for establishing "commercial-like" procedures within the Federal procurement system. FASA established a preference for commercial items and simplified procedures for contracts under $100,000 as well as addressing a wide spectrum of issues regarding the administrative burden—on all sides—associated with the government's specialized requirements.

H.R. 1670, reported by the committee on August 1, 1995, as House Report 104–222, Pt. I, would amend section 5061 of FASA (41 U.S.C. 413 note) to permit the OFPP Administrator to exercise the authority granted in FASA to test "innovative" procurement procedures without having to wait for the implementation of other FASA provisions.

Public Law 104–106 authorizes OFPP to test alternative procurement procedures and removes a requirement that the testing of these procedures be contingent upon the full implementation of the Federal Acquisition Computer Network Electronic Commerce (FACNET) procedures. It also would limit the linkage between the use of the simplified acquisition procedures and the full implementation of FACNET.

CIVIL SERVICE SUBCOMMITTEE

1. The Veterans' Preference Act of 1944 (58 Stat. 387).

This law provides preferences for veterans in obtaining and retaining Federal employment. The subcommittee reviewed this law

in connection with its examination of the current status of veterans in the Federal workforce. (See section II.B.18. above.) Based upon this examination, the subcommittee concluded that veterans' rights in reductions in force are often circumvented and, most importantly, that veterans do not have access to an effective redress system when their rights have been violated. In addition, the subcommittee also concluded that veterans entitled to preference and others who have served honorably in the armed forces are frequently shut out of competition for Federal jobs by artificial restrictions on competition. In order to remedy these deficiencies, Chairman Mica introduced H.R. 3586. (See section III.A.1. above.)

2. Statutes reviewed in connection with civil service reform.

The subcommittee reviewed the following laws affecting the civil service in connection with its examination of civil service reform legislation, H.R. 3841. (See section III.A.2. above.):

a. Demonstration projects—5 U.S.C. Chapter 47.

These laws govern the procedures under which OPM and individual agencies may establish demonstration projects to experiment with innovative personnel practices. The subcommittee proposed a number of changes to these statutes to simplify and expedite the establishment of demonstration projects and to remove current limits that prevent increased experimentation with such programs.

b. Chapters 33, 87 & 89—The subcommittee reviewed these laws and proposed revisions to soften the impact of layoffs and restructuring on Federal employees.

c. Chapters 35, 43, 45, 53 (5335), 71—The subcommittee reviewed these laws and proposed revisions to improve performance management.

d. Chapters 71, 75, & 77—The subcommittee reviewed these laws and proposed revisions to streamline Federal employee appeals procedures and encourage the use of alternative dispute resolution techniques to resolve disputes in the Federal workplace.

e. Chapters 84 & 83—The subcommittee reviewed these laws and proposed revisions to improve the Thrift Savings Plan (TSP) by: (1) adding two new investment plans, (2) liberalizing borrowing authority, (3) authorizing a one-time permanent withdrawal of contributions, (4) permitting immediate participation in the TSP, and (4) allowing employees to contribute up to the IRS limit. Items (1)–(3) were enacted into law in Public Law 104–208.

3. Statutes reviewed in connection with Treasury, Postal appropriations.

The subcommittee reviewed a number of laws affecting the civil service in connection with the appropriations for the Office of Personnel Management (OPM) and other agencies.

In the first session, the following laws were reviewed in connection with the Treasury, Postal Appropriations Act for fiscal year 1996 (Public Law 104–52):

a. 5 U.S.C. § 1104.—This statute, which deals with delegations of authority for personnel management, was amended to

allow OPM to delegate competitive examinations for all positions other than the position of administrative law judge (ALJ) and to provide that agencies using ALJs reimburse OPM for the cost of the ALJ examination. It was also amended to allow OPM to assist agencies conducting competitive examinations on a reimbursable basis. Reimbursements to OPM are to be made through the revolving fund established by 5 U.S.C. § 1304.

b. 5 U.S.C. § 3329 (the second section so designated).—The second section in title 5 designated as section 3329, which requires OPM to establish and maintain a government wide list of certain vacant positions, is redesignated as 3330 and is amended to permit OPM to charge agencies for maintaining this list.

c. 5 U.S.C. § 5378.—This statute, which deals with pay rates for positions within the police force of the Bureau of Engraving and Printing and the U.S. Mint, was amended by adding a provision permitting the Secretary of the Treasury to establish pay for the position of chief at a rate not to exceed the maximum rate for a GS–14.

d. 5 U.S.C. § 5542.—This section, which governs the computation of overtime, was amended by adding a new subsection (e) to cover computation of certain overtime work performed by Secret Service agents.

e. Section 4(a) of the Federal Workforce Restructuring Act of 1994 (Public Law 103–226) was amended to require additional agency contributions of 9 percent for each employee who receives a buyout and retires under 5 U.S.C. § 8336(d)(2).

f. 5 U.S.C. § 8348.—Subsection (a)(1) of this section was amended to authorize the Office of Personnel Management to withhold State income taxes from civil service retirement annuities.

4. Statutes reviewed in connection with the Federal Reports Elimination and Sunset Act of 1995 (Public Law 104–66).

a. 5 U.S.C. § 1304.—This statute was amended to eliminate the requirement that the Comptroller General report to Congress on OPM's revolving fund once every 3 years.

b. 5 U.S.C. § 2304.—This statute was amended to eliminate the requirement that GAO submit annual reports to Congress on the activities of the Merit Systems Protection Board and the Office of Personnel Management.

c. 5 U.S.C. § 3135.—This statute, which required the Office of Personnel Management to submit biennial reports to Congress on the Senior Executive Service, was repealed.

d. 5 U.S.C. § 4314(d).—This statute, which required the Office of Personnel Management to include certain information in the reports required under section 3135, was repealed.

e. 5 U.S.C. § 4113.—This statute, which required agencies to report to the Office of Personnel Management every 3 years on training programs and plans, was repealed.

f. 5 U.S.C. § 5347(e).—This statute, which required the Federal Prevailing Rate Advisory Committee to submit annual reports to the Office of Personnel Management, was repealed.

g. 5 U.S.C. § 3407.—This statute, which required agencies and the Office of Personnel Management to submit periodic reports on part-time career employment, was repealed.

5. Repeal of the Ramspeck Act.

The subcommittee reviewed the Ramspeck Act, 5 U.S.C. § 3304(c), in connection with House consideration of the Lobbying Disclosure Act of 1995. Section 16 of the Lobbying Disclosure Act repealed the Ramspeck Act, which permitted the noncompetitive appointment of certain legislative and judicial branch employees to positions in the competitive service. The Office of Personnel Management was directed to develop regulations for evaluating experience gained in the legislative or judicial branches and non-profit enterprises.

6. Statutes reviewed in connection with the ICC Termination Act of 1995 (Public Law 104–88).

In connection with the ICC Termination Act of 1995, the subcommittee reviewed amendments to 5 U.S.C. §§ 5314 and 5315 to reflect changes resulting from the abolition of the Interstate Commerce Commission.

7. Statutes reviewed in connection with Public Law 104–19.

In connection with this act, the subcommittee reviewed amendments to 5 U.S.C. § 5545a, which governs availability pay for criminal investigators. These amendments allowed Inspectors General who employ fewer than 5 criminal investigators to exempt those criminal investigators from the section's coverage and applied this section to pilots employed by the U.S. Customs Service who are law enforcement officers. Such pilots are also to be considered law enforcement officers for purposes of 5 U.S.C. § 5542(d) and section 13(a)(16) and (b)(30) of the Fair Labor Standards Act of 1938.

8. Statutes reviewed in connection with the Intelligence Authorization Act for Fiscal Year 1996 (104–93).

In accordance with House consideration of this act, the subcommittee reviewed the following statutes:

a. 5 U.S.C. § 8318.—This statute was amended to authorize the restoration of spousal benefits to the spouse of an employee whose pension was forfeited under 5 U.S.C. §§ 8312 or 8313 if the Attorney General determines the spouse fully cooperated with Federal authorities in the criminal investigation and prosecution leading to the forfeiture.

b. 5 U.S.C. § 8432(g).—This statute was amended to provide for the forfeiture of government contributions to the Thrift Savings Plan and all earnings attributable to such contributions if the individual's annuity is forfeited under subchapter II of chapter 83.

c. 5 U.S.C. § 7325.—This statute was amended to allow employees of the agencies enumerated in subsection (b)(2)(B) of section 7323 to engage in fundraising or run for office in connection with elections in certain municipalities or political subdivisions.

9. Statutes reviewed in connection with the Legislative Branch Appropriations Acts.

In connection with House consideration of the Legislative Branch Appropriations Act, 1996 (Public Law 104–53), the subcommittee reviewed an amendment to section 5 U.S.C. § 8402(c) to authorize the Director of the Congressional Budget Office to exclude temporary or intermittent CBO employees from the Federal Employees Retirement System.

In connection with House consideration of the Legislative Branch Appropriations Act, 1997 (Public Law 104–197), the subcommittee reviewed the following statutes:

a. 5 U.S.C. § 3303.—This statute was amended to prohibit anyone examining or appointing an individual to a position in the competitive service from receiving or considering a recommendation of the applicant by a Senator or Representative, except as to the character or residence of the applicant.

b. 5 U.S.C. § 2302.—This statute was amended to make it a prohibited personnel practice for anyone with the authority to take, direct others to take, recommend, or approve any personnel action to solicit or consider any recommendation or statement with respect to any individual who requests or is under consideration for any personnel action unless such recommendation or statement is based on the personal knowledge or records of the person furnishing it and evaluates the work performance, ability, aptitude, general qualifications, character, loyalty, or suitability of such individual.

10. Statutes reviewed in connection with Defense Authorization Acts.

In both sessions of the 104th Congress reviewed a number of statutes in connection with House consideration of Defense Authorization Acts.

The following statutes were reviewed in connection with the National Defense Authorization Act for Fiscal Year 1996 (Public Law 104–106):

a. 5 U.S.C. § 3341.—This statute was amended to eliminate the 120-day limit on details with respect to Defense Department employees detailed to jobs that are expected to terminate in connection with base closures and realignments or downsizing.

b. 5 U.S.C. § 3502.—This statute was amended to permit the Secretary of Defense or the Secretary of a military department to allow employees to volunteer to substitute for another employee in a reduction-in-force. The Secretary involved may refuse to allow an employee with critical skills and knowledge to volunteer. This authority terminated on September 30, 1996.

c. 5 U.S.C. § 5595.—This statute was amended to permit the Secretary of Defense or the Secretary of a military department to make a lump sum payment of severance pay to an employee of the Department of Defense.

d. 5 U.S.C. § 8905.—This statute was amended to allow Department of Defense employees who voluntarily separate from a surplus position to continue their health insurance plan under the Federal Employees Health Benefits Program.

e. 5 U.S.C. § 3329.—This statute was amended to eliminate the requirement that certain military reserve technicians who are involuntarily separated from technician service be offered another position. Instead, such individuals are to be given placement consideration through a Department of Defense priority placement program for positions in either the excepted or competitive services within the Department for which he is qualified and that, to the extent practicable, is at the same pay grade or level.

f. 5 U.S.C. § 6323.—This statute was amended to provide military reserve technicians, at their request, with military leave of up to 44 workdays per calendar year for participation in noncombat operations outside the United States, its territories and possessions. This statute was also amended to provide that Federal employees who are members of the Reserves or National Guard may, at their request, have the time they spend performing public safety service charged to annual leave or compensatory time rather than to military leave provided under section 6323(b).

g. 5 U.S.C. § 6121.—This statute was amended to permit employees of nonappropriated fund instrumentalities to use flexible and compressed work schedules.

h. 5 U.S.C. §§ 8347 and 8461.—These statutes were amended to improve the portability of retirement benefits for employees who move between positions with nonappropriated fund instrumentalities of the Department of Defense or Coast Guard and civil service positions.

i. 5 U.S.C. § 3502.—This statute was amended to provide that certain employees of the Department of Defense or Coast Guard are entitled to credit for service in a nonappropriated fund instrumentality of the Department of Defense or Coast Guard after January 1, 1966.

j. 5 U.S.C. § 5519.—This statute was amended to provide that pay for Reserve or National Guard service for the period during which an employee has been granted military leave shall be credited against his civilian pay for that period.

k. 5 U.S.C. § 5520a.—This statute was amended to provide that an agency's cost of garnishing the pay of an employee or member of a uniformed service shall be deducted from the amount withheld from the employee's or member's pay.

The following statutes were reviewed in connection with the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104–201):

a. 5 U.S.C. § 2105.—This statute was amended to restrict the definition of "employee" to employees of certain activities at the U.S. Naval Academy who were employed in such positions before October 1, 1996 and whose employment has been uninterrupted in such a position since that date.

b. 5 U.S.C. §§ 2302, 3132, 4301, 4701, 5102, 5342, 6339, 7323, and 6339.—These statutes were amended to reflect the abolition of the Central Imagery Office and establishment of the National Imagery and Mapping Agency.

c. 5 U.S.C. § 2302.—This statute was amended to apply title 5 procedures and sanctions for prohibited personnel practices

to violations of veterans' preference within the Department of Defense.

d. Chapter 57 of title 5.—Several statutes within this chapter were revised and three new ones were added to improve the efficiency of the Federal Government's travel practices. Sections revised were: 5722, 5723, 5724a, 5724c, and 5727. Sections added were: 5737, 5738, and 5756. In addition conforming amendments were made to the following additional sections of title 5: 3375, 5724, 5726, and 5731.

e. 5 U.S.C. § 3502.—This statute was amended to allow the Secretary of Defense or the Secretary of a military department to accept volunteers for reductions in force even though the volunteer would not have been otherwise subject to separation by the reduction. The authority to accept volunteers was also extended to September 30, 2001.

f. 5 U.S.C. §§ 5543 and 5544.—These statutes were amended to allow wage-grade employees to receive compensatory time off in lieu of overtime payments.

g. 5 U.S.C. § 5551.—This statute was amended to allow agencies to liquidate restored annual leave that remains unused upon transfer of a Department of Defense employee from an installation being closed or realigned.

h. 5 U.S.C. § 5597.—This statute was amended to allow agency heads to waive the requirement of repaying voluntary separation incentives received by former department of defense employees who are reemployed by the government without pay.

i. 5 U.S.C. § 6103.—This statute was amended to simplify rules relating to the observance of certain holidays by employees on compressed work schedules. The amendment gives agencies authority to depart from statutorily prescribed rules governing when such employees observe a holiday that falls on their regularly scheduled non-workday in order to avoid an adverse impact on the agency.

j. 5 U.S.C. §§ 7103 and 7511.—These statutes were amended to reflect changes related to the establishment of the National Imagery Office and the abolition of the Central Imagery Office.

k. 5 U.S.C. §§ 8332 and 8411.—These statutes were amended to prevent Members or employees entitled to military retired pay from circumventing court orders by waiving retired pay to enhance their civil service retirement annuity.

Conforming amendments were made to the following title 5 provisions to reflect other revisions to statutes made by the National Defense Authorization Act of 1997: 3401, 5102, 5342, 5343, 5348, 5373, 5337, 5541, 5924, 6322, and 7901.

11. Statutes reviewed in connection with the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104–134).

5 U.S.C. § 5514.—This statute was amended to improve the Federal Government's ability to collect debts Federal employees owe it by requiring agencies to participate in certain computer matching programs.

12. Statutes reviewed in connection with the Intelligence Authorization Act for Fiscal Year 1997 (Public Law 104–293).

The following laws were reviewed in connection with the House's consideration of the Intelligence Authorization Act for Fiscal Year 1997.

a. 5 U.S.C. §§ 5314 and 5315.—These statutes were amended to place various CIA positions in Levels III and IV of the Executive Schedule.

b. Central Intelligence Agency Voluntary Separation Pay Act and the Federal Workforce Restructuring Act of 1994.—These statutes were reviewed, and the former amended, to eliminate a double surcharge on the CIA relating to employees who retire or resign in fiscal years 1998 or 1999 and who receive voluntary separation incentive payments.

13. Transfer of Functions—5 U.S.C. 3503.

This law provides the basic authority for a competing Federal employee to be eligible for employment in a position for which he is qualified before the receiving agency may make an appointment from another source to that position when a function is transferred from one agency to another.

The subcommittee reviewed this law for the purposes of H.R. 1561, a bill to consolidate State, AID, and USIA. The subcommittee was concerned that the language in H.R. 1561 would terminate competing employees who perform transferred work because the receiving agency has employees already performing such work. The subcommittee maintained that the acquiring agency should give the transferred employees who are currently performing identical work, the opportunity to compete with employees for positions remaining after the consolidation associated with that work.

14. Laws Relating to Volunteering, Details, and Part-time Employees in 5 U.S.C.

The subcommittee reviewed provisions in the Senate Defense Authorization bill relating to civilian employees, with the following comments.

Details are designed to allow agencies to adjust to temporary fluctuations in work flow by making temporary adjustments to the workforce. Where more permanent needs exist, agencies, already have the flexibility to reassign workers to meet those needs. An exemption from 5 U.S.C. 3341 for the Department of Defense was not supported by subcommittee staff.

5 U.S.C. section 3407 requires each agency to prepare and transmit a report to the Office of Personnel Management on its part-time and detail employees. Relieving an agency from reporting on part-time employment policies undercuts the Office of Personnel Management's ability to function effectively as the central personnel authority for the executive branch. To the extent that responsibility for developing sound personnel systems becomes more diffuse, it becomes that much more difficult for Congress to effectively oversee executive branch personnel matters.

A section within the authorization bill would allow employees to volunteer to substitute for other employees who are scheduled for reductions in force. Although this authority is limited in scope to

DOD employees and limited in time, the subcommittee staff raised concerns about without sufficient safeguards, this program could become counterproductive. The unintended consequence of such a program could result in more highly skilled—and therefore more marketable—employees to be the likely volunteers. The government does not want to unnecessarily encourage its best employees to leave. Unless tightly controlled, a volunteer program could seriously hinder an agency's ability to achieve its mission.

15. Reductions in Force—5 U.S.C. Chapter 35.

Federal agencies must follow specific procedures found in Chapter 35 of 5 U.S.C. when an agency is faced with separations or downgrades due to circumstances such as reorganization, lack of work, shortage of funds, or insufficient personnel ceilings.

The law requires that four retention factors must be implemented through the Office of Personnel Management's reduction in force regulations before employees are released. Although the law does not assign a specific weight to any individual factor, the relative importance of the four factors in determining employee's retention standing is in the following order: (1) tenure; (2) veteran's preference; (3) length of service; and (4) performance ratings.

The subcommittee learned of irregular reduction in force procedures in effect at the U.S. Geological Survey, resulting in ongoing analysis of the situation.

DISTRICT OF COLUMBIA SUBCOMMITTEE

1. District of Columbia Financial Responsibility and Management Assistance Act of 1995 as amended. (Public Law 104–8, April 17, 1995).

This law was established to eliminate the financial crisis caused by budget deficits and management inefficiencies in the government of the District of Columbia through the establishment of the District of Columbia Financial Responsibility and Management Assistance Authority.

2. District of Columbia Emergency Highway Relief Act. (Public Law 104–21, August 4, 1995).

This law authorizes a delay in the District of Columbia's payment of its share of the costs of certain transportation projects in the District of Columbia for fiscal years 1995 and 1996. It was referred to the Transportation and Infrastructure and in addition to Government Reform and Oversight on July 12, 1995.

3. District of Columbia Convention Center and Sports Arena Authorization Act (Public Law 104–28, September 6, 1995).

This law permits the Washington Convention Center Authority to expend revenues for the operations and maintenance of the existing Washington Convention Center and for preconstruction activities relating to a new convention center in the District of Columbia; and to permit a designated authority of the District of Columbia, to borrow funds for the preconstruction activities relating to a sports arena in the District of Columbia and to permit certain revenues to be pledged as security for the borrowing of such funds.

4. District of Columbia Acts.

Currently 133 acts have been transmitted to the Subcommittee on the District of Columbia for review during the 2d session of the 104th Congress. Of that total, 84 acts are now law, and the remaining 49 did not complete the congressional review due to the adjournment of the 104th Congress. One council act which amended the D.C. Criminal Code, required a 60-day layover. H.R. 3845 waived the congressional review of three acts and H.R. 3610 waived one act.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

1. Government Corporation Control Act, Public Law 248, 79th Congress, December 6, 1945, 59 Stat. 597.

This law provides basic accountability requirements for many government corporations. This subcommittee has a continuing interest in the scope and implementation of this act and consequently monitors it closely. The subcommittee reviewed the standards to which government corporations are held accountable, during a June 6 hearing entitled "Corporate Structures for Government Functions," see Section II.B.7. In a subsequent report entitled "Making Government Work: Fulfilling the Mandate for Change" (House Report 104–435, December 21, 1995), the committee recommended that the Government Corporation Control Act be updated to reflect the increasing variety of government corporations and changes over the past 50 years since the enactment of the act.

2. The Administrative Expenses Act of 1946, Public Law 600, 79th Congress, August 2, 1946, 60 Stat. 806.

The subcommittee continues its oversight of this act.

3. The Prompt Payment Act, Public Law 97–177, 96 Stat. 85 (31 U.S.C. Sec. 3901, et seq.).

The Prompt Payment Act requires every Federal agency to pay an interest penalty on amounts owed to business concerns for the acquisition of property or services when the agency does not pay on time. The subcommittee continues its oversight over problems with the implementation of this act.

4. Federal Managers' Financial Integrity Act, Public Law 97–255, September 8, 1992, 96 Stat. 814 (31 U.S.C. Sec. 3512).

The Federal Managers' Financial Integrity Act requires agency heads to conduct ongoing evaluations and to report on the adequacy of their respective agency's systems of internal accounting and administrative controls. Further, it requires the Comptroller General to prescribe the standards for such controls, as well as standards to ensure the prompt resolution of all audit findings; it requires the Director of the Office of Management and Budget (OMB) to establish guidelines for agency use in evaluating whether the systems comply with the standards. Agency heads are required to prepare for the President and the Congress an annual statement on the status of the agency's compliance.

The subcommittee has been monitoring implementation of this act, which became effective September 8, 1982, including administration proposals for pilot studies to streamline the reporting under this and other acts.

5. Inspector General Act of 1978 (5 U.S.C. App.).

The subcommittee continued its oversight of the Inspector General Act of 1978 and the amendments of 1988. These acts created the Inspectors General [IG's] in 61 Federal entities, including Cabinet departments and major agencies, as well as at smaller commissions, corporations, boards, and foundations. The IG's are charged with: (1) conducting audits and investigations related to the programs and operations, and to prevent and detect waste, fraud, and abuse; and (2) keeping the department, agency or entity head, and the Congress fully informed about problems and deficiencies.

The subcommittee has worked closely with the IG's on audits and investigations during this session. The subcommittee paid particular attention to NPR recommendations to reorient the IG's to lessen what it considers "adversarial" relations that often develop between managers and IG's. The subcommittee oversight of this proposal concentrates on whether such changes might impede the aggressive oversight that is necessary for an effective agency Inspector General.

6. The Single Audit Act of 1984, Public Law 98–502, October 19, 1984, 98 Stat. 2327 (31 U.S.C. 7501 et seq.).

The Single Audit Act of 1984 requires each State and local government receiving $100,000 or more per year in Federal financial assistance to obtain an independent, organization-wide audit of its operations—usually on an annual basis. The audit must include a thorough review of the recipient's internal controls over its Federal funds, and an examination of its compliance with Federal program requirements. The subcommittee continues to closely monitor implementation of this act, and is reviewing current proposals to amend the act by incorporating the provisions of OMB Circular No. A–133, Audits of Institutions of Higher Education and Other Non-Profit Institutions, into the act, raising the thresholds for requiring organization-wide audits, and allowing a risk-based approach to selection of major programs. These changes have been proposed as a result of recent studies by the General Accounting Office, the President's Council on Integrity and Efficiency, and the National State Auditors Association.

7. Budget and Accounting Act of 1921, Public Law 13, 67th Congress, June 10, 1921, 42 Stat. 20–27; Congressional Budget and Impoundment Control Act of 1974, Public law 344, 93d Congress, July 12, 1974, 88 Stat. 297–339; Balanced Budget and Emergency Deficit Control Act of 1985, Title II of Public Law 177, 99th Congress, December 12, 1985, 99 Stat. 1038–1101; Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987, Title I of Public Law 119, 100th Congress, September 29, 1987, 101 Stat. 754–784; Budget Enforcement Act of 1990, 104 Stat. 1388–573 Through 630; Omnibus Budget Reconciliation Act of 1993, Title XIV of Public Law 66, 103d Congress, 107 Stat. 683–685, August 10, 1993.

These laws establish the current framework for the presentation of the President's budget request to Congress, the consideration of the congressional budget resolution and the imposition of fiscal discipline through the possible application of end-of-year sequesters and other deficit reduction mechanisms. The subcommittee is examining whether there is a need for comprehensive budget process reform.

8. Debt Collection Act of 1982, 96 Stat. 1749, Public Law 97–365.

The Debt Collection Act of 1982 is intended to facilitate improved debt collection procedures in the Federal Government. It includes: (1) referring delinquent debtors to credit bureaus while providing those debtors the same protection now afforded the private sector under the Fair Credit Reporting Act; (2) requiring individuals to supply their Social Security number when applying for credit or financial assistance that would result in indebtedness to the Government; (3) offsetting a Federal employee's salary and certain benefits to satisfy general debts owed the Government; (4) making it a Federal penalty to assault Federal employees collecting debts owed the Government; (5) determining delinquent tax liability and seeking its resolution before extending Federal credit; (6) disclosing mailing addresses obtained from the IRS on delinquent debtors to private contractors for debt collection purposes; (7) clarifying that administrative set off of delinquent debts owed the Government exists beyond the 6 year statute of limitations; (8) assessing interest on debts owed the Government and penalties on those debts that are delinquent; (9) easing the requirements for serving summonses in order to litigate delinquent debt cases; (10) reporting to Congress on debt collection activities; and (11) allowing Federal departments and agencies to contract with private collection agencies for collection services. The subcommittee continued closely monitoring implementation of this act.

The subcommittee is concerned over rising levels of delinquent debts. Despite write-offs averaging $10 billion per year, delinquent non-tax debts equal $49.9 billion, while delinquent tax debts total $70 billion. The subcommittee held a hearing on September 8, 1995, to study the problem of delinquent debts, which built upon earlier hearings related to financial management and debt collection. In response to the difficulties agencies have had collecting debts, the subcommittee considered legislation to improve debt collection by allowing agencies the following authorities:

• Require that agencies refer debts to Treasury for administrative offset;
• Allow payments currently exempt from offset to be administratively offset (includes Social Security, Railroad Retirement, Pt. B of Black Lung, and Veterans' benefits);
• Allow administrative offset to be conducted for child support;
• Allow States and the Federal Government to offset each other's payments to collect each other's debts;
• Require Electronic Funds Transfers (Direct Deposit) by 1999 to facilitate offset, improve audit information and reduce fraud;
• Bar delinquent debtors from obtaining Federal benefits, loans, insurance, and routine services;
• Allow agencies to garnish the wages of delinquent debtors;
• Allow agencies to give public notice of indebtedness in the case of individuals or corporations who refuse to repay Federal loans, and who have assets or income to repay the debt;
• Require agencies to report current and delinquent debt to credit reporting agencies (including corporate and other commercial debts);
• Allow agencies to retain some portion of increased collections to fund improved debt collection efforts (agency gain sharing); and
• Authorize agencies to sell debt prior to terminating collection action.

This proposal is pending before Congress.

9. Buy American Act, 41 U.S.C. § 10.

This act requires Federal agencies to purchase materials or articles mined, produced, or manufactured in the United States and to let contracts for public works on the same basis unless such purchases are inconsistent with the public interests or are unreasonably costly. The subcommittee continues its oversight of the act.

10. Chief Financial Officers Act of 1990 (Public Law 101–576, November 15, 1990; 31 U.S.C. 502(b-f)–504).

The CFO Act had two primary purposes: (1) to strengthen the general management activities of the OMB by creating a Deputy Director for Management position and clarifying OMB's general management statutory authority; and (2) to establish accountability and a business-like discipline in Federal financial management. The CFO Act created a new Office of Federal Financial Management at OMB, headed by a Controller with extensive experience in financial management and accounting. The act further requires CFO's to be installed at 23 departments and major agencies. The act requires that financial statements be prepared for business-like activities of the Federal Government in order to provide accurate information about the financial condition of key programs and to identify fraud, waste, and abuse. The act also places requirements on Federal agencies for improving financial information and internal controls, and for upgrading specific financial management activities such as debt collection and budget execution.

The CFO Act requirements have been strengthened, made permanent, and expanded by the Government Management Reform Act. In October 1994, the Government Management Reform Act became law. It requires agencies to prepare agency-wide financial

statements and have them audited beginning in fiscal year 1996, with the report due to Congress by March 1997. By fiscal year 1997, the General Accounting Office is required to audit the financial statements of the executive branch, with the report due to Congress by March 1998.

The subcommittee held a hearing on the status of agency implementation of the CFO Act and the preparedness for implementation of the GMRA on July 25, 1995, (see Section II.B.15.) A subsequent hearing, on Financial Management Problems in the Department of Defense was held on November 14, 1995, to examine the likelihood that Defense will not be able to comply with the GMRA by the statutory deadline, see Section II.B.16.

The subcommittee continues its monitoring of the act, conducts ongoing investigations into OMB's leadership of the agencies in financial management through the Office of Federal Financial Management, set up in OMB as a result of the act, and will continue to evaluate agencies' ability to comply with the requirements of both acts, and their progress in obtaining clean opinions on their audited financial statements.

11. Government Performance and Results Act of 1993, Public Law 103–62.

On August 3, 1993, the Government Performance and Results Act of 1993 was signed into law by the President. The act provides for the establishment, testing, and evaluation of strategic planning and performance measurement in the Federal Government, and for other purposes. It will improve the efficiency and effectiveness of Federal programs by establishing a system to set goals for program performance and to measure results. After a series of pilot projects implementing a strategic planning and performance system in volunteer agencies, the requirements are to be applied government-wide eventually leading to a performance-based budgeting system.

Beginning in 1994, this act requires the OMB to select 10 agencies to perform pilot projects for 3 years on developing strategic plans. OMB has designated some 71 individual pilot programs which include all Cabinet departments and most of the major agencies. They also represent nearly every significant type of government function or activity, from the very large, to the very small. The 5-year strategic plans must outline an agency's mission, general goals, and objectives, and include a description of how the goals and objectives are to be achieved.

OMB will also select five agencies to perform pilot projects for 2 years on managerial flexibility. The pilots will assess the benefits, costs, and usefulness of increasing managerial flexibility and organizational flexibility, discretion, and authority. The OMB was required to designate pilots for 1995 and 1996, and has not yet done so.

Strategic plans and annual performance plans are to be submitted to Congress and OMB not later than September 30, 1997. At the same time, five agencies will be selected to begin pilot projects on performance-based budgeting. By the year 2000, all agencies will submit annual performance reports with the budget.

OMB is seeking to increase the use and value of performance information in the preparation and submission of the President's

budget. OMB expects to increase substantially the use of performance information in fiscal years 1997 and 1998 budgets, and to work with all the agencies on defining performance goals that agencies will include in their annual performance plans for fiscal year 1999.

12. Government Management Reform Act of 1994; Public Law 103–356.

On June 9, 1994, the Senate Governmental Affairs Committee incorporated provisions of related measures of H.R. 3400, the Government Reform and Savings Act, into S. 2170, as introduced. S. 2170 was signed by the President on October 13, 1994. The legislation incorporated portions of H.R. 3400, specifically the sections on streamlining management controls and improving financial management. It contained the first round of the administration's recommendations from the Vice President's initiative to reform Government operations, the National Performance Review (NPR). The subcommittee held a hearing on the NPR.

This legislation strengthens the ability of Federal agencies to expand conversion to electronic delivery of payments to Federal employees and retirees. Each recipient of a Federal wage, salary, or retirement payment, who begins to receive payments on or after January 1, 1995, will be required to receive payments by direct deposit. This provision does allow agency heads to waive the requirements through a written request by recipients.

Second, an authorization of six pilot franchise funds to help lower costs and share common administrative services is provided by this legislation. An offshoot of the Vice President's National Performance Review, it would increase funds available to executive branch agencies for shared administrative services for different departments within an agency or among different agencies of the Federal Government.

OMB would create six franchise funds within the executive branch, in consultation with the Appropriations and Government Reform and Oversight Committees. The funds can be used to support "common administrative support services." The fund may receive an initial appropriation, but must charge fees for the services it provides. Fees can be used only to carry out the purposes of the fund. The fund "sunsets" after fiscal year 1999. OMB must report by March 1998 to the Government Reform and Oversight and Appropriations Committees on the operation of the fund.

The fund seeks to improve efficiency in the agencies in delivering administrative support services by centralizing activities and creating competition to deliver the services. An agency in which the franchise fund was created would be free to solicit business for these services from other Federal departments and agencies, streamlining Federal management by increasing efficiency through the elimination of duplicative, inefficient service providers. As different agencies develop strengths in different areas, they can contract out for those areas where an agency is weak and sell services to other agencies where an agency is strong. The U.S. Department of Agriculture does this with its National Finance Center which provides financial services to other agencies.

Third, this legislation directs the OMB to work with the House Government Reform and Oversight and the Senate Governmental Affairs Committees to streamline and consolidate financial management reports from the agencies to OMB and from OMB to Congress.

Last, beginning in 1997, all 24 agencies covered under the Chief Financial Officers Act are required to produce audited financial statements for all activities. Starting in 1998, the Government will produce audited consolidated financial statements of all 24 CFO Act agencies. See Section II.B.15. for descriptions of hearings on the status of agency preparations to comply with the GMRA.

13. Laws Relating to Official Travel, Transportation, and Subsistence of Federal Employees.

The subcommittee has oversight responsibility with respect to chapter 57 of title 5, U.S.C., which relates to travel, transportation, and subsistence allowances and payments to Federal employees performing official travel or relocating pursuant to transfer. The President has delegated most administrative function under chapter 57 to the Administrator of General Services. (See Executive Order 11609.) The Office of Management and Budget has developed new protocols for senior Federal travel and new reporting requirements in OMB Circular No. A–126, Improving the Management and Use of Government Aircraft, and OMB Bulletin 93–11, Fiscal Responsibility and Reducing Perquisites. The subcommittee held a hearing on December 29, 1995, to examine the Senior Executive Federal Travel Reports. These requirements have been supplemented by a White House Memorandum, dated February 10, 1993.

14. Freedom of Information Act (Public Law 89–487, as Amended by Public Laws 90–23, 93–502, 94–409, and 99–570; 5 U.S.C. 552).

The passage of the Freedom of Information Act of 1966 remains as the most important recent development in public access to government documents. The subcommittee continued its oversight of the implementation of amendments to the act. The subcommittee also continued its longstanding practice of reviewing legislation from other committees that affects the availability of Government information. The subcommittee also continued to provide assistance to Members of Congress and to other committees on matters concerning the availability of information. The Government Reform and Oversight Committee has reissued "A Citizen's Guide on Using the Freedom of Information Act and the Privacy Act of 1974 to request Government Records" (First Report by the Committee on Government Reform and Oversight, 104th Congress, 1st Session, originally issued June 22, 1995). The subcommittee is currently reviewing proposed amendments to the act.

15. Privacy Act of 1974 (Public Law 93–579, as Amended by Public Laws 100–503 and 101–56; 5 U.S.C. 552a).

The passage of the Computer Matching and Privacy Protection Act of 1988 (Public Law 100–56) marked the biggest change to the Privacy Act since its passage in 1974. Review of the effectiveness

of the matching law was undertaken by the GAO and is discussed elsewhere in this report.

The subcommittee is also continuing its routine oversight of the Privacy Act by reviewing agency proposals to create new systems of records and proposals to modify existing systems of records. The Privacy Act requires each agency to file a report with the Congress whenever a system is changed or established. About 100 such reports are filed annually.

The subcommittee raised questions about system notices filed by Department of Commerce, Department of State, GSA, and OPM. In addition, general Privacy Act matters have been discussed with the OMB.

16. Federal Advisory Committee Act (Public Law 93–463, as amended by Public Law 94–409; 5 U.S.C. App. 1).

The Federal Advisory Committee Act (a) requires each standing congressional committee to make continuing reviews of advisory committees under its jurisdiction; (b) gives the Director of the OMB responsibility for reviewing advisory committees and prescribing administrative guidelines and management controls; (c) sets forth reporting requirements by the President; (d) provides for phasing out advisory committees every 2 years unless positive actions are taken to retain them; (e) prescribes open meetings, balanced representation, and other procedural requirements for advisory committees; and requires GSA to provide guidance and assistance to advisory committees as well as to review annually their activities and responsibilities. The subcommittee continues to monitor implementation of the act.

17. Government in the Sunshine Act (Public Law 94–409, 5 U.S.C. 552b).

The Government in the Sunshine Act provides that meetings of Federal agencies must be open to the public if a majority of the members were appointed by the President with the consent of the Senate. The act includes 10 permissive exemptions to the open meeting requirement. The subcommittee is monitoring the implementation of the act.

18. The Cash Management Improvement Act of 1990, as amended (Public Law 101–453, 31 U.S.C. 3335, 6501, 6503).

This act focuses on promoting equity in the exchange of funds between the Federal Government and the States. It requires the Secretary of the Treasury, along with the States, to establish equitable funds transfer procedures, and provided that States would pay interest to the Federal Government if they draw funds in advance of need and that the Federal Government would pay interest to the States if the Federal program agency does not reimburse the States in a timely manner when States use their own funds. The first year of implementation of the act was 1994. During fiscal year 1994 (which for the majority of the States included 9 months of the first fiscal year under the act), the Federal Government obligated over a reported $150 billion in Federal funds to the States for programs covered under the act. The first year of implementation resulted in a cumulative net State interest liability due to the Federal Govern-

ment of approximately $34 million—over $41 million owed by the States offset by $4.7 million and $2.5 million owed the States by the Federal Government for interest and reimbursable costs, respectively.

Prior to the CMIA, the timing of Federal funds transfers to the States was governed by the Intergovernmental Cooperation Act, Public Law 90–577. That law allowed a State to retain for its own purposes any interest earned on Federal funds transferred to it "pending its disbursement for program purposes. The subcommittee, when considering the CMIA legislation in 1990, noted that the Intergovernmental Cooperation Act had been a source of continuing friction between the States and the Federal Government." CMIA requires the Federal Government to schedule transfers of funds to States "so as to minimize the time elapsing between transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payments by other means by a State," and expects States to "minimize the time elapsing between transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payments by other means for program purposes." The subcommittee continues to monitor the implementation of the CMIA.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

1. Unfunded Mandates Reform Act of 1995, Public Law 104–4, 104th Congress, March 22, 1995, 109 Stat. 67.

The Unfunded Mandates Reform Act of 1995 requires the legislative and executive branches to identify and quantify implementation costs of Federal statutory and regulatory mandates on State and local governments. The Human Resources and Intergovernmental Relations Subcommittee has been monitoring Federal agencies' compliance with the requirements of Title II of the act regarding analysis of mandates in proposed and final regulations. Specifically, Title II requires Federal agencies to review such regulations for mandate impacts and consider less onerous alternatives.

The subcommittee has also been monitoring the design and implementation of the study of existing mandates required under Title III of the act. Title III required the Advisory Commission on Intergovernmental Relations (ACIR) to (a) study issues involving the calculation of costs and benefits of mandates on State and local governments, (b) conduct a study and make recommendations to the President and Congress concerning the impact of existing mandates on intergovernmental (Federal-State/local) relations, and (c) monitor and evaluate the implementation of the act.

On March 22, 1996, exactly 1 year after the bill was signed into law, Representative Christopher Shays, chairman of the subcommittee, convened a hearing that focused on the implementation and impact of the act. Testimony was received from representatives from Federal departments and agencies, State and local governments, community organizations, and Members of Congress.

In January 1996, the ACIR released a preliminary report entitled, "The Role of Federal Mandates in Intergovernmental Relations—A Preliminary ACIR Report for Public Review and Com-

ment," U.S. Advisory Commission on Intergovernmental Relations, January 1996. In response to public comments and those received at an ACIR hearing, the preliminary report was revised and a draft final report was considered by the Commission in July 1996. The Commission voted to reject the draft final report, and no subsequent version of the report was considered.

On September 30, 1996, appropriations for ACIR expired and the Commission closed down operations, no longer remaining as the independent, bipartisan commission created by Congress in 1959 to monitor the operation of the American Federal system and to recommend improvements in intergovernmental relations.

NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES AND REGULATORY AFFAIRS SUBCOMMITTEE

The Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs concentrated on the review of three broad areas of law. The subcommittee reviewed effectiveness of various administrative procedure laws and related regulatory reform Executive orders and the need to amend or enact new regulatory reform laws. The subcommittee reviewed the adequacy and effectiveness of various grant statutes, anti-lobbying statutes, and tax laws and the need to amend or enact new laws in this area. The subcommittee also reviewed the adequacy of various laws relating to official travel, transportation, and subsistence of Federal employees. The subcommittee devoted particular attention to the following laws:

1. *The Paperwork Reduction Act of 1980, as amended October 18, 1986, 100 Stat. 1783–307 (the act) (44 U.S.C.A. and 3501 et seq.; Public Laws 500 and 591, 99th Congress).*

The Paperwork Reduction Act is intended to: (1) reauthorize appropriations for the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs (OIRA) to carry out the provisions of the Paperwork Reduction Act of 1980 as amended by Public Laws 500 and 591 of the 99th Congress; (2) strengthen OIRA and agency responsibilities for the reduction of paperwork burdens on the public, particularly through the inclusion of all Federally sponsored collections of information in a clearance process involving public notice and comment, public protection, and OIRA review; (3) establish policies to promote the dissemination of public information on a timely and equitable basis, and in useful forms and formats; (4) strengthen agency accountability for managing information resources in support of efficient and effective accomplishment of agency missions and programs; and (5) improve OIRA and other central management agency oversight of agency information resources management (IRM) policies and practices.

All of the legislation's amendments to the 1980 act, as amended in 1986, are intended to further its original purposes—to strengthen OMB and agency paperwork reduction efforts, to improve OMB and agency information resources management, including in specific functional areas such as information dissemination, and to encourage and provide for more meaningful public participation in paperwork reduction and broader information resources management decisions.

2. The Congressional Review Act (Public Law No. 104–121, title II, subtitle E, March 19, 1996, 5 U.S.C. chapter 8).

The Congressional Review Act (CRA) was passed as part of the "Small Business Regulatory Enforcement Fairness Act of 1996." Among the important provisions, the CRA requires executive branch agencies to submit their new rules to Congress before they go into effect. The CRA allows Congress to review each new rule and consider a joint resolution of disapproval under expedited House and Senate procedures to overrule it. The term "rule" is defined very broadly to include all general agency statements that affect the public, including "interpretive" rules, agency "policy statements," "guidelines," and "staff manuals." Although the CRA applies to almost all rules, "major rules" are delayed in their effectiveness for 60 calender days to provide Congress with a chance to reject problematic rules before they have an adverse impact. In addition to submitting the rules themselves, agencies must submit a report to Congress on each rule stating whether they have complied with the Unfunded Mandates Reform Act, the Regulatory Flexibility Act, and whether they have conducted a valid cost-benefit analysis, takings analysis, and federalism assessment as set forth in the Reagan, Bush, and Clinton Executive orders. If a resolution of disapproval is introduced to overturn a problematic regulation, Congress may reject the rule using expedited procedures that eliminate the Senate filibuster and require only a simple majority in each House for passage. If Congress does reject a rule, the rule may not be reissued in substantially the same form without congressional authorization.

The subcommittee monitored compliance with the new law, including whether the regulatory agencies submitted the required rules, reports, and analyses, whether the agencies were providing the appropriate guidance regarding compliance with the CRA, and whether the OMB Office of Information and Regulatory Affairs was adequately overseeing implementation of the act. The subcommittee will continue to conduct careful oversight over implementation of the act in the 105th Congress to determine whether amendments are necessary to ensure full compliance with its provisions.

3. The Energy Policy Act of 1992 (Public Law 102–486).

The Energy Policy Act of 1992 comprises a wide variety of mandates that are intended to enhance U.S. energy security, reduce energy-related environmental effects, and encourage long-term economic growth. Major provisions establish energy efficiency standards, allow greater competition in electricity generation, establish new licensing procedures for nuclear plants and waste repositories, and provide tax incentives for domestic production and conservation. To increase U.S. energy efficiency, the act establishes new statutory standards for electric motors and lighting, requirements for State and Federal action, and incentives for voluntary efficiency improvements. Greater competition in the electricity industry is encouraged by exempting certain suppliers of wholesale electricity from regulation under the Public Utilities Holding Company Act of 1935. The act also provides incentives for the development of alternative fueled vehicles and commuting by mass transit.

The principal agencies involved in implementing the act are the Federal Energy Regulatory Commission and the Department of Energy. The subcommittee monitored agency and industry actions authorized or encouraged by the act. In particular, the Subcommittee monitored the agency regulatory actions and policy initiatives undertaken pursuant to the act, and sought the views of industry and consumer groups regarding these regulatory actions and the need for additional legislation.

NATIONAL SECURITY, INTERNATIONAL AFFAIRS, AND CRIMINAL JUSTICE SUBCOMMITTEE

1. National Aeronautics and Space Act of 1958, as Amended (42 U.S.C. 2451 et seq).

This law governs NASA and its operation. The subcommittee has a keen interest in the operation and efficiency of the Nation's space program and monitors the legislation closely.

2. Executive Order 12127 of March 31, 1979.

This Executive order consolidated the Nation's emergency related programs into the Federal Emergency Management Agency. The fast response to national disasters is a crucial function of the Federal Government. As a result, this legislation garners the keen interest of the subcommittee.

3. National Narcotics Leadership Act of 1988 (21 U.S.C. 1501 et seq.).

This law established the Office of National Drug Control Policy in 1988. Because drug policy is a primary focus of this subcommittee, the subcommittee gives a great deal of attention to this legislation. To fulfill its oversight responsibility of the Office of National Drug Control Policy, the subcommittee held an extensive investigation into the effectiveness of the Nation's drug control strategy. Those investigations brought about three major hearings: (1) The Effectiveness of the National Drug Control Strategy and the Status of the Drug War, on March 9 and April 6, 1995. (2) Illicit Drug Availability: Are Interdiction Efforts Hampered by a Lack of Agency Resources?, on June 27 & 28, 1995. (3) The Drug Problem in New Hampshire: A Microcosm of America—on September 25, 1995, the subcommittee held an oversight hearing.

4. The Sentencing Reform Act of 1984 (28 U.S.C. et seq. and 18 U.S.C. 3551 et seq.).

This law established the U.S. Sentencing Commission as an independent commission in the judicial branch of the Federal Government. As the commission determines the effectiveness of Federal sentencing policy, the subcommittee takes an active role in studying and guiding this legislation.

5. Treasury Department Order No. 221.

This Treasury order established the Bureau of Alcohol, Tobacco and Firearms. In connection with the subcommittee's oversight of the executive branch activities at Waco, TX, the subcommittee has monitored the bureau and its organization to develop ways to maxi-

mize the Bureau's efficiency in enforcing the laws over which it has jurisdiction.

6. Title 13 of the U.S.C.

This law governs the Bureau of the Census and taking of the Census 2000. As Census 2000 draws near, and preparations are underway, the subcommittee makes a routine study of this legislation and how it governs the taking of the Census.

7. Defense Base Closure and Realignment Act of 1990, Public Law 101–510.

This law created the Defense Base Closure and Realignment Commission, the commission which recommends, on a bipartisan basis, the most efficient and least intrusive way to eliminate Department of Defense facilities throughout the country. The subcommittee has followed this legislation with interest.

POSTAL SERVICE SUBCOMMITTEE

1. The Postal Reorganization Act of 1970, Public Law 91–375, August 12, 1970, 84 Stat. 719.

The Subcommittee on the Postal Service has legislative jurisdiction and oversight over the U.S. Postal Service, U.S. Postal Rate Commission and the U.S. Postal Inspection Service. These entities operate under the authority granted pursuant to the Postal Reorganization Act of 1970 (PRA) which traces congressional authority for postal services to Article I, Section 8 of the U.S. Constitution, which direct Congress "(t)o establish Post Offices and Post Roads."

The U.S. Postal Service is governed by an 11 member Board of Governors; 9 of whom are appointed by the President and confirmed by the Senate who in turn employ a Postmaster General and Deputy Postmaster General who also become members of the Board. The U.S. Postal Service handles 40 percent of the world's mail volume; it had total revenues in 1995 of $54.3 billion; it employs 1 out of every 170 Americans; and processed 181 billion pieces of mail or about 580 million pieces per day and delivered to 128 million addresses in 1995.

The U.S. Postal Rate Commission, independent of the U.S. Postal Service, is governed by five, full-time, Presidentially-appointed and Senate-confirmed Commissioners. It is responsible by hearing a request of the U.S. Postal Service for an increase in postage rates, reclassification of its postage schedule and for making a recommended decision upon such a request. The Commission also hears complaints from outside parties regarding postal rates or services.

The Postal Inspection Service is the law enforcement branch of the U.S. Postal Service and is responsible for enforcing the Mail Fraud Act, Mail Order Consumer Protection Amendments of 1983, Drug and Household Substance Mailing Act of 1990, and for enforcing the Private Express Statutes which give the Postal Service its letter-mail monopoly. It is also entrusted with insuring the security and safety of postal facilities and employees and for serving in the dual role of Inspector General for the agency.

The subcommittee continued its in-depth oversight of the operations of these entities. During the first session, the subcommittee conducted a series of in-depth oversight hearings which highlighted the need for reform of postal operations. These hearings laid the foundation for the reforms contained in H.R. 3717, the Postal Reform Act of 1996, the first comprehensive postal reform legislation in a quarter century. H.R. 3717 focused constructive debate in the postal community on the future of the Postal Service in meeting its statutory mandate of provision of universal mail service. The subcommittee believes that shifting mail volumes and stagnant postal revenue growth requires an examination of the statutory structure under which our current postal system now operates if the Service is to maintain this important public service mission.

The oversight hearings identified several weaknesses in the current statutory structure of the Postal Service. One weakness highlighted is the Postal Service's inability to compete under the procedures required by the current, 25 year old ratemaking structure. According to the General Accounting Office, the U.S. Postal Service controlled virtually all of the Express Mail market in the early 1970's; by 1995 its share had dropped to approximately 13 percent. Similarly, the Postal Service is moving considerably fewer parcels today than 25 years ago. In 1971 the Postal Service handled 536 million parcel pieces and enjoyed a 65 percent share of the ground surface delivery market. This is in comparison to 1990 when the Postal Service parcel volume had dropped to 122 million pieces with a resulting market share of about 6 percent.

Even first-class financial transactions and personal correspondence mail—monopoly protected areas under the Private Express statutes—are showing the effect of electronic communications competition. Financial institutions are promoting computer software to consumers as a method of conducting their bill-paying and general banking, while Internet service providers and online subscription services are offering consumers the ability to send electronic messages to anyone in the world or around the corner. Similarly, many postal users have become accustomed to the immediacy of the facsimile machine. These new communication technologies all carry correspondence that formerly flowed through the Postal Service. These former sources of revenues supported a postal infrastructure dedicated to the mission of universal service.

This shift in postal revenues will have a negative long-term effect on the financial well being of the Postal Service. The subcommittee believes that should the Service continue to labor under the restrictions established by the 1970 act, its inability to compete, develop new products and respond to changing market conditions jeopardizes its ability to continue to provide universal service to the diverse geographic areas of our Nation. Congress must review reforms to the current postal statutory structure which will provide the Postal Service more competitive flexibility while assuring all postal customers of a continued universal mail service at reasonable and affordable rates. H.R. 3717 meets this goal by replacing the zero-sum game of the current ratemaking structure with a system that insures reasonable postal rates while allowing the Postal Service the flexibility it needs to compete in today's changing communication markets.

As evidenced in our review of data quality, the act has fostered an entrenched distrust between the Postal Service and the Postal Rate Commission and allowed the two agencies to develop an interagency antagonism which fosters a sense of favoritism between postal customers. This problem is exacerbated by the existing cost-based ratemaking process.

The subcommittee will continue to study, monitor and report on the effectiveness of the Postal Reorganization Act and will continue to seek needed reforms to improve the overall performance of the Postal Service and provide better service to all postal customers.

IV. Other Current Activities

A. GENERAL ACCOUNTING OFFICE REPORTS

CIVIL SERVICE SUBCOMMITTEE

1. "Public-Private Mix: Extent of Contracting Out for Real Property Management Services in GSA," May 16, 1994, GAO/GGD–94–126BR.

a. Summary.—At the request of Representative Jim Inhofe, then-ranking minority member of the Committee on Public Works and Transportation's Subcommittee on Investigations and Oversight, GAO reviewed the General Service Administration's (GSA) experience with contracting for real property management services (for example, cleaning and general maintenance of Federal facilities) between 1982 and 1992.

During these years, GSA's Public Buildings Service (PBS) reviewed 731 functions for contracting. GSA contracted for services at 73 percent of the facilities, retained 24 percent in-house, and closed the remaining 3 percent of the functions. PBS estimated the savings from these reviews at $45.7 million (about 60 percent of GSA's $75.8 million savings from contracting). These reviews resulted in the reduction of 3,227 full-time equivalent employees (FTE), with about 10 percent of these savings achieved by reorganizing functions retained in-house. Low contractor bids averaged 39 percent less than the government's bid where functions were contracted out. Where functions were retained, the government's bid averaged 33 percent less than competing contractors' bids. On custodial services, contractors' bids averaged over 50 percent less than government bids. Government proved more competitive in maintenance services, where contractors averaged only 2 percent lower than government bids. Contractors were most competitive when functions involved more than 10 FTE.

At the end of the period, 3,525 of the 8,086 commercial positions included in the PBS inventory of commercial activities remained unstudied. The "Edgar Amendment" to GSA's appropriations laws had, since 1982, restricted GSA from contracting for guard, elevator operator, messenger, and custodial activities unless such contracts are awarded to "sheltered workshops employing the severely handicapped." The amendment obstructed GSA's ability to compete 1,181 positions. Despite the savings reported from analysis of current contracts, and GSA's efforts to repeal this arbitrary restriction, GAO made no recommendation.

GAO reported that 78 percent of these contracts had occurred before 1987. Data in figure I.17 of the report indicate that, in the first 2 years of the study period, savings for all contracted activities averaged well above 50 percent. Government agencies became more effective competitors in studies conducted during 1985 and 1986.

Most contracting done, even during this period, was through direct conversions rather than the competitive procedures described in Circular A–76. Indeed, 71 percent of contracted activities and 74 percent of contracted FTE's were attributable to direct conversions, and 586 of the activities reviewed by PBS were functions involving fewer than 10 FTE, where direct conversion does not require competitive bids.

b. Benefits.—This report is cited by both GAO and the Office of Management and Budget as the most comprehensive effort to assess contracting by Federal agencies. It takes a longer-term perspective than most GAO reports, and reviews similar functions involving a range of facilities. This report assesses the extent of such contracting, and a subsequent report was slated to address the effectiveness of GAO's contracting. The report reveals deficiencies in procurement data collection systems. It also implies that the benefits of contracting can be identified by managers who have the discretion to move directly to contract. At the same time, the report prompts the inference that managers are reluctant to utilize competitive procedures required by Circular A–76, raising the possibility that those procedures constitute an obstacle to contracting when comparisons might be close.

2. "Workforce Reductions: Downsizing Strategies Used in Selected Organizations," March 13, 1995, GAO/GGD–95–54.

a. Summary.—In response to the Workforce Restructuring Act of 1994, GAO provided the chairs and ranking minority members of committees and subcommittees having jurisdiction over Federal employment issues information about downsizing strategies used by 17 private companies, 5 States, and 3 foreign governments. The act mandated a reduction of 272,900 positions (roughly 12 percent of the Federal workforce) between 1994 and 1999. Other organizations have reduced workforces by as much as 40 to 50 percent over comparable periods, but this long-term commitment to reduction was unique in Federal experience. Congress authorized payment of separation incentives of up to $25,000 to Federal employees who agreed to resign or retire, and the administration adopted other downsizing strategies.

Private organizations reported that their downsizing decisions resulted from corporate restructurings or decisions to eliminate unprofitable product lines. That is, downsizing was the consequence of business objectives rather than independent objectives. Corporate officials stressed the importance of identifying desirable structural changes and revising methods of operation. Two-thirds of the private sector organizations emphasized planning to retain a viable workforce, and those that did not plan effectively conceded that downsizing resulted in skills imbalances that resulted in rehiring separated employees or costly retraining programs for new employees. Attrition and hiring freezes were not consistently effective measures for achieving short-term reductions. Most organizations used incentives to encourage "at risk" employees to resign or retire, including buyouts much larger than authorized by Congress, credit of additional years of service for retirement purposes, allowance for retirement with no reduction in pensions, and lump-sum severance payments of as much as 1 year's salary. Involuntary terminations

were a last resort, and were coordinated with decisions to terminate product lines. Where firms needed more than one round of incentive payments to achieve staff reductions, subsequent incentives tended to be smaller than payments to the first round of terminated personnel.

Management of effective downsizing required attention to morale issues, including strong communication programs addressed to remaining employees. These programs were supplemented by career counseling, outplacement assistance, and retraining for all employees. These programs would convey the revised mission of the organization and help employees to understand why they were retained and their expected contributions to the new organization.

Rather than a result of strategic planning processes, government reductions tend to be a response to budget constraints. Where organizations reduced staff without reducing workload or revising work procedures, incremental staff increases tended to follow the downsizing, within the limits of available funds.

Foreign nations included in the study reduced government operations because of declining economic conditions and changed public attitudes toward government services. Corporate decisions tended to be responses to market forces, either competition in current product lines or decisions to change product offerings. Objectives ranged from decisions to enter new markets, redesign work systems, or "flatten the organization." Tactics used included the identification and elimination of unnecessary work, automation or comparable technology innovations, and plant closings where product lines were terminated. The Wyatt Co. reported, however, that only 17 percent of private sector organizations were able to reduce staff without replacing at least 10 percent of the workforce.

Private organizations identified statutory constraints as they designed workforce reduction programs. One company considered it excessively costly to provide both separation incentives and retirement benefits to the same employees, but terminated a program that limited buyouts to people younger than retirement age because of the Older Workers Benefit Protection Act of 1990. Another company wanted to offer single mothers more generous separation packages than other employees, but concluded that the Employee Retirement Income Security Act of 1974 required that all "at-risk" employees be offered the same incentives. States reported that their options for structuring separations were constrained by "bumping" rights of public employees. These "bumping" rights prolonged staff uncertainty related to the separation process approximately 2-months longer than planned. The State, however, admitted the "bumping" ensured that remaining workers had experience beyond those who wound up separated. States also were constrained by collective bargaining agreements that required separation of covered employees on seniority, rather than performance, skills, or knowledge, criteria.

b. Benefits.—This report highlights the importance of linking workforce reduction plans to larger strategic objectives, and demonstrates that separation incentives can be of limited effectiveness, depending upon the objectives of workforce restructuring. Buyouts can rarely be targeted to specific positions, are frequently preceded by a reduction of normal attrition rates, and thus seldom result in

the elimination of one position for each buyout. It provides a useful information resource for agencies and for Congress assessing options for the elimination of functions to facilitate further workforce reductions.

3. "Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms," May 2, 1995, GAO/GGD–95–120.

a. Summary.—At the request of the chairmen and ranking minority members of House and Senate oversight committees, GAO reviewed government management reforms in Canada, Australia, New Zealand, and the United Kingdom to anticipate methods of implementing the conversion to an "inputs" focus of policy analysis to the results orientation mandated by the Government Performance and Results Act of 1993 (GPRA). GPRA directs Federal agencies to establish strategic planning processes and objectives, to measure annually progress toward those objectives, and to report publicly on the effectiveness of programs.

In each of the countries, managers learned that greater flexibility of administrative rules and budgeting restrictions were necessary to shift agencies' focus toward strategic goals. Much of the flexibility was achieved by adopting performance contracts and oversight based upon process factors, generally providing executives more room to operate within budget ceilings. Despite the intention to focus on results, GAO reported that most measures used in each country focused on outputs rather than results, although Canada and Australia realized more progress toward "outcomes" measures. Officials also recognized that external factors, such as economic conditions, could influence the results in spite of government's program activities.

Experiences with performance measures indicate that they should flow from a program's objectives and reflect managers' ability to influence the intended results. Program staff should have a role in developing performance measures, which should focus on a few key elements and assess different dimensions of performance, including quantity, quality, efficiency, and cost. Effective performance measures should enable qualitative assessment of program results, and provide aggregated information to upper management while giving detailed data to program managers. Although these nations reported providing program objective measurement data to Members of Parliament, it is used in a limited, but increasing, manner in evaluating programs.

The four governments reported that investments in information systems and training were critical to program success. Managers need advanced systems to collect, analyze, and report program information, manage resources, and implement commercial reforms. Staff typically requires additional training to develop, collect, and analyze results-oriented information, exercise spending flexibility, and improve human resources management.

b. Benefits.—GAO's presentation of the reports asserts that caution should be used in attempts to apply the results to the United States, but the reasons cited for caution in application seem irrelevant to the conclusion. GAO has previously argued that "maintaining a clear and continuing commitment to performance improve-

ment can be extremely difficult in the U.S. Government due to turnover in political appointees." This formulation of the issue evades the question: "Who has authority to establish program goals and objectives?" An implicit answer serves as GAO's premise for the conclusion: objectives should be established by Congress and should remain constant through political transitions. The establishment of performance objectives, however, is a political function. In a parliamentary system, that function is purely legislative and one should expect consistency unless there is a change of parliament. In a Presidential system, appointed leadership should and must be involved in evaluating and changing program objectives. The related accountability, after all, rests with the appointed leadership, not the career civil service. Among other factors, Presidents appoint agency heads to achieve program changes. Congress, of course, has responsibility to oversee those measures, and to impose accountability when changes in priorities are inconsistent with duly enacted laws. GAO's working premise that there should be continuity in measures and evaluation criteria is itself a political decision. That decision, however, is unsupported by the electorate when made by career civil servants. The call for "flexibility" for line managers might serve the interests of career civil servants, but would impede accountability in the executive if elected leadership favored substantial reform or abolition. The report indicates, albeit inadvertently, that Federal managers are adept at linking their agencies' inability to achieve performance objectives to factors beyond their programs' control.

The report provides some examples of output measures, but demonstrates that few nations have achieved genuine "outcomes" measures for program evaluations. The report provides little evidence to demonstrate that measures developed to reflect "customer" satisfaction that is, the desires of citizen beneficiaries of programs will coincide with the evaluation criteria that authorizing committees might apply which is usually interpreted to be the public interest. It indicates that market mechanisms (e.g., user fees, asset sales, and contracting for support services) improve the efficiency of agencies, but reaches no assessment of effectiveness.

Similarly, performance-focussed evaluations provide incentives for human resources managers to focus on the recruitment, training, and development requirements of line management. Again, the result appears to be improved efficiency, because GAO cites no measures of the organization's effectiveness.

4. "Federal Hiring: Reconciling Flexibility With Veterans' Preference," June 16, 1995, GAO/GGD–95–102.

a. Summary.—At the request of the former chairman of the Subcommittee on Civil Service of the Committee on Post Office and Civil Service, GAO initiated a review of Federal hiring procedures to identify those that are working, those that are not, and to assess whether proposals to reform hiring procedures address the needs of agencies and applicants. Previous GAO studies alleged that the Federal hiring process has impeded managers from hiring quality people when they were needed at the same time that it has frustrated applicants.

Federal hiring procedures include recruitment, application, referral, and selection phases, and provide managers twelve different authorities under which they can hire personnel. In making selections, managers are required to comply with legal principles including merit principles, veterans' preference, and equal opportunity laws. Managers must select from among the three highest ranking candidates, but are prohibited from selecting a nonveteran over a higher ranking veteran. In response to National Performance Review recommendations, the Office of Personnel Management (OPM) granted agencies additional flexibility in recruitment and selection by abandoning centralized hiring registers. OPM has also automated application, rating, ranking, referral, and employment information processes.

Nonetheless, Federal managers informed GAO that although managers have greater flexibility, they believe that the legal requirement to give veterans preference in hiring can conflict with their desire to hire the people whom they feel are best qualified for open positions. Veterans' preference appears to be an obstacle to hiring the highest qualified candidates in a demonstration project currently being run by the Department of Agriculture. GAO's subsequent interviews with veterans' groups revealed that the hiring procedures were not serving veterans well, either. Veterans' organizations report that agencies appear to favor using noncompetitive hiring procedures when available because these are not restricted by veterans' preference and the rule of three. GAO confirmed that agencies are less likely to hire from a selection certificate when a veteran is rated highest.

Applicants for Federal employment who also applied for private sector positions tended to find private sector procedures faster. Median times between submitting an application and receiving a job offer varied between 8 and 14 weeks. One-third of the new hires responding to GAO interviews claimed that waiting time became excessive after 6 weeks. GAO, it should be noted, interviewed only those who accepted Federal positions, and did not sample applicants who accepted private employment during the interval between application and selection. Personnel officials agreed that OPM's automation and procedural flexibility might alleviate some of their timeliness concerns, but would not resolve the difficulties in Federal hiring that they identified with veterans' preference and the rule of three.

GAO recommended that OPM use its authority for demonstration projects to recruit agencies that would attempt alternative methods of implementing veterans' preference. These demonstrations would be conducted in conjunction with labor unions, veterans' organizations, and other interested parties.

b. Benefits.—This report continues GAO's monitoring of the personnel system, and raises important questions about potential conflicts between merit principles and veterans' preference. The report has serious conceptual flaws. It's concept of "quality" seems to center on whom managers would like to hire, rather than relative ranking scores. The potential conflict between veterans' preference and "merit" identified in this report, in the absence of objective measures, could be nothing more than a preference for hiring within the current system. Similarly, the absence of analysis of the ap-

plicant pool undoubtedly skews the sample used to evaluate the acceptance of employment offers. Thus, although the report opens questions, the limits of survey data restrict its usefulness in providing guidance for answering them.

5. "Federal Personnel Management: Views on Selected NPR Human Resource Recommendations," September 18, 1995, GAO/GGD–95–221BR.

a. Summary.—At the request of the ranking minority member of the Civil Service Subcommittee, GAO reviewed recommendations made by the National Performance Review (NPR) in the area of human resource management. The Workforce Restructuring Act of 1994 requires the reduction of 272,900 positions from the Federal workforce by 1999, and the administration has targeted administrative positions, such as human resource management functions, for many of the necessary reductions. NPR has also recommended a decentralized hiring system, where agencies would have more authority to hire persons based upon the needs of program managers. This report surveyed human resource managers to ascertain their level of agreement with the NPR recommendations, to gain their impression about the adequacy of their resources to meet their new responsibilities, and to report on OPM's plans for oversight to ensure accountability for merit system principles.

Human resource managers generally favored increased delegation of authority in their areas of responsibility, but they were reluctant to embrace the abolition of the standard Federal job application, the SF–171. They believed that the NPR recommendations leading to a decentralized system would increase their workload, although some of the associated automation and simplification of procedures might save some time. They expressed reservations about their ability to accomplish the increased workload with the planned workforce reductions.

Although NPR recommended adoption of new oversight systems to ensure that greater delegation did not result in violations of merit principles, OPM had not completed its plans for greater oversight when this report was written. Most human resource managers agreed that they did not have performance measures to evaluate their systems. Implementation of such systems will be necessary to comply with requirements of the Government Performance and Results Act.

GAO used a sample of personnel officers selected to provide geographic diversity among agencies with substantial personnel workloads, so the results might not be generalizable to all agencies. The surveys were conducted during a period of change, both in terms of implementing NPR recommendations for new procedures and reducing the workforces at several of the agencies involved in the survey.

NPR recommendations in the human resources management area include 14 recommendations and 46 action items, and the GAO focussed upon the areas of recruitment and examinations, the classification system, performance management, alternative dispute resolution, the standard application form, and the Federal Personnel Manual (FPM). Managers favored recommendations related to the abolition of centralized registers and increased hiring

authority within agencies. Most recruitment and examination is already handled by agencies, rather than OPM, although there is a statutory requirement that OPM conduct examinations for common positions.

Agency officials favor simplification of the classification system, especially implementation of "paybanding." Officials in 33 of 37 offices in the survey favored opportunities to develop their own performance management programs, including such concepts as "pass/fail" and "group/team" performance evaluations. Alternative dispute resolution and informal grievance procedures also enjoy wide support among human resource managers.

Agency officials believe that abolition of the SF–171 will add to their workloads because obtaining all of the information needed to evaluate applications will require more time. They also were reluctant to accept information in nonstandard resumes, and feared that different agencies might adopt distinct application forms. Those supporting abolition of the SF–171 recognized that it was cumbersome for applicants and required irrelevant job experience information. Although officials conceded that the FPM was too detailed and inflexible, only 17 of 37 offices supported abolishing it. Many reported that, although the FPM lacked official status, nothing had changed and it remained in use, and personnel officials would continue to rely upon it until adequate substitutes are published.

Agencies generally supported OPM's efforts to automate human resource management procedures, and agreed that many of these technological changes and procedural simplifications would reduce workloads. Over time, many human resource management responsibilities would be shouldered by line managers, if the NPR recommendations are implemented.

Under the Civil Service Reform Act of 1978, OPM had responsibility to oversee human resource management in Federal agencies to ensure compliance with merit principles and other statutory requirements. If NPR recommendations are implemented, agencies will have more flexibility in the design of human resource programs. Although most agency officials believed that they could manage their own human resource programs, only 16 of the 37 offices surveyed had performance measurement systems in place. OPM is assisting agencies to develop performance management measures for their system in order to facilitate compliance with GPRA. Agencies will remain responsible for ensuring that their human resource management programs are linked effectively to overall agency objectives.

b. Benefits.—This update sustains GAO's role in monitoring and reporting on the administration's efforts to implement the NPR recommendations. It highlights areas where agencies are uncomfortable with recommendations, and points out the need for strengthened oversight where operational responsibility is decentralized.

6. "Worker Protection: Federal Contractors and Violations of Labor Law," October 24, 1995, GAO/HEHS–96–8.

a. Summary.—Senator Paul Simon has proposed legislation that would debar firms exhibiting a clear "pattern and practice" of violating the National Labor Relations Act (NLRA) from Federal contracts. Senator Simon asked GAO to review Federal contractors'

violations of the NLRA and to identify ways to improve Federal contractors' compliance with NLRA. GAO found that 80 firms with Federal contracts worth $23 billion had violated the act. Six of the violators had received almost 90 percent of the contracts, which comprise approximately 13 percent of total Federal contracts for the years reviewed (1993–94). None of these 6 firms were included among the 15 worst violators, as classified by GAO. Remedies imposed by the National Labor Relations Board in the 88 cases reviewed affected nearly 1000 employees in twelve bargaining units. The Department of Labor's Office of Federal Contract Compliance Programs estimates that 22 percent of the Nation's workforce, or about 26 million employees, are hired by Federal contractors or subcontractors.

Federal laws and an Executive order place greater responsibilities on Federal contractors than other employers. Executive Order 11246 requires Federal contractors to develop and maintain an affirmative action program. The Davis-Bacon Act and the Service Contract Act require contractors to pay prevailing area wages and benefits. GAO found that most of the violations involved interference with workers' rights to organize, to bargain collectively, and discriminating against union members in hiring or conditions of employment. These offenses are violations of Section 8(a) of the act.

GAO noted that enforcement could be enhanced by collecting violators' penalties from Federal contract awards, but did not make a recommendation to do so. This measure would require coordinating contract awards reported to GSA with NLRB actions. The report did not discuss methods of implementing Federal contract debarment.

b. Benefits.—This report documents, with summary reports of violations in all 88 cases reviewed, that labor law violations are not widespread among Federal contractors, and that serious violators have only a minuscule portion of Federal contracts. The NLRB already has extensive enforcement authority in these areas. The lack of recommendation indicates that the remedy proposed by Senator Simon would have limited utility in enforcing Federal labor laws against Federal contractors.

7. "Government Contractors: Selected Agencies' Efforts To Identify Organizational Conflicts of Interest," October 25, 1995, GAO/GGD–96–15.

a. Summary.—In response to a legislative requirement, GAO reviewed agency implementation of OMB Policy Letter 89–1, (Public Law 89–1), "Conflict of Interest Policies Dealing with Consultants," GAO attempted to determine whether agencies have complied with requirements to identify and evaluate potential organizational conflicts of interest (OCI) and to identify ways that agencies might improve their screening for OCI's. GAO reviewed contractors at the Environmental Protection Agency, the Department of Energy, and the Department of the Navy, three agencies that use especially large amounts of consultant and advisory service contracts.

Under the Policy Letter, agencies are required to obtain certifications that no conflict exists. If a conflict is found, agencies are required to evaluate the conflict before awarding contracts. EPA and DOE were found to have obtained certifications from contrac-

tors in nearly all cases, but a DOD Inspector General reported that the Navy was obtaining certifications in so few cases that the IG concluded that the Navy was not requesting the submissions. The Navy is implementing new procedures.

An April 1993 study by the President's Council on Integrity and Efficiency (PCIE) reported that certifications were being requested in only 9 of 19 civilian agencies. The PCIE contended that self-certifications would do little to deter dishonest contractors. GAO agreed, and cited the evaluations conducted by EPA and DOE as important elements of the Public Law 89–1 implementation process. Fully one-third of the 66 contracting officials contacted by GAO, however, had received no training on identifying conflicts of interest covered by the letter.

GAO observed that proper training might enhance supervision of potential conflicts of interest in contractor organizations. GAO also determined that, if agencies are receiving certifications from contractors, duplicative information should not be required in other formats.

b. Benefits.—This report responds to continuing congressional concerns about integrity in government contracting. It demonstrates the need for agencies to implement regulations that are in place, and confirms that additional safeguards might not be necessary if existing ones are adequately implemented.

8. "Federal Quality Management: Strategies for Involving Employees," April 19, 1995, GAO/GGD–95–79.

a. Summary.—The General Accounting Office initiated a study in June 1992 to examine Quality Management (QM)—a management approach that emphasizes improving product quality while decreasing production costs by increasing the efficiency of work processes.

This report describes the human resource management approaches used to implement QM by 10 Federal organizations that have won governmental awards for the advanced level of their quality initiatives. Although no two of the QM programs GAO looked at were the same, all 10 of the award-winning organizations embraced the same four Human Resource Management strategies: (1) a comprehensive training program; (2) an increase in organizational communication; (3) promoting and rewarding teamwork; and (4) involving employees in the management of work processes.

GAO concluded that the process of changing to a quality culture was driven by the synergism that resulted from the four HRM strategies concurrently. In doing so, these organizations increased the levels of employee involvement in quality improvement activities.

b. Benefits.—This study may be of use to the Office of Personnel Management in its role assisting Federal agencies with QM through the Federal Quality Institute.

9. "Personnel Practices: Career Appointments of Legislative, White House, and Political Appointees," October 10, 1995, GAO/GGD–96–2.

a. Summary.—At the request of Representative Schroeder, GAO reviewed the pattern of political appointees at Federal departments and agencies and employees of the White House and Congress re-

ceiving career appointments in the competitive Civil Service or the Senior Executive Service. GAO examined such appointments made between October 1, 1984, and June 30, 1994.

During this period, GAO found a total of 1,090 former political and congressional/judicial branch employees received career appointments. Of these, 552 individuals received noncompetitive appointments under the Ramspeck authority, and 502 individuals converted from Schedule C and noncareer SES positions to competitive appointments. Another 36 received White House service appointments. The median grade received for Ramspeck and White House appointments was at the GS–12 level. The median grade received for conversions was at the GS–13 level.

GAO found that Ramspeck appointments have followed a cyclical trend over the 10-year period, increasing significantly during those years immediately following Federal elections, GAO analysis indicates that this cycle can generally be associated with turnover in congressional membership and the consequent involuntary separation of congressional employees. The pattern of Schedule C and noncareer SES conversions and White House service appointments is less distinctive.

b. Benefits.—This report provided useful information to the subcommittee in its oversight of Federal career appointments and the merit system selection process. Additionally, the clarification of the White House employee conversion process was very useful.

10. "Employment Discrimination: Most Private Sector Employers Use Alternative Dispute Resolution," July 1995, GAO/HEHS–95–150.

a. Summary.—At the request of Congressman William L. Clay (D–MO) and Major Owens (D–NY), GAO reviewed the extent to which private-sector employers use alternative dispute resolution (ADR) approaches, especially arbitration, to resolve discrimination complaints of employees not covered by collective bargaining agreements and the fairness of employers' arbitration policies. The study examined whether employers use one or more of the following alternative dispute resolution techniques: negotiation, fact finding, peer review, internal mediation, external mediation, and arbitration.

GAO found that almost all employers with 100 or more employees use one or more ADR approaches. Arbitration is one of the least common approaches reported, but some employers using arbitration make it mandatory for all workers. According to GAO, some of the arbitration techniques used by employers would not meet fairness standards proposed by the Commission of the Future of Worker-Management Relations, established by Labor Secretary Robert Reich.

b. Benefits.—This study will be useful in examining whether to encourage the use of alternative dispute resolution mechanisms to resolve Federal employment disputes.

11. "Congressional Retirement Costs," October 12, 1995, GAO/GGD–96–24R.

a. Summary.—At the request of Congressman Dan Miller (R–FL) the GAO gathered information relating to the retirement system

available to Members of Congress and congressional staff. Specifically, the GAO reviewed the following: (1) the cost of retirement benefits afforded to Members; (2) the cost of retirement benefits afforded to congressional staff; (3) the potential savings available from H.R. 804, introduced by Representative Miller; (4) how retirement systems in the private sector compare with the congressional retirement program; and (5) the extent to which nonFederal employers may be replacing their defined benefit pension plans with defined contribution pension plans.

The GAO found that the total cost to the government of providing the future retirement benefits earned by House Members during calendar year 1994 was about $14.3 million. At this annual amount, the 5-year total for House Members would be about $71.5 million. The GAO also found that the total cost to the government of providing future retirement benefits earned by House staff during 1994 was about $116.5 million. The Senate Disbursing Office refused to provide the GAO with information on staff payroll and retirement program coverage that is essential for accurate estimates. The GAO did not attempt to estimate the potential savings of H.R. 804 but stated that the bill, if enacted, would significantly reduce the cost of Member retirement programs. The GAO is currently working on a report that examines nonFederal retirement programs. The GAO expects the comparison to show that general Federal employees under CSRS receive greater benefit amounts at the same salary levels and years of service than nonFederal employees when they retire before age 62 but smaller amounts at age 62 and older when Social Security benefits are available to nonFederal employees. The disparity between nonFederal retirement programs and retirement for Members of Congress will be much greater. The GAO also found in the private sector there does not appear to be a discernable trend toward replacing defined-benefit plans with defined contribution plans.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding the Federal retirement programs. It has been the goal of the subcommittee to examine the full magnitude and cost of the taxpayer financed retirement systems for all Federal employees, including Members of Congress and congressional staff. The Balanced Budget Act of 1995, also known as "Reconciliation," dramatically cut the accrual rates for Members and congressional staff and equalized the contribution rates with those of executive branch employees.

12. "Federal Retirement Benefits for Members of Congress, Congressional Staff, and Other Employees," May 1995, GAO/GGD–95–78.

a. Summary.—At the request of the chairman of the House Subcommittee on Civil Service, Representative John Mica (R–FL), and the chairman of the Senate Subcommittee on Post Office and Civil Service, Senator Ted Stevens (R–AL), the GAO reviewed the retirement benefits available to Members of Congress and congressional staff with those available to other groups of employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS). The GAO found that the CSRS provisions for Members of Congress are generally more beneficial than

the provisions for other employee groups, particularly general employees. The major differences are found in the eligibility requirements for retirement and the formulas used to calculate benefit amounts. The Member benefit formula applies to congressional staff; however, congressional staffs are covered by the general employees' retirement eligibility requirements. Law enforcement officers and firefighters may retire earlier and are covered by a more generous benefit formula than general employees. Under CSRS, the provisions for air traffic controllers fall between those for law enforcement officers and firefighters and general employees.

The GAO also found that many of the relative advantages afforded to Members of Congress and congressional staff over general employees in CSRS were continued under the FERS pension plan. However, provisions for law enforcement officers, firefighters, and air traffic controllers are very similar to the Member provisions under FERS.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding the Federal retirement programs. It has been the goal of the subcommittee to examine the full magnitude and cost of the taxpayer financed retirement systems for all Federal employees, including Members of Congress and congressional staff. The report was a useful resource in drafting the section of the Balanced Budget Act of 1995, also known as "Reconciliation," which dramatically cut the accrual rates for Members and congressional staff and equalized the contribution rates with those of executive branch employees.

13. "Private Pension Plans, Efforts To Encourage Infrastructure Investment," September 1995, GAO/HEHS–95–173.

a. Summary.—At the request of Representatives Bud Shuster (R–PA), chairman, and Norman Mineta (D–CA), ranking minority member, of the Committee on Transportation and Infrastructure, GAO gathered information on the role that pension plans might play in expanding public investment in infrastructure projects, in particular, by implementing the proposals addressed in the 1993 report of the Commission to Promote Investment in America's Infrastructure.

In its 1993 report, the Infrastructure Commission proposed creating two new entities to provide credit assistance to States and localities that would make infrastructure projects more attractive to private investors. One entity—the National Infrastructure Corp. (NIC)—would support projects by purchasing debt securities of selected projects. NIC could expand investment by creating securities backed by projects it had supported. Another entity—the Infrastructure Insurance Corp. (IIC)—would ensure projects that could not obtain bond insurance from the private sector. The Infrastructure Commission also proposed expanding tax incentives, including the creation of a public benefit bond that would distribute earnings tax free to participants in certain pension plans.

Establishing NIC and IIC would demand additional Federal subsidies (the Commission proposed that the NIC and IIC be capitalized through a Federal grant of $1 billion over 5 years). Under current budget rules, these new costs would have to be offset with spending cuts or additional revenues.

The Infrastructure Commission identified three ways that pension plans could participate in infrastructure projects generally through NIC and IIC: (1) Pension plans could invest in the equity of the proposed bond insurer, IIC; (2) Pension plans could buy taxable project debt insured by IIC or purchase securities directly issued by NIC; and (3) Pension plans could act as lenders directly funding project debt through purchasing public benefit bonds.

GAO reviewed the economic analysis and held discussions with market participants in evaluating the Infrastructure Commission's proposals. While discussions with some market participants indicated some of the Infrastructure Commission's proposals might attract pension plan investment, many economists and participants were skeptical. They raised questions about the goal of reallocating pension capital as well as the need for Federal entities and incentives that the Infrastructure Commission proposed.

Experts and market participants noted that alternative mechanisms, not specifically targeted to pension plans, may increase infrastructure investment. One proposed approach is to amend the ISTEA to allow States to create transportation revolving funds similar to those established under the Clean Water Act. While this approach has limitations that require study, it may be an alternative way of attracting new sources of capital to infrastructure projects.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding Federal retirement programs. While the Infrastructure Commission's proposals concerned private pensions, this study highlights concerns which are relevant to any future consideration of investing Federal pension funds in instruments other than those currently used. Unfortunately, this report limited its criticism of the Infrastructure Commission's proposals to those concerns of market experts who noted that the rates paid by bonds issued by infrastructure projects usually were not competitive with other instruments which pension managers have available to them. The report failed to note the primary objection to the Commission's proposals, or any other proposals which would argue for so-called economically targeted investments: they threaten to undermine the integrity of pension programs and conflict with ERISA. Under ERISA a pension fund manager is required to "discharge his duties with respect to a plan solely in the interest of the participants and the beneficiaries for the exclusive purpose of (i) providing benefits to participants and their beneficiaries; and (ii) defraying reasonable expenses of administering the plan."

14. "Federal Employees Compensation Act, Redefining Continuation of Pay Could Result in Additional Refunds to the Government," June 1995, GAO/GGD–95–135.

a. Summary.—At the request of Senators Joseph Leiberman (D–CT) and Thad Cochran (R–MS), GAO gathered information relating to Continuation of Pay under Federal Employees Compensation Act (FECA) and how it is administered by the Department of Labor (DOL) Office of Worker's Compensation Programs (OWCP). FECA authorizes Federal agencies to continue paying employees their regular salaries for up to 45 days (called the Continuation of Pay

or COP period) when they are absent from work due to work-related traumatic injuries.

Because of current interpretations of FECA by the Employees' Compensation Appeals Board (ECAB) and a Federal appeals court, the Federal Government has no legal basis to obtain refunds of COP paid to injured employees when those employees recover damages from third parties who are liable for their on-the-job injuries. A basis could be provided, however, by amending FECA. As a result of current interpretations, employees can receive regular salary payment from their agencies and reimbursement from third parties—in effect, a double recovery of income for their first 45 days of absence from work due to injury. In contrast, employees may not receive double recoveries for compensation benefits, such as medical expenses whenever they are incurred or compensation in lieu of pay after 45 days, because FECA provides that the government can recoup funds for these expenditures from employees receiving third-party recoveries.

GAO determined that the government could recover up to an estimated $2 million per year if it were to obtain funds of continuation of pay (COP) in third-party cases. The Postal Service would realize about 70 percent of these recoveries. This could be accomplished if Congress were to amend FECA to require that COP payments in third-party cases be treated like compensation benefits for the purpose of refunds to the government from third-party recoveries. Thus, injured employees could not receive double recoveries for COP periods because the government could also recoup funds for COP expenditures from employees receiving third-party recoveries. According to Labor and Postal Service officials, the amount of COP that could be refunded to the government would greatly exceed the administrative costs to recover it.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding Federal employee compensation and benefit programs despite the fact that the study limited itself to a discussion of recovering damages from third-parties held liable in injury cases. Not considered by the report was the elimination of COP. FECA is far more generous than any of the State workers' compensation programs. Only FECA offers a 45-day COP which, some observers claim, may act as an incentive to file disability claims. One proposed solution to this problem is to eliminate COP and immediately place claimants on disability pay, as do most States.

15. "Veteran's Benefits, Effective Interaction Needed Within VA To Address Appeals Backlog," September 1995, GAO/HEHS–95–190.

a. Summary.—At the request of Senators John D. Rockefeller (D–WV) and Ben Nighthorse Campbell (R–CO), GAO gathered information on the untimely processing of veteran's compensation and pension claims by the Veterans Administration (VA).

Veterans often wait many months for the VA to process claims and for the 40,000 vets who annually appeal the VA's decisions, the wait may be extended to as much as 2 years. Since 1990 different groups have studied the problems of the untimely processing, including the GAO, VA's Inspector General, and VA special task

forces. A frequently cited recommendation is the need for the autonomous organizations within the VA to work together to resolve problems.

GAO found that the VA's appeals process is increasingly bogged-down. The 1988 Veteran's Judicial Review Act and Court of Veteran's Appeals rulings expanded veteran's rights, but also expanded the VA's adjudication responsibilities. VA is having difficulty integrating these responsibilities into its already complex and unwieldy adjudication process. Since 1991 the number of appeals awaiting action by the Board of Veteran's Appeals has increased by 175 percent and average processing time has increased by 50 percent.

The current legal and organizational framework—which involves several autonomous VA organizations in claims adjudication—makes effective interaction among those organizations essential to fair and efficient claims processing. Many study recommendations underscore the need for VA organizations to work together. VA officials have not implemented many study recommendations believing that other formal and informal mechanisms are effective.

GAO found that many problems are going undetected and unresolved despite the VA preferred mechanisms. Unless VA clearly defines its adjudication responsibilities it will not be able to determine whether it has the resources to meet those responsibilities and whether some new solutions may be needed, including amending laws defining VA's responsibilities, or reconfiguring the agency.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding Federal compensation and benefit programs as it highlights problems shared by other agencies which may be analyzed in the future.

16. "Sunday Premium Pay, Millions of Dollars in Sunday Premium Pay Are Paid to Employees on Leave," May 1995, GAO/GGD–95–144.

a. Summary.—This report responds to the direction in the Conference Report accompanying the Treasury, Postal Service, and General Government Appropriations Act of 1995. The report was directed to the conferees: Senators Richard Shelby (R–AL), chairman, and J. Robert Kerry (D–NE), ranking minority member, Senate Appropriations Committee, Treasury and Postal Subcommittee, and Representative Jim Lightfoot (R–IA), chairman, and Steny Hoyer (D–MD), ranking minority member of the corresponding House subcommittee. The objectives of the report were to determine: (1) the agencies that pay the most Sunday premium pay and the amounts paid; (2) to the extent possible, the amounts of Sunday premium pay paid to employees on leave at selected agencies; and (3) whether employees' Sunday leave usage at these agencies increased after issuance of the OPM letter stating that agencies must pay Sunday premium pay to full-time employees who are regularly scheduled to work on a Sunday, but who take paid leave during the tour of duty.

This report provides the Sunday pay information for fiscal 1994 and, where possible, compares Sunday leave usage for comparable pay periods both before and after issuance of the OPM letter.

A 1993 court decision interpreting the leave provisions in Title 5 U.S.C. held that Federal employees who took leave on a Sunday

for which they were scheduled to work were entitled to Sunday premium pay even though they did not work. Accordingly, Federal agencies began paying Sunday premium pay to employees who were on leave. Subsequently, Congress, in the 1995 DOT appropriation, nullified the court's decision with respect to FAA employees. Extending a similar prohibition on paying Sunday pay to employees on leave would reduce Federal payroll costs by millions of dollars.

b. Benefits.—This information will assist the subcommittee as it continues its oversight and legislative activities regarding Federal compensation and benefit programs. Premium pay is pay for work performed on a weekend, hours in excess of a defined period per day, or hours in excess of a defined standard work week. These definitions of a standard work day or week (the 8-hour day or the 40-hour week for example) grew from "definitions" of the work week negotiated between labor organizations and industry, child labor and protective laws developed around the turn of the century, and, in the case of work performed on Sunday, special recognition of labor performed on a day which prevailing cultural norms regarded as "a day of rest."

In all cases, the idea of premium pay is predicated upon the notion that the individual works a longer than normal work-day or work-week. In the particular case of Sunday premium pay, the individual is being remunerated above standard rates because he or she is sacrificing a day normally reserved by societal practice as a day for personal use rather than work.

The policy of paying Sunday premium pay to an employee on leave posits the notion that premium pay is an "entitlement" rather than something received for services rendered. Compensation policy must reflect the underlying notion that Pay is tied to work performed or services rendered. The practice of Sunday premium pay for individuals on leave should be eliminated.

17. "Review of Compensation Comparability Report," October 30, 1995, GAO/GGD–96–34R.

a. Summary.—At the request of Congressman James P. Moran (D–VA) the GAO reviewed a report published by the American Legislative Exchange Council (ALEC) entitled "America's Protected Class: The Excess Value of Public Employment" (June 1994). The authors of this report, Messrs. Wendell Cox and Samuel A. Brunelli, conclude that Federal civilian employees receive about 51 percent more in total compensation (salaries, wages, and benefits) over their careers than employees in the private sector. The methodology used by the authors of the ALEC report estimate the "excess value" by measuring the extent to which average Federal compensation exceeds average private sector compensation. ("Excess value" is defined as the extent to which Federal employees' compensation exceeds the market rate for comparable employees.) The methodology quantifies five factors, which represent areas of possible advantages for Federal compensation. The GAO states that "the methodological assumptions which drive the conclusions are not well supported." The GAO also suggests that the authors' approach seemed questionable on conceptual and factual grounds.

Prior to the publication of the GAO report Wendell Cox was given the opportunity to respond in writing to the GAO findings. Following publication Mr. Cox stated that "GAO dismissed our response out of hand, despite the fact that we directly refuted the most important points in their analysis. The GAO analysis includes constructive criticisms. But, in sum, incorporation of the recommendations would produce little difference from our original estimate that Federal non-military employment has an inherent excess value of 50.8 percent. As indicated in our GAO published response, a downward adjustment of 2.6 percent would be required. GAO's analysis is not balanced. . . ."

b. Benefits.—The conclusions of the GAO do not suggest a fair and objective analysis of the ALEC report. Although the GAO admits that their "review is not exhaustive," the language used to characterize the methodology used by ALEC suggest an institutional bias. The report has serious conceptual flaws. The subcommittee staff communicated these concerns to the GAO when the letter to the ranking member was published, and GAO has not resolved the concerns.

18. "Transforming the Civil Service: Building the Workforce of the Future. Results of a GAO-Sponsored Symposium," December 26, 1995, GAO/GGD–96–35.

a. Summary.—At the request of the Senate Committee on Government Affairs, GAO convened a symposium to address options for civil service reform. The 2-day session, conducted in April 1995, reflected the experiences of selected Federal agencies, respected practices of State and local governments, governments of other nations, including Canada, Australia, and New Zealand. Participants included public administrators and scholars as well as management officials who could discuss innovations in progress in some of the Nation's leading corporations. From these presentations, GAO discerned eight principles that described current management thinking, essentially adopting a Total Quality Management perspective based on an expectation of continuous efforts to provide services "cheaper, faster, and better." Privatizing or outsourcing of numerous functions would play a prominent role in future revision of Federal human resource management. The public is interested in greater accountability from public employees, and current thinking indicates that managers require additional flexibility, rather than extensive regulations, to achieve that accountability. Flexibility would have to be included in the design of organizations, rather than rely primarily on large organizations as governments have traditionally done. Despite the call for flexibility, participants seemed to agree on more integrated systems of information management, and more extensive "investment" perspectives with regard to the resources allocated to government institutions.

b. Benefits.—Although the conference provided a broad exchange related to currently-favored practices, the summary reflects the difficulties of initiating a course of reform where participants are uncertain about, or disagree about, future directions. Many of the concerns expressed by participants reflect continued commitment to existing government services (the symposium made no reference to eliminating or abolishing functions) while acknowledging that

many of government's operational problems derive from internal regulations rather than laws imposed by Congress. These discussions proved of limited utility as the Civil Service Subcommittee considered the Omnibus Civil Service Reform Act.

19. "Retention Allowances: Usage and Compliance Vary Among Federal Agencies," December 11, 1995, GAO/GGD–96–32.

a. Summary.—Senator David Pryor requested GAO to review agencies' use of retention bonuses as a means of keeping the services of valued employees. GAO found that only 354 of 2.1 million Federal civilian employees were receiving retention bonuses as of September 30, 1994, with 334 of them awarded at five agencies: the Departments of Defense, Energy, and Agriculture, the Securities and Exchange Commission, and the Export-Import Bank. The Export-Import Bank stood out because 21.7 percent of its employees were receiving retention allowances. GAO's review confirmed that the Export-Import Bank was not complying with relevant statutes in the administration of these awards.

b. Benefits.—This report enabled the Office of Personnel Management to intervene and require the Export-Import Bank to take corrective measures, in part by temporarily withdrawing its delegation of authority to award retention allowances. The Civil Service Subcommittee linked this research with its own oversight of buyout programs, and subsequently documented that the Export-Import Bank had paid buyouts to several employees who were also receiving retention bonuses. This oversight resulted in modification of buyout authority subsequently provided to other Federal agencies.

20. "Veterans' Preference: Data on Employment of Veterans." February 1, 1996, GAO/GGD–96–13.

a. Summary.—At the request of Representative Bob Stump, chairman of the House Committee on Veterans' Affairs, GAO reviewed the veterans' preference practices of executive branch agencies. GAO specifically examined whether statistics indicated that the Office of Personnel Management (OPM) and other Federal agencies have given veteran hiring preference; whether the Merit Systems Protection Board's (MSPB) authority over veterans' preference was weakened by the Civil Service Reform Act of 1978; and how reductions-in-force (RIFs) have affected women and minorities.

GAO found that in recent years, veterans' preference represented an increasing share of the new hires in executive branch agencies. The percentage of new hires with veterans' preference increased form 12 percent in Fiscal Year 1990 to 14.8 percent in Fiscal Year 1994, among all agencies. Prior GAO work found that veterans' preference procedures were being properly applied in virtually all of the hiring instances that were examined. However, GAO did not examine whether agencies were correctly applying veterans' preference during reductions-in-force and could report no findings on whether agencies have properly, or improperly, administered veterans' preference rules during reductions-in-force.

With regard to the Merit Systems Protection Board's authority over veterans' preference appeals, GAO believes the current framework to protect veterans' rights was not weakened by the Civil Service Reform Act of 1978. In prior work on how women and mi-

norities were affected during RIFs, GAO found that women and minorities were disproportionately separated in RIFs at three Department of Defense installations because they ranked lower than white males in one of three retention factors, including veterans' preference.

b. Benefits.—This report provided some useful background information on the issue of veterans' preference and suggested areas for closer examination in connection with the subcommittee's examination of veterans' preference in the executive branch.

21. "Public Pensions: Summary of Federal Pension Plan Data," February 16, 1996, GAO/AIMD–96–6.

a. Summary.—At the request of Representative Nancy L. Johnson (R–CN), chairman of the Ways and Means Subcommittee on Oversight, and Representative Sam M. Gibbons (D–FL), GAO reviewed the status of public pension funding.

The GAO found that more than 10 million individuals were enrolled in 34 defined benefit plans, and 2.2 million individuals were enrolled in 17 defined contribution plans. Participants in the defined benefit plans had accumulated more than $1.2 million in total retirement benefits.

Differences exist in the funding of Federal Government defined benefit plans. Most agency plans have trust funds to account for government and employee contributions, investments, and benefits paid. Most agency plans are underfunded, that is, the estimated obligation for benefits exceeds plan assets. The agency trust funds, with one exception, invest in special issue Treasury securities, which are nonmarketable. The Treasury must obtain the necessary money through tax receipts or borrowing to pay plan benefits to annuitants when those benefits are due. This financing approach enables the Federal Government to defer obtaining the money until it is needed to pay the benefits. Because the plan assets are invested in this way, GAO concludes that whether this obligation is funded or unfunded has no effect on current budget outlays.

The GAO found the 17 defined contribution plans had investment balances totaling more than $28 billion, of which $26 billion was held by the Thrift Savings Plan (TSP). Employee designated contributions to the government securities fund (G–Fund) of the TSP are invested in special-issue Treasury securities under the same financing approach used for agency defined benefit plans. Therefore, to pay the benefits of G–Fund investments when they come due the Treasury must obtain the necessary money through tax receipts or by borrowing.

b. Benefits.—This report serves as an invaluable resource in tracking, the benefit design and funding characteristics, of the multitude of Federal retirement systems. However, the discussion of retirement system financing, including investing, does not clearly present the real obligations these systems place on the taxpayer.

Current Federal retirement systems are simply accounting devices and not repositories of funds available to pay future obligations. Without benefit of retirement funds invested in instruments that generate a market rate of return, the U.S. taxpayer bears the full burden of the annual shortfalls between employee retirement contributions and annuity payments.

22. "Intelligence Agencies: Personnel Practices at CIA, NSA, and DIA Compared With Those of Other Agencies," March 11, 1996, GAO/NSIAD–96–6.

a. Summary.—While chairing the Civil Service Subcommittee of the Post Office and Civil Service Committee of the 103d Congress, Representative Schroeder observed that employees of the Central Intelligence Agency, the Defense Intelligence Agency, and the National Security Agency (and a few selected smaller organizations) are not within the jurisdiction of the Merit Systems Protection Board or the Equal Employment Opportunity Commission if they wish to appeal adverse employment actions. This exemption was granted for national security reasons. She requested that GAO compare personnel practices in these three major intelligence agencies with appeal rights available to other Federal employees. GAO concluded that, although the Directors of all these agencies retain summary removal authority in cases of national security concern, the agencies all provide procedures that protect employees' basic rights. These procedures are not necessarily identical to those provided by MSPB or EEOC, but GAO noted that it has reported difficulties with both appeals agencies. GAO observed that, when compared with other Federal agencies, these agencies have fewer discrimination or prohibited personnel practice complaints, but their rates are increasing more rapidly. The report concluded that, with the exception of a limited number of sensitive national security cases, GAO sees no justification for treating employees at these intelligence agencies differently from employees at other Federal agencies.

b. Benefits.—This report provides one of the few avenues in Federal service for comparing agencies that are subject to EEOC and MSPB procedures to those that are not. GAO's conclusions that basic rights of employees can be protected through methods other than EEOC and MSPB procedures reinforced testimony at the Civil Service Subcommittee's November 29, 1995 hearing. That hearing identified several administrative shortcomings in current appeals procedures and provided a foundation for reforms of the appeals processes drafted for inclusion in the Omnibus Civil Service Reform Act of 1996.

23. "Public Pensions: State and Local Government Contributions to Underfunded Plans," March 14, 1996, GAO/HEHS–96–56.

a. Summary.—At the request of Representative Nancy L. Johnson (R–CN), chairman of the Ways and Means Subcommittee on Oversight, and Representative Sam M. Gibbons (D–FL), GAO reviewed the status of public pension funding of State and local governments. Although Federal pension laws impose funding requirements on private pension plans, they impose no such requirements on State and local plans.

GAO found that 75 percent of State and local government pensions surveyed were underfunded; 38 percent were less than 80 percent funded. State and local governments with underfunded pensions plans may face difficult budget choices in the future if they do not work toward full funding. Their future taxpayers will face a liability for benefits earned by current and former govern-

ment workers, leaving these governments to choose between reducing future pension benefits or raising revenues.

b. Benefits.—This report begins to identify the danger of unfunded pensions for State and local governments. Unfortunately, the GAO does not definitively refute the myth that government entities (be they Federal, State, or local) need not fully fund their pension systems since they will not become insolvent or cease to operate. GAO also erroneously attempts to differentiate the implications of Federal retirement underfunding from that of State and local government underfunding. The consequences of underfunding Federal, State and local government employee pensions are the same. The practice simply shifts the full cost of government payrolls from one generation of taxpayers to another. The GAO report therefore fails to provide an objective analysis of the true problem of underfunding of governmental pension plans.

24. "U.S. Geological Survey and Office of Personnel Management RIFs," March 21, 1996, GAO/GGD–96–83R.

a. Summary.—The U.S. Geological Survey (USGS) conducted an extensive reduction in force (RIF) in its Geologic Division in October 1995. This RIF was the culmination of an extensive planning period during which the Geologic Division had reviewed and revised the competitive levels of potentially-affected organizations, revised position descriptions of employees, assigned 97.2 percent of the scientific positions within the Division to single-person competitive levels, ostensibly based upon the unique skills and qualifications of these employees. The Office of Personnel Management (OPM) had also conducted a RIF which was preceded by a reorganization of its Headquarters' components. This reorganization was related to a decision to "privatize" OPM's Workforce Training Services as part of the "Reinventing Government" proposals in the President's 1996 budget. Chairman Mica asked GAO to review both of these RIFs and to ascertain their consistency with civil service procedures.

USGS officials informed GAO that their need for workforce reductions was related to funding shortages rather than workforce reduction initiatives. OPM regulations permit single-person competitive levels, and the Merit Systems Protection Board has upheld their use in previous cases. USGS officials began to anticipate RIF requirements in 1994, and they contended that their previous classifications were no longer consistent with OPM regulations. Even the old system had resulted in 66 percent of the Division's employees being placed in single-person competitive levels. USGS had consulted with OPM on the extensive use of single-person competitive levels, and reported to GAO that OPM had voiced no concerns about the procedures.

OPM informed GAO that its reorganization responded to administrative and operational concerns expressed by Director James King prior to the President's budget decisions. The administrative reorganization became effective in February 1995, and the transfer of the training function to the U.S. Department of Agriculture Graduate School was not completed until June 1995. The loss of revenues that would be associated with the separation of the training function was claimed to be the primary reason for this RIF.

b. Benefits.—This review of RIF procedures enabled the Civil Service Subcommittee to identify a range of concerns related to workforce reductions, and officials from the agencies were subsequently invited to testify at a May 23, 1996, hearing on downsizing strategies involved in the Administration's efforts to "reinvent" government.

25. "Civilian Downsizing: Unit Readiness Not Adversely Affected, But Future Reductions a Concern," April 22, 1996, GAO/NSIAD–96–143BR.

a. Summary.—At the request of Representative Herbert H. Bateman, chairman of the Committee on National Security's Subcommittee on Military Readiness, GAO reviewed civilian workforce reductions in the Department of Defense to ascertain their impact on the Nation's military readiness. GAO reported that between fiscal years 1987 and 1995, the Department of Defense (DOD) reduced its civilian workforce by approximately 284,000 personnel, or about 25 percent. During the same period, its active and reserve military components were reduced by about 26 percent, or 861,000 military personnel. After visiting installations, reviewing unit readiness reports, and interviewing civilian and military officials, GAO concluded that civilian downsizing had little impact on military readiness, but some unit leaders expressed concerns about the impact of future downsizing on operational readiness. GAO noted that downsizing decisions were not guided by comprehensive, service-wide strategies, and observed that service commands do not have a long-term road map to guide future civilian workforce requirements.

b. Benefits.—This report demonstrates, albeit inadvertently, the limited impact of the National Performance Review (NPR) on DOD downsizing. Although GAO can trace the downsizing to its 1987 start, the report notes that the NPR "bottoms up" review was not initiated until 1993. Most of the reduction plans originated with the Base Realignment and Closure Commission. The NPR recommendations include adding "reinventing government" initiatives (such as doubling the supervisor/worker ratio from 1:7 to 1:14) are among the future recommendations that, GAO observes, cause some concern among base commanders. The report, however, is merely a compilation of views of DOD officials, civilian and military, and has no independent assessment of future operational (hence, staffing and other support) requirements.

26. "Public Pensions: Section 457 Plans Pose Greater Risk Than Other Supplemental Plans," April 30, 1996, GAO/HEHS–96–38.

a. Summary.—At the request of Representative Nancy L. Johnson (R–CN), chairman of the Ways and Means Subcommittee on Oversight, and Representative Sam M. Gibbons (D–FL), GAO reviewed the financial security of amounts deferred by participants into State and local government supplemental pension plans.

Many State and local government employees are taking steps to increase their future retirement benefits by deferring some of their wages to supplemental pension plans, known as salary reduction arrangements or plans. The amounts deferred or contributed to

some of these plans, however, may be at risk. Due to limitations on 401(k) plans and 403(b) plans, most State and local government employees have only Section 457 plans available to augment their regular government pension.

Section 457 plans are unfunded deferred compensation plans. In order to avoid salary deferrals from being taxed under these rules the amounts deferred must remain the property of the sponsoring employer and be available to the general creditors of the employer. Although 457 plans are considered unfunded because salary deferrals are not held specifically for individual employees, most employers invest the salary deferrals to ensure that funds will be available when the time comes to pay benefits.

The report's principal conclusion is that a Section 457 plan's assets could be subject to a risk of loss in the event the government entity sponsoring the plan becomes insolvent or bankrupt. The report notes that Section 401(k) plan assets, in contrast, must be placed in trust for the exclusive benefit of employee participants, and therefore are not subject to this type of risk. The report suggests that public sector employees should be afforded the same protections as Section 401(k) plan participants and, thus, recommends that Congress consider amending Section 401(k) of the Internal Revenue Code to permit State and local governments to establish 401(k) plans.

b. Benefits.—The report will, among other things, serve as an ongoing and important reference tool for the subcommittee in considering issues regarding Section 457 plans and other deferred compensation devices. Particularly useful is the comparison detailed in the report between Section 457 plans, which are supplemental retirement plans offered to public employees, and Section 401(k) plans, which serve a similar purpose for employees in the private sector.

27. "Federal Personnel: Issues on the Need for the Public Health Service's Commissioned Corps," May 7, 1996, GAO/GGD–96–55.

a. Summary.—Representatives Lamar Smith and John Kasich requested GAO to assess whether the Public Health Service required an officer corps, including characteristics similar to a military-like array of compensation and benefits. GAO reported that the PHS Corps was established in the late 1800's with a primary mission to provide medical care to merchant seamen. Over the years, however, these responsibilities have expanded, and now include functions such as providing care to Native American tribes, services in Federal prisons, and health sciences research. GAO noted that the Corps has not been incorporated into the military since 1952, and that the Department of Defense has no specific plans about how the Corps would be used in the event of future mobilizations. GAO reviewed differences between comparable civilian employees and the military-like pay and benefit structure of the PHS Corps and calculated that the government could save as much as $130 million annually if Corps members were paid as civilian employees. These savings would accrue primarily from special pay, allowances, bonuses, Corps officers' advantage of paying no taxes on their housing and subsistence allowances, and their dif-

ferential retirement advantages. The Department of Health and Human Services contested this report, claiming that converting to a civilian pay and benefits structure would incur transition costs of as much as $575 million. GAO countered that these costs would be incurred as a result of continuing operations, regardless of the Corps status of PHS officials.

b. Benefits.—The report documents opportunities for reducing the Federal Government's human resources costs and demonstrates the willingness of the affected agencies to protect differential benefits for its employees.

28. "Federal Downsizing: The Costs and Savings of Buyouts Versus Reductions-In-Force," GAO/GGD–96–63, May 14, 1996.

a. Summary.—As part of the Civil Service Subcommittee's continuing efforts to monitor workforce reductions affecting Federal employees, Chairman Mica requested the GAO to compare the costs and savings of alternative methods of cutting employment at Federal agencies. This report distinguished the multitude of cost factors involved in different downsizing strategies, and estimated the 5-year savings associated with the different options. GAO argued that buyouts usually result in greater savings, because retirement-eligible employees who accepted the buyouts averaged salaries of $48,000, where RIF'd employees averaged salaries of only $29,495. The accuracy of this estimate, therefore, would depend upon the agency eliminating the position that it bought out. GAO concluded that, where "bumping and retreating" occur (the situation most commonly associated with RIFs), buyouts could generate as much as $60,000 in additional savings for agencies over a 5 year period. RIFs, however, generate more savings than buyouts if either the amount of "bumping and retreating" is controlled or the RIFs eliminate positions of retirement-eligible employees. RIFing retirement-eligible employees helps to reduce costs because retirement-eligible employees are not eligible for severance pay.

Although GAO's text emphasized the potential for greater savings using buyouts rather than RIFs, for each of the separation techniques compared, buyouts generate lower savings than RIFs when "bumping and retreating" does not take place. For instances where retirement eligible employees are RIFd, the absence of "bump and retreat" results in almost $22,000 more savings than the costs of buyouts. For early retirement eligible employees, a RIF without "bumps and retreats" yields nearly $30,000 additional savings over a 5 year period when compared to the savings that could be realized through buyouts.

b. Benefits.—This review has spurred several additional inquiries from the subcommittee in its efforts to evaluate alternative methods of workforce reduction. The subcommittee documented, through follow-up research with agencies that had conducted RIFs, that when RIFs are used to eliminate regional offices or terminate programs (as occurred at the General Accounting Office and the Office of Personnel Management), "bump and retreat" costs are eliminated from considerations, and buyouts are unlikely to produce the most effective results. This study also used the salary of the incumbent accepting the buyout as the basis for calculating estimated savings. Other research conducted by the subcommittee, and data

and testimony provided by the Office of Management and Budget and the Office of Personnel Management have demonstrated that buyouts implemented under the Federal Workforce Restructuring Act of 1994 were not directly linked to the elimination of positions. Thus, if senior officials accepted buyouts but positions eliminated were of lower-graded or lower-salaried employees, the buyouts could not achieve the savings forecast using GAO's model. This finding supported efforts to strengthen the planning requirements that would be involved in any future buyout authority.

29. "Commodity Programs: Freedom-to-Farm Approach Will Reduce USDA's Personnel Costs," GAO/RCED–96–116, May 22, 1996.

a. Summary.—The Federal Agricultural Improvement and Reform Act of 1996 included provisions that would reduce Federal controls on farmers receiving government support for their crops. House Budget Committee Chairman John Kasich asked GAO to review the level of personnel reductions and to estimate the cost savings associated with this reform legislation. GAO concluded that this farm bill will result in personnel reductions at the Department of Agriculture, but probably less than would have occurred if the original provisions of the bill had remained in place. Under provisions of H.R. 2195 as enacted, the Farm Services Agency will reduce staff years by 1,823 and save approximately $332 million between 1997 and 2002. This would represent a 9 percent reduction in staff years. As introduced, this authorizing legislation would have resulted in a 13 percent reduction in staff years, most of which would have resulted from transferring certain functions—such as enrolling farmers for crop insurance—to the private sector. GAO estimated that 1,495 of these work years would be eliminated among county employees performing functions such as maintenance of farm records, compliance activities, and payments under commodity programs, while 328 work years would be reduced from Washington headquarters.

b. Benefits.—This report outlines the personnel reductions associated with program changes at a single agency, and identifies personnel consequences of legislative options. The Agency's comments, however, indicate that it might re-evaluate the impact of the provisions as it reviews the law after enactment.

30. "Federal Downsizing: Delayed Buyout Policy at DOE is Unauthorized," GAO/T–GGD/OGC–96–132, June 11, 1996.

a. Summary.—The Federal Workforce Restructuring Act of 1994 had authorized agencies to pay employees buyouts. Agencies were allowed to offer such payments through March 31, 1995, although separation of employees taking the buyouts could be deferred for as long as 2 years if the head of the agency certified the need for employees to remain on the payroll. At the Civil Service Subcommittee's May 23, 1996, hearing on the administration's implementation of the Federal Workforce Restructuring Act of 1994, the Office of Management and Budget admitted that it had relied upon a legal opinion developed by the Department of Energy to "reauthorize unused buyouts." At the subcommittee's request, the General Accounting Office analyzed the Department of Energy's legal opinion and concluded that the administration's use of it to enable agencies

to offer "delayed buyouts" was inconsistent with the authority granted in the law.

b. Benefits.—This testimony supported the Civil Service Subcommittee's efforts to end the administration's illegal extension of buyouts and ensured a congressional role in any further buyout activities.

31. "Reemployment of Buyout Recipients," GAO/GGD–96–102R, June 14, 1996.

a. Summary.—Representative Frank Wolf requested GAO to investigate allegations that employees at several agencies had accepted buyouts then returned to work for Federal agencies, either as direct employees or as contractors. For this study, GAO reviewed buyouts at the Department of Transportation and the National Aeronautics and Space Administration. These agencies awarded nearly 20 percent of buyouts used by nondefense agencies. The Federal Aviation Administration, which was already investigating reemployment violations as a result of a DOT Inspector General's report, was excluded from the study. Legislation authorizing the Department of Defense buyout program did not contain the 5-year bar on Federal reemployment included in the Federal Workforce Restructuring Act of 1994. GAO's review of the OPM Central Personnel Data File (CPDF) system revealed 394 buyout recipients who had gained new employment with a Federal agency, but only 68 of them were subject to the Restructuring Act's reemployment restrictions. GAO found that most of the reemployed buyout recipients were hired under limited term appointments. GAO further found that only eight agencies had inquired about the waivers of repayment requirements, and only two waivers had actually been requested of OPM. Most of the agencies involved had instituted management controls to implement the reemployment restrictions, and GAO found little evidence of Federal employees returning to the payroll after accepting buyouts.

b. Benefits.—This report continued GAO's role monitoring the implementation of buyouts with sufficient publicity that both appropriators and authorizing committees of the Congress become aware of any abuses taking place in the program. This report indicates that some obvious abuses have been averted in implementing the law.

32. "Cost Analysis: Privatizing OPM Investigations," GAO/GGD–96–121R, July 5, 1996.

a. Summary.—The Office of Personnel Management implemented a recommendation developed by the National Performance Review to convert its Federal background investigations from a reimbursable function performed within the agency into a function performed under contract with a private corporation. The private corporation would be an employee stock ownership program formed with former OPM employees. The Civil Service Subcommittee conducted hearings on this transition on June 14 and 15, 1995, and during the course of those hearings the Office of Management and Budget conceded that no serious cost analysis had been done before pursuing this conversion. After that hearing, OPM's trustee contracted for a professional estimate of projected savings. At the re-

quest of both authorizing and appropriations subcommittees, GAO reviewed the consultant's projected costs and savings, and recommended revision of the allocation of retirement savings associated with this transition.

b. Benefits.—This analysis provided for an additional review of the savings projected by the Office of Personnel Management and the Office of Management and Budget in promoting this National Performance Review initiative. This report can serve as a baseline for comparing eventual savings from the contract.

33. "USGS Reduction in Force," GAO/GGD–96–155R, August 1, 1996.

a. Summary.—Chairman Mica requested GAO to review reductions in force at the U.S. Geological Survey's Geologic Division to ascertain the extent to which veterans' preference was consistent with legal requirements, to review the effect of changing position descriptions on the definition of single-person competitive levels and eventual impact on the RIF, including the number and types of positions that were revised. GAO's analysis revealed that veterans fared better than nonveterans in terms of retention or placement into alternative positions. USGS apparently educated veterans about the importance of their status in a RIF and provided ample opportunity for documenting that status. GAO found that the USGS's development of retention registers appeared to have complied with statutory requirements. GAO's efforts to review revisions of official personnel files centered on administrative changes (correction of pay, grade, classification series information) rather than modifications of substantive professional qualifications. GAO's review indicated that the USGS procedures appeared to be generally consistent with legal requirements.

b. Benefits.—This review provided the subcommittee with some insight into the RIF procedures used by the Geological Survey and the surrounding work influenced provisions of the Veterans Employment Opportunities Act of 1996 that provide additional protections for veterans in the event of reductions in force.

34. "401(k) Pension Plans: Many Take Advantage of Opportunity to Ensure Adequate Retirement Income," August, 2, 1996, GAO/HEHS–96–176.

a. Summary.—At the request of Representative Jim Bunning (R–KY), chairman of the Ways and Means Subcommittee on Social Security, the GAO reviewed the growth in 401(k) pension plans. GAO was asked to answer the following questions: (1) What proportion of workers are covered by pension plans and, in particular, 401(k) pension plans? (2) How much do workers covered by 401(k) plans contribute to their pension accounts? (3) How do workers covered by 401(k) plans allocate their pension account balances among various investment options?

GAO found that almost half of all workers and nearly two-thirds of workers nearing retirement age are covered by a pension plan. One in four workers who have pension coverage participates in a 401(k) pension plan. On average, workers covered by a 401(k) plan contribute about 7 percent of their salary to their account; 80 per-

cent also receive a matching contribution from their employer, averaging about 5 percent of their salary.

Many workers are responsible for directing the investment of their 401(k) pension plan account balances. About 25 percent of 401(k) participants invest their 401(k) funds in conservative investments, such as bonds; another 25 percent invest primarily in stocks; and the rest split their investments between stocks and bonds.

b. Benefits.—This report demonstrates the importance of planning for retirement and the role of 401(k) pension plans in providing adequate post-employment income. Unfortunately, the report does not address the distinct advantages defined-contribution plans have over the more traditional defined-benefit retirement plans. The current era of corporate downsizing and restructuring enhances the importance of pension portability and flexibility.

35. "Federal Employees' Compensation Act: Issues Associated With Changing Benefits for Older Beneficiaries," August 14, 1996, GAO/GGD–96–138BR.

a. Summary.—At the request of Senator Mark O. Hatfield (R–OR) and Senator Robert C. Byrd (D–WV), the chairman and ranking member of the Senate Appropriations Committee, and Representative Bob Livingston (R–LA) and Representative David Obey (D–WI), the chairman and ranking member of the House Appropriations Committee, the GAO reviewed possible changes to the Federal Employees' Compensation Act (FECA).

Currently, FECA allows the receipt of workers' compensation benefits by beneficiaries who are at or beyond retirement age; possible changes could reduce benefits they receive. The GAO found that older FECA beneficiaries make up a high percentage of cases on the long-term rolls and account for a substantial portion of the FECA benefits paid for long-term compensation. Sixty percent of the approximately 44,000 long-term beneficiaries receiving compensation benefits in June 1995 were 55 years of age or older; 37 percent were age 65 or older. Of the $1.28 billion in compensation benefits paid in 1995, $947 million went to long-term beneficiaries who would most likely be affected by a change in benefits for older beneficiaries. About $611 million (64 percent) of the compensation benefits paid to these beneficiaries went to those age 55 and over.

b. Benefits.—The report helps identify the widely divergent views held by proponents and opponents of changing benefits for older FECA beneficiaries. The report will serve as a useful resource to subcommittee staff as we pursue comprehensive reform to FECA. The FECA program provides a level of benefit to injured Federal employees that is much more generous than is available at the in the private sector. The government's FECA costs are too high, thus putting an added burden on the taxpayer and agencies' program budgets.

36. "Private and Public Prisons: Studies Comparing Operational Costs and/or Quality of Service," August 16, 1996, GAO/GGD–96–158.

a. Summary.—The Department of Justice had announced plans to add two private prisons to the facilities used as part of the Bu-

reau of Prisons' system, but these plans were deferred while the Department studied potential cost savings and operational issues in greater detail. GAO initiated this review to ascertain changes in the academic and professional studies of private prisons since 1991, when it had last reported on the topic. GAO found five major studies that compared private and public prisons in different States. Three studies showed no significant difference in costs, where the other two studies differed about the advantages of private and public prisons. Although GAO found some benefit from the other studies, it identified methodological flaws that limited their use for developing lessons for other jurisdictions. In most cases, because decisions to privatize prisons are often related to other policy concerns (for example, low-risk, rather than maximum security, facilities are most likely to be privatized), comparisons between similar institutions are difficult, and the studies usually cannot be generalized. The findings from these studies were not sufficiently consistent to permit reliable generalizations from them. Quality measures were very difficult to develop, and comparison could not be done from the available materials.

b. Benefits.—GAO's outside reviewers considered the study to be a valuable contribution to criminology studies, and suggested that the questions asked should be linked to several other questions that GAO described as "philosophical," and beyond the scope of their review. The study did describe systematic approaches that could make future studies more comparable for analytical purposes, and thus provide a better foundation for policy decisions.

37. "Privatization of OPM's Investigations Service," GAO/GGD–96–97R, August 22, 1996.

a. Summary.—The Civil Service Subcommittee initiated oversight of the Office of Personnel Management's decision to privatize its Office of Federal Investigations by creating an employee stock ownership program. GAO had testified at hearings on June 14 and 15, 1995, and this report follows up on deficiencies in OPM's planning process identified during those oversight hearings. OPM awarded a sole source contract for the conduct of background investigations to US Investigations Services, Inc., on April 8, 1996. Although OPM had assured the Civil Service Subcommittee that full protection would be provided for files covered by the Privacy Act, to the extent of pledging to create a "firewall," OPM could not describe provisions to ensure the privacy of records in July 1996. After the ESOP was established, the Department of Energy withdrew security clearances of background investigators because they were no longer Federal employees. USIS employees were not guaranteed access to State files on the National Crime Information Center (NCIC) maintained by the Federal Bureau of Investigation, and officials in major States had not been informed about OPM's plans for privatization of this function. Although OPM had assured the Civil Service Subcommittee that information gathered to perform work for Federal agencies would not be used for USIS" nonfederal work, OPM appears to have allowed this mixture of effort in contract provisions.

b. Benefits.—This report demonstrates continuing inadequacies in OPM's plans for conversion of this segment of its workforce. De-

ficiencies in the planning process have carried into the initial phases of operations, jeopardizing the level of service required by Federal agencies that need background investigations to ensure the suitability, security, and public trust qualifications of Federal employees.

38. "Employment and Buyout Incentives," GAO/GGD–96–168R, August 22, 1996.

a. Summary.—The Civil Service Subcommittee requested GAO to review instances where agencies had paid the same employee both a separation incentive ("buyout") and an incentive to remain within government employment, either a retention bonus or a relocation bonus. Through a review of records in OPM's Central Personnel Data File, GAO determined that 52 persons at the Department of Defense and seven other Federal agencies had received both types of payments. The Department of Justice reported to GAO that the one person who had received both a relocation bonus and a buyout had repaid the relocation bonus.

b. Benefits.—Although there would appear to be conflicts in statutory purposes for an agency to pay the same employee both a retention bonus and a separation incentive, the Federal Workforce Restructuring Act of 1994 contained no prohibition on these contrasting payments. The subcommittee subsequently learned that the Export-Import Bank had awarded three retention bonuses after it had approved buyouts for these employees. As a result of information provided in this report, the subcommittee chairman was able to write to the Secretary of Defense and secure modification of management practices to prevent such payments in the future. The subcommittee has also developed standard buyout language for future legislative use that includes prohibition of buyout payments to persons who received retention incentives.

39. "Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective," GAO/GGD–96–62, August 26, 1996.

a. Summary.—Civil Service Subcommittee Chairman Mica requested that GAO conduct a comprehensive review of Federal workforce reductions under the Federal Workforce Restructuring Act of 1994. This review examined whether the act's objectives were being achieved, whether the workforce reductions as implemented were consistent with the administrative and supervisory targets established by the National Performance Review, to assess the demographic impact of the buyouts, to review agencies' perspectives on buyouts as a downsizing tool, and whether the workforce reductions were having any effects on agencies' performance. This report documented that most buyouts came from the Department of Defense, a pattern consistent with the overall Federal workforce reductions. The administration, however, did not achieve the targeting of selected administrative and supervisory occupations recommended by the NPR. Instead, agencies had reduced the NPR objectives in their plans, then failed to achieve the level of reductions in these categories included in their plans. As a result, some of these administrative and supervisory positions had actually increased as a portion of the Federal workforce. Although GAO re-

ported that the portions of the Federal workforce made up of women and minorities had increased slightly since the enactment of the law, GAO did not provide details about the impact of the reductions on the portion of college graduates, the geographic distribution, or other demographic descriptions of the Federal workforce that might enable assessment of the effects of these reductions on the quality of the Federal workforce. GAO concluded that many of the unintended consequences of downsizing could have been mitigated had agencies done adequate strategic and workforce planning.

b. Benefits.—This report provides an extensive review of Federal agencies' downsizing efforts. It demonstrates that agencies have failed to achieve NPR workforce reduction targets in many of the administrative and supervisory areas, and provides a baseline for further oversight of the Federal workforce reduction efforts.

40. "Debt Ceiling: Analysis of Actions During the 1995–1996 Crisis," (GAO/AIMD–96–130) August 30, 1996.

a. Summary.—This report reviewed actions taken by the Department of the Treasury to manage national accounts during the period from November 1995, through March 1996, when major Federal accounts were manipulated to evade the restrictions imposed by the Federal debt ceiling. Among the accounts used by the Department of the Treasury to facilitate Federal borrowing that would not be restricted by the legal debt ceiling were the Civil Service Retirement and Disability Fund (CSRDF) and the Federal Retirement Thrift Investment Fund's holdings of Federal nonmarketable securities, commonly known as the "G Fund." After declaring a "debt suspension period" on November 15, 1996, Secretary of the Treasury Robert Rubin directed three measures to enable the Government to continue borrowing money in ways that would not be subject to the debt ceiling. These included redeeming nonmarketable securities held by the CSRDF, suspending further investments in those accounts as receipts continued to come into the Treasury from employees' payroll deductions, and suspending further investments in the G Fund. GAO concluded that the Treasury's actions resulted in the Government incurring $138.9 billion in obligations that would normally have been subject to the debt ceiling. GAO reported that the Treasury had fully restored the CSRDF's $995 million and the G Fund's $255 million interest losses, but observed that additional statutory action would be needed to restore $1.2 million taken from the Exchange Stabilization Fund. GAO concluded that these actions were consistent with provisions of Chapters 83 and 84 of Title 5 that were enacted in 1986 to enable more flexible management of Federal debt.

b. Benefits.—This report demonstrates that the Secretary of the Treasury has been provided legislative authority that enables the vitiation of legal restrictions on the national debt. The Treasury's actions during the debt ceiling demonstrated ambiguities in the term "debt suspension period" that enabled the Secretary of the Treasury to borrow billions of dollars beyond the legal ceiling. The Secretary's actions focused public attention on deficiencies in the law, but the GAO review concentrated on the financial manipula-

tions to the omission of some of the key legal issues related to enforcing limitations on the national debt.

41. "Federal Contracting: Comments on S. 1724, The Freedom From Government Competition Act," September 24, 1996, GAO/T–GGD–96–169.

a. Summary.—GAO observed that OMB Circular A–76 has been the policy guidance governing competition related to Federal contracting since 1967. Primarily because Departments and agencies created in the past 30 years have consistently relied upon the private sector for commercially-available goods and services, Federal agencies now spend about $65 billion to purchase goods and $116 billion on services, as compared to personnel costs of approximately $115 billion for the 2 million person Federal workforce. S. 1724 would have expanded significantly government's role in purchasing, rather than providing, any goods and services that were not defined as "inherently governmental," related to national security, or related to "unique" agency needs. GAO testified that S. 1724 would require contractual procurement even when the government might be able to provide the service cheaper internally, and opined that in some cases the bill might result in private procurement in the absence of effective competition. GAO also expressed concerns about the 6-year transition period during which agencies would be required to convert to contract, contending that the deadlines might be unrealistic. GAO remains concerned that conversion to contract requires more extensive contract management capabilities than most agencies currently possess. These contract management positions were targeted in the National Performance Review's workforce reduction strategy, and conversion to contract might be more difficult if these employees no longer serve in agencies.

b. Benefits.—This study reiterates GAO's long concerns about contracting. It draws from extensive prior testimony on the topic, and served to remind the committee of these concerns.

42. "Social Security: Union Activity at the Social Security Administration." October 2, 1996, GAO/HEHA–97–3.

a. Summary.—Representative Jim Bunning, chairman of the House Ways and Means Subcommittee on Social Security, asked GAO to examine union involvement and activity within the Federal Government. Given the budget constraints facing Federal agencies, Chairman Bunning expressed concern about the amount of time and expense devoted to union activities—which is paid for by the Federal Government, and ultimately, the taxpayer.

Since the early 1960's, Federal agencies have allowed unions to conduct union-related activities during official duty hours. Such activities generally include representing employees in complaints against management; bargaining over changes in working conditions; and negotiating union contracts with management. The use of "official time," generally defined as authorized paid time off from assigned duties for union activities, has become a routine method of union operation in the Federal Government.

GAO has determined that the time spent on union activities at the Social Security Administration (SSA) has grown from 254,000 hours annually, to at least 413,000 hours annually at a cost of

$12.6 million in 1995 alone, largely from SSA's trust funds. Additionally, SSA has reported to Congress that the number of full-time union representatives—those devoting 75 percent or more of their work time to union activities—grew from 80 to 145 between fiscal years 1993 and 1995.

Under the terms of the current SSA union contract, which will expire in 1999, the selection of union representatives and the amount of time they spend on union activities is determined by the union, without the consent of local managers. GAO determined that over 1,800 designated union representatives in SSA are authorized to spend time on union activities—although most of that time is spent by SSA's 145 full-time representatives. Some SSA field managers told GAO that problems in managing the day-to-day operations activities are caused by their having no involvement in deciding how much time is spent by individuals, or who the individuals are.

The fact that agencies are not required to track official time government wide is a major impediment in compiling statistics on the use of official time in the Federal Government. Hence, the amount of time spent on such activities cannot be reported accurately, because agencies are not obligated to capture, or report, "official time," or union activity charges. SSA reported that the agency paid for 404,000 union-activity hours in fiscal year 1995. GAO found this figure to be lower than the actual hours spent on "official time."

GAO also found that in the private sector, some employers pay employees for time spent on union activities, while others do not.

b. Benefits.—The information contained in this report provides documentation of the significant increase in the use of official time during recent years. It also demonstrated serious deficiencies in recordkeeping by some of the agencies studied, including SSA and VA. Because of these deficiencies, including the failure to routinely track the use of such time, the amount of the burden official time imposes upon taxpayers is generally unknown. This report documents how the Federal Government pays employees' salaries and expenses for the considerable amount of time they spend on union activities, as well as the cost of additional support: space, supplies, equipment, and some travel expenses.

In the current fiscal climate, the subcommittee believes this information documenting vast expenses being incurred by executive branch agencies is of great interest to all Members of Congress. GAO's findings in this report were also helpful to the subcommittee in framing issues for its own hearing on taxpayer subsidies of Federal unions. The report also reinforced the subcommittee's prior determination to examine the question of official time more widely by requesting a more extensive GAO study.

43. "Hiring of Former IRS Employees By PBGC." October 2, 1996, GAO/GGD–97–9R.

a. Summary.—After receiving several complaints of alleged improper personnel activities at the Pension Benefit Guaranty Corporation (PBGC), Representative John L. Mica, chairman of the House Committee on Government Reform and Oversight Subcommittee on Civil Service, requested that GAO investigate wheth-

er any instances of improper hiring had occurred. Specifically, the subcommittee was told that the current Director of the PBGC improperly hired a number of colleagues from his former agency, the Internal Revenue Service.

All but one of the former IRS employees had been hired by the PBGC at the GS–13 level or above. GAO examined the official personnel folders (OPFs) of 16 of the 17 former IRS employees hired between March 1993 and July 1996. (The OPF of the 17th employee, who had retired, was at the Federal Records Center and its retrieval would have seriously delayed GAO's work.) Based upon this review, GAO determined that 15 of these 16 employees had been hired noncompetitively. Only one competed for her new position. In this instance, while serving as a Visiting Actuary on a term appointment at PBGC, the employee submitted an application for a newly created position for an actuary within PBGC's Corporate Finance and Negotiations Department. GAO examined the procedures followed in making these appointments and found them in compliance with applicable civil service rules and regulations.

During fiscal years 1992 through 1996, the number of full-time equivalent PBGC positions was increased by a total of 25 percent.

b. Benefits.—This GAO investigation assisted the subcommittee in discharging its oversight function by resolving concerns that the PBGC Director improperly brought former IRS employees with him to serve in the PBGC.

44. "Buyout Recipients Compliance With Reemployment Provisions," (GAO/GGD–97–7R) October 3, 1996.

a. Summary.—In response to a request from Representative Frank Wolf, GAO reviewed the Central Personnel Data File system to ascertain the numbers of people who had received buyouts and returned to Federal employment in ways that might conflict with legislation authorizing the buyouts. GAO found a total of 68 individuals who had regained Federal employment after accepting a buyout payment. Only 11 of those incidents appeared to conflict with legal restrictions on post-buyout Federal employment. In 20 instances, individuals had repaid the buyout or were doing so through installment payments. More than 25 of the reports indicated potential data difficulties in the CPDF. OPM had waived the repayment requirement in only one case.

b. Benefits.—This report reflects personnel records of more than 87,000 buyouts, indicating that the legal restrictions upon re-employment after accepting a buyout have had their intended effect. Very few individuals are returning to Federal employment after taking the buyouts, and those who do either enter into repayment programs or secure the waivers necessary to comply with the law.

45. "Private Pensions: Most Employers that Offer Pensions Use Defined Contribution Plans," October 3, 1996, GAO/GGD–97–1.

a. Summary.—At the request of Representative John L. Mica (R–FL), chairman of the Subcommittee on Civil Service, the GAO reviewed the approaches private employers are using to provide retirement benefits to their employees and the extent to which these approaches may be changing.

Employer-sponsored pension plans, in combination with Social Security and personal savings, provide millions of retirees and their families with retirement income. Employers can provide these benefits using two basic types of plans—defined benefit (DB) or defined contribution (DC) pension plans.

For a DB plan, the employer determines retirement benefit amounts for individual employees using specific formulas that consider certain factors, such as age, years of service, and salary levels. Employers bear the full responsibility and risk of providing sufficient funding to guarantee that the benefits promised by the formulas will be paid. The amount an employer must contribute to a DB plan can vary from year-to-year depending on changes in areas such as workforce demographics or investment earnings.

For a DC plan, the employer establishes an individual account for each eligible employee and generally promises to make a specified contribution to that account each year. Additional employee contributions are also allowed and sometimes required. The employee's retirement benefits depend on the total of employer and employee contributions to the account as well as the investment gains and losses that have accumulated at the time of retirement. Therefore, the employee bears the risk of whether the funds available at retirement will provide a sufficient level of retirement income.

Private employers are not required to provide their employees with pension benefits; however, those employers that do so must meet certain minimum legal standards. The Employee Retirement Income Security Act of 1974 (ERISA) requires that private employers manage pension plan funds prudently and in the best interests of participants and their beneficiaries, that participants be informed of their rights and obligations, and that there be adequate disclosure of the plan's terms and activities. For DB plans only, ERISA created a Federal insurance program financed primarily by employer-paid premiums to guarantee the payment of pension benefits when an underfunded DB plan is terminated.

The GAO found that in 1993, 88 percent of private employers with single-employer pension plans sponsored only DC plans. This represents a sizable increase over 1984 when 68 percent of private employers reported they had only DC plans. From 1984 to 1993, the percentage of employers that offered only DB plans decreased from 24 to 9 percent, and those employers offering both DC and DB plans decreased from 8 to 3 percent. The growth in DC plans occurred across all employer sizes and industries.

The GAO reported a variety of possible explanations for why employers might prefer DC over DB plans. These factors included increasingly complex and burdensome government regulations for DB plans, a surge in the number of employers terminating DB plans to acquire capital assets, and employees' growing preference for pension benefits that they can retain, when they change jobs.

b. Benefits.—This report highlights the clear trend throughout the private sector toward DC retirement plans. The advantages of the DC plans over the traditional DB retirement plans are substantial for both employers and employees. The GAO study will be useful as the committee considers changes to the structure of Federal employee retirement plans.

The current Federal retirement system suffers from a history of fiscal practices that relied on the deferral of the cost of annuities to generations of future taxpayers. In 1997, the Federal Government will pay $41.3 billion in pension benefits to Federal annuitants. The government will receive approximately $10 billion from employee payroll deductions and from cash contributions from the U.S. Postal Service. The General Treasury will make up the difference between receipts and payouts—over $30 billion.

Because of the way Federal pensions are funded, the Treasury will pay a growing share of annuity costs in the future. The projections in the Annual Report of the U.S. Office of Personnel Management indicate that by the year 2000, the Treasury share of annuities will grow from $40 billion per year to $60 billion in 2010 and over $150 billion per year by the year 2030. According to the Budget for fiscal year 1997 submitted by the Clinton administration: "From 1960 through 1995, CSRDF [Civil Service Retirement and Disability Fund] payments to the public have exceeded its income from the public by $408 billion."

Given the annual funding shortfalls in the retirement system, it may be necessary to close the current Federal retirement system to new employees. A new retirement system for future employees can be created relying on defined contributions and consistent with private sector practices. By investing the funds in commercial investments the Federal Government can provide its employees with an adequate retirement benefit, while exercising fiscal constraint.

DISTRICT OF COLUMBIA SUBCOMMITTEE

1. "District's Workforce, Annual Report Required by the District of Columbia Retirement Reform Act," March 1996, GAO/GGD–96–95.

a. Summary.—This report provides comments on the actuary's report on the disability retirement rate of District of Columbia police officers and fire fighters. The act provides for annual Federal payments to the District of Columbia Police Officers and Fire Fighters' Retirement Fund. These payments however, are reduced when the disability retirement rate exceeds an established limit. This is done to encourage the District government to control retirement costs.

b. Benefits.—The actuary was engaged by the District of Columbia Retirement Board (1) to determine the 1995 disability retirement rate for District police officers and fire fighters hired before February 15, 1980; (2) to examine if the rate exceeds eight-tenths of 1 percentage point; and (3) to prepare the annual report required by the act. Reviews of the actuary report and other relevant data conclude that no reduction is required in the fiscal year 1997 Federal payment to the District's Police Officers and Fire Fighters' Retirement Fund.

2. "District of Columbia Information on Health Care Costs," April 1996, GAO/AIMD–96–42.

a. Summary.—This report provides baseline information on the District of Columbia's health care system to aid in evaluation of the various restructuring proposals the District is considering in light

of rising health care costs, limited resources, and pending legislative changes. Recent studies on the District's health care system have concluded that the District's health care peoblems are aggrevated by social factors, such as high rates of poverty, crime, substance abuse, and unemployment in the city. The report looks at these factors in order to analyze the District's health care budget.

b. Benefits.—The report conducts a cost-benefit analysis of the District's health care system and concludes the following: (1) the District does not collect much of the specific cost information, which is considered vital for managing and measuring Medicaid; (2) many of the District's hospitals are in disrepair and costs to repair were estimated at $119 million in 1985; (3) in the fiscal year, 1994, D.C. General reported nearly $78 million in uncompensated care. As a result of these factors, the costs of D.C. health care is increasing. These findings help facilitate the various reconstructuring propasals of the District's health care system.

3. Testimony—"District Government Information on its Fiscal Condition," July 19, 1996, GAO/T–AIMD–96–133.

a. Summary.—This testimony reviewed the District of Columbia's financial condition. The report focuses on the District's cash position at the end of fiscal year 1995, as adjusted through March 31, 1996. The report discusses financial and budget trends in the District's revenue flows and expense patterns, comparing and contrasting the District's historical experience through fiscal year 1995 with its enacted and proposed budgets for fiscal years 1996 and 1997.

Where unusual trends were identified, such as discrepancies in the amounts of the District's operations, GAO met with District officials to determine the reasons for these differences. In addition, GAO conducted reviews detailing underlying supporting information and documentation to verify that the explanation provided was supported. GAO also reviewed expenses reported during the 1996 fiscal year, to ensure that the trends identified in GAO's analysis through the fiscal year ended 1995 were still accurate.

b. Benefits.—GAO performed an analysis of the District of Columbia's cash and overall financial condition. In order to understand the District's financial predicament, GAO interviewed several key members of the city's control board and current and former government officials. In addition, GAO reviewed what actions New York City and Philadelphia and their respective boards took to respond to their respective cash shortages. This information aided the District of Columbia Financial Responsibility and Management Assistance Authority's efforts to resolve financial and management problems facing the District.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

1. "Status of Open Recommendations: Improving Operations of Federal Departments and Agencies," January 1995, GAO/OP–95–1.

a. Summary.—In fiscal year 1994, the General Accounting Office (GAO) made 1,450 recommendations. More importantly, about 4,400 GAO recommendations made during the past 5 years have been implemented. This report summarizes the status of all GAO recommendations that have not been fully implemented and highlights some of the key ones.

b. Benefits.—The report is used for oversight, both of GAO and other agencies and programs. It provides information about previous GAO recommendations and a basis for future requests.

2. "Federal Office Space: More Businesslike Leasing Approach Could Reduce Costs and Improve Performance," GAO/GGD–95–48.

a. Summary.—The GSA has a virtual monopoly over the provision of Federal office space. GSA now spends $2 billion annually for leased space and projects. These costs will rise to $3 billion by 2002 unless the ratio of federally owned to leased space is increased. Also, Federal agencies have been dissatisfied with GSA's monopoly and the amount of time GSA takes to deliver requested space. GAO concludes that a more businesslike approach to leasing could reduce costs and improve performance. GAO makes several recommendations to streamline GSA's leasing process, making it less costly and time consuming, more responsive to the needs of Federal agencies, and a better value for taxpayers.

b. Benefits.—The subcommittee has jurisdiction over the GSA and has a responsibility to monitor its activities. Implementation of the recommendation could result in savings to the Government.

3. "The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform," GAO/AFMD–12.19.4.

a. Summary.—Overall, executive branch agencies are making progress in implementing the Chief Financial Officers Act (CFO). This landmark legislation seeks to (1) provide Congress and agency managers much more reliable financial, cost, and performance information; (2) dramatically improve financial management systems and controls to eliminate waste, fraud, abuse, and mismanagement and to better protect the Government's assets; and (3) establish effective financial organizational structures to provide strong leadership into the 21st century. The remaining problems are difficult, however, and much remains to successfully implement the act—especially in regard to improving the quality of financial information and the underlying financial systems and controls, which are in serious disrepair today. The Comptroller General's statement outlines key areas in which progress is being made and discusses critical implementation issues that need to be fully confronted.

b. Benefits.—The subcommittee has oversight over the CFO Act and the GAO report highlights areas that need to be monitored more closely.

4. "Information Technology: A Statistical Study of Acquisition Time," GAO/AIMD–95–65.

a. Summary.—The Federal Government spends upwards of $25 billion each year on information technology. Too often, however, this investment falls short in improving service, increasing efficiency, or lowering costs. This lack of success can be traced to several factors, including: (1) ineffective management practices for proposing, selecting, and controlling technology investments; (2) not defining outcomes in terms of quality, delivery and cost; and (3) poorly managing the acquisition process. This report focuses on the third problem area. GAO discusses how various factors, such as procurement amount, size, contract type, bid protests, and the acquisition method, affect the length of time to award a contract.

b. Benefits.—The report will assist the subcommittee in its oversight responsibilities. The subcommittee is planning a series of hearings on information technology and the report is helpful in giving background information for the hearings.

5. "Comptroller General's 1994 Annual Report," Received April 7, 1995.

a. Summary.—In fiscal year 1994, GAO prepared 1,252 audit and evaluation products, including 901 reports to Congress and agency officials, 129 congressional briefings, and 222 congressional testimonies delivered by 77 GAO executives. GAO also issued over 3,000 legal decisions.

The selected reports and testimonies summarized reflect the broad range of issues GAO addressed during the year. A list of GAO witnesses is also included in the report.

b. Benefits.—This is very helpful to the subcommittee in preparing for investigations, selection of witnesses, and the planning of hearings.

6. "Comptroller General's 1992 Annual Report".

a. Summary.—The report provides information similar to the 1994 report described above.

b. Benefits.—This is very helpful to the subcommittee in preparing for investigations, selection of witnesses, and the planning of hearings.

7. "Tax-Exempt Organizations: Information on Selected Types of Organizations," February 1995, GAO/GGD–95–84BR.

a. Summary.—Since the mid-1970's, the number and the size of organizations that are tax exempt have increased substantially; more than 1 million of these organizations existed as of 1992. Press reports and congressional hearings have recently focused on the activities of charitable groups, but other kinds of tax-exempt organizations have not received this level of scrutiny. This briefing report: (1) discusses the growth in the number, the assets, the revenues, and the expenses of social welfare organizations, labor and agricultural groups, and business leagues; (2) documents the compensation that some of the largest of these tax-exempt organizations paid their executives in 1992; (3) identifies the extent to which these organizations are involved in lobbying and political activities; and (4)

identifies IRS efforts to monitor their activities. Information on charitable organizations is presented for comparison purposes.

b. Benefits.—The findings of the report were brought to the subcommittee's attention.

8. "Federal Management Issue Plan—Fiscal Years 1995–1996," March 1995, GAO/IAP–95–9.

a. Summary.—This report is prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office. It describes the key issues that GAO plans to cover in the area of Federal management.

b. Benefits.—The report is helpful in preparing for hearings and conducting investigations in the areas of the subcommittee's jurisdiction.

9. IRM/General Government Division Issue Area Plan—Fiscal Years 1994–1996, March 1995, GAO/IAP–95–8, Date Received: April 20, 1995.

a. Summary.—This report is prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office. It describes the key issues that GAO has planned to cover in the area of Federal management.

b. Benefits.—The report is helpful in preparing for hearings and conducting investigations in the areas of the subcommittee's jurisdiction.

10. "Budget Function Classification: Relating Agency Spending and Personnel Levels to Budget Functions," January 1995, GAO/AIMD/GGD–95–69FS.

a. Summary.—This fact sheet examines the functions performed by agencies in the Federal Government, identifying those that are uniquely associated with each agency and those done by two or more agencies. It also provides financial information and civilian personnel levels associated with each function. GAO provides tabular and graphical presentations showing (1) a matrix of Federal departments and agencies according to budget function and subfunction classifications developed by the Office of Management and Budget; (2) separate presentations for departments and agencies depicting obligation and employment levels by budget function; (3) separate presentations for each budget function showing obligation and employment levels for departments and agencies, and (4) end-of-year employment "head counts" for each department and agency.

b. Benefits.—This fact sheet is helpful to the subcommittee in developing proposals to reform the budget and accounting structure of the Federal Government.

11. "Following the Federal Dollar—The Strategic Plan of the General Accounting Office," March 1995, GAO/OCG–95–3, March 1995, Date Received: May 31, 1995.

a. Summary.—This document describes the long-term strategic plan for GAO, including how the GAO plans to meet its responsibilities to Congress given its reduced staff and budget.

b. Benefits.—This report assists the subcommittee in fulfilling its oversight responsibilities over the U.S. General Accounting Office.

12. "Government Corporations: Profiles on Recent Proposals," March 1995, GAO/GGD–95–57FS.

a. Summary.—This report profiled seven proposed Government corporations: (1) Bonneville Power Corp.; (2) National Petroleum Reserves Corp.; (3) U.S. Air Traffic Services Corp.; (4) Federal Housing Administration; (5) Presidio Trust; (6) National Infrastructure Development Corp.; and (7) National Infrastructure Insurance Corp. It noted that some of the proposed Government corporations currently exist in noncorporate form within Federal departments: (1) Bonneville Power Administration; (2) Naval Petroleum and Oil Shale Reserves; (3) Federal Housing Administration; and (4) Federal Aviation Administration. The proposed Presidio Trust, National Infrastructure Development Corp., and National Infrastructure Insurance Corp. do not currently exist. To date, no legislation has been enacted to establish any of the seven proposed corporations. Any legislation would need to be evaluated to determine whether offsetting spending or tax increases would be required to comply with the Budget Enforcement Act.

b. Benefits.—This report is helpful to the subcommittee in its ongoing investigation into how Government corporations should be structured.

13. "Budget Function Classification: Agency Spending and Personnel Levels for Fiscal Years 1994 and 1995," April 1995, GAO/AIMD–95–115FS.

a. Summary.—This fact sheet examines the functions performed by Federal agencies. GAO identifies those functions that are uniquely associated with each agency and those performed by two or more agencies. This fact sheet also provides financial information and civilian personnel levels associated with each function. GAO presents actual fiscal year 1994 and estimated fiscal year 1995 information from the President's 1996 budget. This fact sheet contains (1) a matrix of Federal agencies according to budget function classifications developed by the Office of Management and Budget; (2) a separate presentation for each agency depicting obligation and employment levels by budget function; and (3) a separate presentation for each budget function showing obligation and employment levels by agency.

b. Benefits.—The subcommittee is conducting an investigation into whether the budget function classification and account structure should be reformed. This report is helpful to the subcommittee in that effort.

14. "Budget Function Classification: Agency Spending by Subfunction and Object Category, Fiscal Year 1994," May 1995, GAO/AIMD–95–116FS.

a. Summary.—This fact sheet is the third in a series of GAO reports examining the functions performed by Federal agencies. GAO identifies those functions that are uniquely associated with each agency and those performed by two or more agencies. In particular, this fact sheet provides an "accounting of expenditures" so that both administrative and mission-oriented operations are identified. GAO describes fiscal year 1994 obligations by subdepartment and subfunction and by focusing on objects of expenditure within each

subfunction. This enables GAO to more precisely describe Federal activities by characterizing obligations according to the nature of the service or the article procured.

b. Benefits.—This fact sheet is helpful to the subcommittee in developing proposals to reform the budget account structure.

15. "Welfare Benefits: Potential To Recover Hundreds of Millions More in Overpayments," June 1995, GAO/HEHS–95–111.

a. Summary.—Under welfare reform legislation being considered by Congress, resources for helping poor families may become increasingly limited, making it critical that only those who are eligible for benefits receive them. In 1992, benefit overpayments in three welfare programs, Aid to Families With Dependent Children, Food Stamps, and Medicaid, totaled $4.7 billion, or about 4 percent of the total benefits paid. Nationwide recovery of these benefits was relatively low. This report discusses: (1) what States are doing to recover benefit overpayments; (2) what the more effective practices are; (3) what States could do better; and (4) what the Federal Government could do to help States recover more overpayments.

b. Benefits.—This report is helpful to the subcommittee in its oversight over management practices and the prevention of fraud, waste, and abuse in Federal programs.

16. "Federal Reorganization: Congressional Proposal To Merge Education, Labor and EEOC," June 1995, GAO/HEHS–95–140.

a. Summary.—A congressional proposal to consolidate the Departments of Labor and Education along with the Equal Employment Opportunity Commission envisions saving billions of dollars and creating more efficient services, but savings might be elusive if downsizing proceeds too quickly or proceeds without careful planning. The proposal to create a new Department of Education (DOED) and Employment could yield savings of about $1.65 billion in administrative costs through the year 2000. The proposal's cost-saving goal, in addition to its organizational requirements, would significantly change DOED's existing structure, program offerings, and processes. The proposal would also raise program consolidation, workforce, accountability, implementation, and oversight issues that Congress, DOED, and other agencies would need to address to ensure that Federal education and training programs meet the Nation's needs.

b. Benefits.—This report is helpful to the subcommittee in its investigation into how to make government work better by reorganizing departments and agencies.

17. "Inspector General Act: Activities of the Federal Entities," June 1995, GAO/AIMD–95–152FS.

a. Summary.—The Inspectors General (IG) Act of 1978 requires OMB, in consultation with GAO, to identify Federal entities, including Government corporations and independent regulatory agencies, without Offices of Inspectors General and to publish a list of such entities annually in the Federal Register. The act also requires these entities to report annually to Congress and to OMB on the audit and investigative activities of their organizations. This fact sheet provides information on: (1) whether Federal entities

identified by OMB in fiscal year 1994 reported their audit and investigative activity as required by law; (2) what audit and investigative activities these entities reported during the past 3 years; (3) the status of audit recommendations for seven entities under the jurisdiction of the Senate Appropriations Subcommittee on Labor, Health and Human Services, and Education; (4) how these seven entities process allegations of fraud and mismanagement; and (5) how these entities obtain administrative services.

b. Benefits.—This report is helpful to the subcommittee in its continuing oversight over the Inspector General Act.

18. "Managing for Results: The Department of Justice's Initial Efforts To Implement GPRA," June 1995, GAO/GGD–95–167FS.

a. Summary.—The Government Performance and Results Act of 1993 was intended to improve the effectiveness and efficiency of Federal programs by establishing a system to set performance goals and measure results. This fact sheet reviews the Justice Department's implementation of the act. As GAO was systematically collecting information from each Justice component about its implementation of the act, the Department asked GAO to describe what it had found because this information had not been consolidated. This fact sheet provides information that addresses questions from the Department's components to help them develop performance measures and discusses the processes used to develop the fiscal year 1996 exhibits, implementation questions and concerns, and performance measures used in the exhibits.

b. Benefits.—This report is helpful to the subcommittee in its continuing oversight over the Government Performance and Results Act.

19. "National Fine Center: Progress Made But Challenges Remain for Criminal Debt System," May 1995, GAO/AIMD–95–76.

a. Summary.—This report reviews the efforts of the Administrative Office of U.S. Courts (AOUSC) to centralize criminal debt accounting and reporting within the National Fine Center. AOUSC was required to replace the existing fragmented approach to receiving criminal fine payments with a centralized, automated criminal-debt processing system for all 94 judicial districts. The new system was intended to alleviate long-standing weaknesses in accounting for, collecting, and reporting on monetary penalties imposed on criminals. GAO (1) provides information on AOUSC's latest efforts to establish the National Fine Center and centralize criminal debt accounting and reporting and (2) discusses additional steps AOUSC needs to take to complete implementation of the National Fine Center.

b. Benefits.—The report's findings were brought to the subcommittee's attention.

20. "Performance Measurement: Efforts To Evaluate the Advanced Technology Program," May 1995, GAO/RCED–95–68.

a. Summary.—The Advanced Technology Program seeks to provide support on a cost-sharing basis to research and development projects in industry. These projects are intended to stimulate economic growth and improve the competitiveness of U.S. industry.

Funding for the program has risen from $68 million in fiscal year 1993 to $431 million in fiscal year 1995, more than doubling each year. The President has set a goal of $750 million in funding for the program by 1997. The agency has reported short-term results that it claims show the program is making an impact. This report (1) analyzes these short-term results and plans for evaluating the program in the future.

b. Benefits.—This report is helpful to the subcommittee in its continuing oversight over the Government Performance and Results Act.

21. "General Government Information Systems Issue Area," Active Assignments, July 1995, GAO/AA–95–33 (3).

a. Summary.—This report was prepared to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's General Government Information Systems issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment.

b. Benefits.—This report is helpful to the subcommittee in preparing for hearings and oversight investigations.

22. "Federal Management Issues Area," Active Assignments, July 1995, GAO/AA–95–11(3).

a. Summary.—This report was prepared to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office, Federal Management issue area. This report contains assignments that were ongoing as of July 6, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment.

b. Benefits.—This report is helpful to the subcommittee in its oversight of Federal management issues.

23. "Information Technology Investment: A Governmentwide Overview," July 1995, GAO/AIMD–95–208.

a. Summary.—Increasingly, Federal agencies' ability to improve performance and cut costs depends on automated data processing systems that give managers critical financial and programmatic information needed to make good decisions, hold down costs, and improve service to the public. Major Federal investments in information technology, however, have often yielded poor results—costing more than expected, falling behind schedule, and failing to meet mission needs. To shed light on where information technology dollars are being spent, what costs and benefits are anticipated, and what risks must be managed, this report provides information on overall Federal information technology obligations, as well as on programs by GAO, OMB, and GSA to identify information technology investments that are at risk and in need of corrective action.

b. Benefits.—This report is helpful to the subcommittee in its continuing oversight of information technology issues.

24. "Inspectors General: Mandated Studies To Review Costly Bank and Thrift Failures," July 1995, GAO/GGD–95–126.

a. Summary.—GAO reviewed the compliance of the Inspectors General (IG's) at the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), and the Department of the Treasury with the requirement that they issue reports on banks or thrifts whose failures result in "material losses"—those that exceed $25 million—to the deposit insurance funds. IG's are required to determine why the problems of a bank or a thrift result in a material loss to a deposit insurance fund and to make recommendations for preventing such losses in the future. This report (1) assesses the adequacy of the preparation, the procedures, and the audit guidelines that IG's have established for performing material loss reviews to ensure compliance with their responsibilities under the FDIC; (2) verifies the information in the material loss review reports upon which the IG's based their conclusions; (3) recommends improvements in bank supervision on the basis of a review of material loss review reports issued between July 1993 and June 1994; and (4) assesses the economy and the efficiency of the current material loss review process.

b. Benefits.—This report is helpful to the subcommittee in its continued oversight over the Inspector General Act.

25. "Human Resources Information Systems Issue Area," Active Assignments, July 1995, GAO/AA–95–34(3).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Human Resources Information Systems issue area. This report contains short summaries of assignments that were ongoing as of July 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations in the systems area.

26. "Program Evaluation and Methodology Issue Area Plan, Fiscal Years 1995–1997," June 1995, GAO/IAP–95–12.

a. Summary.—This report contains a strategic plan that describes the significance of the issues it addresses, its objectives, and the focus of its work. The Program Evaluation and Methodology issue area is a technical area of work implemented within GAO to use innovative research methodologies for evaluating Federal and related programs and activities. The evaluations are conducted across a number of substantive areas. They include defense, education, agriculture, aging, environment, health, public management, transportation, and welfare.

b. Benefits.—The description of the key issues addressed in the plan aid the subcommittee in its oversight of management issues and of acts such as the Government Performance and Results Act.

27. "Program Evaluation and Methodology Issue Area," Active Assignments, July 1995, GAO/AA–95–25(3).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Program Evaluation and Methodology

Information Systems issue area. This report contains short summaries of assignments that were ongoing as of July 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations.

28. "Information Resources Management Policy and Issues Issue Area," Active Assignments, July 1995, GAO/AA–95–31(3).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Information Resources Management Policy and Issues issue area. This report contains short summaries of assignments that were ongoing as of July 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations.

29. "Government Business Operations Issue Area," Active Assignments, July 1995, GAO/AA–95–13(3).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Government Business Operations issue area. This report contains assignments that were ongoing as of July 1995, and presents a brief background statement and a list of key questions to be answered on each assignment.

b. Benefits.—This report is helpful to the subcommittee in its continuing oversight activities.

30. "Federal Reorganization: Proposed Merger's Impact on Existing Department of Education Activities," June 29, 1995, GAO/T–HEHS–95–188.

a. Summary.—This report provides testimony which addresses a congressional proposal to consolidate the Departments of Labor and Education along with the Equal Employment Opportunity Commission. The proposal envisions saving billions of dollars and creating more efficient services; however, GAO testified that savings might be elusive if downsizing proceeds too quickly or proceeds without careful planning.

b. Benefits.—This testimony is helpful to the subcommittee in its investigation into how to make government work better by reorganizing departments and agencies.

31. "Government Reorganization: Issues Relating to International Trade Responsibilities," July 25, 1995, GAO/T–GGD–95–218.

a. Summary.—This report provides testimony which discusses the potential impact that abolishment of the Commerce Department would have on managing Federal trade responsibilities. GAO examines (1) the basis of the Federal role in international trade; (2) the roles played by Commerce and other Federal agencies involved in international trade; and (3) the means by which interagency mechanisms help integrate Federal trade activities. GAO also examines (1) the implications of legislation to dismantle the Commerce Department for Federal implementation of the trade function; (2) opportunities for cost savings in the international

trade area; and (3) a conceptual framework to help decisionmakers identify the ramifications and ensure the success of any restructuring effort.

b. Benefits.—This testimony is helpful to the subcommittee in its investigation into how to make government work better by reorganizing departments and agencies.

32. "National Service Programs: AmeriCorps' USA—Early Program Resource and Benefit Information," August 1995, GAO/HEHS–95–222.

a. Summary.—In 1993, Congress created AmeriCorps, the largest national and community service program since the Civilian Conservation Corps of the 1930's. The program is administered by the new Federal Corporation for National and Community Service. In testimony before Congress, Corporation officials estimated that program costs per participant are $18,800. That estimate did not include contributions that AmeriCorps grantees receive from other Federal agencies, State and local governments, and private sources. For program year 1994–95, GAO estimates that Corporation resources available per participant averaged $17,600, slightly less than the Corporation's estimate. More than one-third of the money available for grantees came from sources outside the Corporation, mostly from other Federal agencies and State and local governments. Total resources per program participant averaged $26,654, of which about $17,600 came from the Corporation, $3,200 from other Federal sources, and $4,000 from State and local governments. The remaining amount, roughly $1,800, came from the private sector. At the seven program sites it visited, GAO found that projects had been designed to strengthen communities, develop civic responsibility, and expand educational opportunities for program participants and others.

b. Benefits.—The report's findings were brought to the attention of the subcommittee.

33. "Public-Private Mix: Effectiveness and Performance of GSA's In-House and Contracted Services," September 1995, GAO/GGD–95–204.

a. Summary.—GAO reviewed the cost-effectiveness and performance of the GSA's real property management services, such as building maintenance and custodial services. The cost comparison, performance evaluation, and historical tracking data GAO reviewed for 54 activities indicated that GSA's decisions to retain activities in-house or contract them out were sound. Post-decision analyses and evaluations by GSA showed that the agency generally obtained services at a reasonable cost and at an acceptable level of performance and that it made relatively few reversals from its original decisions. GAO found no evidence of performance problems in the case files for a majority of the 54 sample activities. For 11 activities, however, GAO found serious problems, such as defaults or terminations for unsatisfactory performance. All but one of these activities involved maintenance services. In general, the files provided evidence of GSA's efforts to oversee the activities and take appropriate corrective action, including deductions from payments to contractors, when necessary. Information on private sector prac-

tices that GAO reviewed and that GSA gathered to support its reinvention efforts indicated that real estate organizations commonly used such approaches as performance measurement and benchmarking to manage and evaluate their operations and activities and to decide whether to contract them out. The approaches offer an opportunity for GSA to improve the oversight and evaluation of its services. Although GSA has begun to implement some performance measures, such as customer satisfaction surveys, the specific performance measures that it will use after its reorganization is completed are still being developed.

b. Benefits.—This report is helpful to the subcommittee in its oversight responsibilities of the General Services Administration.

34. "Health, Education, Employment, Social Security, Welfare, Veterans," September 1995, GAO/HEHS–95–261W.

a. Summary.—This booklet lists GAO documents on Government programs related to health, education, employment, Social Security, welfare, and veterans issues, which are administered by the Departments of Health and Human Services, Labor, Education, and Veterans Affairs. The report identifies other reports and testimony issued during the past months and summarizes key products. It also lists all documents published during the past year, organized chronologically by subject.

b. Benefits.—This survey document makes available GAO resources.

35. "Financial Institutions and Market Issue Area," Active Assignments, October 1995, GAO/AA–95–7(4).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Financial Institutions and Market issue area. This report contains short summaries of assignments that were ongoing as of July 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations.

36. "Program Evaluation and Methodology Issue Area," Active Assignments, October 1995, GAO/AA–95–25(4).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Program Evaluation and Methodology Information Systems issue area. This report contains short summaries of assignments that were ongoing as of October 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations.

37. "Federal Management Issue Area: Active Assignments," October 1995, GAO/AA–95–11(4).

a. Summary.—This report was prepared to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Federal Management issue area. This report contains assignments that were ongoing as of October 2, 1995, and

presents a brief background statement and a list of key questions to be answered on each assignment.

This report was compiled from information available in GAO's internal management information system. The information was downloaded from computerized data bases intended for internal use.

b. Benefits.—This report is helpful to the subcommittee in preparing for hearings and oversight investigations.

38. "Corporate Financial Audits Issue Area: Active Assignments," October 1995, GAO/AA–95–27(4).

a. Summary.—This report was prepared to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Corporate Financial Audits issue area. This report contains assignments that were ongoing as of October 2, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment.

This report was compiled from information available in GAO's internal management information system. It was downloaded from computerized data bases intended for internal use.

b. Benefits.—This report is helpful to the subcommittee in preparing for hearings and oversight investigations.

39. "Information Resources Management Policy and Issues Area," Active Assignments, October 1995, GAO/AA–95 31(4).

a. Summary.—This report was prepared primarily to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Information Resources Management Policy and Issues issue area. This report contains short summaries of assignments that were ongoing as of October 1995.

b. Benefits.—These summaries are helpful in giving the subcommittee information to use in preparation for hearings or in conducting investigations.

40. "Los Angeles Earthquake: Opinions of Officials on Federal Impediments to Rebuilding," June 1994, GAO/RCED–94–193.

a. Summary.—This report summarizes the views of State and local officials regarding the Federal role in the recovery from the Northridge earthquake in 1994. Many State and local officials were pleased with the emergency response immediately following the earthquake, but were concerned about the long-term recovery phase, given the problems associated with Federal laws and regulations that occurred after the 1989 Loma Prieta earthquake in northern California. They felt encouraged by recent policy and regulatory changes made by the Federal Emergency Management Agency (FEMA) and believed that changes could improve the agency's assistance efforts. At the same time, some of these officials cited other barriers to recovery.

b. Benefits.—The subcommittee held a field hearing on the Northridge Earthquake on January 19, 1996. This report was useful in the preparation for the hearing.

41. "Government Business Operations Issue Area—Active Assignments," October 1995, GAO/AA–95–13 (4).

a. Summary.—This report was prepared to inform Members of Congress and key staff of ongoing assignments in the General Accounting Office's Government Business Operations issue area. This report contains assignments that were ongoing as of October 2, 1995, and presents a brief background statement and a list of key questions to be answered on each assignment.

b. Benefits.—This report is helpful to the subcommittee in its ongoing oversight activities.

42. "Electronic Benefits Transfer: Use of Biometrics To Deter Fraud in the Nationwide EBT Program," September 1995, GAO/OSI–95–20.

a. Summary.—The National Performance Review recommended in 1993 that the Federal Government consider paying individuals by using electronic rather than paper means. In 1994, a task force composed of representatives from various Federal agencies estimated that more than $110 billion in annual cash benefits and food assistance could be delivered with EBT, including food stamps, Social Security payments, and Federal pensions. EBT systems are already providing the U.S. Department of Agriculture investigators and program managers with data that has been used to target retailers illegally trafficking in food stamps benefits. However, EBT alone has not effectively deterred fraud in this program. An EBT program without the enhanced security of biometric verification—an automated method to measure a physical characteristic or personal trait—raises a genuine concern about the potential for higher program costs and losses. GAO believes that fingerprint verification is the biometric option that offers potential for reducing fraud in EBT systems. Although development of an EBT system with biometric safeguards would be more expensive, largely because of the need to purchase hardware and software, and would take longer to implement nationwide, such system enhancement is needed to ensure that the future system is practical and not beset by fraud.

b. Benefits.—The report is useful to the subcommittee in its ongoing investigations into the merits of mandatory electronic benefits transfers.

43. "Financial Audit: Expenditures by Six Independent Counsels for the Six Months Ended March 31, 1995," September 1995, GAO/AIMD–95–233.

a. Summary.—This report presents the results of GAO's audit of expenditures reported by six independent counsels for the 6 months ended March 31, 1995. GAO found that the statements of expenditures for independent counsels Arlin M. Adams, Joseph E. DiGenova, Robert B. Fiske, Jr., Donald C. Smaltz, Kenneth W. Starr, and Lawrence E. Walsh were reliable in all material respects. GAO also did limited tests of internal controls and discovered a material weakness in internal controls over reporting of expenditures. GAO found no reportable noncompliance with laws and regulations that it tested.

b. Benefits.—This report is helpful to the subcommittee in its oversight of financial management issues.

44. "Schools and Workplaces: An Overview of Successful and Unsuccessful Practices," August 1995, GAO/PEMD–95–28.

a. Summary.—The Nation's well-being depends on its ability to create and sustain well-paying jobs and to improve the performance of U.S. business in an increasingly complex world economy. For more than a decade, Americans have been concerned that the Nation is not doing all that is needed to meet these challenges. In particular, they have raised concerns about the quality of education provided by elementary and secondary schools, especially those attended by disadvantaged students, and about the productivity and performance of workers and their employers. This report summarizes research findings on what has and has not been successful in schools and workplaces.

b. Benefits.—The report aids the subcommittee in its evaluation of training and capacity in the Federal Government.

45. "Land Management Systems: Progress and Risks in Developing BLM's Land and Mineral Record System," August 1995, GAO/AIMD–95–180.

a. Summary.—The Bureau of Land Management's (BLM) Automated Land and Mineral Record System/Modernization, which is estimated to cost $428 million, is intended to improve BLM's ability to record, maintain, and retrieve land description, ownership, and use information. To date, the Bureau has compiled most of the project's tasks according to the schedule milestones set in 1993. In coming months, the work will become more difficult as BLM and the primary contractor try to complete, integrate, and test the new software system and meet the current schedule. Slippages may yet occur because little time was allocated to deal with unanticipated problems. BLM recently sought to obtain independent verification and validation to ensure that the new system software meets the Bureau's requirements. A key risk remains, however. BLM's plans include stress testing only a portion of the Automated Land and Mineral Record System/Modernization, rather than the entire project, to ensure that all systems and technology can successfully process workloads expected during peak operating periods. By limiting the stress test, BLM cannot be certain that the system's information technology will perform as intended during peak workloads.

b. Benefits.—This report is helpful to the subcommittee in its oversight of the Government's use of information technology.

46. "Highway Funding: Alternatives for Distributing Federal Funds," November 1995, GAO/RCED–96–6.

a. Summary.—Under the Federal-aid highway program, billions of dollars are distributed to the States each year for the construction and repair of highways and related activities. The Intermodal Surface Transportation Efficiency Act of 1991 authorized about $120 billion for this program for fiscal years 1992 through 1997. This report discusses (1) the way the formula works and the relevancy of the data used for the formula and (2) the major funding objectives implicit in the formula and the implications of alternative formula factors for achieving them.

b. Benefits.—The report's findings were brought to the subcommittee's attention.

47. "Government Contractors: Selected Agencies' Efforts To Identify Organizational Conflicts of Interest," October 1995, GAO/GGD–96–15.

a. Summary.—This report reviews Federal agencies' implementation of the Office of Management and Budget's 1989 policy letter entitled "Conflict of Interest Policies Applicable to Consultants." It also reviews organizational conflict of interest requirements applicable to advisory and assistance service contractors, including consultants. GAO (1) determines whether selected agencies have complied with requirements to identify and evaluate potential organizational conflicts of interest and (2) identifies ways that agencies might improve their screening for such conflicts. GAO focuses on the Energy Department, the EPA, and the Navy because they are among the largest users of contracted advisory and assistance services.

b. Benefits.—This report is helpful to the subcommittee's oversight and investigations into contracting issues.

48. "Office of Management and Budget—Changes Resulting From the OMB 2000 Reorganization," December 1995, GAO/GGD/AIMD–96–50.

a. Summary.—This report describes the changes that have occurred as a result of OMB 2000—a major reorganization and process change at the Office of Management that took place in 1994. The report was requested by the Government Reform and Oversight Committee and the Senate Governmental Affairs Committee.

b. Benefits.—The report was helpful to the subcommittee in preparing for its hearing on OMB reforms.

49. "Federal Research: Information on Fees for Selected Federally Funded Research and Development Centers," December 1995, GAO/RCED–96–31FS.

a. Summary.—This report addresses variations in the fees paid by sponsoring Federal agencies for the management of the federally Funded Research and Development Centers, the formulas used to calculate the fees, and the justifications for paying the fees provided by the sponsoring Federal agencies. It provides information on Federal policies and practices concerning the fees paid by the Department of Energy, the Department of Defense, and the National Aeronautics and Space Administration (NASA) for managing the Centers. It identifies the extent to which the three agencies have regulations governing these fees: the annual amounts and purposes of the fees provided by Energy, Defense, and NASA during fiscal year 1994; the uses made by Energy's contractors of their total funds during fiscal year 1994; and the effect of Energy's February 1994 contract reforms on the fees for the Department's Centers.

b. Benefits.—This answers congressional questions as to whether there are Governmentwide guidelines for setting the fees, and on the reasonableness of the fees. Defense has specific regulations for its Centers' fees, Energy uses its regulations covering the development of fees for the contractors that manage and operate its facilities, and NASA uses the general Federal and NASA regulations that apply to its other contracts.

50. "Federal Research: Preliminary Information on the Small Business Technology Transfer Program," January 1996, GAO/RCED–96–19.

a. Summary.—This report was required by the Small Business Research and Development Enhancement Act of 1992 and focuses on the implementation of the Small Business Technology Transfer Pilot Program which was established by the act. It discusses the quality and commercial potential of the program's research as shown by technical evaluations of the winning proposals in the first year of the program. It also discusses how agencies addressed potential conflicts of interest resulting from the involvement of federally funded research and development centers in the program and agencies' views on the effects of and need for the program in view of its close similarity to the Small Business Innovation Research Program.

b. Benefits.—In order to be eligible for a STTR award, a small business must interact with a nonprofit research entity such as a university or a Government funded R&D center. This requirement is unique to STTR, and was established in hopes of providing a more effective means for transferring new knowledge from institution to industry. If this requirement does what is intended, it will increase private-sector commercialization of new ideas and methods derived from Government R&D, and stimulate entrepreneurial and technological innovations which aid slumping markets as well as create new ones.

51. "Financial Management—Implementation of the Cash Management Improvement Act," January 1996, GAO/AIMD–96–4.

a. Summary.—GAO conducted its review as required by the Cash Management Improvement Act of 1990 (P.L. 101–453). The act focuses on promoting equity in the exchange of funds between the Federal Government and the States. It provides that States pay interest to the Federal Government if they draw funds in advance of need and the Federal Government pays interest to the States if the Federal Government agency does not reimburse the States in a timely manner when States use their own funds. The first year of implementation of the act resulted in a cumulative net State interest liability due to the Federal Government of approximately $34 million, over $41 million owed by the States offset by $4.7 million and $2.5 million owed the States by the Federal Government for interest and reimbursable costs, respectively.

b. Benefits.—The Cash Management Improvement Act is one of the laws in the subcommittee's jurisdiction and this report aided the subcommittee in its oversight of agency and State compliance with the act. This act has brought cash management awareness back to the forefront at both State and Federal levels. Also under this act, the transfer of funds from the States to Washington and vice-versa would be interest neutral, with neither entity incurring any interest liability. Finally, by implementing its plans to begin streamlining the act's regulations and using the results of single audits as a means of overseeing State activities as well as enforcing the act's requirements, the Financial Management Service should be able to further improve CMIA's effectiveness and ease any concerns about administrative burden.

52. "Budget Issues Compliance Report Required by the Budget Enforcement Act of 1990," February 1996, GAO/AIMD–96–41.

a. Summary.—This compliance report was required by the Budget Enforcement Act of 1990. It covers reports issued by the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) during the session of the Congress ending January 3, 1996. GAO is required to issue this compliance report 45 days after the end of a session of the Congress. The report noted that OMB and CBO differed in making (1) adjustments to the discretionary spending limits or caps, (2) estimates of discretionary appropriations, and (3) estimates of PAYGO legislation.

b. Benefits.—The subcommittee's jurisdiction includes the Executive Office of the President of which the Office of Management and Budget is a component part. It also has jurisdiction over budget and accounting measures generally. This report was useful to the subcommittee in reviewing compliance with the Budget Enforcement Act.

53. "Embedded Computers: B–1B Computers Must be Upgraded to Support Conventional Requirements," February 1996, GAO/AIMD–96–28.

a. Summary.—This report reviews the Air Force's efforts to upgrade the computers and software for the B–1B Bomber Conventional Mission Upgrade Program. It discusses recent decisions the Air Force has made in upgrading the B–1B's embedded computer systems ranging from a simple memory upgrade, to installing all new computer processors and Ada Software—a more modern computer language which offers advantages in design, coding, and documentation, along with cost-effective software maintenance and support. However, the only affordable option was a simple memory upgrade.

b. Benefits.—Initial planned computer improvements did not go far enough, in the GAO's opinion. The Air Force subsequently increased funding and plans to convert its outdated software to Ada Software, an option the GAO agrees with.

54. "Financial Audit: Federal Family Education Loan Program's Financial Statements for Fiscal Years 1994 and 1993," GAO/AIMD–96–22.

a. Summary.—This gives the results of the GAO's review of the Department of Education's Office of Inspector General (OIG) financial audit of the Federal Family Education Loan Program's Principal Financial Statements and its internal controls and compliance with laws and regulations for the fiscal year ended September 30, 1994. The OIG was unable to express an opinion on the financial statements taken as a whole because student loan data on which Education based its costs to be incurred on outstanding guaranteed loans was not reliable.

b. Benefits.—The subcommittee continues to monitor agency compliance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These laws require the executive branch agencies to prepare and submit to Congress audited financial statements describing their financial status. This is

one of the required reports and aids the subcommittee in performing its oversight function.

55. "Budget Issues Selected GAO Work on Federal Financial Support of Business," March 1996, GAO/AIMD/GGD–96–87.

a. Summary.—This summarizes previously issued GAO work on spending programs and tax benefits available to businesses. The Federal Government provides financial benefits to businesses as a means of fulfilling a wide range of public policy objectives. Programs involved include areas such as programs in international affairs, research, energy, natural resources and environment, agriculture, and transportation. More specifically, the research and experimentation tax credit is intended to stimulate additional research spending. It allows taxpayers to reduce their tax liabilities by 20 percent of qualified R&D expenditures that go over a base amount. Another example of a benefit provided by the Government is a 15-percent tax credit which is available for expenditures related to enhanced oil recovery techniques. Petroleum production tax incentives include increasing energy security, rewarding risk taking, or advocating investments in new technologies.

b. Benefits.—This report is helpful to the subcommittee in that it reinforces our belief that the Federal policy of giving incentives to encourage businesses to further Federal Government policy objectives is working.

56. "CFO Act Financial Audits—Increased Attention Must be Given to Preparing Navy's Financial Reports," March 1996, GAO/AIMD–96–7.

a. Summary.—This report was sent to the Secretary and Under Secretary of Defense and the Secretary and Assistant Secretary for Financial Management and Comptroller to report on the reliability of the Navy's fiscal year 1994 consolidated financial reports so that the Navy and the Defense Finance and Accounting Service (DFAS) can:

- Improve the credibility of the Navy's financial reports, starting with those prepared for fiscal year 1995, and
- Enhance their ability to prepare required reliable financial statements for the Navy, beginning with those for fiscal year 1996.

The Navy accounts for about one-third of the gross budget authority of the Department of Defense (DOD), controls almost half of DOD's assets, and employs one-third of all DOD personnel. The Navy's fiscal year 1994 consolidated financial reports, which were submitted to the Department of the Treasury and used to prepare Governmentwide financial reports, showed $506 billion in assets, $7 billion in liabilities, and $87 billion in operating expenses. Each of these amounts was substantially misstated. The errors included:

- $66 billion of material omissions, including $31 billion of ammunition, $14 billion of inventories, and $7 billion of unfunded liabilities for projected environmental cleanup costs that were omitted altogether, and
- $43 billion of items not recorded such as $24 billion of structures and facilities and $8 billion of Government-furnished and contractor-acquired material that were counted twice and $9

billion of understated revenues due to an erroneous calculation.

The Navy's financial reports also excluded billions of dollars invested in building aircraft and missiles and modernizing of weapons systems. However, because of the poor state of Navy and DFAS financial records, we could not determine the amounts of these costs and we cannot be sure that we identified all significant mistakes in the Navy's financial reports. The GAO stated in the report that the root cause of the Navy's financial reporting deficiencies is the longstanding failure to use basic internal controls and to instill discipline in financial operations.

b. Benefits.—The GAO reports on Department of Defense financial management and related information management issues which are extremely helpful to the subcommittee. They have been used in oversight hearings, and serve as a resource for continued oversight. The subcommittee plans to continue its oversight over agency compliance with the requirements for Governmentwide audited financial statements.

57. "Financial Audit—Panama Canal Commission's 1995 and 1994 Financial Statements," March 1996, GAO/AIMD–96–61.

a. Summary.—The auditors' opinion given was that the Panama Canal Commission's financial statements present fairly, in all material respects, its financial position as of September 30, 1995 and 1994, and the results of its operations, changes in capital, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

On February 10, 1996, the Panama Canal Act of 1979 was amended by Public Law No. 104–106, sections 3521 and 3529, to make the Panama Canal Commission a wholly owned Government corporation. The Commission can now hire independent auditors to conduct the audit in lieu of the Comptroller General. In addition to conducting the audit of the Commission's financial statements, the auditor is to examine the Commission's forecast that it will be in a position to meet its financial liabilities on December 31, 1999, when the Panama Canal Treaty terminates and the Republic of Panama will assume full responsibility for the Canal.

b. Benefits.—This report provided the subcommittee with ongoing accountability information on the activities of the Panama Canal Commission, now a wholly owned Government corporation. The subcommittee also has jurisdiction over the Government Corporation Control Act.

58. "Tax Policy and Administration 1995 Annual Report on GAO's Tax-Related Work," March 1996, GAO/GGD–96–61.

a. Summary.—This report is submitted in compliance with 31 U.S.C. 719(d) and summarizes GAO's work on tax policy and administration in fiscal year 1995. Appendices describe: (1) agency actions taken on GAO's recommendations, as of December 31, 1995; (2) GAO recommendations made to Congress before and during fiscal year 1995 that have not been acted upon; and (3) assignments for which GAO was authorized access to tax information under 26 U.S.C. 6103(i)(7)(A). At a time when the Federal Government faces hard choices in spending in order to continue to reduce the deficit

and use resources wisely, all Federal expenditures need to be carefully reviewed. This report focused on strengthening and extending expenditure control techniques now used by congressional tax-writing committees, integrating tax expenditures further into the budget process, and reviewing tax expenditures jointly with related Federal outlay programs.

b. Benefits.—During 1996 the subcommittee held hearings on management practices at the Internal Revenue Service, in which IRS management of records was discussed. This report was helpful in preparing for the hearing. This report also shed light on the importance for tax-writing committees to explore opportunities to exercise more scrutiny over indirect spending through tax expenditures.

59. "Telecommunication: Initiatives Taken by Three States to Promote Increased Access and Investment," March 1996, GAO/RCED–96–68.

a. Summary.—This report describes how selected States have encouraged private investment in advanced telecommunications, how these States have encouraged widespread access, and what lessons their experiences could provide for others. Three States, Iowa, Nebraska, and North Carolina, are considered leaders in the development of statewide advanced telecommunications.

b. Benefits.—The report provides guidance for Congress in ensuring that advanced telecommunication programs will be successful. In the report, GAO stressed the importance of building and maintaining consensus among telecommunications companies, anticipated users, State legislators, and State executive branch officials.

60. "Management Reform: Status of Agency Reinvention Lab Efforts," March 1996, GAO/GGD–96–69.

a. Summary.—Part of the administration's National Performance Review initiative was the establishment of reinvention labs in a number of departments and agencies. The GAO found that the labs addressed a variety of topics. Although customer service was stated as a goal, the actual customers were often other Federal agencies, not the general public. The report stated that the labs' results suggest a number of promising approaches to improving agency work processes. The real value will be realized only when the operational improvements initiated, tested, and validated by the labs achieve wider adoption. The GAO recommends that the Director of OMB ensure that a clearinghouse of information about the labs be established. It should contain information about the location of each lab, the issues being addressed, points of contact for further information about the lab, and any performance information demonstrating the lab's results.

b. Benefits.—The subcommittee has been monitoring the claims of the National Performance Review (NPR) since its inception. This report was helpful to the subcommittee and is used in its evaluation of executive branch claims for NPR achievements.

61. "DOE Management—DOE Needs to Improve Its Analysis of Carryover Balances," April 1996, GAO/RCED–96–57.

a. Summary.—This report examines the effectiveness of the Department of Energy's approach for identifying the funding balances remaining from prior years' budgets that exceed the requirements of the Department's programs and thus may be available to reduce the budget request for the new fiscal year. The report also examines whether the process for analyzing these balances, known as carryover balances, could be improved. It includes a recommendation that the Secretary of Energy develop a more effective approach to analyzing carryover balances. It would involve developing standard goals for all programs' carryover balances that represent the minimum needed to meet the programs' requirements, projecting what the carryover balances will be for all programs at the beginning of the fiscal year for which new obligational authority is being requested, and comparing the programs' goals and projected balances to identify the balances that exceed requirements. Under 31 U.S.C. 720 the Secretary must submit a written statement of the actions taken on the recommendation to the Senate Governmental Affairs Committee and the House Committee on Government Reform and Oversight not later than 60 days after the date of the letter accompanying the report, April 12, 1996.

b. Benefits.—This report is of help to the subcommittee in its examination of management practices in the agencies. The subcommittee now knows that the DOE does not use a standard approach for identifying surplus carryover balances. Because of this DOE cannot be positive that it has reduced its balances to the proper level to operate its programs. The current DOE approach of making broad estimates has caused some programs to receive too much, and others too little. This report has got the DOE to start to formulate a more structured system to abide by which in return will yield more accurate estimates.

62. "Financial Audit: U.S. Government Printing Office's Financial Statements for Fiscal Year 1995," GAO/AIMD–96–52.

a. Summary.—This report presents the results of the audit of the U.S. Government Printing Office's (GPO) financial statements for the fiscal year ended September 30, 1995. The firm of Arthur Andersen LLP was hired to do the audit. Arthur Andersen found that GPO does operate an effective internal control structure to oversee financial reporting. In addition, Arthur Andersen found that GPO should tighten up security over computer access by programmers and systems application personnel to the financial management and electronic data processing systems (EDP), strengthen backup planning for the financial management and EDP systems, and begin to reconcile ledgers for accounts payable and receivable on a more regular basis.

b. Benefits.—This helps the subcommittee in its continued oversight of financial management in the executive branch. This report disclosed that GPO's consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GPO's accounting system includes internal controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use, and that transactions are prop-

erly recorded. This report enabled the subcommittee to examine a very solid accounting system in which it could pass on information about to other agencies with accounting problems.

63. "Overseas Real Estate: Millions of Dollars Could be Generated by Selling Unneeded Real Estate," GAO/NSIAD–96–36.

a. Summary.—The Department of State owns more than $10 billion in real estate at 200 locations overseas. The report reviewed the Department's efforts to identify and sell excess or underutilized real estate and to use the proceeds for other high-priority real property needs. In 1995, GAO reported on the potential budget savings that selling high-value properties in Tokyo could have and on the problems in State's management of overseas real property. This report: (1) identifies real estate at other locations that could possibly be sold to provide funds for other real estate needs, (2) sets forth the problems State has in deciding what properties to dispose of, and (3) discusses how State uses the proceeds from properties it does sell.

b. Benefits.—The report will assist the subcommittee with its oversight responsibilities and its jurisdiction relating to excess and surplus real property under the Federal Property and Administrative Services Act of 1949.

64. "Telecommunications Network: NASA Could Better Manage Its Planned Consolidation," April 1996, GAO/AIMD–96–33.

a. Summary.—This is an assessment of the National Aeronautics and Space Administration's plans to consolidate the management and operations of its wide area telecommunications networks. The report assessed whether consolidation would result in savings and whether NASA considered a full range of approaches to consolidation so as to ensure maximum savings. The GAO reviewed reports prepared by NASA teams who are responsible for evaluating the agencies activities and recommending ways to save money in addition to interviewing selected members of the teams, officials from NASA headquarters, and officials from NASA's five networks at three centers.

b. Benefits.—The report assessed whether savings would result from the consolidation, and whether NASA planned to maximize such savings. This aids the subcommittee in its oversight of telecommunications issues.

65. "USDA Telecommunications: More Effort Needed to Address Telephone Abuse and Fraud," April 1996, GAO/AIMD–96–59.

a. Summary.—This report stated that the Department of Agriculture does not cost-effectively manage and plan its telecommunications resources. In addition the report discusses problems identified involving fraud and abuse of the Department's telephone resources and provides an update on USDA's efforts to address recommendations from our past report.

b. Benefits.—USDA does not have adequate controls for ensuring that its telephones are used properly. Telephone bills are generally not reviewed. USDA is, accordingly, at risk to telephone abuse and fraud. Since the issuance of the report, USDA has begun to correct some of the telecommunications management weaknesses.

66. "Customs Service Modernization: Strategic Information Management Must Be Improved for National Automation Program to Succeed," May 1996, GAO/AIMD–96–57.

a. Summary.—This report was completed for Hon. Philip M. Carne, chair, Subcommittee on Trade, Committee on Ways and Means, House of Representatives and assesses the U.S. Customs Service's efforts to modernize its automated systems. GAO in the report recommends that, prior to additional Customs Distributed Computing for the Year 2000 (CDC–2000) equipment purchases (except for those for office automation needs) and before beginning to develop any applications software that will run on this equipment, the Commissioner of Customs should:

- Assign accountability and responsibility for implementing National Customs Automation Program (NCAP).
- Ensure that the export and passenger business processes are completed and the requirements generated from these two tasks, along with those of the import process requirements, are used to determine how Customs should accomplish its mission in the future, including who will perform operations and where they will be performed; what functions must be performed as part of these operations, what information is needed to perform these functions, and where data should be created and processed to produce such information; what alternative processing approaches could be used to satisfy Customs' requirements, and what are the costs, benefits, and risks of each approach; and what processing approach is optimal, and not resume CDC–2000 purchases unless CDC–2000 is determined to be the optimal approach.
- Complete the agency's effort to redefine the role of the systems steering committee to include managing systems as investments as required by the Office of Management and Budget's Circular A–130 and information technology investment guide. This effort should include developing and using explicit criteria to guide system development decision and using the criteria to revisit whether Custom's planned investments, including Automated Commercial Environment (ACE) and Automated Commercial System enhancements, are appropriate.
- Direct the steering committee to ensure that systems strictly adhere to Customs' system development steps. As part of this oversight, we recommend that before applications are developed for ACE, the steering committee ensure that Customs resolves how to incorporate NCAP-mandated functions into ACE and prepares a security plan.

b. Benefits.—The subcommittee will monitor whether the recommendations are acted upon. This is part of the subcommittee's effort to encourage improvement in management practices, including information technology management, in the executive branch.

67. "Defense Procurement: E–Systems' Reporting of Alleged Wrongdoing to Army's Fraud Division," May 1996, GAO/OSI–96–6.

a. Summary.—The Memcor Agreement between the Department of the Army and E–Systems, Inc., requires E–Systems to report all hotline allegations to the Army's Procurement Fraud Division. This report discusses whether E–Systems violated the agreement, and

whether the Government experienced any loss as a result of E–Systems' actions.

b. Benefits.—A potential loss to the Government occurred in one hotline case that the GAO examined. E–Systems actions may have cost the Government about $228,000, resulting from mischarged labor hours. As of April 1996, the resolution of this issue was still in process.

68. "Financial Management: BIA's Tribal Trust Fund Account Reconciliation Results," GAO/AIMD–96–63.

a. Summary.—This report was produced at the request of Hon. John McCain, chair, and Hon. Daniel K. Inouye, vice chair, Committee on Indian Affairs, U.S. Senate. It reviews the Bureau of Indian Affairs' efforts to reconcile and certify tribal trust fund accounts. GAO provides its evaluation if the results of the reconciliation effort, including (1) whether the reconciliation report clearly communicated the results of the reconciliation and fully disclosed known limitations, (2) whether the certification contract addressed the extent to which the reconciliation provided as complete an accounting as possible, and (3) the tribes' responses to BIA's reconciliation report.

Tribal accounts could not be fully reconciled or audited due to missing records and the lack of an audit trail in BIA's systems. Tribes have expressed concerns about the scope and results of the reconciliation process. BIA may be unable to resolve those concerns. Tribes have claimed that BIA has not consistently provided them with statements on their account balances, that their trust fund accounts have never been reconciled, and that BIA planned to contact with a third party for management of trust fund accounts. Accordingly, Congress required BIA to reconcile trust fund accounts before they can be transferred to any third party.

b. Benefits.—This report shows the BIA's effort to reconciliate Tribal Trust Fund Accounts. The report addresses several areas of reconciliation limitations and inadequacies of the BIA including: lack of a known universe of transactions and leases and the use of issue papers to approve changes in reconciliation scope due to unforseen circumstances that could not be completed or performed. The report acknowledges these tribal accounts could be included in a settlement process, for any attempt to reconcile these accounts would be costly and limited.

69. "Weather Forecasting—Recommendations to Address New Weather Processing System Development Risks," May 1996, GAO/AIMD–96–74.

a. Summary.—The report describes recommendations made by GAO in testimony provided on February 29, 1996 to the Subcommittee on Energy and Environment, House Committee on Science. The testimony dealt with the National Weather Service's (NWS) Advanced Weather Interactive Processing System (AWIPS). The recommendations, if implemented, will strengthen NWS's ability to achieve a fair return on its AWIPS investment.

b. Benefits.—This aids the subcommittee in its oversight of technology issues.

70. "The Federal Judiciary: Reviews of Court Operations Should Adhere to Oversight Standards," June 1996, GAO/GGD–96–114.

a. Summary.—The report examines how the Administrative Court of the U.S. Courts assessed the efficiency of local court operations and promoted the use of efficient administrative practices within the judiciary. Since November 1995, the AOUSC Office of Audit has chosen to follow generally accepted Government auditing standards although not required by statute to do so.

b. Benefits.—This report aided the subcommittee in its oversight of Federal financial management issues. Legislation was proposed by Senator Hank Brown that would have required the Judiciary to conduct studies of whether the CFO Act should apply to it. The information in this report helped the subcommittee arrange for that requirement to be dropped from the final legislation.

71. "Financial Management—DOD Needs to Lower the Disbursement Prevalidation Threshold," June 1996, GAO/AIMD–96–82.

a. Summary.—This report was requested by the chairman of the Subcommittee on National Security, Committee on Appropriations, the chairman of the Subcommittee on Government Management, Information, and Technology, Committee on Government Reform and Oversight, (both House committees) the ranking minority member, Senate Committee on Governmental Affairs and three members of the Senate, Barbara Boxer, Charles Grassley and William Roth.

The report assessed the Department of Defense's efforts to reduce problem disbursements and its implementation of section 8137 of Public Law 103–335, Department of Defense Appropriations Act, 1995, which required that each disbursement exceeding $5 million be matched to the appropriate obligations in DOD's official accounting records before the disbursement is made.

The Congress thinks it important that DOD prematch, or prevalidate, disbursements with recorded obligations, which is an important control for ensuring that agency funds are used as authorized by the Congress and the DOD. Without such matching, there is a substantial risk that fraudulent or erroneous payments may be made without being detected and that cumulative amounts of disbursements may exceed appropriated amounts and other legal limits. In reducing these risks, the provisions of the act are intended to strengthen accountability over DOD's disbursement process, which has been plagued by longstanding problems.

The DOD IG participated in the review and has issued a separate report, "Implementation of the DOD Plan to Match Disbursements to Obligations Prior to Payment," DOD IG Project No. 5FI–2031, draft report.

The GAO recommended in the report that the Secretary of Defense direct the DOD Comptroller to develop a plan to prevalidate all disbursements. As a first step, the DOD Comptroller should reduce the threshold at the DFAS Columbus Center to $4 million and continuously lower the threshold in accordance with the plan to prevalidate all disbursements. Similar plans should be developed to prevalidate all disbursements at all the other DOD disbursing activities. These plans should incorporate the DOD IG's recommenda-

tions. Further, the GAO recommended that the Secretary of Defense should direct the Comptroller to ensure that existing accounting policies and procedures are followed in recording obligations, detecting and correcting errors, and posting complete and accurate accounting information in systems supporting the disbursement process.

b. Benefits.—The subcommittee held a hearing on DOD financial management at which the problem of disbursements was discussed. This report is of value to the subcommittee as part of its continued monitoring of the problem, and the manner in which the DOD is attempting to resolve it.

72. "Management Reform—Completion Status of Agency Actions Under the National Performance Review," June 1996, GAO/GGD–96–94.

a. Summary.—This report is addressed to Hon. Ted Stevens and John Glenn, chairman and ranking minority member of the Committee on Governmental Affairs, U.S. Senate; Hon. William F. Clinger, Jr., and Cardiss Collins, chairman and ranking minority member of the Committee on Government Reform and Oversight respectively; and Hon. John R. Kasich, chairman, Committee on the Budget, House of Representatives.

The report reviews the completion status of the 380 NPR action items that NPR says are completed. NPR had identified a series of 1,203 action items necessary to implement the NPR Phase I recommendations. So NPR claimed that 380 out of 1,203 items had been completed, or 32 percent. The GAO found that out of the 380,294 were actually completed, that is 294 out of 1,203 or 24 percent. So 76 percent of the initial NPR recommendations have not been implemented as of the date of this report, June 12, 1996.

The NPR reported 20 out of 33 items in the intelligence area as completed but the CIA refused to provide the GAO with information to independently verify the status of the 20 items. The CIA claimed that they had given the NPR staff the information.

b. Benefits.—It is of the upmost importance for Congress to be kept aware of fraud, abuse, and mismanagement in the executive branch. A "National Performance Review" is a step in the right direction, but because it is an internal investigation by the executive branch, it still needs oversight from an outside source. This report helped the subcommittee in its continuing monitoring of the National Performance Review's actual and claimed achievements.

73. "National Park Service—Information on Special Account Funds at Selected Park Units," May 1996, GAO/RCED–96–90.

a. Summary.—GAO was requested to determine the sources and amounts of special account funds available to the Park Service and the amount of special account funds that were available to each of them and whether the expenditure of funds in special accounts were consistent with the purposes for which those accounts were established. The Park Service has eight special accounts with a total value of $45 million in fiscal year 1994. Of the eight accounts, five are authorized to recover costs of particular in-park activities. The other three accounts are not designed to recover costs, but to provide the parks with cash and noncash benefits.

b. Benefits.—This aids the subcommittee in its oversight responsibilities by identifying eight special accounts and providing financial data for these accounts and reviewing the available documentation for expenditures from special accounts at six park units, showing that the expenditures were for authorized purposes.

74. "Public Timber: Federal and State Programs Differ Significantly in Pacific Northwest," May 1996, GAO/RCED–96–108.

a. Summary.—This is a report to the chairman of the House Committee on Resources. Recent studies and testimony before congressional committees have suggested that some States operate their timber sales programs at less cost than the Federal agencies. This compares timber sales programs of two Federal agencies with those of the States. It identifies (1) the major differences among the timber programs of the Forest Service's Pacific Northwest Region, the Bureau of Land Management, and the States of Washington and Oregon and (2) the effect of these differences on the agencies' planning processes.

The States' legislative guidance emphasizes timber production and maximizing revenues over the long-term. The States fund their timber sales programs with a percentage of timber sales receipts, which provides built-in incentives to promote cost efficiency.

b. Benefits.—This report aids the subcommittee in oversight of Federal timber sale programs and why when volumes of timber sold and harvested from Federal timberlands have decreased in recent years, the costs of Federal timber sales programs have not decreased proportionately. The report identifies reasons for the States timber sale programs to be less costly compared to Federal timber sale programs in the Pacific Northwest.

75. "Rural Development—Steps Towards Realizing the Potential of Telecommunications Technologies," June 1996, GAO/RCED–96–155.

a. Summary.—GAO was asked by the chairman and ranking minority member of the Senate Committee on Agriculture, Nutrition, and Forestry to identify Federal programs that rural areas can use to fund telecommunications projects; identify lessons learned by rural areas that have used these programs to establish such projects; and obtain the views of experts, public and private officials, and program users on whether changes to these programs are needed.

b. Benefits.—This report suggests ideas for overcoming the remoteness from urban centers for many rural farmers. While improved roads was previously seen as the solution to such dilemmas, the GAO uncovers the suggestion that the advancement of, or the better accessability of telecommunications technology including the Internet, video conferencing, and high-speed data transmission to name a few are the key to bringing the farmers closer to the city.

Aspects of the Federal Agriculture Improvement and Reform Act of 1996, as well as changes to guidelines proposed by the Economic Development Administration should help address these problems.

76. "Software Capability Evaluation: VA's Software Development Process is Immature," GAO/AIMD–96–90.

a. Summary.—The GAO report reviewed software development processes at the Veterans Benefits Administration (VBA) and VA's Office of Information Resources Management's Austin Automation Center. The sites and projects were selected by VBA and VA, respectively, as those that represent their best software development processes and practices. VA has reportedly spent an estimated $294 million on these activities between October 1, 1986 and February 29, 1996. The modernization program can have a major impact on the efficiency and accuracy with which over $20 billion in benefits and other services is paid to veterans and their dependents. Software development is a critical component of this major modernization initiative. VBA, with the assistance of contractors, will be developing software for the veterans Services Network (VETSNET) initiative, a replacement for the existing Benefit Delivery Network. For effort like VETSNET to succeed, it is crucial that VBA have in place a disciplined set of software development processes to produce high-quality software within budget and on schedule. In fiscal year 1995, VBA had 314 full-time equivalents, with payroll expenses of $20.8 million, devoted to developing and maintaining software throughout the organization. It also spent $17.7 million in contract services in these areas.

The GAO found that VBA is extremely weak in the requirements management, software project planning, and software subcontract management criteria. It cannot reliably develop and maintain high-quality software on any major project within existing cost and schedule constraints, placing the VBA modernization program at risk.

b. Benefits.—This report is part of a series of reports the GAO has completed on software development and management of the development process in the agencies. It is helpful to the subcommittee in its oversight of the technology area and of management capability in the agencies.

77. "Tax Systems Modernization: Actions Underway But IRS Has Not Yet Corrected Management and Technical Weaknesses," June 1996, GAO/AIMD–96–106.

a. Summary.—Reflecting continuing concern with TSM, the Treasury, Postal Service, and General Government Appropriations Act of 1996 required that the Department of the Treasury provide a report to the House and Senate Committees on Appropriations identifying, evaluating, and prioritizing all IRS systems investments planned for fiscal year 1996, using explicit decision criteria; providing a schedule for successfully correcting weaknesses that were identified in April 1995; presenting a milestone schedule for developing and implementing all projects included in the tax systems modernization program; and presenting a plan to expand the utilization of external expertise for systems development and total program integration. The GAO report states that the IRS has not made adequate progress in correcting its management and technical weaknesses, and none of GAO's recommendations have been fully implemented. Additionally, the GAO report stated that the IRS does not now have the capability to manage all of its current

contractors successfully. The report recommends that Congress limit IRS TSM spending to only cost-effective modernization efforts that meet specified criteria.

b. Benefits.—The subcommittee held two hearings on the Internal Revenue Service during 1996, at both of which the problem of tax system modernization costs and lack of results was discussed. The GAO reports formed the basis for much of the subcommittee preparation for the hearings.

78. "Budget Issues: Inventory of Accounts With Spending Authority and Permanent Appropriations, 1996," May 1996, GAO/AIMD–96–79.

a. Summary.—This report updates the GAO's 1987 inventory of accounts with spending authority and permanent appropriations (commonly referred to as "backdoor authority"). It provides specific information on such accounts and analyzes the changes in the number and dollar amounts of accounts with backdoor authority. Spending authority is authority provided in laws other than appropriation acts to obligate the U.S. Government to make payments. It includes contract authority, authority to borrow, authority to forgo the collection of proprietary offsetting receipts (the use of monetary credits or bartering), and authority to make other payments for which the budget authority is not provided in advance by appropriation acts. A permanent appropriation is an appropriation that is available as the result of previously enacted legislation, remains so until repealed, and does not require current appropriations action by Congress.

b. Benefits.—This report helps the subcommittee in oversight of Federal management practice by updating the 1987 report discovering some accounts no longer have backdoor authority and discovering that new ones exist. We analyzed material by comparing the old inventory data with the new in terms of number of accounts and dollar amounts. The oversight conducted was over a broad spectrum of over 80 departments and agencies. The report uncovers that the use of backdoor authority continues to be widespread and both it and the number of accounts has increased since 1987.

79. "CFO Act Financial Audits—Navy Plant Property Accounting and Reporting is Unreliable," July 1996, GAO/AIMD–96–65.

a. Summary.—This report describes in detail the areas contributing to inaccurate financial reporting of the Navy's plant property account balance. It recommends additional actions needed to ensure that the Navy has reliable information to effectively manage and adequately control the billions of dollars the Government has invested in the Navy's plant property.

The report cites four primary weaknesses:

- In preparing the Navy fiscal year 1994 financial reports on general fund operations, $24.6 billion of real property was counted twice;
- the Navy had no assurance that all plant property from only general fund activities was included in its fiscal year 1994 financial reports on general fund operations;
- the $291 million reported as Navy plant property work-in-progress was highly questionable, and

- the Navy's logistics, custodial, and accounting records of real property were often not reconciled on a timely basis, or in some cases were never reconciled. For example, for over 20 years the Navy's financial reports overstated the real property account balance by millions of dollars because plant property at a shipyard closed in the 1970's had not been removed from the Navy's accounting records. Because this property was no longer carried in the Navy's logistics records, a reconciliation between these records and the Navy's accounting records would have identified this error.

The GAO recommended that:

- By September 30, 1996, the Navy Comptroller Manual provision that lists the Navy's activities engaged in general fund operations and DBOF operations should be updated and accurately maintained;
- the Navy and DFAS, Cleveland Center should use this listing as part of their analytical procedure testing to help ensure that the plant property account balances reported in the Navy's financial reports are complete and include information from only general fund activities;
- Navy activities and DFAS should routinely monitor plant property work-in-progress accounts and promptly review and resolve large balances;
- Navy activities should promptly request, and DFAS expeditiously provide, information to assist in transferring plant property work-in-progress items to on-hand accounts and in correcting errors; and
- Navy activities and DFAS personnel should be trained to identify and resolve work-in-progress and other plant property problems.

b. Benefits.—This report was of great help to the subcommittee in its oversight of DOD financial management issues. DOD agreed with the findings of the report and groups have been established to fix problems involving the consistency of report information and establish and monitor a plan of action and milestones for improving property reporting and accounting. DOD has said that corrective actions will be accomplished within the next year; this shows that the committee's oversight is paying off by getting cabinet departments thinking in terms of downsizing and cutting down on fraud and waste.

80. "Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements," July 1996, GAO/AIMD–96–101.

a. Summary.—As in prior years, no opinion could be provided on the financial statements. The reasons given were:

- Amounts of total revenue ($1.4 trillion) and tax refunds ($122 billion) cannot be verified or reconciled to accounting records maintained for individual taxpayers in the aggregate;
- the amounts reported for various types of taxes collected (social security, income, and excise taxes, for example, cannot be substantiated;
- the reliability of reported estimates of $113 billion for valid accounts receivable and $46 billion of collectible accounts receivable cannot be determined;

- a significant portion of IRS' reported $3 billion in nonpayroll operating expenses cannot be verified; and
- the amounts the IRS reported as appropriations available for expenditure for operations cannot be reconciled fully with Treasury's central accounting records showing these amounts, and hundreds of millions of dollars in differences have been identified.

The overriding problem in providing an opinion on the IRS' financial statements, reporting on its internal controls, and reporting on its compliance with laws and regulations is that the IRS has not yet been able to provide support for major portions of the information presented in its financial statements, and in some cases where it was able to do so, the information was found to be in error.

The core financial management control weaknesses that contribute greatly to these problems are that the IRS does not have comprehensive documentation on how its financial management system works nor has it put in place procedures to routinely reconcile activity in summary accounts records with that maintained in its detailed masterfile records of taxpayers' accounts. Another weakness was that the IRS did not provide support as to whether and when it received goods and services for significant portions of its nonpayroll operating expenses.

b. Benefits.—This is one of the reports that the subcommittee reviews as part of its oversight responsibility for CFO Act implementation by the agencies. It was used extensively in the two hearings the subcommittee held on the Internal Revenue Service.

81. "Financial Audit: Resolution Trust Corporation's 1995 and 1994 Financial Statements," July 1996, GAO/AIMD–96–123.

a. Summary.—The Resolution Trust Corporation (RTC) opinion was analyzed by the GAO in this report for the years ended December 31, 1995 and 1994. The report presents GAO's opinion on RTC management's assertions of the quality of its system of internal controls. The report also discusses (1) internal control weakness, (2) the savings and loan crisis and creation of RTC, (3) the completion of RTC's mission, (4) RTC's cost and allocations, (5) RTC's contracting, (6) how much resolving the savings and loan crisis costed, and (7) fiscal implications which still exist.

b. Benefits.—This report reviews as part of its oversight responsibility for the CFO Act implementation by the agencies. The report was a benefit for the finding of internal control weaknesses over RTC's computerized information systems and the status of RTC and FDIC actions to correct them. This report in turn will lead to the evaluation of the adequacy and effectiveness of those corrective actions as part of the GAO audit of FDIC's 1996 financial statements.

82. "Fire-Safe Accommodations: Information on Federal Agencies' Compliance with Public Law 101–391 Lodging Requirements," July 1996, GAO/GGD–96–135.

a. Summary.—After the death of 400 Americans over 5 years from multistory hotel fires, Congress passed the Hotel and Motel Fire Safety Act of 1990 to save lives and property by promoting fire

safety. The act requires that GAO review annually Federal agency compliance with the provisions which require that a certain percentage of Federal travelers stay in hotels or motels meeting fire safety requirements. This report fulfills that requirement.

b. Benefits.—The report will assist the subcommittee with its oversight of the Hotel and Motel Fire Safety Act of 1990 and also with its oversight over GSA, which arranges contracts on behalf of Federal travelers for hotels.

83. "Information Management: Energy Lacks Data to Support Its Information System Streamlining Effort," GAO/AIMD–96–70(3).

a. Summary.—The Department of Energy developed a standard inventory of data on specific systems used by the Department and its management and operating contractors. It planned to use this inventory in streamlining its information systems. However, the inventory is substantially incomplete and lacks sufficient information describing systems' functional capabilities. As a result, the inventory will not be adequate to help eliminate duplicate information systems as part of the streamlining effort.

b. Benefits.—This aids the subcommittee in its oversight of information management. In order to begin to streamline information, it is essential that the DOE and its contractors are able to assess the capabilities of existing systems before implementing new systems. This report has illustrated the fact that the DOE does not have adequate reporting methods for software inventory. Much money can be saved by having an accurate procedure for information systems because it will greatly cut down on duplication and waste when purchasing new systems.

84. "Statistical Agencies: Statutory Requirements Affecting Government Policies and Programs," July 1996, GAO/GGD–96–106.

a. Summary.—The Federal Government is the largest single producer, consumer, custodian and disseminator of statistical information in the United States. This report provides a list of the legislatively mandated reports that statistical agencies are to produce for Congress on a regular basis, the statutory authority for the reports and the authorizing statutes for the agencies.

b. Benefits.—This report is one of three examining aspects of the U.S. statistical system. This project was undertaken to gather background information for a potential consolidation of parts, if not all, of the U.S. statistical system.

85. "Telecommunications Costs Reported by Federal Organizations for Fiscal Year 1995," GAO/AIMD–96–105.

a. Summary.—This report provides information on Government-wide telecommunications costs. Forty-two executive branch departments and Government agencies were surveyed to identify total fiscal year 1995 telecommunications costs, divided into five categories: (1) FTS 2000 services, (2) non-FTS 2000 long-distance services, (3) local telecommunications services, (4) wireless services, and (5) telecommunications support contract services. Also provided in this report is information on reported local access costs associated with FTS 2000 telephone calls and the Government's re-

ported fiscal year 1995 costs for the Purchase of Telecommunications and Services (POTS).

b. Benefits.—This report aids the subcommittee in oversight by an extension of the analysis of the costs of certain Federal agency telecommunications services which is required under Section 629(c) of Public Law 104–52, the Fiscal Year 1996 Treasury, Postal Service, and General Government Appropriations Act. Though this report analyzed detailed information dealing with the Federal telecommunications world, due to time constraints, GAO did not independently verify the accuracy of the cost information provided by Federal organizations during the review.

86. "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency," August 1996, GAO/NSIAD–96–138.

a. Summary.—The Federal Acquisition Streamlining Act of 1994 (FASA) eliminated some requirements for purchases of $2,500 or less, called micropurchases. Previously, the National Performance Review had recommended that agencies increase their use of Government commercial credit cards, called purchase cards, for small purchases to cut the red tape normally associated with the procurement process. As of fiscal year 1995, cards were used at most Federal agencies for over 4 million purchases worth more than $1.6 billion. This GAO report was a legislatively mandated review of FASA implementation. It reviewed the nature and extent of progress in using the purchase card, whether card use had led to savings, potential increase in card use, and controls in place at the program level.

b. Benefits.—The GAO report shows that use of purchase cards increases agency efficiency. Purchase card use reduces labor and payment processing costs, sometimes by more than half. Reviews of controls in place to monitor card use indicate no significant patterns of misuse of the cards. The report suggests that there is a need for greater interagency communication to share improvements in card programs to sustain growth in card use.

87. "Aviation Acquisition: A Comprehensive Strategy is Needed for Cultural Change at FAA," August 1996, GAO/RCED–96–159.

a. Summary.—This claims that the persistent acquisition problems at the Federal Aviation Administration (FAA) are a result of its organizational culture. It includes suggestions as to how the culture can be changed. Over the past 15 years, the FAA's modernization program has experienced substantial cost overruns, lengthy schedule delays, and shortfalls in performance. Concerned about these recurring problems, the chairman, Subcommittee on Transportation and Related Agencies, House Committee on Appropriations, asked GAO to review the agency's management of the acquisition process to determine whether organizational culture was contributing to the FAA's acquisition problems.

The GAO found that FAA's organizational culture has been an underlying cause of the agency's acquisition problems. Its acquisitions were impaired because employees acted in ways that did not reflect a strong commitment to mission focus, accountability, coordination, and adaptability. The GAO reports that research has

shown that organizations with more constructive cultures perform better and are more effective. In organizations with a more constructive culture, employees exhibit a stronger commitment to mission focus, accountability, coordination, and adaptability. At the FAA, insufficient mission focus; weak accountability; poor internal coordination; and inadequate adaptability have all hampered acquisitions.

The GAO recommends that the Secretary of Transportation direct the FAA administrator to develop a comprehensive strategy for cultural change.

b. Benefits.—This report aids the subcommittee in its oversight of management practices by Federal agencies. Discovered in this report are the widespread inadequacies and inefficiencies displayed by the FAA ranging in areas of mission focus, accountability, coordination, and adaptability. The GAO displays the need for the organization to adapt more constructive cultures. The GAO recommends that the Secretary of Transportation direct the FAA administrator to develop a comprehensive strategy for cultural change.

88. "Defense Management: Information on Selected Aspects of DOD's Jet Fuel Programs," July 1996, GAO/NSIAD–96–188.

a. Summary.—This was done as a result of House Report 104–208. The GAO reviewed the DOD's reimbursement pricing policies for the Defense Logistics Agency's bulk and into-plane jet fuel programs. The bulk fuel program refers to jet fuel that the agency's Defense Fuel Supply Center (DFSC) purchases from major commercial suppliers and transports directly (via trucks, pipelines, barges, and railroads) to military installations for use by military and other authorized aircraft. The into-plane program consists of individual contracts between DFSC and fixed-base operators who provide jet fuel to authorized aircraft at contractually established prices. The policies and procedures of the Defense Business Operations Fund (DBOF) govern the setting of standard prices for jet fuel.

The report discusses:

- Pricing policies, rules, and regulations used to establish standard prices for both fuel programs and whether the cost factors used for each are consistent with applicable policies;
- whether bulk fuel usage and into-plane sales have changed in recent years and our assessment of the reasons for any changes; and
- the significance and validity of questions and complaints raised by into-plane contractors and the National Air Transportation Association about the effect on their businesses of DOD changes in the pricing of into-plane jet fuel.

b. Benefits.—This report aids the committee in oversight of the DOD's Jet Fuel Programs, ranging from the pricing of the bulk fuel program, the pricing of the into-plane program, and general analysis of the comparisons between rises in prices of the two fuels. The report displays that the standard jet fuel prices are consistent with current DBOF policies and procedures and that individual contractor's concerns of the disparity of rising prices of jet fuel between bulk fuel and into-plane fuel are unwarranted and not widespread.

89. "NASA Chief Information Officer: Opportunities to Strengthen Information Resources Management," GAO/AIMD–96–78(2).

a. Summary.—The GAO was asked to assess the effectiveness of the National Aeronautics and Space Administration's (NASA) initiative to implement a chief information officer (CIO) position. NASA appointed its CIO in February 1995 as a senior manager within the Office of the Administrator to strengthen IRM leadership.

The GAO concluded that NASA has gained some initial IRM improvements through its appointment of a CIO. By establishing a CIO Council to help select, control, and evaluate its system investments, NASA is beginning to conform to the Paperwork Reduction Act and the Information Technology Management Reform Act and should be in a position to better manage its information resources in the future. Additional improvements, such as instituting effective mechanisms for information technology inventorying and accounting, will also be critical.

b. Benefits.—This report aids the subcommittee in its oversight of information resource management issues. The report assessed NASA's: effectiveness of implementing a Chief Information Officer position, while evaluating CIO initiatives, and identifying opportunities for NASA to strengthen its CIO position and improve its IRM program. GAO also felt additional improvements, such as instituting effective mechanisms for it inventory and accounting, will also be critical.

90. "Navy Financial Management—Improved Management of Operating Materials and Supplies Could Yield Significant Savings," August 1996, GAO/AIMD–96–94.

a. Summary.—This report provides the results of GAO's detailed assessment of the Navy's financial reporting on and management of operating materials and supplies that are not part of DBOF inventories. Specifically, it provides the results of our assessment of: (1) the adequacy of the Navy's accountability and visibility over its approximately $5.7 billion in operating materials and supplies on board vessels and at the redistribution sites; (2) the Navy's management of excess items of this type; and (3) the accuracy of operating unit records for operating materials and supplies that we tested. This report also contains recommendations that are directed at improving financial reporting and inventory management.

b. Benefits.—A report beneficial to the subcommittee in its oversight of financial management. The report reviews various aspects of the Department of Navy's financial management operations and its ability to meet the management and reporting requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994, examining the Navy reporting on and management of operation materials and supplies.

91. "The Accounting Profession: Major Issues Progress and Concerns," GAO/AIMD–96–98 and "The Accounting Profession: Appendices to Major Issues: Progress and Concerns," GAO/AIMD–96–98A.

a. Summary.—This two-volume report identifies recommendations made from 1972 through 1995 to improve accounting and au-

diting standards and the performance of independent audits under the Federal securities laws and the actions taken on these recommendations. It further examined unresolved issues and made recommendations for further congressional review.

b. Benefits.—Helpful to the subcommittee in its oversight of accounting measures, the Inspector General Act and the Chief Financial Officers Act. Analysis of accounting profession's responsiveness in making changes to improve financial reporting and auditing of public companies and analysis of statistical data on the results of peer reviews of accounting firms showing that most firms have effective quality control programs to ensure adherence with professional standards. However, the report also shed light of shortcomings within certain major issues: (1) auditor independence, (2) auditor responsibility for detecting fraud and reporting on internal controls, and (3) maintaining the independence of FASB.

92. "Debt Ceiling: Analysis of Actions During the 1995–1996 Crisis," August 1996, GAO/AIMD–96–130.

a. Summary.—This report was requested by the chairmen of the Senate Committee on Finance and the House Committee on Ways and Means. It addresses the actions taken by the Department of the Treasury when Treasury reached the statutory debt limit ceiling of $4.9 trillion established in 1993. It analyses Treasury's actions relating to investments and redemptions in Federal trust funds and the restoration of losses incurred.

The public debt is composed of Treasury securities, which include bills, notes, and bonds that Treasury issues to raise cash to finance Government operations and invest trust fund receipts. On October 31, 1995, about 75 percent of the $4.9 trillion public debt was Treasury securities held by the public. The remainder, about $1.3 trillion, was held by Federal trust funds. The GAO concluded that, during the 1995–96 debt ceiling crisis, Treasury acted in accordance with statutory authorities when it suspended some investments of the G-fund, exercised its discretion in not reinvesting some of the Exchange Stabilization Fund's maturing Treasury securities, and issued certain securities to Government trust funds without counting them toward the debt ceiling.

b. Benefits.—During the 1995–96 debt ceiling crisis, the Federal Government's debt increased from $4.9 trillion to $5.5 trillion. Treasury took several actions during this period to raise funds to meet Federal obligations without exceeding the debt ceiling. The subcommittee learned the chronology of these actions along with a financial and legal analyses of them.

93. "Military Family Housing—Opportunities Exist to Reduce Costs and Mitigate Inequities," September 13, 1996, GAO/NSIAD–96–203.

a. Summary.—The Defense Department's policy of relying primarily on private-sector housing to meet military family housing needs is cost-effective. Studies by the Congressional Budget Office and DOD have shown that compared to the cost of providing military housing, the Government's cost is significantly less when military families are paid housing allowances and live in private housing. These studies and GAO's analysis estimate that the cost dif-

ference to the Government for each family that lives in private housing ranges from about $3,200 to $5,500 annually. The Government's cost is less primarily because families living in private housing pay a portion of their housing costs and the Government pays significantly less Federal school impact aid for military dependents that live in private housing, which is subject to local property taxes.

Although the DOD housing policy is cost-effective, DOD and the services have not taken full advantage of this policy. Data reported by the services and GAO's analysis show that the communities surrounding many military installations could meet thousands of additional family housing needs. Yet, the services continue to operate old housing that does not meet suitability standards and, in some cases, improve or replace Government housing at such installations. As a result, opportunities for reducing housing costs have been lost because DOD has not taken advantage of the significant savings available from use of private housing.

b. Benefits.—This report helped the subcommittee conclude that the DOD's policy of relying on private-sector housing to meet military family housing needs is saving the Government money. In the post cold war age of shrinking defense budgets, the short-term flexibility yielded by housing allowances seems preferable to the long-term, costly commitments that come with military construction. In the current environment of the 104th Congress working to make the Government a smarter shopper, this is a prime example.

94. "NASA Infrastructure—Challenges to Achieving Reductions and Efficiencies," September 1996, GAO/NSIAD–96–187.

a. Summary.—This reviews the status of NASA's efforts to achieve reductions and efficiencies in key areas of its infrastructure, principally facilities, and the challenges it faces. NASA's current facility closure and consolidation plans will not fully achieve the agency's goal of decreasing the current replacement value of its facilities by about 25 percent (about $4 billion in 1994 dollars) by the end of fiscal year 2000. More importantly, these plans will not result in substantial cost reductions by that date. NASA has had problems in evaluating some cost-reduction opportunities; environmental cleanup costs could affect future facility disposition efforts; and its efforts to share facilities with DOD have progressed slowly.

GAO suggested that, ultimately, a process that uses an external independent group similar to the Defense Base Closure and Realignment Commission may be needed. To help determine the need for an independent group to facilitate closures and consolidations of NASA facilities, Congress may wish to consider requiring NASA to submit a plan outlining how it intends to meet its reduction goals.

b. Benefits.—This aids the subcommittee in conducting oversight of agency downsizing, infrastructure, and facilities management. The report compelled NASA to a response that it was committed to streamlining its work force and supporting infrastructure and is in the process of making further changes in the way it operates. NASA has heard the mandate from the 104th Congress for less waste through better management and is taking the proper steps in addressing its problems.

95. "Surface Transportation: Research Funding, Federal Role, and Emerging Issues," September 1996, GAO/RCED–96–233.

a. Summary.—This report provides information on the public and private funding for surface transportation research, the transportation community's views on the Federal role for such research, the Department of Transportation's ability to fulfill that role, and the issues that the transportation community believes the Congress and the Department should consider during the reauthorization of the Intermodal Surface Transportation Efficiency Act of 1991.

b. Benefits.—The report looked in detail at Surface Transportation to analyze research for the knowledge, products, and technologies needed to make transportation more efficient, effective, and safe. GAO felt that the department funds insufficient basic, long-term, high-risk research.

96. "Tax Systems Modernization: Cyberfile Project Was Poorly Planned and Managed," GAO/AIMD–96–140.

a. Summary.—Cyberfile is an electronic filing system being developed for the Internal Revenue Service (IRS) by the Department of Commerce's National Technical Information Service (NTIS). The GAO concluded that the IRS's selection of NTIS to develop Cyberfile was not based on sound analysis.

The IRS did not adequately analyze requirements, consider alternatives, or assess NTIS's capabilities to develop and operate an electronic filing system, even though the need for these critical prerequisites was brought to management's attention as early as July 1995. Instead, the IRS selected NTIS because it was expedient, and because NTIS promised the IRS, without any objective support, that it could develop Cyberfile in less than 6 months and have it operating by February 1996.

Development and acquisition were undisciplined, and Cyberfile was poorly managed and overseen. As a result it was not delivered on time, and after advancing $17.1 million to NTIS, the IRS has suspended Cyberfile's development and is reevaluating the project.

b. Benefits.—This report is part of the GAO's ongoing review of management practices at the IRS, and as such, it is very helpful to the subcommittee in the oversight of the IRS's management functions, including financial management and procurement.

97. "USIA Options for Addressing Possible Budget Reductions," GAO/NSIAD–96–179.

a. Summary.—This report discusses streamlining efforts at the U.S. Information Agency and identifies options that could enable USIA to include additional budget reductions. To respond to the potential that USIA might have to withstand cuts of the magnitude suggested by the OMB or congressional budget projections, GAO analyzed each of the major components within USIA for potential areas of reduction. Though USIA officials believe that further significant reductions could greatly hamper USIA's mission, new fiscal realities may force the agency to make additional choices about resource priorities for the number and size of its locations and its wide range of programs and activities.

b. Benefits.—This report aids the subcommittee on oversight of budget reductions and possibility of more budget reductions by the

U.S. Information Agency. GAO is not making recommendations in this report rather it is shedding light in areas in which budget reductions could be made to deal with potential cuts in appropriations. The USIA in reaction to the report has complied that changes will occur and that alterations will be instituted to cut costs while preserving the essential missions. USIA also acknowledges that it understands that the intrinsic value of many traditional programs is no longer enough to justify their continuation; there must be direct benefit to U.S. policy interests.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

1. "Multiple Employment Training Programs: Information Crosswalks on 163 Employment Training Programs," February 14, 1995, GAO/HEHS–95–85FS.

a. Summary.—The General Accounting Office compiled a list of 163 programs and funding streams that provide about $20 billion in employment training assistance. During recent testimony before Congress, GAO indicated that the number of employment training programs had risen to 193 since 1991 and that this fragmented "system" wasted resources, and confused and frustrated clients, employers, and administrators. To help Congress make choices about overhauling and consolidating employment training programs, this fact sheet provides information for each program, including (1) fiscal year 1995 appropriation; (2) summary of the program's purpose as it relates to employment training activities; (3) authorizing legislation and the U.S. citation; (4) *Catalog of Federal Domestic Assistance* program number; (5) budget account number; (6) target group; and (7) type of employment training assistance provided.

b. Benefits.—By continuing to document the growing number of employment training programs, GAO provides important information to help Congress and the executive branch evaluate and consolidate these programs.

2. "Community Development: Comprehensive Approaches Address Multiple Needs but Are Challenging To Implement," February 8, 1995, GAO/RCED/HEHS–95–69.

a. Summary.—The aspirations of people in distressed neighborhoods are familiar—to have a home and a job, to live in a safe area, and to have hope for their children's future. Isolated by poverty, residents of distressed neighborhoods may never realize their dreams. Some community-based nonprofit groups are using a multifaceted, or comprehensive, approach to community development that relies on residents' participation to address housing, economic, and social service needs in distressed neighborhoods. This report examines (1) why community development experts and practitioners advocate this approach; (2) what challenges they see to its implementation; and (3) how the Federal Government might support comprehensive approaches. GAO reviewed four groups, located in Boston, Detroit, Pasadena, and Washington, DC, that have used comprehensive approaches in their communities.

b. Benefits.—By approaching the subject of multiple needs in community development, GAO has demonstrated that different communities have both different needs and different approaches to these needs. Furthermore, the report also suggest that comprehensive approaches are more effective but are difficult to implement.

3. "School Facilities: Condition of America's Schools," February 1, 1995, GAO/HEHS–95–61.

a. Summary.—The General Accounting Office surveyed school officials across the country on the physical condition of their facilities. The survey projects that the Nation's elementary and secondary schools need about $112 billion in repairs and upgrades to restore them to good condition. About 14 million students attend schools needing extensive repair or replacement. Also, problems with major building features, such as plumbing, are widespread even among schools said to be in adequate shape. Nearly 60 percent of America's schools reported at least one major building element in disrepair; most of these schools had multiple problems. In addition, about half the school officials reported at least one environmental problem in their schools, such as inadequate ventilation or poor heating and lighting; most of these schools had multiple environmental problems. Some school officials attributed the physical decline of the Nation's schools to decisions by school districts to defer vital maintenance and repair expenditures from year to year due to lack of money.

b. Benefits.—This survey describes some of the problems facing the basic infrastructure of our Nation's schools. The information in the report documents these concerns to both the American people and the Congress.

4. "Welfare Reform: Implications of Proposals on Legal Immigrants' Benefits," February 2, 1995, GAO/HEHS–95–58.

a. Summary.—The General Accounting Office found that the percentage of immigrants receiving public assistance—specifically Supplemental Security Income (SSI) or Aid to Families With Dependent Children (AFDC)—is higher than the percentage of citizens receiving these benefits. Six percent of all immigrants receive benefits compared with 3.4 percent of all citizens. Most immigrant recipients live four States: California, New York, Florida, and Texas; more than one-half of all immigrant recipients live in California. Between 1983 and 1993, the number of immigrants receiving SSI more than quadrupled, increasing from 151,000 to 683,000. During this period, immigrants grew from about 4 percent of all SSI recipients to more than 11 percent. As a percentage of all adult AFDC recipients, immigrants grew from about 5 percent to 8 percent. In all, immigrants received an estimated $3.3 billion in SSI benefits and $1.2 billion in AFDC benefits in 1993. Most immigrant recipients are lawful permanent residents or refugees, but other characteristics of immigrants receiving SSI and AFDC vary. For example, the number of immigrants receiving SSI aged benefits—available to those 65 years and older—has increased dramatically. According to the Congressional Budget Office, a welfare reform proposal now before Congress (H.R. 4) would save $9.2 billion from the SSI program and $1 billion from the AFDC program over 4 years. GAO es-

timates that 522,000 SSI recipients and 492,000 AFDC recipients would become ineligible for benefits under H.R. 4.

b. Benefits.—This report gives the Congress valuable information as it debates H.R. 4 and other welfare reform proposals, as well as many immigration reform proposals.

5. "Block Grants: Characteristics, Experience, and Lessons Learned," February 9, 1995, GAO/HEHS–95–74.

a. Summary.—The 15 block grant programs in effect today, with funding of $32 billion, constitute a small portion of the overall Federal aid to States, which totaled $206 billion for 593 programs in fiscal year 1993. In 1981, as part of the Omnibus Reconciliation Act, nine block grants were created from about 50 of the 534 categorical programs in effect at the time. In general, the transition from categorical programs to block grants was smooth. Experience with the 1981 block grants teaches three lessons. First, accountability for results is clearly needed, and the Government Performance and Results Act may provide the appropriate framework. Second, funding allocation based on distributions under prior categorical programs may be inequitable because they do not reflect need, ability to pay, and variations in the cost of providing services. Finally, the transition to block grants may be more challenging today than in 1981 because the programs being considered for inclusion in block grants are much larger and, in some cases, fundamentally different from programs included in the 1981 block grants.

b. Benefits.—As the Congress considers placing more programs into block grants, this report provides an important historical perspective on past efforts to transform categorical grants into block grants.

6. "Social Security Administration: Leadership Challenges Accompany Transition to an Independent Agency," February 15, 1995, GAO/HEHS–95–59.

a. Summary.—In 1994 Congress passed legislation making the Social Security Administration (SSA) an independent agency. As part of the transition, GAO was required to evaluate the interagency agreement for transferring personnel and resources from the Department of Health and Human Service (HHS) to SSA. GAO concludes that the two agencies have developed an acceptable methodology for identifying the functions, personnel, and other resources, such as furniture and computer equipment, to be transferred to an independent SSA. They have also made good progress toward completing the initiatives necessary for SSA to be a fully functional independent agency by March 31, 1995. However, SSA will continue to face serious policy and management challenges, including long-range shortfall in funds to pay future Social Security benefits. Also, questions have been raised by GAO and others about the future growth of the Disability Insurance program and recent increases in Supplemental Security Income benefits.

b. Benefits.—GAO's report has helped give the Congress some direction in the oversight of the SSA. In addition, the questions raised about the growth of entitlement programs are important for both the American people and the Congress.

7. "Public Housing: Funding and Other Constraints Limit Housing Authorities' Ability To Comply With One-for-One Rule," March 3, 1995, GAO/RCED–95–78.

a. Summary.—The overall vacancy rate in public housing is about 8 percent. This average, however, masks the conditions at many large housing authorities where uninhabitable buildings cause the rate to be close to 22 percent. At some authorities, whole projects are vacant and hundreds of run-down buildings stand idle. If housing authorities tear down or sell any of these buildings, they are required to replace the housing units on a one-for-one basis with new or other inhabitable housing or provide equivalent rental assistance to the tenants. Because some authorities believe that they lack enough money or appropriate sites to replace demolished housing, they leave the deteriorated buildings in place. This report provides information on (1) housing authorities with the highest number of vacant units; (2) the impact of the one-for-one requirements on housing authorities' ability to deal with their uninhabitable housing units; and (3) housing officials' views on the proposed waiver of the one-for-one replacement law.

b. Benefits.—The GAO report provides the Congress with evidence to support repeal of the one-for-one rule.

8. "Social Security: New Functional Assessments for Children Raise Eligibility Questions," March 1, 1995, GAO/HEHS–95–66.

a. Summary.—More than 200,000 children have been awarded Federal disability benefits for mental or behavioral problems using new subjective criteria that allow benefits in cases that previously would have been rejected. GAO found fundamental flaws in the new process for assessing children's impairments. Specifically, each step of the process relies heavily on adjudicators' judgments, rather than on objective criteria from the Social Security Administration (SSA), to assess children's behavior. This calls into question SSA's ability to guarantee consistency in administering the program. At the same time, GAO discovered little evidence that parents are coaching their children to fake mental problems by misbehaving or faring poorly in school so that they can qualify for cash benefits.

b. Benefits.—This study has called into question SSA's ability to successfully monitor behavioral problems in children when assessing disability benefits. In the current environment, acknowledging the need for entitlement reform, this information demonstrates some of the limitations of a large Federal entitlement program.

9. "Poverty Measurement: Adjusting for Geographic Cost-of-Living Difference," March 9, 1995, GAO/GGD–95–64.

a. Summary.—This report provides information on the statistical data requirements that would be needed to construct a cost of living index that could be used, at the Federal level, to adjust for geographic differences in living costs. Concerns had been raised in Congress that current measures do not recognize that residents of high-cost areas may need higher incomes to meet their basic needs. The report (1) describes the function of market baskets in determining a cost-of-living index, including both a uniform national market basket and market baskets that reflect regional differences in consumption; (2) identifies methodologies that might be used to

calculate a cost-of-living adjustment, including, methodologies that researchers and private industry use for comparing costs by geographic areas; and (3) presents expert opinions on the ability of these methodologies to adjust the poverty measurements for geographic differences in cost of living.

b. Benefits.—As the Congress works through welfare reform proposals, especially through discussions of how to equitably distribute funds to the States, this report will help establish benefit formulas that account for regional differences.

10. "Higher Education: Restructuring Student Aid Could Reduce Low-Income Student Dropout Rate," March 23, 1995, GAO/HEHS–95–48.

a. Summary.—Loans and grants do not have equivalent effects on low-income students' staying in college. Grant aid lowers the probability of low-income students' dropping out, while loans have no statistically significant impact on their dropping out. Furthermore, the timing of grant aid influences a student's probability of dropping out. For example, grant aid is more effective for low-income students during the first school year than in subsequent years. Given that the dropout rate is higher in students' first 2 years, front loading grants would appear to provide low-income students with the most effective means of financial support when they are most likely to benefit from it. Restructuring Federal grant programs to feature front loading could improve low-income students' dropout rates with little or no changes to students' overall 4-year allocation of grants and loans. GAO supports the creation of a pilot program to evaluate the effects and costs of front loading.

b. Benefits.—This report suggests the student aid system can be changed to lower the probability of low-income students dropping out of school.

11. "Veterans' Benefits: Basing Survivors' Compensation on Veterans' Disability Is a Viable Option," March 6, 1995, GAO/HEHS–95–30.

a. Summary.—In 1993, the Department of Veterans Affairs' Dependency and Indemnity Compensation (DIC) program paid benefits totaling $2.7 billion to about 276,000 surviving spouses of service members who had died on active duty and surviving spouses of some disabled veterans. These benefits were paid under the Veterans' Benefits Act of 1992, which changed the basis for DIC benefits from the military rank of the deceased service member or veteran to a flat rate for all surviving spouses. This report (1) estimates DIC recipients' total income and determines the kind and the amount of benefits received from other programs; (2) determines the financial impact on surviving spouses of the deaths of totally disabled veterans and of veterans who were receiving supplemental payments because they had multiple severe disabilities and could not care for themselves; and (3) assesses alternative ways to set DIC benefits.

b. Benefits.—With the acknowledgment that entitlements must be reformed, this report lays out a plan for a more equitable formula to fund compensation rates for spouses of deceased veterans.

12. "Early Childhood Centers: Services To Prepare Children for School Often Limited," March 21, 1995, GAO/HEHS–95–21.

a. Summary.—More than a third—2.8 million—of the Nation's children aged 3 and 4 were from poor families in 1990, a growth of 17 percent since 1980. This trend continues. These disadvantaged youngsters often live in homes that provide little intellectual stimulation, as well as inadequate health care and nutrition. Lagging behind their middle- and upper-income peers when they enter school, many disadvantaged children never catch up. Early childhood centers funded by Federal and State governments prepare children for school and help them to overcome their disadvantages. This report answers the following questions: What services do disadvantaged children need to be prepared for school? To what extent do these children receive these services from early childhood centers? If disadvantaged children do not receive these services from early childhood centers, why not?

b. Benefits.—This report gives real information on the problems and needs of disadvantaged children. The report provides Congress with critical information for education and welfare reforms.

13. "Medicare: Tighter Rules Needed To Curtail Overcharges for Therapy in Nursing Homes," March 30, 1995, GAO/HEHS–95–23.

a. Summary.—Nursing homes and rehabilitation centers are taking advantage of ambiguous payment rules and lack of guidelines to bill Medicare at inflated rates for therapy services. State averages for physical, occupational, and speech therapists' salaries range from about $12 to $25 per hour, but Medicare has been charged upwards of $600 per hour. The extent of overcharging and its precise impact on Medicare outlays are unclear; however, billing schemes uncovered in recent years suggest that the problem is nationwide and is growing in magnitude. Extraordinary markups on therapy can result from providers exploiting regulatory ambiguity and weaknesses in Medicare payment rules. Payment rules and procedures developed when the therapy industry was much smaller and less sophisticated have proved no match for increasingly complex business practices designed to generate increased Medicare revenue and skirt program controls. Although the over billing problem has been known since 1990, no action has been taken to close loopholes that allow payment for these overcharges.

b. Benefits.—The need to achieve savings in Medicare is paramount to any efforts to balance the budget. This report informs Congress about another type of waste, fraud, and abuse within the system, and thus, arms Congress with the knowledge to prevent it.

14. "Multifamily Housing: Better Direction and Oversight by HUD Needed for Properties Sold With Rent Restrictions," March 22, 1995, GAO/RCED–95–72.

a. Summary.—Between 1990 and 1993, the Department of Housing and Urban Development (HUD) began foreclosure on many insured mortgages on multifamily properties with financial, physical, or operating problems. However, HUD was unable to sell many of the properties promptly because of long-term rent subsidies the agency had attached to some properties. Purchasers of 62 prop-

erties agreed to restrict rents charged to low-income households to the same rent that they would have paid under the HUD rent subsidy program—usually 30 percent of the household income. GAO found that HUD had not (1) provided its field offices or purchasers of HUD multifamily properties with clear instructions on the procedures owners must follow in managing properties subject to rent restrictions or (2) established long-term requirements specifying how field offices should oversee owners' compliance with agreed upon use restrictions. As a result, HUD has placed inconsistent requirements on property owners and, until recently, did not require field offices to oversee owner compliance.

b. Benefits.—The report documents HUD's failure to properly oversee multifamily properties sold with rent restrictions.

15. "School Facilities: America's Schools Not Designed or Equipped for 21st Century," April 4, 1995, GAO/HEHS–95–95.

a. Summary.—To educate America's children for an increasingly technological world, schools must have the equipment and the infrastructure, such as computers, in place before technology can be fully integrated into the curriculum. GAO surveyed about 10,000 schools across the country and visited 10 school districts. GAO found that overall the Nation's schools were not even close to meeting their basic technology needs. Most schools do not use modern technology, and not all students—even those attending schools in the same district—have equal access to facilities that can support education into the 21st century. Schools with 50 percent or more minority students were found to be more likely to have unsatisfactory environmental conditions such as poor lighting and little physical security, and were found less likely to have technology elements.

b. Benefits.—The report documents the failure of schools to integrate technology into the curriculum and prepare students for the future.

16. "Medicaid: Spending Pressures Drive States Toward Program Reinvention," April 4, 1995, GAO/HEHS–95–122.

a. Summary.—The $131 billion Medicaid program is at a crossroads. Between 1985 and 1993, Medicaid costs tripled and the number of beneficiaries rose by more than 50 percent. Medicaid costs are projected to rise to $260 billion, according to the Congressional Budget Office. Despite Federal and State budgetary constraints, several States are seeking to expand the program and enroll hundreds of thousands of new beneficiaries. The cost of expanded coverage, they believe, will be offset by the reallocation of Medicaid funds and the wholesale movement of beneficiaries into some type of managed care arrangement. This report examines (1) Federal and State Medicaid spending; (2) some States' efforts to contain Medicaid costs and expand coverage through waiver of Federal requirements; and (3) the potential impact of these waivers on Federal spending and on Medicaid's program structure overall.

b. Benefits.—With rapidly increasing costs, the report shows the need for reform of the Medicaid program.

17. "Medicaid: Restructuring Approaches Leave Many Questions," April 4, 1995, GAO/HEHS–95–103.

a. Summary.—Over the years, various proposals have been made to restructure the Medicaid program. One approach calls for providing Federal block grants to the States and giving them increased responsibility for running the program. Under another proposal, Medicaid would be entirely funded and administered by the Federal Government. Yet another would split Medicaid into two programs, one encompassing acute and primary care and the other long-term care. This report compares the different restructuring approaches and discusses their implications for Federal-State financing and program administration. GAO also provides information on the need to establish a Federal "rainy day" fund if restrictions, such as block grants, were placed on Federal revenues paid to States. GAO also provides the most recent data on the amount of Federal Medicaid funds provided to each State.

b. Benefits.—Both major political parties agree on the need for Medicaid reform. This report examines the advantages and disadvantages of each of the proposals. It is an invaluable tool in analyzing the best way to save Medicaid.

18. "Veterans Compensation: Offset of DOD Separation Pay and VA Disability Compensation," April 3, 1995.

a. Summary.—The Defense Department (DOD) uses separation pay to induce people to serve in the military despite the risk of involuntary separation. Congress authorized special separation pay to minimize the use of involuntary separations in the ongoing force drawdown. Pay offsets prevent service members from receiving dual compensation for a single period of service. Repealing offsets for separation and disability pay would cost the Federal Government an estimated $435 million for those service members who separated during fiscal years 1995–1999. A repeal would cost about $799 million if it was made retroactive to fiscal year 1992, when the special separation pay program began. Separation and disability pay offsets have not significantly undermined the voluntary separation incentive. According to DOD, the bulk of the drawdown since fiscal year 1992 has been accomplished through voluntary separations. DOD requires the services to inform separating service members about the offset.

b. Benefits.—As Congress considers repealing offsets for separation, it must consider the cost to the U.S. taxpayer and the impact on prospect of balancing the budget. This report gives the Congress the data it needs to discuss whether or not to repeal the offsets and to form payment formulas if offsets are repealed.

19. "VA Health Care: Retargeting Needed To Better Meet Veterans' Changing Needs," April 21, 1995, GAO/HEHS–95–39.

a. Summary.—Many veterans have health care needs that are not adequately met through current health care programs, including the health care system run by the Department of Veterans Affairs (VA). About one-third of the Nation's homeless are veterans, nearly one-half of whom have serious mental problems, suffer from substance abuse, or both. The homeless have limited access to health care services and may not seek medical treatment. About 38

percent of male and 25 percent of female Vietnam veterans with Post Traumatic Stress Disorder have not sought treatment. About 91,000 low-income, uninsured veterans with no apparent health care options indicated in a 1987 VA survey that they had never used VA health facilities because they were unaware that they were eligible or they had concerns about the quality or the accessibility of VA health care. VA cannot adequately address many of these health care needs because (1) it relies primarily on direct delivery of health services in VA facilities; (2) its complex eligibility and entitlement provisions limit the services that veterans may obtain from VA facilities; and (3) space and resource limitations prevent eligible veterans from obtaining covered services. This report presents several options for restructuring VA's health care system to enable it to better meet the health care needs of veterans.

b. Benefits.—The number of veterans in the country has decreased and VA hospitals are underutilized, and yet, the VA wants to spend its resources on building more hospitals and medical centers. This report makes it clear that the VA could better spend its resources on outreach to the homeless, mentally ill, and substance abusing populations and on making access to non-VA medical centers easier.

20. "Veterans' Benefits: VA Can Prevent Millions in Compensation and Pension Overpayments," April 28, 1995, GAO/HEHS–95–88.

a. Summary.—Despite its responsibility to ensure accurate benefit payments, the Department of Veterans Affairs (VA) continues to overpay veterans and their survivors hundreds of millions of dollars in compensation and pension benefits each year. VA has the ability to prevent millions of dollars in overpayments but has not done so because it has not focused on prevention. For example, VA does not use available data, such as information on when beneficiaries will become eligible for social security benefits, to prevent the overpayments. Furthermore, VA does not systematically collect, analyze, and use information on the specific causes of overpayments that will help it target preventive efforts.

b. Benefits.—At a time when the VA is seeking more resources, this report highlights an example of gross mismanagement at the Department. The report points out simple and easy methods for preventing waste and mismanagement of millions of dollars, which could be redirected elsewhere.

21. "School Safety: Promising Initiatives for Addressing School Violence," April 25, 1995, GAO/HEHS–95–106.

a. Summary.—Many schools throughout the United States are struggling with rising levels of youth violence. Schools have adopted a broad range of solutions to curb violence. The four programs GAO visited—in California, Ohio, and New York—are examples of some of the promising approaches schools have initiated to address violence. Research suggests that the most promising school-based violence prevention programs involve at least some of seven key characteristics, including a comprehensive approach, starting early, and involving parents. Although few prevention programs have been evaluated, some Federal agencies are now funding evaluations

to examine various violence prevention program approaches. The results, which should be available in 3 to 5 years, will help determine which programs work best at cubing violence.

b. Benefits.—This report helps Congress craft more effective legislation to address the growing problem of violence in our schools.

22. "Long-Term Care: Current Issues and Future Directions," April 13, 1995, GAO/HEHS–95–109.

a. Summary.—Today, an increasing number of Americans need long-term care. Unprecedented growth in the elderly population is projected for the 21st century, and the population age 85 and older—those most in need of long-term care—is expected to outpace the rate of growth for the entire elderly population. In addition to the dramatic rise in the elderly population, a large portion of the long-term care population consists of younger people with disabilities. The importance of long-term care was underscored by the 1994 congressional debate over health care reform and, more recently, by the "Contract with America," which proposed assistance such as tax deductions for long-term care insurance and tax credits for family care giving. This report (1) defines what is meant by "long-term care" and discusses the conditions that give rise to long-term care need, how such need is measured, and which groups require long-term care; (2) examines the long-term care costs that are born by Federal and State governments as well as by families; (3) addresses strategies that States and foreign countries are pursuing to contain public long-term-care costs; and (4) discusses predictions by experts on the future demand for long-term care.

b. Benefits.—Long-term care is proving to be one of the fastest growing areas of health care. A thorough understanding of who receives the care and who pays for the care are invaluable as strategies are initiated to slow the increase of medical costs, especially in entitlement programs like Medicaid and Medicare.

23. "Prescription Drug Prices: Official Index Overstates Producer Price Inflation," April 28, 1995, GAO/HEHS–95–90.

a. Summary.—During the 1980's and 1990's, the prices of prescription drugs rose on average at triple the rate of inflation, according to U.S. Government statistics. As Congress debated whether to curb drug price increases, research questioning the accuracy of the price statistics—especially the producer price index for prescription drugs published by the Bureau of Labor Statistics—was in its early stages. Today, a body of research urges the reexamination of the accuracy of the producer price index for prescription drugs. This report (1) reviews the accuracy of the producer price index as a measure of drug price inflation; (2) describes whether the index could be changed to more accurately measure changes in the cost of buying drugs; and (3) provides guidance on appropriate uses and common misuses of price indexes.

b. Benefits.—One of the fastest growing costs in health care is the price of drugs. It is important to have a clear understanding of the price movements in the drug industry to have a credible plan to control the costs of drugs.

24. "Medicaid Managed Care: More Competition and Oversight Would Improve California's Expansion Plan," April 28, 1995, GAO/HEHS–95–87.

a. Summary.—The Medicaid program was established to make health care more accessible to the poor. In many communities, however, beneficiaries' access to quality care is far from guaranteed. Too few doctors and other health care providers choose to participate in Medicaid because of low payment rates and administrative burdens. To address the access problem, as well as rising costs and enrollment in its $15 billion Medi-Cal program (which serves about 5.4 million beneficiaries), California intends to increase its reliance on managed-care delivery systems. This report (1) describes California's current Medicaid managed-care program; (2) reviews the State's oversight of managed-care contractors with a focus on financial incentive arrangements and the provision of preventive care for children; (3) describes the State's plans for expansion; and (4) identifies key issues the State will face as it implements the expanded program.

b. Benefits.—Both Republican and Democrat health care reform plans rely heavily on managed care to better control costs. As the largest State in the country, California offers the most similar example of how managed care issues can be addressed in any reform proposals.

25. "Community Health Centers: Challenges in Transitioning to Prepaid Managed Care," May 4, 1995, GAO/HEHS–95–138.

a. Summary.—As States move to prepaid managed care to control costs and improve access for their Medicaid clients, the number of participating community health centers continues to grow. Medicaid prepaid managed care is not incompatible with health centers' mission of delivering health care to the medically underserved population. However, health centers face substantial risks and challenges as they move into these arrangements. Such challenges require new knowledge, skills, and information systems. Centers lacking expertise and systems face an uncertain future, and those in a vulnerable financial position are at even greater risk. Today's debate over possible changes in Federal and State health programs heightens the concern over the financial vulnerability of centers participating in prepaid managed care. If this funding source continues to grow as a percentage of total health center revenues, centers must face building larger cash reserves while not compromising services to vulnerable populations.

b. Benefits.—Both Republican and Democrat health care reform plans rely heavily on managed care to better control costs. This report gives the Congress the information to help it avert many of the difficulties the health care industry faces as it transitions to managed care.

26. "Medicare Claims: Commercial Technology Could Save Billions Lost to Billing Abuse," May 5, 1995, GAO/AIMD–95–135.

a. Summary.—With an investment of only $20 million in off-the-shelf commercial software, Medicare could save nearly $4 billion over 5 years by detecting fraudulent claims by physicians—primarily manipulation of billing codes. On the basis of a test in

which four commercial firms reprocessed a sample of more than 20,000 paid Medicare claims, GAO estimates that the software could have saved $603 million in 1993 and $640 million in 1994. In addition, GAO estimates that because beneficiaries are responsible for about 22 percent of the payment amounts—mainly in the form of deductibles and copayments—Medicare could have saved an additional $134 million in 1993 and $142 million in 1994. The test results indicate that only a small proportion of providers are responsible for most of the abuses: less than 10 percent of providers in the sample had miscoded claims.

b. Benefits.—This report begins to quantify the savings available from the application of computer technology to Medicare claims processing. The Health Care Financing Administration has been developing a computer system, the Medicare Transaction System (MTS), to unify and standardize claims review. It is estimated that hundreds of millions of dollars in improper or ineligible Medicare claims are paid each year. This report indicates that significant savings could be accomplished if Medicare contractors used off-the-shelf commercial software while the MTS system is being deployed.

27. "Welfare Dependency: Coordinated Community Efforts Can Better Serve At-Risk Teen Girls," May 10, 1995, GAO/HEHS/RCED–95–108.

a. Summary.—Although poverty and the erosion of families and neighborhoods have put many teenage girls at risk of pregnancy, school failure, and substance abuse, programs aimed at helping them are often too little, too late. However, GAO found that some communities are organizing coalitions with private and public agencies to integrate services and reach more young women at risk. This report (1) describes the health and the well-being of young at-risk teen girls and their families and the condition of the urban neighborhoods where they live; (2) presents local service providers' views on what the needs of these girls are, how they are addressing those needs, and what obstacles service providers may face in working with the girls, their families, and their communities; and (3) describes how the communities where these girls live are responding to the service needs of this group.

b. Benefits.—The problems of at-risk teen girls are increasingly becoming an issue of national importance. Unfortunately, credible solutions are often "too little, too late." This report provides information on some successful alternatives to assist at-risk teen girls.

28. "Welfare to Work: Participants' Characteristics and Services Provided in JOBS," May 2, 1995, GAO/HEHS–95–93.

a. Summary.—The General Accounting Office found that most adult welfare recipients do not participate in the Job Opportunities and Basic Skills (JOBS) training program because of allowable exemptions and minimum participation standards. JOBS still reached only about 13 percent of single-female-headed households receiving welfare each month in 1992; about 60 percent were exempt from participation. Most of the 1.95 million exempt adult welfare recipients were excused from participation because they were caring for children under 3 years old. The low level of participation raises questions as to whether a program serving relatively few

participants can bring about a widespread transformation of the welfare culture. In addition to discussing who is and is not being served under the JOBS training program, this report discusses (1) the range of services that JOBS participants are receiving and the extent to which participant needs are being met and (2) the implication of servicing participants in a system of time-limited benefits.

b. Benefits.—According to this report the JOBS program does not help most welfare recipients and a different approach is needed if the Congress wants to reform the welfare system.

29. "Welfare to Work: Most AFDC Training Programs Not Emphasizing Job Placement," May 19, 1995, GAO/HEHS–95–113.

a. Summary.—In 1988, Congress strengthened the work requirements for welfare recipients by creating the Job Opportunities and Basic Skills Training (JOBS) program. Although, the JOBS program is designed to move welfare recipients from dependence to work, GAO found that a majority of JOBS programs lacked a strong employment focus. However, five welfare-to-work programs visited by GAO show promise because they focus on the importance of employment and forge links with employers. This report (1) provides examples of county or local JOBS or JOBS-like programs that emphasize job placement, subsidized employment, or work-experience positions for welfare recipients; (2) discusses the extent to which county JOBS programs nationwide use these employment-focused activities; and (3) examines factors that hinder program administrators' efforts to move welfare recipients into jobs.

b. Benefits.—A previous GAO report indicated that the JOBS program is not reaching a significant portion of its target audience. This report will help the Congress change the current system to make it more effective.

30. "Welfare Programs: Opportunities To Consolidate and Increase Program Efficiencies," May 31, 1995, GAO/HEHS–95–139.

a. Summary.—The Federal Government provides billions of dollars in public assistance each year through an inefficient welfare system that is increasingly cumbersome for program administrators to manage and difficult for eligible clients to access. Program consolidation may be one strategy to reduce inefficiency of the current system of overlapping and fragmented programs. This report (1) describes low-income families' participation in multiple welfare program; (2) examines program inefficiencies such as program overlap and fragmentation, and (3) identifies issues to consider in deciding whether, and to what extent, to consolidate welfare issues. Regardless of how the welfare system is restructured, ensuring that Federal funds are used efficiently and that programs focus on outcomes remains important. Without a focus on outcome, concerns and the effectiveness of welfare programs will not be adequately addressed.

b. Benefits.—Both the administration and the Congress have suggested major reforms to the current welfare system involving consolidations. This report provides Congress with an indepth examination of how services are delivered and where likely inefficiencies and duplications can be found. This in turn, points to many areas where consolidation may be effective.

31. "Federal Reorganization: Congressional Proposal To Merge Education, Labor, and EEOC," June 7, 1995, GAO/HEHS–95–140.

a. Summary.—A congressional proposal to consolidate the Departments of Labor and Education along with the Equal Employment Opportunity Commission (EEOC) envisions saving billions of dollars and creating more efficient services, but savings might be elusive if downsizing proceeds too quickly or proceeds without careful planning. The proposal to create a new Department of Education and Employment could yield savings of about $1.65 billion in administrative costs through the year 2000. The proposal significantly changes Education's existing structure, program offerings, and processes. The proposal would also raise program consolidation, workforce, accountability, implementation, and oversight issues that Congress, Education, and other agencies would need to address to ensure that Federal education and training programs meet the Nation's needs.

b. Benefits.—Currently, the Departments of Labor and Education offer many programs which duplicate or overlap. Furthermore, education and labor issues are becoming increasingly intertwined. This report concludes that the proposal to combine these two departments and the Equal Employment Opportunity Commission could result in significant savings.

32. "Nutrition Monitoring: Data Serve Many Purposes; Users Recommend Improvements," June 20, 1995, GAO/PEMD–95–15.

a. Summary.—The National Nutrition Monitoring and Related Research Program consists of a network of surveys, surveillance systems, and research activities that serve various purposes. It provides researchers and decisionmakers with data for assessing the safety of the Nation's food supply, targeting food assistance to low-income families, and studying the relationship between diet and disease. The program has been criticized, however, for the lack of coordination among the various activities and its poor coverage of populations at risk of nutritional problems. GAO surveyed users of nutrition-monitoring data. This report (1) describes the users and the major uses of nutrition-monitoring data and (2) summarizes user satisfaction with nutrition-monitoring activities and the changes that users believe are likely to increase their use of, or confidence in, the data.

b. Benefits.—Increasingly, scientists are discovering more connections between diet and the incidence of disease or illness. In order to reduce both the human and dollar costs of illness, nutritional standards must be considered by decisionmakers. This report will help improve the collection and coordination of this data.

33. "HUD Management: FHA's Multifamily Loan Loss Reserves and Default Prevention Efforts," June 5, 1995, GAO/RCED/AIMD–95–100.

a. Summary.—In recent years, the number of defaults on Federal Housing Administration (FHA) insured loans for multifamily housing has soared. In 1994, FHA established loan loss reserves of $103 billion for its multifamily portfolio. This represents the amount that HUD expects to lose from future defaults on FHA-insured loans. This report evaluates (1) the methodology that FHA used to

set loan loss reserves for its fiscal year 1993 multifamily portfolio; (2) the relative benefit of creating a new, actuarially sound insurance fund for all new multifamily housing insurance commitments; and (3) HUD's current initiatives for preventing future defaults on FHA's multifamily housing loans.

b. Benefits.—The report documents the FHA's handling of defaults within its multifamily portfolio and the FHA's establishment of loan loss reserves. The report will assist the Congress in any efforts to restructure either FHA or the agency's multifamily portfolio.

34. "Housing Finance: Improving the Federal Home Loan Bank System's Affordable Housing Program," June 9, 1995, GAO/RCED–95–82.

a. Summary.—Decent and affordable housing for every American family has been a goal of national housing policy since 1949. A shortage of affordable housing has prompted Congress to expand the capital available to finance such housing. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 required that the Federal Home Loan Bank System establish an Affordable Housing Program to help finance housing for households with very low, low, and moderate incomes and directed GAO to evaluate this program. This report examines (1) how program funds have been used to support affordable housing initiatives; (2) how the program has been run; and (3) whether opportunities exist to improve the program as a source of housing finance.

b. Benefits.—The report provides a generally positive evaluation of the Federal Home Loan Bank System's Affordable Housing Program and highlights the program's role in promoting affordable housing. GAO's report indicates that the program is continuing to institute improvements. The report also suggests that the Congress should continue funding upon adoption of some small changes.

35. "Public Housing: Converting to Housing Certificates Raises Major Questions About Cost," June 20, 1995, GAO/RCED–95–195.

a. Summary.—Proposed legislation submitted to Congress by the Department of Housing and Urban Development (HUD) would change how the United States has traditionally funded public housing. Federal aid would no longer flow to public housing authorities but instead would go to households in the form of housing certificates, giving these families the choice of remaining in public housing or moving to rental apartments. HUD believes that this shift in policy would save money and solve several basic problems with public housing, including residents' lack of choice in housing, the concentration of very poor people in very poor neighborhoods, and a lack of discipline in management of public housing because of its insulation from the marketplace. This report analyzes the proposed legislation and (1) describes the cost implications and issues raised by switching from the current public housing program to one using housing certificates and (2) identifies key factors that may affect HUD's plan to provide greater housing choice for public housing residents.

b. Benefits.—Both the administration and the Congress have called for major changes in national housing policy. This report provides an indepth analysis of the voucher conversion proposal offered by the administration.

36. "Federal Family Education Loan Information System: Weak Computer Controls Increase Risk of Unauthorized Access to Sensitive Data," June 12, 1995, GAO/AIMD–95–117.

a. Summary.—Controls over the Federal Education Loan Program information system, which is operated by a contractor for the Education Department, are critical to safeguarding assets, maintaining sensitive loan data, and ensuring the reliability of financial management information. GAO found that Education's general controls over the system failed to adequately protect sensitive files, applications programs, and systems software from unauthorized access, changes, or disclosure.

b. Benefits.—This report makes it clear that the Department of Education could significantly improve their information systems thereby, improving the efficiency of data collection and preventing loan defaults.

37. "Foreign Housing Guaranty Program: Financial Condition Is Poor and Goals Are Not Achieved," June 2, 1995, GAO/NSIAD–95–108.

a. Summary.—Since 1961, the Agency for International Development's (USAID) housing Guaranty Program has guarantied more than $2.7 billion in loans in 44 countries for home construction, mortgages, home improvements, urban infrastructure, and other shelter projects. A fundamental program goal is to increase housing for low-income families in developing countries by motivating local institutions to provide investment capital and other resources. However, Congress should consider terminating the program because it has failed to spur private-sector investment in low-income housing in developing countries, its benefits often go to higher-income persons, and its loan defaults may ultimately cost the U.S. Government as much as $1 billion. Moreover, program assistance has gone increasingly to creditworthy developing nations that have ready access to international financing.

b. Benefits.—This report suggests the failure of a program which does not fulfill its mission and is proving financially unsound. The report presents information that questions the continued need for the Foreign Housing Guaranty Program.

38. "Food Aid: Competing Goals and Requirements Hinder Title I Program Results," June 26, 1995, GAO/GGD–95–68.

a. Summary.—During the past 40 years, the United States has allocated more than $88 billion in food assistance to developing countries under Title I of the 1954 Agriculture Trade Development and Assistance Act. Under the Title I program, run by the Agriculture Department, U.S. agricultural commodities are sold on long-term credit terms at below-market-rate interest. Although the United States remains a world leader in providing food aid, Title I's share of both U.S. food aid and overall U.S. agricultural exports has declined dramatically since the program's inception. This re-

port evaluates the impact of Title I assistance on (1) broad-based, sustainable economic development in recipient countries and (2) long-term market development for U.S. agricultural goods in those countries. GAO also reviews the effect of 1990 legislation on restructuring title I program management and the program's ability to sustain economic and market development.

b. Benefits.—Congress must continually evaluate the effectiveness of programs. This report gives Congress the tools needed to candidly evaluate the effectiveness of the Title I food assistance program and the effects of the 1990 restructuring.

39. "Child Welfare: Opportunities to Further Enhance Family Preservation and Support Activities," June 15, 1995, GAO/HEHS–95–112.

a. Summary.—During the past 20 years, social, cultural, and economic changes—such as increases in drug abuse, community violence, and poverty—have increased the severity of problems plaguing American families and the number of families that have come to the attention of child welfare agencies. From 1976 to 1992, the rates of child abuse and neglect increased fourfold. And from 1988 to 1993, the number of foster children increased nearly one-third, to 450,000. States have struggled to keep up with the increased demand for child welfare services, but worsening State fiscal difficulties have further strained the child welfare system's ability to serve vulnerable children and their families. As part of the Omnibus Budget Reconciliation Act of 1993, Congress authorized new funding for family preservation and family support services. More recently, Congress has considered proposals to incorporate these funds, along with other child welfare programs, into a block grant program for States. This report (1) describes the condition of child welfare in America that precipitated the 1993 act; (2) assesses Federal and State efforts to implement its provisions; and (3) highlights areas in which these efforts could be enhanced.

b. Benefits.—This report highlights the deteriorating state of many American families and the effects on children and provides information useful in the evaluation of Federal assistance efforts.

40. "Community Development: Reuse of Urban Industrial Sites," June 30, 1995, GAO/RCED–95–172.

a. Summary.—Thousands of former industrial sites, known as "brownfields," are abandoned and possibly contaminated. Many offer potential for redevelopment, but developers have been reluctant to get involved because of far-reaching and uncertain liability imposed by Federal and State liability laws. This report (1) determines what is known about the extent and the nature of abandoned industrial sites in distressed urban areas and the barriers that brownfields present to redevelopment and (2) provides information on Federal initiatives aimed at helping communities overcome obstacles to reusing brownfield sites.

b. Benefits.—Former industrial sites often have great potential for redevelopment possibilities, but as the report shows, these possibilities are frustrated by potential liabilities from Federal and State liability laws. The report indicates a need for further inves-

tigation into how the redevelopment of "brownfields" can be encouraged.

41. "Welfare Benefits: Potential To Recover Hundreds of Millions More in Overpayments," June 20, 1995, GAO/HEHS–95–111.

a. Summary.—Under welfare reform legislation being considered by Congress, resources for helping poor families may become increasingly limited—making it critical that only those who are eligible for benefits receive them. In 1992, benefit overpayments in three welfare programs—Aid to Families With Dependent Children, Food Stamps, and Medicaid—totaled $4.7 billion, or about 4 percent of the total benefits paid. Nationwide recovery of these benefits was relatively low. This report discusses (1) what States are doing to recover benefit overpayments; (2) what the more effective practices are; (3) what States could do better; and (4) what the Federal Government could do to help States recover more overpayments.

b. Benefits.—Overpayments in welfare programs are a large drain on resources that could be better used to help other people, expand benefits, or be put to different uses. The report reinforces the need for welfare reform and stronger oversight of welfare programs to reduce overpayments and other wasteful practices.

42. "Employment Discrimination: Most Private-Sector Employers Use Alternative Dispute Resolution," July 5, 1995, GAO/HEHS–95–150.

a. Summary.—The number of discrimination lawsuits filed in Federal courts has increased dramatically in recent years. Employers have become more and more concerned about the costs involved in resolving these complaints—in time, money, and good employee relationships. Some employers have turned to internal alternative dispute resolution approaches, including arbitration, which requires submitting disputes to a neutral third person for resolution. Some require their employees to agree to binding arbitration of discrimination complaints as a condition of their employment, forcing employees to waive the right to sue. GAO estimates, on the basis of a survey of 2,000 businesses, that almost all employers with 100 or more employees use one or more alternative dispute resolution approaches. Arbitration is one of the least common approaches reported. Employer policies on arbitrating discrimination complaints vary considerably. Some of these policies, such as those for employees obtaining information and empowering the arbitrator to use remedies equal to those under law, would not meet standards of fairness proposed recently by a commission established by the Secretary of Labor and the Secretary of Commerce.

b. Benefits.—The use of alternative dispute resolution reduces costs for businesses resolving discrimination complaints. Some of the methods might be used by the Federal Government.

43. "Supplemental Security Income: Growth and Changes in Recipient Population Call for Reexamining Program," July 7, 1995, GAO/HEHS–95–137.

a. Summary.—The Supplemental Security Income (SSI) program is the largest cash assistance program for the poor and one of the

fastest-growing entitlement programs. Program costs have risen 20 percent annually during the last 4 years. SSI provides means-tested income support payment to aged, blind, or disabled persons. Last year, more than 6 million persons received about $25 billion in Federal and State benefits. In response to SSI's rapid growth, Congress passed legislation limiting drug addicts' benefits, and this year it is considering further restrictions for these recipients, as well as for children and noncitizens. This report provides an overview of the SSI program and its recent history. Specifically, it examines factors contributing to caseload growth and changes in the characteristics of SSI recipients.

b. Benefits.—This report gives Congress and the American people background and reasons for the rapid growth in SSI. This report provides important information in the debate over welfare and entitlement reform.

44. "Health Insurance for Children: Many Remain Uninsured Despite Medicaid Expansion," July 19, 1995, GAO/HEHS–95–175.

a. Summary.—Expanding children's Medicaid eligibility has significantly increased the number of children who rely on Medicaid for health coverage. It has also cushioned the effect of declining employment-based health insurance coverage for children. Because of expanded eligibility, the proportion of children on Medicaid in working and in two-parent families has grown. Congress is considering welfare reform proposals that would encourage low-income mothers to work. Yet many low-income jobs do not offer health insurance as a benefit. Even children who have full-time working parents and are part of two-parent households may lack health insurance. Although Medicaid has begun to help close that gap for some families, many more uninsured children are eligible for Medicaid than have been enrolled. Changes to Medicaid that remove guaranteed eligibility and change the financing and responsibilities of Federal and State government may strongly affect health insurance coverage for children in the future. Children account for only a small portion of Medicaid costs. Because they represent almost half the participants, however, any changes to Medicaid disproportionately affect children. Changes to Medicaid that reduce the number of children covered, without any corresponding changes to encourage employers to provide dependent health insurance coverage or to provide other coverage options for children, could significantly increase the number of uninsured children in the future.

b. Benefits.—This report demonstrates the need to be careful in deciding how reforms are implemented so that children are not unfairly affected.

45. "Property Disposition: Information on HUD's Acquisition and Disposition of Single-Family Properties," July 24, 1995, GAO/RCED–95–144FS.

a. Summary.—Each year, lenders foreclose on thousands of defaulted mortgages on single-family properties insured by the Department of Housing and Urban Development's (HUD) Federal Housing Administration (FHA). With few exceptions, HUD then takes ownership of, and later resells, these properties. FHA almost

always loses money on the sale of foreclosed properties. In response to congressional concerns about the costs that HUD incurs in acquiring, managing, and selling the foreclosed properties, this fact sheet provides information on (1) the losses on such properties sold during the 3 fiscal years ending September 20, 1994, and the breakdown of the costs associated with these losses; (2) the number of properties that HUD acquired and sold during the 3-year period; and (3) the length of time that the properties remained in HUD's inventory before being sold.

b. Benefits.—At the request of the Congress, GAO has compiled comprehensive data on HUD's acquisition and disposition of single-family properties. This report provides the Congress with necessary information for reform efforts aimed at improving single-family acquisition and disposition policy.

46. "College Savings: Information on State Tuition Prepayment Programs," August 3, 1995, GAO/HEHS–95–131.

a. Summary.—A handful of States have adopted tuition prepayment programs, which allow parents to pay in advance for tuition at participating colleges on behalf of a designated child, thereby ensuring full coverage of the child's future tuition bill at one of these colleges regardless of how much costs rise. By allowing purchasers to "lock in" today's prices, these programs are intended to ease families' concerns about whether they will have enough money in the future to pay for their children's' college expenses. This report (1) describes how these programs operate and the participation rates they have achieved; (2) assesses participants' income levels and options for increasing the participation of lower-income families; and (3) discusses the key issues surrounding these programs.

b. Benefits.—States are using innovative means to address the cost of college. This report will help the Federal Government decide if it can learn from those experiences and improve Federal loan programs.

47. "Medicare: Increased HMO Oversight Could Improve Quality and Access to Care," August 3, 1995, GAO/HEHS–95–155.

a. Summary.—This report discusses problems that the Health Care Financing Administration (HCFA) has had in (1) monitoring health maintenance organizations (HMO) it contracts with to provide services to Medicare beneficiaries and (2) ensuring that they comply with Medicare's performance standards. GAO found weaknesses in HCFA's quality assurance monitoring, enforcement measures, and appeal processes. Although HCFA routinely reviews HMO operations for quality, these reviews are generally perfunctory and do not consider the financial risks that HMO's transfer to providers. Moreover, HCFA collects virtually no data on services received through HMO's that would enable HCFA to identify providers who may be under serving beneficiaries. In addition, HCFA's HMO oversight has two other major limitations: enforcement actions are weak, and the beneficiary appeal process is slow. HCFA's current regulatory approach to ensuring good HMO performance appears to GAO to lag behind the private sector.

b. Benefits.—As both the administration and Congress promote HMO's, it is critical that HCFA have the systems in place to deal

with the increased use of HMO's. This report makes it clear that HCFA must place more emphasis on handling this emerging form of health care.

48. "Medigap Insurance: Insurers' Compliance With Federal Minimum Loss Ratio Standards, 1988–1993," August 23, 1995, GAO/HEHS–95–151.

a. Summary.—The Medigap market grew steadily from 1988 to 1993, from $7.3 billion to $12.1 billion. Medigap insurers' aggregate loss ratios were relatively stable during the first 4 years of that period. During the next 2 years, however, these ratios fell about 10 percentage points, to an aggregate 75 percent for individual policies and 85 percent for group policies. In 1991, 19 percent of Medigap policies failed to meet loss ration standards; this rose to 38 percent by 1993. The premium dollars spent on such policies increased from $320 million in 1991 to $1.2 billion in 1993. If insurers had been required to give refunds or credits on substandard policies, as they will in the future, policyholders would have been due about $124 million during 1992 and 1993.

b. Benefits.—This report shows that despite some minor concerns the Medigap program is one reform that is working to standardize coverages, improve underwriting standards and prevent abuses.

49. "Nonprescription Drugs: Value of a Pharmacist-Controlled Class Has Yet To Be Demonstrated," August 24, 1995, GAO/PEMD–95–12.

a. Summary.—The drug classification system in the United States, under which drugs are classified as either prescription or nonprescription, is unique. Other countries have a class of drugs that is available without a prescription but can be obtained only at a pharmacy and sometimes can be dispensed only by a pharmacist. This report reviews the drug distribution systems in 10 countries and the European Union. GAO also reviews the practice of pharmacists' counseling patients on the use of nonprescription drugs. GAO found that little evidence exits to support the establishment of a pharmacy or a pharmacist class of drugs in the United States at this time, either as a fixed or a transition class. Available evidence tends to undermine the argument that countries with such a class obtain major benefits. This report discusses in detail the facts supporting this conclusion.

b. Benefits.—This report demonstrates the need to assess the way other nations determine pharmaceutical classifications. In reviewing the classification systems of other nations, the GAO has shown no appreciable gains to be made by changing the U.S. classification system.

50. "Medicare: Antifraud Technology Offers Significant Opportunity To Reduce Health Care Fraud," August 11, 1995, GAO/AIMD–95–77.

a. Summary.—Medicare continues to suffer large losses each year due to fraud. Existing risks are sharply increased by the continual growth in Medicare claims—both in number and percentage processes electronically. Existing Medicare payment safeguards can be bypassed and apparently do not deter fraudulent activities. The

Health Care Financing Administration should be able to benefit by taking full advantage of emerging antifraud technology to better identify and prevent Medicare fraud. The number and types of Medicare fraud schemes perpetrated in South Florida may make that area the best place to test antifraud systems before nationwide use.

b. Benefits.—Previous GAO reports have shown that HCFA lacks comprehensive and sometimes common sense ways to combat waste, fraud, and abuse in Medicare and Medicaid, resulting in the loss of billions of dollars each year. This report reinforces that view and cautions Congress once again that it must take steps to ensure better accounting and accountability at the agency.

51. "VA Health Care: Need for Brevard Hospital Not Justified," August 29, 1995, GAO/HEHS–95–192.

a. Summary.—The Department of Veterans Affairs (VA) assumed control of a former naval hospital in Orlando, FL, in June 1995. VA plans to convert the hospital into a nursing home while continuing to operate an existing outpatient clinic. VA also plans to build a new hospital and nursing home in Brevard County, 50 miles from Orlando. GAO concludes that VA's conversion of the former Orlando Naval Hospital into a nursing home and construction of a new hospital and nursing home in Brevard County is not the most prudent and economical use of its resources. These construction projects are based on questionable planning assumptions that may result in an unneeded expenditure of Federal dollars. Specifically, VA did not adequately consider hundreds of nursing home beds available in nearby communities, unused VA hospital beds, and the potential for decreasing demand for VA hospital beds. VA could achieve its goals in central Florida by using existing capacity.

b. Benefits.—The report provides useful information regarding flaws in the VA criteria and process used to allocate construction funds.

52. "Medicare: Excessive Payments for Medical Supplies Continue Despite Improvements," August 8, 1995, GAO/HEHS–95–171.

a. Summary.—In fiscal year 1994 alone, Medicare was billed more than $6.8 billion for medical supplies. Congressional hearings and government studies have shown that Medicare has been extremely vulnerable to fraud and abuse in its payments for medical supplies, especially surgical dressings. In one case, Medicare paid more than $15,000 in claims for a month's supply of surgical dressings for a single patient, apparently without reviewing the reasonableness of the claims before payment. Until recently, medical suppliers had considerable freedom in choosing the Medicare contractors that would process and pay their claims. Some exploited this freedom by "shopping" for contractors with the weakest controls and highest payment rates. This report discusses (1) the circumstances allowing payment for unusually high claims for surgical dressing and (2) the adequacy of Medicare's internal controls to prevent payments for excessive claims.

b. Benefits.—As previous GAO reports have concluded, HCFA lacks proper controls within Medicare and Medicaid to prevent

large scale waste, fraud, and abuse. This report points to the need for significant reforms to assure program integrity.

53. "Block Grants: Issues in Designing Accountability Provisions," September 1, 1995, GAO/AIMD–95–226.

a. Summary.—Congress has shown strong interest in consolidating narrowly defined categorical grant programs into broader purpose block grants. A total of 15 block grant programs with funding of $35 billion were in effect in fiscal year 1994, constituting a small portion of the total Federal aid to States. If Medicare and Aid to Families With Dependent Children are added, however, block grant spending could rise substantially—to as much as $138 billion or about 58 percent of the total Federal aid to States. This report summarized information on how accountability for program financial management can be designed to fit a block grant approach and the potential consequences of such provisions. To provide an overview and summary of GAO's evaluations of past block grant programs, GAO reviewed nearly two decades of reports, testimony, and other documents on accountability issues related to intergovernmental programs. GAO also consulted with experts on block grants, performance budgeting, and financial accountability.

b. Benefits.—In order to give States more flexibility, the Congress has supported converting categorical grant programs into block grants. The GAO report will help the Congress establish effective management and accountability systems in block grants.

54. "Adult Education: Measuring Program Results Has Been Challenging," September 8, 1995, GAO/HEHS–95–153.

a. Summary.—According to a recent national survey, nearly 90 million adults in the United States have difficulty writing a letter explaining an error on a credit card bill, using a bus schedule, or calculating the difference between the regular and sale price of an item. To address these deficient skills, Congress passed the Adult Education Act, which funds State programs to help adults acquire the basic skills needed for literacy, benefit from job training, and continue their education at least through high school. The most common types of instruction funded under the act's largest program—the State Grant Program—are basic education (for adults functioning below the eighth grade level), secondary education, and English as a second language. Because many clients of Federal employment training programs need instruction provided by the State Grant Program, coordination among these programs is essential. Although the State Grant Program funds programs that address the educational needs of millions of adults, it has had difficulty ensuring accountability for results because of a lack of clearly defined program objectives, questionable validity of adult student assessments, and poor student data.

b. Benefits.—The GAO report demonstrates that there is a great need for literacy training. However, the report also suggests that the current system used to evaluate the illiteracy rate cannot ascertain the success of the program. The report will aid Congress in considering legislation to target literacy programs to achieve measurable goals.

55. "School Finance: Trends in U.S. Education Spending," September 15, 1995, GAO/HEHS–95–235.

a. Summary.—Recent trends in financing U.S. education show a leveling off of per pupil spending for education combined with increasing enrollment in public elementary and secondary schools. Meanwhile, the schools face an increasing number of poor children and others at high risk of school failure—students whose education costs are generally greater than average. Moreover, education's share of State budgets has declined, and Federal funding for education faces tight fiscal constraints. If these trends continue, America may be less able to provide adequate educational services for many school-age children or make needed improvements in the educational system.

b. Benefits.—This report examines trends in per pupil funding for education. The information provides a thorough and useful overview of the issues Congress and the American people must consider in order to ensure adequate education funding in the future.

56. "Medicare Spending: Modern Management Strategies Needed To Curb Billions in Unnecessary Payments," September 19, 1995, GAO/HEHS–95–210.

a. Summary.—Medicare's vulnerability to billions of dollars in unnecessary payments stems from a combination of factors. First, Medicare pays higher than market rates for some services and supplies. For example, Medicare pays more than the lowest suggested retail price for more than 40 types of surgical dressings. Second, Medicare's anti-fraud-and-abuse controls do not prevent the unquestioned payment of claims for improbably high charges or manipulated billing codes. Third, Medicare's checks on the legitimacy of providers are too superficial to detect the potential for scams. Various health care management strategies help private payers avoid these problems, but Medicare generally does not use these strategies. The program's pricing methods and controls over utilization, consistent with health care financing and delivery 30 years ago, have not kept pace with major financing and delivery changes. GAO believes that a viable strategy to remedy the program's weaknesses would involve adapting the health care management approach of private payers to Medicare's public payer role. This strategy would include (1) more competitively developed payment rates; (2) enhanced fraud and abuse detection efforts through modernized information systems; and (3) more rigorous criteria for granting authorization to bill the program.

b. Benefits.—Previous GAO reports have shown that HCFA lacks comprehensive and common sense ways to combat waste, fraud, and abuse in Medicare and Medicaid, resulting in the loss of billions of dollars each year. This report reinforces that view and points out successful practices from the private sector that can help prevent fraud and abuse in Medicare.

57. "Medicaid: Tennessee's Program Broadens Coverage but Faces Uncertain Future," September 1, 1995, GAO/HEHS–95–186.

a. Summary.—In early 1993, Tennessee predicted that increases in State Medicaid expenditures and the loss of tax revenues used to finance Medicaid would produce a financial crisis. To control

Medicaid expenditures, and extend health insurance coverage to most State residents, Tennessee converted its Medicaid program into a managed-care health program—TennCare—to serve both Medicaid recipients and uninsured persons. GAO found that although TennCare met its objective of providing health coverage to many uninsured persons while controlling costs, concerns remain with respect to access to quality care and managed care performance. In addition, the soundness of the methodology for determining and the resulting adequacy of the program's capitation rates have been questioned. This report discusses (1) TennCare's basic design and objectives; (2) the degree to which the program is meeting these objectives; and (3) the experiences of TennCare's insurers and medical providers and their implications for TennCare's future.

b. Benefits.—While the report highlights some concerns with TennCare, GAO makes clear that flexibility is paying off, giving the State more control over costs and expanding health coverage. The report makes the case to Congress that while giving States more flexibility in Medicaid eligibility and service delivery is not without its difficulties, it can be successful.

58. "Health Care Shortage Areas: Designations Not a Useful Tool for Directing Resources to the Underserved," September 8, 1995, GAO/HEHS–95–200.

a. Summary.—Many Americans live in places where barriers exist to obtaining basic health care. These areas range from isolated rural locations to inner-city neighborhoods. In fiscal year 1994, the Federal Government spent about $1 billion on programs to overcome access problems in such locales. To be effective, these programs need a sound method of identifying the type of access problems that exist and focusing services on the people who need them. The Department of Health and Human Services uses two main systems to identify such sites. One designates Health Professional Shortage Areas (HPSA), the other Medically Underserved Areas (MUA). More than half of all U.S. counties fall into these two categories. GAO reviewed the two systems to determine (1) how well they identify areas with primary care shortages; (2) how well they help target Federal funding to benefit those who are underserved; and (3) whether they are likely to be improved under proposals to combine them.

b. Benefits.—The GAO report indicates that the HPSA and MUA systems do not effectively identify areas with primary care shortages or help target Federal resources to benefit those who are underserved. Furthermore, the GAO offers alternative reform initiatives for Congress and HHS to consider.

59. "Cancer Drug Research: Contrary to Allegation, NIH Hydrazine Sulfate Studies Were Not Flawed," September 13, 1995, GAO/HEHS–95–141.

a. Summary.—Despite advances in treating cancer, some forms of the disease remain resistant to all therapies and are often fatal. Because of findings suggesting that hydrazine sulfate may improve survival for some patients with advanced cancers, the National Cancer Institute sponsored three studies of the drug. All three studies failed to show any benefit from it. The developer of hydra-

zine therapy alleged that the National Cancer Institute compromised its studies by allowing study patients to take tranquilizers, barbiturates, and alcohol, which they contend are incompatible with hydrazine sulfate. GAO confirmed that all three trials allowed the use of tranquilizers to varying degrees and one trial allowed the use of barbiturates and alcohol. Retrospective analyses, however, found no evidence that the use of these allegedly incompatible agents adversely affected the results of the clinical trials. Although GAO's work did not support the allegation that the studies were flawed, the National Cancer Institute should have ensured that complete and accurate records were kept on concurrent medications and possible alcohol use. Furthermore, the National Cancer Institute's investigators did not analyze this issue until recently, and the published results did not accurately describe the use of tranquilizers during one of these clinical trials.

b. Benefits.—The GAO report demonstrates that the National Cancer Institute studies concerning hydrazine sulfate for cancer patients were not compromised by the use of tranquilizers, barbiturates, and alcohol. The report cautions the Institute about the accuracy of some recordkeeping and provides valuable insights to Congress on health care research procedures.

60. "Health Insurance Portability: Reform Could Ensure Continued Coverage for up to 25 Million Americans," September 19, 1995, GAO/HEHS–95–257.

a. Summary.—Although Federal and State laws have improved the portability of health insurance, an individual's health care coverage could still be reduced when changing jobs. Between 1990 and 1994, 40 States enacted small group insurance regulations that include portability standards, but the Federal Employee Retirement Income Security Act of 1974 prevents States from applying these standards to the health plans of employers who self-fund. As a result, Members of Congress have proposed broader national portability standards. GAO estimates that as many as 21 million Americans each year would benefit from Federal legislation to ensure that workers who change jobs would not be subject to new health insurance plans that impose waiting periods or exclude "preexisting conditions." In addition, as many as 4 million Americans who at some point have been unwilling to leave their jobs because they feared losing their health care coverage would benefit from national portability standards. Such a change, however, could possibly boost premiums, according to insurers.

b. Benefits.—With both the administration and the Congress agreeing on the need for greater health insurance portability, it is important that any legislation achieve that goal while avoiding unintended or market-distorting consequences in this complex area. This report provides Congress with important information on insurance portability issues.

61. "Durable Medical Equipment: Regional Carrier's Coverage Criteria Are Consistent With Medicare Law," September 19, 1995, GAO/HEHS–95–185.

a. Summary.—In November 1993, the Health Care Financing Administration began consolidating the work of processing and

paying claims for durable medical equipment, prostheses, orthoses, and supplies at four regional carriers. Claims for such items had previously been processed and paid by local Medicare carriers. As part of the transition to regional processing, the four regional carriers developed coverage criteria for the items. GAO found that the final criteria adopted by the regional carriers are consistent with Medicare's policies on national coverage and the law. GAO does not believe that the criteria have impeded access by disabled beneficiaries to needed durable medical equipment and other items. Also, the regional carriers approved a similar percentage of service for durable medical equipment and other items for disabled and aged Medicare beneficiaries in 1994, so there was no significant difference in access to durable medical equipment and other items between the two groups of beneficiaries.

b. Benefits.—This report assists Congress in the discharge of its oversight responsibilities and provides useful analysis of a successful HCFA initiative.

62. "Medical Liability: Impact on Hospital and Physician Costs Extend Beyond Insurance," September 29, 1995, GAO/AIMD–95–169.

a. Summary.—As Congress considers proposals to reduce the tort liability in the health care industry, little consensus exists on the extent to which medical liability-related spending boosts hospital and physician expenditures, a central issue in the debate over health care reform. GAO found that hospitals and physicians incur a variety of medical liability costs. Studies attempting to measure such costs have focused on the cost of purchased malpractice insurance, which is readily quantifiable because of State reporting requirements. Other hospitals and physician liability costs, however, are impractical and methodologically difficult to measure with any precision. Such costs include defensive medicine, liability-related administrative expenses, and medical device and drug company liability expenses that are passed on to hospitals and doctors in the price of products. However, a broader understanding of such costs and their implications is useful to the ongoing medical liability reform debate.

b. Benefits.—This report gives the Congress a greater understanding of liability related expenses in health care.

63. "Health Care: Employers and Individual Consumers Want Additional Information on Quality," September 29, 1995, GAO/HEHS–95–201.

a. Summary.—Both employers who purchase health care and individual consumers have demanded more information on quality. In response to these demands, some States, large employers, and health plans have been publishing performance reports describing the quality of health care providers. These "report cards" provide such information as the frequency with which preventive services are provided and the degree of success in treating certain diseases. Data comparing health care plans and providers helped the consumers GAO surveyed make their health care purchasing decisions. However, performance reports have yet to achieve their fullest potential. Consumers said that they needed more reliable and

valid data, more readily available and standardized information, and more emphasis on outcome measures. Meeting the information needs of individual consumers continues to lag behind meeting employer needs. Attention must be paid to ensuring that individual consumers have access to health care data. Although employers themselves have begun to cooperate with one another, few of those GAO interviewed are making complete health care data available to help individual consumers make purchasing decisions. Relevant stakeholders have not yet addressed the issues of disseminating performance data to individual consumers so that they can make responsive, informed decisions about their health care coverage.

b. Benefits.—The movement toward managed health care has created a stronger need for quality of care information. This report provides information on performance measures and quality surveys used by States and private purchasers of health coverage.

64. "Welfare to Work: Child Care Assistance Limited; Welfare Reform May Expand Needs," September 21, 1995, GAO/HEHS–95–220.

a. Summary.—From 1991 through 1993, Federal and State spending on child care subsidies to help welfare recipients work or go to school grew from about $460 million to more than $1 billion. As Congress and the States consider various approaches to restricting the length of time that mothers stay on welfare, questions have arisen about the child care needs that will arise as more and more welfare mothers participate in training activities or return to work. In particular, concerns have been raised about the capacity of State child care resources to handle the rise in the number of children needing care under such proposals. This report examines (1) the extent to which child care needs of welfare recipients in an education program—the Job Opportunities and Basic Skills Training program—are being met; (2) whether any barriers exist to meeting the child care needs of program participants; (3) the effects of child care subsidies on former welfare recipients' progress toward self-sufficiency; and (4) the potential implications of welfare reform for child care availability and continuity.

b. Benefits.—This report provides Congress with useful information on the relationships between likely demand for welfare, health care and training programs.

65. "Child Welfare: Complex Needs Strain Capacity To Provide Services," September 26, 1995, GAO/HEHS–95–208.

a. Summary.—Between 1983 and 1993, sharp increases in the number of foster children combined with unprecedented service needs led to a crisis in foster care. Reports of child abuse and neglect nearly doubled, and foster care caseloads grew by two-thirds. Demands for child welfare services grew not only because the number of foster children increased but also because families and children were more troubled and had more complex needs than in the past. Large numbers of preschool-age foster children, for example, are at risk for health problems due to prenatal drug exposure. Meanwhile, resources for child welfare services failed to keep pace with the needs of troubled children and their parents. Although foster care funding has increased dramatically at all levels of gov-

ernment, Federal funding for child welfare services has lagged. State and localities have found it hard to meet the demand, despite the fact that they have more than tripled expenditures in some cases. As a result, States have adopted various measures to meet the needs of troubled children and their families while maintaining child safety. Many States now offer family preservation services or place children with relatives to maintain family ties and save money. States are also increasingly considering the use of specialized foster homes for children with unique problems, including emotionally disturbed and medically fragile youngsters, to provide more family like care at lower costs than institutions.

b. Benefits.—This report provides useful information on the complex and dynamic relationships between public assistance programs, particularly programs directed to children.

66. "FDA Import Automation: Serious Management and Systems Development Problems Persist," September 28, 1995, GAO/AIMD–95–188.

a. Summary.—The Food and Drug Administration (FDA) oversees imports of food, drugs, cosmetics, medical devices, and other products to ensure that the public is protected from goods of questionable quality or that make misleading claims. In 1987, FDA began developing an automated system to improve its import entry clearance process, which required extensive paperwork. Despite an investment of 8 years and $13.8 million to automate its process for inspecting imported goods, the new system contains major deficiencies. This is due mainly to inadequate top management oversight and a management team that lacked expertise and skill in system development. FDA has implemented a portion of the system—the Operational and Administrative System for Import Support (OASIS)—to enhance its ability to regulate imports and to relieve importers and FDA personnel of some of the paperwork burdens associated with import processing. In developing OASIS, FDA did not follow generally accepted systems development practices for validating software; conducting user acceptance testing; developing a security plan to safeguard its computer facilities, equipment, and data; and conducting a cost-benefit analysis. The resulting shortcomings mean that OASIS may not perform as needed and that unsafe products could enter the country.

b. Benefits.—This GAO report indicates that the FDA's OASIS system has been poorly managed and coordinated. The report gives the Congress information needed to conduct thorough oversight and to evaluate FDA reform proposals.

67. "Welfare to Work: Approaches That Help Teenage Mothers Complete High School," September 29, 1995, GAO/HEHS/PEMD–95–202.

a. Summary.—A variety of local programs seek to help teenage mothers complete their secondary education and thereby avoid welfare dependency. GAO found that close monitoring of teenage mothers' educational activities coupled with follow-up when their attendance drops increases the likelihood that they will complete their education. Leveraging the welfare benefit as a sanction or reward for attendance has contributed to the completion of high

school by teenage mothers. Providing support services to overcome barriers to continued attendance, with or without financial incentives, also seems to work, especially for dropouts. Assistance in meeting child care or transportation needs may be particularly helpful but did not appear to be enough, in the absence of attendance monitoring, to motivate these young mothers to complete their secondary education. Although current Federal Aid to Families With Dependent Children policy stresses the importance of teenage mothers' participation in the JOBS program, it does not require States to serve all teenage mothers in JOBS, nor does it require States to monitor the school attendance of all teenage mothers on welfare. Congress is now deliberating several reforms to the welfare system, including whether to provide benefits to teenage mothers. Although GAO found that several approaches can succeed in helping teenage mothers complete high school, the final form of any reform legislation will likely influence each State's use of these approaches.

b. Benefits.—As Congress addresses welfare reform, aid to teenage mothers is one of the most contentious areas of concern. This report points to several ways which have proven effective in assisting teenage mothers.

68. "VA Student Financial Aid: Opportunity To Reduce Overlap in Approving Education and Training Programs," October 30, 1995, GAO/HEHS–96–22.

a. Summary.—Since the 1940's, the Department of Veterans Affairs (VA) and its predecessor agencies have contracted with State approving agencies to assess whether schools and training programs offer classes of sufficient quality to merit VA education assistance benefits. GAO estimates that $10.5 million of the $12 million paid to these agencies in 1994 was spent on assessments that overlapped those of the Department of Education. These assessments involved reviews of academic and vocational schools that were already accredited by Education-approved agencies. State approving agency efforts costing another $400,000 in 1994 may have overlapped assessments of apprenticeship programs done by the Department of Labor. The continued use of State approving agencies to do assessments that overlap other assessments does not appear to be a good use of scarce Federal dollars. GAO suggests restricting State approving agency activity solely to those schools and programs not subject to "gatekeeping" by the Department of Education.

b. Benefits.—This report provides additional evidence that Departments of Education, Labor and the VA operate duplicative education, training and school assessment programs.

69. "Worker Protection: Federal Contractors and Violations of Labor Law," October 24, 1995, GAO/HEHS–96–8.

a. Summary.—Private sector firms receive billions of dollars each year in Federal Government contracts for goods and services. Although these firms generally profit from their business with the Federal Government, some also violate Federal laws that protect the rights of employees to bargain collectively. Legislation is pending before Congress that would debar firms showing "a clear pat-

tern and practice" of violating the National Labor Relations Act from being awarded Federal contracts. This report identifies the extent to which violators of the act include employers that have contracts with the government. More specifically, GAO identifies characteristics associated with these Federal contractors and their violations of the act and identifies ways to improve compliance of Federal contractors with the act.

b. Benefits.—This report gives Congress information needed in oversight and legislative deliberations regarding better enforcement and compliance with labor laws by Federal contractors.

70. "Arizona Medicaid: Competition Among Managed Care Plans Lowers Program Costs," October 4, 1995, GAO/HEHS–96–2.

a. Summary.—Many States are converting their traditional fee-for-service Medicaid programs to managed care delivery systems. Arizona's Medicaid program offers valuable insights—especially in fostering competition and monitoring plan performance. Since 1982, Arizona has operated a statewide Medicaid program that mandates enrollment in managed care and pays health plans a capitated fee for each beneficiary served. Although the program had problems in its early years, such as the dismissal of the program administrator and the State's takeover of the administration, it has successfully contained health care costs while maintaining beneficiaries' access to mainstream medical care. Arizona's recent cost containment record is noteworthy. According to one estimate, Arizona's Medicaid program saved the Federal Government $37 million and the State $15 million in acute care costs during fiscal year 1991 alone. Arizona succeeded in containing costs by developing a competitive Medicaid health care market. Health plans that submit capitation rates higher than their competitors' bids risk not winning Medicaid contracts. Other States considering managed care programs can benefit from Arizona's experience. GAO concludes that key conditions for holding down Medicaid costs without compromising beneficiaries' access to appropriate medical care include freedom from some Federal managed care regulations, development and use of market forces, controls to protect beneficiaries from inadequate care, and investment in data collection and analysis capabilities.

b. Benefits.—The report makes it clear that the flexibility afforded Arizona is paying off under Section III Medicaid waivers. Furthermore, it makes the case to Congress that while giving States more flexibility in Medicaid eligibility and service delivery is not without difficulties, it can prove successful and should be pursued.

71. "Mammography Services: Initial Impact of New Federal Law Has Been Positive," October 27, 1995, GAO/HEHS–96–17.

a. Summary.—The Mammography Quality Standards Act of 1992 imposed uniform standards for mammography in all States, requiring certification and annual inspection of mammography facilities. GAO found that the act has resulted in higher quality equipment, personnel, and practices. Although mammography quality standards are now in place in all States, they do not appear to have hampered access to services. To avoid large-scale closure of facili-

ties, however, the Food and Drug Administration settled on an approach that allowed some delay in meeting certification requirements. For this and other reasons, such as the availability of outcome data, more time will be needed before the act's full impact can be determined. GAO is required to assess the effects of the act again in 2 years and to issue a report in 1997.

b. Benefits.—This report provides valuable oversight feedback about the Mammography Quality Standards Act to the Congress.

72. "Homeownership: Mixed Results and High Costs Raise Concerns About HUD's Mortgage Assignment Program," October 18, 1995, GAO/RCED–96–2.

a. Summary.—During the 19-year period that ended in September 1993, the Department of Housing and Urban Development (HUD) incurred losses totaling $12.8 billion as a result of foreclosures on homes that the Federal Housing Administration (FHA) had insured. As an alternative to foreclosure on such properties, HUD operates a mortgage assignment program. For borrowers accepted into the program, FHA pays the mortgage debt, takes assignment of the mortgage from the lenders, and develops a new repayment plan for the borrower under which monthly mortgage payments can be reduced or suspended for up to 36 months. HUD collects mortgage payments from the borrowers while allowing them to live in their homes. The number of FHA borrowers participating in the program has tripled during the past 6 years, reaching 71,500 at the end of fiscal year 1994. Their unpaid principle balances total $3.7 billion. GAO found that program has helped borrowers avoid immediate foreclosure, but it has not been fully successful in helping borrowers avoid foreclosure and retain their homes on a long-term basis. GAO estimates that 52 percent of the nearly 69,000 borrowers who have entered the program since fiscal year 1989 will eventually lose their homes through foreclosure. Moreover, program losses have exceeded those that would have been incurred had loans gone immediately to foreclosure without assignment. Options to reduce program losses include reducing the 3-year relief period provided to borrowers, setting a time limit on eliminating delinquencies, and accepting only those borrowers into the program who can afford to pay at least half of their mortgage payments.

b. Benefits.—This report gives the Congress suggestions on how to reform HUD's Mortgage Assignment Program.

73. "FDA Drug Approval: Review Time Has Decreased in Recent Years," October 20, 1995, GAO/PEMD–96–1.

a. Summary.—New drugs marketed in the United States must be approved first by the Food and Drug Administration (FDA). FDA grants its approval after it has determined from data submitted by a drug's sponsor that the drug is safe and effective and that the manufacturer can guarantee its quality. GAO found a considerable reduction in approval time for new drug applications between 1987 and 1992. It took an average of 33 months for new drug applications submitted in 1987 to be approved but only 19 months on average to approve new drug applications submitted in 1992. The priority that FDA assigns to new drug application and the experience of its sponsors significantly affect the likelihood of a quick de-

cision. FDA assigns priority status to drugs that are expected to provide therapeutic benefit to consumers beyond that of drugs already marketed. Priority status and sponsor experience are also the two factors that predict the likelihood of drug approval. Finally, the limited data available on review time for FDA and its counterpart in the United Kingdom paint a more ambiguous picture than presented in many recent reports. In fact, the latest data published by the regulatory agency in the United Kingdom show that it does not have faster approval times than FDA.

b. Benefits.—This report documents better FDA performance in drug reviews and approvals, but also demonstrates that statutory deadlines are still missed. This information should be useful in congressional oversight and legislative considerations of FDA reform.

74. "Medical Devices: FDA Review Time," October 30, 1995, GAO/PEMD–96–2.

a. Summary.—The Food and Drug Administration (FDA) regulates the manufacture and marketing of medical devices in the United States. Some critics have argued that FDA's review of medical devices is excessively lengthy and can impose inordinate delays in the introduction of new devices into the marketplace. GAO found that FDA review times and trends for medical device applications varied widely between October 1988 through May 1995. For 510(k) applications submitted, the review time remained stable from 1989 to 1991, then rose sharply in 1992 and 1993, before dropping in 1994. For 1994, the median was 152 days. The mean time to a decision was higher—166 days—and this mean will continue to grow as the remaining open cases (13 percent) are completed. The review time trend for original premarket approvals was less clear, in part because a large proportion of applications had yet to be completed. Not all the time that elapsed between an application's submission and its final determination was spent under FDA's review process. In many cases, FDA had to wait for additional information.

b. Benefits.—This report documents that medical device reviews and approvals at the FDA are slow, inconsistent and often miss statutory deadlines. This information should be useful in congressional oversight and legislative considerations of FDA reform.

75. "Higher Education: Selected Information on Student Financial Aid Received by Legal Immigrants," November 24, 1995, GAO/HEHS–96–7.

a. Summary.—According to records at the Department of Education of about 390,000 legal immigrant students received Pell grant aid in academic year 1992–93. This was about 10 percent of all students receiving Pell grants. In total, immigrants received $662 million, or about 11 percent, of Pell grant aid in that year. GAO was unable to determine the total number of legal immigrants who received Stafford loans because citizenship data are not maintained in the Education Department's loan files. Some immigrants who received Pell grants, however, also received Stafford loans totaling $257 million. About 82 percent of the immigrants who received student aid lived in seven States, led by California and New York. Sixty-one percent attended public colleges, 19 percent attended private colleges, and 21 percent attended for-profit

vocational schools. The 100 schools with the most immigrant Pell grant recipients accounted for about half of all such students, and 91 percent of these schools were located in the seven States with the highest concentration of immigrant students.

b. Benefits.—As the Congress considers welfare, education and immigration reforms, this report offers useful information on the extent to which ineligible non-citizens obtain assistance.

76. "Ryan White Care Act of 1990: Opportunities To Enhance Funding Equity," November 13, 1995, GAO/HEHS–96–26.

a. Summary.—GAO's analysis of existing funding formulas demonstrates that Federal funding under the Ryan White Care Act can be made more equitable. An important goal of the act was to target emergency funding to areas of greatest need. At the time the law was enacted, high rates of human immunodeficiency virus (HIV) infection were found in fewer areas of the country, service delivery networks were just beginning to form, and these service delivery systems had to rely primarily on private and volunteer resources. During the past 5 years, however, the HIV epidemic has become more widespread and less localized. Hence, areas where the AIDS caseload had burgeoned recently need per-case funding levels comparable to those in areas where AIDS was initially concentrated.

b. Benefits.—This report should prove useful in consideration of legislation to reauthorize the Ryan White Care Act.

77. "Medicare: Enrollment Growth and Payment Practices for Kidney Dialysis Services," November 22, 1995, GAO/HEHS–96–33.

a. Summary.—Medicare is the predominant health care payer for people with end-stage renal disease—permanent and irreversible loss of kidney function. Medicare's costs for this program have increased, mainly because of the substantial increase in new beneficiaries being enrolled in the program. The average annual rate of increase averaged 11.6 percent between 1978 and 1991. In addition to the rise in enrollment, the mortality rate for new patients decreased. For example, deaths among beneficiaries during their first year in the program fell from 28 percent to 24 percent between 1982 and 1991. Since the program began in 1973, technological advances and greater availability of kidney dialysis machines have meant that persons who were not considered good candidates for kidney dialysis in 1973—those 65 years old or older and those whose kidney failure was caused by diabetes and hypertension—are now routinely placed on dialysis. GAO's review of medical services and supplies provided to all Medicare end-stage renal disease patients in 1991 shows that no separately billable service or supply was provided often enough to make it a good candidate to be considered part of the standard dialysis treatment and thus included in a future composite rate.

b. Benefits.—This report will assist congressional oversight and authorizing committees in reviewing appropriate Medicare payment rates and reimbursement policies.

78. "National Health Service Corps: Opportunities To Stretch Scarce Dollars and Improve Provider Placement," November 24, 1995, GAO/HEHS–96–28.

a. Summary.—The National Health Service Corps (NHSC) is the Federal Government's main program for placing physicians and other health care providers in locations with identified shortages of health professionals. For many years, NHSC recruited health care providers primarily by awarding scholarships to students who agreed to serve in shortage areas after their health professions training was completed—generally several years later. In the late 1980's, the Congress authorized an additional approach—a loan repayment program for health care providers who had completed their training and could begin serving in a shortage area immediately. Under this second approach, the government repaid a set amount of educational loan debt for each year of service in a shortage area. In recent years, funding for NHSC scholarships and loan repayments has increased nearly ten-fold, from about $8 million in fiscal year 1989 to nearly $80 million in fiscal year 1994. This report (1) compares the costs and benefits of the NHSC scholarships and loan repayment programs and (2) determines whether NHSC has distributed available providers to as many eligible areas as possible.

b. Benefits.—This report will assist Congress in better targeting and matching health professional training funds to areas of need.

79. "School Facilities: States' Financial and Technical Support Varies," November 28, 1995, GAO/HEHS–96–27.

a. Summary.—This report is one in a series addressing the condition of America's school facilities. While the construction of school buildings has traditionally been a local responsibility, nearly all States now have some role in school facilities construction, renovation, and major maintenance, and 13 States have established comprehensive facilities programs. As a group, States reported providing about $3.5 billion for school facilities construction during fiscal year 1994. However, State involvement in facilities matters varied greatly. For example, State financial assistance for school facilities in the 40 States with ongoing assistance programs ranged from $6 per student to more than $2,000 per student. States' technical assistance and compliance review activities also varied greatly, as did the amount and type of data that States collected and maintained on school facilities. Forty States collected some type of building inventories or building condition data. Overall, the data on State involvement suggest that while most States are providing facilities support to school districts, many States do not currently play a major role in addressing school facilities issues.

b. Benefits.—As the Congress considers major education reforms, this report will help better focus the Federal role in the Nation's school systems.

80. "Head Start: Information on Federal Funds Unspent by Program Grantees," December 29, 1995, GAO/HEHS–96–64.

a. Summary.—In fiscal year 1995, Head Start was appropriated $3.5 billion to provide a range of service to eligible, preschool-aged children from low-income families. Currently, about 1,400 local

agencies, known as grantees, sponsor these programs and serve 752,000 children. Local programs provide education, nutrition, health, and social services to low-income children and opportunities for parental involvement and enrichment. Since 1990, the Congress has increased funding for Head Start 135 percent to allow more children the opportunity to participate and to improve the quality of Head Start services. During this period of growth, virtually all program funds were awarded to grantees. However, some Head Start grantees did not spend all of the program funds awarded them each year to conduct local program activities and carried these unspent funds forward for use in subsequent years. This report determines (1) the amount of Head Start funding unspent by program grantees at the end of grantee budget years 1992, 1993, and 1994 and the reasons for these unspent funds; (2) the proportion of carryover funds that were added to grantee awards or that offset grantee awards in subsequent years; (3) the proportion of carryover funds that are one or more grantee budget years old; and (4) the grantees' intended use of carryover funds.

b. Benefits.—This report provides Congress and the public with one measure to evaluate the efficiency and effectiveness of Head Start programs.

81. "Department of Education: Efforts by the Office for Civil Rights To Resolve Asian-American Complaints," December 11, 1995, GAO/HEHS–96–23.

a. Summary.—As with many other Federal agencies and departments responsible for enforcing civil rights and equal employment opportunity laws, over the last several years the discrimination complaint workload of the U.S. Department of Education's Office for Civil Rights (OCR) has increased, but its staffing has remained level. In the early 1990's, compared with the 1980's, generally, the number of compliance reviews decreased and the average time to resolve complaint investigations and complete compliance reviews increased. Because of this, concerns have been raised about how effectively OCR carries out its responsibilities. The GAO has examined OCR's complaint investigations and compliance reviews of discrimination cases involving Asian-Americans who applied for or were enrolled in postsecondary schools, such as colleges and universities. This report determines: (1) for 13 specific cases, did Education's OCR follow established policies and procedures, particularly with respect to timeliness and recordkeeping, in conducting complaint investigations and compliance reviews involving Asian-Americans; (2) for fiscal years 1988–1995, how did the timeliness and outcomes of complaint investigations and compliance reviews involving Asian-Americans compare with the timeliness and outcomes of those involving other minority groups; and (3) have recent administrative changes implemented by OCR improved its operations in conducting and resolving complaint investigations and completing compliance reviews?

b. Benefits.—This oversight report of the Department of Education's OCR provides the Congress with important information necessary to evaluate the office.

82. "Medicare: Millions Can Be Saved by Screening Claims for Overused Services," January 30, 1996, GAO/HEHS–96–49.

a. Summary.—Medicare contractors routinely pay hundreds of millions of dollars in Medicare claims without first determining if the services provided are necessary. GAO reviewed payments to doctors for six groups of high-volume medical procedures—ranging from eye examinations to chest x-rays—that accounted for nearly $3 billion in Medicare payments in 1994. GAO also surveyed 17 contractors to determine if they had used medical necessity criteria in their claims processing to screen for these six groups of procedures. For each of the six groups, more than half of the 17 contractors failed to use automated screens to flag claims for unnecessary, inappropriate, or overused treatments. These prepayment screens could have saved millions of taxpayer dollars now wasted on questionable services. Problems with controlling payments for widely overused procedures continue because the Health Care Financing Administration (HCFA) lacks a national strategy to control these payments. HCFA now relies on contractors to focus on procedures where local use exceeds the national average. Although this approach helps reduce local overuse of some procedures, it is not designed to control overuse of a procedure nationwide.

b. Benefits.—The GAO report suggests that the implementation of compulsory national screening criteria for Medicaid could save millions of tax dollars from being wasted on unnecessary medical procedures.

83. "Health Insurance for Children: State and Private Programs Create New Strategies to Insure Children," January 18, 1996, GAO/HEHS–96–35.

a. Summary.—In the mid-1980's, State and private groups began developing health insurance programs to increase health care coverage for children. By 1995, 14 States and upward of 24 private-sector organizations offered such programs. The number of children enrolled in the six programs GAO visited ranged from 5,000 to more than 10,000. Unlike State Medicaid programs, which operate as open-ended entitlements funded partly by the Federal Government, these programs operated within fixed and often limited budgets and were funded by various sources, such as dedicated State taxes and private donations. Limited budgets forced five of the six programs to cap enrollment at times and to place eligible children on waiting lists. The programs used several strategies to control costs. Some limited the services covered, while others resorted to patient cost-sharing through premiums and copayments or enrolled children in managed care. Most of the programs operated through nonprofit or private insurers, which allowed the programs to use existing provider payment systems and physician networks and to offer near-market reimbursement rates—features that appealed to insurers and providers. For patients, the programs guaranteed access to a provider network, had simple enrollment procedures, and tried to avoid the appearance of a welfare program. Moreover, children in these programs appeared to gain greater access to health care.

b. Benefits.—The report highlights successful State and private sector initiatives to provide health insurance to uninsured children.

These initiatives can serve as a model to Congress and other States interested in creating similar programs.

84. "Fraud and Abuse: Providers Target Medicare Patients in Nursing Facilities," January 24, 1996, GAO/HEHS–96–18.

a. Summary.—Nursing home patients are an attractive target for fraudulent and abusive health care providers that bill Medicare for undelivered or unnecessary services. A wide variety of providers, including medical equipment suppliers, laboratories, optometrists and doctors, have been involved in fraudulent and abusive Medicare billing schemes. Several features make nursing home patients attractive targets. First, because a nursing facility houses many Medicare beneficiaries under one roof, unscrupulous billers of services can operate their schemes in volume. Second, nursing homes sometimes make patient records available to outsiders, contrary to Federal regulations. Third, providers are permitted to bill Medicare directly, without certification from the nursing home or the attending physician that the items are necessary or have been provided as claimed. In addition, Medicare's automated systems do not collect data to flag improbably high charges or levels of services. Finally, even when Medicare spots abusive billings and seeks recovery of unwarranted payments, it often collects little money from wrongdoers, which either go out of business or deplete their resources so that they cannot repay the funds.

b. Benefits.—This report highlights the seriousness of the problem of fraud and abuse in nursing homes and calls attention to the fact that nursing homes are failing to monitor providers they contract with to provide services to nursing residents. It makes clear Medicare's automated anti-fraud systems are lacking and that Congress and the Health Care Financing Administration need to address the problem.

85. "Medicare HMO's: Rapid Enrollment Growth Concentrated in Selected States," January 18, GAO/HEHS–96–63.

a. Summary.—Private-sector insurers cite extensive use of health maintenance organizations (HMO) and other managed care approaches as a key factor in slowing the growth of their insurance premiums. As a result, part of the current interest in controlling Medicare costs has centered on ways to increase HMO use among Medicare beneficiaries. This report provides information on trends in the number of (1) Medicare beneficiaries enrolling in HMO's and (2) HMO's enrolling beneficiaries. GAO analyzes this data for factors that might be influencing decisions by HMO's to enroll Medicare beneficiaries and decisions by beneficiaries to enroll in HMO's. GAO found approximately 2.8 million Medicare beneficiaries—about 7 percent of the total—were enrolled in risk-contract HMO's as of August 1995. This was double the percentage enrolled in 1987. The growth has been particularly rapid during the past 4 years and has centered on certain States. California and Florida, for example, have more than half of all enrollees.

b. Benefits.—The report serves as a focal point for Congress to look further at the growth of HMO's and the marketing tools they are using in States with large percentages of Medicare beneficiaries.

86. "Job Training Partnership Act: Long-Term Earnings and Employment Outcomes," March 4, 1996, GAO/HEHS–96–40.

a. Summary.—The Federal Government spends billions of dollars annually to support employment training programs, but little is known about their long-term effect on participants' earnings and employment rates. GAO's analysis found some positive effects of the Job Training Partnership Act—the cornerstone of the Federal employment training effort—in the years immediately following training. However, neither employment rates nor earnings were significantly higher for participants than for nonparticipants 5 years after training. In some earlier years, adults (but not youth) who received training had earnings or employment rates significantly higher than those of the control group. Because none of the fifth-year differences were statistically significant, however, GAO could not attribute the higher earnings to training provided under the act rather than to chance alone.

b. Benefits.—The information found in this report can be used to either improve the long-term effectiveness of the JTPA program or redirect funds to more effective programs. The report will lead to greater financial accountability with Federal job training funds.

87. "Food Safety: New Initiatives Would Fundamentally Alter the Existing System," March 27, 1996, GAO/RCED–96–81.

a. Summary.—In response to continuing outbreaks of food poisoning, Congress and Federal agencies are considering new approaches to ensuring food safety. This report discusses the Federal food safety system, particularly the current responsibilities, budgets, staffing, and workloads of the Federal agencies involved and the changes in these areas since 1989, when GAO issued a two-volume report on this subject (GAO/RCED–91–19a and 19b). The Food and Drug Administration (FDA) and the Food Safety Inspection Service (FSIS), the lead agencies responsible for food safety, rely heavily on physical inspections to prevent unsafe food from leaving processing plants. Current proposals, however, would shift the Government's oversight role. Private industry would become responsible for identifying and controlling potential hazards before they affected food products, while the Government would assess the effectiveness of each plant's safety system. Such systems, known as Hazard Analysis and Critical Control Point (HACCP) systems, are intended to identify the critical points in food processing and establish controls to prevent adulteration caused by microbes, chemicals, or physical hazards. Under the FDA and FSIS initiatives, such systems are to be up and running by 1997. Because of FDA's resources constraints and FSIS' regulatory restrictions, however, the agencies are unlikely to inspect plants on the basis of the risk they pose—even though this was recommended by the National Academy of Sciences.

b. Benefits.—A fundamental change in food safety inspection programs is required due to changes in food processing and the increasing virulence of food borne pathogens. This report addresses the importance of HACCP inspection programs in reforming the food safety inspection system to reflect current industry and pathogen containment requirements.

88. "FDA Laboratories: Magnitude of Benefits Associated With Consolidation Is Questionable," March 19, 1996, GAO/HEHS–96–30.

a. Summary.—Many of the Food and Drug Administration's (FDA) 18 testing laboratories across the country are old and need repair, the agency plans to replace the old labs with five "megalabs" and four special-purpose facilities. GAO found, however, that projected cost savings of about $91 million may be based on assumptions that inflate the cost of replacing medium-sized labs—those having about 50 analysts per lab—are more efficient and effective than existing larger labs. In selecting sites for its megalabs, FDA did little analysis of the relative efficiency of alternative sites. FDA placed little emphasis on such factors as proximity to ports of entry and quantity of nearby food and other relevant businesses. Instead, the agency's site selections were based mainly on where FDA thought it would receive congressional funding approval.

b. Benefits.—This information can be used to assess FDA's current and future laboratory needs. In view of the current budget climate and limited resources, FDA's lab consolidation plans should reflect accurate administrative planning to ensure safe food and drug inspections for the Nation.

89. "Public Pensions: State and Local Government Contributions to Underfunded Plans," March 14, 1996, GAO/HEHS–96–56.

a. Summary.—State and local governments with underfunded pension plans risk tough budget choices in the future if they do not make progress toward full funding. Their taxpayers will face a liability for benefits earned by current and former Government workers, forcing these governments to choose between reducing future pensions or raising taxes. Funding of State and local pension plans has improved significantly since the 1970's. After adjusting for inflation, the amount of the unfunded liability has been cut in half. Still, in 1992, 75 percent of State and local government pension plans in the Public Pension Coordinating Council survey were underfunded; 38 percent were less than 80 percent funded. Sponsors of slightly more than half of the plans in the survey made contributions on schedule to pay off any unfunded liability. One-third of the pension plans, however, were underfunded in 1992, and were not receiving the actuarially required sponsor contributions. Of all plans with complete data, one-fifth were underfunded and were not receiving full contributions in both 1990 and 1992.

b. Benefits.—This report provided detailed data on the extent of public pension under funding. It gives a look at the progress that State and local governments are making toward full funding of their pension plans.

90. "Medicare: Home Health Utilization Expands While Program Controls Deteriorate," March 27, 1996, GAO/HEHS–96–16.

a. Summary.—Use of the Medicare home health benefit has increased dramatically, with spending rising from $2.7 billion in 1989 to $12.7 billion in 1994. Costs are projected to reach $21 billion by the year 2000. In earlier reports (GAO/HRD–81–155 and GAO/HRD–87–9), GAO cited lax controls over the use of the home health

benefit and recommended measures to improve Medicare's ability to detect claims that were not medically necessary or did not meet the coverage criteria. Medicare's escalating home health outlays continue to raise concerns about the extent of benefit abuse. This report examines the factors underlying the growth in the use of the home health benefit. GAO discusses: (1) changes in the composition of the home health industry; (2) changes in the composition of Medicare home health users; (3) differences in utilization patterns across geographic areas; (4) incentives to overuse services; and (5) the effectiveness of payment controls in preventing payments for services not covered by Medicare.

b. Benefits.—The report serves as the basis for Congress to require the Health Care Financing Administration (HCFA) to better implement existing anti-fraud controls in the home health program. This will allow HCFA to better detect billing improprieties and remove fraudulent providers from the Medicare program.

91. "At-Risk and Delinquent Youth: Multiple Federal Programs Raise Efficiency Questions," March 6, 1996, GAO/HEHS–96–34.

a. Summary.—The Federal Government now runs 131 programs in 16 agencies to benefit delinquent youth. Many of the programs GAO has examined provide a range of services—from counseling to job training to research and evaluation. The services most commonly authorized are substance abuse intervention and training and technical assistance. Many programs also have multiple target groups, ranging from poor and neglected youth to abused and neglected youth to school dropouts. The current system of Federal programs for at-risk or delinquent youth creates the potential for overlap of services. GAO identifies many instances of two or more programs' offering similar services to the same target groups, raising questions about the overall efficiency of Federal efforts to help these youngsters.

b. Benefits.—The information provided by GAO can be used as a starting point for an evaluation and determination by Congress of which services are most helpful to the target groups. Inefficient and duplicative programs could be eliminated and the funds from such programs used to strengthen the remaining programs or for other purposes.

92. "Veterans' Health Care: VA's Approaches to Meeting Veterans' Home Health Care Needs," March 15, 1996, GAO/HEHS–96–68.

a. Summary.—In fiscal year 1994, the Department of Veterans Affairs (VA) provided home health care to more than 40,000 veterans at a cost of $64 million to VA and millions more to Medicare. By providing them with home health care for various reasons. Some veterans may have chronic health problems, such as heart disease, and require periodic visits, while others may be discharged from VA medical centers following surgery and need dressings changed or medications administered. The number of veterans needing home health care is expected to grow as the veteran population ages and as VA discharges patients from its hospitals to reduce the costs of hospitalization. This report provides information

on: (1) the characteristics and the services of the home health care programs that VA uses; (2) the available data on program costs; and (3) the way in which VA ensures that veterans receive quality service.

b. Benefits.—The report will help Congress determine if the growing home health care service for veterans is cost effective and provide quality medical care.

93. "Mortgage Financing: FHA Has Achieved Its Home Mortgage Capital Reserve Target," April 12, 1996, GAO/RCED–96–50.

a. Summary.—Borrowers with mortgage loans insured by the Federal Housing Administration (FHA) pay insurance premiums, which are deposited into the Department of Housing and Urban Development's Mutual Mortgage Insurance Fund. FHA-insured Fund mortgages were valued $305 billion as of September 1994. Although the Fund has traditionally been self-sufficient, it began to suffer substantial losses during the 1980's, mainly because foreclosures on single-family homes supported by the Fund were high in areas experiencing difficult times economically. To help place the Fund on a financially sound basis, legislative reforms, such as requiring FHA borrowers to pay more in premiums, were made in November 1990. This report: (1) estimates, under different economic scenarios, the Fund's economic net worth as of the end of fiscal year 1994; (2) assesses the Fund's progress in achieving the legislatively mandated capital reserve ratio that expresses economic net worth as a percentage of insurance-in-force; and (3) compares GAO's estimate of the Fund's economic net worth with the estimate prepared for FHA by Price Waterhouse.

b. Benefits.—HUD's Mutual Mortgage Insurance Fund had begun to suffer substantial losses during the 1980's. This report tells Congress whether the reforms were effective and the program is sound, giving Congress the ability to assess whether or not further reforms are necessary.

94. "Workers' Compensation: Selected Comparisons of Federal and State Laws," April 3, 1996, GAO/GGD–96–76.

a. Summary.—Concerns have been raised that workers' compensation benefits authorized under the Federal Employees' Compensation Act may provide Federal workers having job-related injuries with more generous benefits than other Federal or State workers' compensation programs. This report compares: (1) monetary benefits authorized by the act with those authorized by other workers' compensation laws, and (2) other significant benefit provisions of Federal and State workers' compensation laws, such as those involving waiting periods, physician choice, and coverage of occupational diseases.

b. Benefits.—This report answers the questions about the extent of Federal employee benefits. In addition, the reports gives Congress the ability to determine fair compensation benefits should Congress decide to reform the benefits of Federal employees.

95. "Medicare: Federal Efforts to Enhance Patient Quality of Care," April 10, 1996, GAO/HEHS–96–20.

a. Summary.—In the past decade, Medicare costs have risen on average more than 10 percent per year. Expanding managed care options for Medicare patients has been proposed as a way to contain costs. Concerns have been raised, however, that such changes may undermine the quality of care provided to Medicare beneficiaries. Currently, Medicare reimburses only for care provided in health maintenance organizations and by the fee-for-service sector. This report (1) discusses the present and future strategies of the Health Care Financing Administration (HCFA), which administers the Medicare program, to ensure that Medicare providers furnish quality health care, in both fee-for-service and health maintenance organization arrangements, and (2) provides the views of experts on attributes a quality assurance program should have if more managed care options are made available to Medicare beneficiaries.

b. Benefits.—With the ongoing shift of some Medicare beneficiaries into health maintenance organizations (HMO), HCFA needs to carefully monitor and ensure Medicare dollars are being spent wisely on HMO services and that the beneficiaries enrolled are receiving needed and quality care. The report makes it clear that Congress should continue to assess HCFA's progress on this issue.

96. "Medicaid Long-Term Care: State Use of Assessment Instruments in Care Planning," April 2, 1996, GAO/PEMD–96–4.

a. Summary.—GAO examined how publicly funded programs assess the need for home and community based long-term care for the elderly with disabilities. This care is provided to persons living at home who, because of a chronic condition or illness, cannot care for themselves. Services range from skilled nursing to assistance with day-to-day activities, such as bathing and housekeeping. Under the Medicaid program, 49 States have obtained waivers to provide home and community-based services to low-income elderly persons who could otherwise need institutional care paid for by Medicaid. These States are responsible for developing a care plan tailored to a client's specific needs. A well-designed assessment instrument helps identify all appropriate needs—increasing the likelihood that important aspects of the client's situation will not be overlooked in care planning. Standardized administration of the assessment instrument increases the likelihood that the needs of all clients will be determined in the same way. This report provides information on the following: (1) comprehensiveness of assessment instruments; (2) uniformity of their administration; and (3) training for staff who do the assessments.

b. Benefits.—This report serves as a basis for Congress to ensure that Federal Medicaid programs take additional steps to develop patient plans for each beneficiary receiving services.

97. "Job Training: Small Business Participation in Selected Training Programs," April 29, 1996, GAO/HEHS–96–106.

a. Summary.—Both Government and the private sector spend considerable sums to train the Nation's work force. In 1995, the Federal Government alone spent about $20 billion on 163 programs

that included some aspect of worker training. GAO found that large employers were about twice as likely to take advantage of several types of training programs as were small employers. Training programs that require employers to comply with detailed administrative or other paperwork requirements present economic barriers. Small employers may find it too costly to devote the time needed to focus on workers' general needs rather than on employers' specific skill needs present institutional barriers. Finally, informational barriers may also exist because small employers often know less about the training programs available to them than do larger employers. In GAO's case studies, those programs that focused mainly on employer needs used or actively encouraged consortia which are organizations of employers, unions, or other interested parties. These consortia provide employment training to employers and, in these particular programs, overcame many of the barriers cited above.

b. Benefits.—The information in this report will aid in the creation of a new Federal job training system that avoids costly economic barriers which reduce the appeal and effectiveness of job training programs to States, localities, and trainees.

98. "Supplemental Security Income: Some Recipients Transfer Valuable Resources to Qualify for Benefits," April 30, 1996, GAO/HEHS–96–79.

a. Summary.—Existing law does not prohibit people from transferring resources to qualify for benefits under the Supplemental Security Income program—the largest cash assistance program for the poor and one of the fastest growing entitlement programs. Between 1990 and 1994, 3,500 Supplemental Security Income recipients transferred assets, including cash, houses, land, and other items, valued at $74 million. Transfer values ranged as high as $800,000; most transfers fell between $10,000 and $25,000. The total amount of resources transferred, however, is likely to be larger than GAO's estimate because the Social Security Administration (SSA) is not required to verify the accuracy of resource transfer information, which is self-reported by individuals. Moreover, because the information is self-reported, SSA is unlikely to detect unreported transfers. Without a transfer-of-resource restriction, Supplemental Security Income recipients who transferred assets to qualify for benefits would receive nearly $8 million in benefits in the 24 months after they transferred resources. Many of these recipients could also have received Medicaid acute-care benefits at an annual value of between $2,800 and $5,300 per recipient. GAO estimates that from 1990 through 1995, SSA could have saved $14.6 million with a transfer-of-income restriction similar to that used for Medicaid. Such a restriction could also boost the public's confidence in the program's integrity.

b. Benefits.—The statistics provided by the GAO report, in terms of cost to the Social Security Program, indicated SSA should be required by Congress to implement the transfer-of-income restriction that is presently used in the Medicaid program so as to reduce losses to the SSA program.

99. "Employment and Training: Successful Projects Share Common Strategy," April 18, 1996, GAO/T–HEHS–96–127.

a. Summary.—Strong foreign competition has underscored the need for a skilled U.S. labor force. It has also focused attention on the many Americans who are unprepared for employment. The Federal Government earmarked about $20 billion in fiscal year 1995 for 163 different training programs. GAO visited six projects that had outstanding results, as indicated by project completion rates, job placement and retention rates, and wages. The projects GAO visited differed in many ways, but they shared a common strategy that has four key elements: (1) ensuring that clients were committed to training and getting jobs; (2) removing barriers, such as a lack of child care, that might hinder clients' ability to finish training and get and keep jobs; (3) improving clients' employability skills, such as getting to jobs regularly and on time, working well with others, and dressing and behaving appropriately; and (4) linking occupational skills training with the local labor market. The upshot is that clients are ready, willing, and able to benefit from training and employment programs and move toward self-sufficiency.

b. Benefits.—The identification of the key elements of successful job training programs provides a framework for Congress and the Department of Labor to redesign the current system of Federal job training programs. The information is especially important to redesign job training to reach the hardest to serve populations.

100. "Property Disposition: HUD's Illinois State Office Incurred Unnecessary Management Expenses," April 22, 1996, GAO/RCED–96–52.

a. Summary.—Although the Department of Housing and Urban Development (HUD) cannot control all the costs associated with buying and selling foreclosed single-family properties, it can avoid or minimize some of the costs of managing them. GAO reviewed HUD's Single-Family Property Disposition Program in the Illinois State Office and found that the Illinois State Office had spent thousands of dollars unnecessarily on water and sewer services, as well as for tax penalties, lost properties, and increased costs to recover properties from the new owners. Nationwide, HUD could be wasting large amounts of money. GAO supports efforts by the Illinois State Office to better track unpaid taxes, which would help avoid future tax liens and lost properties.

b. Benefits.—The work identifies weaknesses in the management of a HUD program by a State field office. With this information and efforts to correct the problems, further waste and unnecessary expenditures can be prevented.

101. "SSA Disability: Program Redesign Necessary to Encourage Return to Work," April 24, 1996, GAO/HEHS–96–62.

a. Summary.—During the past decade, the number of persons receiving benefits from Social Security's Disability and Supplemental Security income programs increased 70 percent because of program changes and economic and demographic factors. These programs, which provide assistance to persons with disabilities until they return to work, if that is possible, provided $53 million in cash bene-

fits to 7.2 million people in 1994. Advances in technology, such as standing wheelchairs and synthetic voice systems, and the medical management of some physical and mental disabilities have allowed some persons to work. Moreover, there has been a greater trend toward inclusion of and participation by people with disabilities in the mainstream of society. Yet both programs have done little to identify recipients who might benefit from rehabilitation and employment assistance and ultimately return to work.

b. Benefits.—GAO identifies the waste and failure of the SSA disability program and suggests further review and reform are needed to better identify beneficiaries who could return to work with some training and assistance.

102. "Public Housing: HUD Takes Over the Housing Authority of New Orleans," May 3, 1996, GAO/RCED–96–67.

a. Summary.—Operating more than 13,000 housing units and providing homes to nearly 25,000 people, the Housing Authority of New Orleans is one of the largest public housing authorities in the country. For nearly two decades, however, New Orleans has been one of the Nation's poorest performing housing authorities. Moreover, its performance has improved only marginally in recent years, despite Federal grants, hands-on management assistance from professional property managers, and the personal involvement of the Secretary of the Department of Housing and Urban Development (HUD). This report discusses the following: (1) major operational problems at the Housing Authority of New Orleans; (2) underlying causes of these problems; and (3) steps HUD has taken to improve the performance of the Housing Authority of New Orleans and what success these measures have had.

b. Benefits.—The report helps explain the persistent problems facing one of the poorest performing public housing authorities, and is a case study on what actions are affective in dealing with this type of problem. The report will help HUD avoid making similar mistakes with other public housing authorities.

103. "Health Care Fraud: Information-Sharing Proposals to Improve Enforcement Efforts," May 1, 1996, GAO/GGD–96–101.

a. Summary.—Estimates of health care fraud range from between 3 and 10 percent of all health care expenditures—as much as $100 billion based on estimated 1995 expenditures. In late 1993, the Attorney General designated health care fraud as an enforcement priority second only to violent crime initiatives. This report discusses: (1) the extent of Federal and State immunity laws protecting persons who report information on health care fraud; and (2) the advantages and disadvantages of establishing a centralized health care fraud data base to strengthen information-sharing and support enforcement efforts.

b. Benefits.—Given the seriousness of health care fraud as further highlighted by the GAO report, more must be done by everyone involved to prevent fraud, including greater coordination and cooperation among law enforcement and the Federal health care programs. In addition, as this report suggests, Congress must continue to monitor waste, fraud, and abuse in Federal health care programs.

104. "Food Safety: Information on Foodborne Illnesses," May 8, 1996, GAO/RCED–96–96.

a. Summary.—Since most cases of foodborne illness go unreported, existing data may understate the extent of the problem. However, the best estimates indicate that millions of Americans become sick and thousands die each year because of contaminated food. Moreover, public health officials believe that the risk of foodborne illnesses has been on the rise during the past 20 years. The precise cost of foodborne illnesses is unknown, but recent estimates place the cost as high as $22 billion annually. According to Department of Agriculture estimates, the cost of medical treatment and lost productivity related to foodborne illnesses from seven of the most harmful bacteria approached $10 billion in 1993. Public health and safety officials believe that current data on foodborne illnesses do not provide a complete picture of the risk level and do not sufficiently describe the sources of contamination and the populations at greatest risk. In 1995, Federal and State agencies began to collect more uniform and comprehensive data across the country. Due to budget constraints, Federal officials are concerned that they may not be able to continue this effort long enough to collect meaningful trend data. GAO summarized this report in testimony before Congress.

b. Benefits.—This report identifies the lack of reliable foodborne illness data as a major impediment to accurate determination of the extent of foodborne illness in this country. Accurate information is essential to addressing the growing problem of foodborne illnesses.

105. "Federal Personnel: Issues on the Need for the Public Health Service's Commissioned Corps," May 7, 1996, GAO/GGD–96–55.

a. Summary.—This report reviews the operations of the Public Health Service's (PHS) Commissioned Corps, whose officers carry out various public health functions. GAO addresses why the corps exists; Corps officers' duties; the rationale for their receiving military-like pay, allowances, and benefits; and any savings that might accrue from not using uniformed personnel to carry out the Corps' duties.

b. Benefits.—This comprehensive report documents substantial cost savings if the Government eliminates the PHS Commissioned Corps, an uniformed service whose mission to protect merchant seamen long ago expired.

106. "Veterans' Compensation: Evidence Considered in Persian Gulf War Undiagnosed Illness Claims," May 28, 1996, GAO/HEHS–96–112.

a. Summary.—More than 700,000 men and women served in the Middle East during the Persian Gulf War. Some of these veterans began experiencing symptoms, such as fatigue, weight loss, and skin conditions, that could not be diagnosed or associated with a specific illness. Congress passed legislation in 1994 allowing the Department of Veterans Affairs (VA) to pay compensation to veterans for undiagnosed illnesses connected to their service during the Persian Gulf War. As of July 1995, VA had denied nearly 95 per-

cent of the 4,144 claims that it had processed for Persian Gulf veterans claiming such disabilities. In response to congressional concerns about the high denial rate, GAO reviewed the procedures VA used to process Persian Gulf War undiagnosed illness claims. This report discusses: (1) the evidence standards that VA has established to process Persian Gulf claims; (2) the evidence in the claim files that VA considered in reaching its decisions; and (3) VA's reporting of the reasons for denial.

b. Benefits.—This report will help Congress ascertain the accuracy and fairness of VA's compensation system for Gulf veterans; however, since the issuance of this report, the Department of Defense admissions that thousands of troops were exposed to chemical agents should directly impact the VA's past compensation decisions.

107. "Cholesterol Treatment: A Review of the Clinical Trials Evidence," May 14, 1996, GAO/PEMD–96–7.

a. Summary.—Clinical trials and other scientific studies have consistently shown that cholesterol-lowering treatment benefits middle-aged white men with high cholesterol levels and a history of heart disease. Medical research also shows that men with moderate-to-high cholesterol levels and no history of heart disease have lower rates of nonfatal heart attacks but no statistically significant reductions in death rates as a result of cholesterol-lowering treatment. Clinical trials generally have not evaluated the value of cholesterol-lowering treatment for several important groups, including women, the elderly, and minorities. Thus, they provide little or no evidence of benefits or possible risks for these groups. Two recent trials using a new drug class—the statins—show greater reductions in heart problems with their greater reductions in cholesterol and no increase in fatalities from coronary heart disease. One trial studied men and women with coronary heart disease and found a significant reduction in total fatalities; the other, which studied only men who did not have coronary heart disease, showed encouraging but not statistically significant reductions in fatalities from coronary heart disease.

b. Benefits.—Heart disease is the leading cause of death in America. This report assesses the benefits of cholesterol-lowering treatment regimens to reduce morbidity and mortality.

108. "Cocaine Treatment: Early Results From Various Approaches," June 7, 1996, GAO/HEHS–96–80.

a. Summary.—Three cognitive/behavioral approaches—relapse prevention, community reinforcement/contingency management, and neurobehavioral therapy—have shown positive results in the treatment of cocaine addiction. Preliminary findings show that clients treated with these therapies remained abstinent and in treatment for long periods. These findings are particularly encouraging because initial treatments used during the early 1980's were not very successful. Although too few studies have been done to draw definite conclusions about the utility or the generalizability of any of these treatments, more research should be completed within the next several years. Research experts agree that continued research

and study are needed to enhance and confirm—or deny—these early results.

b. Benefits.—The information provided by GAO can help researchers and Congress eliminate unsuccessful drug programs and allow them to focus on, and narrow their studies to, programs that seem the most effective and the most promising.

109. "School Facilities: America's Changing Schools Report Differing Conditions," June 14, 1996, GAO/HEHS–96–103.

a. Summary.—Schools in unsatisfactory condition can be found in every part of the country. However, a GAO survey of schools nationwide found that schools needing relatively greater repairs were those in inner cities, schools in the West, schools with 50.5 percent or more minority students, and schools with 70 percent or more poor students. More than 14 million children are being taught in school buildings needing significant repairs to restore them to good overall condition. At the same time, GAO found that new a school in excellent shape, conforming to all Federal, State, and local mandates, might be located only a few blocks from an operating but deteriorated school building. GAO found the greatest variations at the State level. For example, 62 percent of schools in Georgia compared with 97 percent of schools in Delaware needed repairs to restore them to good overall condition. Virtually all communities, even some of the wealthiest, are wondering how to balance school infrastructure needs with other community priorities.

b. Benefits.—Communities at socioeconomic levels are struggling to meet their school infrastructure needs. This report discusses State variations, provides regional comparisons, and discusses facility condition relative to community income levels and minority representation.

110. "Health Insurance for Children: Private Insurance for Children: Private Insurance Coverage Continues to Deteriorate," June 17, 1996, GAO/HEHS–96–129.

a. Summary.—Despite larger numbers of parents who work full-time, private health insurance coverage for children is declining. The number of children without health insurance coverage reached 10 million in 1994—the largest number since 1987. In comparison, the number of adults who have lost their health insurance coverage appears to have stabilized during the past 2 years. Meanwhile, although Medicaid provided health coverage for 16 million children in 1994, more than 60 percent of those children had a working parent. This trend is straining public resources: Taxpayers end up paying either for Medicaid coverage or for hospital subsidies to provide acute care for uninsured. In response to rising Medicaid costs, State and local governments are considering various program changes, some of which have profound implications for health care coverage for children, such as proposals to remove guaranteed eligibility. Other changes that strengthen the private insurance market may also significantly affect children's future coverage.

b. Benefits.—The report serves as a basis for States arguing that the guaranteed eligibility of certain child populations must be changed in order for States to meet the cost of such a demand. Congress should continue to look into this issue and allow States

to work with private insurers to become part of a nongovernmental solution.

111. "VA Health Care: Opportunities for Service Delivery Efficiencies Within Existing Resources," July 25, 1996, GAO/HEHS–96–121.

a. Summary.—The Department of Veteran Affairs (VA), which operates one of the Nation's largest health care systems, faces increasing pressure to contain or reduce spending as part of governmentwide efforts to balance the budget. This report discusses ways VA could operate more efficiently and reduce the resources needed to meet the needs of veterans in what is commonly referred to as the mandatory care category. GAO addresses: (1) VA's forecasts of future resource needs; (2) opportunities to run VA's system more efficiently; (3) differences between VA and the private sector in efficiency incentives; and (4) recent VA efforts to reorganize its health care system and create efficiency incentives. GAO concludes that successful implementation of a range of reforms, coupled with reduced demand for services, could save the VA health care system billions of dollars during the next 7 years. The success of these efforts, however, depends on introducing efficiency incentives at VA that have long existed in the private sector.

b. Benefits.—The report identifies ways to operate VA's hospital and out-patient system more efficiently and save billions of dollars. While recent changes by VA management are starting to provide incentives for greater efficiency, this report demonstrates that much more needs to be done.

112. "Medicaid Managed Care: Serving the Disabled Challenges State Programs," July 31, 1996, GAO/HEHS–96–136.

a. Summary.—With its emphasis on primary care, restricted access to specialists, and control of services, managed care is seen as a way to control spiraling Medicaid costs, which totaled $159 billion in fiscal year 1995. So far, States have extended prepaid care largely to low-income families—about 30 million persons—but to few of the additional 6 million Medicaid beneficiaries who are mentally or physically disabled. Managed care's emphasis on primary care and control of services is seemingly at odds with the care requirements of disabled beneficiaries, many of whom need extensive services and access to highly specialized providers. However, because more than one-third of all Medicaid payments go for the care of the disabled, policymakers have been exploring the possibility of enrolling disabled persons in managed care plans. These efforts affect three key groups: disabled beneficiaries, who include a small number of very vulnerable persons who may be less able to effectively advocate on their own behalf for access to needed services; prepaid care plans, which are concerned about the degree of financial risk in treating persons with extensive medical needs; and the State and Federal Governments, which run Medicaid. This report examines: (1) the extent to which States are implementing Medicaid prepaid managed care programs for disabled beneficiaries; and (2) the steps that have been taken to safeguard the interests of all three groups. GAO's review of safeguards focuses on two areas: ef-

forts to ensure quality of care and strategies for setting rates and sharing financial risk.

b. Benefits.—A large portion of Medicaid dollars go to a small portion of the Medicaid population. This in turn requires States to look for innovative ways to provide care in managed care environments. The report suggest there are workable alternatives if safeguards are in place to protect quality for those in managed care programs.

113. "School Lunch Program: Cafeteria Managers' View on Food Wasted by Students," July 18, 1996, GAO/RCED–96–191.

a. Summary.—Under the National School Lunch Program, about 26 million students nationwide were served lunches daily during fiscal year 1995. Federal costs for the program totaled more than $5 billion that year—about $4.5 billion in cash reimbursements and more than $600 million in commodity foods, such as beef patties, flour, and canned vegetables. Although most cafeteria managers GAO surveyed reported that plate waste in the public schools was not a concern, about one-quarter of the managers characterized plate waste as at least a "moderate problem"—particularly at the elementary school level. Cafeteria managers strongly agreed on some of the reasons for and ways to reduce plate waste. For example, 78 percent cited students' attention on recess, free time, or socializing rather than eating as a reason for waste. Almost 80 percent believed that allowing students to select only what they want to eat would reduce plate waste. Most cafeteria managers were satisfied with the Federal commodities they received for use in the school lunch program.

b. Benefits.—The Federal Government devotes significant cash and commodity resources to the National School Lunch Program. This report states that most cafeteria managers are satisfied with the commodities provided them and feel that greater student choice would reduce plate waste.

114. "Welfare Waivers Implementation: States Work to Change Welfare Culture, Community Involvement, and Service Delivery," July 2, 1996, GAO/HEHS–96–105.

a. Summary.—In the wake of growing dissatisfaction with the welfare system, Congress and the President have been considering welfare reform on a national level. Meanwhile, many States have undertaken far-reaching reforms through waivers of Federal provisions governing the program most Americans think of as welfare—Aid to Families With Dependent Children. For example, States have required welfare recipients to work; set limits on lifetime benefits; and denied cash benefits for additional children born to families already receiving welfare. Believing that the findings would be useful to States dealing with the challenge of welfare reform, Congress asked GAO to review some States' early experiences with implementing reforms. This report examines efforts by Florida, Indiana, New Jersey, Virginia and Wisconsin to implement three key reforms: time-limited benefits, work requirements, and family caps.

b. Benefits.—In order to keep abreast of additional welfare reform measures and to evaluate current reform mechanisms, this re-

port clearly suggests, Congress must continue to study and examine early experiences with current reform measures.

115. "NIH Extramural Research: Internal Controls Are Key to Safeguarding Phase III Trials Against Misconduct," July 11, 1996, GAO/HEHS–96–117.

a. Summary.—In fiscal year 1995, the National Institutes of Health (NIH) sponsored about $9 billion in extramural research—research done by groups outside of NIH. About $1.2 billion was spent on phase III clinical trials, which usually involve hundreds of human participants to evaluate experimental treatments. In the early 1990's, disclosure that falsified data had been used in a large phase III trial looking at alternative treatments for breast cancer raised concern that the results of this multimillion dollar trial had been compromised. This report discusses NIH's oversight responsibilities and internal controls used to prevent and detect misconduct in phase III clinical trial research. GAO also reviews NIH's approach to monitoring performance of its institutes that sponsor clinical trials and efforts to implement agencywide policy on misconduct in research.

b. Benefits.—NIH clinical research involves billions of taxpayer dollars and affects tens of thousands of Americans. The integrity of clinical trial processes at NIH are crucial to the health of the American people. This report identifies important improvements needed in NIH oversight of clinical research.

116. "Medicaid: Waiver Program for Developmentally Disabled Is Promising But Poses Some Risks," July 22, 1996, GAO/HEHS–96–120.

a. Summary.—More than 300,000 adults with developmental disabilities—typically mental retardation—receive long-term care paid for by Medicaid or, to a lesser extent, State and local programs. Such long-term care often involves supervision and assistance with everyday activities, such as dressing or managing money. Persons with developmental disabilities receive more than $13 billion annually in public funding for long-term care, second only to the elderly. Recently, States have begun to significantly expand the use of the Medicaid waiver program, which seeks to provide alternatives to institutional care for persons with developmental disabilities. The waiver program has two advantages. First, it helps States to control costs by allowing them to limit the number of recipients being served. In contrast, States must serve all eligible persons in the regular Medicaid program. Second, it permits States to meet the needs of many persons with developmental disabilities by offering them a broader range of services in less restrictive settings, such as group or family homes, rather than in an institutional setting. This report examines: (1) expanded State use of the waiver program; (2) the growth in long-term care costs for individuals with developmental disabilities; (3) how costs are controlled; and (4) strengths and limitations in States' approaches to ensuring quality in community settings.

b. Benefits.—GAO highlights the success of waiver programs and suggest they can be a cost effective alternative if quality controls are in place to protect the developmentally disabled served. The re-

port will give Congress the tools it needs to assess how to adapt the GAO findings to future programs.

117. "Job Corps: Where Participants are Recruited, Trained, and Placed in Jobs," July 17, 1996, GAO/HEHS–96–140.

a. Summary.—The Job Corps, a national employment training program run by the Labor Department, serves about 66,000 participants at 112 centers in 46 States, the District of Columbia, and Puerto Rico. GAO found that the Job Corps has the capacity to serve 81 percent of program participants in their home States—52,000 of 64,000 participants from States with Job Corps centers could have been assigned to a center in their State of residence. About 59 percent of participants were assigned to centers in their home State; the remaining participants were sent to centers outside their home State and traveled an average of more than four times as far as they would have had they been assigned to the closest center in their State of residence. Regardless of where they were trained, however, about 83 percent of those participants who got jobs were employed in their home State.

b. Benefits.—The report helped address the feasibility of making the Job Corps program a State run program, rather than a federally run program. The information also identifies a potential area for cost savings if participants can be served equally well in their home State as they can in another.

118. "Consumer Health Informatics: Emerging Issues," July 26, 1996, GAO/AIMD–96–86.

a. Summary.—Technology has increased the amount of health information available to the public, allowing consumers to become better educated and more involved in their own health care. Government and private health care organizations rely on a variety of technologies to disseminate health information on preventive care, illness and injury management, treatment options, post-treatment care, and other topics. This report discusses consumer health informatics—the use of computers and telecommunications to help consumers obtain information, analyze their health needs, and make decisions about their own health. GAO provides information on: (1) the demand for health information and the expanding capabilities of technology; (2) users' and developers' views on potential systems advantages and issues surrounding systems development and use; (3) government involvement—Federal, State, and local—in developing these technologies; and (4) the status of related efforts by the Department of Health and Human Services. As part of this review, GAO surveyed consumer health informatics experts and presents their views on issues that need to be addressed when developing consumer health information systems.

b. Benefits.—The report provides information on the risks and potential cost savings of health informatics, and will allow Congress and the executive branch to make more informed decisions as they consider what actions are appropriate with regard to this growing aspect of health care.

119. "SSA Disability: Return-to-Work Strategies From Other Systems May Improve Federal Programs," July 11, 1996, GAO/HEHS–96–133.

a. Summary.—Between 1985 and 1994, the number of working-age people in the Social Security Administration's (SSA) disability insurance and supplemental security income programs rose 59 percent, from 4 million to 6.3 million. Concern about such growth has been compounded by the fact that less than half of 1 percent of disability insurance beneficiaries ever leave the disability rolls and return to work. A recent GAO report (GAO/HEHS–96–62) urged SSA to place more emphasis on return-to-work efforts. If an additional 1 percent of the 6.3 million beneficiaries were to leave SSA's disability rolls and return to work, lifetime cash benefits would be reduced by nearly $3 billion. The magnitude of disability costs in the workplace has spurred companies to develop strategies to return disabled employees to the workplace—an effort that can help businesses reduce costs, such as disability benefit payments and disability insurance premiums. This report discusses: (1) key practices used in the U.S. private sector to return disabled employees to the workplace; and (2) examples of how other countries implement return-to-work strategies for disabled persons.

b. Benefits.—The report highlights the seriousness of the huge increase in the growth of the SSA disability and SSI programs. In discussing the low numbers of people who leave the rolls to return to work, the report calls attention to the failure of SSA's efforts to return people to work and the need for Congress to involve itself in reforming the program.

120. "Readjustment Counseling Service: Vet Centers Address Multiple Client Problems, but Improvement Is Needed," July 17, 1996, GAO/HEHS–96–113.

a. Summary.—The Department of Veterans Affairs (VA) operates 205 community-based facilities known as Vet Centers to help veterans make a successful transition from military to civilian life. Vet Center counselors reported visiting with about 138,000 veterans during fiscal year 1995, 84,000 of whom were new to Vet Centers. Most veterans do not establish long-term relationships with Vet Center counselors; however, those who do, represent a core group who use services over extended periods for serious psychological problems, such as post-traumatic stress disorder. Other veterans usually visit Vet Center counselors only once or twice for social concerns, such as employment or benefit needs.

b. Benefits.—The report cites problems in documenting client records and the need to develop a systematic approach for measuring the effectiveness of Vet Center services. Such improvements would increase service results and offer opportunities for cost savings.

121. "Social Security Disability: Backlog Reduction Efforts Under Way; Significant Challenges Remain," July 11, 1996, GAO/HEHS–96–87.

a. Summary.—The Social Security Administration (SSA) runs the Nation's largest programs providing cash benefits to people with severe long-term disabilities. The number of persons receiving ei-

ther disability insurance or supplemental security income benefits has soared during the past decade. At the same time, SSA has struggled to deal with unprecedented growth in appeals of its disability decisions and the resulting backlog of cases awaiting hearing decisions. Processing delays stemming from a backlog of more than half a million appealed cases have created hardships for disability claimants, who often wait more than a year for final disability decisions. This report discusses: (1) factors contributing to the growth in appealed cases; (2) SSA initiatives to reduce the backlog; and (3) steps that need to be taken in the long-term to make the disability appeals process more timely and efficient.

b. Benefits.—For those denied program benefits the current appeals process has overloaded the system, causing a 12-month wait for decisions. The report adds to the view that the appeals process needs to be reviewed and modified by Congress.

122. "Homeownership: FHA's Role in Helping People Obtain Home Mortgages," August 13, 1996, GAO/RCED–96–123.

a. Summary.—Many changes have occurred in the single-family housing finance system since the Federal Housing Administration (FHA) was established in the 1930's to insure housing loans made by private lenders. These changes include the advent of modern private mortgage insurance, the emergence of a secondary mortgage market, and various public- and private-sector initiatives to expand affordable housing for home buyers. Critics of FHA argue that other housing finance entities, such as private mortgage insurers, are filling the role FHA once filled exclusively. Supporters of FHA contend that its single-family program, which has insured about 24 million home mortgages since its inception, remains the only way for some families to become homeowners and should be expanded. This report discusses: (1) the terms of the mortgage insurance offered by FHA, private mortgage insurers, and the U.S. Department of Veteran's Affairs; (2) the characteristics of borrowers of insured mortgages and the overlap between FHA-insured mortgages and privately insured mortgages; and (3) other methods used by the Federal Government to promote affordable homeownership.

b. Benefits.—The report provides information necessary for Congress to consider what role, if any, the FHA should continue to have given the growth of private mortgage insurance.

123. "Higher Education: Tuition Increasing Faster Than Household Income and Public Colleges' Costs," August 15, 1996, GAO/HEHS–96–154.

a. Summary.—During the past 15 years, tuition at 4-year public colleges and universities rose 234 percent. In contrast, median household income rose only 82 percent. This increase in tuition also substantially exceeded the 74-percent increase in the cost of consumer goods—as measured by the Consumer Price Index. The two factors most responsible for the rise in tuition were increases in schools' expenditures and schools' greater dependency on tuition as a source of revenue. Increases in instruction, administration, and research expenditures accounted for much of the increase. The increased spending for instruction was driven largely by increases

in faculty salaries, which rose 97 percent during the period. At the same time, the share of schools' revenue provided by tuition rose from 16 percent to 23 percent, as the share of revenue derived from State appropriations fell by 14 percentage points. GAO found wide variation in tuition charges among States in school year 1995–96. These variations are explained partly by States' levels of support. Colleges have tried to deal with students' increasing financial burden in several ways, including holding down tuition increases, making paying for college easier, and streamlining students' progress to graduation to keep their total charges lower. Because some of the efforts are in the early stages of implementation, little has been done to evaluate their effectiveness.

b. Benefits.—The report details State variations in college tuition charges for school year 1995–96 and relates them to the level of State support. It notes that evaluation of tuition cost control measures will be needed when data becomes available.

124. "Supplemental Security Income: Administrative and Program Savings by Directly Accessing State Data," August 29, 1996, GAO–HEHS–96–163.

a. Summary.—The Supplemental Security Income program, which provides cash benefits to the aged, the blind, and the disabled, could be run more efficiently. More importantly, millions of dollars in overpayments could be prevented or detected quickly if information were available on-line during eligibility assessments. GAO estimates that direct on-line access to State computerized income information could have prevented or quickly detected more than $131 million in overpayments caused by unreported or underreported income nationwide in one 12-month period. However, in Social Security Administration (SSA) field offices where direct access to computerized State information has been implemented, SSA claims representatives did not use it to detect overpayments. The claims representatives did use it to process claims more efficiently, and SSA's preliminary results have shown that its use has reduced administrative expenses. Establishing on-line access between SSA field offices and State agency databases would require only minimal computer programming in most States; some States would need additional hardware, such as computer lines.

b. Benefits.—Management of the SSI program is lacking and as a result, millions of dollars are lost annually in overpayment. The study highlights the effectiveness of coordination efforts and calls attention to the fact SSA should and must do more to stop overpayments. The report provides Congress with tools to help fight waste, fraud, and abuse in SSI.

125. "School Lunch Program: Role and Impacts of Food Service Companies," August 26, 1996, GAO/RCED–96–217.

a. Summary.—Under the National School Lunch Program, local school districts receive Federal funds for lunches that meet the programs' requirements for nutritious, well-balanced meals. Although these school districts have traditionally run their own school meals programs, several have contracted with private food service management companies to plan, prepare, and serve school meals. Also, some school districts have purchased brand-name fast foods to

serve as part of their school meals or as a la carte items. This report: (1) discusses the extent to which food authorities use food service companies to operate their school lunch program and the impact that the use of food service companies has had on the National School Lunch Program; (2) describes the terms and the conditions in the contracts between food authorities and food service companies; (3) discusses the extent to which fast foods and snack foods in vending machines are available in participating schools; and (4) describes the types, the brands, and the nutritional content of the fast foods most commonly offered.

b. Benefits.—This Congress conducted an extensive debate over the future of the National School Lunch Program. The information in this report will provide Congress with the ability to more accurately debate the program and convert its ideas for reform into a reality.

126. "Supplemental Security Income: SSA Efforts Fall Short in Correcting Erroneous Payments to Prisoners," August 30, 1996, GAO/HEHS–96–152.

a. Summary.—Despite Social Security Administration (SSA) procedures to detect supplemental security income recipients in county and local jails, GAO found that $5 million had been erroneously paid to prisoners in the jail systems it reviewed. SSA had been unaware of many of these payments and, therefore, had made no attempt to recover them. Various factors contributed to these payments. First, SSA field offices have not been compiling information regularly on prisoners in country and local jails. Second, the supplemental security recipient—or the person or organization designated to receive payments on the recipients' behalf—has not been reporting the incarceration, as required. Third, SSA sometimes falls short in periodically reviewing—either by mail or interview—a recipient's continues financial eligibility for supplemental security income. Under a new SSA initiative, field offices will be required to obtain prisoner information from country and local jails, and SSA plans to monitor field office compliance with this requirement. It is too early to tell, however, whether this initiative will be successful.

b. Benefits.—GAO highlights the serious oversight and failure on the part of SSA. A further review of the problem, possibly by Congress, will likely be required to curtail this area of Government waste.

127. "School Finance: Options for Improving Measures of Effort and Equity in Title I," August 30, 1996, GAO/HEHS–96–142.

a. Summary.—Disparities in per pupil funding for elementary and secondary education within each State have long been a concern of parents, teachers, State officials, and Federal officials. Since the early 1970's, these disparities have prompted poor districts in more than 40 States to challenge the constitutionality of their States' school finance systems. Under Title I's Education Finance Incentive Program, States with high levels of "fiscal effort" for education—that is, high State spending relative to the State's ability to pay—and equity in per pupil spending would receive additional funds. In June 1994, GAO cited weaknesses in the proposed meas-

ures of effort and equity used in the title I program. Members of Congress have also called for these measures to be improved. This report: (1) examines the measures now included in Title I's Education Finance Incentive Program to reflect State fiscal effort for education and equity in per pupil spending; (2) proposes several options for improving these measures; (3) describes the characteristics of States with higher levels of effort and equity under both the current definitions and the options GAO developed; and (4) suggests alternative ways the options GAO developed could be used in allocating funds under the Education Finance and Incentive Program.

b. Benefits.—Long-term background of the issue is provided in this report on per pupil funding for disadvantaged school districts. It provides suggestions for improving measures of Title I Equity and Effort.

NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS SUBCOMMITTEE

1. "Nuclear Regulation: Weaknesses in NRC's Inspection Program at a South Texas Nuclear Power Plant," October 3, 1995, GAO/RCED–96–10.

a. Summary.—At the request of Congressman John Dingell, ranking minority member of the Committee on Commerce, the General Accounting Office (GAO) conducted a study of the circumstances surrounding the shutdown of the South Texas Project Electric Generating Station, a nuclear plant located in Matagorda County, TX, and the effectiveness of the Nuclear Regulatory Commission's (NRC) inspection program at the plant. This report attempts to: (1) identify the circumstances surrounding the shutdown of the plant and the seriousness of the event; (2) determine whether the NRC was aware of problems at the plant before the shutdown; and (3) identify any factors that may have prevented NRC from having complete and timely information about the licensee's performance.

The NRC found several safety violations but considered an accident unlikely. The licensee shut down both reactors because of continuing problems with their emergency pumps. NRC requires the reactor to be shut down if its pump is inoperable for more than 3 days. NRC later found that one reactor's pump had been inoperable for about 40 days. Two of the reactor's three generators had also been inoperable during portions of this period. The risk of damaging the reactor's core increased from about 1 chance in 5 million to about 1 chance in 83,000 during the period when two or more of the reactor's emergency systems were not working.

The NRC was aware of long-standing malfunctions with the reactor's pumps, including problems with one reactor's pump in the 3-day period preceding the shutdown. However, it was not until after the shutdown that NRC found, among other things, that the licensee had not conducted a valid test of the reactor's pump since December 26, 1992. NRC also knew that the licensee was performing maintenance on the reactor's generators. However, the agency did not know that, in addition to the problems with the pump, (1) painting had immobilized one generator for 24 days, and (2) the li-

censee had removed another generator from service for 61 hours—conditions that substantially increased the likelihood of a core-damaging event at the plant.

Although one purpose of NRC's inspection program is to prevent significant events at plants, in practice, NRC rarely detects such events before its licensees do. All 16 significant events that NRC reported for 1993, including the event in South Texas, were initially identified by the licensees rather than by NRC.

According to the NRC, a major purpose of its reactor inspection program is to identify and resolve underlying problems at nuclear plants and, by so doing, anticipate and prevent significant safety events—events with the potential to both damage a reactor's core and release radioactive material. In the case of the South Texas plant, this goal was not achieved.

Furthermore, the GAO concluded that the NRC did not identify the underlying safety problems that contributed to the event at the South Texas plant—another stated purpose of the inspection program—until after the plant's shutdown. Specifically, while NRC's inspection program identified long-standing problems at the plant, NRC did not adequately use its inspection to determine if the problems were indicative of systemic, or underlying problems in the licensee's operation of the plant. As a result, it was not until after the plant's shutdown that the agency identified the areas as underlying safety concerns at the plant. By then, the problems had become so acute that it took the licensee more than a year to address the concerns.

b. Benefits.—NRC's March 1995 report on the effectiveness of its inspection effort at the South Texas plant presents a candid overview of weakness in the agency's inspection program, including NRC's failure to (1) assess the significance of identified problems and (2) ensure that long-standing problems at the plant had been corrected. NRC has taken several actions, and planned others, to address the program's weaknesses. The effectiveness of NRC's corrective actions will depend, to a great extent, on NRC's ongoing initiatives to rely more heavily on licensees to identify problems at nuclear facilities. Overall, this report will help to identify the ways in which the NRC can improve its inspection program and can alert nuclear plants to potential problems concerning the safety of their facility.

2. "Tax Administration: Information on IRS' Taxpayer Compliance Measurement Program," October 6, 1995, GAO/GGD–96–21.

a. Summary.—At the request of Congressman Joseph Knollenberg, the General Accounting Office (GAO) prepared a report on the Internal Revenue Service's Taxpayer Compliance Measurement Program (TCMP) for tax year 1994. The report focuses on how the IRS addressed the problems discussed in GAO's December 1994 report on the status of the program and, if the problems persist, how they would affect final TCMP results; (2) informational sources other than TCMP that IRS could use to target its audits more effectively; and (3) the relevancy of TCMP data for alternative tax system proposals.

The GAO found that the IRS has generally taken appropriate action in the concerns raised in GAO's 1994 report that dealt with

meeting milestones for starting TCMP audits, testing TCMP data base components, developing data collection systems, and collecting and analyzing data. The IRS plans to collect data on partners, shareholders, and misclassified workers as suggested in GAO's 1994 report. This additional data should allow IRS to better measure compliance levels, which could increase the value of TCMP audit results. Also, IRS plans to have auditors computerize some of their comments on audit findings, which should make it easier for researchers to analyze TCMP results.

GAO's overall conclusion is that TCMP could be very useful not only for improving compliance in the existing tax system, but also as a tool for designing and administering a new system. While types of income and deductions included in each new proposed tax system vary, TCMP could still provide data on compliance issues that would have to be addressed in any of the new system proposals that GAO reviewed. To the extent that new tax systems are proposed and adopted, TCMP data could alert tax system designers and administrators to potential areas of noncompliance and provide data on which to base rules and regulations. The longer it takes to implement a new tax system, the more useful TCMP data could be for helping design and administer the new system.

b. Benefits.—This report provides an update on the progress being made with respect to reforming the Internal Revenue Service's Taxpayer Compliance Measurement Program.

3. "Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service," October 10, 1995, GAO/GGD–96–3.

a. Summary.—At the request of Sens. Orrin Hatch, Bill Bradley, Richard Shelby, Robert Kerrey, Representatives Nancy Johnson, Robert Matsui, Jim Lightfoot, and Steny Hoyer, the General Accounting Office (GAO) prepared a report on the Internal Revenue Service's effort to modernize its information systems and restructure its organization. The report discusses: (1) IRS' goal for customer service and its plans to achieve them; (2) the gap between current performance and these goals; (3) its progress to date; (4) current management concerns; and (5) several important challenges IRS faces. The IRS has as its goals for its customer service to: (1) provide better service to taxpayers; (2) use its staff and facilities more efficiently; and (3) raise the level of compliance with the tax laws. IRS plans to better serve taxpayers by improving their accessibility to telephone service and resolving most problems with a single contact.

The GAO has concluded that the gap between IRS' current operations and its customer service vision is very great. As an example, the GAO points to IRS plans to improve telephone accessibility by greatly reducing busy signals on its new customer service telephone system. In fiscal year 1994, taxpayers who called the IRS Taxpayer Services toll-free sites got busy signals 73 percent of the time.

The IRS has made some progress toward its customer service vision, including selecting sites for the new centers, experimenting with two prototype sites, and beginning operations at five more customer service centers. However, implementation still has far to go. For example, as of June 30, 1995, only 925 of an eventual

22,240 staff had been reassigned to customer service centers. The new computer and telephone systems planned to support customer service were still in an early stage of development and testing. IRS officials recently acknowledged that the transition would last longer than the original goal of full operation in 2001.

The GAO recommends that the IRS: (1) clarify the criteria for assigning process owners responsibility for TSM projects when they involve more than one core business system; (2) define process owners' roles and responsibilities for TSM projects involving more than one core business system; and (3) emphasize to those designated as process owners the need for them to provide the business requirements necessary to develop, test, and implement new customer service products and services.

b. Benefits.—This report helps to highlight the problems the IRS is facing in its attempt to improve customer service. The GAO has made several suggestions in this report to the IRS on how the agency might proceed with improving its operations.

4. "Bank Regulatory Structure—Canada," September 28, 1995, GAO/GGD–95–223 "Tax Administration: IRS Faces Challenges in Reorganizing for Customer Service," October 10, 1995, GAO/GGD–96–3.

a. Summary.—At the request of Representative Charles Schumer, the General Accounting Office (GAO) conducted a study of the structure and operations of regulatory activities in several countries. This particular study focuses on the regulatory structure of Canada.

GAO's objectives were to describe: (1) the Canadian bank Federal regulatory and supervisory structure, and its key participants; (2) how that structure functions, particularly with respect to bank authorization or chartering, regulation, and supervision; (3) how banks are examined; and (4) how participants handle other financial system responsibilities.

The Office of the Superintendent of Financial Institutions (OSFI) has primary responsibility for overseeing the safety and soundness of financial institutions in Canada. OSFI administers the appliciation process for incorporating financial institutions, issues financial institution regulations and guidelines: taking both formal and informal enforcement actions relying mostly on informal actions, such as recommendations; and taking the lead in resolving problem institutions.

OSFI conducts full-scope, onsite examinations of financial institutions with a staff of full-time examiners. OSFI relies on a financial institution's external auditors for an assessment of the fairness of an institution's annual financial statement. External auditors also have a responsibility to report to OSFI anything that they discover during the course of their work that might affect the well-being of an institution, and OSFI advises external auditors about anything material that has come to its attention concerning a financial institution.

b. Benefits.—This report will provide interested parties with a comprehensive overview of the Canadian financial regulatory system. The information contained within this report will assist in the

formulation of proposals to consolidate U.S. bank regulatory agencies.

5. "Tax Administration—IRS' Partnership Compliance Activities Could Be Improved," June 16, 1995, GAO/GGD–95–151.

a. Summary.—At the request of Chairman Bill Archer and Vice-Chairman Robert Packwood, the General Accounting Office produced a report to determine: (1) the extent of partnership compliance with Federal tax laws; (2) any steps IRS is taking to improve partnership compliance; and (3) any additional efforts that IRS could take to improve partnership compliance.

The extent of partnership tax compliance is unknown. IRS' most current partnership compliance data were collected under its tax year 1982 partnership Taxpayer Compliance Measurement Program (TCMP). This data showed that partnerships under reported their net income by $13 billion in 1982 which the GAO estimates resulted in an underpayment of taxes by partners approaching $3.6 billion. Even when partnerships reported all of their income, partners sometimes failed to include it in their own tax returns. Thus, IRS estimated that individual partners owed an additional $2.4 billion in taxes in 1982. But significant tax law changes in the intervening years make these data unreliable indicators of the present situation. IRS will not have more current partnership compliance data until October 1998 when its TCMP audits of tax year 1994 partnership returns are scheduled to be completed.

GAO has concluded that the IRS is taking some steps to address partnership compliance issues. For example, it is planning to conduct partnership TCMP audits to determine the level of partnership compliance and to develop audit selection formulas. However, the results of these audits will not be available until late 1998. IRS is also in the process of modernizing the tax system with plans such as developing an integrated case-processing system that would allow IRS to more effectively and efficiently identify noncompliant taxpayers. This system is scheduled to be in place by 2001.

b. Benefits.—This report examines IRS' attempts to increase partnerships' compliance with tax laws. It suggests several steps that could be taken by the IRS to improve compliance rates in this area.

6. "Financial Audit: Examination of IRS' Fiscal Year 1994 Financial Statements," August 4, 1995, GAO/AIMD–95–141.

a. Summary.—In accordance with the Chief Financial Officers Act of 1990, this report presents the results of the General Accounting Office's (GAO) efforts to audit the Principal Financial Statements of the Internal Revenue Service for fiscal years 1994 and 1993 and an assessment of its internal controls and compliance with laws and regulations. IRS continues to face major challenges in developing meaningful and reliable financial management information and in providing adequate internal controls that are essential to effectively manage and report on its operations. Overcoming these challenges is difficult because of the long-standing nature and depth of IRS financial management problems and the anti-

quated state of its systems. IRS has expressed its commitment to resolving the problems GAO reported.

This report discusses the scope and severity of IRS financial management and control problems, the adverse impact of these problems on IRS ability to effectively carry out its mission, and IRS' actions to remedy the problems. The report also contains recommendations to help IRS continue its efforts to resolve these longstanding problems and strengthen its financial management operations.

b. Benefits.—This report will provide interested parties with an assessment of changes that need to be made within the IRS to improve the agency's financial operations.

7. "Government Corporations: Profiles of Existing Government Corporations," December 13, 1995, GAO/GGD–96–14.

a. Summary.—At the request of Senator David Pryor, ranking minority member of the Senate Subcommittee on Post Office and Civil Service, the General Accounting Office (GAO) conducted a review of government corporations (GC's) to determine the number of these corporations presently in operation and their adherence to 15 Federal statutes.

The GAO surveyed 58 entities that were potential government corporations to identify their legal status and adherence to 15 Federal statutes. The GAO identified these 58 entities by including: (1) all government corporations listed in the Government Corporation Control Act; (2) entities that were listed in at least three of five major government corporation studies done in the last 15 years; and (3) additional entities the GAO identified during the course of our work.

No comprehensive descriptive definition of criteria for creating GC's exist, and counts of the number of government corporations have varied widely. Using self-reported responses, the GAO identified 22 GC's. In addition to the 22 government corporations, the GAO also profiles five other entities that reported that they were not GC's. The GAO decided to profile these other five entities for two reasons. First, although these entities reported that they were not government corporations, they are frequently considered to be GC's by others and were previously identified in several major GC studies done over the last 15 years. Second, each of these entities receives at least some of its operating funds from yearly Federal appropriations.

Congress sometimes exempts GC's from several key management laws to provide them with greater flexibility than Federal Government departments and agencies typically have in hiring employees, paying these employees competitive salaries/benefits, disclosing information publicly, and procuring goods and services. Because of these exemptions, the government corporations did not report uniform compliance with the 15 selected Federal statutes. For example, one GC—the Federal Housing Administration—reported full adherence to 14 of the 15 statutes, while another—Amtrak—reported full adherence to only 2 statutes.

b. Benefits.—This report helps to create a greater understanding of what constitutes a government corporation and how they are

similar to, or differ from, government agencies, government sponsored enterprises, and private corporations.

8. "Forest Service: Distribution of Timber Sales Receipts Fiscal Years 1992–94," September 8, 1995, GAO/RCED–95–237FS.

a. Summary.—At the request of Congressman Sidney R. Yates, ranking minority member of the Subcommittee on Interior and Related Agencies of the Committee on Appropriations, the General Accounting Office (GAO) conducted a study to provide information on the receipts collected for the timber sales program in fiscal years 1992–94. This study includes the amount of the receipts the Forest Service distributed for specific purposes and the receipts deposited in the General Fund of the Treasury compared with the Forest Service's outlays for the preparation and administration of timber sales for that same period. During fiscal years 1992–94, the Forest Service collected nearly $3 billion in timber sales receipts and distributed about $2.7 billion, or 90 percent, to various Forest Service funds or accounts for specific purposes. The Forest Service deposited the remaining receipts—about $300 million—in the General Fund of the Treasury. Outlays for preparing and administering timber sales totaled about $1.3 billion for the same period. Overall, for fiscal years 1992–94, the Forest Service collected more timber sales receipts than it distributed.

b. Benefits.—The GAO's report details timber sales receipts and outlays by region for fiscal years 1992–94.

9. "Community Reinvestment Act: Challenges Remain To Successfully Implement CRA," November 28, 1995, GAO/GGD–96–23.

a. Summary.—At the request of Chairman Leach, Congressman Henry Gonzalez, Chairwoman Roukema, Congressmen Bruce Vento and Joseph Kennedy, the General Accounting Office (GAO) prepared a report on the effectiveness of the Community Reinvestment Act. It discusses the major problems with the implementation of the act identified by the affected parties, the extent to which recent regulatory reform efforts have addressed those problems, and the challenges that regulators need to address as they implement new CRA regulations. It also discusses initiatives that banks have taken independently or in partnership with others to enhance community lending.

GAO identified four major problems with the regulators' compliance examinations and enforcement of CRA that all the affected parties agreed were problems: (1) too little reliance on lending results and too much reliance on documentation of efforts and processes, leading to an excessive paperwork burden; (2) inconsistent CRA examinations by regulators resulting in uncertainty about how CRA performance is to be rated; (3) examinations based on insufficient information that may not reflect a complete and accurate measure of an institutions' performance; and (4) dissatisfaction with regulatory enforcement of the act, which largely relies on protests of expansion plans to ensure institutions are responsive to community credit needs. However, the reasons they gave for why they believed the problems adversely affected their interests—which form the basis for their concerns—and often contradictory

solutions they offered to address the problems, showed that the affected parties differed considerably on how best to revise CRA.

b. Benefits.—The results of this study should be of great assistance to lawmakers in their efforts to revisit and revise the CRA statute in order to clarify its intent and scope. In particular, this study will assist with the development of alternative strategies for meeting the goals of the CRA.

10. "Bank Mutual Funds—Sales Practices and Regulatory Issues," September 27, 1995, GAO/GGD–95–210.

a. Summary.—At the request of Congressman John Dingell, ranking minority member of the Committee on Commerce, and Congressman Henry Gonzalez, ranking minority member of the Committee on Banking and Financial Services, the General Accounting Office (GAO) prepared a report on the extent to which banks and thrifts have expanded into mutual fund activities. The GAO found that in the last few years, many banks and thrifts have entered the mutual fund business to retain customers, increase fee income, and diversify their operations. The rapid growth of bank mutual fund sales over the last 5 years has raised concerns that bank customers may not fully understand the risks of investing in mutual funds compared to insured bank products. In February 1994, the four banking regulators responded to these concerns by issuing guidelines to banks and thrifts on the policies and procedures that these institutions are to follow in selling nondeposit investment products, such as mutual funds. During visits to a sample of banks and thrifts in 12 metropolitan areas in March and April 1994, GAO found that many institutions were not following the guidelines. About one-third of the institutions visited made all the risk disclosures called for by the guidelines, and about one-third did not clearly distinguish their mutual fund sales area from the deposit-taking area of the bank as required by the guidelines. The banking regulators have stated that they are including steps in their examinations to determine how well institutions are following guidelines.

b. Benefits.—The results of this study will assist in the development of a sensible approach to conducting examinations of banks' mutual fund activities to provide effective investor protection, while ensuring bank safety and soundness.

11. "National Parks—Difficult Choices Need To Be Made About the Future of the Parks," August 30, 1995, GAO/RCED–95–238.

a. Summary.—At the request of Senators Murkowski, Campbell, Thomas, and Congressman James Hansen, the General Accounting Office (GAO) conducted a study on the current condition of national parks. The report specifically discusses: (1) what, if any, deterioration in visitor services or park resources is occurring at the 12 park units that GAO visited; (2) what factors contribute to any degradation of visitor services, natural and cultural resources at the 12 park units that GAO visited; and (3) what choices are available to help deal with identified problems. The GAO concluded that the overall level of visitor services was deteriorating at most of the park units that GAO reviewed. Services were being cut back, and the condition of many trails, campgrounds, and other facilities was

declining. Trends in resource management were less clear because most park managers lacked sufficient data to determine the overall condition of their parks' natural and cultural resources. In some cases, parks lacked an inventory of the resources under their protection.

Two factors particularly affected the level of visitor services and the management of park resources. These were (1) additional operating requirements placed on parks by laws and administrative requirements and (2) increased visitation, which drives up the parks' operating costs. These two factors seriously eroded funding increases since the mid-1980's.

The GAO has concluded that the national park system is at a crossroads. While the system continues to grow, conditions at the parks have been declining, and the dollar amount of the maintenance backlog has jumped from $1.9 billion in 1988 to over $4 billion today. Dealing with this situation involves making difficult choices about how parks are funded and managed. These choices call for efforts on the part of the Park Service, the administration, and the Congress centering on one or more of the following: (1) increasing the amount of financial resources going to the parks; (2) limiting or reducing the number of units in the park system; and (3) reducing the level of visitor resources. Additionally, the Park Service should be able to stretch available resources by operating more efficiently and continuing to improve its financial management and performance measurement systems.

b. Benefits.—This GAO study provides interested parties with an honest assessment of the current status of much of our national park system. The results of this study will assist in determining what priorities need to be set for the national park system, including potential solutions to many of the problems these parks currently face.

12. "Nuclear Safety: Concerns With Nuclear Facilities and Other Sources of Radiation in the Former Soviet Union," November 7, 1995, GAO/RCED–96–4.

a. Summary.—At the request Senator Bob Graham, the General Accounting Office (GAO) conducted a study on (1) nuclear facilities (other than civil nuclear power reactors), nuclear-powered vessels, and other sources of radiation in the former Soviet Union; (2) the views of United States and international experts on the safety of these facilities and other sources of radiation; and (3) United States and international efforts to address nuclear safety and environmental problems associated with these facilities and other sources of radiation. According to available information, the countries of the former Soviet Union have at least 221 operating nuclear facilities, not including civil nuclear power reactors. Ninety-nine of these facilities are located in Russia and include facilities involved in plutonium production and processing as well as weapons design and production. Russia also has a fleet of nuclear powered vessels, including 228 submarines. In addition, according to the Department of Defense, as many as 10,000 to 20,000 organizations throughout the former Soviet Union may be using different types of radiation sources for medicine, industry, and research.

The GAO also found that nuclear safety experts, including Russian officials, are concerned about the safety of certain nuclear facilities and the potential for accidents, particularly at facilities producing or reprocessing plutonium and at some sites for decommissioning nuclear submarines. The following five major factors contribute to unsafe conditions in the former Soviet Union: (1) aging facilities and equipment and inadequate technology; (2) the lack of awareness of and commitment to the importance of safety; (3) the long-standing emphasis on production over safety; (4) the absence of independent and effective nuclear regulatory bodies; and (5) the lack of funds for safety improvements.

Nuclear safety experts cited the radiological contamination generated by past and continued operation of nuclear weapons operations in the former Soviet Union as current safety and environmental concerns. For example, over many years, nuclear waste from three large sites in Russia producing plutonium had been discharged directly into surrounding lakes and rivers. Currently, radioactive waste is being injected into the ground and continues to be stored improperly. In addition, Russia's history of dumping liquid and solid radioactive waste from nuclear-powered submarines and icebreakers into the Arctic seas and the Sea of Japan has raised concerns about the long-term environmental effects of this practice.

b. Benefits.—This report highlights some of the nuclear safety issues concerning nuclear facilities and other sources of radiation in the former Soviet Union and will help foster an informed debate over the need for United States assistance in ensuring the safety of these facilities.

13. "Army Depot Maintenance: Privatization Without Further Downsizing Increases Costly Excess Capacity," GAO/NSIAD–96–201, September 1996.

a. Summary.—Several Army depots have been recommended for closure under the 1995 Defense Base Closure and Realignment Commission (BRAC). The Department of Defense (DOD) is planning to consolidate some functions to remaining Army Depots while privatizing others. The problem of excess capacity is driving up the maintenance cost of depots, and privatization does not deal with this situation.

The plans to transfer certain workloads from realigned depots to remaining depots while improving capacity usage and lower operating costs to some extent, but will not resolve the extensive excess depot capacity problems. Current privatization initiatives as outlined by the Army will increase excess capacity from 42 percent to 46 percent which will increase the cost of depot maintenance. Privatizing-in-place will also aggravate excess capacity conditions in the private sector. There is also a lack of details as to how the Army will comply with certain statutory requirements of privatizing depot maintenance.

While the Army's plans for depot reallocation are still evolving, the Army has not yet demonstrated that privatization initiatives are cost effective. The General Accounting Office (GAO) has found that opportunities do exist to significantly reduce maintenance costs through workload transfers from closing and downsizing de-

pots as opposed to in place privatization. The GAO found that while there would be benefits from transferring workloads it is unlikely that the Army's current plans will achieve the BRAC Commission's projected 20-year net present value savings of $953 million from the realignment of the Letterkenny depot or the $274 million from downsizing the Red River depot.

b. Benefits.—An expedited transfer of equipment from the Sacramento Air Logistics Center to the Tobyhanna Army Depot could result in an annual savings of up to $24 million and further savings for the Air Force by earlier termination of the work than currently scheduled. Also consolidating the tactical missile workload at the Tobyhanna depot could decrease costs by as much as $27 million annually.

14. "Nuclear Weapons: Improvements Needed to DOE's Nuclear Weapons Stockpile Surveillance Program," GAO/RCED–96–216, July 1996.

a. Summary.—The Department of Energy (DOE) is responsible for the management and surveillance of weapons in the Nation's nuclear stockpile to identify reliability and safety problems. DOE conducts three different types of surveillance tests on nine different types of nuclear warheads. The three types of tests conducted are flight tests, nonnuclear systems laboratory tests, and nuclear and nonnuclear component tests. Based on these tests the DOE assesses the reliability level of the weapon. While reliability level of a particular weapon can only be changed as the result of a test, DOE loses confidence in reliability ratings of untested weapons.

While this loss of faith is unquantifiable, it is significant. There are several reasons why various testing programs are behind schedule including transfer of functions, lack of a safety study, and concerns about safety procedures. There is also concern that limited equipment and changes to number of test packages that may be sent on a single flight test have been limited by the SALT treaties. The DOE does not yet have written plans on how it will get the backlogged programs back on schedule, and they estimate that it may take years to return some of these programs to schedule.

The DOE is also being forced to improvise flight test packages on certain weapons systems made from a package designed for a similar system. Due to the random selection of the tested weapons and the type of data gathered the DOE also feels that it can eliminate certain flight tests from the backlog without effecting their confidence in the reliability level of those systems. The DOE is also looking at ways in which it can transfer testing functions and maintain safety at its facilities without sacrificing time and creating delays in the surveillance process.

b. Benefits.—The importance of knowing the safety and reliability of our nuclear stockpile cannot be understated. The sooner the problems in this program are addressed the less it will cost to clear the backlog of tests and prevent similar situations from occurring in the future.

15. "Tax Research IRS Has Made Progress But Major Challenges Remain," GAO/GGD–96–109, June 1996.

a. Summary.—The Internal Revenue Service (IRS) is responsible for enforcing compliance with the Federal tax system. The tax system is supposed to be voluntary and the IRS seeks to reduce noncompliance not only through enforcement methods such as audits but also through a variety of nonenforcement methods designed to raise voluntary compliance through nonenforcement means such as education and assistance through their Compliance 2000 program.

Compliance 2000 seeks to keep current enforcement methods in place to deal with intentional noncompliance while lowering the level unintentional noncompliance. Compliance levels have remained static at 87 percent for about 20 years, 83 percent from voluntary compliance and 4 percent from IRS enforcement methods. The IRS seeks to raise this level to 90 percent by the year 2000 mostly by increasing the level of voluntary compliance. At the same time the IRS has undertaken a rigorous program of reviewing procedures and developing plans to further increase compliance by studying local and national noncompliance problems and tailoring solutions to noncompliant market segments.

b. Benefits.—Compliance 2000 is designed to decrease the $1,000 billion income tax gap. These efforts will help increase tax revenues without increasing the IRS image problem by focusing on increasing voluntary compliance and focusing enforcement methods to intentional noncompliance.

16. "Tax Administration: IRS Is Improving Its Controls for Ensuring That Taxpayers Are Treated Properly," GAO/GGD–96–176, August 1996.

a. Summary.—In 1994 the Internal Revenue Service (IRS) processed over 200 million tax returns, issued 86 million tax refunds, handled 39 million calls for assistance, conducted 1.4 million audits, and issued 19 million collection notices for delinquent taxes. These activities result in millions of contacts with taxpayers, and these contacts have the potential to make taxpayers feel as though they have been abused or mistreated by individual IRS employees. Due to the nature of our tax system, taxpayers must be willing to comply voluntarily for the efficient collection of taxes. A feeling that one has been abused by part of the system, or that the system itself is abusive has a negative impact on compliance.

In order to avoid situations in which taxpayers are abused or feel mistreated by IRS employees, a number of controls have been implemented. The IRS is responsible for administering these controls and shares the responsibility for investigating allegations of abuse. Depending on the type of abuse alleged and the position of the alleged abuser the IRS, the Department of the Treasury Office of the Inspector General (OIG), or the Department of Justice (DOJ) are responsible for carrying out the investigation. OIG is involved in complaints against senior officials of the IRS, while DOJ may prosecute IRS employees who are accused of taxpayer abuses that are criminal misconduct. The DOJ can also defend IRS employees against civil suits that arise out of actions taken as part of their official duties.

While at this time the IRS has not yet defined taxpayer abuse, the GAO has had definitions since their 1994 report on IRS controls. The tracking systems in place at IRS, DOJ, and OIG are not currently prepared to follow progress of these controls in cutting down taxpayer abuse. Without the IRS creating a definition of taxpayer abuse and tracking the number and disposition of complaints it is impossible to gather clear data on the effectiveness of their implemented controls. The IRS has not yet agreed to take such actions, but is following other GAO recommendations to improve the general system of controls to eliminate taxpayer abuse by IRS employees.

b. Benefits.—The perception that IRS employees or the tax system itself is abusive can decrease voluntary compliance in taxation by taxpayers. Eliminating these abuses would help to increase voluntary compliance, reducing the $100 billion income tax gap while decreasing IRS workload in the field of intentional noncompliance cases. This would also facilitate taxpayers confidence in the IRS and the tax system in general.

17. "Tax Administration: Tax Compliance of Nonwage Earners," GAO/GGD–96–165, August 1996.

a. Summary.—Nonwage income accounts for $859 billion of the $3,665 billion of total income for individuals in 1992. This is a significant increase in the percentage of total income for individuals since 1970, and all indications are that this percentage will continue to grow as more people earn money from nonwage sources of income such as pensions and self employment. It has been found that nonwage earners have more difficulty in paying their taxes than wage earners. While it is impossible to determine all the factors that cause nonwage earners to be more frequently delinquent, it appears that a large portion of the problem is the confusion generated by the estimated tax system and lack of withholding.

The estimated tax system requires nonwage earners to file taxes several times a year, estimating what their income will be by projecting expected payments and dividends. The system by which the Internal Revenue System (IRS) carries out the estimated tax procedures has not changed in years and relies on stringent payment schedules and old payment channels. The GAO has made several recommendations for increasing compliance and modernizing the IRS procedures in this area. They also suggest that mandatory withholding extend to cover certain types of nonwage income in order to simplify compliance, as is done in several other countries. Many tax experts agree that this helps to increase compliance.

The IRS and private sector both agree that improving taxpayer awareness of their responsibilities increases compliance. The IRS seeks ways to improve taxpayer compliance through education and by targeting periods of transition from wage to nonwage income to eliminate confusion. Also better monitoring of estimated tax payments will aid the IRS in determining how to improve compliance.

b. Benefits.—As nonwage income becomes an increasingly large percentage of taxable income, the importance of compliance rises proportionally. The Social Security Administration prepares, pending authorizing legislation, to start mandatory withholding on Social Security payments to help ease compliance burdens. The IRS

along with the private sector studies ways in which it can increase compliance in other areas of nonwage income, and has received several GAO suggestions in addition to its own research and reports.

18. "NASD Telephone Hotline: Enhancement Could Help Investors Be Better Informed About Brokers Disciplinary Records," GAO/GGD–96–171, August 1996.

a. Summary.—The National Association of Securities Dealer's (NASD) creates a toll-free hotline in October 1991. The hotline receives hundreds of thousands of calls from investors seeking information on their brokers disciplinary records. These callers represent less than 1 percent of those who directly own shares in a publicly traded company or mutual fund. While surveys showed that most callers were very satisfied with the information and services provided by the NASD hotline, many wanted more information than NASD was providing.

NASD was not providing information that they are allowed to disclose such as whether their broker had been subject to a settled civil case, had a pending or settled arbitration, or a pending customer complaint. However, all of this information is available by calling ones State board of regulators, causing a discrepancy in the type of information available to investors. NASD agrees to make changes in this policy.

Also, findings indicate that in some cases NASD gave out either too little of the information they were allowed to or in rare instances exceeded the scope of allowed information. This causes investors to make decisions without information they should have, which consequently harms certain brokers.

b. Benefits.—The NASD agrees to provide in addition to the services already available on their hotline the same information on brokers that one could receive by calling ones State board of regulators. This allows investors to make informed decisions, thus decreasing unnecessary risk.

19. "Environmental Cleanup: Cash Management Practices at Rocky Mountain Arsenal," GAO/NSIAD–96–145, September 1996.

a. Summary.—The Army and Shell Oil Co. (Shell) reaches an agreement under which they would cofund the environmental cleanup costs at the Rocky Mountain Arsenal. The percentage of the cleanup for which Shell is responsible expects to exceed $500 million. Since the 1989 settlement agreement, the Army's cash management procedures in collecting from Shell cost the Government in excess of $1 million.

The three factors that contribute to the weakness in cash management procedures are as follows: (1) the Army bills on a quarterly instead of monthly basis as is the usual practice; (2) the Army has allowed an additional 30 days in the payment cycle agreed on; (3) the Army and Shell send payments to each other by mail instead of by electronic transfer, causing delays in receipt of funds. The Army has the capability to implement changes that would eliminate all three of these problems, the first two having each caused losses in excess of half a million dollars apiece and the third having caused untold opportunity costs.

b. Benefits.—The Army saves the Federal Government millions of dollars by implementing changes to a monthly billing cycle and holding Shell to a 60-day cycle to calculate costs as outlined in the settlement, as opposed to the 90-day cycle now used. In addition, switching to electronic transfer saves the Government in opportunity cost by allowing them to invest in a timely manner.

20. "Tax Administration: Income Tax Treatment of Married and Single Individuals," GAO/GGD–96–175, September 1996.

a. Summary.—The Internal Revenue Code (IRC) has 59 separate provisions where tax liability depends, at least in part, on ones marital status. There is discussion over whether the IRC creates either a marriage bonus or a marriage penalty. Of the 59 provisions that are marriage sensitive, three of them are frequently discussed in connection with marriage penalties or bonuses: sections on the tax rate; the standard deduction; and the earned income credit.

The different ways married and single people are treated under the income tax code leads to situations where the tax liability of married taxpayers is different than that of two similarly situated single taxpayers. Of the 59 provisions that GAO identifies as marriage sensitive, 56 results in marriage bonuses or marriage penalties, depending upon the taxpayers individual circumstances. The single most important factor in these situations is how income is divided between spouses. Disparate income between spouses tends to lead to marriage bonuses while equivalent income could lead to marriage penalties. There are other factors that lead to marriage bonuses or penalties including property ownership and qualification for tax credits or deductions. Examples include capital losses and capital gains. A married couple gets the same capital loss deduction as a single person, so if both spouses have capital losses that when combined exceed this deduction there is a penalty, but if one spouse has a capital loss while the other has a larger or equal capital gain the loss can be used to offset the gain, resulting in a marriage bonus.

b. Benefits.—At this time there is not enough data to quantify the number of taxpayers who may suffer a marriage penalty or benefit from a marriage bonus. However, both of these conditions exist under current tax law and what circumstances can lead to benefit or penalization for married couples.

21. "Tax Policy: Analysis of Certain Potential Effects of Extending Federal Income Taxation to Puerto Rico," GAO/GGD–96–127, August 1996.

a. Summary.—Based on 1992 figures the net aggregate Federal tax liability that could be collected from Puerto Rico would have been about $49 million under the United States tax rules as adopted by the end of 1995. Over half of all Puerto Rican taxpayers would have received net transfers from the Federal Government under the Earned Income Tax Credit (EITC) while some 41 percent of taxpayers would have had positive Federal income tax liabilities including EITC. If additional EITC could have been claimed by legal nonfiler residents this would result in an additional $64 million in EITC payments, eliminating the aggregate of Federal in-

come tax liability and creating $15 million in EITC payments over the aggregate of tax liability.

The Government of Puerto Rico would have had to reduce its income tax level by about 5 percent if the Government wanted to keep level the rate of combined taxes on its residents if the $49 million in aggregate tax had been collected by the Federal Government. If the aggregate Federal tax liability were wiped out by additional EITC payments the Government of Puerto Rico would not have to alter its tax rate.

While the per-capita amount of Puerto Rico's individual income tax was lower than the State and local taxes in most States and the District of Columbia the income tax as a percentage of total personal income was higher than any State or the District of Columbia. However because residents of Puerto Rico pay considerably less in Federal taxes the combined Federal and Puerto Rican income tax were lower both in dollars per-capita and as a percentage of personal income than the combined Federal, State and local taxes for a resident of any State or the District of Columbia.

The elimination of the possessions tax credit saves billions in tax expenditures. According to the Joint Committee on Taxation we save $4.4 billion annually by the year 2000. The U.S. Department of the Treasury is more conservative, placing those savings at $3.4 billion within the same time period.

b. Benefits.—While the benefits of extending full Federal taxation to Puerto Rico are unresolved, costing either $15 million a year or else netting $49 million, there are benefits to reconsidering the possessions tax credit.

22. "Fair Lending: Federal Oversight and Enforcement Improved but Some Challenges Remain," GAO/GGD–96–145, August 1996.

a. Summary.—Recently the banking regulators, the Department of Justice (DOJ), and the Department of Housing and Urban Development (HUD) devote additional efforts to the enforcement of fair lending laws, along with other responsible Federal agencies. The banking regulatory agencies attempt to detect discrimination through improved examination procedures. In addition they, and other agencies, recommend a number of compliance procedures and activities to help lenders ensure that all loan applicants are treated fairly if implemented.

Problems remain and agencies can still take advantage of opportunities to improve the consistency of Oversight and Enforcement. The areas that still need work are adequate means by which to detect discrimination in the process before the submission of the formal loan application. Compliance examiners at several agencies find that poor quality Home Mortgage Disclosure Act data, examiner inexperience, and insufficient time allowances make detecting discrimination more difficult during fair lending examinations. Uncertainty also persists among officials at some Federal agencies as to what constitutes a referable pattern or practice violation under the Equal Credit Opportunity Act and the Fair Housing Act.

There are a number of other interpretation and application issues of the fair lending laws that remain unresolved. These and other legal issues create uncertainty among both lenders and regu-

lators which impeded current attempts by Federal banking regulatory agencies to provide clearer more concise guidance regarding fair lending policies. Banks and other lending institutions are in turn left confused about what is needed to ensure that they are in compliance.

Unresolved legal issues also pose other potential barriers to wider adoption of some programs and activities recommended by Federal agencies to ensure compliance. Chief amongst these is the resolution of the disparate impact theory of lending discrimination and the use by regulators and third parties of data acquired or generated by lenders through self-testing programs. The disparate impact theory states that a lender discriminates when they apply a policy or practice that while seemingly innocuous has a disproportionate adverse impact on applicants from a protected group, even when applied to all groups equally. The policy or practice must also be of a nature that is not justifiable as a business necessity.

Compounding these problems is the fact that many of these issues may require judicial or administrative resolutions in addition to the legislative actions being taken. This could take some time during which the fair lending laws remain unclear to lending institutions, thus leading to hesitation in the implementation of additional compliance programs.

b. Benefits.—The goal of making capital and credit available to all is aided by the efforts to cut discrimination out of lending programs. Ongoing efforts by the banking regulatory agencies clarify the fair lending laws, new policies and programs which make recommendations should toward eliminating discrimination in the industry.

23. "National Park Service: Activities Within Park Borders Have Caused Damage to Resources," GAO/RCED–96–202, August 1996.

a. Summary.—Park managers identify 127 direct internal threats to park resources at eight parks as reviewed by the General Accounting Office (GAO). Park managers feel that the most serious threats to the park come from shortages in staffing, funding, and resource knowledge which they say contribute, or are responsible for many of the other conditions that pose threats. The threats are divided into six categories of threat which include: private inholdings/commercial activities; nonnative wildlife/plants; illegal activities; effects of visitation; agency/park management actions; and other. While the Park Service has developed systems focusing on tracking particular classes of resources, it has no system-wide or national data base. It also lacks a system to categorize, prioritize, and track internal problems. It is the Park Services feeling that despite the General Accounting Office recommendation, such a system is not appropriate at this time.

Private inholdings and commercial development present the largest number of specific threats, threatening resources and natural resources as well as affecting visitor enjoyment. Encroachment by nonnative flora and fauna accounted for the second largest number of direct threats destroying native plants and animals. Illegal activities constitute the third highest category and mainly consist of animal and resource poaching. About 30 percent of threats are di-

vided into two other categories the adverse effects of people's visits to the parks, and the Park Services own management actions. These problems are mainly erosion and fire safety concerns. The other direct threats are largely posed by nature itself.

The cultural resources of our national parks have more permanent damage than natural resources. Most of this damage can be traced to vandalism, poor upkeep, and the venturing off of established trails or illegal vehicle usage. Historic artifacts, buildings, and cemeteries have all been looted. So far, mitigation efforts have been primarily limited to studies.

b. Benefits.—Park managers believe that they have taken some action in response to 82 percent of the direct threats identified. By adding rails and ropes and replacing easily damaged items with more durable ones the park managers are hoping to reduce erosion and lessen the effects of vandalism. Also, access to certain delicate areas is being restricted to limit looting and poaching while in addition to slowing other forms of damage.

24. "Earned Income Credit: IRS' 1995 Controls Stopped Some Noncompliance, But Not Without Problems," GAO/GGD–96–172, September 1996.

a. Summary.—The Internal Revenue Service (IRS) took steps to detect and prevent noncompliance with the earned income credit (EIC). The EIC is a refundable tax credit available to low-income working taxpayers. There have been high numbers of EIC claims filed with errors in calculating the amount of EIC or by people who did not qualify for the EIC.

The IRS uses a series of filters in its Electronic Filing System to identify problems in electronic submissions. The filters serve as controls in finding EIC problems mainly by identifying problems related to the submitted Social Security numbers (SSN). Filters added by IRS in 1995 as well as the existing filters identified about 1.3 million SSN problems. This is a great increase over about 600,000 such problems found in the previous year. There is no way of determining which instances of noncompliance were intentional and which were honest mistakes by use of these filtering mechanisms. The IRS also had several electronic submissions that were rejected and later filed on paper, nearly a third of which than received their refunds.

The IRS must transcribe and validate SSN's for paper returns. If the IRS identifies an invalid or missing SSN it must determine whether or not they will examine those requests for refunds. Last year the IRS only had the resources to investigate roughly a third of the over 3 million requests for EIC refunds with problems. Information on the results of the roughly 1 million examinations the IRS carried out is unavailable. For those problems that were identified but not examined the IRS delayed, but ultimately sent, the EIC refunds. The IRS also delayed about 4 million EIC refunds on which no problems were identified while checking if other returns had been filed using the same SSN's.

According to the IRS Internal Audit Division, procedures used in determining which cases warranted followup were lacking in several areas. The IRS procedures did not ensure the selection of the most productive cases and resulted in an inefficient use of IRS re-

sources. There was also the long delay of EIC returns in which problems had not been detected. The IRS has since revised its procedures for selecting cases to review in order to address these problems and the efficacy of such reforms remains to be seen.

b. Benefits.—The IRS has not provided enough data to allow for an overall assessment of the results of EIC noncompliance actions in 1995. There were over 2 million less EIC claims filed in 1995 than the IRS expected, and as of June 30, 1996 the 1 million investigations into paper returns EIC claims had resulted in $800 million in reduced refunds and additional assessments. The IRS continues to work to refine their procedures in order to more efficiently use their resources and followup on those returns most likely to produce results.

In addition the IRS is optimistic that their efforts and the publicity surrounding them resulted in fewer EIC claims being filed. The benefit of increased tax revenue and increased speed in processing that will result from these reforms will be more easily tacked with the adoption of the General Accounting Office recommendations.

25. "Social Security Disability: Backlog Reduction Efforts Under Way; Significant Challenges Remain," GAO/HEHS–96–87, July 1996.

a. Summary.—The Social Security Administration (SSA) with State agencies called disability determination services (DDS) make the initial determination of disability eligibility. The petitioner has the right to appeal the SSA/DDS decision, first to another DDS staff, and failing that they have a second appeal to the SSA's Office of Hearings and Appeals (OHA). The OHA appeals go before an administrative law judge (ALJ).

From 1985 to 1995 the OHA's pending case backlog grew from 107,000 to 548,000, and processing time increased from 167 days to 350 days for a filed claim. While there has been a surge in initial applications and appeals to OHA, the increases in case-processing time and the backlog of pending cases cannot be blamed on these problems alone. SSA has failed to pay attention to several longstanding problems until recently, compounding the problems created by the increased demands on the system. These longstanding problems include: (1) multiple levels of claims development and decisionmaking; (2) fragmented program accountability; (3) decisional disparities between DDS and OHA adjudicators; and (4) SSA's failure to consistently define and communicate its management authority over the ALJ's.

Since 1994, SSA has initiated a new line of programs to address these problems including both short- and long-term efforts. These efforts replace previous initiatives that were outpaced by the increasing workload placed on OHA. SSA's Short-Term Disability Plan (STDP) represents its near term efforts to reduce OHA's backlog of pending cases to a manageable level by the end of the year. The STDP reallocates agency resources and institutes process changes to reduce the flow of appeals requiring ALJ hearings and allow for reduction of the current backlog. Startup delays, limited impact of key initiatives, and concern over claims being allowed incorrectly due to time pressure have limited SSA's ability to reduce

the backlog of cases. SSA is closely monitoring STDP and tracking allowances to ensure decisional accuracy.

The long-term plan by SSA is called the Plan for a New Disability Claim Process, also called a redesign plan. The redesign plan is aimed at the first three longstanding problems noted above. The SSA is still in the early testing stages of the redesign plan so its effectiveness is not yet known. Its goal is to implement initiatives which streamline the claims process, improve organizational and process accountability, and provide more consistent decisional policies to OHA and DDS. It is believed that this project will decrease processing time from over a year currently to about 225 days by the turn of the century.

The only problem that the redesign plan does not address is that of SSA's management authority over the ALJ's. The Administrative Procedure Act protects ALJ decisional independence, and the ALJ's have successfully argued that these provisions protect them from management attempts to control their workload. The success of the redesign plan hinges on the level of cooperation that the ALJ's are willing to extend.

b. Benefits.—The Government stands to garner significant savings from the streamlined claims process and decreased workload on OHA.

26. "U.S. Mint: Commemorative Coins Could Be More Profitable," GAO/GGD–96–113, August 1996.

a. Summary.—The U.S. Mint is running an increasingly large number of commemorative coin programs over recent years. While the commemorative coin program has been profitable overall, some recent programs have lost money. This presents a problem for the Mint and the Government as the legislative authorization for the commemorative coin programs states that the mint shall take all steps necessary to ensure that the issuance of these coins result in no net cost to the Government. It is also one of the main problems that have resulted in losses to the mint have been the increasing number of coin series released, the unpopularity of chosen themes, and the payment of surcharges to sponsors on coins that lose money for the mint.

The increasing number of commemorative coin programs has lead to decreased interest in individual programs by coin collectors as well as decreasing satisfaction. This hurts the larger market for commemorative coins, and profits for single programs have been dropping The Citizens' Commemorative Coin Advisory Committee (CCCAC) was established in 1992 to help reduce the proliferation of commemorative coins. By reducing the number of programs, it is hoped that the existing coin programs will be more attractive to collectors and the general public.

CCCAC is also responsible for recommending themes to Congress for series of commemorative coins to be produced by the mint. It is hoped that by eliminating unpopular themes and themes of only limited or local appeal the Mint can appeal to a larger cross section of the American public. These efforts are also designed to maintain the interest of coin collectors in the Commemorative Coin program, some collectors having recently called for a boycott of the Mints commemorative coins which they feel are flooding the market.

The Mint has also lost millions of dollars on coin programs while still paying the sponsors their surcharges. Despite the goal of reducing the deficit through the Commemorative Coin programs, the current agreements between the Mint and program sponsors are structured in such a way as to allow sponsors to profit even when their coin series is a commercial failure. In those cases the Mint must assume the loss, which translates to the taxpayers ultimately assuming the loss. CCCAC has made a recommendation is that future agreements between the Mint and program sponsors be structured in such a way so that they are profit-sharing arrangements instead of surcharges. This type of arrangement would have reduced or eliminated the loss on all programs to the Mint, and in some cases may have resulted in a profit to the Mint instead of a loss.

CCCAC has also recommended that Congress authorize circulating commemorative coins. These are coins which are sold at face value and operate as legal tender, while having a special collective appeal from their distinctive designs and limited issue. This program would be similar to the Postal Service's commemorative stamp programs. A circulating coin would give the Government all costs but it would also receive all the benefits. The circulating coins would provide millions in seigniorage (the difference between the face value of the coins and their cost of production, which reduces Government borrowing requirements) and lead to a substantial savings on interest on the national debt.

b. Benefits.—Reducing the number of noncirculating commemorative will reduce the risk of loss to the Mint while increasing their appeal to collectors. Following the CCCAC recommendations would also allow the Government to reduce the national debt and provide a means of fundraising for sponsors while meeting the requirement without Government net cost to the Government.

A circulating commemorative coin program of the type suggested by CCCAC could provide about $225 million in seignorage for the Government. In addition such a program has the potential to save $16 million in annual interest on the national debt.

27. "Amtrak's Strategic Business Plan: Progress to Date," GAO/RCED–96–187, July 1996.

a. Summary.—Since 1971, Amtrak took over the responsibility for operating the Nation's intercity passenger trains. The corporation was provided more than $18 billion from the Federal Government to cover annual operating losses and to make capital investments. By 1994 the long-term survivability of Amtrak was seriously threatened. Their financial and operating conditions had taken a serious decline. In order to boost revenues and cut expenses, Amtrak has taken on a Strategic Business Plan. This Plan was to increase revenues and cut expenses with a goal of operating self-sufficiency by the year 2002. In 1975, the development of the Strategic Business Plan by Amtrak underwent a major corporate restructuring. The restructuring involved dividing Amtrak's intercity passenger service operations into three distinct operating units.

Although progress has been made in the past 18 months, it is still too early for the corporation to judge whether their long-term

goal of operating self-sufficiency will work. Amtrak plans to increase revenues and State support and control costs to eliminate the need for Federal operating subsidy. Marketing efforts and fare increases are the bases for increasing passenger revenues. The increase in State contributions will occur shortly. Amtrak is hoping for 100 percent of these costs from the States by the fiscal year 1999. As of now, the States pay only a portion of the costs, but Amtrak is increasing the portion annually to reach their goals.

b. Benefits.—Amtrak's success in implementing the plan will go a long way toward deciding the future of intercity passenger rail service in the United States. With Amtrak's success to date with the Strategic Business Plan, it provides the Congress with a framework for determining the level capital and operating funds Amtrak will receive. This Plan could be critical in determining the continued availability of intercity passenger rail service in the United States and the level of Federal support necessary to maintain this service.

28. "Futures Markets: Heightened Audit Trail Standards Not Met But Progress Continues," GAO/GGD–96–177, September 1996.

a. Summary.—In August 1989, the Department of Justice, in cooperation with the Commodity Futures Trading Commission (CFTC), conducted an undercover investigation at the Chicago Board of Trade (CBT) and the Chicago Mercantile Exchange (CME). The investigation disclosed illegal trading practices designed to enrich participants. GAO in a report to Congress in September 1989 concluded that most of the types of illegal practices disclosed could have been detected with improved audit trails—the physical records of the price and time of each trade. A recommendation from GAO was made for CFTC to heighten audit trail standards by requiring a more accurate and comprehensive record of trades.

Exchanges having a minimum average daily trading volume of less than 8,000 contracts in each of its contract markets qualify for an exemption from the heightened standards if they could demonstrate substantial compliance with the act's audit trail standards and trade monitoring requirements. In November 1994, five exchanges were covered by the heightened standards because of their trading volume: (1) CBT; (2) CME; (3) the Coffee, Sugar & Cocoa Exchange (CSCE); (4) the Commodity Exchange, Inc. (COMEX); and (5) the New York Mercantile Exchange (NYMEX).

Future exchanges use one of four types of systems to meet audit trail standards—manual, imputed timing, pit card time stamping, and computer trade matching. In addition to meeting the requirements of the existing 1-minute trade timing and sequencing standards, including capturing the essential data on the participants, terms, times, and sequencing of all trades, the heightened standards require that this information be continually provided to the exchange in an unalterable manner and that it be precise, complete, and independent. CFTC has taken actions to enforce exchange compliance with the FTPA audit trail standards. In June 1996, the exchanges testified that the FTPA requirement to capture broker receipt time was not currently practicable. Some exchanges were concerned that due to differences in trading volume

and in the way customer orders are routed, trades recorded, and execution times derived, audit trail features that are practicable at one exchange may be impracticable at another exchange without significantly disrupting trading.

The exchanges that were reviewed have continued to make progress toward compliance with them. GAO is concerned that the momentum toward achieving compliance could be lost now that the legislatively mandated deadline has passed without any covered exchange being found in full compliance.

The recommendation that the chairperson inform Congress periodically on exchange progress toward compliance with the FTPA heightened audit trail standards and on implementation of the dual trading ban—including mitigating factors delaying compliance or implementation and the steps CFTC is taking to encourage continued progress. This information could be provided on the anniversary of the statutory deadline, in an annual report, for compliance with the heightened standards, or through periodic testimonies before congressional committees.

b. Benefits.—Exact trade sequencing would help detect trading abuses, such as trading ahead of customer orders. More complete times could also improve an exchange's ability to accurately sequence trades. Independent or automatic trade recording could increase the reliability of the data collected by preventing the broker or trader from falsifying the record. Continually providing data to an exchange could reduce the opportunity for floor brokers and traders to illegally alter the trading record. The requirement that the data be unalterable is to prevent floor brokers or traders from changing a trading record without detection. Automated order routing systems could enhance audit trails by meeting the FTPA requirements for recording the time an order reaches the exchange floor, the time the broker receives an order, and the time the order fill is recorded. According to CFTC officials, these systems should result in better timing data for orders by augmenting existing sequencing information.

29. "Debt Ceiling: Analysis of Actions During the 1995–1996 Crisis," GAO/AIMD–96–130, August 1996.

a. Summary.—Congress has traditionally imposed a limit on the size of the Federal Government's public debt by establishing ceilings (debt ceiling) on the amount of Treasury securities that can be outstanding. In 1993, Congress raised the debt ceiling to $4.9 trillion. This debt ceiling was reached in the fall of 1995, but was raised until March 1996, when it was set at $5.5 trillion.

The public debt consists primarily of Treasury securities, which include bills, notes, and bonds that Treasury issues to raise cash to finance Government operations and invest trust fund receipts.

When a debt ceiling is reached, Treasury is unable to issue additional Treasury securities without adding to the public debt and exceeding the debt ceiling. Treasury is also unable to discharge its normal trust fund investment and redemption responsibilities. Treasury can avoid exceeding the debt ceiling by not issuing Treasury securities for trust fund receipts or reinvesting maturing Treasury securities. Also, when Government trust funds redeem Treasury securities to pay for benefits and expenses, the debt sub-

ject to the debt ceiling is lowered, and therefore, Treasury can sell additional securities to the public to raise cash.

The intervening period, beginning on November 15, 1995, when the Secretary of the Treasury declared a debt issuance suspension period, became known as the 1995–96 debt ceiling crisis. Congress provided the Secretary of the Treasury authority to issue securities that did not count toward debt ceiling. On February 8, 1996, Public Law 104–103 provided Treasury with the authority to issue securities in an amount equal to the March 1996 Social Security payments. This statute provided that the securities issued under its provisions were not to be counted against the debt ceiling until March 15, 1996, which was later extended to March 30, 1996. On March 12, 1996, the Congress enacted Public Law 104–115, which exempted Government trust fund investments and reinvestment from the debt ceiling until March 30, 1996.

During the 1995–96 debt ceiling crisis, Treasury used its normal investment procedures for 12 of the 15 major Government trust funds. The remaining three major trust funds (Civil Service fund, G–Fund, and Exchange Stabilization Fund), had other actions taken to stay within the $4.9 trillion debt ceiling.

Although actions taken during the debt ceiling crisis to issue and redeem Treasury securities allowed the Government to pay the Government's obligations while staying under the $4.9 trillion debt ceiling, the Government's debt which normally would be considered part of this ceiling, increased by $138.9 billion—the amount necessary to finance those obligations during this period.

When Treasury departed from its normal investment and redemption policies and procedures during the 1995–96 debt ceiling crisis, the Civil Service fund, the G–Fund, and the Exchange Stabilization Fund incurred interest losses. Treasury restored the interest losses to the Civil Service fund and G–Fund, once the Congress raised the debt ceiling. The Exchange Stabilization Fund lost $1.2 million in interest that cannot be restored without special legislation.

b. Benefits.—During the 1995–96 debt ceiling crisis, the Federal Government's debt increased substantially. Under normal procedures, this debt would have been considered in calculating whether the Government was within the debt ceiling.

30. "Internal Revenue Service: Business Operations Need Continued Improvement," GAO/AIMD/GGD–96–152, September 1996.

a. Summary.—Since 1992, IRS has made some progress in modernizing its operations, but the differences between IRS' current operations and those proposed in its vision are great.

The Government Performance and Results Act (GPRA) provides an excellent vehicle for IRS to reach agreement with the Congress on a business strategy and for the Congress to assess IRS' performance in implementing an agreed upon strategy. Under GPRA, each agency is to develop strategic plans for its program activities, laying out the organization's fundamental mission and long-term goals and objectives for accomplishing that mission. These plans are to be submitted to OMB and the Congress by September 30, 1997, as required by GPRA.

In May 1996, a status report of Tax Systems Modernization (TSM) was given to the Senate and House Appropriations Committees, the Department of the Treasury assessed TSM progress and future redirection. Despite some qualified success, IRS has not made progress on TSM as planned. Systems development efforts have cost more than anticipated, it's taking longer than planned, less functionality than originally envisioned has been delivered. TSM would need expanded us of external expertise in order to have the capability to develop and integrate.

IRS expects to improve the accountability for probability of TSM success by increasing its reliance on contractors. They still need to address the risk inherent in shifting hundreds of millions of dollars to additional contractual efforts before it has the disciplined processes in place to manage all of its current contractual efforts effectively.

GAO believes that the Congress should consider limiting TSM spending to only cost-effective modernization efforts that: (1) support ongoing operations and maintenance; (2) correct IRS' pervasive management and technical weaknesses; (3) are small, represent low technical risk, and can be delivered in a relatively short timeframe; and (5) involve deploying already developed systems that have been fully tested, are not premature given the lack of a completed architecture, and produce a proven, verifiable business value.

As the Congress gains confidence in IRS' ability to successfully develop these smaller, cheaper, quicker projects, it could consider approving larger, more complex, more expensive projects in future years.

b. Benefits.—IRS has begun to analyze how it might use new technology to change its business operations. They have developed a vision for 2001 that called for organizational, technological, and operational changes affecting the way it processes tax returns, provides customer service, and ensures compliance.

The Government Performance and Results Act (GPRA) provides an excellent vehicle for IRS to reach agreement with the Congress on a business strategy. GPRA requires that these plans be submitted to OMB and the Congress by September 1997. Recognizing the value of such plans, OMB has accelerated the legislative schedule and is currently working with agencies in developing key elements of their strategic plans.

As of September 1996, for TSM, IRS said it (1) has made substantial progress in updating the business cases for TSM projects and was continuing to refine its investment review process, (2) had initiated the tax settlement reengineering project to further reduce the volume of paper transactions, (3) would continue work on the systems life cycle and was developing a schedule for completing the TSM architecture, (4) was establishing the GPMO which will be responsible for directing and monitoring the activities of all modernization contractors, and (5) would deliver a revised strategic plan to Congress and OMB by September 1997.

31. "Farm Credit System: Analysis and Comment on Possible New Insurance Corporation Powers," GAO/GGD–96–144, August 1996.

a. Summary.—The Farm Credit System (the System) is a government-sponsored enterprise that was chartered by Congress to ensure a stable supply of credit to agriculture. The Farm Credit System Insurance Corp. (FCSIC) maintains the Insurance Fund, which insures the prompt payment of most of the debt obligations of the System's eight banks. In 1991, the Farm Credit Administration (FCA) recommended to Congress three expansions of the FCSIC's powers. These changes would authorize the FCSIC to: (1) assess the capital of the 228 System associations that have ownership interest in the banks that fund them; (2) charge supplemental insurance premiums to the banks; and (3) base the premiums it charges banks on the relative riskiness of each bank.

In the short run, authorizing the FCSIC to assess the capital of associations, as FCA recommended, would provide additional protections to the Insurance Fund, investors in the System debt, and ultimately the taxpayers. However, the concerns that gave rise to this recommendation—the limited size of the fund and the adequacy of capital in System banks—have diminished over time. Moreover, if the FCSIC had this authority and used it in a time of financial stress, there is a risk that a significant number of individual member/borrowers would withdraw from their associations as a result. Such an occurrence could destabilize the System and the Insurance Fund instead of protecting them.

FCA's recommendation that FCSIC be authorized to charge supplemental premiums to banks in case the Insurance Fund seems unable to meet projected needs might appear justified if the Insurance Fund experienced major losses. But, at such a time, the size of these supplemental premiums would likely be limited by adverse industry conditions and competitive considerations.

FCA's third recommendation—that FCSIC be authorized to incorporate additional risk factors into its premium structure to require higher risk banks to pay higher premium rates—could be a useful complement to the FCA's risk-based capital requirements. Currently, FCSIC's premiums are based in part on credit risk, but not on other forms of risk. Giving FCSIC the authority to charge premiums that are more fully based on all risks could create additional incentives for banks to manage risk prudently, because banks that were judged to be riskier would be expected to pay higher premiums.

b. Benefits.—The FCA's first two recommendations for the FCSIC are not currently needed, but their third recommendation could be useful. Authorizing the FCSIC to charge premiums that are more fully based on risk would encourage banks to be wise risk managers and would work well with the FCA's current risk-based capital requirements.

32. "Northwest Power Planning Council: Greater Public Oversight of Business Operations Would Enhance Accountability," GAO/RCED–96–226.

a. Summary.—The Pacific Northwest Electric Power and Conservation Planning Council (Council) is a four-State body consisting

of eight members appointed by the Governors of Idaho, Montana, Oregon, and Washington. The Council was mandated by the Pacific Northwest Electric Power Planning and Conservation Act (act). Established as an interstate agency on April 28, 1981, the Council oversees regional energy and fish and wildlife policies. It's main purpose is to act as a regional planning and policymaking agency to ensure that the Northwest has an adequate, economical, and reliable power system, while simultaneously rebuilding the fish and wildlife populations damaged by the operations of Federal dams on the Columbia River and its tributaries.

The Council's energy planning and fish and wildlife efforts have been consistent with congressional direction, but changing conditions now cloud the Council's future. The act directed the Council to prepare long-range plans for the region's conservation and electricity needs, and the Council has prepared four such plans in its nearly 20-year history. In connection with fish and wildlife policy, the Council has prepared a program directing the efforts of various Federal and State agencies and Indian tribes. However, changing conditions in the utility industry and fish and wildlife mitigation have implications for the Council's future. Due to these changing conditions—such as the transition from a regulated monopoly to a competitive market for electricity—the Governors of the four Northwest States have convened a comprehensive review of the Northwest energy system and the Council's role in it. Evaluations of the role and content of the Council's fish and wildlife program are also underway.

Although the Council's internal controls over day-to-day operations were generally sound, the Council's oversight of these operations has not been consistent. The Council has since taken steps to improve their oversight of business practices, and these steps appear sufficient to correct the immediate problems at hand. However, the risk still exists that Council members' attention may be diverted from administrative matters in the future, because of the unstable nature of the Council's main areas of focus—power, fish and wildlife. The Council could improve its credibility as a manager of public resources by taking steps to make its policies and decisions on business operations more a matter of public record.

b. Benefits.—As a publicly funded regional planning body, the Council derives its effectiveness in part from its continued credibility. This credibility depends not only on the quality of its work in power and fish and wildlife planning, but also on business practices that demonstrate sound use of public funds. Greater public oversight of the Council's business operations could help protect this credibility.

33. "Power Marketing Administrations: Cost Recovery, Financing, and Comparison to Nonfederal Utilities," GAO/AIMD–96–145, September 1996.

a. Summary.—The Federal Power Marketing Administrations (PMAS) transmit and sell electric power generated mainly at Federal hydropower facilities. Most of these facilities were originally designed for other purposes in addition to producing electricity. Three PMAS in particular—the Southeastern Power Administration, the Southwestern Power Administration, and the Western

Area Power Administration—have been reviewed to determine if they have been recovering their costs, to what extent they are subsidized by the Federal Government, and how they differ from non-Federal utilities.

The three PMAS, which are part of the Department of Energy, market primarily wholesale power in 30 States produced at large, multiple-purpose water projects. In fiscal year 1995, their collective revenues totaled $1 billion. Most of the power they sell is produced at 102 hydroelectric dams built and run primarily by two operating agencies—the U.S. Army Corps of Engineers and the Department of the Interior's Bureau of Reclamation. The three PMAS receive annual appropriations to cover operating and maintenance (O&M) expenses and, in some cases, capital investment in transmission assets. Under Federal law, the PMAS must repay these appropriations as well as the power-related O&M and capital appropriations expended by the operating agencies generating the power. At the end of fiscal year 1995, the three PMAS had about $5.4 billion of appropriated debt outstanding.

Five main power-related costs have not been fully recovered by one or more of the PMAS through rates: (1) pensions and post-retirement health benefits for current employees, (2) construction costs for some power-generating and transmission projects, (3) construction and O&M costs that have been allocated to irrigation facilities at the Pick-Sloan Program that are incomplete and infeasible, (4) costs of mitigating the environmental impact of certain water projects, and (5) certain O&M and interest expense payments due from Western. These unrecovered costs amount to approximately $83 million for fiscal year 1995 and cumulatively could be as much as $1.8 billion by September 30, 1995.

Financing of power-related capital projects is subsidized by the Federal Government. Financing subsidies were about $200 million in fiscal year 1995. Cumulative financing subsidy over the last 30 years has been several billion dollars.

The types of unrecovered costs experienced by the PMAS are typically included in the power production costs and electricity rates established by nonfederal utilities. Nonfederal utilities generally pay higher interest rates on debt than do PMAS. The unrecovered costs, financing subsidies, and inherent cost advantages have resulted in the PMAS' being a low-cost marketer of wholesale electric power. In 1994, PMAS' average revenue per kilowatt-hour for wholesale sales was about 40 percent less than the average for nonfederal utilities. Increased competition in wholesale electricity markets is projected to lower rates, which will magnify the importance of PMAS' marketing low-cost power because customers are able to buy electricity from suppliers that have the most advantageous rates.

b. Benefits.—In recent years, Congress has focused increasing attention on the pros and cons of privatizing the Federal PMAS. It is important to consider that, in aggregate, the unrecovered power-related costs and financing subsidy for Federal PMAS totaled about $300 million for fiscal year 1995 and billions of dollars over the last 30 years.

34. "Federal Research: Changes in Electricity-Related R&D Funding," GAO/RCED–96–203, August 1996.

a. Summary.—In fiscal year 1996, the Congress appropriated to the Department of Energy (DOE) about $1 billion for electrically related research and development (R&D). Manufacturers, States, the Federal Government, and electric utilities have traditionally played a major role in this R&D. Electricity R&D includes such technologies as solar energy, fossil-fueled generating systems, and electric automobiles.

The electric utility industry is being deregulated and moving toward a more competitive market. Reductions have occurred in funding from the major sources of electricity-related R&D.

The electric power industry is moving toward deregulation and increased competition, which means utilities face significant changes. Many utilities operated as monopolies in protected geographic areas. Many were regulated by State public utility commissions that approved the inclusion of electricity R&D expenditures in the rate base. Utilities have been allowed to earn a fixed rate of return on these expenditures. Being driven by a combination of factors, the move toward deregulation gained impetus with the Energy Policy Act of 1992, which promotes increased competition in the wholesale power market. Other factors in spurring the move toward competition include large differences in electricity rates among utilities; new low-cost electricity generation technologies; and recent experiences in reduced regulation in other industries, such as natural gas and telecommunications.

In April 1996, the Federal Energy Regulatory Commission now requires, as a final rule, electric utilities to make their transmission lines accessible to other utilities or power producers for the transmission of wholesale power. This was as a result of the Energy Policy Act of 1992. This open access is to be made available at the same cost that public utilities incur to transmit their own power. As of June 30, 1996, regulatory commissions in 44 States and the District of Columbia had adopted/evaluating deregulation alternatives.

Electricity-related R&D funding was reduced in 1996 by the Federal Government, most States that were reviewed, and the electric utility industry. Primary reasons for funding declines are overall reductions in Federal and State funding and the increased competition expected from the deregulation of the utilities.

R&D spending by the Nation's investor-owned utilities has declined by nearly one-third in 3 years (from 1993–96). Utilities will be forced to price electricity to compete with other utilities and independent power producers. As a result, R&D managers evaluate potential R&D projects on the basis of their likelihood of providing a near-term return to the utility that will allow them to reduce electricity rates.

b. Benefits.—A suggestion from some utility R&D managers and State and EPRI officials was that a nonbypassable national wire charge could provide an alternative funding mechanism for EPRI and longer-term collaborative R&D. It would ensure that those who do not fund R&D do not achieve a competitive advantage over those who do. Under this proposal, a small charge would be assessed on all electricity entering the transmission grid, whether it

be interstate or intrastate. If there were wire charges, the utility R&D managers would like to have considerable say over how the money was spent.

35. "World Bank: U.S. Interests Supported, but Oversight Needed to Help Ensure Improved Performance," GAO/NSIAD–96–212, September 1996.

a. Summary.—The purpose of the World Bank is to promote economic growth and the development of market economies by providing finance on reasonable terms to countries that have difficulty obtaining capital. Implicit Bank actions during most of its history was the need to ensure the availability of capital for countries that might otherwise turn to communism.

To achieve its goals, the Bank developed four major institutions; the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Association (MIGA).

Banking operations support U.S. economic and foreign policy goals and leverage other donors' funds to do so. The effectiveness of the Bank's projects have been limited due to performance weaknesses. The Bank has recognized the problems and has developed a reform program that holds promise for improving projects' effectiveness.

Systematically assessing country performance and direct lending to countries that have demonstrated progress in project implementation and in market and policy reform is a key component of the reform effort.

Another major focus of reform is the improvement of project design, or quality at entry.

During project implementation, the Bank is also working to improve project management by being more proactive in identifying and attempting to resolve problems.

Other reform efforts appear promising. They include greater emphasis on policy and market reform objectives in projects, increased use of nonlending services, and more focused Bank management attention to reforms. With the Bank's greater emphasis on policy and market reforms, in particular, may increase the potential for Bank projects to positively impact development in borrowing countries.

b. Benefits.—The benefits of U.S. participation in the Bank are limited by problems with the effectiveness of Bank projects. Through its leadership, the United States is positioned to ensure that the Bank reforms continue to progress and have a positive impact on development effectiveness.

36. "Chemical Weapons Stockpile: Emergency Preparedness in Alabama Is Hampered by Management Weaknesses," GAO/NSIAD–96–150, July 1996.

a. Summary.—Eight years after CSEPP's (Chemical Stockpile Emergency Preparedness Program) inception, Alabama communities near Anniston Army Depot are not fully prepared to respond to a chemical stockpile emergency because they lack critical items. Allocated to Alabama and six counties was $46 million to enhance emergency preparedness. The following four projects for which Fed-

eral, State, and local officials have not agreed on specific requirements: (1) a CSEPP 800-megahertz (MHz) emergency communications system; (2) equipment and supplies to protect people in public buildings (including schools and hospitals); (3) indoor alert and notification devices for public buildings and homes; and (4) personal protective equipment for emergency workers. Until a written commitment from the Army to support the county's emergency preparedness requirements or provide acceptable alternative is met, Calhoun County Emergency Management Agency (EMA) opposes the granting of a State environmental permit for the construction of Anniston's disposal facility.

The lack of progress in Alabama's CSEPP is the result of management weaknesses at the Federal level and inadequate action by State and local agencies. Management weaknesses at the Federal level are fragmented and unclear roles as well as responsibilities, imprecise and incomplete planning guidance, extensive involvement in the implementation of certain local projects, lack of team work in the budget process, and ineffective financial controls. At the State level, Alabama EMA spent more than 2 years trying to contract for a demographic survey. This would serve as the basis for determining the requirements for the tone alert radios and developing critical planning documents. Once Federal officials agree to the county's requirements, then perhaps Calhoun County EMA may not be so reluctant to initiate CSEPP projects.

Although some progress has been made, local communities near the eight chemical weapons storage sites in the United States are not fully prepared to respond to a chemical emergency, financial management is weak, and costs are growing.

The Army considers the likelihood of a chemical release at one of its eight storage sites to be extremely small, the health effects of an accident can be severe. Some munitions contain nerve agents, which can disrupt the nervous system and lead to loss of muscular control and death. Other contain a series of blister agents commonly, but incorrectly, referred to as mustard agents, which blister the skin and can be lethal in large amounts. Threats to the stockpile include external events such as earthquakes, airplane crashes, and tornadoes and internal events such as spontaneous leakage of chemical agent, accidents during handling and maintenance activities, and self-ignition of propellant.

Calhoun County has identified 12 major deficiencies in its program: (1) no demographics survey; (2) no evacuation time estimate study; (3) no indoor tone alert radio system; (4) no personal protective equipment; (5) lack of reception and mass care locations; (6) no collective protection system; (7) no integrated communications system; (8) lack of 24-hour staffing of emergency operations center; (9) lack of funding for local public information awareness; (10) lack of complete siren system; (11) lack of a complete, automated information system; and (12) lack of complete planning guidance.

The Department of the Army is responsible for managing and funding CSEPP. Program funds flow from the Army to FEMA headquarters, through FEMA regional offices, and to the States.

b. Benefits.—To develop an effective approach for reaching timely agreements on specific requirements in order to be able to adequately respond to a chemical stockpile emergency.

37. "Tax Administration: Alternative Filing System," GAO/GGD–97–6, October 1996.

a. Summary.—The Internal Revenue Service (IRS) currently offers taxpayers several choices for filing tax returns that are less burdensome than preparing paper tax returns, such as filing returns electronically, over the telephone, or through use of personal computers. In at least 36 other countries they have tax withholding systems as well as an alternative filing system. The alternative filing system is not available in the United States.

There are two types of such alternative filing systems found in other countries: (1) The first type can be referred to as the tax agency reconciliation system, whereas the taxing authority prepares the return for the taxpayer; and (2) the second type can be referred to as a final withholding filing system, whereas the taxpayers' income tax is withheld at the source and remitted to the tax agency by employers and other payers who are responsible for withholding taxes that equal but do not exceed each taxpayer's tax liability. By using a tax agency reconciliation type system, tax law changes would not be required, but with a final withholding type system, tax law changes would be required.

If IRS were able to establish a voluntary tax agency reconciliation filing system, it would consist of taxpayers who claimed the standard deduction and had income from only wages, interest, dividends, pensions, and unemployment compensation. IRS would then be able to supply a simpler tax form. IRS would then mail the returns and refunds or tax bills to taxpayers, who would need to review their returns and notify IRS whether they agreed with the return information. Taxpayers would have to continue to keep records to be able to accurately review the IRS-proposed tax return and tax assessment. It is unclear as to what extent taxpayers would continue to rely on tax preparers to assist them in reviewing their returns. Tax preparers would likely lose some business under such a system.

Before a final withholding system could be instituted in the United States, the law would have to be changed to require employers to calculate employees' tax liability and adjust employees' last paychecks so that total yearly withholdings would equal employees' tax liability. The U.S. tax system does not exempt or limit taxes on interest and dividend income, nor does it require married couples to file separately.

IRS concluded that a tax agency reconciliation filing system it studied was not feasible primarily because it would be very difficult to receive, verify, and post over 900 million wage and information documents in time to generate tax returns.

b. Benefits.—While both individual taxpayers and IRS could benefit, there would still be significant obstacles to overcome. Taxpayers could reduce the amount of time it takes to prepare their tax returns. This would also save millions of dollars that are paid to tax return preparers. The tax agency reconciliation system would also be likely to further reduce the volume of paper documents IRS would have to process. This would lower IRS' returns processing and compliance costs by as much as $37 million annually.

38. "Tax Systems Modernization: Cyberfile Project Was Poorly Planned and Managed," GAO/AIMD–96–140, August 1996.

a. Summary.—In August 1995, IRS signed a $22 million interagency agreement with NTIS. To date, $17.1 million has been advanced to NTIS. NTIS was to develop and operate Cyberfile, a tax systems modernization (TSM) project that would allow taxpayers to prepare and electronically submit their tax returns using their personal computers. By using the public switch telephone network or the Internet, electronic returns would be submitted, then accepted at a new NTIS data center, and then forwarded to designated IRS Service Center. A filing fee would not be charged to taxpayers on their returns if using Cyberfile.

IRS selected NTIS because it was expedient and because NTIS promised IRS, without any objective support, that it could develop Cyberfile in less than 6 months and have it operating by February 1996. NTIS offered no convincing analytical support for its claim that it could deliver Cyberfile by February 1996. It provided no detailed task definitions, work breakdown structures, or interim schedules.

In December 1995, GAO briefed the IRS Commissioner on the risks associated with proceeding with Cyberfile as planned. GAO explained that Cyberfile was not being developed using disciplined systems development processes and that adequate steps were not being taken to protect taxpayer data on the Internet.

IRS and NTIS did not follow all applicable procurement laws and regulations in developing Cyberfile. Cyberfile obligations and costs were not accounted for properly. Specifically, significant financial transactions were not properly documented and obligations and costs were not recorded promptly and accurately.

Adequate financial and program management controls were not implemented to ensure that Cyberfile was acquired cost-effectively. Excess costs were incurred as a result. Cyberfile costs continued to be incurred after the project was suspended due to the agreement between IRS and NTIS not being structured to minimize costs.

GAO noted that Cyberfile development reflected many of the same management and technical weaknesses that were found in TSM systems and delineated in their July 1995 report.

IRS' Chief Inspector reviewed the Cyberfile acquisition and in a briefing to management concluded that IRS did not follow internal procurement procedures, failed to sufficiently oversee the project, and was vulnerable to outside criticism. Inspector General officials told GAO that they have serious concerns about how NTIS and the department contracted for Cyberfile as well as other projects.

In March 1996, IRS decided to delay Cyberfile operations until after April 15, 1996. IRS is awaiting the completion of its Electronic Commerce Strategic Plan before deciding on the future course of Cyberfile. IRS has not yet established a completion date for the plan.

39. "Bureau of Reclamation: Information on Allocation and Repayment of Costs of Constructing Water Projects," GAO/RCED–96–109, July 1996.

a. Summary.—Since 1902, the Federal Government has been involved in financing and construction of water projects in the west-

ern United States. These water projects were primarily to reclaim arid and semiarid land in the West. The projects first started out to be generally small and built almost solely in providing irrigation. Over the years, the projects have grown in size and purpose, providing municipal and industrial water supply, recreation, flood control, hydroelectric power generation, and other benefits in addition to irrigation. Most Federal water projects are built by the Bureau and the U.S. Army Corps of Engineers. The Bureau's activities are limited to 17 western States, while the Corps operates nationwide. The beneficiaries of these projects are generally required to repay to the Federal Government their allocated share of the costs of constructing these projects. The Federal Government provides various forms of financial assistance, whereas some of the beneficiaries repay considerably less than their full share of the costs. Irrigators generally receive the largest amount of such financial assistance.

The Federal statutes that are applicable to all reclamation water projects and the statutes authorizing individual projects are known as reclamation law. Reclamation law determines how the costs of constructing reclamation projects are allocated and how the repayment responsibilities are assigned among the projects' various beneficiaries. Under this law, the costs are designated as either reimbursable—to be repaid by the projects' beneficiaries—or nonreimbursable—to be borne by the Federal Government. Municipal and industrial water supply, irrigation, and power are allocated costs that are reimbursable. The costs allocated to purposes such as navigation and flood control are nonreimbursable because these purposes are viewed as national in scope.

There are three types of financial assistance that irrigators that participate in a Federal water project can receive under reclamation law: (1) is federally subsidized financing of the project's construction cost, where no interest is charged; (2) a shifting to the project's other beneficiaries of the repayment of part or all of the costs allocated to irrigators but determined to be over their ability to pay; and (3) relief of part or all of their repayment obligation through specific legislation in special circumstances, such as drought or depressed economic conditions. For example, the Omnibus Adjustment Act of 1926 (44 Stat. 636) provided repayment relief to irrigators at 21 projects.

b. Benefits.—As a result of this financial assistance, irrigators have either paid, or are scheduled to pay, their entire allocated share of the construction costs for only 14 of the 133 water projects. According to Bureau officials, irrigators are generally current in repaying their obligations, having repaid $945 million as of September 30, 1994.

40. "Global Warming: Difficulties Assessing Countries' Progress Stabilizing Emissions of Greenhouse Gases," GAO/RCED–96–188, September 1996.

a. Summary.—Industry, transportation, agriculture, and other human activities are emitting increasing amounts of carbon dioxide and other heat-trapping greenhouse gases into the earth's atmosphere. The IPCC (International Panel on Climate Change) is the group established to assess the scientific and technical information on climate change. Climate changes could have such important con-

sequences as changes in weather patterns, including shifts in precipitation patterns that could lead to droughts, flooding; changes in crop yields; and changes in ecosystems.

Annex I of the United Nations Framework Convention on Climate Change have several countries: the United States, other developed countries, the former Soviet Union, and other Eastern European States. They have agreed to aim to return their emissions of greenhouse gases to 1990 levels by 2000. Carbon dioxide is the greenhouse gas considered to be the largest single contributor to human-induced climate change.

GAO found that factors such as economic growth, population growth, fuel prices, and energy efficiency affect trends in energy use, thereby influencing trends in greenhouse gas emissions. This will probably prevent the United States and Canada from reaching the Convention's goal.

The Annex I countries' progress in meeting the Convention's goal to reduce greenhouse gas emissions cannot be fully assessed because the emissions data are incomplete, unreliable, and inconsistent.

As of June 1996, 159 countries had ratified the Convention. The Convention's ultimate objective is to stabilize the concentrations of human-induced greenhouse gasses in the atmosphere at a level that would prevent dangerous interference with the climate system.

41. "Nuclear Waste: Uncertainties About Opening Waste Isolation Pilot Plant," GAO/RCED–96–146, July 1996.

a. Summary.—The Department of Energy (DOE) plans to begin, in April 1998, a $19 billion program to permanently dispose of about 176,000 cubic meters of transuranic waste primarily generated and currently stored at six facilities. Transuranic waste consists of equipment, tools, scrap materials, and other trash that is contaminated with radioactive elements, such as plutonium, having atomic numbers higher than uranium. This type of waste is called contact-handled waste because it can be handled with limited precautions to protect workers from radiation. The remaining volume of waste is called remote-handled waste because it emits higher levels of penetrating radiation that requires special shielding, handling and disposal procedures. This waste is to be permanently stored in the Waste Isolation Pilot Plant (WIPP), a planned geologic repository near Carlsbad, NM. The Department of Energy must first obtain from the Environmental Protection Agency (EPA) a certificate of compliance with its disposal regulations for radioactive waste and meet the requirements of the Resource Conservation and Recovery Act of 1976, as amended (RCRA), for handling and disposing of hazardous waste.

GAO was requested to assess the prospects for opening WIPP in 1998 and determine how well the Department of Energy is positioned to begin filling the repository in its first few years of operation as well as over the longer term.

The prospects for opening WIPP by April 1998 are uncertain for two reasons. First, a wide disparity exists between DOE's mid-1995 draft application for a certificate of compliance and EPA's criteria for reviewing a compliance application. The application lacked de-

tails on the repository site, on the inventory of anticipated waste, and on future human activities that could compromise the capability of the repository to contain the waste; also, the application did not address many of EPA's compliance criteria. Second, as of May 1996, DOE was still working to complete all of the scientific and technical activities that are essential to the preparation of a complete compliance application.

To open WIPP on schedule, the Department of Energy needs to submit the application in October 1996; receive a certificate of compliance from EPA in October 1997; and, also by October 1997, obtain favorable RCRA-related decisions from EPA and the State of New Mexico.

The Department of Energy is optimistic that it will obtain all of the required regulatory approvals as planned because, it says, all remaining work is known, planned, and on schedule.

42. "Resource Conservation and Recovery Act: Inspections of Facilities Treating and Using Hazardous Waste Fuels Show Some Noncompliance," GAO/RCED–96–211, August 1996.

a. Summary.—Fuel blending facilities process many types of hazardous waste—such as paints, solvents, and used oil—into fuels that can be burned in cement kilns, which are regulated as a type of industrial furnace. The facilities that blend hazardous waste into fuels and the cement production facilities that burn these fuels are both governed by regulations established under the Resource Conservation and Recovery Act of 1976 (RCRA), which is administered by the Environmental Protection Agency (EPA) and certain States.

Concerns were expressed from the Senate and the House about whether the facilities that blend hazardous waste fuels and the cement production facilities that burn these fuels are operating in a manner that protects human health and the environment.

GAO provided information on the results of recent inspections of the facilities in five States. Compliance with RCRA's (1) treatment, storage, and disposal regulations for the processing of hazardous waste fuels by fuel blenders and (2) boiler and industrial furnace regulations for the burning of these fuels by cement producers. Both of these sets of regulations must ensure the protection of human health and the environment.

The most recent Resource Conservation and Recovery Act inspections of fuel blending facilities identified many minor but few serious violations of waste treatment, storage, and disposal regulations. Some of the minor violations found were inadequately labeling hazardous waste storage containers and having an inaccurate emergency coordination list. Significant violations found were having storage containers in poor condition and storing waste in excess of approved capacity. State officials are working with these fuel blenders to ensure that the violations are corrected.

NATIONAL SECURITY, INTERNATIONAL AFFAIRS, AND CRIMINAL JUSTICE SUBCOMMITTEE

1. "Export Controls: Some Controls Over Missile Related Technology to China Are Weak," April 1995, GAO/NSIAD–95–82.

a. Summary.—This report presents information regarding the Missile Technology Control Regime (MTCR) and United States missile technology related exports to the People's Republic of China. For fiscal years 1990 though 1993, the Commerce and State Departments approved a total of 67 export licenses worth about $530 million for missile-related technology commodities for China. While United States Government officials believe that the United States generally performs adequate monitoring of China's compliance with the terms of its MTCR commitments, this review indicates that because the Commerce Department's pre-license check/post-shipment verification program is inadequate, and hampered by Chinese government reluctance to cooperate, the United States end-use check program to monitor license conditions has only marginal effectiveness for exports to China.

b. Benefits.—Given the weaknesses in monitoring commodities after their export to China, GAO believes it is all the more important that dual-use license applications be scrutinized in accordance with clear procedures before their approval. The effectiveness of United States sanctions on China is unknown, due in part to the fact that United States Government officials share no consensus on a definition of, or criteria for, measuring the effectiveness of proliferation sanctions imposed on China.

2. "Export Controls: Concerns Over Stealth-Related Exports," May 1995, GAO/NSIAD–95–140.

a. Summary.—This report is a review examining export controls over low-observable, radar signature reduction technology, or "stealth" technology. Materials used for stealth have civil and military applications and are controlled on the Commerce Control List (CCL) and the U.S. Munitions List (USML). However, the unclear lines of jurisdiction over stealth-related items may lead to the inappropriate export of militarily sensitive stealth materials and technology. Exporters may unknowingly seek and obtain export licenses from Commerce for militarily sensitive items controlled on the USML. The less restrictive export controls under the Export Administration Act (EAA) provide an incentive for exporters to go to Commerce rather than State. Moreover, Commerce has limited authority to prevent such exports. Licenses to export stealth-related commodities and technology controlled on the CCL can only be denied under limited circumstances and when the exports are going to certain destinations.

b. Benefits.—Under current referral practices, the majority of applications for the export categories related to stealth are not sent to DOD or State for review. Without such referrals, DOD, State, and Commerce cannot ensure that export licenses for militarily significant stealth technology are properly reviewed and controlled.

3. "Weapons of Mass Destruction: Reducing the Threat From the Former Soviet Union: An Update," June 1995, GAO/NSIAD–95–165.

a. Summary.—Congress has had an ongoing interest in the effectiveness to reduce the threat posed by weapons of mass destruction in the former Soviet Union (FSU). In 1991, Congress authorized the Department of Defense (DOD) to help FSU States destroy weapons of mass destruction, store and transport those weapons in connection with their destruction, and reduce the risk of proliferation. This report assesses the Cooperative Threat Reduction (CTR) program's planning and funding status, and recent progress in addressing CTR objectives in the FSU. In some areas, the CTR program has made progress over the past year and its long-term prognosis for achieving its objectives may be promising. The program has played an important role in facilitating Ukraine's weapons dismantlement effort and the executive branch believes that the promise of CTR aid has been a significant factor in the political decisions of the recipient states to begin dismantling weapons of mass destruction. Nevertheless, the overall specific material impact of CTR assistance provided to date has been limited and the program must overcome numerous challenges and problems to realize its long term objectives. The program's long-term prospect may be more promising, but problems and challenges remain.

b. Benefits.—Congress may wish to consider reducing the CTR program's fiscal year 1996 request for $104 million for support to Russian chemical weapons destruction efforts by about $34 million because of uncertainties regarding the expenditure. Congress may also wish to consider withholding approval to obligate any remaining funds designated for the design or construction of elements of a chemical weapons destruction facility until the United States and Russia have agreed on the results of the joint evaluation study concerning applicability of a destruction technology.

4. "B–2 Bomber: Status of Cost, Development, and Production," August 1995, GAO/NSIAD–95–164.

a. Summary.—The conference report on the National Defense Authorization Act for fiscal year 1994 called for the GAO to report to the congressional defense committees at regular intervals on the total acquisition costs of the B–2 Bomber program throughout he completion of the production program. This report discusses the Air Force's progress in acquiring 20 operational B–2 aircraft within cost limitations set by the Congress and the extent of the progress achieved in flight testing, production, and modification efforts. It finds that although ground and flight tests have demonstrated the structural integrity, flying qualities, and aerodynamic performance of the B–2's flying wing design, GAO's review of the program's progress indicates that there are many important events yet to be completed, and many risks can impact the ultimate cost and completion of the 20 operational B–2 aircraft. For example, the flight test program is only about half complete, and modification efforts required to deliver 20 operational B–2's did not begin until July 1995.

b. Benefits.—After 14 years of development and evolving mission requirements, including 6 years of fight testing, the Air Force has

yet to demonstrate that the B–2 design will meet some of its most important mission requirements. As of May 31, 1995, the B–2 had completed about 44 percent of the flight test hours planned for meeting test objectives. Test progress has been slower than planned. The test program is planned for completion in July 1997, but GAO's analysis of the tests to be completed and the time that may be needed to complete them indicates that completion by July 1997 is optimistic. The flight test program depends on timely delivery of effective integration software to bring together the functions of the various B–2 subsystems so that the aircraft and crew can perform the planned military functions. In the past, B–2 integration software was delivered late, without all the planned capabilities, and with deficiencies that significantly affected the Air Force's ability to complete flight testing on schedule. In addition, the change in emphasis on the B–2 mission from nuclear to conventional increased the need to integrate precision conventional weapons into the B–2 aircraft, while after 9 years of producing and assembling aircraft, Northrop Grumman, the prime contractor, continues to experience difficulties in delivering B–2's that can meet Air Force operational requirements. For the most part, aircraft have been delivered late and with significant deviations and waivers. All corrections are scheduled to be incorporated into B–2 aircraft during planned modification programs scheduled for completion on July 2000.

5. "Foreign Assistance: Assessment of Selected USAID Projects in Russia," August 1995, GAO/NSIAD–95–156.

a. Summary.—This report responds to the Committee on International Relations' request that we evaluate assistance projects in Russia managed by the United States Agency for International Development (USAID). Specifically, the GAO investigated whether individual USAID projects were meeting their objectives and contributing to systemic reforms, whether the projects had uncommon characteristics that contributed to their successful or unsuccessful outcomes, and whether USAID was adequately managing its projects in Russia. In conducting it's study, GAO reviewed 10 judge mentally selected projects with obligations of $64.6 million as case studies and used audits and evaluations performed by the USAID Inspector General.

b. Benefits.—Projects have had mixed results in meeting their objectives. While some of the USAID projects the GAO reviewed fully met most or all of their objectives, were contributing to systemic reform, and were sustainable, others did not have all or some of these attributes of success. USAID did not adequately manage some projects it funded. The devolution of management and monitoring responsibility from USAID's Washington office to its Moscow office delayed decisionmaking and created confusion among contractors. USAID's management information systems were inadequate, and it did not adequately monitor or coordinate some projects. USAID has taken steps to overcome these problems, including terminating some unsuccessful projects, refining its assistance strategy, and undertaking efforts to improve project monitoring and evaluation. In commenting on this report, USAID said that the difficult operating environment in which it worked during the

first 2 years of the program in Russia cannot be overstated. GAO agrees that USAID faced numerous operating obstacles in getting this program underway, and these observations on how well the projects performed should be seen in that context.

6. "Peacekeeping: Assessment of U.S. Participation in the Multinational Force and Observers," August 1995, GAO/NSIAD–95–113.

a. Summary.—This report responds to the Committee on International Relations' request that the GAO review U.S. participation in the Multinational Force and Observers (MFO). The recent signing of peace accords between Israel and the Palestinian Liberation Organization, Israel and Jordan, and the possibility of similar agreements between Israel and Syria and Lebanon have heightened interest in the MFO, which has monitored the current treaty of peace between Egypt and Israel since 1982. The MFO operational responsibilities include manning observation posts in the Sinai, conducting both ground and air surveillance, and conducting naval patrols in the Strait of Tiran to monitor implementation of the security arrangements established in the treaty. This report provides information on U.S. contributions to and the total cost of the MFO, including measures taken to reduce costs; the level of U.S. participation and its operational impacts; State Department oversight of U.S. participation; and State Department and other relevant parties' views of MFO performance and lessons learned.

Despite the MFO operational success and its ability to reduce certain costs, GAO finds that greater State oversight over U.S. participation may be needed because of the MFO operating environment and the absence of assurance regarding the adequacy of internal controls. Unlike other international organizations, the MFO does not have a formal board of directors or an independent audit committee to oversee its operations. Moreover, GAO observed that some MFO policies have been changed to accommodate the personal needs of MFO officials and that financial transactions involving the MFO and an MFO retail store it established may not have received the necessary review. State was not aware of the specifics surrounding these matters, both of which had an impact on the cost of MFO operations and amount of the U.S. contribution. State can also improve the quality of its reporting to Congress, as some annual reports to Congress have not contained full or accurate information on the cost of U.S. participation.

b. Benefits.—GAO recommends that the Secretary of State ensure adequate oversight of the MFO by examining the annual MFO-style published financial statements for items that may impact U.S. contributions, requesting the MFO have its external auditor include an evaluation of the MFO management and internal accounting controls beyond what is required to complete the annual financial statement audit and provide a copy of the resulting report to State. GAO also recommends that the Secretary of State include the U.S. annual assessment cost contribution of one-third of the MFO operating costs in its annual report to Congress on MFO. GAO believes that the review of external auditor's report, published financial reports, and annual budget submissions does not provide adequate oversight of U.S. contributions to the MFO.

7. "Unmanned Aerial Vehicles: Maneuver System Schedule Includes Unnecessary Risk," September 1995, GAO/NSIAD–95–161.

a. Summary.—This report consists of a review of the Joint Tactical Unmanned Aerial Vehicle (UAV) program, including the Hunter UAV system, a variant of the Hunter referred to as the Maneuver system, and another Hunter variant for shipboard use; and brings to attention certain aspects of the program status and the Joint Tactical UAV project for the Maneuver system that GAO believes will unnecessarily increase the Department of Defense's (DOD) risk on the program.

Past UAV acquisition programs have been marked by premature entry into production that resulted in extensive and costly system redesigns in attempting to achieve acceptable system performance. Nevertheless, the Joint Tactical UAV Project Office plans to begin production of the Maneuver system without adequate assurance that it can meet operational performance requirements. As a result, DOD will again risk becoming committed to acquiring an unsatisfactory system.

b. Benefits.—GAO recommends that the Secretary of Defense change the Maneuver system's acquisition strategy to require that sufficient operational testing be conducted before the start of low-rate production. The purpose of this change is to demonstrate that without any major or costly design changes, the system can achieve its primary mission and meet requirements for performance and suitability.

8. "Ballistic Missile Defense: Current Status of Strategic Target System," March 1995, GAO/NSIAD–95–78.

a. Summary.—This report concerns the status of the Strategic Target System (STARS) program, the program's current and future costs and its plans for the future. STARS began in 1985 as a result of concerns that the supply of Minuteman I boosters, which were used to launch targets on intercontinental ballistic missile flight trajectories, would be depleted by the year 1988. As a result, both STARS I and STARS II were developed as alternate launch vehicles. The first STARS I flight was successfully launched in February 1993 and in August 1993 a STARS I reentry vehicle experiment was also successfully launched. STARS I can deploy single or multiple payloads, but it cannot simulate the operation of the post-boost vehicle (PBV), which is necessary to carry multiple warheads and independently target each warhead on a specific target. As a result, the Ballistic Missile Defense Organization (BMDO) created an Operations and Deployment Experiments Simulator (ODES), which functions as a (PBV). With the addition of ODES to STARS I, the configuration is named STARS II. STARS II was successfully launched in July 1994.

b. Benefits.—In 1993 the Secretary of Defense compiled a detailed "Bottom-Up Review" of the Nation's defense strategy. As a result the future of the STARS program is in limbo as to whether it will be continued, placed in a dormant status, or terminated. The Secretary of Defense was uncertain if STARS was necessary due to the dramatic changes in the world resulting from the end of the cold war and the dissolution of the Soviet Union.

STARS officials cite many reasons for continuing the program. The Strategic Arms Reduction Treaty I (START) limits other strategic ballistic missiles' use of telemetry encryption, but STARS is exempt from this restriction. STARS will also be exempt from the STARS II Treaty upon its ratification, which means that it will be the only land-based multiple warhead booster that the United States can use as a target or for research and development. Other benefits of STARS is that it is the only U.S. target missile system that operates in the 1,500 to 3,500 km range and it can deliver a variety of experiments and scientific payloads at various speeds and trajectories. The final decision on the future of the STARS program most likely will not be made for up to 6–9 months.

9. Military Training: "Potential To Use Lessons Learned To Avoid Past Mistakes Is Largely Untapped," August 1995, GAO/NSIAD–95–152.

a. Summary.—This report focuses on whether the military and the Joint Staff have learned from past problems and experiences and used that learned information to avoid repeating past mistakes. Specifically, the report investigates the military and Joint Staff's effectiveness in collecting all significant lessons, identifying recurring weaknesses, and implementing corrective actions. Training methods are examined at the various combat training centers, in addition to, examination of operations such as the Persian Gulf War and Operation Restore Hope in Somalia.

b. Benefits.—The results of these examinations is not a favorable one for the military and Joint Staff. The findings conclude that despite the implementation of lessons learned programs, mistakes are often repeated. These negative findings are not to be taken lightly for the problems found could result in serious consequences. Some of the specific problems are that the Marine Corps, Air Force, and the Navy do not include all significant information from training exercises and operations in their lessons learned programs. Thus, important information is missed that could be useful to others. The Joint Staff and all the services, except the army, do not routinely analyze lessons learned information to identify trends or potential problems. The Air Force does not ensure that lessons learned information receives the widest possible distribution. The lack of training on how to access the data bases is the primary reason for the limited distribution of information. Finally, the Air Force, Navy, and the Marine Corps do not use lessons learned information to its full potential. These parts of the military are insufficient in following-up to ensure that problems have been properly corrected.

10. "National Security: Impact of China's Military Modernization in the Pacific Region," June 1995, GAO/NSIAD–95–84.

a. Summary.—This purpose of this report is to review and examine China's recent military modernization. The report assesses the nature and purpose of China's improvement in their military, while comparing China's military to other Asian nations. China, with the end of the cold war, is now viewed as aspiring to take over role of the leading regional power. China's military is the world's largest military force, although its weaponry is far outdated and its troops are not trained in modern warfare. Since 1989, China has devoted

more of its resources toward the national goal of military modernization. More specifically, China is attempting to upgrade its air and naval power, while realigning its force structure. Throughout this modernization China has maintained a lack of openness concerning its military which leads to suspicion and questions about its intentions.

b. Benefits.—China had initiated its military modernization by acquiring new weapon systems, restructuring its forces, and improving its training. China has also reduced its forces, increased its defense budget, and changed its military doctrine in the hope of improving its military. These actions seemed to be fueled by a number of reasons. These include the desire to be the leading regional power in Asia, lessons learned about modern warfare from the Gulf War, the need to protect its economic interests, and a need to maintain internal stability. The improvement in China's military has neighboring countries concerned about China challenging them in contested areas.

11. "Drug Courts: Information on a New Approach To Address Drug-Related Crime," May 1995, GAO/NSIAD–95–159BR.

a. Summary.—This briefing report examines the usefulness and effectiveness of the recently developed drug courts. These courts are the result of Title V of the Violent Crime Control and Law Enforcement Act of 1994, which authorizes the award of Federal grants for drug courts. These courts became necessary when State and local courts were inundated with drug cases during the late 1980's. The drug courts are designed to monitor the treatment and behavior of drug-using defendants. The objective of the drug courts is to use the authority of the court to reduce crime by changing defendants' drug-using behavior. Incentives such as the possibility of dismissed charges or reduced sentences are used to divert defendants to drug courts. The judges who preside over these courts monitor the progress of defendants through frequent status hearings, and prescribe sanctions and rewards as appropriate. The drug courts represent a new movement in dealing with drug-related crime and drug-using defendants.

b. Benefits.—The conclusions resulting from the study are mixed. There are some visible benefits to the drug court program, but there are also limitations in its design and methodology. The relative newness of drug courts limits the ability to make firm conclusions on effectiveness and impact. The program, as of March 1995, has expanded to 37 drug courts operating nationwide. These courts have accepted over 20,000 defendants, with a third of them completing their programs. Among the defendants, there are none currently charged with a violent offense and most do not have prior violent convictions. The results from the evaluations were contrasting surrounding the amount of recidivism among the program's participants. Thus, it's difficult to determine how many defendants the drug courts benefited. The Department of Justice expects to assess the impact and effectiveness of the drug courts in about 2 years to clarify the program's effectiveness. For the fiscal year 1995, $29 million was appropriated for the drug courts. However, Congress has proposed cutting this budget and the House has

passed legislation repealing the drug court grant program authorized in the 1994 Crime Act.

12. "Tactical Aircraft: Concurrency in Development and Production of F–22 Aircraft Should Be Reduced," April 1995, GAO/NSIAD–95–59.

a. Summary.—This report examines the concurrency, which is defined as the overlap between development and production of a system, of the Air Force's F–22 fighter program. This assessment looks at whether the fighter program was introduced in a timely manner or fulfilled an urgent need, avoided technological obsolescence, and maintained an efficient industrial development/production work force. Initial operational tests, which are field tests intended to demonstrate a system's effectiveness and suitability for military use, were the major way used to determine the program's concurrency.

b. Benefits.—After tests and evaluations were concluded, the F–22 Fighter program exhibited a high degree of concurrency. This concurrency will allow the production of a significant number of F–22s before many of the technological advances are flight tested and before the completion of initial operational testing and evaluation (IOT&E). Although there is a certain amount of risk in the F–22's production because the program embodies many of these important technological advances that are critical to its operational success. The Air Force plans to procure 80 F–22s under low-rate initial production (LRIP), at a cost of about $12.4 billion, before completing (IOT&E). The program's production rates are projected to accelerate to 75 percent of the full-production rate under the LRIP phase of the program.

13. "Financial Management: Control Weaknesses Increase Risk of Improper Navy Civilian Payroll Payments," May 1995, GAO/AIMD–95–73.

a. Summary.—GAO's tests of 225,000 Navy payroll and personnel records for one pay period found overpayments to 134 Navy civilians, which represented less than one-tenth of 1 percent of the accounts tested. Although GAO tallied $62,500 in overpayments to these persons, the total amount overpaid is likely to be far greater because some of these erroneous payments continued for nearly 1 year. The causes of these overpayments included the following: (1) The Defense Finance and Accounting Service did not check to see whether civilian employees were paid from multiple data bases for the same time period and (2) reconciliations between civilian payroll and personnel systems were infrequent and did not provide for systematic follow-ups to investigate and correct discrepancies. Navy payroll operations are susceptible to additional improper payments because (1) a large number of payroll personnel are granted virtually unrestricted access to both pay and personnel data; (2) ineffective audit trails do not always identify who made data changes; and (3) inactive payroll accounts are maintained on the active payroll data base.

b. Benefits.—GAO examination of the Navy's payroll records show that many of the overpayments were discovered by the Defense Finance and Accounting Service (DFAS) within 6 months of

their occurrence. The (DFAS) then processed retroactive transactions to change the pay records and to initiate the resolution process. These adjustments were made on 45 out of the 134 overpaid Navy civilians that GAO identified. GAO provided Navy personnel officials with a comprehensive list of all the remaining overpayments and requested that these officials recover the cited amounts.

14. "DOD Household Goods: Increased Carrier Liability for Loss and Damage Warranted," May 1995, GAO/NSIAD–95–48.

a. Summary.—The Department of Defense (DOD) spends more than $700 million each year to move the household goods of military service members and DOD civilian employees. DOD shares liability with carriers for loss and damage to these shipments. During mid-1987, DOD increased carrier liability for domestic household goods shipments, a change that the carrier industry opposed. In March 1993, DOD proposed that carrier liability be similarly increased for international household goods shipments, a change that carriers objected to as well. This report evaluates DOD household goods shipment programs to determine (1) the impact of the 1987 increase in carrier liability on domestic shipments and (2) the level and the type of carrier liability that DOD should adopt for international shipments.

b. Benefits.—Since DOD has increased carrier liability on domestic household goods shipments the household goods claims costs have declined and carrier performance has improved. Claim costs have declined an estimated $18.9 million during the fiscal years 1987–1991. However, the carrier liability for DOD international household goods of $0.60 per pound per article severely restricts DOD's ability to recover the cost of loss and damage inflicted during shipment, it also increases government costs, and limits carrier incentive to improve performance. Thus, the carrier liability needs to be increased. The GAO report concurs with DOD's proposal to change carrier liability on international shipments from a per pound, per article basis to one based on shipment valuation. Although, GAO recommends that with this change, carriers should receive compensatory payments in exchange for the increased liability. Finally, the household goods program also has some management and administrative problems that need to be addressed with any increase in carrier liability.

15. "Military Exports: A Comparison of Government Support in the United States and Three Major Competitors," May 1995, GAO/NSIAD–95–86.

a. Summary.—Declining U.S. defense spending has placed defense-related jobs and some domestic industrial capabilities at risk. U.S. defense companies are using various strategies to adjust to the decline. One strategy is to boost defense export sales. Export proponents point out that such sales maintain industrial base capabilities and lower the cost of weapons to the U.S. Government. They also argue that more government support for exports is needed to level the playing field against foreign competitors. Opponents of such support argue that it could delay restructuring of the defense industry and increase global weapons proliferation. This re-

port reviews (1) conditions in the international defense export market and (2) the tools used by France, Germany, the United Kingdom, and the United States to enhance the competitiveness of their defense exports. GAO compares the U.S. position in the global defense market with those of its major competitors and analyzes the factors that can contribute to a sale.

b. Benefits.—The United States has moved forward to become the world's leading defense exporter, increasing its market share to 49 percent by 1993. This is a result of the United States recognizing the positive impact that defense exports can have on the defense industrial base. The United States is projected to remain strong in the world market, but further growth will be limited. This is due to many factors including U.S. national security and export control policies to reduce dangerous or destabilizing arms transfers to certain countries and certain major foreign country buyers' practices of diversifying weapons purchases among multiple suppliers. This government involvement in the defense industry's sales will, in turn, affect the position of defense manufacturers in overseas markets. As global defense markets decrease, government support will become more significant, and companies will fight to maintain their market share. Other nations such as France, Germany, and the United Kingdom provide similar types of support. These include (1) government backed or provided export financing; (2) advocacy on behalf of defense companies by high-level government officials; and (3) organizational entities that promote defense exports. The nations differ in that central organizations support defense exports in France and the United Kingdom, while in the United States several government agencies share in supporting defense exports. They also differ because United States financing is provided through the Foreign Military Financing (FMF) in the form of grants and loans, while the three European countries provided government-backed guarantees for commercial bank loans.

16. "Comanche Helicopter: Testing Needs To Be Completed Prior to Production Decisions," May 1995, GAO/NSIAD–95–112.

a. Summary.—Under the restructured program to produce the Comanche helicopter, production decisions will be made before operational testing of the Comanche starts, thereby continuing the risky practice of concurrent development and production. Because of the Comanche's high costs and technical risks, GAO believes that the Army should undertake operational testing before making decisions on long-lead and low-rate initial production. The Comanche will be a much more expensive helicopter than the one originally justified to Congress. The Comanche's acquisition unit cost has almost tripled in 10 years—from $12.1 million in 1985 to $34.4 million in 1995. The cost and program schedule will again be affected because of the program restructuring. After a decade of developing the Comanche, the Army continues to experience technical difficulties, including software problems, and key aircraft maintainability requirements for the Comanche may not be achievable—calling into question the Comanche's ability to meet its wartime availability requirements and its objective of lower operating and support cost. On the positive side, the program is meeting its goals

of reducing maintenance levels and keeping within acceptable limits of overall weight growth for the Comanche.

b. Benefits.—The Army's restructuring of the Comanche program continues risks associated with making production decisions before knowing whether the aircraft will be able to perform as required and of higher program costs. Although there are high risks involved with making production decisions before operational testing, the time provided by extending the development phase and the acquisition of the six additional aircraft under the restructured program provides the Army with the opportunity to conduct operational testing before committing funds to any production decisions. Additionally, the risks associated with concurrency can be limited by reducing production aircraft to the minimum necessary to perform initial operational testing. GAO predicts that the restructuring of the program provides additional time which will provide the chance to resolve the technical risks before the decision to enter production is made. Long-lead production decisions are scheduled for November 2003, and low-rate initial production is planned to start in November 2004, about 9 months before operational testing begins. Finally, GAO recommends that the Secretary of Defense require the Army to complete operational testing to validate the Comanche's operational effectiveness and suitability before committing any funds to acquire long-lead production items or enter low-rate initial production.

17. "Defense Downsizing: Selected Contractors Business Unit Reactions," May 1995, GAO/NSIAD–95–114.

a. Summary.—This report examines how the recent decline in defense spending has affected individual business units of major defense contractors. GAO selected business units from 6 of the top 10 defense contractors in 1993—General Dynamics, General Motors, Lockheed, Martin Marietta, McDonnell Douglas, and United Technologies. These units were engaged primarily in defense work, an important part of their corporations' total government sales. GAO compares defense expenditures over several years and changes in business units' (1) sales and employment levels and (2) spending on independent research and development, bid and proposal preparation, capital improvements, and facilities.

b. Benefits.—Measured from their peak years, GAO determined that the six business units have experienced sales decreases ranging from 21 percent to 54 percent through 1993 and estimated declines ranging from 50 percent to 73 percent through the latest year projected. While employment reductions ranged from 30 percent to 76 percent through 1993 and planned reductions ranging from 44 percent to 79 percent through the latest year are projected. As a result these business units have significantly reduced their spending with reductions ranging from 31 percent to 71 percent through 1993 and projected reductions ranging from 41 percent to 84 percent expected through the latest year. Additionally, the six units have reduced expenditures for capital improvements by an average of 80 percent through 1993 and, through the latest year projected, estimate an average reduction of 76 percent in these expenditures. Defense contractors view the current decline as perma-

nent and have developed a variety of strategies to deal with reduced defense spending.

18. "Overhead Costs: Defense Industry Initiatives To Control Overhead Rates," May 1995, GAO/NSIAD–95–115.

a. Summary.—Senior Pentagon officials have expressed concern that contractor overhead rates may drive up procurement costs as a result of declines in Defense Department spending. Declining defense spending since the late 1980's has reduced sales by defense contractors and has reduced the business bases against which they charge overhead. This report reviews (1) initiatives taken by six individual business units of large defense contractors—General Dynamics, General Motors, Lockheed, Martin Marietta, McDonnell Douglas, and United Technologies—to reduce overhead costs and (2) the issue of whether the units' actions would avoid increases in overhead rates.

b. Benefits.—In response to their declining business bases, the six business units examined have taken action to reduce their overhead costs. These measures include reducing the number of indirect employees, cutting employee health benefits, consolidating facilities, and reducing independent research and development and bid and proposal expenditures. These measures have been successful, shown by a reduction in overhead costs by an average of 35 percent between their peak years and 1993 and an anticipated total reduction of about 53 percent between their peak years and the latest projected years. However, overhead costs at four of the six business units were not declining as rapidly as their sales, and as a result these units were forecasting increases in their overhead rates. Unless these businesses can further reduce costs or increase their sales, their overhead rates will continue to rise, which could result in increased procurement costs.

19. "Peace Operations: Estimated Fiscal Year 1995 Costs to the United States," May 1995, GAO/NSIAD–95–138BR.

a. Summary.—Several United States agencies have participated in peace operations during fiscal year 1995, such as those in Haiti, Bosnia, and Southwest Asia. The Defense (DOD) and State Departments are the two lead agencies involved in U.S. peace operations. The U.S. Agency for International Development is the lead agency that provides humanitarian assistance and coordinates U.S. donations of food with the Agriculture Department. This briefing report provides information on (1) potential fiscal year 1995 costs of peace operations; (2) the potential United States share of United Nation assessments for peace operations; and (3) the manner in which the annual defense budget enables DOD to participate in peace operations.

b. Benefits.—The Federal agencies' and departments' participation in peace operations is estimated to have cost $3.7 billion during the fiscal year 1995; $672 million of this estimated cost has not been funded. About $1.8 billion, or 49 percent, of the estimated cost is DOD's estimated incremental costs, costs which would not have been incurred except for the operations, for its involvement in peace operations. These incremental costs include (1) special payments, including imminent danger pay, family separation allow-

ance, and foreign duty pay for troops deployed to certain peace operations; (2) operation and maintenance expenses in support of deployed forces; (3) procurement of items such as forklifts and fire support vehicles; and (4) limited military construction at Guantanamo Bay, Cuba. The estimated U.S. share of special U.N. peacekeeping assessments ($992.1 million) is also included in this figure. The remaining cost of $1.9 billion will be paid by several non-defense agencies and departments. These estimated costs could increase if the need for new operations arises or current operations are expanded.

20. "Cassini Mission: Estimated Launch Costs for NASA's Mission to Saturn," May 1995, GAO/NSIAD–95–141BR.

a. Summary.—In April 1994, NASA estimated that it would cost about $475 million for a Titan IV–Centaur launch of its Cassini spacecraft. NASA plans to launch its Cassini spacecraft to Saturn in October 1997. Following a voyage of more than 6 years, the spacecraft will orbit Saturn for 4 years, observing the planet's atmosphere, rings, and moons. In response to congressional concerns about cost, this briefing report provides information on the current estimated cost for the Cassini launch and determines the extent of cost-saving opportunities.

b. Benefits.—NASA's most recent estimate for the Titan IV–Centaur launch of its Cassini spacecraft is about $452 million, which is $23 million less than its previous estimate in April 1994. This decrease was the direct result of NASA reducing its earlier estimate of mission integration costs. The $452 million estimate includes $253 million to the Air Force for a Titan IV–Centaur launch vehicle and launch services, mission integration, prior-year studies, support by two NASA field centers, NASA funding for potential future cost increase, and miscellaneous costs. Other than the reduction in the mission integration costs, cost savings in other areas of the Cassini launch are unlikely, and some of NASA's cost could increase. Additionally, the Air Force is not required to refund NASA payments in excess of cost. Consequently, the Air Force is not required to refund to NASA fees that the Air Force does not pay to the Titan IV contractor. Among these fees are a $9 million incentive fee and $2 million in award fees. Finally, NASA's mission integration does not fully comply with the revised policy for cost-plus-award-fee contracts, which was implemented to encourage contractors to deliver quality products at reasonable costs.

21. "Peace Operations: Update on the Situation in the Former Yugoslavia," May 1995, GAO/NSIAD–95–148BR.

a. Summary.—This briefing report provides an update on the situation in the former Yugoslavia. GAO assesses (1) progress in resolving the conflict in Croatia and Bosnia-Herzegovina and (2) the effectiveness of the United Nations in carrying out Security Council mandates in these countries.

b. Benefits.—Little progress has been made toward the resolution of the major issues of conflict in Croatia and Bosnia. In Croatia, there are still fundamental differences between the Croatian Serbs, who demand an independent state within Croatia, and the Croatian government, which demands control of its occupied territory.

The Croatian Serbs still maintains an army with heavy weapons and fighter planes, while they continue to face the Croatian government along confrontation lines. In Bosnia, the Bosnian Serbs control 70 percent of the territory and no territory has been returned to the Bosnian government, as proposed in the international peace plan. As of May 1995 fighting continues and since the beginning of the conflict many thousands of Bosnians have been killed, widespread human rights violations have been committed, and the guilty parties have not answered for their crimes.

The United Nations Protection Force (UNPROFOR) has been ineffective in carrying out mandates leading to lasting peace in the former Yugoslavia. In Croatia, UNPROFOR was unable to demilitarize the territory controlled by the Croatian Serbs, return displaced persons to their homes, or prevent the use of Croatian territory for attacks on Bosnia. In Bosnia, UNPROFOR made an assertive stand with the North Atlantic Treaty Organization (NATO) to protect Sarajevo in February 1994. As a result of UNPROFOR's overall ineffectiveness, Croatia announced in January 1995 that it would not agree to a renewal of UNPROFOR's mandate. This ineffectiveness in deterring attacks and providing protection stems from an approach to peacekeeping that is dependent on the consent and cooperation of the warring parties. Another factor that has contributed to UNPROFOR's lack of credibility is their lack of consistent assertive response to aggression. For example, UNPROFOR has the authority to use force, but tries to negotiate when attacked and has called sparingly for NATO air support. However, UNPROFOR has been successful in many other areas. They have helped provide food for thousands living in the region over the past several winters, monitored the situation on the ground, maintained roads, escorted convoys to the safe areas, operated the Sarajevo airport, and undertaken confidence-building measures, such as joint patrols and monitoring of cease-fires.

22. "NASA Budgets: Gap Between Funding Requirements and Projected Budgets Has Been Reopened," May 1995, GAO/NSIAD–95–155BR.

a. Summary.—Recent events have reopened a gap between NASA's program plans and its likely budgets. NASA has not yet developed plans for closing this $5.3 billion gap projected for fiscal years 1996–2000. NASA closed the gap that GAO reported in 1992 primarily by changing and deleting some of its major programs. As a result of these changes, NASA increased the risks in several of its largest programs.

b. Benefits.—In 1992, GAO reported that NASA's funding estimates for fiscal years 1993–1997 exceeded its likely budgets for those years. GAO estimated that NASA would have to reduce its program plans by $13-$21 billion to match the available budgets. As a result, NASA has reduced its 5-year program plans by about $20 billion, or almost 22 percent. NASA accomplished this by eliminating some programs, scaling down program scopes, identifying program efficiencies, stretching some programs beyond the 5-year planning period, and reducing the number of civil service personnel. In some cases, NASA has accepted higher program risk to achieve the budget reductions. For example, reductions in the space

shuttle program have increased the risk of delays in meeting projected launch schedules. Another problem that NASA is encountering with their reduced budget is that their future budgets are not expected to cover anticipated inflation. In fact, GAO estimates that NASA will lose $3.8 billion in purchasing power in fiscal years 1996–2000 because of inflation. Despite their efforts, NASA still has a $5.3 billion gap between estimated funding requirements and projected budgets. This gap resulted when NASA was directed, in January 1995—just before the President's budget was submitted to the Congress—to freeze its budget at $14.3 billion and make increasingly larger reductions from that level for each year from 1997–2000. Under this plan, the agency's budget would be reduced from $14.3 billion in 1996 to $13.2 billion in 2000. NASA has yet to figure out how it will accomplish the $5.3 billion in unresolved reductions, although studies are underway on how to make the reductions.

23. "Juvenile Justice: Representation Rates Varied as Did Counsel's Impact on Court Outcomes," June 1995, GAO/GGD–95–139.

a. Summary.—Some legal organizations and scholars have raised concerns about the access to counsel afforded to young people in juvenile court proceedings. For example, the American Bar Association and individual law professors testified before Congress in 1992 that half of all juveniles in the United States waive their constitutionally guaranteed right to counsel without speaking to attorneys. This report (1) reviews laws in 15 States to determine juveniles' right to counsel; (2) determines how often juveniles obtain counsel in juvenile courts in three States; (3) determines the likely impact of counsel on juvenile justice outcomes; (4) determines whether juveniles who are in adult court have counsel; and (5) provides insights on the quality of counsel.

b. Benefits.—In all 15 States reviewed by GAO, juveniles were guaranteed the right to counsel in delinquency proceedings. In cases where the juveniles could not provide counsel on their own, the States have provisions to provide and compensate counsel for them. Of the 15 States, 11 had laws allowing the waiver of counsel under certain circumstances but generally had rules to ensure that waivers were made only when juveniles were aware of their right and voluntarily gave up that right. In three other States juveniles can waive counsel even though the State statutes do not specifically address the waiver issue. In the remaining State, juveniles could not waive counsel. After analyzing three States, California, Pennsylvania, and Nebraska, GAO determined that overall representation varied from 97 and 91 percent in California and Pennsylvania, to 65 percent in Nebraska. The overall impact of representation on case outcomes varied according to the State and the offense category. In most cases, juveniles without representation were less likely to receive out-of-home placements (e.g., training school). Additionally, unrepresented juveniles were generally about as likely to have their cases adjudicated (i.e., judged to be a delinquent) than represented juveniles, but characteristics other than representation (e.g., detention prior to adjudication and prior offense History) were more strongly associated with placement decisions. GAO could not locate any data bases to determine if juve-

niles in adult court had counsel or to compare access to counsel for juveniles in adult and juvenile court. However, GAO's survey of prosecutors indicated that juveniles in adult and juvenile court were given the same opportunity as adults to be represented. Finally, the report gives a favorable assessment of the quality of counsel provided to juveniles.

24. "U.S. Attorneys: More Accountability for Implementing Priority Programs Is Desirable," June 1995, GAO/GGD–95–150.

a. Summary.—U.S. attorneys litigate for the government in criminal and civil proceedings. They prosecute persons charged with violating Federal criminal law, represent the government in civil cases, and collect money and property owed to the government. In view of the independence and the discretion exercised by U.S. attorneys in determining which cases to prosecute and recent growth in the size and the cost of their operations, this report determines (1) how the Justice Department communicates national priorities to the U.S. attorneys; (2) how selected U.S. attorneys establish their priorities and coordinate them with law enforcement agencies in their districts; and (3) what, if any, measures Justice uses to assess U.S. attorneys' effectiveness in meeting national priorities.

b. Benefits.—Justice did not have a specific process for communicating national law enforcement priorities over the past 10 years. National priorities, on the other hand, were communicated through a variety of processes, such as Attorney General speeches, press conferences, budget memorandums, discussions at seminars and conferences, and testimony before Congress. Justice has moved toward setting more focused law enforcement policies and making a commitment to principles of strategic management and clear articulation of priorities, goals, and missions for U.S. attorneys. Seven out of eight U.S. attorneys GAO visited did not have formal processes to establish priorities and communicate them to law enforcement components in their districts. Instead, their priorities were set informally on the basis of the Attorney General's priorities, as well as on the crime problems and socioeconomic characteristics of their districts. The report concluded that the U.S. attorneys interviewed were satisfied with their input into the development of national priorities. Justice had no requirements for these U.S. attorneys to measure their own effectiveness. Instead, Justice's evaluation program was the primary means of assessing the activities of individual U.S. attorneys' offices. Finally, at the end of 1994, Justice was developing plans to implement the Government Performance and Results Act of 1993's requirements to measure performance.

25. "INS: Information on Aliens Applying for Permanent Residence Status," June 1995, GAO/GGD–95–162FS.

a. Summary.—This fact sheet provides information on aliens applying to the Immigration and Naturalization Service (INS) to adjust their status to lawful permanent residents. Recent legislation allows aliens who entered without inspection, worked illegally, or overstayed their visas to apply for permanent resident status without leaving the country. GAO provides data on (1) the number of

aliens applying for permanent resident status under the legislation; (2) revenue that has been received as a result of these aliens' applications; (3) denial rates for these applications; and (4) the impact of these applications on INS' workload.

b. Benefits.—GAO concluded that from October 1, 1994, to February 24, 1995, 175,940 aliens applied for permanent resident status. During this same time period INS denied 8 percent, or 6,983, of the applicants. The revenue generated from these applications totaled $61.7 million for the same time period. These applications resulted in an increased estimated processing time per application in many areas. To meet the increased workload, in April 1995, the Department of Justice notified Congress of a proposed reprogramming action that would provide INS additional resources to enhance its application processing capability.

26. "Managing For Results: The Department of Justice's Initial Efforts To Implement GPRA," June 1995, GAO/GGD–95–167FS.

a. Summary.—The Government Performance and Results Act of 1993 was intended to improve the effectiveness and the efficiency of Federal programs by establishing a system to set performance goals and measure results. This fact sheet reviews the Justice Department's implementation of the act. As GAO was systematically collecting information from each Justice component about its implementation of the act, the Department asked GAO to describe what it had found because this information had not been consolidated at Justice. This fact sheet provides information that addresses questions from the Departments's components to help them develop performance measures and discusses the processes used to develop the fiscal year 1996 exhibits, implementation questions and concerns, and performance measures used in the exhibits.

b. Benefits.—GAO's review of the development of the Department's first performance measurement exhibits revealed that the components (1) used five general processes to develop the exhibits, four of these processes involved getting input from program staff; (2) had a variety of questions and concerns about implementing a performance measurement system regarding how the Office of Management and Budget (OMB) would analyze and use the performance data; and (3) developed a number of output and outcome measures for a variety of activities.

27. "Foreign Assistance: African Development Foundation's Overhead Costs Can Be Reduced," June 1995, GAO/NSIAD–95–79.

a. Summary.—The African Development Foundation was created by Congress in 1980 as an independent public corporation to support local self-help initiatives of the poor in Africa. In response to congressional concerns about whether the Foundation has used its resources efficiently, GAO reviewed the Foundation's administrative and financial management practices. This report discusses whether the Foundation (1) used program funds for administrative expenses; (2) presented reliable data in its budget submissions to Congress; and (3) complied with financial reporting requirements.

b. Benefits.—During the fiscal year 1994, the African Development Foundation (ADF) spent more of its budget for headquarters administrative expenses (about 28 percent) than other similar

agencies spent for such costs. ADF's higher administrative expenses are a result of higher salaries and greater use of consultants and contractors than were budgeted to carry out headquarters functions. ADF's funds are appropriated as a lump sum and not earmarked for program or administrative use and as a result ADF is not bound by statute as to the amount it can spend for administrative overhead. The budgetary and cost data that ADF presented to Congress was not reliable. The data was based on unaudited financial statements and an accounting system that was not viable for audit. ADF has recently acknowledged the problem and taken steps to improve the quality of budget reporting. Finally, ADF did not meet the financial reporting, internal controls assessment, and budget report reconciliation requirements of the Government Corporation Control Act; however, it began steps in 1994 to do so.

28. "Army National Guard: Combat Brigades' Ability To Be Ready for War in 90 Days Is Uncertain," June 1995, GAO/NSIAD–95–91.

a. Summary.—The end of the cold war and budgetary constraints have increased the military's reliance on Army National Guard combat brigades. Shortcomings revealed during the combat brigades' mobilization for the Persian Gulf War raised questions about the training strategies used and the time required to be ready to deploy. GAO found that recruitment and training problems make it unlikely that these units could meet a goal of combat readiness within 90 days of mobilization. This report discusses whether (1) the Bold Shift training strategy has enabled combat brigades to meet peacetime training goals; (2) the advisers assigned to the brigades are working effectively to improve training readiness; and (3) prospects of having the brigades ready for war within 90 days are likely.

b. Benefits.—None of the seven brigades came close to achieving the training proficiency sought by the Bold Shift strategy during 1992 through 1994. The brigades were unable to recruit, retrain, and meet staffing goals, and many personnel were not sufficiently trained in their individual job and leadership skills. In addition, collective training was also problematic. For example, in 1993, combat platoons had mastered an average of just one-seventh of their mission-essential tasks and less than one-third of the battalions met gunnery goals. The new adviser program's efforts to improve training readiness have been limited by factors such as (1) an ambiguous definition of the advisers' role; (2) poor communication between the active Army, advisers, brigades, and other National Guard officials, causing confusion and disagreement over training goals; and (3) difficult working relationships. The poor relationship between the active Army and the State-run Guard, if not improved, could undermine prospects for significant improvement in the brigades' ability to conduct successful combat operations. Finally, GAO concluded that it is highly uncertain whether the Guard's mechanized infantry and armor brigades can be ready to deploy 90 days after mobilization. It is estimated that brigades would need between 68 and 110 days before being ready to deploy.

29. "Military Personnel: High Aggregate Personnel Levels Maintained Throughout Drawdown," June 1995, GAO/NSIAD–95–97.

a. Summary.—The largest military drawdown since the end of the Vietnam War is now about 80 percent complete. By the end of fiscal year 1999, the Defense Department will have reduced its military and civilian personnel by almost a third. GAO found that despite these substantial cuts, the military services generally kept more than 95 percent of their authorized positions filled throughout the drawdown. They also maintained high fill rates for most ranks and kept more than 90 percent of authorized positions filled in most military categories. The major area of concern was a continuing shortage of field grade officers, especially in the Army, where fill rates generally hovered between 80 and 85 percent. In addition to discussing the extent to which the services were able to fill authorized positions, this report discusses the factors contributing to the personnel shortage at selected U.S. installations and units and the factors that could lead to personnel shortages in the future.

b. Benefits.—GAO reported that many factors contributing to personnel shortages at units and installations were directly related to the drawdown and could dissipate as the drawdown concludes. For example, not all personnel in units being withdrawn from Europe and not all those in units affected by United States base closure and realignment decisions were required to transfer with their units. This policy, as well as others, created shortages in some units and led to multiple personnel transfers. Other factors contributing to shortages were less directly related to the drawdown. For example, (1) personnel had to be transferred between units to meet the requirements of operations other than war; (2) military personnel had to be temporarily assigned to duties formerly handled by civilians whose positions were eliminated; and (3) scarce field grade officers had to be assigned to joint duty and reserve units before other operational positions could be filled.

30. "Navy Torpedo Programs: MK–48 ADCAP Upgrades Not Adequately Justified," June 1995, GAO/NSIAD–95–104.

a. Summary.—As part of its ongoing work on Navy torpedo programs, GAO reviewed the Navy's plans to upgrade both the propulsion and the guidance and control systems of the MK–48 Advanced Capability (ADCAP) torpedo. Because the program manager is seeking approval to begin low-rate initial production, this report discusses (1) the need for the propulsion system upgrade and (2) the appropriateness of approving low-rate initial production of the guidance and control system.

b. Benefits.—GAO concluded that the $249 million upgrade to the ADCAP propulsion system is not needed. The technological improvement to be contributed by the propulsion upgrade, which is torpedo quieting, will neither improve the performance of the ADCAP nor reduce the vulnerability of the launching submarine to enemy attack. Moreover, the Operational Test and Evaluation Force (OPTEVFOR) already considers the current ADCAP operationally suitable and effective in shallow water, and the Navy did not establish a requirement to improve the ADCAP's propulsion system for use in open ocean deep water in its operational require-

ments document for the upgrade. GAO recommended that approval for the low-rate initial production for the guidance and control upgrade would be ill-advised at this time. Installing the new guidance and control unit will do nothing more to counter the existing threat than the current units until the new software is developed and installed. The software necessary to take advantage of the upgraded guidance and control hardware will not be ready until mid-1998. Therefore, upgrade acquisition would be better scheduled to coincide with the software development schedule. As currently planned, the Navy could buy as many as 529 units at a cost of $177 million before the new software will be available.

31. "Space Station: Estimated Total U.S. Funding Requirements," June 1995, GAO/NSIAD–95–163.

a. Summary.—The space station program was approved in the mid-1980's and has since been redesigned several times to meet decreasing budgets. NASA estimates that the International Space Station can be built and completely assembled in orbit by June 2002. The International Space Station would provide more research capacity, support more crew, and cost less than prior space station configurations. NASA is currently planning a 10-year operational life for the space station following completion of assembly.

b. Benefits.—GAO estimates that it will cost about $94 billion to design and launch the space station through 2012. Although the program has made great progress since last year in defining its requirements, meeting its schedule milestones, and remaining within its annual operating budgets, the program still faces formidable challenges in meeting all its goals on time and within budget. Moreover, low financial reserves through fiscal year 1997 could lead to cost overruns and force postponement of some activities. In addition, the space station's current launch and assembly schedule is ambitious, and the shuttle program may have difficulty supporting it. If the contractor is unable to negotiate subcontractor agreements for the expected price, the target cost for the prime contract could increase. NASA plans to complete an independent internal assessment of space station costs later this fiscal year.

32. "Defense Management: Selection of Depot Maintenance Standard System Not Based on Sufficient Analyses," July 1995, GAO/AIMD–95–110.

a. Summary.—This report evaluates the Defense Department's (DOD) justification for developing and deploying the Depot Maintenance Standard System. DOD is developing the system to help streamline depot maintenance operations and manage resources more effectively at its repair depots. DOD spends about $13 billion annually to manufacture, overhaul, and repair equipment, such as airplanes, ships, and tanks, and repairable parts of this equipment, such as radios and engines. Congress has raised concerns that although DOD has spent billions of dollars for information technology during the past several years, DOD has not produced significant quality improvement, cost savings, and productivity gains in service operations. Congress required DOD to conduct a study to determine the best prototype depot maintenance system and directed GAO to assess the soundness of the study's conclusions. DOD, how-

ever, has not completed such a study. As a result, this report determines whether DOD had (1) based its selection of the system on convincing analyses of costs and benefits, as well as economic and technical risks, and (2) selected a strategy that would dramatically improve depot maintenance operations.

b. Benefits.—GAO concluded that DOD did not base its decision to develop and implement the Depot Maintenance Standard System (DMSS) on sufficient analyses of costs and benefits or on detailed assessments of economic and technical risks. Also, DOD did not obtain project milestone reviews by the Major Automated Information System Review Council (MAISRC) and approvals from the Milestone Decision Authority (MDA). These reviews and approvals are designed to ensure that system development and implementation decisions are consistent with sound business practices and to better manage risks inherent in large information system projects. DOD is making a major investment, totaling more than $1 billion, to develop and deploy DMS, intended to incrementally improve depot maintenance processes and move toward a DOD-wide integrated corporate system. These improvements are intended to reduce depot maintenance operational costs by $2.6 billion or less than 2.3 percent over a 10-year period. However, by focusing first on developing and deploying a standard depot maintenance information system designed to incrementally improve depot maintenance processes, DOD will not achieve any immediate dramatic cost reductions and may make future re-engineering efforts more difficult by entrenching inefficient and ineffective work processes.

33. "Defense Communications: Management Problems Jeopardize DISN Implementation," July 1995, GAO/AIMD–95–136.

a. Summary.—The Department of Defense (DOD) initiated the Defense Information System Network (DISN) program in 1991 as a two-phase effort to improve its long-distance telecommunications services and reduce costs. DOD envisioned that in the near term, DISN would achieve these goals by consolidating and integrating about 100 existing communications networks into one network. For the long term, DISN would replace older telecommunications systems and use new technology and improved acquisition strategies to provide a more cost-effective system. In addition to the DISN initiative, the General Services Administration (GSA) and the Interagency Management Council (IMC) in 1993 began planning a replacement for the Federal Telecommunications System (FTS) 2000 program, which provides the Federal Government's long-distance service. GAO in this report (1) assesses DISN's objectives, requirements, management plans, and implementation status, and (2) determines whether Defense has positioned itself to participate effectively in the government wide Post-FTS 2000 program.

b. Benefits.—Asked to review implementation of DISN, GAO found that DOD had not effectively planned and managed its DISN program. DOD spent more than $100 million during the past 3½ years on DISN's planning, implementation, operation, and management. Despite this expenditure, DISN still lacks validated operational requirements, approved plans for network implementation, and guidelines needed to ensure efficient and effective end-to-end management of this important communications network. As a re-

sult, DOD's near-term DISN implementation more than 2 years behind schedule and DISN's objectives of improving DOD communications services and reducing costs are at risk. Rather than buy services from commercial providers through initiatives such as the Post-FTS 2000 program, Defense currently intends to use the program primarily to obtain the communications bandwidth it needs to build its own private DISN network. GAO determined that by limiting its use of Post-FTS 2000 services, Defense risks spending hundreds of millions of dollars to establish, operate, and maintain redundant communications facilities and services that do not efficiently or effectively respond to its requirements.

34. "Illegal Aliens: National Net Cost Estimates Vary Widely," July 1995, GAO/HEHS–95–133.

a. Summary.—In recent years, public concern has grown about illegal aliens' use of public benefits and their overall cost to society. The three national studies that GAO reviewed represent the initial efforts of researchers to estimate the total public fiscal impact of illegal aliens. The limited data available makes it hard to develop reasonable estimates on such a broad subject. Moreover, the national studies varied considerably in the range of items they included and their treatment of some items, making their estimates difficult to compare. As a result, a great deal of uncertainty remains about the national fiscal impact of illegal aliens. Obtaining better data on the illegal alien population would help improve the national net cost estimates. Such data should focus on characteristics of illegal aliens, such as geographic distribution, age distribution, income distribution, labor force participation rate, tax compliance rate, and school participation, that are helpful in estimating the largest net cost items. Clearer explanations of which costs and revenues are appropriate to include would also help improve the usefulness of the estimates. The expert panel convened by the U.S. Commission on Immigration Reform could serve as a forum for discussing some of these data and conceptual issues.

b. Benefits.—All three national studies concluded that illegal aliens in the United States generate more in costs than revenues to Federal, State, and local governments combined. However, the studies varied considerably in the range of costs and revenues they included and their treatment of certain items, making them difficult to compare. Thus, a great deal of uncertainty remains about the actual national fiscal impact of illegal aliens.

35. "Federal Criminal Justice: Cost of Providing Court-Appointed Attorneys Is Rising, but Causes Are Unclear," July 1995, GAO/GGD–95–182.

a. Summary.—The Criminal Justice Act of 1964 required the Federal judiciary to provide for the legal representation of eligible Federal criminal defendants who were financially unable to afford their own attorneys. In response, the Federal judiciary created the Federal Defender Services program. This program provides legal services for eligible defendants through a mixed system, which includes 45 Federal Public Defender Organizations (FPF's), 10 Community Defender Organizations (CDO's), private "panel" attorneys chosen from a list or maintained by the district courts. As of Au-

gust 1993, 85 percent of all criminal cases prosecuted in Federal courts required court-appointed legal counsel. This report (1) reviews several issues related to cost growth and the workload at the Federal Defender Services program, which provides legal counsel for those who cannot afford attorneys, and (2) determines whether Death Penalty Resource Centers (DPRC) have reduced Federal costs for representing indigent defendants in death penalty cases.

b. Benefits.—The Administrative Office of the U.S. Courts maintains that the overall Defender Services workload has grown and costs have increased because criminal cases, especially drug cases, involve more defendants; more persons are defended by court-appointed attorneys; more defendants are being tried in Federal courts; and the costs are more complex, principally because of changes in Federal sentencing guidelines and mandatory minimum-sentencing statutes. Although each of these factors may have had some effect, inadequate data prevented GAO from determining to what extent these factors individually or collectively accounted for the doubling of program costs or the tripling of DPRC costs from fiscal years 1990 through 1993. Death Penalty Resource Centers (DPRC) have reduced Federal costs for representing indigent defendants in death penalty cases. This is exemplified with the average DPRC cost per representation at $17,200, while the average panel attorney cost per representation is $37,000. However, DPRC costs have increased because more DPRC's have been created, more death penalty cases are in the courts, and the cases are becoming more complex.

36. "Depot Maintenance: Some Funds Intended for Maintenance Are Used for Other Purposes," July 1995, GAO/NSIAD–95–124.

a. Summary.—During the past several years, Congress and military officials have expressed concern about the adequacy of the depot maintenance funding levels and the adverse effect on readiness resulting from growing maintenance backlogs. This report (1) determines the services' processes for deciding which end items of equipment will be overhauled; (2) compares the depot maintenance funding received by the military services from Congress with the amounts requested by the service; and (3) assesses the services' management of maintenance backlogs and the impact of depot maintenance backlogs on readiness.

b. Benefits.—GAO determined that the services use such measurements as hours of usage/operations, mileage, engineered standards, historical data, and inspection results to identify end items of equipment that qualify for depot maintenance. The services then assess the candidates in terms of the depots' ability to perform the maintenance and the anticipated availability of funds. A comparison of the amount of depot maintenance work executed to the amount of funds requested and received shows that for fiscal years 1993 and 1994, the amount of depot maintenance accomplished by the services was about $485 million less than the amount requested and about $832 million less than the amount received. The depot maintenance funds not used for depot maintenance were used for military contingencies and other O&M expenditures such as real property maintenance base operations. The depot maintenance backlogs at the time the services submit their budget re-

quests to the Congress tend to decrease during the year of budget execution. These decreases are a result of the services' reducing the requirements for items requiring depot maintenance. According to service officials, the depot maintenance backlogs are manageable, represent an acceptable minimal level of risk, and have not yet adversely affected equipment operational readiness rates. The service officials attribute the lack of adverse effects to funding levels; the levels of depot maintenance execution; and the reductions to the force levels, which have made more equipment available to the remaining forces.

37. "Defense Contracting: Contractor Claims for Legal Costs Associated With Stockholder Lawsuits," July 1995, GAO/NSIAD–95–166.

a. Summary.—In response to a congressional request, GAO asked the Defense Contract Audit Agency (DCAA) for its views on allowing the reimbursement of legal costs resulting from stockholder derivative lawsuits associated with defense contractor wrongdoing. The Major Fraud Act of 1988 and the Federal Acquisition Regulation (FAR) addresses the allowableness of defense contractors' legal fees and other proceeding costs related to litigation with the Federal Government. However, neither the act nor the FAR expressly addresses the allowableness of legal costs associated with stockholder derivative lawsuits based on prior corporate wrongdoing. DCAA performs contract audit functions for the Department of Defense (DOD) and provides accounting and financial advisory services to DOD components responsible for procurement and contract administration. In addition, DCAA audits costs and makes recommendations regarding the allowableness of cost claimed or proposed by contractors. This report includes information on (1) defense procurement fraud cases; (2) Defense Contract Audit Agency's (DCAA) policy on the allowableness of legal fees associated with stockholder derivative lawsuits; and (3) the number of stockholder lawsuits associated with defense contractor wrongdoing.

b. Benefits.—DCAA responded that the Federal Acquisition Regulation (FAR) contained no cost principle dealing specifically with the allowableness of legal fees associated with defending against stockholder derivative lawsuits. DCAA concluded, however, that such costs were unallowable under the FAR cost principle on reasonableness of costs when the lawsuit was based on contractor wrongdoing. As a result, DCAA issued audit guidance in April 1995 that specifically dealt with these costs. From October 1988 through December 1994, 72 cases arose involving procurement fraud associated with firms on the Defense Department's Top 100 Contractors list. It is not apparent, however, that claiming reimbursement for stockholder derivative legal costs is a common practice.

38. "Space Shuttle: Declining Budget and Tight Schedule Could Jeopardize Space Station Support," July 1995, GAO/NSIAD–95–171.

a. Summary.—NASA plans to use the space shuttle on 21 flights during a 5-year period to transport station components into orbit for assembling the space station. The shuttle is necessary because

it is the only U.S. launch vehicle capable of carrying humans into space. As a result, the shuttle will have to be substantially redesigned to gain additional lift capability. At times, only two of the four shuttles will be available for station assembly. One shuttle, *Columbia*, cannot provide adequate lift and one of the remaining shuttles will be undergoing scheduled maintenance during some portions of the assembly schedule. The space station has been redesigned in March 1993, and is now called the International Space Station because it combines the efforts of Europe, Japan, Canada, Russia, and the United States.

b. Benefits.—NASA's plans for increasing the shuttle's lift capability are complex and challenging, involving about 30 separate steps, including hardware redesigns, improved navigational or flight design techniques, and new operational procedures. Further difficulties are possible. NASA's schedule for meeting the space station's launch requirements appear questionable—particularly during a period of shrinking budgets. Delays in the launch schedule could substantially boost the space station's cost. Under the shuttle's modification and launch enhancement program, NASA will defer some recertification activities and will forgo full integration testing of the propulsion system. NASA plans to assess the implications of the design changes through a combination of tanking and component tests and systems analysis. Because of the magnitude and the complexity of the shuttle enhancement program, GAO urges additional measures to ensure that (1) the implications of integrating many individual design changes are fully understood and (2) safety is not compromised.

39. "Law Enforcement Support Center: Name-Based Systems Limit Ability To Identify Arrested Aliens," August 1995, GAO/AIMD–95–147.

a. Summary.—Identifying persons arrested for aggravated felonies as aliens is critical to joint efforts by the Immigration and Naturalization Service (INS) and local law enforcement agencies to prevent the release of these persons before INS can take action. To meet this requirement, INS established the Law Enforcement Support Center (LESC), whose pilot operations began in July 1994. When individuals arrested for aggravated felonies identify themselves as being foreign-born, the local law enforcement agency (LEA) sends a request to LESC to determine whether these individuals are aliens and, thus, possibly subject to deportation. This report discusses whether (1) LESC, using the INS name-based data bases, can identify individuals arrested for aggravated felonies as aliens; (2) other INS initiatives will allow identification of aliens arrested for aggravated felonies; and (3) criminal alien information in two of INS' data bases is complete and accurate.

b. Benefits.—GAO determined that INS dependance on LESC for providing identification of aliens who were arrested for aggravated felonies is inherently limited by the name-based systems that it depends upon. Until INS successfully implements a system that identifies persons on the basis of biometric information, such as fingerprints, the INS planned move to an automated fingerprint data base is intended to address the need for better ways to identify persons who will be processed for either enforcement or benefit pur-

poses. Further, accurate and complete criminal alien data in INS' Deportable Alien Control System and the Central Index System are essential. Unless INS data reliability problems are resolved, INS risks making decisions on the basis of inaccurate and incomplete information.

40. "Juvenile Justice: Juveniles Processed in Criminal Court and Case Depositions," August 1995, GAO/GGD–95–170.

a. Summary.—According to the Justice Department, juveniles are committing increasing numbers of serious crimes, such as murder and aggravated assaults. The number of juvenile court cases involving these offenses rose 68 percent from 1988 to 1992. Each State has at least one of three methods—judicial waiver, prosecutor direct filing, and statutory exclusion (State laws requiring the transfer of juveniles for some crimes)—available for transferring juveniles to criminal court. In recent years, many States have changed their laws to expand the criteria under which juveniles may be sent to criminal court. This report discusses (1) the frequency with which juveniles have been sent to criminal court; (2) the juvenile conviction rates and sentences in criminal court; (3) the dispositions of juvenile cases in juvenile court; and (4) the conditions of confinement for juveniles held in adult prisons.

b. Benefits.—GAO's analysis of nationwide estimates from the National Center for Juvenile Justice (NCJJ) showed that juvenile court judges transferred to criminal court less than 2 percent of juvenile delinquency cases that were filed in juvenile court from 1988 to 1992. According to the Bureau of Justice Statistics' 1989 and 1990 Offender Based Transaction Statistics (OBTS) data from seven States, conviction rates of juveniles prosecuted in criminal court for serious violent, serious property, and drug offenses varied within and among States. The incarceration rates varied dramatically from 3 percent in California to 50 percent in Vermont. Additionally, many juveniles were placed on probation in juvenile court. For example, in 1992, juveniles in 43 percent of approximately 744,000 formal delinquency cases were placed on probation. Of the remaining 57 percent of juvenile cases, 27 percent were dismissed, and 17 percent of the juveniles were placed in a residential treatment program, and 12 percent of them received some other disposition such as restitution, fines, or community service. About 1 percent were transferred to criminal court. In the four States that GAO visited, juveniles sentenced to adult prisons generally were to be subject to the same policies and procedures as adults; however, in three of the four States visited, younger inmates were housed in separated prisons. At all facilities, juveniles generally were to be provided with the same health services; afforded the same educational, vocational, and work opportunities and provided access to the same recreational facilities as older inmates.

41. "Defense Restructuring Costs: Payment Regulations Are Inconsistent With Legislation," August 1995, GAO/NSIAD–95–106.

a. Summary.—Section 818 of the National Defense Authorization Act for Fiscal Year 1995 governs payments made by the Defense Department (DOD) to contractors for costs associated with business combinations, including mergers and acquisitions. Normally, after

a business combination, a new company will undertake restructuring activities, such as closing plants, eliminating jobs, and relocating workers. Section 818 prohibits payment of restructuring costs until DOD officials certify that projected savings from the business combination are based on audited cost data and should reduce costs to DOD. Section 818 also requires the Secretary of Defense to report annually on DOD experience with business combinations, including whether savings associated with each restructuring actually exceed costs. In response to section 818 requirements, DOD issued interim regulations on restructuring costs effective December 29, 1994. This report reviews the regulations to determine whether they (1) are consistent with section 818, applicable procurement laws, and the Federal Acquisition Regulation (FAR) and (2) ensure that restructuring costs are paid only when in the best interests of the United States.

b. Benefits.—DOD regulations do not comply with section 818 requirements because all restructuring costs associated with defense contractor business combinations, for which contractors may be reimbursed, will not be subject to the section's certification requirements. By excluding some restructuring costs that should be subject to section 818 certification requirements, DOD cannot ensure that payment of these costs are made only when in the best interests of the United States. Further, the regulations cannot ensure that DOD will be able to meet the section's annual reporting requirements to Congress. Moreover, DOD plans to pay restructuring costs up to the amount of savings projected to result from a business combination, which would result in the payment of those costs without significant projected savings to DOD.

42. "Military Bases: Case Studies on Selected Bases Closed in 1988 and 1991," August 1995, GAO/NSIAD–95–139.

a. Summary.—As part of an earlier review of 37 bases closed by the first two base realignment and closure rounds, GAO reported in late 1994 on expected revenues from land sales, resources requested from the Federal Government, and issues delaying reuse planning. GAO collected more information on reuse planning and implementation at the 37 bases. This report provides updated summaries on the planned disposal and reuse of properties, successful conversions, problems that delayed planning and implementation, and assistance provided to communities. GAO also profiles each of the 37 installations.

b. Benefits.—Under current plans, over half of the land will be retained by the Federal Government because it (1) is contaminated with unexploded ordinance; (2) has been retained by decisions made by the base realignment and closure commissions or by legislation; or (3) is needed by Federal agencies. Most of the remaining land will be requested by local reuse authorities under various public benefit transfer authorities or the new economic development conveyance authority. Further, reuse efforts by numerous communities are yielding successful results. Military airfields are being converted to civilian airports, educational institutions are being established in former military facilities, and wildlife habitats are being created that meet wildlife preservation goals while reducing the Department of Defense's environmental cleanup costs. How-

ever, some communities are experiencing delays in reuse planning and implementation. This is due to failure within the local communities to agree on reuse issues, developments of reuse plans with unrealistic expectations, and environmental cleanup requirements. In order to help alleviate some of these problems the Federal Government has made available over $350 million in direct financial assistance to communities. In addition, DOD's Office of Economic Adjustment has provided reuse planning grants, the Department of Labor has provided job training grants, and the Federal Aviation Administration has awarded airport planning and implementation grants.

43. "Inventory Management: DOD Can Build on Progress in Using Best Practices To Achieve Substantial Savings," August 1995, GAO/NSIAD–95–142.

a. Summary.—In a series of five recent reports, GAO discussed the Defense Department's (DOD) efforts to adopt modern logistics practices to better manage its $22 billion in inventory of consumable items, such as food, clothing, and industrial supplies. As of September 1994, consumable items accounted for only 29 percent of DOD's $74 billion in secondary inventory value, but for 88 percent of the total items. This report discusses (1) the extent to which DOD has adopted the specific practices that GAO recommended for consumable items; (2) the savings and benefits being achieved through the use of these practices; and (3) DOD's overall progress in improving consumable item management.

b. Benefits.—While DOD has taken steps to improve its logistics practices and reduce consumable inventories, it could do more to achieve substantial savings. DOD can make the most improvements with hardware items because it continues to store large amounts of items (such as bolts, valves, and fuses) that cost millions of dollars to manage and store. DOD's inventories of hardware items existing in 1992 are expected to decrease only 20 percent by 1997. In contrast, private sector companies, have reduced similar inventories by as much as 80 percent and saved millions in associated costs by using "supplier parks" and other techniques that give established commercial distribution networks the responsibility to manage, store, and distribute inventory on a frequent and regular basis directly to end-users. If DOD were to adopt these innovative commercial practices, hardware inventories and related management costs could be significantly reduced. However, DOD has taken steps that use prime vendors to supply personnel items directly to military facilities. By 1997, with the expanded use of prime vendors and by eliminating obsolete and unnecessary items, DOD expects to reduce personnel (medical, food, and clothing) item inventories 53 percent from 1992 levels. DOD's most successful program to date uses prime vendors at approximately 150 military medical facilities, which has reduced overall wholesale pharmaceutical inventories by $48.6 million and has achieved inventory reductions and cost savings at medical facilities. Finally, if DOD took similar steps with its prime vendor program and consistently applied it within each service, the current savings could be significantly increased.

44. "U.S.-Japan Cooperative Development: Progress on the FS–X Program Enhances Japanese Aerospace Capabilities," August 1995, GAO/NSIAD–95–145.

a. Summary.—In 1988, the United States and Japan agreed to cooperatively develop the FS–X fighter plane, which is a significantly modified derivative of the United States Air Force's F–16 Block 40 fighter aircraft. Congress has been concerned about the transfer of United States technology to Japan through the FS–X program and whether the program will provide the United States with useful technology. As a result, Congress requested that GAO monitor and periodically report on the implementation of the FS–X program. This report examines (1) the program's status; (2) United States Government and contractor controls over technical data and hardware provided to Japan for the program; (3) the transfer of program technology from Japan to the United States; and (4) the benefits that the program has provided to the Japanese and United States aerospace industries.

b. Benefits.—The FS–X development program entered the prototype production phase in April 1993. The first prototype flight is currently scheduled for late summer 1995, a delay of about 2 years from earlier estimates. The adequacy of United States Controls of the transfer of technology and hardware to Japan has varied. Japan is obtaining F–16 technical data from the United States Air Force, as well as, technologies and FS–X subsystem items from United States companies under export licenses. However, there is inadequate sharing of licensing information among U.S. Government entities on these and related exports to ensure (1) compliance with DOD releasability guidelines or (2) that FS–X items are properly categorized as derived or non-derived. On the other hand, the United States has gained more access to Japanese FS–X technologies since GAO's June 1992 FS–X review, although some issues remain unresolved. Further, Japan has been reluctant to transfer data for certain systems to the United States and is seeking to limit technology transfer to the United States for those systems by reclassifying them as non-derived. Finally, no one currently knows what benefits, if any, Japanese technologies will provide to the United States. United States officials believe that better coordination between United States defense contractors is necessary to effectively evaluate and apply Japanese FS–X technologies.

45. "Poland: Economic Restructuring and Donor Assistance," August 1995, GAO/NSIAD–95–150.

a. Summary.—Since the reform process began in central and eastern Europe in 1989, Poland has undertaken some of the most dramatic economic reforms in the region. Although the United States now has assistance programs in several central and east European countries, Poland has received the largest share of that assistance. This report (1) assesses the status and the progress of the country's economic restructuring in the key areas of macroeconomic stabilization, foreign trade and investment, privatization, and banking; (2) discusses the role that donors have played in the transformation process; and (3) identifies lessons learned that could be useful to other transition countries.

b. Benefits.—Poland has made substantial progress in stabilizing and restructuring its economy. The International Monetary Fund and other major donors played an important role in the early stages of the reform process by requiring Poland to adopt tough macroeconomic reforms in return for receiving substantial donor assistance. Although Poland's own efforts to implement tough reform measures and apply consistent macroeconomic policy over several years have been the critical factors in the country's economic recovery. Further, Poland has achieved significant increases in its exports to the West and a number of foreign companies have recently made significant investments in Poland. However, trade barriers hamper Poland's exports of certain products to the European Union, and a number of internal obstacles continue to impede foreign investment. Donor assistance has had only a marginal impact in facilitating trade and investment. In moving toward privatizing its economy, Poland's progress has been mixed. The country's economic reforms have resulted in a rapidly growing private sector, but significant portions of the Polish economy remain in the hands of the government. Continuing, Poland has fundamentally reformed its banking sector, but several major problems remain, including delays in bank privatization, unclear policies regarding the licensing of foreign banks, inadequate banking expertise and bank supervision skills. Donors have provided key financial support for recapitalizing Poland's state-owned banks and restructuring their problem loan portfolios. However, despite the progress that has been made, Poland is still struggling to overcome relatively high rates of inflation and unemployment. Poland's transition experience offers a number of lessons that merit consideration by countries such as Russia, Ukraine, and others not as far along the reform path as Poland. These lessons suggest that while donor assistance can be important in supporting economic restructuring efforts in certain key areas, the ultimate success or failure of such efforts is far more dependent upon the actions of the transition country than it is upon those of outside participants.

46. "Financial Audit: Expenditures by Six Independent Counsels for the Six Months Ended March 31, 1995," September 1995, GAO/AIMD–95–223.

a. Summary.—This report presents the results of GAO's audit of expenditures reported by six independent counsels for the 6 months ended March 31, 1995, as well as, the consideration of the internal control structure for this audit period. The internal controls of the independent counsels were tested with regard to safeguarding assets against loss from unauthorized use or disposition, assuring the execution of transactions in accordance with management authority, laws, and regulations; and properly recording, processing, and summarizing transactions to permit the preparation of expenditure statements in accordance with the applicable basis of accounting. GAO also discusses the evaluation of the counsels' compliance with laws and regulations for the 6 months ending on March 31, 1995.

b. Benefits.—GAO found that the statements of expenditures for independent counsels Arlin M. Adams, Joseph E. DiGenova, Robert B. Fiske, Jr., Donald C. Smaltz, Kenneth W. Starr, and Lawrence E. Walsh were reliable in all material respects. However, GAO also

did limited tests of internal controls and discovered a material weakness in internal controls over reporting of expenditures. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low risk that errors or irregularities in amounts that would be material to the expenditure statements and may not be detected promptly by employees in the normal course of their duties. GAO's audit tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards.

47. "Foreign Direct Investment: Review of Commerce Department Reports and Data-Sharing Activities," September 1995, GAO/GGD–95–242.

a. Summary.—This is GAO's final report on the Secretary of Commerce's first three annual reports on foreign direct investment in the United States. GAO: (1) assesses the extent to which Commerce's second and third reports—issued in 1993 and 1995—fulfilled their requirements under the law and responded to recommendations made in a 1992 GAO report; (2) reviews the process by which Federal agencies collect data on foreign direct investment; (3) reviews the status and processes of the data exchanges, or links, initiated by the Financial Data Improvements Act of 1990 between the Commerce Department's Bureau of Economic Analysis and the Labor Department's Bureau of Labor Statistics; and (4) evaluates the extent to which implementation of the act has improved public information on foreign direct investment in the United States.

b. Benefits.—The 1993 and 1995 reports included discussion of all the data requirements of the 1990 act for which data exists, and responded to the recommendations in our 1992 report. In addition, GAO found that the two reports adequately presented the Commerce Department's analysis and findings. Overall, the Commerce reports' analyses and conclusions relating to the effects of foreign direct investment in the United States (FDIUS) on the U.S. economy were thorough and reasonable. The U.S. Government collects data on foreign investment principally through the Commerce Department. The Commerce Department's Bureau of Economic Analysis (BEA) obtains information on (FDIUS) through four survey questionnaires that require U.S. affiliates of foreign firms to report on a wide range of financial and operating data. The BEA-census and the BEA-Bureau of Labor Statistics (BLS) data-sharing efforts, initiated by the 1990 act, have generated data on U.S. affiliates of foreign firms at a greater level of industry specificity than was previously available. This data has enabled Commerce to provide a richer description of U.S. affiliates' activities and to draw more meaningful comparisons between their operations and those of other U.S. firms without imposing their burdens on survey respondents. The Commerce Department's FDIUS reports and the data-sharing activities between BEA, Census, and BLS have largely fulfilled the purpose of the 1990 act by improving the quality and quantity of Federal Government data on FDIUS.

48. "Combat Identification Systems: Changes Needed in Management Plans and Structure," September 1995, GAO/NSIAD–95–153.

a. Summary.—The military services are pursuing a number of solutions that should help reduce the occurrence of friendly fire incidents. One class of systems being pursued under Army and Navy led efforts are cooperative identification of friend or foe (IFF) question and answer (Q&A) systems. Because the services are approaching major decision points in the acquisition process for these systems, GAO reviewed their management plans and structures for cooperative IFF Q&A systems development and integration.

b. Benefits.—The Army and the Navy have failed to fully consider how to integrate their independently developed systems to identify friend from foe on the battlefield and thus reduce fratricide incidents. Moreover, these systems, which could cost more than $4 billion, are limited to identifying "friends" equipped with compatible identification systems. GAO recently learned that the Army plans to acquire more near-term millimeter wave cooperative identification systems without analyzing whether the system can be integrated into the mid- and long-term solutions—as GAO recommended in an October 1993 report. The Army plans to acquire another 115 near-term systems at a cost of nearly $24 million. The Defense Department and the Army are concerned about the affordability and cost-effectiveness of the near-term system, and it may never be fully fielded for these reasons. The Army's plan risks wasting millions of dollars on a system that may never be procured.

49. "Aircraft Requirements: Air Force and Navy Need To Establish Realistic Criteria for Backup Aircraft," September 1995, GAO/NSIAD–95–180.

a. Summary.—Since 1977, many audits by the Defense Department (DOD) and GAO have pointed out that the military services overstate the number of backup fighter and attack aircraft needed for training, test, and evaluation, and to replace combat aircraft that are lost through attrition or are being repaired. At the end of fiscal year 1993, the Air Force and the Navy/Marine Corps maintained nearly 3,000 fighter and attack aircraft and about 1,600 similar, equally capable backup planes. In response to congressional concerns that backup forces are not efficiently managed and that this had adversely affected funds available for combat forces, this report identifies (1) trends in the number of backup aircraft maintained by the services; (2) steps that the military has taken in response to recommendations made by GAO and others to validate backup aircraft requirements; and (3) opportunities to remove unneeded backup aircraft from the force to minimize the cost of operating and maintaining combat aircraft.

b. Benefits.—The Air Force and the Navy/Marine Corps operate and maintain about one backup aircraft for every two combat-designated fighter/attack aircraft. The Air Force's and the Navy/Marine Corps' plans to reduce the size of the combat-designated aircraft forces will, if implemented, essentially achieve the bottom-up review's force level goals by the end of the fiscal year 1996. Backup forces will also be reduced but will still make up about one-third

of all fighter/attack aircraft operated and maintained by the services. The Air Force has not developed supportable criteria for structuring and managing the backup forces and justifying the procurement of backup aircraft. The Navy/Marine Corps have begun to revise their criteria. Realistic criteria is essential because both the Air Force and the Navy plan to buy expensive new aircraft systems in the near future—the F–22 and the F/A–18E/F, respectively. If realistic criteria for backup aircraft are not established soon, the Air Force and the Navy could buy more aircraft than needed. Finally, if attrition aircraft in excess of short-term needs were stored until needed, the Air Force could reduce operation and maintenance costs.

50. "Weapons of Mass Destruction: DOD Reporting on Cooperative Threat Reduction Assistance Can Be Improved," September 1995, GAO/NSIAD–95–191.

a. Summary.—In 1991, Congress authorized the Defense Department to help the former Soviet Union (1) destroy nuclear, chemical, and other weapons of mass destruction; (2) transport, store, and safeguard such weapons in connection with their destruction; and (3) prevent the proliferation of such weapons. Under the Cooperative Threat Reduction program, DOD manages various projects to help Balarus, Kazakhstan, Russia, and Ukraine—the four republics that inherited the former Soviet Union's weapons of mass destruction. This report examines whether DOD had (1) made progress in auditing and examining program aid; (2) listed its planned audit and examination efforts to be carried out during fiscal year 1995; (3) compiled a list describing the current location and condition of program assistance; and (4) provided a basis for determining whether the assistance was being used for the purposes intended.

b. Benefits.—DOD made some progress in the Cooperative Threat Reduction (CTR) program's first year of audit and examination activities. DOD has worked to resolve recipient nations' concerns over audit and examination implementing procedures; conducted five audits at sites in three countries as of July 1995, and planned an audit every month of other CTR-provided assistance through the end of the fiscal year 1995.

However, in reviewing DOD's report to Congress, GAO found the following shortcomings:

(1) The report does not fully represent all of DOD's audit and examination activities for the fiscal year 1995, as required, and does not describe how DOD plans such activities.

(2) The report does not describe the condition of the assistance, as required, and contains outdated and inaccurate listings of CTR assistance deliveries. While the report is dated January 5, 1995, it was not issued until May 31, 1995. Moreover, the list of CTR deliveries that the report includes is dated February 2, 1995. After that date and through May 1995, DOD delivered CTR aid worth over $38 million.

(3) The limited number of projects DOD reviewed raises questions about the basis for DOD's programwide determination that CTR assistance—with one classified exception—has been accounted for and used for its intended purpose. According to DOD's report, this determination was based on information on 9 of the 23 projects

for which CTR-provided assistance was being used. Of these nine projects, only three had actually been audited. Other sources of information for the projects included random observations by U.S. technical teams, recipient-provided data, and national technical means.

51. "Unexploded Ordinance: A Coordinated Approach To Detection and Clearance Is Needed," September 1995, GAO/NSIAD–95–197.

a. Summary.—Inexpensive improvements in mine design; the unique challenges posed by clearing large areas, such as farmland, in Third World countries; and the difficulty of controlling the proliferation of antipersonnel landmines have thwarted U.S. technological efforts to detect and clear unexploded ordinance, which kills an estimated 30,000 people around the world each year. Many of the victims are civilians, including children, who are killed years after hostilities have ceased. This report reviews the extent of ordinance problems. GAO (1) reviews the extent to which the Defense Department's and other agency's requirements and associated research and development could be applied to clearance problems elsewhere in the world; (2) assesses the ability of existing or foreseeable technologies to detect and clear landmines and other unexploded ordnance (UXO); and (3) identifies barriers that could impede the progress or output of this technology.

b. Benefits.—U.S. research and development for UXO detection and clearance technology are broader today than they were during the cold war years and thus have more in common with the worldwide problem. With the dissolution of the Soviet Union, United States requirements have evolved that have more in common with area clearance than "breaching" or making paths through minefields during combat. These new requirements include clearing (1) U.S. military sites of UXO and other hazards, and (2) areas and roads needed for conducting operations other than war, such as peacekeeping. Such broader requirements make it likely that research and development sponsored by DOD will have more direct application to the clearance problems faced by Third World countries. The technologies available today to clear wide areas are inadequate and cannot keep pace with the number of landmines being emplaced annually. For example, the United Nations estimated that in 1993, 2.5 million mines were emplaced, while only 80,000 were removed. The most effective techniques, such as hand-held probes and metal detectors, are time-consuming, expensive, and labor-intensive. While heavy mine clearing equipment, such as plows, are suited to breaching paths, it is not practical for clearing large areas. Several factors limit the potential output from U.S. investment in technologies related to the detection and clearance of landmines and other forms of UXO. For one, there is no overarching, government wide strategy or organization that exists to ensure that the most is gained from these various efforts. Moreover, it is difficult to estimate if the level of funding for applicable technologies is sufficient. Other barriers to technical solutions include the relative ease with which inexpensive improvements in mine designs have outstripped detection and clearance methods, the unique area clearance challenges Third World countries pose, and

the difficulty of controlling the proliferation of antipersonnel landmines.

52. "1996 DOD Budget: Potential Reductions to Operation and Maintenance Programs," September 1995, GAO/NSIAD–95–200BR.

a. Summary.—This report evaluates the military services' and Department of Defense's (DOD) fiscal year 1996 operation and maintenance (O&M) budget requests totaling $70.3 billion. GAO reviewed selected O&M accounts for U.S. Army, Europe (USAREUR); U.S. Forces Command (FORSCOM); U.S. Air Forces, Europe; Air Combat Command; Air Material Command; and the Atlantic and Pacific Fleets. They also reviewed selected activities managed at the headquarters of the Army, Navy, and the Air Force, as well as some DOD-managed activities. Specific programs were included because (1) O&M funding levels are increasing; (2) GAO's ongoing or issued reports identified O&M implications; or (3) congressional committees have expressed a specific interest in the program.

b. Benefits.—GAO identified potential reductions of $4.9 billion to the fiscal year 1996 operation and maintenance budget requests, which totaled $70.3 billion, from the military services and the Defense Department (DOD). In addition, GAO notes that funding for the Partnership for Peace program, which is designed to encourage joint training and military exercises with NATO forces and to promote greater partner interoperability, is divided between the DOD and State Department budgets. As a result, no one congressional committee has complete oversight to ensure that the program's efforts are effective and not duplicative. The fiscal year 1996 operation and maintenance budget request from DOD earmarks $40 million for program expenses, including an information management system, regional airspace initiative, defense resource management program, and unit exchanges. Meanwhile, the State Department is requesting $60 million for this same program.

53. "Future Years Defense Program: 1996 Program Is Considerably Different From the 1995 Program," September 1995, GAO/NSIAD–95–213.

a. Summary.—This report compares the Defense Department's (DOD) fiscal year 1996 Future Years Defense Program (FYDP) with the program for fiscal year 1995. Specifically, GAO discusses (1) what major program changes were made from 1995 to 1996; (2) what the implications of these changes are for the future; and (3) whether the 1996 program complies with statutory requirements.

b. Benefits.—The fiscal year 1996 FYDP, which covers fiscal years 1996–2001, is considerably different from the 1995 FYDP, which covers fiscal years 1995–1999. First the total program increased by about $12.6 billion in the 4 common years of both plans. Second, approximately $27 billion in planned weapon system modernization programs for these 4 years have been eliminated, reduced, or deferred to the year 2000 and beyond. Third, the military personnel, operation and maintenance, and family housing accounts increased by over $21 billion during the common period. The net affect is a more costly defense program, despite substantial reductions in DOD's weapon modernization programs between 1996

and 1999. As a result of these changes, Defense plans to compensate for the decline in procurement during the early years of the 1996 FYDP by substantially increasing procurement funding in 2000 and 2001. The Secretary of Defense plans to pay for this increase with a combination of savings achieved from infrastructure reductions, acquisition reforms, and from real budget growth. The additional budget amounts are expected, in part, to lessen the need for Defense to reduce or defer weapon modernization programs to meet other near-term readiness requirements. Congress will specify how Defense is to spend some of the added funds; however, DOD may have an opportunity to restore some programs that were reduced to the year 2000 and beyond. Moreover, the additional funding could mitigate the need for DOD to increase out-year budgets. The fiscal year 1996 FYDP was submitted in compliance with applicable legislative requirements.

54. "Discrimination Complaints: Monetary Awards in Federal EEO Cases," January 1995, GAO/GGD–95–28FS.

a. Summary.—Federal employment discrimination complaints are resolved in various ways. For example, an agency may provide a complainant with appropriate training if training is at issue. Another way to resolve a complaint, which is very common, is to provide the complainant with monetary relief through back pay, which gives the victim of discrimination the salary he or she would have received had the alleged discrimination not occurred. Further, Federal employment discrimination complaints are handled through administrative procedures and the courts. When a lawsuit is filed, any resulting monetary relief is generally paid from the Judgement Fund. However, in some cases the monetary relief is paid by the discriminating agency. Additionally, a prevailing party in a discrimination case at the administrative or judicial level can receive reasonable attorney fees and costs.

b. Benefits.—Although exact payment figures are not readily available, GAO found that Federal agencies and the Judgement Fund paid at least $87.4 million to Federal workers and their attorneys since fiscal year 1989 as a result of Federal equal employment opportunity cases. Of that amount, $30.6 million was paid in fiscal years 1993 and 1994. Much of the $87.4 million was back pay to Federal employees. However, at least $30.5 million was for attorney fees and costs. Of that amount, $8.7 million was paid in fiscal years 1993 and 1994.

55. "Missile Development: Status and Issues at the Time of the TSSAM Termination Decision," January 1995, GAO/NSIAD–95–46.

a. Summary.—The Tri-Service Standoff Attack Missile (TSSAM) program—a $13.7 billion effort to develop and acquire a stealthy, conventional, medium-range cruise missile—has been plagued by significant technical problems, cost growth, and schedule delays. In May 1994, the Defense Department began restructuring the program after a series of flight test failures and unresolved technical problems. On December 9, 1994, the Secretary of Defense announced plans to cancel the program because of significant development difficulties and growth in the expected unit cost for each mis-

sile. This report provides pertinent information on the History and status of the TSSAM program at the time of the Secretary's announcement for use by Congress as it reviews the termination decision.

b. Benefits.—Unsuccessful flight test results, particularly over the last 2 years, made attainment of TSSAM's very high reliability requirement questionable. A reliable improvement program has been initiated to address this problem, but demonstration of whether problems would have been resolved would have taken several years. The acquisition of more test missiles would have added nearly $300 million to the program's estimated development cost but provide little, if any, assurance of TSSAM performance and reliability before the critical early production decisions. Moreover, the total TSSAM program cost increased from an estimated $8.9 billion in 1986 to $13.7 billion in 1994, and the total number of missiles to be produced decreased by over 50 percent. During the same period, estimated procurement unit costs increased from $728,000 to over $2 million. Additionally, declining budgets and changes in threat had prompted the services to consider alternative systems. DOD's March 1994 Cost and Operational Effectiveness Analysis (COEA) concluded that TSSAM was the most cost-effective weapon among several alternatives, principally because of its success in high-threat situations. However, the analysis showed some alternative weapon systems performed well in less demanding situations and might be adequate to meet existing national security requirements.

56. "Department of Energy: National Laboratories Need Clearer Missions and Better Management," January 1995, GAO/RCED–95–10.

a. Summary.—The Energy Department's (DOE) national laboratories have made vital contributions to the Nation's defense and to civilian science and technology efforts. However, the national laboratories today lack clearly defined missions and suffer from poor coordination to solve national problems. As a result, DOE has underutilized the laboratories' talents to tackle complex issues and these institutions may be unprepared to meet future expectations. GAO raises questions about the laboratories' ability to help the United States meet its changing defense needs at the end of the cold war and compete against growing foreign competition in technology.

b. Benefits.—DOE's laboratories do not have clearly defined missions that focus their considerable resources on accomplishing the Department's changing objectives and national priorities. DOE has not coordinated these laboratories' efforts to solve national problems but has managed each laboratory on a program-by-program basis. As a result, DOE has underutilized the laboratories' special talents to tackle complex, cross-cutting issues. Additionally, DOE has not acted on recommendations by government advisory groups that they redefine the laboratories' missions to meet changes in conditions and national priorities. Moreover, DOE's day-to-day management of the laboratories—perceived as costly and inefficient by laboratory managers—inhibits the achievement of a productive working relationship between the laboratories and DOE that is

necessary if the laboratories are to move successfully into new mission areas. Both laboratory and DOE managers believe that more realistic and consistent priorities are needed to comply with the growing oversight and administrative requirements placed on the laboratories in recent years.

57. "Naval Petroleum Reserve: Opportunities Exist To Enhance Its Profitability," January 1995, GAO/RCED–95–65.

a. Summary.—The Naval Petroleum Reserve in Elk Hills, CA, is jointly owned by the U.S. Government and Chevron U.S.A., Inc. It is now operated by Bechtel Petroleum Operations, Inc., under a contract that expires in July 1995. Chevron believes that it can run the reserve more profitably than the Government can, and in May 1995 it proposed taking over reserve operations. Later, the Energy Department (DOE) suspended negotiations with Chevron on this proposal and recently began to solicit interest from other parties to operate the reserve. This report explores actions that DOE and Congress can now take to improve the reserve's profitability.

b. Benefits.—Three actions could enhance the profitability of the Naval Petroleum Reserve (NPR–1). First, DOE could be allowed to set the rate of production in a way that maximizes profits, which is standard industry practice. In contrast, the production rate of oil and gas at the reserve is currently set by statutory requirement at the rate that can be achieved "without detriment to the ultimate recovery" of the resource—called the maximum efficient rate (MER). Second, making a final decision on how ownership shares in the NPR–1 are distributed between DOE and Chevron could enhance the reserve's profitability by allowing the owners to focus on investments that enhance the venture as a whole. Currently, an open-ended arrangement between Chevron and DOE governs their equity and ownership shares of projection. This open-ended situation has undermined trust and cooperation between the two owners, and both spend a significant amount of resources examining the likely impact of proposed investments on their equity shares before committing to new projects. As a result, these expenditures and the slowed decisionmaking result in reduced profits. By contrast, standard industry practice calls for operating a mature commercial oil and gas field with the equity shares finalized among the partners so the unit can be developed and production managed in the most profitable manner possible. Finally, adding a clause to the contract between DOE and Chevron to promote risk sharing could help encourage investments that enhance profits. In standard industry practice, sharing such risks is encouraged by a contract's "nonconsent clause," which governs how a partner that does not share the initial risks or costs of a project will be treated. Without such a cause, one partner may decide not to participate in drilling a well but later decide that it wants a share of any resulting profits.

58. "Juvenile Justice: Minimal Gender Bias Occurred in Processing Noncriminal Juveniles," January 1995, GAO/GGD–95–56.

a. Summary.—This report studies gender bias in State juvenile justice systems' handling of status offenders, who are youths and have committed an offense, such as truancy or ungovernable behav-

ior, that would not be a crime if committed by an adult. GAO defines "gender bias" as intentional or unintentional differences in the juvenile justice system's outcomes of female and male status offenders who have similar characteristics, such as age, status offense, and prior offense History. GAO (1) compares the outcome of the intake decisions and the frequency and outcomes of detentions, adjudications, and out-of-home placements of female and male status offenders, and (2) compares the availability of facilities and services for female and male status offenders in selected jurisdictions.

b. Benefits.—GAO concluded that there was minimal gender bias, as they defined it, in processing noncriminal juveniles. According to the National Center for Juvenile Justice's national data, 500,620 status-offender cases were petitioned to juvenile courts in the United States during the 6-year period from 1986 to 1991. Five of the six intake regression models that GAO studied indicated no evidence of gender bias. Similarly, for 14 of the 19 regression models for the detention, adjudication, and placement decisions, results indicated no evidence of gender bias in the juvenile courts' handling of status offenders. However, for the one intake model that exhibited a difference for a specific State, females were more likely to be petitioned to juvenile court than males. For the other five State-specific models—three detention, one adjudication, and one placement—females were less likely to be detained, adjudicated, or placed than males. GAO determined that factors, such as prior offense, history, and source of referral, affected the offenders' outcomes. At the 15 facilities that GAO visited, they found minimal gender-based differences in the availability of counseling, educational, and medical services for females and males, although the extent of such services varied by type of facility. The only gender-based difference we noted involved admission physicals. At two of the female-only group homes, health examinations included testing for sexually transmitted diseases, whereas, at similar male-only facilities operated by the same organizations, such testing was not done unless requested by the males.

59. "Former Soviet Union: Creditworthiness of Successor States and U.S. Export Credit Guarantees," February 1995, GAO/GGD–95–60.

a. Summary.—Under the 1990 Farm Bill, the Office of General Sales Manager (GSM)–102 program is intended to develop, expand, or maintain U.S. agricultural markets overseas by facilitating commercial export sales of U.S. agricultural products. Under the program, the U.S. Department of Agriculture's (USDA) Commodity Credit Corporation (CCC) may guarantee loans to buy U.S. agricultural exports. Through this program the Soviet Union received $3.74 billion in credit guarantees. After its dissolution, and through September 30, 1993, Russia and Ukraine received credit guarantees equal to $1.06 billion and $199 million, respectively. In this report, GAO (1) considered the general economic and political environment in the former Soviet Union (FSU) and its successor states; (2) reviewed how the Soviet debt crisis developed and the relationship between debt problems, on the one hand, and economic reform and creditworthiness on the other; (3) examined how USDA deci-

sions on providing the FSU/successor states with credit guarantees; and (4) considered the exposure of the (GSM)–102 portfolio to default by the FSU and its successor states.

b. Benefits.—Burdened with debt and plagued by economic and political uncertainties, the successor states of the former Soviet Union are not creditworthy and are at high risk for default on billions of dollars in United States agricultural export credit guarantees. Arrears on the debt of the former Soviet Union have continued to mount since 1989—notwithstanding debt deferral, debt rescheduling, and other foreign assistance provided by creditor nations. Although Western nations have indicated a willingness to provide more debt relief and other assistance, much of this aid depends on Russia's implementing difficult macroeconomic and structural reforms. Whether, and when, Russia can or will implement such reforms is questionable. During the period when the Agriculture Department (USDA) provided more than $5 billion in export credit guarantees to the former Soviet Union, Russia, and Ukraine, USDA's own evaluations found that these states were very risky in terms of their ability to repay such debt. As a result of the large amount of credit guarantees made to the former Soviet Union and its successors and their poor creditworthiness, the export credit guarantee program is heavily exposed to default.

60. "Former Soviet Union: U.S. Bilateral Program Lacks Effective Coordination," February 1995, GAO/NSIAD–95–10.

a. Summary.—Since the Soviet Union was dissolved late in 1991, the newly independent successor states have been trying to develop more efficient, market-based economies and establish democratic governments. The United States has strongly supported this transition, both diplomatically and financially. The structure that the executive branch established to coordinate, manage, and implement U.S. programs to help with this enormous undertaking is both unique and complex. This report (1) identifies the size, scope, and status of the various United States bilateral programs for the Soviet Union; (2) describes the structures established for coordinating and managing these programs; and (3) describes some of the coordination and structural problems the executive branch has faced.

b. Benefits.—For the fiscal years 1990 through 1993, 19 United States Government agencies committed a total of $10.1 billion for bilateral grants, donation, and credit programs to the former Soviet Union (FSU). During the period, Federal agencies obligated $1 billion and spent $434 million of the $1.8 billion authorized by Congress for grant programs, obligated $1.6 billion, and spent $1.22 billion for the donation program, and made $6.7 billion available for direct loans, guarantees, and insurance agreements. The structure for coordinating and managing U.S. bilateral programs for the FSU starts with the National Security Council's Policy Steering Group chaired by the Deputy Secretary of State. This group is the only place where all U.S. Government policies and programs involving the FSU come together and where all agencies report. Pursuant to the Freedom Support Act, in May 1993, the President designated a Coordinator within the Department of State and charged him with broad responsibility for U.S. bilateral programs with the FSU that included management and implementation of assistant

programs, resolving policy and assistance program disputes among U.S. agencies participating in the assistance program, designing overall assistance and economic cooperation strategy for the FSU, and ensuring program and policy coordination amongst agencies. Despite this, GAO found that the State Department Coordinator's role is much more limited. Other groups within the executive branch have equal or greater influence and authority over assistance to the FSU or function autonomously outside the Coordinator's purview. In fact, the only bilateral program wholly within the Coordinator's purview is the program funded by the Freedom Support Act. Additionally, other participants involved with U.S. assistance to the FSU have at times resisted, hindered, or overruled the Coordinator's efforts to develop a coherent and comprehensive assistance program for the FSU. These include Cabinet and other agencies, the Gore-Chernomyrdin Commission and Congress through congressional earmarks. Further, the Coordinator's role has been complicated by the existence of serious disagreement between agencies over various aspects of the program. For example, USAID, a primary implementing agency for Freedom Support Act programs, has been involved in numerous disputes with other government agencies over money and policy.

61. "Federally Funded R&D Centers: Executive Compensation at the Aerospace Corporation," February 1995, GAO/NSIAD–95–75.

a. Summary.—The Aerospace Corporation is a nonprofit mutual benefit corporation that provides scientific and technical support, principally general systems engineering and integration services, for the Air Force and other government agencies. Aerospace runs a federally funded research and development center (FFRDC) sponsored by the Air Force. Aerospace's FFRDC's are funded solely or substantially by Federal agencies to meet special long-term research or development needs that cannot be met as effectively by existing in-house or contracting resources. While compensation to Aerospace employees is primarily paid from government contracts, which represent over 99 percent of the company's total business revenue. Aerospace compensation is reviewed by the Air Force for reasonableness during its annual contract negotiations. This report discusses the salary and other benefits provided to Aerospace's corporate officers and other senior management personnel and includes information on Defense Contract Audit Agency (DCAA) audits on Aerospace compensation costs and congressional actions regarding FFRDC compensation.

b. Benefits.—As of September 1994, Aerospace employed 32 executives, 12 of whom were corporate officers. The officers' total compensation averaged about $240,000, and their annual salary averaged about $176,000. From September 1991 to September 1994, total salary cost for all Aerospace executives rose 78 percent, primarily due to raises of up to 29 percent for individual executives in 1992 and a 45-percent increase in the number of executives from 1991 to 1994. In addition, Aerospace paid executives hiring bonuses of $30,000 each in 1993. In an audit started in response to Aerospace's June 1992 salary increases, the Defense Contract Audit Agency (DCAA) initially questioned the reasonableness of the salaries and fringe benefits. In its final report, however, DCAA no

longer questioned the reasonableness of corporate officers' salaries but recommended that Aerospace provide further support for corporate officers' fringe benefits.

62. "DOD Budget: Selected Categories of Planned Funding for Fiscal Years 1995–99," February 1995, GAO/NSIAD–95.

a. Summary.—GAO identified programs in the Defense Department's (DOD) future funding plans for fiscal years 1995–99 for the following 13 categories: environmental cleanup and restoration, defense conversion, DOD dependents schools and Junior ROTC, basic research, counter-drug efforts, humanitarian and foreign assistance programs, civilians separation pay and military temporary early retirement authority, grants to colleges and universities, operation of the 89th Military Airlift Wing at Andrews Air Force Base, medical education and noncombat-related medical research, support for foreign military sales, antiterrorism activities, and pay and allowances to jailed military personnel.

b. Benefits.—GAO notes that DOD planned to fund about 13 categories when the President submitted his fiscal year 1995 budget in February 1994. More than half of the funds are in the operations and maintenance account, which traditionally has funded combat training and other readiness-related items. The largest part of the remaining funds are in the research, development, test, and evaluation account.

63. "Peace Operations: Information on U.S. and U.N. Activities," February 1995, GAO/NSIAD–95–102BR.

a. Summary.—Peace operations use military forces to help maintain or restore international peace. Peace operations fall into three categories: those seeking to prevent conflict from breaking out, those that seek to compel countries to comply with international sanctions designed to maintain or restore peace and order, and those designed to relieve human misery and suffering. This briefing report covers (1) the cost and funding of peace operations; (2) the effectiveness of U.N. operations; (3) U.S. policy and efforts to strengthen U.N. capabilities; and (4) the impact of peace operations on the U.S. military.

b. Benefits.—GAO noted that when considering the cost of operations it should be recognized that DOD's financial systems cannot reliably determine costs. For the fiscal year 1994, DOD reported incremental costs for peace operations of $1.9 billion and they estimate a cost of $2.6 billion for 1995. In addition to DOD's costs, the Department of State paid $1.1 billion toward U.S. peacekeeping, the Agency for International Development paid $100 million, and various other agencies paid amounts ranging from several hundred thousand to several million dollars. The United Nations has had limited effectiveness carrying out complex missions such as the U.N. Transitional Authority in Cambodia (UNTAC) and operations that entail the use of force, such as the U.N. Protection Force (UNPROFOR) in Bosnia and U.N. Operations in Somalia (UNOSOM). Although, these operations took place in quite hostile environments. However, several weaknesses of the United Nations limit its ability to effectively undertake such large and ambitious operations. These include weaknesses in leadership, command and

control, and logistics. Moreover, the United Nations is ill-equipped to plan, logistically support, and deploy personnel for large missions. The United States is making an effort to remedy these problems by recommending steps to improve the capabilities of the U.N. Department of Peacekeeping Operations and thus provide for effective and efficient peace operations. For example, DOD has detailed military officers, sealift and airlift planners, and budget experts to U.N. headquarters to improve planning and preparation for new and ongoing operations. Peace operations have stressed certain key military capabilities, few of which are in the active component. These include certain Army support services, Air Force specialized aircraft, and the F–4G Wild Weasel, which is used for lethal suppression of enemy radars. However, peace operations have also provided the military forces with valuable experience in joint and coalition operations.

64. "Foreign Assistance: Selected Donors' Approaches for Managing Aid Programs," February 1995, GAO/NSIAD–95–37.

a. Summary.—Congress and the executive branch have been deliberating on how to reform the U.S. foreign assistance program given the rapidly changing global environment and recurring management problems. This report provides information on how six other bilateral donors—Canada, Germany, Japan, Sweden, the Netherlands, and the United Kingdom—and the European Union, a multilateral donor, manage their foreign aid programs. GAO discusses (1) the difficulty of planning in an uncertain environment; (2) common structural dilemmas in foreign aid programs; and (3) common management weaknesses.

b. Benefits.—Careful planning is becoming increasingly important as the worldwide recession, growing deficits, and the resulting budget cuts force most donors to make choices among aid programs and recipients. Aid agencies must balance their governments' development assistance goals with newer foreign aid goals associated with the environment, U.N. peacekeeping, and democracy. Moreover, the balancing of these goals is then weighed against their governments' self-interests and domestic needs, placing additional pressure on declining aid budgets. In addition to an uncertain environment, there are several common structural dilemmas in foreign aid programs the donors have to overcome. These include (1) ensuring coordination and relieving organizational tension among government agencies, particularly aid agencies and foreign ministries, caused by overlapping jurisdictions and conflicts over aid priorities; (2) increasing institutional specialization as new development problems or functions are turned over to newly created aid agencies; (3) determining the most efficient and effective approaches for in-country representation; and (4) determining how much implementation of development activities should be carried out by nongovernment personnel. Finally, donors have reported long-standing problems with inadequate administrative capacity among aid agencies. Addressing management problems takes on a new urgency now that politicians and the general public are looking for greater evidence of development results. The lack of criteria for measuring project and program results, preoccupation with formulating new projects,

and inadequate monitoring of program and project implementation were consistently cited as problems among the donors.

65. "Defense Operations Fund: Management Issues Challenge Fund Implementation," March 1995, GAO/AIMD–95–79.

a. Summary.—The National Defense Authorization Act for Fiscal Year 1995 directed the Secretary of Defense to submit to the congressional defense committees a report on the progress made in implementing the September 1993 Defense Business Operations Fund Improvement Plan by February 1, 1995. GAO has monitored and evaluated the Fund's implementation in February 1991 and its operation since. It was previously reported that the Department of Defense (DOD) had not achieved the Fund's objectives. It was also concluded that the Fund's problems are symptomatic of the weaknesses in DOD's overall financial management environment. This report provides GAO's (1) assessment of DOD's progress in correcting the ongoing problems that have hindered the Fund's operations, and (2) recommendations to the Congress and DOD to address GAO's concerns.

b. Benefits.—The Pentagon faces formidable challenges in overcoming problems plaguing the Defense Business Operations Fund. Many of these shortcomings, such as inadequate financial and accounting systems, are the result of years of neglect and date from the old industrial and stock funds. The Fund's financial systems cannot produce accurate and reliable information on Fund operations. Until these antiquated systems are eliminated, (1) the infrastructure costs of maintaining multiple systems for the same purpose will persist, and (2) the Defense Department (DOD) and Congress will continue to receive inaccurate and unreliable information and Fund operations. Also, the recent decision to devolve cash management abandons one of the Fund's goals. DOD can cut costs only if it is more conscious of operating expenses and makes fundamental improvements in the way it conducts business. Although the Fund is supposed to operate on a break-even basis, it had not been able to meet this goal. Fiscal year 1994 marked the third consecutive year of reported losses. If top management does not reverse this trend, potential savings from the Fund will not be realized.

66. "Travel Process Reengineering: DOD Faces Challenges in Using Industry Practices To Reduce Costs," March 1995, GAO/AIMD/NSIAD–95–90.

a. Summary.—DOD reported that it spent about $3.5 billion in direct costs and processed about 8.2 million vouchers for temporary duty travel in fiscal year 1993. DOD estimated that it spent 30 percent of direct costs to process temporary duty travel. Defense employees perform various types of travel to carry out mission and business functions. This report focuses on temporary duty travel, which includes travel for business, deployment, and training purposes. DOD's travel processing is done on a decentralized basis. The processing generally includes (1) authorizing the funding and appropriate means of travel and issuing travel orders; (2) arranging transportation, accommodations, and developing itineraries; (3) making travel expenditures, purchasing tickets, and collecting re-

ceipts; (4) preparing and processing vouchers based on receipts; and (5) reconciling accounts, auditing vouchers, making payments, and generating management reports. The report includes information on DOD's temporary duty travel processes, estimates of travel costs, and an assessment of DOD's ongoing initiatives to improve its travel processes.

b. Benefits.—With processing costs accounting for at least 30 percent of the $3.5 billion that the Pentagon spent on travel in fiscal year 1993, adopting private industry's "best practices" for travel management could save millions of dollars. DOD's needs to streamline its complex processing system, which involves 700 voucher-processing centers, multiple travel agencies, and more than 1,300 regulations. "Best practices" in the private sector include empowering employees to make travel decisions, reducing the number of travel agents to as few as one, consolidating multiple travel-processing centers into a single facility, and simplifying travel policies to less than 20 pages.

67. "Managing Customs: Efforts Under Way To Address Management Weaknesses," March 1995, GAO/GGD–95–73.

a. Summary.—The U.S. Customs Service enforces trade laws and policies designed to prevent importation of foreign goods that threaten our health and safety. Customs also collects duties, fees, and taxes that have totaled about $20 billion annually in recent years, and Customs is the initial source of trade statistics used in formulating and monitoring our Nation's foreign trade policies. GAO had previously identified, in a December 1992 report, a number of problems that could hinder Customs' ability to meet the challenges of the changing world trade environment. The major problem areas were in (1) mission planning; (2) financial, information, and human resource management; and (3) its organizational structure. Since then Customs has made efforts to improve on these noted problems areas. This report discusses the U.S. Customs Service's efforts to address weaknesses GAO identified in the 1992 report and during subsequent reviews.

b. Benefits.—Customs has taken action in each of the problem areas. Some of the more significant efforts include the following:

(1) Customs has revised its 1993 *5-Year Plan* to clarify and set priorities for its trade enforcement objectives, including fully automating its transaction processing and establishing performance accountability measurements for achieving its trade enforcement goal.

(2) It has improved controls over the identification and collection of duties, taxes, fees, and penalties.

(3) It has reorganized its debt collection unit, formalized its collection procedures, and aggressively pursued collection of delinquent receivables.

(4) It has embarked on a reorganization plan to correct institutional problems related to cooperation and coordination among its programmatic units and to ensure consistency in policy implementation.

Although, additional efforts will be needed in Customs' financial and information systems modernization programs, GAO's recent audits of Customs' financial statements disclosed that Customs has

improvement efforts under way but had not yet fully resolved many of the financial management problems reported in 1992. Also, these audits identified two areas not identified in the 1992 report. One concerns Customs' inability to detect and prevent duplicate or excessive claims for refunds of duties and taxes paid on imported goods that are subsequently exported or destroyed. The other relates to Customs' inability to prevent or detect unauthorized access and modifications to critical and sensitive data and computer programs.

68. "Defense Health Care: Issues and Challenges Confronting Military Medicine," March 1995, GAO/HEHS–95–104.

a. Summary.—The Defense Department's (DOD) military health care system provides medical services and support both in peacetime and in war to members of the armed forces and their families, as well as to retirees and survivors. Post-cold war planning scenarios, efforts to reduce the overall size of the military, Federal budget cuts, and base closures and realignments have focused attention on how large DOD's health care system is, what its makeup is, how it operates, whom it serves, and whether its missions can be carried out in a more cost-effective way. This report describes the Military Health Services System (MHSS), past problems faced by DOD as it ran the system and efforts to solve those problems, and the management challenges now confronting DOD.

b. Benefits.—The MHSS is one of the Nation's largest health care systems, offering health benefits to about 8.3 million people and costing over $15 billion annually. Its primary mission is to maintain the health of 1.7 million active-duty service personnel and to be prepared to deliver health care during times of war. Past reports about DOD's ability to meet its wartime mission described problems such as inadequate training, missing equipment, and large numbers of nondeployable personnel as serious threats to the Department's ability to provide adequate medical support to deployed forces. Other problems that have faced DOD in the past decade are increasing costs, uneven access to health care services, and disparate benefit and cost-sharing packages for similarly situated categories of beneficiaries. In response to these challenges, DOD initiated, with congressional authority, a series of demonstration programs around the country designed to explore various means by which it could more cost effectively manage the care it provides and funds. The experiences of these demonstration programs provided many valuable lessons and has enabled DOD to become one of the Nation's leaders in the managed care arena. Additionally, DOD, in 1993, began a nationwide managed care program, called TRICARE, to improve beneficiary access to high-quality care while containing the growth of the system's costs. The program calls for coordinating and managing beneficiary care on a regional basis using all available military hospitals and clinics supplemented by contracted civilian services. As DOD implements the TRICARE program, several operational challenges have emerged. These range from deciding the appropriate authorities of regional health administrators to constructing networks adequate to serve all beneficiaries in each region. Finally, as the Congress and the Depart-

ment plan for the future, decisions about the appropriate size of the military health care system will be of paramount importance.

69. "Security Clearances: Consideration of Sexual Orientation in the Clearance Process," March 1995, GAO/NSIAD–95–21.

a. Summary.—The requirement for Federal employees who handle classified information to be loyal and trustworthy was an outgrowth of a 1947 Federal loyalty program, established by President Truman during a time of heightened feelings of national security over growing concerns about the communist threat. Executive Order 10450 modified the loyalty program in 1953, requiring that any individual's employment be "clearly consistent with the interests of the national security," and for the first time included sexual perversion as a basis for removal from the Federal service. Federal agencies used the sexual perversion criteria in the early 1950's to categorize homosexuals as security risks and separate them from government service. Agencies could deny homosexual men and women employment because of their sexual orientation until 1975, when the Civil Service Commission issued guidelines prohibiting the government from denying employment on the basis of sexual orientation.

b. Benefits.—GAO found during a review of eight Federal agencies that, in a break with government policy dating to the 1950's, sexual orientation was no longer a factor in issuing security clearances to Federal workers and contractors. Some persons GAO spoke with, however, believed that they had been asked inappropriate questions during the clearance processes. All eight agencies indicated that concealment of any personal behavior that could result in exploitation, blackmail, or coercion was a security concern. However, the treatment of concealment as it relates to sexual orientation varies. Most agencies have eliminated specific questions about sexual orientation, but Defense Department and FBI guidelines treat concealment as a security concern.

70. "Peace Operations: Heavy Use of Key Capabilities May Affect Response to Regional Conflicts," March 1995, GAO/NSIAD–95–51.

a. Summary.—As the number, size, and scope of peace operations have increased in the past several years, the nature and extent of U.S. military participation has changed markedly. Recently, the United States has used more military forces, of an increasingly varied nature, in peace operations in places such as Somalia, Bosnia, Haiti, and Northern and Southern Iraq. These operations often take place for an extended duration, usually occurring in austere environments with little or no infrastructure from which to base and sustain an operation. This report discusses the impact that peace operations have on U.S. military forces, force structure limitations that may affect the military's ability to respond to other national security requirements while engaged in peace operations, and options for increasing force flexibility and response capability.

b. Benefits.—Increasing U.S. involvement in peace operations heavily stresses some U.S. military capabilities, including such support functions as quartermaster and transportation forces and the use of specialized aircraft. Extended participation in multiple

or large-scale peace operations could tax the military's ability to carry out the Defense Department's strategy for fighting two nearly simultaneous regional conflicts. Several options exist that could allow DOD to meet the demands of peace operations while responding to its two-conflict strategy. These options include changing the mix of active and reserve forces and making greater use of the reserves and contractors.

71. "Unmanned Aerial Vehicles: No More Hunter Systems Should Be Bought Until Problems Are Fixed," March 1995, GAO/NSIAD–95–52.

a. Summary.—The Hunter is a pilotless aircraft resembling a small airplane that is controlled from a ground station. It is intended to perform reconnaissance, target acquisition, and other military missions by flying over enemy territory and transmitting video imagery back to ground stations for use by military commanders. The Hunter program began in 1989, at an estimated cost of $4 billion, as a joint-service effort in response to congressional concern over the proliferation of Unmanned Aerial Vehicles (UAV) by different services and the need to acquire UAV's that could meet the requirements of more than one service. GAO reviewed the Hunter program to determine (1) whether it has been demonstrated to be logistically supportable; (2) whether its performance deficiencies found in prior testing have been resolved; and (3) whether it represents a valid joint-service effort as mandated by Congress.

b. *Benefits*.—Although the Defense Department (DOD) has spent more than $4 billion to acquire the Hunter Short-Range Unmanned Aerial Vehicle. The aircraft suffers from serious performance problems and has crashed repeatedly during flight tests. The plane's engines, originally designed for a motorcycle, have proven especially unreliable. GAO believes that the plane may prove unsuitable for use by military forces and could require costly contractor maintenance to stay in the air. DOD's recent restructuring of the program would further delay and curtail critical testing while allowing for additional procurement of systems whose performance is so far unproven and possibly defective.

72. "Foreign Aid: Actions Taken To Improve Food Aid Management," March 1995, GAO/NSIAD–95–74.

a. Summary.—For over 4 decades the United States has provided agricultural commodity assistance, or food aid, to foreign countries to combat hunger and malnutrition, encourage development, and promote U.S. foreign policy goals. The 1990 Agricultural Development and Trade Act made several major changes in the U.S. food aid program. One of the changes involved providing agricultural commodities to developing countries to enhance their "food security", that is, access by all people at all times to sufficient food and nutrition for a healthy and productive life. Moreover, Title II of the act authorizes food donations in response to famines and other emergencies and food aid grants to private voluntary organizations (PVO) and cooperatives, intergovernmental organizations, and multilateral institutions for nonemergency uses. Another important part of the act is Title III, which gives the Administrator of the U.S. Agency for International Development (USAID) considerable

flexibility in designing food aid programs that complement its overall country development activities.

b. Benefits.—A July 1993 GAO report identified several problems with the U.S. Agency for International Development's (USAID) management of its food aid programs. These problems included USAID's lack of criteria and guidance for implementing the programs, USAID's inability to show the impact of food aid on food security, and USAID's failure to account for food aid resources. Among the recommendations GAO made: USAID to establish criteria and guidance on how food aid should be programmed, managed, and accounted for; assess the efficiency of food aid in achieving food security; and evaluate the impact of food aid on food security. USAID has fully or partially implemented 11 of 13 recommendations made in GAO's 1993 report. USAID has yet to (1) establish criteria as to when U.S. procurement and shipping regulations may be waived and (2) report to Congress on the efficiency of food aid in achieving food security.

73. "Army Reserve Components: Cost, Readiness, and Personnel Implications of Restructuring Agreement," March 1995, GAO/NSIAD–95–76.

a. Summary.—The Defense Department's bottom-up review concluded that the Army's reserve components should be reduced to 575,00 positions by 1999—a 201,000 decrease since fiscal year 1989. In December 1993, the Defense Department announced a major restructuring of the Army National Guard and the Army Reserve. The Offsite Agreement spelled out how personnel reductions would be distributed among the reserve components. This report evaluates (1) the cost of implementing the agreement; (2) the agreement's impact on reserve components' readiness; and (3) reserve components' efforts to absorb displaced personnel.

b. Benefits.—Implementation of the Offsite Agreement could cost over $180 million. The Army's latest cost estimate is about $85 million. As of now, it is too early to tell how the agreement will affect readiness for most units. Although GAO estimated the readiness impact for some of the units and determined that 13 units will be replaced by units with lower readiness ratings, 18 units will be replaced by units having the same or higher readiness ratings. Finally, in the three areas affected by the agreement—the 157th Separate Infantry Brigade, aviation units, and special operation units—some of the commands' and units' initiatives, to help affected persons find new units, appear to be working well. Others, however, appear to discourage the transfer of personnel, even if a transfer would result in a more effective use of their skills.

74. "Force Structure: Army National Guard Divisions Could Augment Wartime Support Capability," March 1995, GAO/NSIAD–95–80.

a. Summary.—The Department of Defense (DOD), in its bottom-up review of the Nation's defense needs in the post-cold war era, judged that it is prudent to maintain the capability to fight and win two nearly simultaneous major regional conflicts. In responding to a single conflict during Operation Desert Storm, the Army had difficulty providing support units, even though it deployed only

a portion of its total combat force. Because of this experience, GAO examined whether (1) the Army might face similar challenges in supporting the two-conflict strategy; and (2) support capability in certain Army National Guard units could be used to alleviate any potential shortfalls.

b. Benefits.—The Army would be hard-pressed to provide enough nondivisional support units for two nearly simultaneous major regional conflicts. The Army had difficulty providing such units during the Persian Gulf War—a single regional conflict. One option for augmenting the Army's nondivisional support capability is to use existing support capability—units, personnel, and equipment—in the eight National Guard divisions that DOD did not include in the combat force for executing the two-conflict strategy. These divisions contain several support units that are similar or identical to nondivisional support units that were not allocated resources during the 1993 Total Army Analysis. These divisions have many of the same types of skilled personnel and equipment that the nondivisional support units have.

75. "Chemical Weapons: Army's Emergency Preparedness Program Has Financial Management Weaknesses," March 1995, GAO/NSIAD–95–94.

a. Summary.—GAO reviewed how the Army's Chemical Stockpile Emergency Preparedness Program funds (CSEPP)—about $281 million appropriated in fiscal years 1988–94—were spent. GAO has previously reported on problems that the Army experienced in improving the emergency preparedness capabilities of local communities and the ineffectiveness of its management approach. GAO (1) identifies the purposes for which the funds were allocated; (2) determines how funds were spent by States and communities associated with four chemical weapons storage sites; and (3) examines elements of the program's financial reporting and internal control systems.

b. Benefits.—Army and Federal Emergency Management Agency (FEMA) officials lack accurate financial information to identify how funds are spent or to ensure program goals are achieved. However, GAO, by analyzing why funds were allocated and by visiting four States participating in the program, developed a general picture of expenditures. More than $145 million (52 percent) was allocated to States and counties, $127 million (45 percent) was allocated to the Army and FEMA, and almost $8.9 million (3 percent) is unallocated. The State allocations for major program categories were (1) $35.1 million for communications; (2) $28.4 million for alert and notification; (3) $18.3 million for salaries and benefits; (4) $15.8 million for automation; and (5) $12.7 million for emergency operations centers. In general, funds were used for priority items and other critical CSEPP objectives, but not all items are operational or have been purchased. Finally, adequate internal controls to ensure assets are safeguarded and program goals are efficiently and effectively achieved do not exist, leaving the program susceptible to fraud, waste, and abuse.

76. "Background Investigations: Impediments to Consolidating Investigations and Adjudicative Functions," March 1995, GAO/NSIAD–95–101.

a. Summary.—Executive Orders 10450 and 12356, as amended, establish uniform requirements for personnel security programs in the Federal Government. They require agency heads to (1) classify Federal positions for sensitivity in relation to national security and (2) investigate each person as appropriate based on the position's level of access to national security information. These background investigations are used to determine whether an individual meets established criteria for access to classified information. Moreover, Executive Order 10450, as amended, directs the Office of Personnel Management to provide investigative services to Federal agencies except those authorized to conduct their own investigations such as the Departments of Defense and State, the FBI, and the CIA. In this report, GAO collected and analyzed information on (1) the feasibility of one central agency conducting all background investigations or adjudicative functions; (2) Federal agencies' compliance with National Security Directive on single scope background investigations for top secret clearances; and (3) costs of background investigations and number of security clearances.

b. Benefits.—GAO concludes that it may be feasible to have one central agency conduct all background investigations and adjudicative functions. However, most of the nine key Federal agencies that account for 95 percent of the security clearances oppose consolidation. Moreover, several other impediments would have to be resolved. Potential benefits of consolidation include cost savings, fewer oversight agencies, standardized operating procedures and information systems, and more consistency in applying standards. However, consolidation could also result in less agency control over the process, potentially reducing the extent to which an individual agency's requirements and priorities were met. GAO found that Federal agencies were complying with National Security Directive 63 on single-scope background investigations for top secret clearances. The purpose of the directive was to eliminate redundant investigative practices for granting persons access to top secret and sensitive information. Consistent with the directive, some agencies now require even more background information to meet their missions. For example, the United States Secret Service conducts polygraph tests for its agents and employees. In the fiscal year 1993, executive branch agencies spent $326 million on background investigations, $20 million of which went to private sector investigators.

77. "Military Readiness: Improved Assessment Measures Are Evolving," March 1995, GAO/T–NSIAD–95–117.

a. Summary.—In recent years, military leaders have expressed concern about the effect on military readiness of (1) the level of current military operations; (2) contingency operations; (3) the shifting of funds to support these operations; and (4) personnel truculence. Questions have also been raised about the ability of the Defense Department's (DOD) readiness-reporting system to provide a comprehensive assessment of overall readiness. In an October 1994 report, GAO examined whether current indicators of readiness adequately reflected the many complex components that con-

tributed to overall military readiness and whether readiness indicators existed that could predict positive or negative changes in readiness.

b. Benefits.—This testimony highlights key findings from that report and discusses some major DOD initiatives to achieve a more comprehensive readiness assessment.

78. "Navy Shipbuilding Programs: Nuclear Attack Submarine Requirements," March 1995, GAO/T–NSIAD–95–120.

a. Summary.—There are less costly alternatives than the Navy's approach to maintain the required fleet of nuclear attack submarines. These alternatives would save billions of dollars and meet the Navy's force structure and threat requirements. In addition, the SSN–23 is not needed to satisfy force structure requirements or to counter a treat. Instead, the Defense Department's (DOD) justification for building the submarine is to preserve competition and to meet industrial base and national security needs.

b. Benefits.—GAO believes that this is an inadequate justification for building the SSN–23 because currently no competition exists to build nuclear attack submarines and DOD has not made clear what it means by long-term industrial base and national security needs.

79. "Wartime Medical Care: Aligning Sound Requirements With New Combat Care Approaches Is Key to Restructuring Force," March 1995, GAO/T–NSIAD–95–129.

a. Summary.—The Defense Department's (DOD) medical system costs about $15 billion annually and employs about 227,000 active duty and reserve personnel. Recent legislation required DOD to determine (1) the size and the composition of the military medical system needed to support U.S. forces during a war, and (2) any adjustments needed for cost-effective delivery of medical care to covered beneficiaries during peacetime.

b. Benefits.—The resulting DOD study challenged the cold war assumption that all medical personnel employed during peacetime are needed for wartime and questioned whether U.S. military medical forces should be reduced to only those needed for wartime.

80. "Department of Justice: Office of Professional Responsibility's Case-Handling Procedures," March 1995, GAO/OSI–95–8.

a. Summary.—A February 1992 GAO report recommended that the Justice Department's Office of Professional Responsibility (OPR), which investigates allegations of criminal or ethical misconduct involving Justice employees, (1) establish basic standards for conducting investigations; (2) set standards for case documentation; (3) review case files to identify needed changes to Justice procedures and operations; and (4) follow up more consistently on the results of misconduct investigations conducted by other Justice components and maintain the follow-up information in the case files. This report discusses whether the recommendations have been implemented and provides information on the Offices's handling of referrals.

b. Benefits.—OPR's procedural standards for investigating and documenting cases addressed only those cases that OPR staff actually investigated—72 of the 106 cases. In three of the seven OPR

investigations, the application of OPR's investigative and documentation standards was questionable. However, OPR's new procedures addressed GAO's recommendation regarding case file reviews to identify systemic problems in Justice procedures and operations. Continuing, the OPR standards did not cover cases that OPR monitored or supervised or cases that involved other matters, such as preliminary reviews of complaints. These cases were not subject to any formalized case file documentation requirements. In addition, GAO found inconsistencies in how OPR monitored and supervised investigations by other Justice components and questioned OPR's handling of some cases in the "other" category. Finally, except for the Office of Inspector General (OIG), OPR had no formal referral procedures with any Justice component.

81. "Chemical Weapons Disposal: Issues Related to DOD's Management," July 1995, GAO/T–NSIAD–95–185.

a. Summary.—Defense Department (DOD) efforts to destroy its chemical weapons stockpile have been plagued by soaring costs and schedule delays. Cost estimates to dispose of this deadly material have risen from $1.7 billion to $11.9 billion, and the planned completion date has slipped from 1994 to 2004. DOD has taken some encouraging steps to improve its management and oversight of the disposal program, but a number of areas are still of concern. To date, only two of nine planned incinerators have been built and only one of the two, at Johnston Atoll, is operational. About $2 billion has been spent on the program, but only 2 percent of the stockpile has been destroyed. The Army continues to experience added program requirements, public opposition, and technical and programmatic problems. Although the storage of the M55 rocket poses the largest safety risk, the Army lacks information to predict the safe storage life of the rocket. Communities near the storage sites are still not yet fully prepared to respond to a chemical emergency. Finally, although the Army is researching technology to dispose of the chemical weapons stockpile, this technology will not be ready in time to meet the current disposal deadline of December 31, 2004.

82. "Military Base Closures: Analysis of DOD's Process and Recommendations for 1995," April 1995, GAO/T–NSIAD–95–132.

a. Summary.—The Defense Base Closure and Realignment Act of 1990 established the current process for DOD base closure and realignment actions within the United States. This report responds to the act's requirement that GAO provide to the Congress and the Defense Base Closure and Realignment Commission an analysis of the Secretary of Defense's recommendations for bases for closure and realignment and the selection process used. On February 28, 1995, the Secretary of Defense recommended closures, realignments, and other actions affecting 146 domestic military installations. Of that number, 33 were described as closures of major installations, and 26 as major realignments. An additional 27 were changes to prior base closing round decisions. The Secretary projects that the recommendations, when fully implemented, will yield $1.8 billion in annual recurring savings.

b. Benefits.—Although DOD has undergone substantial downsizing in funding, personnel, and force structure, it is gen-

erally recognized that much excess capacity likely will remain after the 1995 Base Realignment and Closure Commission (BRAC) round. Currently, DOD projects that its fiscal year 1996 budget represents a 39-percent reduction below its fiscal year 1985 peak. By way of comparison, 1995 BRAC recommendations combined with previous major domestic base closures since 1988 would total a reduction of 21-percent. However, DOD's 1995 BRAC process was generally sound and well documented and should result in substantial savings. Although, the recommendations and selection process were not without problems, and in some cases, there are questions about the reasonableness of specific recommendations. At the same time, we also noted that improvements were made to the process from prior rounds, including more precise categorization of bases and activities. This resulted in more accurate comparisons between like facilities and functions and better analytical capabilities. GAO raised a number of issues that they believe warrant the Commission's attention in considering DOD's recommendations. These issues include: (1) DOD's attempt at reducing excess capacity in common support functions facilitated some important results. However, agreements for consolidating similar work done by two or more of the services were limited, and opportunities to achieve additional reductions in excess capacity and infrastructure were missed. (2) Although the services have improved their processes with each succeeding BRAC round, some process problems continued to be identified. In particular, the Air Force's process remained largely subjective and not well documented; also, it was influenced by preliminary estimates of base closure costs that changed when more focused analyses were made.

83. "U.S.-China Trade: Implementation of the 1992 Prison Labor Memorandum," April 1995, GAO/GGD–95–106.

a. Summary.—Following the crackdown on protestors in Tiananmen Square, United States Government officials began debating whether to link renewal of China's most-favored-nation status to improving human rights in China. Among the issues raised was Chinese exports made with prison labor. In early August 1992, the United States and China signed the prison labor memorandum of understanding (MOU) providing for the exchange of information between both countries regarding their respective prison facilities. Not only does United States law prohibit imports of prison labor products, but China itself prohibits such exports. Then, in May 1993, President Clinton signed an Executive order requiring the review of Chinese compliance with the 1992 MOU as part of the annual assessment of China's most-favored-nation status. This report is a review of recent issues regarding the United States-China MOU on prison labor. Specifically, GAO's describes (1) the United States Customs Service's assessment of China's compliance with the prison labor MOU, and (2) the experience of the United States Government in obtaining information sufficient to enforce the prohibition against goods made with Chinese prison labor since the MOU was signed.

b. Benefits.—Although the United States Customs Service was concerned in 1993 that China had not shown a willingness to fulfill its responsibilities under the memorandum, Customs said that Chi-

nese officials had been more cooperative of late. Customs officials said that they had obtained information from the Chinese that allowed them to pinpoint imported goods made with prison labor. This was upheld in December 1994, when the United States Court on International Trade upheld an affirmative Customs finding that imported goods from China had been made with prison labor. However, Justice Department officials are concerned whether any memorandum or agreement could provide Justice attorneys with the information necessary to defend Customs' decisions in an efficient and inexpensive manner because of the evidence that might be required under U.S. law. In addition, the evidence obtained from Chinese government documents may not be present in future cases primarily because the information used as evidence is no longer published in China.

84. "U.S.-Vietnam Relations: Issues and Implications," April 1995, GAO/NSIAD–95–42.

a. Summary.—Although the United States has lifted its trade embargo against Vietnam and allowed United States businesses to invest there, the United States has yet to establish full diplomatic relations with Vietnam. Additional steps toward normalization of relations depend on political and economic change in Vietnam and continued progress on the POW/MIA issue. This report discusses (1) ongoing changes in Vietnam's foreign and domestic policies and the reaction of the international community; (2) changes in United States policy toward Vietnam and the substance of bilateral relations between the two countries; (3) the interests that the United States and Vietnam are pursuing; (4) political development; and (5) key factors affecting the pace of movement toward normalized relations.

b. Benefits.—Changes in Vietnam's foreign and domestic policies have led to broader acceptance of Vietnam by the international community. Vietnam's withdrawal from Cambodia and subsequent cooperation in the U.N.-coordinated search for a peaceful settlement in that country, and Vietnam's ongoing program of market-oriented domestic reforms have largely removed the basis for the international community's 1980's consensus that Vietnam should be isolated as an outcast. Further, the United States has, among other things, ended its opposition to international financial institution (IFI) lending to Vietnam and lifted its embargo against trade with Vietnam. As a result, United States private sector interests, including businesses, nongovernmental organizations, and Vietnamese-Americans, have established growing ties with Vietnam. Government agencies, including the Departments of State and Defense, have established limited ties. The United States has also altered its policy interests with Vietnam; they now include the promotion of human rights and democracy in Vietnam, as well as United States commercial and security interests. For its part, Vietnam has important commercial and security interests to pursue with the United States. Vietnam still faces an uncertain future, despite ongoing reforms and positive economic trends. While Vietnam has potential for growth and change, analysts still can point out serious constraints that remain. Vietnam remains one of the world's poorest countries, and the Communist party continues to exercise

a monopoly on political power. Finally, executive branch officials and other analysts stated that the pace at which the administration moves toward full bilateral ties will depend on United States conclusions regarding developments within Vietnam, particularly with regard to progress on the POW/MIA issue.

85. "Army Training: One-Third of 1993 and 1994 Budgeted Funds Were Used for Other Purposes," April 1995, GAO/NSIAD–95–71.

a. Summary.—The Army uses the Training Resource Model to identify the amount of operating tempo funds that its military units require to meet readiness objectives. Once the Army determines direct (fuel, maintenance, and spare parts) and indirect (civilian pay and maintenance contracts) costs for each reporting unit, it aggregates operating tempo costs, or military training funds, by major command. Finally, the Army establishes a total operating tempo cost for inclusion in the President's budget submission for annual congressional appropriation. Congress has consistently supported Army requests for tempo costs to keep Army forces at a high level of combat readiness. However, as a result of reports that scheduled training exercises have been canceled, GAO in this report determines whether (1) operating tempo funds were spent for purposes other than training, and (2) the operating tempo funds requested in the Army's congressional budget submissions were consistent with the amounts needed for training exercises necessary to meet its readiness objectives.

b. Benefits.—Of the $3.6 million allocated in fiscal years 1993 and 1994 for military training to keep United States forces in the United States and Europe and a high level of combat readiness, the Army diverted nearly one-third for other purposes, including base operations, property maintenance, and other peacekeeping operations. At the same time, outdated assumptions and the failure to consider unit ability to train at their home stations resulted in Army budget submissions to Congress that overestimated the funding needed to conduct training exercises.

86. "DOD Service Academies: Comparison of Honor and Conduct Adjudicatory Processes," April 1995, GAO/NSIAD–95–49.

a. Summary.—Over the years, several highly publicized incidents have occurred at the Nation's military academies involving honor or conduct charges against students. GAO reviewed the adjudicatory systems used at the academies to make decisions on student conduct and performance. This report (1) compares the honor and conduct systems at each academy and describes how the various systems provide common due process protection, and (2) describes the attitudes and the perceptions of students regarding these systems.

b. Benefits.—The three service academies have established review processes to evaluate cases of academically deficient students and prescribe dispositions for each case. The processes in place at each academy are generally similar. Dispositions range from requiring an individual to repeat a failed course to disenrollment from the academy. Before a student is academically disenrolled, at

least one academic review group evaluates the case. Students may present statements on their behalf during the review process.

87. "Nuclear Safety: U.S. Assistance to Upgrade Soviet-Designed Nuclear Reactors in the Czech Republic," June 1995, GAO/RCED–95–157.

a. Summary.—In March 1994, the Export-Import Bank guaranteed a loan of $317 million for work done by the Westinghouse Electric Corp. on a nuclear power plant in the Czech Republic. The project entailed integrating Western technology into a Soviet-designed pressurized water reactor. Although United States officials saw an opportunity to gain more than $330 million in United States exports and to make the reactors safer, the Austrian Government and some Members of Congress have expressed concern about the safety of the Soviet-designed reactors and the extent of potential United States liability in the event of a nuclear accident. This report discusses (1) the reasons for the Export-Import Bank's loan guarantee for the nuclear power plant; (2) the steps that the Export-Import Bank took to ensure the project's soundness; and (3) the U.S. Government's potential liability as a result of the Export-Import Bank's loan guarantee.

b. Benefits.—United States Government officials believe that Western technology can make the Soviet-designed Temelin reactors safer and provide more than $330 million in United States export earning. As a result, United States officials strongly supported United States industry's participation in the Temelin project and worked with Westinghouse and the Czech Government to help bring about the acceptance of a United States firm for the project. To determine whether the project complied with the administration's policies—particularly United States environmental policy—and to draw on the administration's expertise, the Bank chairman requested guidance from the National Security Council, which conducted an interagency review of the safety of the reactor's design and of the technical capabilities of the Czech regulatory authorities. The results of the National Security Council's review and the engineering and environmental evaluation by the Bank's nuclear engineer satisfied the Bank's Board of Directors, and the loan guarantee was approved. In addition, the Bank's Office of the General Counsel examined the question of whether the Bank, since it is guaranteeing a loan for equipment and nuclear fuel to complete the reactors, could be held liable for damages in the event of a nuclear incident at the Temelin plant. The Bank's General Counsel concluded that the chances are small that the Bank would be held liable in any court for damages.

88. "DOD Infrastructure: DOD's Planned Finance and Accounting Structure Is Not Well Justified," September 1995, GAO/NSIAD–95–127.

a. Summary.—The Defense Department's (DOD) consolidation of more than 300 defense accounting offices did not adequately consider the functions and proper staffing levels of the new offices and gave undue weight to the reuse of closed military bases. GAO concludes that DOD's plan, which is expected to cut 23,000 finance and accounting jobs, stressed short-term cost savings at the ex-

pense of customer service and improved business practices. This report assesses (1) the process that DOD used to identify the appropriate size and location for its finance and accounting centers and operating locations; (2) the consolidation's potential impact on customer service; and (3) the extent to which DOD's consolidation plan reflects cutting-edge business practices.

b. Benefits.—GAO stated that DOD's plan to consolidate and reduce personnel as a necessary step toward a more efficient finance and accounting service. In such an undertaking it is important to strike a balance between cost considerations and other factors important to maintaining customer service and improving business operations. GAO concluded that DOD, based on their analysis of the process DOD used to select the proper number of new operating locations and where they should be located, did not achieve that balance. Specifically, GAO found:

(1) DOD decided to open 20 new operating locations without first determining what finance and accounting functions they would perform or if 20 was the right number to support its operations.

(2) DOD, in selecting the 20 specific operating locations, used criteria that resulted in placing undue weight on using excess DOD facilities, primarily those on military bases closed or realigned during the base realignment and closure process.

(3) DOD, for the most part, has not re-engineered the finance and accounting functions that will be performed at the 20 new operating locations. Accordingly, the consolidation may reduce the number of people performing the finance and accounting functions, but operations at the new locations will not reflect leading-edge business practices.

DOD needs to develop a new estimate of number of locations and personnel needed to meet current and future operating requirements. This estimate should factor in the impact on operating requirements of new processes that cure present deficiencies and take full advantage of modern technology.

89. "Peace Operations: Effect of Training, Equipment, and Other Factors on Unit Capability," October 1995, GAO/NSIAD–96–14.

a. Summary.—Since the end of the cold war, the U.S. military has become increasingly involved in peace operations, ranging from military observer duties to humanitarian and disaster relief work. This report examines (1) how the military services incorporate peace operations into their training programs; (2) what effect peace operations have on maintaining combat readiness; and (3) whether the services have the weapon systems and equipment they need for these operations.

b. Benefits.—Commanders of ground combat units differ on when special peace operations training should be provided. Some commanders include aspects of peace operations in standard unit training. Other commanders prefer to maintain an exclusive combat focus until their units are formally assigned to a peace operation. Participation in peace operations can provide excellent experience for combat operations, but such participation can also degrade a unit's war-fighting capability. For example, it can take up to 6

months for a ground combat unit to recover from a peace operation and become combat ready. Additionally, peace operations may interrupt naval training schedules, but there is little difference in the naval skills required for peace operations and for other operations. Finally, to determine whether the services have the appropriate weapon systems and equipment for peace operations is an ongoing process taking place primarily at the service level. The services have identified specific requirements in three areas: (1) force protection; (2) equipment for military operations in built-up areas; and (3) nonlethal weapons. Except for the recent withdrawal operation from Somalia, few nonlethal weapons have been used to date in peace operations.

90. "Cuba: U.S. Response to the 1994 Cuban Migration Crisis," September 1995, GAO/NSIAD–95–211.

a. Summary.—This report reviews the United States Government's efforts to cope with the mass exodus of people from Cuba during the summer of 1994. GAO (1) describes how United States policy toward those seeking to leave Cuba has changed since then; (2) identifies the agencies and the costs to the United States Government associated with the exodus of Cubans; (3) assesses the capabilities of the United States Interests Section in Havana to process applicants seeking legal entry into the United States; and (4) evaluates the adequacy of living conditions in the United States, and at the United States Naval Station, Guantanamo Bay.

b. Benefits.—For over 30 years, fleeing Cubans had been welcomed to the United States. However, the United States Government reversed this policy on August 19, 1994, when President Clinton announced that Cuban rafters interdicted at sea would no longer be brought to the United States. Instead, they would be taken to safe haven camps at the United States Naval Station, Guantanamo Bay, Cuba, with no opportunity for eventual entry into the United States other than by returning to Havana to apply for entry through legal channels at the United States Interests Section. On September 9, 1994, the United States and Cuban Governments agreed that the United States would allow at least 20,000 Cubans to enter annually in exchange for Cuba's pledge to prevent further unlawful departures by rafters. On May 2, 1995, a White House announcement was released stating that Cubans interdicted at sea would not be taken to a safe haven but would be returned to Cuba where they could apply for entry into the United States at the Interests Section in Havana. Several United States agencies have been involved in implementing the United States policy regarding Cubans wishing to leave their country. The predominant agencies are: (1) the Department of Defense, which will spend about $434 million from August 1994 through September 1995 operating the safe haven camps; (2) the United States Coast Guard, which spent about $7.8 million interdicting Cubans at sea from August 1994 to the present; (3) the Department of Justice's Immigration and Naturalization Service (INS) and Community Relations Service (CRS), which together will spend about $48.3 million for the Cuban migration crisis from August 1994 through September 1995; and (4) the Department of State, which will spend an estimated $7.1 million during this same period. Further, the United

States Interests Section in Havana has been able to meet the workload of processing applicants seeking legal entry into the United States. As of June 9, 1995, it had approved 16,305 Cubans for United States entry. Finally, the Cubans' living conditions at the Guantanamo Bay safe haven camps are difficult, but adequate based on our observations at the camps. GAO found no internationally accepted standards of what the living conditions should be at refugee camps, but GAO noted that conditions in all camps generally exceeded U.N. inspection guidelines for minimal shelter, food, and water.

91. "Inventory Management: Purchasing Parts From Contractor-Operated Parts Stores and Commercial Sources," September 1995, GAO/NSIAD–95–176.

a. Summary.—Air Force bases use a variety of vehicles to support base operations. Common commercial vehicles used include Plymouth and Dodge sedans and Ford and Chevrolet pickup trucks. When making small purchases for vehicle repair parts the bases are directed to use the small purchase procedure that is most suitable, efficient, and economical for each acquisition. Small purchase procedures include blanket purchase agreements, purchase orders, and the International Merchant Purchase Authorization Card. Bases may also meet their vehicle repair needs by establishing Air Force Contractor Operated Parts Stores (COPARS). These stores were authorized in the early 1960's because the Air Force believed they would usually be more responsive and less costly than the traditional Air Force base supply system. Currently, the Air Force contracts with COPARS at 46 of its bases, and the value of these contracts totals $79.6 million. This report includes a cost comparison study of vehicle repair parts purchased from COPARS with those purchased directly from commercial suppliers. Also, included is whether the provisions of Office of Management and Budget (OMB) Circular A–76 are to be applied before terminating a COPARS contract.

b. Benefits.—In comparing costs for vehicle parts purchased from COPARS with those purchased directly from commercial suppliers, GAO found that the most cost-effective way to buy parts to repair vehicles can vary from base to base. Factors, such as the types of vehicles in a fleet, the volume of business being done, vendor availability, and vendor payment preferences, differ among bases and can affect the price of parts. Also, mission-related factors, such as deployments, can affect the availability of personnel needed to manage a commercial-source parts procurement operation. Given these differences, installation commanders are in the best position to decide which approach for acquiring parts will best meet their needs. GAO also found that controlling personnel costs is key to determining whether savings can be achieved in a commercial-source procurement system. Office of Management and Budget Circular A–76 does not apply to the Air Force's vehicle repair parts support decision. The establishment of a commercial-source procurement system is simply an alternative way of doing business. The Air Force is not replacing the stores with an identical in-house service. As a result, no study is required.

92. "Nuclear Facility Cleanup: Centralized Contracting of Laboratory Analysis Would Produce Budgetary Savings," May 1995.

a. Summary.—The Department of Energy (DOE) is undertaking the cleanup of contaminants that were dumped or leaked into the soil and water at its facilities during more than 50 years of nuclear weapons production. The Environmental Protection Agency (EPA) is also engaged in an expensive cleanup of some of the same contaminants at the Nation's worst nonFederal sites. DOE estimates that this cleanup will cost at least $300 billion and take more than 30 years to complete. In this report, GAO (1) compares the average prices that DOE and EPA pay to commercial laboratories for the same types of analysis and determine whether the two agencies' different contracting approaches affect these prices; (2) identifies whether DOE's decentralized approach has resulted in any administrative inefficiencies; and (3) discusses any key changes DOE is making in its contracting for laboratory analysis.

b. Benefits.—Under DOE's decentralized approach, contractors independently obtain laboratory analyses of soil and water through either commercial laboratories or contractor-run laboratories. In contrast, the EPA, which oversees cleanup of Superfund sites, contracts for these analyses on a centralized basis. DOE pays substantially higher prices than EPA does for the same types of analyses at commercial laboratories. For example, DOE's price for inorganic chemical analysis $358, about 223 percent more than EPA's price of $111. GAO concluded that if DOE had used a centralized approach, like the EPA, they would have saved $247 per analysis, on average. They also determined that DOE dilutes its massive buying power by procuring commonly used analyses on a piecemeal basis through its contractors. The results of DOE's contracting approach are higher prices and unnecessary costs arising from duplication of efforts. Without centralizing its laboratory analysis procurements, DOE will not reap the cost benefits resulting from its enormous buying power.

93. "Federally Funded R&D Centers: Use of Contract Fee by the Aerospace Corporation," September 1995, GAO/GGD–96–4.

a. Summary.—The Air Force provided a $15.5 million contract fee to the Aerospace Corp. to operate a federally funded research and development center. Such fees are common for federally funded, private sector organizations who perform research and development that cannot be done in-house or by contract. Such fees are awarded according to weighted guidelines. The Air Force does submit a plan expressing its needs, but there is discretion as to how the fee is used. Included in the fee are "unreimbursable expenses" which are incurred only if such expenses are "ordinary or necessary."

b. Benefits.—There should be better coordination between the research and development centers and the agency providing the fee so that the agency obtains from the fee the research and development that best suits its immediate needs. In addition, there should be a better definition of "ordinary or necessary" expenses.

94. "Community Policing: Information on the "COPS on the Beat" Grant Programs," October 1995, GAO/GGD–96–4.

a. Summary.—This is a description of the grant application, selection processes for the COPS, Phase I, COPS Funding Accelerated for Smaller Towns (FAST), and COPS Accelerated Hiring, Education, and Deployment (AHEAD) programs. This report also includes a comparison of COPS FAST and COPS AHEAD programs by looking at the crime rates in applicant and nonapplicant jurisdictions, the reasons some jurisdictions chose not to apply for COPS program grants, and the public safety issues identified by a sample of jurisdictions applying for COPS FAST grants.

b. Benefits.—The Department of Justice created a COPS office to award Community Policing Act grants in a non-competitive, two-step application and a selection process to allow officers to be hired more quickly. Basically, the higher the crime rate, the more likely a jurisdiction was to apply. The primary reasons jurisdictions chose not to apply for COPS grants were cost related. Specifically, these jurisdictions expressed uncertainty about being able to continue officer funding after the grant expired and about their ability to provide the required 25-percent match. Property crimes and domestic violence were the most frequently included crimes in the top five public safety issues among approved COPS FAST applicants.

95. "Coast Guard: Enforcement Under MARPOL V Convention on Pollution Expanded, Although Problems Remain," May 1995, GAO/RCED.

a. Summary.—As much as 1 million metric tons of garbage and plastics are dumped into the ocean each year, killing seabirds and marine mammals, creating safety hazards for shippers and boaters, and polluting shorelines and beaches. To mitigate this uncontrolled ocean dumping, the United States became a party to Annex V of the International Convention for the Prevention of Pollution From Ships—known as MARPOL V—which restricts the discharge of garbage and plastics from ships of signatory countries. However, Congress has repeatedly expressed concerns about the Coast Guard's enforcement of MARPOL V provisions. This report discusses the Coast Guard's progress in enforcing MARPOL V and determines whether funds that Congress earmarked for 100 enforcement positions are being used for educational and outreach efforts, which are intended to improve compliance with MARPOL V.

b. Benefits.—Although the provisions of MARPOL V became effective on December 31, 1988, the Coast Guard did not begin substantial enforcement efforts until the early 1990's. Following congressional criticism in 1990 and 1992, and aided by additional personnel, the Coast Guard stepped up its enforcement efforts. As a result, the number of reported cases involving violations of the MARPOL V regulations has increased steadily from 16 in 1989 to 311 in 1994. At present, no accurate means exists to determine whether the Coast Guard is fully utilizing the additional resources that the Congress provided for enforcing MARPOL. Moreover, the amount of time the Coast Guard, in aggregate, spends on MARPOL-related activities is uncertain because the Coast Guard does not consistently record time spent on this function. In addition, education and outreach has become an important part of the

Coast Guard's strategy to achieve compliance with MARPOL. In 1994, the Coast Guard's education and outreach efforts for MARPOL V expanded from targeting commercial shippers to include other groups, such as recreational boaters and fishing vessel operators.

96. "Defense Inventory: Opportunities to Reduce Warehouse Space," May 1995, GAO/NSIAD–95–64.

a. Summary.—The Defense Department's (DOD) 600 million cubic feet of warehouse space make DOD the world's largest inventory manager. Although DOD has substantially cut the number of its storage depots and the inventory stored there—ranging from medical supplies to clothing to spare parts—it could reduce inventory levels still further, particularly among deteriorated or obsolete items. DOD should focus on getting rid of unneeded items that take up a lot of space and involve more than 20 years supply on hand. This report determines (1) the size of DOD's secondary inventory; (2) the amount of space occupied by secondary inventory that DOD does not need to satisfy current war reserve and operating requirements; (3) the cost of storing this inventory; and (4) the time it will take to use it.

b. Benefits.—Over the past several years, DOD has made sizable reductions to the number of storage depots and to the amount of inventory stored in them. DOD has initiatives to make further reductions and we believe opportunities exist to build on these initiatives. Additionally, GAO analyzed DOD secondary inventory, an estimated volume of 218.8 million cubic feet. They found that 60 percent of this volume, or 130.4 million cubic feet, is not needed to satisfy current war reserve and operating requirements. About 84,000 of these items, occupying 41.7 million cubic feet, has more than a 20-year supply. DOD has begun programs to reduce the secondary inventory level; however, its efforts have been partially offset by decreasing inventory demands and increasing returns of material by forces being deactivated. During the last 3 fiscal years, DOD disposed of secondary inventory costing about $43 billion.

97. "Military Exports: Recovery of Nonrecurring Research and Development Costs," May 1995, GAO/NSIAD–95–147.

a. Summary.—Since 1967, the Defense Department (DOD) has been recovering nonrecurring research and development and one-time production costs on sales of weapon systems to foreign governments. The intent of this effort was to control U.S. costs and the extent of weapons sales to foreign governments. In 1992, DOD canceled its policy of recovering nonrecurring costs on direct commercial sales in an effort to boost the competitiveness of U.S. firms in the world market. In 1995, several bills were introduced that could affect the recovery of nonrecurring costs on military sales. This report discusses (1) the government's recovery of nonrecurring research and development costs on sales of major defense equipment; (2) the effect of charging a flat or standard fee rather than the current pro rata fee; and (3) views from supporters and opponents of the recovery of these costs.

b. Benefits.—DOD recovered $181 million in nonrecurring costs on foreign military sales in fiscal year 1994 and estimated, based

on historical trends, that collections could amount to $845 million between fiscal years 1995 and 1999. It has been considered to change from the current pro rata fee to a flat or standard fee. A flat rate would be easy to calculate and would not need to be periodically updated, as is the case of a pro rata charge. However, the effect of using a flat rate varies, depending on the way it is applied. Supporters and opponents of the recovery of nonrecurring costs differ on its benefits and drawbacks. Supporters believe that the charges serve national security interests by keeping weapon systems out of unstable regions of the world and the weapons industry should not be subsidized at taxpayers' expense. Opponents, on the other hand, believe the charges adversely affect U.S. industry's competitiveness in the world market and could affect the U.S. economy in the long run.

98. "Military Capabilities: Stronger Joint Staff Role Needed To Enhance Joint Military Training," July 1995, GAO/NSIAD–95–109.

a. Summary.—U.S. military strategy today stresses the need for air, land, sea, and special operations forces to work together in large-scale combat and noncombat operations. Operation Desert Storm, humanitarian relief efforts in Rwanda and Somalia, and the effort to restore democracy in Haiti illustrate the diverse missions that United States forces can expect to carry out. This report examines (1) the scope of the Defense Department's joint training activities; (2) the effectiveness of the management of these activities; and (3) the actions that have been taken and any additional steps needed to improve joint training.

b. Benefits.—Although the chairman of the Joint Chiefs of Staff (CJCS) Exercise Program is the primary method DOD uses to train its for joint operations, inadequate Joint Staff oversight has led to perpetuating a program that provides U.S. forces with little joint training. The vast majority of the exercises were conducted to maintain U.S. access or presence in a region or to foster relations with foreign military forces. The J–7 has not provided the strong leadership needed to ensure that the full range of program management tasks required for an effective joint training program are carried out and coordinated. It has not (1) critically reviewed planned exercises to ensure that the program provides joint training benefits to the fullest extent possible; (2) ensured that problems surfacing in the exercises are identified and addressed; or (3) monitored enough exercises to gain first-hand knowledge of the problems. Finally, the Secretary of Defense and the Joint Staff have recently taken steps aimed at improving joint training. Notably, they have strengthened the roles of the U.S. Atlantic Command and the Joint Warfighting Center.

99. "Defense Inventory: Shortages Are Recurring, but Not a Problem," August 1995, GAO/NSIAD–95–137.

a. Summary.—As part of its ongoing evaluation of the Defense Department's (DOD) secondary inventory, GAO reviewed issues relating to inventory shortages. This report analyzes inventory shortages to determine the (1) size of the shortage; (2) steps that inventory managers were taking in response to the shortage and if fund-

ing problems caused managers not to buy needed items; and (3) need to revise DOD's inventory reporting.

b. Benefits.—DOD's September 1991 secondary inventory shortage was $16.4 billion rather than the $26 billion that DOD cited. Between September 1991 and September 1993, the $16.4 billion shortage decreased to about $8.1 billion. The decrease was attributable to (1) removal of Operation Desert Storm requirements; (2) downsizing the military forces; (3) elimination of some war reserve requirements; and (4) decreases in requirements due to reduced levels of operations. GAO found that in only a relatively small number of instances was funding an issue in deciding whether or not to purchase needed items. GAO found that managers made purchases for about $578 million of $1.1 billion in shortages that they analyzed. For the remaining $559 million, inventory was ordered because (1) requirements on which the shortages were based were no longer paid; (2) inventory managers decided that purchases were not necessary for reasons such as the availability of substitute items in the supply system; and (3) responsibility for items had been transferred to other organizations or the items had been removed from the inventory. In general, the decisions not to buy were valid and may have precluded DOD's acquisition of millions of dollars of inventory that probably would not have been used. Finally, DOD's inventory reporting needs revising because it does not focus on the amount of inventory that is needed to be on hand. For example, only $28.8 billion of DOD's reported $58.8 billion September 1993 wholesale inventory had to be on hand.

100. "1996 Defense Budget: Potential Reductions, Rescissions, and Restrictions in RDT&E," September 1995, GAO/NSIAD–95–218BR.

a. Summary.—GAO examined the Department of Defense's fiscal year 1996 budget request and prior years appropriations for selected research, development, test, and evaluation and procurement programs. GAO's objectives were to identify potential reductions in the fiscal year 1996 budget request and potential rescissions to prior years appropriations. This report summarizes information and briefings provided to congressional committees from April through July 1995.

b. Benefits.—Due to schedule delays, changes in the program requirements, and issues that emerged after the budget request was developed, GAO identified opportunities to reduce the funding levels for fiscal year 1996 by about $956 million and rescind about $265 million from prior years' appropriations. GAO also found $934 million that Congress can restrict from obligation until specified criteria are met to minimize risks in acquisition programs. Of these totals, GAO identified potential budget cuts of nearly $103 million to the fiscal year 1996 research, development, test, and evaluation budget request and potential rescissions of about $15 million to prior year appropriations. GAO also identified about $27 million in obligational authority that can be restricted. GAO identified potential budget reductions of about $854 million to the fiscal year 1996 procurement budget request, potential rescissions of about $250 million to prior year appropriations, and about $907 million in potential restrictions. GAO also found nearly $98 million in

obligational authority expiring on September 30, 1995, including about $77 million in fiscal year 1994 research, development, test, and evaluation funds and about $19 million in fiscal year 1993 procurement funds.

101. "Export Controls: Some Controls Over Missile-Related Technology Exports to China Are Weak," April 1995, GAO/NSIAD–95–82.

a. Summary.—Because of inadequate export controls over shipments of United States missile technology to China—ostensibly for use in satellite projects—and weaknesses in monitoring such shipments after export to China, the United States has no guarantee that such sensitive equipment will not be used for military purposes. This report discusses (1) the nature and the extent of United States dual-use and missile technology exports to the Peoples Republic of China and the extent to which the items are exported to sensitive end users; (2) the ability of the United States to monitor Chinese compliance with conditions attached to United States missile technology exports and with the terms of United States-China understanding on missile technology exports and with the terms of United States-China understanding on the regime; and (3) the effectiveness of United States sanctions imposed on China.

b. Benefits.—For fiscal years 1990 through 1993, the commerce and State Departments approved a total of 67 export licenses worth about $530 million for missile-related technology commodities for China. Most of this amount was for licenses in support of satellite projects, to be owned or operated by other countries or by multinational telecommunications corporations for or within China, for which the President waived applicable sanctions. In general, export licensing process and monitoring controls for missile technology and dual-use export license applications cannot ensure that such United States exports to the Peoples Republic of China are kept from sensitive end users. Further, United States Government officials believe that the United States generally performs adequate monitoring of China's compliance with the terms of its Missile Technology Control Regime (MTCR) commitments. However, GAO's review indicates that the United States end-use check program to monitor license conditions has only marginal effectiveness for exports to China. The terms of the 1992 United States-China bilateral understanding on China's adherence to MTCR, commit China, as a nonmember, to less restrictive requirements than currently apply to full members of the regime. China agreed to commit to only the MRCR Guidelines and Annex of 1987, in force at the time of its MTCR pledge, but not to the guidelines and annex as subsequently advised. Finally, GAO determined that the effectiveness of United States sanctions on China is unknown. United States Government officials share no consensus on a definition of, or criteria for, measuring effectiveness of proliferation sanctions imposed on China.

102. "Peace Operations: DOD's Incremental Costs and Funding for Fiscal Year 1994," April 1995, GAO/NSIAD–95–119BR.

a. Summary.—The Defense Department (DOD) participated in peace operations in several locales, including Somalia, Bosnia,

Haiti, and Southwest Asia, during fiscal year 1994. To help cover the incremental costs of these operations, Congress provided DOD with two supplemental appropriations. DOD also received reimbursements from the United Nations for incremental costs incurred in Somalia. This report provides information on (1) whether the supplemental appropriations fully covered DOD's incremental costs; (2) what the impacts on the services were from funding shortages and overages; and (3) how DOD spent the reimbursements received from the United Nations.

b. Benefits.—During the fiscal year 1994, DOD reported $1,907.8 million in incremental costs for peace operations. Congress provided supplemental appropriations that covered almost two-thirds of these incremental costs, leaving DOD with a funding shortfall of $709.5 million. Then on September 30, 1994, the fiscal year 1995 defense appropriations act provided additional supplemental appropriations of $299.3 million through the Defense Emergency Response Fund (DERF) to further reimburse DOD for certain operations that occurred in fiscal year 1994. Despite this second supplement, and funds from the Feed and Forage Act and the operation and maintenance accounts, DOD still sustained a funding shortfall of $176.9 million. Units participating in peace operations were fully funded for their incremental costs. To pay these units' costs, DOD used funds from other service programs or units that did not participate. Although the funding shortages adversely affected military readiness in several units in the Air Force. The $98.1 million that DOD received in reimbursements from the United Nations for 1993 was deposited to fiscal year 1994 appropriation accounts and, according to DOD, cannot be traced to specific expenditures.

103. "Defense Sector: Trends in Employment and Spending," April 1995, GAO/NSIAD–95–105BR.

a. Summary.—This report includes data on (1) the extent of the Department of Defense (DOD) and defense industry downsizing, and (2) defense reinvestment and conversion expenditures.

b. Benefits.—The defense sector, as measured by Pentagon spending and military and defense industry employment, has been shrinking, both in absolute terms and relative to the U.S. economy, since the mid-1980's. Declines in Defense Department (DOD) spending and decreases in defense-related employment have occurred during a period of strong increase in the gross domestic product and in nondefense employment. The defense reinvestment and conversion initiative was established in 1993 to help ease the displacement caused by defense downsizing. Not all programs were tied directly to DOD cuts, however. Some individual programs in the initiatives have other purposes and will likely continue after the initiative ends in fiscal year 1997.

104. "National Airspace System: Comprehensive FAA Plan for Global Positioning System Is Needed," May 1995, GAO/RCED–95–26.

a. Summary.—The FAA has been meeting its milestones for implementation of the Department of Defense Global Positioning System thus far. The Global Positioning System will consist of 24 satellites in six orbits at approximately 11,000 miles above the earth.

The satellites transmit radio signals that permit adequately equipped users to calculate the time as well as their speed and tridimensional position anywhere on or above the earth's surface and in any weather condition. This report analyzes the status of the implementation of the Global Positioning System.

b. Benefits.—FAA will have more complex and difficult tasks in achieving future milestones. The revised schedule may not give the agency enough time to develop and implement its wide area system for augmenting the Global Positioning System resulting in having to rely on other navigation aids for backup. The current FAA plan omits (1) milestones for implementing the local area system to augment the Global Positioning System; (2) cost estimates for this system and the wide area system; and (3) information on the probabilities of meeting schedule and cost estimates, given known potential problems that may affect the development of these systems.

105. "Military Bases, Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment," April 1995, GAO/NSIAD–95–133.

a. Summary.—The 1990 Defense Base Closure and Realignment Act (Title XXIX, Public Law 101–510), authorized the base closure rounds in 1991, 1993, and 1995. The purpose was to provide a bipartisan approach to the Department of Defense downsizing in funding, personnel, force structure and infrastructure. This report analyzes the improvement of the 1995 round over previous years.

b. Benefits.—While some progress occurred regarding the reduction in excess infrastructure, much excess capacity will remain after the 1995 BRAC round. The Department of Defense 1995 BRAC process was generally sound and well documented and should result in substantial savings. However, the recommendations and selection process were not without problems and, in some cases, raise questions about the reasonableness of specific recommendations. GAO suggests the following areas that need attention: (1) agreements for consolidating similar work done by two or more of the services were limited, and opportunities to achieve additional reductions in excess capacity and infrastructure were missed; (2) The Air Force BRAC process was largely subjective and not well documented and the Navy did not consistently apply DOD's criteria when excluded certain facilities from closure for economic impact reasons.

106. "Space Shuttle, NASA Must Reduce Costs Further To Operate Within Future Projected Funds," June 1995, GAO/NSIAD–95–118.

a. Summary.—The purpose of this investigation was to determine (1) how successful NASA has been in reducing funding for shuttle operations and what changes enabled the reductions; (2) if the potential exists for further reductions; and (3) whether NASA adequately considered the impact, if any, of the reductions on shuttle safety. NASA will spend about $3.2 billion of its $14.3 billion budget for shuttle production and operations. Since the space shuttle is the Nation's only launch system capable of transporting people, it's viability is critical to other space programs such as the international space system.

b. Benefits.—Significant additional funding reductions are needed to achieve NASA's future budget projections for shuttle operations. If NASA cannot reduce shuttle operating costs to match available funds in fiscal years 1996 through 2000, either NASA's budget must be increased or funding for other programs will have to be cut. On May 19, 1995, the Administrator announced plans for significantly reducing NASA's infrastructure.

107. "DOD Service Academies: Comparison of Honor and Conduct Adjudicatory Processes" April 1995, GAO/NSIAD–95–49.

a. Summary.—This report examines the adjudicatory systems at the service academies to make decisions regarding student conduct and performance by (1) comparing the honor and conduct systems at each academy and describing how the various systems provide common due process protections, and (2) describing the attitudes and perceptions of the students toward these systems. Each academy establishes a conduct system that establishes rules and regulations and provides for dealing with those accused of violations. Each academy also has a largely student-run honor system that prohibits lying, cheating, and stealing.

b. Benefits.—GAO found that although there are many similarities in each academy's honor system, there are some prominent differences. The honor system at the Military and Air Force academies include non-toleration clauses that make it an honor offense to know about an honor offense and not report it, while at the Naval Academy failure to act on a suspected honor violation is a conduct offense. The standard of proof also differs. The Air Force Academy utilizes the "beyond a reasonable doubt," while the other academies utilize "a preponderance of the evidence". Students at the academies receive protections typically associated with procedural due process, with a few notable exceptions. The most prominent exception is the right to representation by counsel and the right to remain silent, however, the right to remain silent is granted once an individual is charged with an offense. GAO administered a questionnaire which indicated that academy students generally saw their honor systems as fair, however, it was found that there is a considerable reluctance among students to report fellow students for honor violations.

108. "International Broadcasting: Downsizing and Relocating Radio Free Europe/Radio Liberty," April 1995, GAO/NSIAD–95–53.

a. Summary.—In the 1950's, the United States Government established Radio Free Europe/Radio Liberty (RFE/RL) as a private nonprofit company to provide radio programming to Eastern Europe and the former Soviet Union. With the end of the cold war, the executive branch began questioning the role and the management of international broadcasting. Executive branch officials concluded that management consolidation would reduce costs by promoting more rational programming decisions and sharing of engineering and other resources. In July 1994, the President directed that the operations of RFE/RL be moved from Munich to Prague. This report discusses (1) RFE/RL's ability to meet its congressionally mandated funding ceiling and successfully operate in Prague; (2) the most pressing management problems RFE/RL faces in

Prague; and (3) RFE/RL's view of its role and mission in the 21st century.

b. Benefits.—Current and planned sources of revenue are insufficient to cover RFE/RL downsizing and relocation costs and to meet mission requirements through 1999. The Board for International Broadcasting estimates that the overall funding shortfall could reach as high as $28 million. Also, the move and operations in Prague may not occur as easily as RFE/RL has anticipated. The move is behind schedule and some RFE/RL managers are concerned about their ability to recruit the most qualified staff from within and outside the company. In looking to the future, RFE/RL officials see an enduring, although changing mission. They believe their broadcasts will continue to be needed to provide accurate, objective news in support of democratic institutions and to present journalistic standards that in-country media can emulate. RFE/RL is also crafting a role for itself to directly assist in the democratic development of the former Eastern bloc countries.

109. "Illegal Immigration: INS Overstay Estimation Methods Need Improvement," September 1995, GAO/PEMD–95–20.

a. Summary.—Reliable and valid estimates of the number of "overstays"—persons who enter the United States legally as visitors but do not leave under the terms of their admissions—are important to public policymaking. Higher numbers of overstays might suggest, for example, the need for stricter policies or laws for issuing temporary U.S. visas to citizens of those countries whose travelers tend to overstay their visas in significant numbers. Overstay data are also needed to monitor travel from countries whose citizens are not required to obtain a U.S. tourist visa. This report examines the basis for the Immigration and Naturalization Service (INS) estimates of overstays and suggests ways in which INS can improve these estimates.

b. Benefits.—INS devised a creative approach for estimating overstays through estimating the number of uncounted departures (that is, "system error"). Specifically, INS determined that system error could be estimated by using data from countries for which it seems safe to assume there are few or no overstays (that is, "index countries"). GAO devised an alternative method for estimating overstays among foreign visitors who arrive by air. Their method is based on INS' index country strategy but uses more detailed INS data and avoids the global assumption. GAO method also corrects an error in INS' computation formula and uses appropriately weighted data. GAO's overstay estimates are between 16 percent and 47 percent lower than INS'. INS' global approach provided a good starting point for estimating overstays, but makes too many assumptions, which increases the uncertainty of their estimates.

110. "Nuclear Nonproliferation: Information on Nuclear Exports Controlled by U.S.-EURATOM Agreement," June 1995, GAO/RCED–95–168.

a. Summary.—The United States-EURATOM Agreement, which expires on December 31, 1995, controls the export of nuclear materials—specifically enriched uranium, natural and depleted uranium with nuclear uses, plutonium, thorium, and nuclear reactors and

their major components—from the United States to 15 western European countries. If a new agreement is not concluded before the expiration date, exports of United States nuclear materials and components to EURATOM would be banned. In addition, the expiration of the agreement would also prohibit Japan from transferring United States-origin nuclear materials to EURATOM because United States-origin nuclear materials are not permitted to be transferred to countries that do not have in place agreements for cooperation with the United States. This report provides information on (1) the amount of United States nuclear exports to EURATOM and Japan and United States-origin nuclear materials transferred from Japan to EURATOM; (2) the value of United States nuclear exports to EURATOM and Japan; and (3) the nuclear industry's views on the potential impact on nuclear commerce with EURATOM and Japan if the agreement is not renewed.

b. Benefits.—From 1980 through 1994, the United States exported about 32.6 million kilograms (kgs) total. About 11 million kgs of nuclear materials went to EURATOM and Japan, respectively, and Japan transferred about 4.7 million kgs of United States-origin nuclear materials to EURATOM. The United States Department of Commerce has valued United States nuclear materials exported from 1989 through August 1994 at about $1.1 billion for EURATOM countries and about $4 billion for Japan. According to United States Enrichment Corporation officials, if the United States-EURATOM agreement expires, the future of the Corporation's uranium enrichment services could be seriously affected. Corporation officials estimated that contracts with EURATOM worth about $470 million would be in jeopardy if the agreement expires. Furthermore, another $1.8 billion in potential new contracts with EURATOM and Japan could be lost.

111. "Foreign Investments: Foreign Laws and Policies Addressing National Security Concerns," April 1996, GAO/NSIAD–96–61.

a. Summary.—Japan, France, Germany, and the United Kingdom have the authority to block investments for national security reasons, as does the United States. In recent years, however, these five countries have rarely invoked this authority. Some of these countries have established processes for reviewing foreign investment for national security concerns. United States defense industry officials have said that they had not pursued defense-related direct investment in Japan, France, Germany, or the United Kingdom because of economic factors, such as the size of the defense markets in these nations, as well as informal barriers, such as domestic company ownership structures. Most countries offer investment incentives, but the U.S. defense industry officials did not cite them as a major inducement to invest. U.S. defense industry officials said that they were pursuing access to overseas defense markets through strategies other than foreign direct investment. For example, United States defense firms either licensed technology to Japanese companies or made direct sales to Japan. In the three European countries, United States companies formed partnerships to compete for projects.

b. Benefits.—According to the Organization for Economic Cooperation and Development (OECD), total foreign direct investment

inflows and outflows among member countries have increased in recent years. Cross-border mergers in Europe in 1994 were almost double the level of 1993 in value terms. United States firms were the most active buyers in Europe. Similarly in the United States, foreign companies significantly increased their investment activity.

112. "Marine Safety: Coast Guard Should Address Alternatives as It Proceeds With VTS 2000," April 1996, GAO/RCED–96–83.

a. Summary.—Currently, the U.S. Coast Guard and private entities operate radar-based vessel traffic services (VTS) in several U.S. ports. A VTS system employs remote surveillance sensors, such as radar or closed-circuit television, that relay information on maritime traffic conditions to VTS personnel, who pass it on to mariners and the maritime industry by radio. The purpose of these systems is to improve the safe and efficient movement of ships around ports and to protect the environment. The Coast Guard is considering installing VTS systems in as many as 17 ports. The Federal Government will spend as much as $310 million to build the proposed expansion, known as VTS 2000, and about $42 million annually to operate it. The report answers the following four questions: What is the status of the Coast Guard's development of VTS 2000? At ports being considered for VTS 2000, to what extent do major stakeholders support acquiring and funding it? If major stakeholders do not support VTS 2000, to what extent are they interested in acquiring and funding other VTS systems? What other issues could affect the establishment of VTS systems that are privately funded?

b. Benefits.—GAO did not find widespread support for VTS 2000 among the interviewed stakeholders at the eight ports where site visits were conducted. Many who opposed VTS 2000 said that the proposed system would likely be more expensive than necessary for their port. Many opposed the user fees and other funding approaches that would pass the cost of VTS 2000 from the Federal Government to those using the system.

113. "Promoting Democracy: Progress Reported on U.S. Democratic Development Assistance to Russia," February 1996, GAO/NSIAD–96–40.

a. Summary.—United States-funded democracy projects have demonstrated support for, and contributed to, Russia's democracy movement. Those assisted include prodemocracy political activities and political parties, proreform trade unions, court systems, legal academies, Government officials, and the media. The democracy projects that GAO reviewed, however, had mixed results in meeting their stated objectives. Russian reformers and others generally viewed United States democracy assistance as valuable, but in only three of the six areas GAO reviewed had projects contributed significantly to political, legal, or social changes. Media projects generally succeeded in increasing the quality and the self-sufficiency of nongovernment media organization, but the weak economy continues to threaten the press's ability to remain independent. United States' efforts to develop a democratic trade union movement and improve Russia's electoral system also contributed to systemic changes, although more needs to be done. Projects relating to polit-

ical party development, rule of law, and civil-military relations had limited impact. Russian economic and political conditions were the most important factors determining project impact. Implementation problems accounted for the limited results derived from the rule-of-law project.

b. Benefits.—The United States-funded independent media program in Russia has helped raise the quality of print and broadcast journalism and contributed to Russia's movement toward an independent, self-sustaining local television network. The USAID-funded election administration project, implemented by the International Foundation for Electoral Systems has made important contributions to addressing the legal, institutional, and procedural shortcomings evident during Russia's December 1993 national elections. Trade union development assistance in Russia has helped increase the size and effectiveness of democratic trade unions. But United States-funded political party development programs, United States-funded projects intended to strengthen civilian control of the Russian military, and United States-funded rule of law activities have made only incremental improvements in reforming Russia's legal, military, and judicial institutions, largely due to a lack of interest by the Russian Government in these areas.

114. "United Nations: U.S. Participation in the Fourth World Conference on Women," February 1996, GAO/NSIAD–96–79BR.

a. Summary.—This briefing report focuses on the Fourth World Conference on Women, sponsored by the United Nations (UN). GAO discusses (1) the cost of United States participation in the conference and the parallel, independently convened nongovernmental organizations' forum, (2) the UN process for accrediting nongovernmental organizations, and (3) the handling of conference travel visas by the Chinese. A summary of GAO's discussions with 28 U.S. nongovernmental organizations about their views on the accreditation process, the adequacy of accommodations, and physical access to conference and forum facilities is included.

b. Benefits.—The total cost to the United States for the Conference and Forum was approximately $5.9 million. The UN invited nongovernmental organizations (NGO's) to apply for accreditation to participate in Conference activities. Of the 2,450 NGO's worldwide that applied for accreditation, 277 were not accredited. Of the 588 U.S. NGO's that applied, 69 were not accredited. And although the Chinese were late in processing visas, an official of the United States Mission to the UN stated that most applicants did receive one. Possible causes of problems include the overwhelming number of visa requests received by the Chinese and the requirement to have a confirmed hotel reservation before applying for a visa.

115. "Military Aircraft Safety: Significant Improvements Since 1975," February 1996, GAO/NSIAD–96–69BR.

a. Summary.—Despite a series of recent crashes, the safety record of military aircraft has improved significantly during the past 20 years. Accidents dropped from 309 in 1975 to 76 last year, while fatalities declined from 285 to 85 during the same period. Human error was reported as a contributing factor in 73 percent of these flight mishaps. This report discusses (1) historical trends

in aircraft accidents involving deaths or extensive aircraft damage, (2) investigations performed to determine the causes, and (3) examples of actions taken to reduce the number of aviation accidents.

b. Benefits.—Each of the services have taken steps to reduce aviation mishaps, such as tracking mishap investigation recommendations and disseminating safety information in manuals, newsletters, videos, and messages. Recent safety initiatives include risk management and human factor studies.

116. "DOD Procurement: Use and Administration of DOD's Voluntary Disclosure Program," February 1996, GAO/NSIAD–96–21.

a. Summary.—Forty-eight of the top 100 military contractors have disclosed procurement fraud as part of a Defense Department (DOD) program encouraging voluntary reporting of such incidents. But the total number of disclosures has been small and the dollar amounts recovered have been modest—less than $100,000 in 63 percent of the cases. Moreover, under DOD's Voluntary Disclosure Program, cases took an average of 2.8 years to close, with about 25 percent taking more than 4 years. Less-than-full cooperation from contractors and low priority given by DOD and other investigative agencies to managing cases expeditiously may be problems in some cases.

b. Benefits.—From its inception in 1986 through September 1994, DOD reported the 138 defense contractors made 325 voluntary disclosures of potential procurement fraud, of which 129 have been closed. According to DOD, 48 of the top 100 defense contractors made 222 disclosures. The remaining 103 disclosures were made by 90 contractors from among the more than 32,000 contractors doing business with DOD. Through September 1994, DOD reported recoveries from the program of about $290 million, of which about 38 percent is associated with cases that are still open.

117. "Military Readiness: A Clear Policy is Needed to Guide Management of Frequently Deployed Units," April 1996, GAO/NSIAD–96–105.

a. Summary.—This report addresses concerns raised by Congress that the length of time that military personnel are spending away from home on deployments—commonly called personnel tempo—has increased and is stressing portions of the military community and harming readiness. GAO discusses (1) U.S. forces' frequency of deployments in recent years; (2) the effect of increased personnel tempo on the readiness of U.S. forces; and (3) Defense Department efforts to mitigate the impact of high personnel tempo, including measures to create systems for measuring personnel tempo.

b. Benefits.—GAO's analysis of a group of high-deploying units over a 4-year period showed the most had elements that were deployed for more than one-half of each year. Peace operations were the driving force behind the increases, accompanied by smaller increases in joint activities. DOD officials believe that deployments could be reduced by eliminating redundant military training and combining or canceling some exercises.

118. "Acquisition Reform: Efforts to Reduce the Cost to Manage and Oversee DOD Contracts," April 1996, GAO/NSIAD–96–106.

a. Summary.—The Defense Department (DOD) contracted with the management consulting firm of Coopers and Lybrand to study the impact of the military's acquisition regulations and oversight requirements on its contracts. Coopers and Lybrand's 1994 report cited more than 120 regulatory and statutory "cost drivers" that increased the prices that DOD paid for goods and services by 18 percent. In response, DOD established a working group to address the issue of cost drivers. The working group is tracking many reforms initiated by DOD to reduce the cost of managing and overseeing DOD contracts. Although DOD expects substantial savings from these reforms, the actual savings may be significantly less than the 18-percent cost premium noted by Coopers and Lybrand. In December 1995, contractors participating in DOD's Reducing Oversight Costs Reinvention Laboratory noted that current measures would yield savings of only 1 percent. DOD said that the 1-percent cost savings was based on "work in progress" and that it would be inappropriate to use these results to draw conclusions about DOD's ability to reduce the cost premiums. DOD fully expects the savings from laboratory activities to exceed the level reported in December 1995.

b. Benefits.—In response to the Coopers and Lybrand study, DOD established the Regulatory Cost Premium Working Group in 1994 to identify and coordinate efforts to address to cost drivers. The working group is addressing the top 24 cost drivers and intends to expand its work to include the top 59 cost drivers identified in the study. Although substantial savings are expected from DOD's acquisition reform efforts, the savings from on-going initiatives to address the cost drivers may be significantly less than the 18-percent cost premium identified by Coopers and Lybrand.

119. "Defense Transportation: Streamlining of the U.S. Transportation Command Is Needed," February 1996, GAO/NSIAD–96–60.

a. Summary.—The military often pays as much as three times the amount commercial carriers would normally charge to ship cargo because of a fragmented and inefficient organizational structure and outdated management practices at the U.S. Transportation Command. This situation has led to confusing billing practices and expensive staff overhead. For example, a military customer might pay the United States Transportation Command $3,800 to ship a load of cargo from California to Korea, while a commercial carrier would have charged only $1,250 for the shipment. Much of today's military cargo moves by air, land, and sea transport. Under the U.S. Transportation Command's unwieldy organizational structure, customers receive bills from each command for each mode of transportation, rather than a single bill covering the entire shipment. In addition to confusing customers, separate billing systems increase personnel and costs. Salaries and wages alone for the command in fiscal year 1994 topped $1 billion.

b. Benefits.—Customers using defense transportation services pay substantially more than the component commands do for basic commercial transportation. Higher defense transportation costs are

driven by process fragmentation, duplication, and overlap within component commands and the need to maintain mobilization capability. GAO recommends (1) separate traffic management component command headquarters staff, (2) the consolidation of separate field-subordinate command traffic management staff, and (3) the elimination of all remaining duplicative field-based subordinate command support staff.

120. "Closing Maintenance Depots: Savings, Workload, and Redistribution Issues," March 1996, GAO/NSIAD–96–29.

a. Summary.—The Department of Defense (DOD) spends $15 billion annually to maintain aircraft, ships, tracked and wheeled vehicles, and other equipment. However, it believes that it can reduce maintenance costs by better matching its depots' workload capacity with current maintenance requirements. Accordingly, as part of the ongoing base closures and realignments, DOD is closing 15 of its major maintenance depots and is transferring their workloads to other depots or the private sector. This report: (1) assesses the reliability of DOD's depot closure cost and savings estimates, (2) provides information on the policies and the programs used to provide employment and training to employees at depots being closed, (3) determines if the military can increase savings by using competition between DOD depots or between depots and the private sector when redistributing the workloads of closed depots, and (4) determines if the military services adequately consider other services' depots when they use methods other than competition to redistribute the workloads.

b. Benefits.—GAO found the (1) public-public and public-private competition programs were discontinued in May 1994; (2) the Air Force is implementing a privatization-in-place plan that will likely increase maintenance costs; (3) the military services rarely consider interservicing alternatives (one service relying on another service for depot maintenance support) when they redistribute workloads; and (4) neither DOD nor the services require depots to reengineer workloads they receive from closing depots.

121. "Intelligence Agencies: Personnel Practices at CIA, NSA, and DID Compared with Those of Other Agencies," March 1996, GAO/NSIAD–96–6.

a. Summary.—Intelligence agencies employ thousands of people who, for reasons of national security, are not covered by Federal personnel statutory protections. Members of Congress have raised concerns that intelligence agency employees lack the same protections afforded other Federal workers. GAO found that the Central Intelligence Agency, the National Security Agency, and the Defense Intelligence Agency have equal employment opportunity practices similar to those of other Federal agencies. In contrast, adverse action practices at the intelligence agencies vary by agency and by type of employee. The external appeals procedures at the intelligence agencies differ from the procedures at other Federal agencies in that most employees may not appeal adverse actions to the Merit Systems Protection Board.

b. Benefits.—GAO's review indicated that with the retention of summary removal authorities, these intelligence agencies could fol-

low standard Federal practices, including the right to appeal adverse actions to the Merit Systems Protection Board, without undue risk to national security. GAO sees no justification for treating employees at these intelligence agencies differently from employees at other Federal agencies except in rare national security cases.

122. "Defense Logistics: Requirement Determinations for Aviation Spare Parts Need to be Improved," March 1996, GAO/NSIAD–96–70.

a. Summary.—The Air Force and the Navy budgeted $132 million more than needed for aviation spare parts because of questionable policies governing the determination of requirements and the accountability for depot maintenance assets. The Air Force, in preparing its fiscal year 1996 budget for aviation parts, did not consider $72 million worth of on-hand assets. In computing its fiscal year 1997 requirements for aviation parts, the Navy counted $60 million in depot maintenance requirements twice. GAO found that the Air Force and the Navy had made other errors in computing their requirements because of poor management oversight and internal controls. Both the Air Force and the Navy used unsupported or incorrect maintenance replacement rates, demand rates, planned program requirements, repair costs, lead times, due-out quantities, and asset quantities on hand and on order. These inaccuracies totaled $35 million for the items in GAO's sample alone and resulted in some requirements being overstated by $25 million and others being understated by $10 million.

b. Benefits.—Although Air Force and Navy policies and procedures related to reserving on-hand assets for depot maintenance requirements differ, both agencies' policies and procedures result in overstated requirements. GAO's review of overall budget inventory data related to these assets and their sampling tests of F–100 and F–404 engine parts showed that the Air Force and the Navy overstated budget buys and repairs by about $132 million. This overstatement occurred because of questionable Air Force and Navy policies concerning the determination of requirements and the accountability for assets held in reserve to satisfy depot maintenance needs.

123. "Defense Budget: Trends in Active Military Personnel Compensation Accounts for 1990–1997," July 1996, GAO/NSIAD–96–183.

a. Summary.—The Defense Department's (DOD) budget request for fiscal year 1997 includes nearly $70 billion for pay and allowances for military personnel. This amount represents about 30 percent of DOD's total budget request. DOD projects that during the next 5 years, pay and allowances will remain about 30 percent of its total budget. This report (1) identifies the various pay categories included in the accounts, (2) describes the trends of those pay categories, and (3) determines how changes in the budget compared with changes in service force levels. GAO also discusses the reasons for some of the service trends and differences among the services.

b. Benefits.—GAO found the military personnel budget for active forces is projected to decline by 30 percent from about $85 billion to $60 billion through fiscal year 1997, while military personnel levels are projected to decline by the same rate from over 2 million to about 1.4 million. Discounting for inflation by using constant 1996 dollars, the cost of each person in FY97 is projected to be about the same as it was in FY90. Specifically, the cost per military person has decreased by roughly $80 between 1990 and 1997 to about $40,600. A decrease of about $2,000 per person in retired pay accrual mostly offset increases in basic pay ($700), the basic allowances for quarters ($200), and six other categories.

124. "Physically Demanding Jobs: Services Have Little Data on Availability of Personnel to Perform," July 1996, GAO/NSIAD–96–169.

a. Summary.—This report reviews the use and development of gender-neutral occupational performance standards in the military. GAO (1) discusses the military services' approaches to implementing gender-neutral performance standards and screening service members to ensure that they can meet the physical demands of their jobs, (2) discusses how the military services identified the extent to which service members had problems in accomplishing the physical demands of their jobs, and (3) evaluates the Air Force's implementation of its strength aptitude testing program.

b. Benefits.—Except for the Army, the services have not collected data on service members' ability to do physically demanding jobs and have little basis on which to conclude that service members are not having problems. GAO is concerned that some service members may have difficulty doing some physically demanding tasks based on the results of a limited survey conducted by the Army Research Institute and anecdotal information obtained in interviews with service members.

125. "Military Bases: Potential Reductions to the Fiscal Year 1997 Base Closure Budget," July 1996, GAO/NSIAD–96–158.

a. Summary.—A review of the Defense Department's (DOD) Base Realignment and Closure (BRAC) accounts indicates that Congress has little assurance that appropriated BRAC funds will be used as requested in DOD budget submissions. In past submissions, environmental costs have been understated while costs for other BRAC subaccounts, such as military construction and operation and maintenance, have been overstated. The DOD fiscal year 1997 budget request can be reduced by about $148 million (about 6 percent) because funds from prior year appropriations will be available to fund future expenditures. Additional reductions are possible because mandated annual DOD Inspector General (IG) audits of BRAC construction projects identify those activities that can be eliminated or reduced in scope. If the fiscal year 1997 IG audit identifies reductions in the projects proportionate to the reductions identified in 1996 and 1995, the amount would be about $60 million.

b. Benefits.—DOD did not concur with this draft report, nor did it agree with the report's conclusion that the fiscal year 1997 BRAC budget request could be reduced by $300 million. GAO believes that by reducing the BRAC 1997 budget would better align

available funds with closure actions and reduce unobligated balances in the BRAC account.

126. "Defense Depot Maintenance: Commission on Roles and Mission's Privatization Assumptions Are Questionable," July 1996, GAO/NSIAD–96–161.

a. Summary.—GAO questions the assumption made by the Commission on Roles and Missions (CORM's) that privatizing all Defense Department (DOD) depot maintenance activities would save 20 percent and not harm readiness or sustainability. The Commission's assumptions are based on conditions that do not now exist for many depot workloads. The extent to which DOD's long-term privatization plans and market forces will effectively create more favorable conditions for outsourcing is uncertain. The Commission assumed that a highly competitive and capable market exists or would develop for most depot workloads. However, most of the depot workloads contracted to the private sector are awarded noncompetitively—mostly to the original equipment manufacturer. Moreover, several factors would likely limit private sector competition and capable private sector markets, the cost and readiness risks of privatizing depot maintenance workloads may prove unacceptable. Furthermore, the Commission's privatization savings do not reflect the cost impact of excess capacity in the public depots.

b. Benefits.—The CORM assumed the public-private competitions would only be used in the absence of private sector competition and would be limited to only a few cases. GAO found the public-private depot maintenance competitions have resulted in savings and benefits and can provide a cost-effective way of making depot workload allocation decisions for certain workloads.

127. "Inventory Management: Adopting Best Practices Could Enhance Navy Efforts to Achieve Efficiencies and Savings," July 1996, GAO/NSIAD–96–156.

a. Summary.—This report is part of a series comparing the Defense Department's (DOD) logistics practices with those of the private sector. Although DOD has introduced some innovative practices, many opportunities exist for improving the logistics system. This report focuses on the Navy's logistics system for aircraft parts. GAO (1) examines the current performance of the Navy's logistics system, (2) reviews the Navy's efforts to improve its logistics system and reduce costs, and (3) examines leading best practices used by the airline industry that could potentially help the Navy bolster the efficiency and effectiveness of its logistics operations.

b. Benefits.—GAO believes that these practices can be integrated into the Navy's logistics system and that they are compatible with many aspects of Navy's operations. DOD agreed with the findings of this report and will issue a memorandum to the Secretary of the Navy requesting that a demonstration project be initiated. This project should be underway by the beginning of FY97. The Navy will conduct a business care analysis and access the leading-edge practices highlighted in this report for their applicability in a Navy setting and, where appropriate, will tailor and adopt a version of these practices for use in its repair process.

128. "Bosnia: Costs are Uncertain but Seem Likely to Exceed DOD's Estimate," March 1996, GAO/NSIAD–96–120BR.

a. Summary.—The Defense Department's (DOD) cost to send almost 27,000 troops to Bosnia as part of peacekeeping operations could well exceed DOD's original estimate. Army costs, which are estimated at two-thirds of total operation costs, are likely to exceed DOD projections, while Air Force costs are likely to be less than estimated. DOD estimated deployment transportation costs at nearly $73 million, but through the end of January 1996, DOD had spent about $157 million on deployment transportation. DOD estimated the cost of contractor support at $192 million; through February 1996, however, the Army had spent more than $247 million on contractor services, and Army officials said that contractor costs could go as high as $500 million. Several major cost areas remain uncertain. They involve the operating tempo of the forces in Bosnia, the cost of redeploying the implementation force, and the expense of reconstituting equipment used in the operation.

b. Benefits.—Because of the uncertainty in the cost estimate, GAO suggested that in determining funding Congress consider (1) expenses incurred in support of contingency operations involving the former Yugoslavia, and (2) the reimbursement of accounts initially utilized to fund those operations. In fiscal year 1995, some of the military services ended the year with contingency costs that were below the amounts provided in supplemental appropriations and used the remaining funds for other needs that otherwise would have gone unfunded. A related guideline is that if initial funding proves to be inadequate, but some services have costs that are below their funded level while other have costs that are above it, the excess contingency funds should be redistributed before providing additional funds.

129. "Contingency Operations: Defense Cost and Funding Issues," March 1996, GAO/NSIAD–96–121BR.

a. Summary.—The Defense Department (DOD) participated in contingency operations in several places during fiscal year 1995, including Haiti, Southwest Asia, and the former Yugoslavia. To help cover the incremental costs of these operations, Congress provided DOD with a supplemental appropriation. This report provides information on (1) the extent to which the supplemental appropriation fully covered DOD's incremental costs and the impact that funding shortages or overages may have had on the services and (2) the accuracy of the methods used to estimate incremental costs compared with actual costs and ways to improve the method of estimating costs.

b. Benefits.—DOD reported fiscal year 1995 contingency operations-related incremental costs of $2.2 billion. The Air Force, Marine Corps, the Defense Intelligence Agency, and the U.S. Special Operations Command collectively received fiscal year 1995 supplemental funding of $133 million in excess of their reported incremental costs for contingency operations. Based on these figures, GAO found it necessary to improve the methods of estimating costs in order to avoid such over-expenditure of funding.

130. "Peace Operations: U.S. Costs in Support of Haiti, Former Yugoslavia, Somalia, and Rwanda," March 1996, GAO/NSIAD–96–38.

a. Summary.—The United States paid more than $6.6 billion to support United Nations peacekeeping operations in Haiti, the former Yugoslavia, Rwanda, and Somalia between fiscal years 1992 and 1995. Slightly more than half of these costs were incurred by the Defense Department, which sent troops and equipment to support the missions in these countries. The State Department's costs were about $1.8 billion, while costs for the U.S. Agency for International Development—the lead agency responsible for providing humanitarian assistance, including food donated by the Agriculture Department—were about $1.3 billion. The Departments of Justice, Commerce, the Treasury, Transportation, and Health and Human Services reported costs totaling about $91 million to support peace operations.

b. Benefits.—The United Nations has reimbursed the United States $79.4 million for some of these costs. The subcommittee learned from this report how officials from the Departments of Defense and State budgeted and accounted for peace operations' costs. Also, GAO reviewed previous reports on peace operations costs. In some cases, the cost data obtained from participating agencies changed from amounts previously reported because agencies update their costs as more information becomes available. Therefore, the numerical data in this report may be inaccurate, depending on how much information was not accounted for at the time of the reports release.

131. "Military Readiness: Data and Trends for January 1990 and March 1995," March 1996, GAO/NSIAD–96–111BR.

a. Summary.—This is an unclassified version of an earlier classified GAO report on military readiness. GAO analyzed military readiness data found in the Defense Department's Status of Resources and Training System to determine if the information showed significant changes in readiness since 1990—a year of peak readiness. This report provides readiness information for all four military services. Specifically, GAO (1) summarizes the reported overall readiness status of all military units from January 1990 to March 1995, (2) assesses the readiness trends of selected units from each service for the same period and discusses any readiness problems experienced, and (3) explains significant changes in reported readiness of selected units.

b. Benefits.—Of the 94 units GAO reviewed, readiness remained at levels consistent with service goals in 75 (80 percent) of the units. However, readiness declined below the goals in 19 (20 percent) of the units. In five of these units, the readiness reduction were for fairly short periods of time due to the units' participation in contingency operations. In the remaining units, readiness reductions were caused primally by personnel shortages, equipment shortages, and difficulty in obtaining training for personnel in certain military occupations.

132. "Army National Guard: Validate Requirements for Combat Forces and Size Those Forces Accordingly," March 1996, GAO/NSIAD–96–63.

a. Summary.—Although the Army National Guard has come down in size since the end of the cold war, the Guard's combat strength still exceeds what the Defense Department needs to fight two major regional wars—the basic goal of U.S. military strategy today. GAO recommends that the Army validate the size and the structure of all the Guard's combat forces and develop a plan to bring the size and the structure of these forces in line with validated requirements. Depending on the study's conclusions, the Army should consider converting some Guard combat forces to support roles. To the extent that Guard forces exceed validated requirements, the Army should consider eliminating them.

b. Benefits.—According to DOD documents and Army officials, the excess forces are a strategic reserve that could be assigned missions such as occupational forces once an enemy has been deterred and as rotational forces. However, GAO could find no analytical basis for this level of strategic reserve.

133. "Military Airlift: Observations on the Civil Reserve Air Fleet Program," March 1996, GAO/NSIAD–96–125.

a. Summary.—This report provides information on the Civil Reserve Air Fleet Program, which augments military airlift during emergencies. According to Air Mobility Command documents, fleet aircraft played a vital role in Operations Desert Storm and Desert Shield by providing 62 percent of the Air Force's passenger airlift capability and 27 percent of its cargo airlift capability. GAO discusses the (1) extent to which participation by commercial carriers in the program meets wartime requirements, (2) Defense Department's efforts to ensure future carrier participation, and (3) recent review of the program that was directed by the C–17 Defense Acquisition Board.

b. Benefits.—GAO found that (1) commercial carriers have committed only 19 of the 44 aircraft required for aeromedical evacuation, (2) carriers have committed 114 of the 120 wide-body equivalent aircraft required for cargo airlift, and (3) participation in passenger airlift exceeds requirements—a commitment of 161 wide-body equivalent aircraft to meet a requirement of 136.

134. "Air Force Maintenance: Two Level Maintenance Program Assessment," March 1996, GAO/NSIAD–96–86.

a. Summary.—The Air Force's Two Level Maintenance program, which seeks to save money by reducing maintenance staffing, equipment, and base-level support without sacrificing force readiness, is not fully achieving its intended benefits. The estimated costs to implement the program have increased, and the expected net savings have decreased—from $385 million to $258 million. In addition, not all program costs have been included in the cost-savings analyses. Under the program, the turnaround time to repair avionics items generally have met Air Force standards. For engines, however, the turnaround times have exceeded the standard by as many as 87 days. The use of the program to support troops during wartime will add to the airlift burden. Because the deployed

forces will not have in-country intermediate maintenance capability, the forces will have to depend on airlift for spare and repair parts. However, the theater commander, not the Air Force, controls airlift priorities. As a result, the early stages of a conflict outweighed the return of unserviceable items to depot repair facilities and the movement of items from the depots to the battlefront.

b. Benefits.—DOD agreed that there should be a continuing reassessment of TLM candidates to gaurantee that the right ones are in the program and that further assessments are made through the TLM end-to-end analysis and engine supply reassessment. Officials further stated that the Air Force will continue to work with the Joint Staff and Supported Commanders-in-Chief to determine executive use of airlift allocation to meet service requirements. The need for early sustainment airlift to support Two Level Maintenance is an issue that has not been fully resolved and is one that could affect sustainment of the deployed forces.

135. "DOD Research: Acquiring Research by Nontraditional Means," March 1996, GAO/NSIAD–96–11.

a. Summary.—With considerable support from Congress, the Defense Department (DOD) has made acquisition reform one of its top priorities as it tries to reduce the cost of maintaining technological superiority in an era of tighter military budgets. Acquisition reform has generally focused on measures affecting DOD procurement. However, DOD is also investigating new approaches in its science and technology efforts, including using cooperative agreements and other transaction instruments to enter into research projects with commercial firms and consortia. DOD has cited the use of cooperative agreements and other transaction instruments as a way to (1) reduce barriers to integrating the defense and civilian sectors of the industrial base, (2) promote new relationships and practices within the defense industry, and (3) allow the Government to leverage for defense purposes the private sectors' financial investments in research and development of commercial products and processes. This report discusses DOD's use of the instruments to further these three objectives. GAO also discusses issues concerning the selection and structure of the instruments.

b. Benefits.—GAO found that the use of cooperative agreements and other transactions appears to provide some opportunities to remove barriers between the defense and civilian industrial bases, in particular by attracting firms that traditionally did not perform research for DOD.

136. "Depot Maintenance: Opportunities to Privatize Repair of Military Engines," March 1996, GAO/NSIAD–96–33.

a. Summary.—In recent years, Congress has expressed continuing interest in the Pentagon's management of its $15 billion depot maintenance program. One area of particular interest has been the allocation of depot maintenance workload between the public and private sectors, including various privatization initiatives. This report addresses the depot maintenance workload for an essential military commodity—gas turbine engines. GAO discusses (1) the rationale supporting the continued need for DOD to be able to repair engines at its own maintenance depots, (2) opportunities to

privatize additional engine workloads, and (3) the impact that excess capacity within DOD's depot system has on the cost-effectiveness of decisions to privatize additional workloads.

b. Benefits.—GAO surveyed private sector companies to determine their interest in repairing military engines with commercial counterparts that are currently repaired in DOD depots and their capability to do the job. The survey identified interest in the maintenance workload for all 10 military commercial counterpart engines the DOD has or is considering developing depot maintenance capability to support.

137. "DOD Bulk Fuel: Services' Fuel Requirements Could Be Reduced and Funds Used for Other Purposes," March 1996, GAO/NSIAD–96–96.

a. Summary.—For fiscal year 1996, bulk fuel requests by the Army, the Navy, and the Air Force totaled $4.12 billion. The three services planned to spend $107 million on this amount, or 2.6 percent, on fuel from commercial sources. The rest was used to buy fuel from the Defense Fuel Supply Center, which buys fuel from commercial sources and sells it to the military services. On the basis of historical usage data, the Center estimates that the services' fuel purchases in fiscal year 1996 would total $3.57 billion, or about $440 million less than the amount the services had requested in their budgets. This estimate is lower than the estimate made when the services submitted their budget requests in January 1995. At the time, the Center projected that the services would buy 3.68 billion dollars' worth of fuel in fiscal year 1996, or about $330 million less than the amount requested. Because the services' bulk fuel budgets are still overstated by about $440 million—$440 million less than the $100 million congressional reduction—GAO suggests that Congress rescind the $340 million and apply it to other unfunded needs.

b. Benefits.—GAO believes that budget requests should reflect the best estimate of what is needed for the purpose for which funds are being requested. DOD justified their budget request by pointing out that the fuel account has over executed its budget in 2 of the last 4 years. But GAO thinks that in those cases in which the request is excessive to meet known needs, Congress should redirect the funds to other purposes rather than allowing DOD to decide where to use the funds.

138. "Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993," August 1996, GAO/NSIAD–96–149.

a. Summary.—Land sales for the first three rounds of military base closure totaled nearly $180 million as of March 1996. There were only two sales in the 1993 round, for a total of $1.5 million. Although private parties are not precluded from buying surplus properties at the closed military bases, they rarely have a chance to bid on the properties because communities are requesting the properties under public benefit transfers, economic development conveyances, and noncompetitive negotiated sale authorities. Communities are planning industrial and office complexes, parks and recreational facilities, residential housing, and prisons on this land. Developing and implementing reuse and disposal plans, however,

can be a lengthy process. Readily marketable properties may decline in value as they sit idle and may require resources from the services' budgets for protection and maintenance. GAO recommends that the Defense Department (DOD), to preserve the facilities' value while reducing protection and maintenance costs, (1) set time limits on negotiations before offering properties for public sale and (2) when practical, rent unoccupied surplus housing and other facilities as a way to preserve properties pending final disposal.

b. Benefits.—DOD now reports that for the 60 bases GAO reviewed, about 21 percent of the 88,000 DOD civilian jobs have been replaced. To help communities successfully transform closed bases into new opportunities, Federal agencies have provided more that $780 million in direct assistance to areas affected by 1988, 1991, and 1993 realignment and closure rounds. GAO believes property can be effectively used to create jobs and reduce the military services' protection and maintenance costs even before community plans are finished or military missions have ceased. The DOD Base Reuse Implementation Manual describes leasing for reuse as one of the most important tools for initiating rapid economic recovery and job creation while reducing the military's protection and maintenance costs.

139. "Environmental Protection: Status of Defense Initiatives for Cleanup, Compliance, and Technology," August 1996, GAO/NASD–96–155.

a. Summary.—The Defense Department (DOD) manages thousands of military installations throughout the United States and overseas. Its operations are subject to the same environmental, safety, and health laws as is private industry, as well as additional regulations governing Federal facilities. The day-to-day operations of a typical military installation mirror those of a small city. As a result, these installations face many of the same environmental problems confronting the industrial and commercial sectors. DOD has organized its $5 billion environmental program into five areas: cleanup, compliance, conservation, pollution prevention, and technology. This report discusses three of these areas: (1) cleanup (remediation), which involves investigating and cleaning up contamination from hazardous substances and waste on land used by DOD; (2) compliance with Federal, State, and local environmental laws and regulations; and (3) technology research and development.

b. Benefits.—GAO found that (1) recent DOD initiatives affecting environmental cleanup include efforts to focus funding on actual cleanup versus study and oversight, better target the funds through the use of risk determination in priority setting, and devolve the budget process to the military services; (2) DOD lacks the data it needs to manage its environmental compliance program, and (3) DOD plans to implement an on-line strategic environmental technology plan that will show specific service requirements and match ongoing and planned initiatives.

140. "Mine Detection: Army's Detector's Ability to Find Low-Metal Mines Not Clearly Demonstrated," August 1996, GAO/NSIAD–96–198.

a. Summary.—Land mines, especially those with little metal content, have been used extensively by the warring factions in the former Yugoslavia, and up to 7 million mines are believed to be in the region. Before the deployment of United States troops in the area, U.N. forces were involved in 174 land mine incidents in Bosnia, which included 204 casualties and 20 deaths. The ability of the Army's AN/PSS–12 portable mine detector to locate low-metal mines has not been clearly demonstrated. The AN/PSS–12 performed poorly against low metal targets in operational tests. The AN–PSS–12's testing history suggests that the detector may have only limited application in Bosnia, where most of the buried mines are of the low-metal variety. Although the Army claims that the AN–PSS–12 has performed well in Bosnia, other sources raise questions about the detector's abilities there. The Air Force recently cautioned its explosive ordinance technicians in Bosnia that the AN/PSS–12 is not sensitive enough to detect the low-metal mines that they may encounter. In addition, an Army report on United States operations in Somalia says that the detector could not find low-metal mines. In Bosnia, United States troops have been able to pick routes that avoid minefields or they use heavy equipment, such as vehicles equipped with rollers, to clear paths.

b. Benefits.—GAO believes that the more important factor in explaining the AN/PSS–12's performance in Bosnia to date has been the prudent steps taken by the Army to minimize the threat posed by the land mines there. The resulting infrequent reliance on the AN/PSS–12 helps explain why its shortcomings in testing may not have been borne out in Bosnia.

141. "Navy Aviation: F/A–18E/F Will Provide Marginal Operational Improvement at High Cost," June 1996, GAO/NSIAD–96–98.

a. Summary.—With a projected total cost of $63 billion, the Navy's program to modernize its fleet of F–18 tactical aircraft ranks among the most costly of military aviation projects. Yet the planned F/A–18E/F will deliver only marginal operational improvements over the current F/A–18C/D model. The operational deficiencies in the F/A–18C/Ds that the Navy cited as a justification for developing the F/A–18E/F either have failed to materialize or can be corrected with nonstructural changes to the C/D. Furthermore, E/F operational capabilities will be only slightly better than those of the C/D model. Given the expense and the marginal improvements in operational capabilities that F/A–18E/F would provide, GAO recommends that the Pentagon reconsider the decision to produce the F/A–18E/F aircraft and, instead, consider procuring additional F/A–18C/Ds. The number of F/A–18C/Ds that the Navy would ultimately need to buy will depend on when the next generation strike fighter becomes operational and the number of those planes the Navy decides to purchase.

b. Benefits.—GAO recommends that DOD reconsider the decision to produce the F/A–18E/F aircraft and, instead, consider procuring additional F/A–18C/Ds. The number of F/A–18C/Ds that the Navy

would ultimately need to procure would depend upon when the next generation strike fighter achieves operational capability and the number of those aircraft the Navy decides to buy.

142. "Canada, Australia, and New Zealand: Potential Ability of Agricultural State Trading Enterprises to Distort Trade," June 1996, GAO/NSIAD–96–94.

a. Summary.—The agricultural agreements of the Uruguay Round of the General Agreements on Tariffs and Trade (GATT) seek to establish a fair and market-oriented agricultural trading system. Through progressive reductions in governmental support and export subsidies, conversion of quotas to tariffs, lowering of barriers to import access, and other reforms, member nations hope to reduce distortions in world agricultural markets. Some member states are using state trading enterprises (STE) to regulate imports and exports. STEs are authorized to engage in trade and are owned, sanctioned, or otherwise supported by the Government. Although STEs are legitimate trading entities and are subject to GATT regulations, some U.S. agricultural producers are concerned that STEs, through their monopoly powers and Government support, may be able to distort worldwide trade in their respective commodities. This report reviews state trading enterprises in Canada, Australia, and New Zealand. GAO focuses on the activities of the Canadian Wheat Board, the Australian Wheat Board, and the New Zealand Dairy Board. GAO discusses whether the boards are capable of distorting world markets in their respective commodities.

b. Benefits.—GAO's framework for analyzing export STEs highlight three STE relationships—with domestic producers, Government, and foreign buyers. STEs can have monopoly buying authority over all domestic production of a particular commodity, or the production of that commodity for export. This authority provides STEs with the ability to potentially distort trade through such practices as cross-subsidization. GAO found that the establishment of an STE can also lead to a reduction in the number of exporters and an increase in the market power of the remaining participants.

143. "Operation and Maintenance Funding: Trends in Army and Air Force Use of Funds for Combat Forces and Infrastructure," June 1996, GAO/NSIAD–96–141.

a. Summary.—The Secretary of Defense contends that the Defense Department (DOD) must increase its procurement funding if it is to have a modern future force. The Secretary wants to reform the acquisition process and streamline infrastructure to pay, in part, for force modernization. DOD now expects decreases in its operation and maintenance account and increases in its procurement account beginning in fiscal year 1998. This report reviews how the Army and the Air Force obligated their annual operation and maintenance account funds and compares their obligations to what was requested in the President's budgets. GAO determines what part of total obligations was used for infrastructure activities as opposed to combat force. The Navy is not included in this review because, at the headquarters level, it does not maintain the level of budget request and obligation data that GAO needed for its analysis.

b. Benefits.—GAO's comparison of the amounts obligated and budgeted by the Air Force for the same functions showed that the Air Force obligated slightly more than it requested for combat forces. With regard to training and recruiting, the Air Force obligated less than the amounts requested. It obligated more than it requested for base support and slightly less than it requested for management activities.

144. "Basic Training: Services are Using a Variety of Approaches to Gender Integration," June 1996, GAO/NSIAD–96–153.

a. Summary.—The military services are using various approaches to integrate men and women during basic training. These approaches range from using the same program to instruct both sexes and integrating some training units to using different programs of instruction and providing separate training. The costs associated with gender integration have been low. In fact, the Army is the only service that has incurred expenses to accommodate gender-integrated basic training. Studies of the impact of gender-integrated units have been done for the Navy and the Army. A 1993 study done for the Navy reported no impact on objective performance measures and improvement in teamwork measures for both men and women training in gender-integrated units. A recent study found that the performance of men was not degraded. Although the Army introduced limited gender-integrated basic training in the late 1970's and early 1980's, the Army has no records from that period to compare with its current program.

b. Benefits.—As women comprise an increasingly large portion of the military, each of the services are striving to adjust their philosophy of basic training in order to achieve a more gender-neutral military.

145. "Navy Ship Propulsion: Viability of New Engine Program in Question," June 1996, GAO/NSIAD–96–107.

a. Summary.—Although the Navy has spent more than 4 years and nearly $225 million in a joint venture with the British and French to develop a new gas turbine ship propulsion system, the effort has encountered serious problems in development. Navy officials have raised many questions about the new engine, including the practicality of using it in the DDG–51 destroyer. They also have concerns about whether the new engine will provide a viable and timely return on the large investment to develop it. GAO urges the Pentagon to reassess the need for this program. As the Navy restructures the engine development program, it must decide how and if it will use the $5.4 million test facility that it built in Philadelphia. The Navy now plans to conduct almost all of its engine testing at a test site in the United Kingdom. The Navy must also decide whether to test the engine at sea in a pilot ship. The cost to do so is estimated as high as $12.5 million.

b. Benefits.—Given the (1) small number of new U.S. destroyers involved, (2) adequacy of the current destroyer engine, (3) high cost and difficulty of incorporating the engine into the destroyer, (4) uncertain status of DDG–51 integration plans, and (5) current state of intercooled recuperated gas turbine engine (ICR) development,

GAO believes that the Navy should at least wait for a more appropriate new ship for the ICR engine.

146. "Bottom-Up Review: Analysis of DOD War Game to Test Key Assumptions," June 1996, GAO/NSIAD–96–170.

a. Summary.—This report, an unclassified version of an earlier classified GAO report, reviews the objectives, methodology, and results of the Pentagon's war game Nimble Dancer, which assessed the ability of the U.S. armed forces to fight and win two nearly simultaneously major regional conflicts. GAO also discusses the assumptions and data used in Nimble Dancer relating to several areas, such as readiness, threat, and force availability. GAO provides its observations on the objectives, methodology, and results of the exercise. It also provides details on specific areas of interest.

b. Benefits.—GAO recognized that Nimble Dancer involved analyses of key assumptions, enabling game participants to gain insight into various aspects of the two major regional conflict requirement. GAO believes that certain game assumptions were favorable because they set conditions that were mostly advantageous to U.S. forces, thereby minimizing risk.

147. "Combat Air Power: Assessment of Joint Close Support Requirements and Capabilities is Needed," June 1996, GAO/NSIAD–96–45.

a. Summary.—During the next 6 years, the military plans to spend more than $10 billion on aircraft and other weapons to bolster its already formidable close support capabilities. This effort, however, comes at a time of shrinking defense budgets, defense downsizing, and increasing questions about the affordability of defense modernization. This report (1) discusses the overall capabilities of the military services to provide close support and the extent to which those capabilities continue to be modernized and enhanced and (2) evaluates the processes that the Defense Department uses to assess missions needs, capabilities, and modernization proposals for the close support mission.

b. Benefits.—GAO recommends that comprehensive cross-service of overall joint close support missions needs existing close support systems, and planned enhancements to be made on a routine basis. DOD's current assessment processes do not enable the chairman of the Joint Chiefs of Staff to provide effective military advice to the Secretary of Defense on the services acquisition and modernization proposals for close support.

148. "Contingency Operations: Update on DOD's Fiscal Year 1995 Cost and Funding," June 1996, GAO/NSIAD–96–184BR.

a. Summary.—During fiscal year 1995, the Defense Department (DOD) participated in contingency operations around the globe, including Haiti, Southwest Asia, and the former Yugoslavia. To help cover the incremental costs of these operations, Congress provided DOD with supplemental appropriation. In an earlier report (GAO/NSIAD–96–121BR), GAO found that although DOD ended fiscal year 1995 with supplemental funding of $12 million above its reported incremental costs, some of the military services and defense agencies had reported costs that exceeded their supplemental ap-

propriations. GAO also indicated that costs surged in September 1995. This briefing report provides information on (1) how the services that reported costs in excess of supplemental funding covered their shortfalls and (2) why the surge occurred.

b. Benefits.—The Army and Navy reported incremental costs in excess of their O&M supplemental appropriations. They covered their shortfall completely, and both Army and Navy officials believe that unit readiness was not affected significantly. GAO found that the surge in September costs were primarily related to (1) accounting adjustments; (2) end-of-year payments; and (3) other spending, including spending associated with higher operating tempo in Bosnia and Southwest Asia.

149. "Counterfeit U.S. Currency Abroad: Issues and U.S. Deterrence Efforts," February 1996, GAO/GGD–96–11.

a. Summary.—U.S. currency, reportedly the most widely held in the world, is susceptible to counterfeiting. The Federal Reserve estimates that of the $380 billion of U.S. currency in circulation, more than 60 percent may be held outside the United States. The widespread use of U.S. currency abroad, together with the outdated security of the currency, make it particularly vulnerable to international counterfeiters. Widespread counterfeiting of U.S. currency could undermine confidence in the dollar and, if done on a large enough scale, could harm the U.S. economy. This report discusses (1) the nature of counterfeiting of U.S. currency abroad, (2) the extent of that counterfeiting and of concerns about this issue, and (3) the status of U.S. efforts to deter such counterfeiting.

b. Benefits.—GAO found that the U.S. Government, primarily through the Treasury and the Federal Reserve, has increased its efforts to put an end to counterfeiting activities. These anticounterfeiting efforts included (1) redesigning U.S. currency to incorporate additional security features, and then publicizing and distributing the new currency; (2) using joint Federal agency team visits abroad to obtain more information on counterfeiting and provide counterfeit-detection training; (3) increasing Secret Service staffing abroad; and (4) using additional task forces and increasing diplomatic efforts to combat counterfeiting abroad, particularly efforts to eradicate the highest quality counterfeit note known to the Secret Service, commonly referred to as the "Superdollar."

150. "Reserve Officers' Training Corps: Questions Related to Organizational Restructuring," February 1996, GAO/NSIAD–96–56.

a. Summary.—Because of questions about readiness, housing, and costs, the Army has not approved the proposal to close the Reserve Officers' Training Corps (ROTC) regional head quarters at Fort Knox, KY. As a result, the regional headquarters at Fort Knox remains open and the summer camp run at Fort Knox is expected to remain in place through fiscal year 1996 and possibly 1997. Still unresolved are questions about the (1) impact of the ROTC program on training and readiness of combat units stationed at some bases that house and support ROTC summer camp programs; (2) adequacy and condition of housing at bases being considered for consolidation of the ROTC program, on both a short- and long-term basis; and (3) costs to address the housing program.

b. Benefits.—Before a decision can be made, GAO recommends a broad-based assessment of ROTC restructuring which should include readiness, housing, and cost issues to accommodate the long-term needs of ROTC within the context of the Army's total base structure.

151. "Defense Industrial Security: Weaknesses in U.S. Security Arrangements with Foreign-Owned Defense Contractors," February 1996, GAO/NSIAD–96–64.

a. Summary.—This unclassified version of a 1995 GAO report discusses security arrangements—known as voting trusts, proxy arrangements, and special security agreements—used to protect sensitive information when foreign-owned defense contractors work on classified Defense Department projects. GAO concludes that the Pentagon needs to strengthen controls to prevent the export of military secrets when foreign-owned defense contractors work on such highly sensitive weapons programs as the B–2 bomber and the F–22 fighter. Agreements at most of the 14 companies GAO reviewed permitted some risk of foreign control, influence, and unauthorized access to classified data and technology.

b. Benefits.—GAO observed the following: (1) 36 percent of special security agreement companies were graced exceptions to restrictions on their access of the most highly classified information; (2) visitation agreements permitted numerous visits, many occurring under contracts and export licences for military and dual-use products between the foreign owners and the U.S. defense contractors; and (3) most trustees performed little oversight and, at four companies, some trustees appeared to have conflicts of interest.

152. "Foreign Banks: Assessing Their Role in the U.S. Banking System," February 1996, GAO/GGD–96–26.

a. Summary.—During the past 20 years, the share of U.S. banking assets held by foreign banks has increased significantly. This report examines the role of foreign banks in the United States and reviews U.S. laws and regulations governing their operations. Specifically, GAO evaluates whether these laws and regulations give foreign banks operating in the United States a significant competitive advantage over U.S. banks. GAO also identifies areas in which U.S. laws and regulations have been adapted to meet the circumstances of foreign banks and examines the competitive impact of these adaptations on U.S. banks.

b. Benefits.—At the end of 1994, foreign branches and agencies held 17 percent of domestic U.S. banning assets. The addition of assets held in foreign-owned U.S. subsidiary banks increased the foreign bank market by about 4 percentage points. Foreign banks have been cited as an important source of capital to the U.S. economy because they are believed to supply more funds to the United States than they raise from it. In addition, GAO's review of current laws and regulations indicated the foreign branches and agencies operating in the United States are subject to substantially the same laws and regulations as those governing U.S. banks.

153. "Military Personnel Reassignments: Services are Exploring Opportunities to Reduce Relocation Costs," February 1996, GAO/NSIAD–96–84.

a. Summary.—In fiscal year 1995, the military spent nearly $3 billion to move 850,000 service members and their families. GAO has found that few opportunities exist to reduce the costs of permanent change-of-station moves. Overseas commitments and other laws also require the miliary to move many service members each year. Despite these constraints, the military is trying to cut annual costs by reducing the number of permanent change-of-station moves. To further reduce costs, the services are encouraging consecutive assignments in some geographic areas and increasing tour lengths where possible. Finally, the Defense Department can further decrease its overseas military requirements by hiring overseas contractors. The number of relocations, but not their costs, decreased in proportion to the defense downsizing from fiscal year 1987 through fiscal year 1995. The main reasons that permanent change-of-station moves did not decrease were inflation, changes in some entitlement, and an increase in the number of service members with dependents. According to military officials, the frequency of permanent change-of-station moves is only a minor contributor to readiness problems in military units. Other factors, especially the increase in deployments for operations other than war, have a greater impact on readiness.

b. Benefits.—GAO found several areas in which the services could reduce personnel change-of-station costs: (1) the services could cut personnel costs by using civilians for certain positions; (2) the services maintain more recruiting stations throughout the United States than they need; and (3) the services could work toward reducing the attrition rate for first-term enlistees.

154. "Best Management Practices: Reengineering the Air Force's Logistics System Can Yield Substantial Savings," February 1996, GAO/NSIAD–96–5.

a. Summary.—Redesign of the Air Force's $33 billion reparable parts inventory could benefit from adopting leading-edge practices used by the commercial airline industry to reduce costs and improve services. However, success hinges on the Air Force's ability to overcome major barriers, such as organizational resistance to change and poor inventory data. Some commercial manufacturers are providing aircraft parts to the customers on a just-in-time basis, and suppliers are assuming inventory management responsibilities for airlines and manufacturers. One airline has reengineered its entire logistics system in an integrated fashion by examining all aspects of its logistics operation to pinpoint and remove inefficient processes and functions. The Air Force is beginning to test private-sector management practices, such as removing unnecessary inventory layers, repairing parts as they break, and rapidly transporting parts between the end user and the repair facility.

b. Benefits.—GAO recommends establishing a top-level Defense Department position to champion change, using third party logistics services more often, building closer partnerships with suppliers, encouraging suppliers to use local distribution centers, cen-

tralizing repair functions, and modifying repair facilities to accommodate these new practices.

155. "Space Shuttle: Need to Sustain Launch Risk Assessment Process Improvements," March 1996, GAO/NSIAD–96–73.

a. Summary.—The 1986 explosion aboard the space shuttle Challenger underscored the risks inherent in human space flight. The Presidential Commission investigating the accident found that it had been caused by poor rocket motor design, but the Commission also cited as a contributing factor shortcomings in NASA's processes for identifying, assessing, and managing risk. This report reviews the steps that NASA has taken to improve the free flow of information in launch decisions and the progress NASA has made in adopting quantitative methods for assessing risks.

b. Benefits.—GAO recommends that NASA (1) identify guiding principles of good risk management; (2) take steps to ensure that flight readiness review participants understand and agree on the minimum issues that should always be discussed at the review and the level of detail that should be provided; (3) establish a strategy for deciding whether and how quantitative methods might be used as a supplemental tool to assess shuttle risk; and (4) assess the shuttle program's centralized data base to insure that data required to conduct risk assessments and inform decisionmakers is accessible, timely, accurate, and complete.

156. "Drug Control: Counternarcotics Efforts in Mexico," June 1996, GAO/NSIAD–96–163.

a. Summary.—Hampered by declining United States funding, staff cutbacks, and corruption among key Mexican institutions, drug interdiction efforts in Mexico have failed to stem the flow of illegal drugs reaching the United States. Mexico remains the primary transit route for cocaine, heroin, marijuana, and methamphetamine smuggled into this country. United States narcotics activities in Mexico and the transit zone have declined since 1992. United States funding for counternarcotics efforts in the transit zone and Mexico fell from $1 billion in fiscal year 1992 to $570 million in fiscal year 1995. Moreover, since 1992, direct U.S. assistance to Mexico has been negligible because of Mexico's 1993 policy of refusing most United States counternarcotics assistance. Staffing reductions in the State Department's Narcotics Affairs Section at the United States Embassy in Mexico City have limited monitoring of earlier United States assistance, mainly helicopters and spare parts. Since GAO's June 1995 testimony before Congress (GAO/T–NSIAD–95–182), the United States Embassy has elevated drug control issues in importance and has developed a drug control operating plan with measurable goals; the Mexican Government has indicated a willingness to develop a mutual counternarcotics assistance program and has taken action on important law enforcement and money laundering legislation; and the United States and Mexico have created a framework for greater cooperation and are expected to develop a joint counternarcotics strategy by the end of the year. Following through on these efforts is critical to combating drug trafficking in Mexico.

b. Benefits.—This report highlights problems in such areas as changes in the U.S. drug interdictions strategy; competing foreign policy objectives at some U.S. Embassies; coordination of U.S. activities; management and oversight of U.S. assets; and willingness and ability of foreign governments to combat the drug trade.

157. "Acquisition Reform: Military-Commercial Pilot Program Offers Benefits but Faces Challenges," June 1996, GAO/NSIAD–96–53.

a. Summary.—Faced with substantial finding cuts for defense procurement, the Pentagon has made acquisition reform a top priority. The challenge for the Defense Department (DOD) is to maintain technological superiority and ensure a strong national industrial base while reducing acquisition costs. The need to reform the miliary's acquisition system is well known; however, acquisition reform has been an elusive goal. DOD has on several occasions tried to introduce a commercial-style procurement system that would take advantage of commercial products and processes and, whenever possible, eliminate contracting, technical, and accounting requirements that are unique to the military. According to DOD, acquisition reform could cut costs by as much as 30 percent. This report discusses a pilot program, known as "Military Products From Commercial Lines," set up by the Air Force with one of its contractors. GAO evaluates the pilot program to determine (1) its potential for producing the benefits sought through reform and (2) any barriers to achieving these benefits.

b. Benefits.—This pilot represents a low-risk effort to demonstrate the potential benefits of designing and producing a military component on a commercial line. GAO recommends that the Air Force and TRW identify the Government-unique requirements that prevent the pilot from demonstrating that military items can be produced at better quality on commercial production lines at lower prices, and then seek requirement waivers from Congress and the Secretary of Defense.

158. "Overseas Real Estate: Millions of Dollars Could Be Generated by Selling Unneeded Real Estate," April 1996, GAO/NSIAD–96–36.

a. Summary.—The State Departments own more than $10 billion in real estate at 200 locations overseas. GAO reviewed State's efforts to identify and sell excess or under used real estate and to use the proceeds for other high-priority real property needs. GAO reported in 1995 (GAO/NSIAD–95–73) on the potential budget savings from selling expensive property in Tokyo and on the problems in State's management of properties abroad. This report (1) identifies real estate at other locations that could possibly be sold to provide money to meet other real estate needs, (2) describes problems that State has had in deciding which properties to dispose of, and (3) explains how State uses the proceeds from the properties it does sell.

b. Benefits.—GAO recommends the Secretary of State appoint an independent panel to decide which properties should be sold. The reasons for retaining any property should be weighed against the

financial interests of the State Department and the U.S. Government.

159. "Best Practices: Commercial Quality Assurance Practices Offer Improvements for DOD," August 1996, GAO/NSIAD–96–162.

a. Summary.—The Defense Department (DOD) spends about $1.5 billion extra per year on military-unique quality assurance requirements for major acquisitions. It spends billions more on cost and schedule overruns to correct problems caused by poor quality practices. To hep improve DOD's quality assurance program, GAO reviewed world-class commercial organizations to determine what practices they had adopted to more efficiently produce quality products. This report describes (1) the problems DOD has had historically in improving quality assurance practices, (2) some private sector practices that could benefit DOD, and (3) a current plan for improving quality assurance activities.

b. Benefits.—GAO believes that achieving the same results as world class companies would require DOD to consider quality assurance as an integral part of the entire acquisition process and diffuse responsibilities accordingly. DOD must encourage the defense industry to use more advanced commercial techniques, such as design manufacturing, statistical process control, and supplier quality programs.

160. "Contingency Operations: Defense Department's Reported Costs Contain Significant Inaccuracies," May 1996, GAO/NSIAD–96–115.

a. Summary.—Since fiscal year 1992, the Pentagon has reported more than $7 billion in incremental costs for its participation in contingency operations, ranging from peacekeeping missions in Haiti and the former Yugoslavia to deployments to the Middle East during the Persian Gulf War. Accurate reporting of these costs is crucial to effective congressional oversight of appropriated funds. GAO found inaccuracies in the Defense Department's (DOD) costs for contingency operations, representing about 7 percent of the $4.1 billion in costs reported in fiscal years 1994 and 1995. In GAO's judgement, this variance in reported costs is indicative of a material weakness in the accounting systems. DOD guidance on reporting incremental costs is vague and incomplete, and weaknesses plague DOD's accounting system.

b. Benefits.—In February 1995, DOD added a chapter on contingency operations to its financial management regulations to include guidance for developing and reporting incremental costs. Neither DOD nor the resulting service guidance provides instruction on which costs to include, how to calculate them, or how to apply generally accepted internal control standards to test the accuracy and reliability of the reported costs. The incremental cost data is developed using financial management systems that DOD has reported as a high-risk area within its Federal Managers' Financial Integrity Act Statement of Assurance. DOD is taking steps to improve its incremental cost reporting, but problems remain.

161. "Ammunition Industrial Base: Information on the Defense Department's Assessment of Requirements," May 1996, GAO/NSIAD–96–133.

a. Summary.—This report reviews the production facilities available to support the military's ammunition requirements and the status of the ammunition stockpile. GAO focuses on the Defense Department's assessment of the industrial base's ability to supply ammunition to meet requirements for peacetime and two major regional conflicts and to replenish ammunition stockpile following those conflicts.

b. Benefits.—According to DOD, the ammunition stockpile, which is to meet peacetime needs and support two major regional conflicts, has no major shortages due to the industrial base. However, there is no longer a requirement to surge the industrial base during conflicts. In addition, the most lethal, up-to-date, "preferred" munitions will be at a premium; some requisitions will be filled with older "substitute" ammunition items, but these items are considered adequate by DOD to defeat the threat that U.S. forces are expected to encounter.

162. "Defense Department Dependents Schools: Cost Issues Associated with the Special Education Program," May 1996, GAO/HEHS–96–77.

a. Summary.—Congress created the Department of Defense (DOD) Dependents Schools in 1978 to provide a free public education for dependents of military personnel serving abroad. DOD Dependents School are required to provide special education to all eligible students as required by the Individuals With Disabilities Education Act. Members of Congress have raised concern that DOD Dependents Schools are spending excessive amounts to educate special education students who live in areas overseas that lack a school that can meet their needs. This report discusses (1) the amount of money the schools spend on their special education programs, (2) the number of special education students who live in areas lacking a DOD Dependents School with the resources to meet the students' needs and the cost to meet their needs another way, and (3) the number of special education students who are sent to schools outside the DOD Dependents School system because no DOD Dependents School is nearby to meet their needs and the cost to do so.

b. Benefits.—DOD Dependents Schools do not track and report information on the additional costs it incurs to (1) acquire services for special education students whose needs cannot be met by DODDS schools in locations where their sponsors have been placed or (2) send special education students to non-DODDS schools to meet their needs. District office special education staff estimated that DODDS had incurred additional annual per student costs that ranged from several hundred dollars for evaluation and monitoring to $60,000 when teachers had to be flown in to one DODDS school thought the school year to provide services. DOD's lack of adherence to its policies for screening and placing dependents with special education needs, as well as its management of the special education program are two factors in which effectiveness should be greatly improved to reduce program costs.

163. "Defense Depot Maintenance: More Comprehensive and Consistent Workload Data Needed for Decisionmakers," May 1996, GAO/NSIAD–96–166.

a. Summary.—The National Defense Authorization Act for Fiscal Year 1996 requires GAO to analyze the Defense Department's (DOD) report entitled "Depot Maintenance and Repair Workload," which was submitted to Congress in April 1996. GAO focuses on DOD's analysis of (1) the need for and effect of the 60/40 legislative requirement concerning the allocation of depot maintenance workloads between the public and private sectors, (2) historical public and private sector depot maintenance workload allocations, and (3) projected public and private depot maintenance workload allocations.

b. Benefits.—This report found that DOD generally complied with the section 311 requirements regarding workload data, except that it did not provide direct labor hour data as required by Congress. GAO's analysis of DOD's workload report shows that the use of more comprehensive and consistent data would provide Congress and DOD decisionmakers a more accurate picture of historical and future projections of depot maintenance workload allocations between the public and private sectors.

164. "Defense Depot Maintenance: DOD's Policy Report Leaves Future Role of Depot System Uncertain," May 1996, GAO/NSIAD–96–165.

a. Summary.—The National Defense Authorization Act for Fiscal Year 1996 requires GAO to analyze the Defense Department's (DOD) report entitled "Policy Regarding Performance of Depot-Level Maintenance and Repair," which was submitted to Congress in April 1996. GAO focuses on (1) the likely future role of the defense depots, (2) the adequacy of the depot maintenance policy's content, and (3) the inconsistency of DOD's policy with current statutes and congressional direction on the use of public-private competitions.

b. Benefits.—GAO found that the DOD depot maintenance policy report calls for a clear shift to a greater reliance on private sector maintenance capabilities than exists today. But, the policy is vague or provides wide implementation latitude in a number of key areas, leading to questions as to what the practical effects it could have once implemented. In addition, the policy is inconsistent with congressional direction calling for competition between private-public entities for noncore work.

165. "NATO Enlargement: NATO and U.S. Actions Taken to Facilitate Enlargement," May 1996, GAO/NSIAD–96–92.

a. Summary.—In January 1994, the North American Treaty Organization (NATO) committed itself to expanding its membership to include the newly democratic states of the former Communist bloc. According to the State Department, the United States has been the driving force behind NATO's enlargement. This report discusses (1) actions taken or planned to enlarge NATO, (2) the extent of current and planned U.S. bilateral assistance programs to enhance the military operations and capabilities of aspiring NATO

members, and (3) the potential costs of enlargement to NATO and the new members.

b. Benefits.—The United States has five bilateral assistance programs that help to improve the operational capabilities of potential NATO members an other countries of Central and Eastern Europe and the Newly Independent States. In fiscal year 1995, the United States provided about $54 million in bilateral assistance to Partnership for Peace (PFP) member states through these five programs; and in 1996, the United States will provide about $125 million. Although the total cost of NATO enlargement is unknown, increased membership will place new financial burdens on NATO's commonly funded infrastructure programs and on the new members themselves.

166. "Air Force Aircraft: Consolidating Fighter Squadrons Could Reduce Costs," May 1996, GAO/NSIAD–96–82.

a. Summary.—The Air Force decided in 1992 to reconfigure its fighter force into smaller squadrons. This decision was made at a time when the Defense Department was seeking to reduce military operating and infrastructure costs. GAO found that the organizational structure of the Air Force's fighter force is not cost-effective. By operating F–15's and F–16's in smaller squadrons, the Air Force boosts the number of squadrons above the number that would have been used in the traditional 24-aircraft configuration. This reconfiguration has increased operating costs and slowed reductions in infrastructure costs. Although the Air Force considers smaller fighter squadrons to be beneficial, it has not undertaken any studies to support its decision. The Air Force's arguments for using smaller squadrons do not justify the additional expense. GAO evaluated a range of options for consolidating squadrons that could cut operating costs by as much as $745 million during fiscal years 1997–2002. In addition, consolidating squadrons could result in base closures, reducing infrastructure costs by about $50 million per base closure per year.

b. Benefits.—The Air Force cited increased deployment flexibility and reduced span of control as the primary benefits for having smaller fighter squadrons. However, the Air Force has not demonstrated that these benefits are compelling. Moreover, the Air Force has neither documented instances of problems with deployment flexibility and span of control nor conducted studies that support its decision to use smaller squadrons.

167. "Tactical Intelligence: Accelerated Joint STARS Ground Station Acquisition Strategy is Risky," May 1996, GAO/NSIAD–96–71.

a. Summary.—The Army and the Air Force are jointly developing the Joint Surveillance Target Attack Radar System (Joint STARS), which is designed to locate and track wheeled and track vehicles beyond the ground line of sight during either day or night and under most weather conditions. The Army is responsible for the development, test, production, and fielding of Joint STARS ground station modules. GAO found that the Army's strategy to accelerate production of the Common Ground Station—the next version of the ground station modules—unnecessarily risks millions of dollars on

an unproved system. GAO believes that buying more systems than are needed for operational testing and evaluation significantly raises the risks of procuring a costly and ineffective system. The Army has accelerated the program and moved the first fielding date for the Common Ground Station from fiscal year 2002 to fiscal year 1998. However, the Army lacks analyses showing an urgent need to field the added capabilities of the Common Ground Station 4 years earlier than planned or showing that the expected benefits of accelerated procurement, prior to successful completion of operational testing and evaluation, outweigh the risks.

b. Benefits.—DOD believes that the Army's acquisition strategy espouses prudent risks. The risks of systems starting production before operational tests include reliability that is significantly less than expectations, systems that cannot meet current specifications, systems that are never fielded and/or retired after fielding because of poor performance, and systems that require significant and expensive post-fielding repairs for faults identified during operational test and evaluation.

168. "Passports and Visas: Status of Efforts to Reduce Fraud," May 1996, GAO/NSIAD–96–99.

a. Summary.—Technical problems and the failure of overseas consular staff to comply with internal management controls have hampered State Department effort to modernize its visa and passport operations and make them less vulnerable to fraud. After initial delays, State has made steady progress in installing its machine-readable system—the primary initiative for eliminating visa fraud—and provided all visa-issuing posts with automated access to its global data base containing the names of persons ineligible for visas. State's modernization program to reduce passport fraud is behind schedule. State originally planned to install a new wide-area network, develop a system to print a digitalized passport photograph, and install a system to verify the multiply issuance of passport by December 1995. However, only the installation of the wide-area network, upon which the other two projects depend, has been completed. Full implementation also depends on modernizing the passport production system, which according to State depends on funding availability.

b. Benefits.—Operational problems have diminished the effectiveness of efforts to overcome the material weaknesses in visa and passport processing. These problems include (1) technical problems that have limited the availability and usefulness of the visa improvements, (2) limited usefulness of embassy lookout committees because of the reluctance of some agencies to share information and the lack of representation of key agencies, and (3) lack of compliance with management control procedures designed to decrease the vulnerability of consular operations to fraud.

169. "U.S. Combat Air Power: Reassessing Plans to Modernize Interdiction Capabilities Could Save Billions," May 1996, GAO/NSIAD–96–72.

a. Summary.—In view of continuing concerns over future defense spending and the military's services' ample ability to intercept enemy missiles and aircraft, GAO questions the Pentagon's deci-

sion to upgrade warplanes and other weapons systems at a cost of more than $200 billion during the next 20 years. GAO recommends that the Defense Department routinely review modernization proposals according to how they will enhance the overall ability of the U.S. military to intercept enemy targets. Proposals that add redundancy, such as the B–1B and Apache modifications and the purchase of F/A–18E/F's, attack helicopters, and precision-guided missiles, should be examined in the context of the additional interdiction capability they offer. This analysis could serve as the basis for deciding funding priorities, the sufficiency of investment, and the future force structure.

b. Benefits.—GAO finds that the services have proposed upgrades or new weapons that offer little additional interdiction capability. DOD has not assessed interdiction modernization proposals in terms of adequacy of aggregate capability, therefore little assurance has been provided that indicate that its interdiction capabilities are properly sized to meet mission needs, or whether more cost-effective alternatives exist.

170. "Satellite Control Capabilities: National Policy Could Help Consolidation and Cost Savings," May 1996, GAO/NSIAD–96–77.

a. Summary.—Satellite control relies on ground antennas to track satellites and collect satellite health and status data by telemetry as well as to command satellites to perform various functions. GAO has been reviewing space programs and activities within the Defense Department and intelligence community. This report discusses the potential for consolidating satellite control functions within the Government.

b. Benefits.—GAO believes that a national satellite control policy that addresses the objective of interoperability and standardization through integration, consolidation, and sharing of the defense, intelligence, and civil space sector's satellite control capabilities is needed. And for these requirements, GAO recommends that the National Science and Technology Council develop an inter-sector space policy, to be included with its revisions of other space policies, that would direct the Nation's satellite control networks.

171. "Defense Management: Information on Selected Aspects of DOD's Jet Fuel Programs," July 1996, GAO/NSIAD–96–188.

a. Summary.—Under its bulk fuel program, the Defense Logistics Agency buys jet fuel from commercial suppliers and transports it via trucks, pipelines, barges, and railroads to military installations for use by military aircraft. The into-plane program involves individual contracts between the Defense Fuel Supply Center and fixed-base operators who provide jet fuel at contractually set prices. These prices are generally less than commercial prices charged at civilian airports. This report discusses (1) the pricing policies, rules, and regulations used for both fuel programs and whether the cost factors used for each are consistent with applicable policies; (2) whether bulk fuel usage and into-plane sales have changed in recent years and GAO's assessment of the reasons for any changes; and (3) the significance and validity of questions and complaints raised by into-plane contractors and the National Air Transpor-

tation Association about the effect on their businesses of Defense Department changes in the pricing of into-plane jet fuel.

b. Benefits.—Defense Business Operations Fund policies governed standard pricing for both the bulk and into-plane jet fuel programs. The standard prices used in each program were based on appropriate cost factors and complied with current DBOF policies. However, while the current policies as applied to the into-plane program meet DBOF's original objective that standard prices recover the total costs of goods and services provided to customers, they do not in the bulk fuel program in which the current standard price is based only on the direct costs incurred by the Defense Fuel Supply Center.

172. "C–17 Aircraft: RM&A Evaluation Less Demanding Than Initially Planned," July 1996, GAO/NSIAD–96–126.

a. Summary.—The Air Force reported that the C–17 transport aircraft met or exceeded 10 of the 11 contract specification requirements during its reliability, maintainability, and availability (RM&A) evaluation. However, the evaluation was less demanding than the one called for in a draft 1992 plan. The reduced rigor stemmed primarily from changes in the number of aircraft sorties, average sortie length, and total flying hours. The evaluation was also less demanding because it had fewer airdrops and landings at small, austere airfields than originally planned and flew cargo loads that were significantly lighter than projected in the contract specifications. In awarding the incentive fee, the Air Force credited the C–17 aircraft with meeting the full mission capable rate goal. During the RM&A evaluation, however, the aircraft was restricted from performing formation personnel airdrop under realistic conditions and was rated not functionally effective for aeromedical evacuation. As a result, the $5.91 million incentive fee was $750,000 higher than justified.

b. Benefits.—The RM&A evaluation was not a statistically valid test for determining C–17 wartime utilization rates and did not prove what a mature C–17 fleet would do during 45 days of wartime surge operations. It simply demonstrated that a high utilization rate could be achieved during a 48-hour period.

173. "Ballistic Missile Defense: Issues Concerning Acquisition of THAAD Prototype System," July 1996, GAO/NSIAD–96–136.

a. Summary.—The Ballistic Missile Defense Organization and the Army plan to acquire a Theater High Altitude Area Defense (THAAD) User Operational Evaluation System—an early prototype version of the final THAAD system. The Army now plans to buy 40 interceptors well before testing ensures the User Operational Evaluation System's capabilities, even though the THAAD program has already experienced significant cost, schedule, and technical performance problems. As a result, the Defense Department risks acquiring system that might not be worth deploying in an emergency.

b. Benefits.—GAO found that (1) the contractor's cost estimate for the interceptors has more than doubled since 1992 and is likely to increase further and (2) test schedule slippage, increase delivery lead times, and funding limitations have delayed the availability of

the interceptors by about 2 years. Furthermore, airborne deployment of the Use Operational Evaluation System may be difficult because it must compete with other military hardware for scarce airlift resources.

174. "Space Station: Cost Control Difficulties Continue," July 1996, GAO/NSIAD–96–135.

a. Summary.—The international space station, a joint venture involving NASA, Japan, Canada, the European Space Agency, and Russia, will be a permanently orbiting laboratory used to conduct scientific research under weightless conditions. NASA estimates its share of the costs to build the space station at $17.4 billion. The space station is now scheduled to be completed by 2002. As of April 1996, the prime contract for the space station was nearly $90 million over cost and about $88 million behind schedule. Overall, the prime contract is 45-percent complete and these variances are within planned funding levels. NASA has tried to ensure that the prime development contractors and its major subcontractors implement effective performance measurement systems for managing their contractors, but a complete performance measurement system is still not in place. Also, NASA has made slower progress implementing effective performance measurement systems on its contractors for developing ground-based and on-orbit capabilities for using and operating the space station.

b. Benefits.—Many cost threats remain, and financial reserves needed for unexpected contingencies remain limited during the next several years. If available resources prove inadequate, program managers either will be forced to exceed the annual funding limitation, or will have to defer or rephrase other activities, potentially delaying the space station's schedule and increasing its overall cost.

175. "Defense Research and Development: Federal Centers' 1993 Compensation in Relation to Federal Levels," July 1996, GAO/NSIAD–96–140.

a. Summary.—This report provides information on the professional staff, managers, and executives of the Defense Department's federally funded research and development centers. GAO reviews fiscal year 1993 costs for salaries, other cash compensation, and benefits to determine total compensation for the centers and identifies the Federal levels that contained the average compensation paid by the centers to their personnel.

b. Benefits.—GAO determined that the average compensation for all fiscal year 1993 federally funded research and development centers employees, including average base salaries, benefits, and total compensation, was $89,000. The average base salary for all study employees was $73,000 with individual averages ranging from $67,000 for the Center of Naval Analyses to $81,000 for the RAND Corp.

176. "Chemical Weapons Stockpile: Emergency Preparedness in Alabama is Hampered by Management Weaknesses," July 1996, GAO/NSIAD–96–150.

a. Summary.—Eight years after the inception of the Army's Chemical Stockpile Emergency Preparedness Program, communities near the Anniston Army Depot in Alabama are not prepared to respond to a chemical stockpile emergency because they lack critical items, including communication warning systems and protective equipment for emergency workers. Alabama and six counties have yet to spend $30.5 million—about two-thirds of the $46 million earmarked for improvements in emergency preparedness. This lack of progress is the result of management weaknesses at the Federal level and inadequate action by State and local agencies.

b. Benefits.—GAO has found that local communities near the eight chemical weapons storage sites in the United States are not fully prepared to respond to a chemical emergency, financial management is weak, and costs are mounting.

177. "Haiti: U.S. Assistance for the Electoral Process," July 1996, GAO/NSIAD–86–147.

a. Summary.—This report reviews United States efforts to foster democratic elections and greater respect for human rights in Haiti. GAO discusses (1) how the elections in Haiti were conducted, (2) the nature and extent of United States support for these elections, and (3) whether election assistance funds for Haiti were properly controlled and spent. GAO also assesses Haiti's progress in investigating allegations of politically motivated killings.

b. Benefits.—GAO observed that the elections were generally peaceful, citizens were free to vote, organized fraud was not evident, and technical irregularities did not affect the outcome of the election, although several incidents of violence and intimidation, and uncertainty did arise over President Aristide's intentions to step aside to his successor, Rene Preval. In support of the Haitian elections, the United States spent about $18.8 million used for financial and diplomatic support, without which the elections would not have been possible.

178. "NASA Budget: Carryover Balances in Selected Programs," July 1996, GAO/NSIAD–96–206.

a. Summary.—In response to concerns raised in an oversight hearing, GAO reviewed the extent of carryover balances for the Mission to Planet Earth and other NASA programs. Carryover balances consist of unobligated funds and uncosted obligations. Unobligated balances represent the portion of its budget authority that NASA has not obligated. Uncosted obligations represent the portion of its authority that NASA has obligated for goods and services but for which it has not yet incurred costs. Carryover balances in NASA's Human Space Flight and Science, Aeronautics, and Technology programs totaled $3.6 billion by the end of fiscal year 1995—an amount equal to almost one-third of the budget authority provided for these programs in fiscal year 1995 that will be used to cover costs that will accrue in fiscal year 1996 or beyond. Individual programs carried over varying amounts, ranging from the

equivalent of 1 month to 16 months of fiscal year 1995's new budget authority. The Mission to Planet Earth carried $695 million, or more than 6 months, of budget authority into fiscal year 1996.

b. Benefits.—Under NASA's current budget and cost plans, these balances will be reduced in fiscal years 1996 and 1997, but the actual reductions depend on (1) the extent NASA's projected costs match the actual costs incurred and (2) the amount of new budget authority received for fiscal year 1997.

179. "Federally Funded R&D Centers: Issues Relating to the Management of DOD–Sponsored Centers," August 1996, GAO/NSIAD–96–112.

a. Summary.—Federally funded research and development centers (FFRDC) were first established during World War II to meet the military's specialized research needs that could not be met by Government workers because of limits placed on salaries and hiring. Today, eight agencies, including the Defense Department (DOD), fund 39 centers that are run by universities, nonprofit groups, and industrial firms under long-term contracts. GAO believes that the following four issues merit attention as Congress and DOD work to resolve concerns regarding the centers: (1) whether DOD limits its centers to performing appropriate work, (2) whether DOD adequately safeguards the objectivity of its centers, (3) whether DOD effectively oversees its centers, and (4) whether DOD adequately considers cost-effective alternatives to using the centers. GAO also discusses recent steps DOD has taken to improve management of the centers.

b. Benefits.—The DOD has recently provided an update on initiatives it was taking to (1) define FFRDC core work appropriate for FFRDSs, (2) establish stringent criteria for the noncore work FFRDC's parent corporations accept, (3) develop guidelines to ensure that management fees are based on need and detailed justification, and (4) establish an independent advisory panel as the Defense Science Board Task Force recommended.

180. "Military Readiness: Data and Trends for April 1995 to March 1996," August 1996, GAO/NSIAD–96–194.

a. Summary.—This updates GAO's March 1996 report on military readiness (GAO/NSIAD–96–111BR) and discusses significant changes. From April 1995 through March 1996, readiness of the 87 military units covered by the earlier report was at levels consistent with service goals in 80 percent of the units. This represents a 12-percent improvement. Readiness reductions were caused mainly by shortages of available personnel, particularly those trained to do highly skilled military jobs. Of the 31 Army and 5 Air Force units GAO reviewed that participated in the Bosnia operation, 5 Army units and 1 Air Force unit reported readiness reductions. The Army units had sent elements of key personnel to Bosnia, thus reducing resources available to the parent units. The Air Force unit has historically suffered from personnel shortages. The Bosnia operation did not affect the readiness of either Navy or Marine Corps units because they were either already in the theater or had planned a forward presence deployment to the area.

b. Benefits.—Most of the Army units GAO reviewed (26 of 31) that had participated in the Bosnia operation remained capable of performing major portions of their wartime missions. The readiness of Air Force and Naval units remained stable or improved.

181. "Environmental Cleanup: Cash Management Practice at Rocky Mountain Arsenal," August 1996, GAO/NSIAD–96–145.

a. Summary.—The Rocky Mountain Arsenal, located on 17,000 acres northeast of Denver, is one of the Defense Department's most contaminated installations. The military manufactured chemical weapons there for decades, and the Army leased part of the arsenal to the Shell Oil Co., which produced herbicides and pesticides. A cost-sharing arrangement between the Army and Shell does not provide for timely or efficient collection of what is expected to exceed $500 million in cleanup costs from Shell. When the Government does not collect receivables in a timely manner, it loses the opportunity to invest these funds until needed. Since the 1989 settlement agreement with Shell, weak cash management practices have cost the Government more than $1 million.

b. Benefits.—GAO noted three weaknesses in cash management practices at the arsenal. First, the Army bills Shell quarterly, rather than monthly, as is the usual business practice. Second, the payment cycle allows 90 days—rather than the 60 days called for in the settlement agreement—to document cost claims, prepare a quarterly statement, and pay the amount due. Third, the Army and Shell exchange payments through the mail rather than electronically, which further delays access to the funds. Of the 10 checks GAO reviewed, 9 including 1 for $12 million, were deposited after the due date.

182. "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency," August 1996, GAO/NSIAD–96–138.

a. Summary.—The National Performance Review recommended in 1993 that agencies increase their use of Government commercial credit cards—called purchase cards—for small purchases to cut the red tape normally associated with Federal procurement. Since then, legislation has eliminated some requirements for purchases of $2,500 or less, called micropurchases. Agencies have found that they can carry out their missions at lower cost by having staff use the purchase cards for simple purchases. Further, agency studies have showed that card use reduces labor and payment-processing costs. In fact, a 1994 interagency study showed that costs had often been cut by more than half; other studies have identified millions in potential savings from card use. Since the cards first became available Governmentwide, their use has skyrocketed. Even so, significant room for growth exists: the average purchase card transaction was $375 in fiscal year 1995, well below the micropurchase threshold. Despite the growth in purchase card use, GAO found no evidence of increased abuses. In fact, the electronic data stored on all purchase card transactions permits close monitoring of card use. Officials at most agencies GAO reviewed believe that the Federal Acquisition Regulation, which governs Federal procurement, should more clearly address card use. Also, although agencies want to

learn from one another's experiences, no mechanism exists for them to communicate with one another and to share their improvements.

b. Benefits.—Agency officials have used the purchase card and the micropurchase authority to move simple purchases from procurement offices to program offices. Several studies have shown that this move reduced the labor and payment processing costs for those purchases by eliminating steps from the procurement process and consolidating bills for many purchases into one payment. GAO found that most agencies that were reviewed indicated that they were trying to improve their card programs by emphasizing card use, reengineering their processes, and increasing their use of automation.

183. "State Department: Options for Addressing Possible Budget Reductions," August 1996, GAO/NSIAD–96–124.

a. Summary.—The State Department received appropriations of $2.695 billion for fiscal year 1995 and $2.671 billion for fiscal year 1996 to conduct foreign affairs. Although State has cut its staff and implemented cost reduction measures, it has been reluctant or unable to significantly reduce its overseas presence and the scope of its activities or to significantly change its business practices. Budgetary constraints make it highly unlikely that State will receive a level of funding that would allow it to maintain its current level of activities. The greatest opportunity to reduce costs is by closing, or reducing the size of, overseas posts, which cost about $1.9 billion annually—or nearly 70 percent of State's budget. State maintains diplomatic presence in more than 250 locations overseas, including countries where the United States has limited interests. This structure has not changed significantly since the end of the cold war. State could also reduce support costs by several hundred million dollars by accelerating changes to its business practices. State now spends nearly $1.8 billion on communications, real estate, and other support services for domestic and overseas operations. Prompt disposal of unneeded overseas real estate is just one example of how State could reduce its support costs.

b. Benefits.—In February 1995, the Secretary of State chose not to support reforms that might fundamentally change the Department's mission, organizational structure, and processes. The State Department believes that a substantial downsizing to accommodate potential funding reductions would severely jeopardize its ability to achieve U.S. foreign policy goals. However, GAO believes that State can take steps to reduce its costs, while continuing to protect U.S. interests. In light of potential funding reductions and post cold war realities, State needs to plan for how it can become a smaller, more efficient, and less expensive organization. Development of a downsizing strategy should start with identification of core missions and functions and critical locations and the resources required to support them.

184. "U.S. Combat Air Power: Aging Refueling Aircraft Are Costly to Maintain and Operate," August 1996, GAO/NSIAD–96–160.

a. Summary.—The military's KC–135 tanker fleet used for air refueling is now 30 to 40 years old, and these aircraft are taking

longer and costing more to maintain and operate. Moreover, the Air Force could spend more than $6 billion on modifications and structural repairs to keep the KC–135 fleet operational. Despite increasing demands on the tanker fleet, the Air Force has deferred a replacement program and is relying on reserve personnel to relieve pressure on active duty tanker crews. The reserve forces have been able to assume more of the tanker workload because many crew members have volunteered extra time, thus exceeding the reserves' legal training requirement of 38 days per year. In fact, many have served more than 100 days a year in training and flying sorties.

b. Benefits.—GAO found that KC–135 tankers are the oldest aircraft the services operate and are becoming more expensive to operate because they require more maintenance, reducing the number or aircraft available for operations. The Air Force could spend over $6 billion for a variety of modifications and structural repairs to improve the reliability, maintainability, and capability of its DC–135's. GAO proposes that a dual-use replacement aircraft could fulfill both airlift and air refueling missions.

185. "Electronic Warfare: Navy's New Radar Warning Receiver Needs More Testing," June 1996, GAO/NSIAD–96–68.

a. Summary.—The Navy plans to begin low-rate production of new radar warning receivers despite serious flaws in two earlier versions and performance problems that surfaced during testing of the latest version. The receivers developed under the ALR–67(V)3 radar receiver program are designed to sense the signals from hostile radars, provide an audio warning to the pilot, and display the warning information on a video screen in the cockpit. GAO concludes that the Navy risks acquiring a deficient system that may require expensive changes if the receivers are to effectively alert pilots to radar-controlled enemy weapons.

b. Benefits.—GAO recommends that the Secretary of Defense require that the ALR–67(V)3 complete both phases of operational testing to determine its effectiveness and suitability, and that the deficiencies identified during developmental testing be resolved before committing to low-rate production in order to minimize the risk of procuring another deficient radar warning receiver.

186. "Weapons Acquisition: Warranty Law Should Be Repealed," June 1996, GAO/NSIAD–96–88.

a. Summary.—Requiring the use of warranties in weapon system acquisitions is impractical and provides the Government with few benefits. GAO estimates that the military spends about $271 million each year on weapon system warranties, which return only about 5 cents for every $1 spent. Congress expected warranties to improve weapon system reliability by providing a mechanism to hold contractors liable for poor performance. In practice, however, warranties have proved an expensive way for the Defense Department to resolve product failures with contractors. The Government has traditionally self-insured because its large resources make protection against catastrophic loss unnecessary. Further, it is often the sole buyer for a product and cannot share the insurance costs with other buyers. Because a contractor cannot allocate the cost of insuring against the risk of failure among multiple buyers, Defense

Department ends up bearing the entire estimated cost. Moreover, Defense Department program officials said that warranties do not motivate contractors to improve the quality of their products. GAO believes that the warranty law should be repealed and the decision to obtain a warranty should be left to the program manager.

b. Benefits.—Based on GAO reviews, the Defense Department's (DOD) costs for warranties have greatly exceeded any financial return it has received. For contracts on which DOD could provide both price and claim data, GAO estimated that DOD received about $1 in direct benefit for every $19 paid to a contractor for a warranty. Although warranties provide unquantifiable benefits such a prepaid maintenance support and a mechanism for resolving product performance disputes, some military officials claim that repairs were not performed quickly and that contractors routinely contested warranty claims.

187. "Environmental Compliance: Continued Need for Guidance in Programming Defense Construction Projects," June 1996, GAO/NSIAD–96–134.

a. Summary.—Since GAO last reported on this subject in 1993 (GAO/NSIAD–94–22), the military services have tried to improve the manner in which they program and prioritize environmental compliance construction projects. However, Defense Department (DOD) policy still does not specify how the military services should report costs for environmental compliance construction projects and how they should decide which appropriation account should provide the funds. Consequently, the military services and the Defense Logistics Agency continue to differ in how they classify and prioritize projects and how they determine their source of funding. These inconsistencies and lack of guidance inhibit congressional oversight and DOD program management. DOD's estimates for fiscal year 1997 environmental compliance construction requirements fell from $257 million in February 1995 to $84 million in April 1996. Because of the lack of a uniform approach to categorizing these projects, GAO cannot determine the precise reasons for this drop in funding.

b. Benefits.—GAO found the following service initiatives being taken: the Army is moving toward more centralization in the management of its military construction priorities to promote oversight of construction-related environmental issues on an Army-wide basis; the Air Force now requires its commands to prioritize and consolidate environmental compliance construction projects with other military construction projects; and the Marine Corps is updating its environmental compliance and tracking system to more easily identify environmental compliance and other environmental projects, and the Navy created a single-source headquarters sponsor for construction projects.

188. "NASA Personnel: Challenges to Achieving Workforce Reductions," August 1996, GAO/NSIAD–96–176.

a. Summary.—By the end of fiscal year 1996, NASA will be about halfway to its goal of reducing its workforce from 25,000 full-time-equivalent employees to about 17,500. NASA's success is due mainly to the use of buyouts to encourage employees to voluntarily

resign or retire from the Government. About two-thirds of the 4,000 people who left NASA in 1994 and 1995 took buyouts. Voluntary attrition should meet NASA's downsizing goals through fiscal year 1998, but the agency doubts whether attrition would provide sufficient personnel losses by fiscal year 1999. Thus, NASA intends to start planning for a reduction-in-force during fiscal year 1998 if not enough NASA employees are retiring or resigning voluntarily. NASA's ability to reach its goal of 17,500 employees is subject to major uncertainties, including the shifting of program management from headquarters to field centers and the award of a single prime contract for managing the space shuttle at Kennedy Space Center. Because of questions about NASA's ability to achieve major personnel reductions to meet likely future budgets, Congress may want to consider requiring NASA to submit a workforce-restructuring plan for achieving its fiscal year 2000 goal.

b. Benefits.—NASA recently requested buyout authority from Congress. GAO reports that savings from buyouts generally exceed those from reductions-in-force and that savings from downsizing largely depend, among other things, on whether the workforce restructuring has been effectively planned.

189. "Defense Infrastructure: Budget Estimates for 1996–2001 Offer Little Savings for Modernizations," April 1996, GAO/NSIAD–96–131.

a. Summary.—The Pentagon is counting on large savings from streamlining infrastructure to pay for new weapons systems, but GAO found that substantial net savings from infrastructure improvements, such as base closures and military purchasing reforms, are unlikely during the next 5 years. In defining "infrastructure," the Defense Department (DOD) has excluded most intelligence; space; and command, control and communications programs. These programs will cost about $25 billion in fiscal year 1996. If DOD's objective is to examine all possible infrastructure for savings, it should include these programs. Moreover, some infrastructure costs are hidden in accounts that are supposedly devoted to operations and maintenance and to quality-of-life programs for military personnel. Unless the Pentagon is willing to consider these areas, military overhead will likely remain relatively constant—at 60 percent of DOD's budget—through 2001. This report identifies options to consolidate and reengineer infrastructure that would yield savings of nearly $12 billion in future years.

b. Benefits.—This report offers 13 options of estimated budgetary savings totaling $11.8 billion from fiscal years 1997–2001. These options include discontinuing the National Guard youth programs, collocating and closing recruiting facilities, reassessing defense conversion spending, consolidating Air Force fighter squadrons, reducing the size of DOD's transportation infrastructure, establishing copayments for care in military hospitals, capping funding for the Civil Air Patrol, and reducing the size of DOD's finance and accounting infrastructure.

190. "M1 Tanks: Status of Proposed Overhaul Program," April 1996, GAO/NSIAD–96–100.

a. Summary.—Concerns have been raised in Congress about the absence of a procurement program to modernize the M1 tank fleet beyond the current upgrade of existing tanks and to counter new tank threats. This report discusses whether the (1) current readiness level of the M1 tank is adequate to meet its war-fighting requirements, (2) operating condition of the tanks at the National Training Center is adequate to meet training requirements, and (3) change in repair parts funding harmed unit maintenance. GAO also reports on the status of the Army's proposed M1 tank overhaul program.

b. Benefits.—Some Army officials have proposed an M1 overhaul program, at a cost of $559,000 a tank, because they were concerned that latent deficiencies that do not show up during routing readiness inspections could show up during wartime and affect the tanks' performance. These officials believe that the overhaul program would not only increase availability, reliability, and fightability of the M1 tank fleet but would also protect industrial base core capabilities that would be needed in time of conflict.

191. "Military Exports: Offset Demands Continue to Grow," April 1996, GAO/NSIAD–96–65.

a. Summary.—This report examines offset requirements associated with military exports. Offsets are the range of industrial and commercial compensation packages offered to foreign governments and companies as inducements to purchase military goods. They include coproduction, technology transfer, training, investment, marketing assistance, and commodity trading. Since the mid-1980's, U.S. firms have entered into offset agreements valued at more than $84 billion. GAO discusses the (1) ways in which the offset goals and strategies of major buying countries have changed, (2) offset requirements of these countries and the kinds of activities being undertaken to satisfy their requirements, and (3) effects of offsets and the steps that the U.S. Government has taken on this matter. GAO focuses on 10 buying countries from the Middle East, Asia, and Europe.

b. Benefits.—Over the last 10 years, the countries in this GAO study have increased their demands for offsets in order to achieve more substantial economic benefits, begun to emphasize longer term offset projects and commitments to achieve lasting economic benefits, or initiated offset requirements.

192. "DOD Infrastructure: DOD Is Opening Unneeded Finance and Accounting Offices," April 1996, GAO/NSIAD–96–113.

a. Summary.—In a September 1995 report (GAO/NSIAD–96–127), GAO evaluated the Defense Department's (DOD) justification and its cost analysis for consolidating more than 300 defense accounting centers into 5 large existing finance centers and 20 new sites called operating locations. GAO challenged the need for the 20 operating locations because (1) DOD's analysis showed that finance and accounting operations could be consolidated into as few as 6; (2) some planned sites, particularly those located on closed or realigned military bases, would cost $173 million to renovate; and (3)

DOD, in arriving at its decision, had not considered additional operating efficiencies expected from business process reengineering initiatives. DOD generally agreed with GAO's findings. This report raises an issue that, in GAO's view, warrants immediate attention: DOD is opening new finance and accounting centers even though its recent analysis shows that they are not needed.

b. Benefits.—GAO recommends that DOD terminate plans to open the five facilities that Defense Finance and Accounting Service determined are no longer needed to effectively carry out DOD's finance and accounting operations. With the current trend of declining defense budgets, DOD should reconsider how many operating locations are absolutely necessary.

193. "Cambodia: Limited Progress on Free Elections, Human Rights, and Mine Clearing," February 1996, GAO/NSIAD–96–15BR.

a. Summary.—The signing of the Paris Peace Accords in 1991 ended years of devastating civil war and started Cambodia on the road to building a democratic civil society. The United Nations Transitional Authority in Cambodia, established to carry out the accords, supervised the withdrawal of Vietnamese forces from Cambodia, repatriated more than 360,000 refugees, improved human rights conditions, and conducted free and fair national elections in 1993. The authority concluded its mission in late 1993 with the formation of a duly elected Government in Cambodia. This briefing report provides information on Cambodia's progress since 1993. GAO discusses (1) Cambodia's prospects for holding free and fair national elections by 1998; (2) its progress in meeting international human and political rights standards; and (3) its progress in clearing millions of land mines left over from decades of war.

b. Benefits.—Cambodia is having difficulty achieving its objectives to attain both domestic and international support. If it is to gain that support, the Cambodian Government must increase its efforts. The fact that Cambodia is making efforts to hold fair, democratic elections sometime in 1998 demonstrates how far they have come since signing the peace accords in 1991. Although Cambodia still has far to go, with international assistance and support, their goals of holding fair elections and instilling and preserving human rights are attainable. These goals seemed out of reach 10 years ago.

194. "Federal Fugitives: More Timely Entry on National Wanted Person File Is Needed," February 1996, GAO/GGD–96–64.

a. Summary.—As a result of earlier work on interagency coordination in apprehending Federal fugitives, GAO noted that many entries in the FBI's National Crime Information Centers' (NCIC) wanted persons file had been made long after arrest warrants had been issued. This was contrary to the policies of the agencies that had made the entries and the widespread view that the timely use of the file aids in the apprehension of fugitives and reduces risk to law enforcement personnel and the public. GAO did a follow-up review of the entries made in the wanted person file and found that the FBI; the U.S. Marshals Service; the Bureau of Alcohol, Tobacco, and Firearms (ATF); and the Customs Service had entered many

fugitives in the file long after their arrests had been authorized. In response to GAO's finding, the FBI, ATF, and the Customs Service did their own reviews and discovered similar entry time problems. GAO concludes that NCIC and its participating agencies need clear, written policies that call for and define "immediate entry" and set forth any exceptions. Moreover, agencies should periodically monitor entry times and reasons for delays and communicate problems and suggest actions to their field offices. Although GAO did not review entry times for all law enforcement agencies in the Justice and Treasury Departments, GAO believes that the same reasons for timely entry generally would apply to these agencies.

b. Benefits.—GAO's investigation and subsequent report to the Attorney General and the Secretary of the Treasury alerted them to a problem which jeopardized public safety. The report allowed them to address the problem. A consensus seems to be coming together among agencies reviewed that immediate entry means within 24 hours. Agencies are working to get the 24-hour threshold into written policy. Adherence to the policies could be better ensured if the agencies periodically monitored and reviewed entry times and reasons for delays, and communicated problems and suggested actions to their respective field offices.

195. "Navy Aviations: AV–8B Harrier Remanufacture Strategy is Not the Most Cost-Effective Option," February 1996, GAO/NSIAD–96–49.

a. Summary.—The Navy could save millions per aircraft by buying new AV–8B Harrier fighters equipped with night attack and radar capabilities instead of disassembling and retrofitting older Harriers with the desired technology. The Navy estimates that each remanufactured AV–8B aircraft could cost as much as $29.5 million. Such aircraft are made up largely of used and refurbished components. GAO calculates that the Marines can buy new radar model AV–8Bs for about $23.6 million per aircraft. Because the program is conducted under an annual contract, the Navy can change its procurement strategy and begin immediate negotiations to buy new radar models rather than continuing to rebuild the aircraft. The first aircraft rebuilt at the Naval Aviation Depot in Cherry Point, NC, took almost twice as long to disassemble as planned. Delays have also arisen from the inability of McDonnell Douglas and depot vendors to provide components promptly. In addition, the radars to be used in the Harriers are not going to be available as originally planned.

b. Benefits.—This report helped the subcommittee understand one area that the Navy needs to improve its procurement practices in. It would be more cost-effective to buy new radar AV–8B aircraft, instead of modifying the day attack AV–8B, and GAO recommended that Congress direct the Secretary of the Navy to develop a current cost estimate for producing new radar model aircraft, and take advantage of the savings available through multiyear procurement.

196. "Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified," April 1996, GAO/NSIAD–96–67.

a. Summary.—Savings from military base closures and realignments should be substantial. The Pentagon's accounting systems, however, do not provide Congress with an accurate picture of actual savings. The Defense Department (DOD) is counting on significant savings to pay for a host of initiatives—from force modernization to child care support. DOD will have difficulty funding these programs should the savings fall short of expectations. This report examines cost and savings estimates for past base closures and realignments. GAO discusses (1) the extent to which the DOD is achieving actual savings from the base closures and realignments and (2) the adequacy of DOD's process for developing the cost and savings estimates reported in its annual budget submissions.

b. Benefits.—DOD indicated that the inconsistencies in its budget savings estimates we cited were the result of an attempt to give the services reporting flexibility. DOD recognized that cost estimates in BRAC budget submissions do not include some costs that were paid from other DOD accounts or from non-DOD appropriations. DOD agreed that the BRAC budget submissions should include an advisory statement that economic assistance and non-DOD costs are not included. DOD also showed interest in considering including a brief statement that the BRAC budget submissions are based on the initial cost and savings estimates, which are subsequently refined through the use of site surveys. GAO provided an alternative estimate of savings for the base closure program to insure the DOD has the best budgeting information available.

197. "Defense Contractor Restructuring: First Application of Cost and Savings Regulations," April 1996, GAO/NSIAD–96–80.

a. Summary.—The National Defense Authorization Act for Fiscal Year 1995 restricts Defense Department (DOD) payments to contractors for costs associated with business combinations. Specifically, the law prohibits payment of restructuring costs, such as those associated with closing facilities and eliminating jobs, until a senior DOD official certifies that projected savings from the restructuring are based on audited data and should reduce DOD's overall costs. This report discusses whether the certification process (1) was carried out in accordance with the interim regulations and (2) reduced DOD's contract prices. GAO focuses on the United Defense, Limited Partnership business combination of FMC Corporations' Defense Systems Group and Hirsch Corporation's Defense Division—two manufacturers of tracked combat vehicle for the Army. This business combination is particularly significant because restructuring at United Defense could be a model for future DOD restructuring efforts.

b. Benefits.—DOD has complied with its draft regulation and demonstrated the efficacy of this program.

198. "Peace Operations: Reservists Have Volunteered When Needed," April 1996, GAO/NSIAD–96–75.

a. Summary.—United States participation in peace operations, such as those in Haiti and the former Yugoslavia, has increased dramatically since the end of the cold war in 1989. At the same time, fewer active duty forces are available today as a result of defense downsizing, and the Defense Department (DOD) depends on the reserves to play a greater role in peace operations. Although authority to order reservists involuntarily to active duty has been available for recent operations in Haiti and Bosnia, DOD will likely have to rely on volunteers to meet some of its future needs. This report discusses (1) whether qualified volunteers have been accessible for recent peace operations, (2) differences among services in how much they rely on volunteers, (3) factors that affect the availability of volunteers, and (4) any steps being taken by DOD to ensure that volunteers are accessible.

b. Benefits.—The problems with future reliance on volunteers lie in budgeting and operations which require greater needs. To date, volunteers have satisfied the DOD's need for reserve forces in peace operations. However, past success in obtaining volunteers may not be indicative of the future. The Air Force has relied most heavily on volunteers and has been considered a model in the DOD because they budget much more for volunteer support expenses than the other services. Availability of funding has been a critical factor in whether reserve volunteers are used to support active component operations. In most cases, the expenses of volunteer support are funded by the active component. The Assistant Secretary of Defense for Reserve Affairs has been working through the DOD budgeting process to obtain more funds for reserve support of the active component.

199. "Army Acquisition: Medium Trucks Passed Key Operational and Technical Tests," January 1996, GAO/NSIAD–96–4.

a. Summary.—Army trucks—part of the family of medium tactical vehicles—passed technical and operational tests, paving the way for the Army's August 1995 decision to approve full-rate production. Following contractor modifications to correct vehicle deficiencies found in earlier testing, the Army conducted (1) a limited follow-on technical test to determine whether the trucks could meet contractual reliability and performance requirements and (2) a full operational test to determine whether it could meet its operation reliability and other mission requirements when operated and maintained by soldiers. The trucks exceeded reliability requirements in both tests and met most performance requirements. However, many of the test vehicles had not been produced on the production line or had been retrofitted to correct past deficiencies. Also, the contractor pretested both the technical and operation test vehicles and corrected deficiencies before delivering them to the Army for testing.

b. Benefits.—DOD noted that the Army plans to perform the comparison tests on both retrofit and new production vehicles to verify that the quality and performance of the vehicles will continue to meet the requirements. GAO believes that these tests will be responsive to their observations on the differences in the Army's and

DOT & E's operational test results, the modifications of test vehicles, and the needed corrections. DOD will save more appropriated funds if it continues to make sure the vehicles are up to specification before they are accepted from the contractor.

200. "Navy Maintenance: Assessment of the Public-Private Competition Program for Aviation Maintenance," January 1996, GAO/NSIAD–96–30.

a. Summary.—GAO reviewed the Navy's plans and procedures for public-private competitions of aviation depot-level maintenance workloads. Various factors limited the amount of past depot-level work available for competitive awards, including time and costs for performing competitions. Although actual savings were difficult to quantify, GAO found that the Navy's competition programs generally reduced operating costs and in many cases streamlined production processes. The Navy ended its aviation maintenance competition program in 1993, and the Defense Department terminated the program in 1994 despite continued congressional support for it. However, as DOD begins to implement recommendations by the Commission on Roles and Missions leading to the possible privatization of most depot maintenance, use of competitive procedures for distribution of workloads between the public and private sectors should prove cost-effective.

b. Benefits.—DOD needs to improve its financial accounting and information systems; however, completion of these improvements should not preclude public-private competitions. GAO believes that development of the Cost Comparability Handbook for preparing bids and the availability of the Defense Contract Audit Agency to review the current cost systems and assure that successful bids include comparable estimates of all direct and indirect costs provide reasonable bases for conducting such competitions. GAO's report shows that as the Navy adapts to the future, it may rely on public-private competition for cost savings.

201. "Foreign Assistance: Controls Over U.S. Funds Provided for the Benefit of the Palestinian Authority," January 1996, GAO/NSIAD–96–18.

a. Summary.—A series of letters allegedly prepared by the Palestinian Authority's Finance Minister and the Director General of the Palestine Economic Council for Development and Reconstruction (PECDAR) indicates that $138 million from unidentified sources was "diverted" in late 1994 to finance several covert transactions. These transactions include purchasing land and building apartments in Jerusalem, funding a Palestinian journal, and providing financial support to groups inside Israel that are sympathetic to the Palestinian cause. In response to congressional concerns that United States assistance may have been involved in these transactions, this report discusses (1) the financial controls established by the World Bank and the U.S. Agency for International Development to monitor use of United States funds provided to the Palestinian Authority, PECDAR, or the Palestine Liberation Organization officials for budget support purposes and (2) what controls the U.S. Agency for International Development established over project funds provided to other United States Gov-

ernment agencies, private contractors, nongovernmental organizations, private voluntary organizations, and the United Nations for the benefit of the Palestinian Authority.

b. Benefits.—GAO determined that all funds were under tight auditing controls and that no funds were directly disbursed to Palestinian Authority, PECDAR, or PLO officials. The auditing controls proved to be adequate in this instance, and included 1) grant and project officer oversight, 2) incremental funding, 3) monthly or quarterly financial status reports, 4) progress reports, and 5) auditing provisions. These auditing provisions call for annual audits of each contractor's overhead rate, contract-specific audits on an as-needed basis, and close-out audits valued in excess of $500,000.

202. "Acquisition Reform: Regulatory Implementation of the Federal Acquisition Streamlining Act of 1994," June 1996, GAO/NSIAD–96–139.

a. Summary.—The Federal Acquisition Streamlining Act of 1994 contained more than 200 sections changing the laws governing how agencies acquire nearly $200 billion worth of goods and services annually. The act sets deadlines for publishing proposed and final implementing regulations, prescribes a minimum 60-day period for public review and comment on proposed regulations, and requires the drafters of such regulations to make every effort to ensure that regulations are concise and understandable. This report (1) determines whether all regulations are necessary to implement the act were published in accordance with the act's requirements and (2) describes the efforts made to make the regulations concise and understandable.

b. Benefits.—Implementation of the Federal Acquisition Streamlining Act utilized a number of training resources and explanatory materials, including: a five-part videotape series on operational uses of new policies and procedures; viewer reference materials; call-in question and answer sessions with drafting team leaders and other procurement expert; and a process-oriented "Guide to Federal Acquisition Regulation Changes."

203. "Wartime Medical Care: Personnel Requirements Still Not Resolved," June 1996, GAO/NSIAD–96–173.

a. Summary.—Since 1994, the Defense Department (DOD) and the military services have produced several estimates of wartime medical personnel requirements. The National Defense Authorization Act of 1996 requires GAO to study the reasonableness of the models each military service uses to determine appropriate wartime medical personnel force levels. DOD recently embarked on, but has yet to complete, another major wartime medical requirements study. This study is expected to modify the data contained in the service models and is intended to produce a unified DOD position on medical requirements. This report addresses the service models' results, their methodologies, and their inclusion of active duty and reserve medical personnel. A separate report will examine DOD's updated wartime medical requirements study and, to the extent needed, address any remaining issues associated with the service models.

b. Benefits.—Although the services used different techniques to determine wartime medical personnel requirements, each of the services considered appropriate factors, such as current defense planning guidance, DOD policies for evacuating patients from the theater, and casualty projections.

204. "Operational Support Airlift: Analysis of Joint Staff Estimate of Military Wartime Requirements," June 1996, GAO/NSIAD–96–157.

a. Summary.—Operational support aircraft are used to meet short notice, generally smaller cargo and passenger requirements that cannot be met by regularly scheduled tactical resupply aircraft. A study by the Joint Chiefs of Staff found that the joint wartime requirement for operational support aircraft is 391 planes, or about 100 less than the fleet in existence at the time of the study. In response to a congressional request that GAO determine if the requirement for 391 aircraft was excessive, this report (1) recalculates the Joint Staff's estimate using the same computerized model and (2) determines how changes in the flight frequency assumptions affected the calculation of aircraft requirements.

b. Benefits.—GAO's calculations of the activity based demand found the need for 385 aircraft, 6 less than the estimate set forth by the Joint Staff.

205. "Defense Ammunition: Significant Problems Left Unattended Will Get Worse," June 1996, GAO/NSIAD–96–129.

a. Summary.—The Defense Department (DOD) has poorly managed its huge stockpile of ammunition—a legacy of the cold war and Operation Desert Storm. Of an $80-billion inventory, an estimated $31 billion worth of conventional ammunition, explosives, and missiles were surplus. Much of this was old and unusable. For some types of ammunition, the military had more than 50 times its stated needs. The massive quantities of ammunition that were returned to the stockpile as a result of closed military bases in Europe and the end of the Persian Gulf War—combined with decreases in budgets, staff, and storage space—have severely taxed the military's ability to manage the ammunition inventory. Managers have difficulty (1) identifying ammunition beyond what is needed for the military's stated requirements, (2) sharing excess ammunition with military services that may need it, and (3) disposing of excess ammunition that it no longer makes sense to retain. In addition, ammunition inspections and tests have fallen so far behind that the military cannot guarantee the usability or readiness of the stockpile.

b. Benefits.—To facilitate implementation of the single manager's plan for storing, maintaining, and disposing of ammunition, GAO recommends that the military services categorize their ammunition, update this information annually, and relinquish control of their excess ammunition to a single Army manager for distribution to other services that have shortages of ammunition or for disposal when it no longer makes sense to retain it.

206. "Navy Mine Warfare: Budget Realignment Can Help Improve Countermine Capabilities," March 1996, GAO/NSIAD–96–104.

a. Summary.—Operation Desert Storm revealed major weaknesses in the Navy's ability to detect and disarm enemy mines. The Navy possessed only limited capability at the time to conduct mine countermeasures at various water depths. In addition, two Navy warships struck Iraqi mines in open waters in the Persian Gulf, causing $21.6 million worth of damage. By contrast, one of the mines was believed to cost $10,000 and the other $1,500. This report examines the steps the Navy is taking to ensure a viable, effective naval force that will be ready to conduct countermeasures in two nearly simultaneous regional wars. GAO evaluates the (1) status of the Navy's research and development projects, (2) readiness of the Navy's on-hand mine countermeasure assets, and (3) match between the Navy's planned and on-hand mine countermeasures assets and its mine countermeasures requirements.

b. Benefits.—The systems and equipment installed on the Navy's ocean-going mine countermeasures ships have experienced reliability problems and parts shortages for several years. As a result, individual ships are not fully capable of performing their mine countermeasures missions, although collectively they may be able to carry out particular missions. The Navy is spending about $1.5 billion to acquire 12 coastal mine hunter ships that were designed specifically to protect United States coastal waters against the Soviet Union but not to travel across the ocean under their own power.

207. "Marine Corps: Improving Amphibious Capability Would Require Larger Share of Budget Than Previously Provided," February 1996, GAO/NSIAD–96–47.

a. Summary.—The Navy and the Marine Corps estimate that it will cost about $58 billion during the next 25 years to modernize the amphibious force, which suffers from reduced vehicle lift capability and other operational limitations. This could be a major challenge for the Navy, which risks a $16 billion gap between its projected shipbuilding budget and the cost estimate to build all ships planned between 2002 and 2005. The Navy and Marine Corps plan to spend a much larger share of their procurement funds to buy upgraded equipment for amphibious operations than has been the case for most of the past 40 years. The Navy and the Marine Corps will need to earmark beyond 2001 a large share of available procurement dollars for amphibious equipment to avoid delays in the modernization effort. Amphibious programs are competing with other major weapons programs, such as the DDG–51 destroyer, the Army's Apache helicopter, and the Air Force's F–22 fighter aircraft.

b. Benefits.—Should Congress decide to support the planned Navy and Marine Corps amphibious programs, three options seem plausible: increase Navy and Marine Corps procurement funding, spend less on other Navy or other services' planned procurement or other parts of the defense budget, or implement some combination of the first two options.

208. "State Department: Actions Needed to Improve Embassy Management," March 1996, GAO/NSIAD–96–1.

a. Summary.—The State Department has not acted on recommendations by GAO and Congress to improve the management of it's overseas posts. GAO suggested that each diplomatic post establish a proactive management improvement program. Although State has taken steps to improve embassy management controls, these initiatives were inconsistently implemented at embassies GAO visited. As a result, long-standing management deficiencies continue to hinder the efficiency and the effectiveness of many embassies' operations. By contrast, three embassies—those in Ankara, Turkey; Dhaka, Bangladesh; and Tunis, Tunisia—have implemented management practices to improve administrative operations. These practices, which include tracking accounts receivables and automating travel vouchers, have strengthened internal controls, improved compliance with regulations, reduced costs, and led to more efficient and effective operations. In addition, these embassies differed from other posts GAO visited because of the active involvement of senior management and the use of existing reporting mechanisms. These management practices could be replicated at other embassies.

b. Benefits.—GAO believes reforms should be introduced in the following areas: (1) controlling personal property; (2) training for U.S. and foreign service national personnel; (3) contracting and procurement practices; (4) poor controls over cashiering functions; (5) medical insurance reimbursements; and (6) senior-level oversight of operations. The subcommittee has learned that the State Department has not established a Congress-endorsed proactive management improvement program, but it has taken some actions to improve embassy management controls. Actions such as providing additional embassy guidance and oversight in safeguarding resources and revising the overseas risk assessment questionnaire—a tool designed for posts to identify management weaknesses.

POSTAL SERVICE SUBCOMMITTEE

1. "D.C. Area Mail Delivery Service: Resolving Labor Relations and Operational Problems to Service Improvement," February 23, 1995. GAO/GGD–95–77.

a. Summary.—At the request of the Treasury, Postal Service and General Government Subcommittee and the Committee on Appropriations, the General Accounting Office reported on mail delivery service in the Washington, DC, metropolitan area. The GAO reported that a number of systemic and operational problems caused poor mail service in the Washington, DC, metropolitan area. First, the Postal Service was unable to deal with the unexpected growth in local mail volume in 1994 which was twice the national average. Second, the Postal Service experienced mail processing problems. The Postal Service has taken a number of actions to address the mail delivery problems including increasing staffing, recombining responsibility for processing and customer service at the operational level, eliminating some duplicative handling of mail in Northern Virginia, and processing mail at an auxiliary postal facility in Southern Maryland. These initiatives should help to improve

service, but substantial, long-term improvement will require that postal management and labor unions work together to address long-standing employee relations problems that are reported to be more severe in Washington, DC, metropolitan area than in most other locations.

b. Benefits.—By continuing to study the mail delivery service in the Washington, DC metropolitan area, this GAO review provides important information to the American people and the Congress that will help foster a full and open debate on the quality of mail service.

2. "Automation Is Taking Longer and Producing Less Than Expected," February 22, 1995, GAO/GGD–95–89BR.

a. Summary.—As a joint request of subcommittee Chairman McHugh and Senator Stevens, the General Accounting Office reported on the U.S. Postal Service's progress in using optical scanning technology to achieve its goals of (1) bar coding virtually all letter mail; (2) automatically sorting mail to individual home and business addresses; and (3) adjusting work methods and employment to achieve workforce reductions. Barcoding of letter mail and automatic sorting of letters to homes and businesses, referred to as "delivery point sequencing," has proven more difficult than the Service expected and is therefore behind schedule. The savings from automation continue to be small compared to overall labor costs and is more difficult to achieve than the Service anticipated.

b. Benefits.—This report provided the Congress information to make informed oversight decisions on the effectiveness of postal automation, a $15 billion effort.

3. "Many Challenges in a Changing Environment," February 23, 1995, GAO/T–GGD–95–93.

a. Summary.—As part of a general oversight hearing before the Subcommittee on the Postal Service, the General Accounting Office assembled data on (1) the key characteristics of the Postal Service of today, and (2) challenges that will face the Service and Congress as they consider how mail service will be provided in the United States in the future. GAO's testimony was based on work they have completed or have underway on Postal labor management relation, customer service, postal revenues, automation, and competition. Service delivery problems and other challenges have increased the calls for basic reforms of the Postal Service. Recent developments include legislation to turn the Postal Service into a publicly owned corporation, and a coalition request to the Postmaster General to suspend the monopoly over third class advertising mail. The Postal Service has suggested that it be given more operational flexibility in several areas.

b. Benefits.—The GAO report highlights key characteristics of the Postal Service and the challenges that will face both the Service and the Congress as they consider how mail service will be provided in the future.

4. "Performing Remote Barcoding In-House Costs More Than Contracting Out," September 13, 1995, GAO/GGD–95–143.

a. Summary.—At Chairman Lightfoot's request, the General Accounting Office compared the direct costs to the U.S. Postal Service of contracting out for remote barcoding services versus having the work done by postal employees. This examination was conducted for a 36-week period, from July 23, 1994, through March 31, 1995. GAO estimated on the basis of Postal Service data, that in-house barcoding of about 2.8 billion images cost about $4.4 million, or 6 percent more than if the images were processed by contractors. This 6 percent cost differential was based on an in-house mix of 89 percent transitional and 11 percent career employee work hours through March 1995.

b. Benefits.—This detailed study of contracting out for remote barcoding helped provide important information to the American people and Congress that will help foster a full and open debate on this decision by the Postal Service.

5. "Postal Ratemaking In Need of Change," November 15, 1995, GAO/GGD–96–8.

a. Summary.—At subcommittee Chairman McHugh's request, the General Accounting Office revisited matters for congressional consideration contained in its March 1992 report to Congress on postal pricing. The report focuses on (1) whether changes in policies concerning volume discounting and demand pricing should still be considered by Congress, (2) the issues surrounding the current ratemaking process, and (3) what proposals for modifying the postal ratemaking process and other changes merit further consideration by Congress. The GAO report finds that changes to the ratemaking provisions of the Postal Reorganization Act of 1970 may be necessary to recognize market realities which have contributed to the reasons why the Postal Service has not been an effective competitor in some markets. These reasons include such factors as price and regulatory constraints. GAO believes that if the Postal Service is to be competitive and is to keep rates lower for most mail classes over the long term, it needs more flexibility in setting postal rates and that postal rates should be based to a greater extent on economic principles that consider volume discounting and demand pricing.

b. Benefits.—By studying the Postal Service's continued viability as a full service provider, this GAO review provides important information to the American people and the Congress on the effectiveness of the current process for setting postal rates.

6. "New Focus on Improving Service Quality and Customer Satisfaction," December 20, 1995, GAO/GGD–96–30.

a. Summary.—As a joint request of subcommittee Chairman McHugh and Representative Gary Condit, the General Accounting Office reported on the Postal Service's efforts to measure, report, and improve customer satisfaction. The report contains recommendations to the Postmaster General to improve the dissemination and use of customer satisfaction and other performance measurement data. Among other recommendations, the report recommends that the Postal Service consult with appropriate congres-

sional oversight committees to determine business and residential customer satisfaction data and what other performance data should be regularly provided to Congress for its use.

b. Benefits.—This report provides the Congress information on ways the Postal Service can improve on all performance measures as part of a new initiative called *Customer Perfect* and how that information can be disseminated to Congress, the public, and within the Postal Service.

7. "Postal Employment and Barcoding," December 15, 1995, GAO/GGD–96–54R.

a. Summary.—At subcommittee Chairman McHugh's request, the General Accounting Office responded to questions raised during the Subcommittee on Postal Service meeting on September 21, 1995. The GAO reported on (1) changes in the Postal Service employment subsequent to the 1992 downsizing decision, and (2) actions taken and planned by the Postal Service to convert remote barcoding sites from contractor to Postal Service operations. To obtain information on changes in Postal Service employment, the GAO interviewed responsible Postal Service headquarters officials, analyzed postal employment statistics, and reviewed related Postal Service documents.

b. Benefits.—This detailed study of workforce growth and the effects of barcoding on Postal employment will help provide important information to the American people and Congress that will help foster a full and open debate on this decision by the Postal Service.

8. "Postal Service: Conditions Leading to Problems in Some Major Purchases," January 18, 1996, GAO/GGD 96–59.

a. Summary.—The GAO reviewed whether changes are needed in the Postal Service's purchasing program, focusing on whether: 1) certain problem purchases were due to some underlying causes that should be addressed through legislation; and 2) the Service should implement additional procedural safeguards to minimize future occurrences of such problems.

b. Benefits.—This report served to focus the attention of postal management upon weaknesses in its contracting and purchases decisions and pointed out the problems encountered during the seven selected procurements. GAO reported that these weaknesses were attributable to Postal officials' poor judgement, circumventions of existing internal controls, and failure to resolve conflicts of interest. In response to this report, the Postal Service has taken action to increase accountability over its purchasing process and to safeguard against such future problems. The Postal Service has also taken steps to improve its ethics program and has established a formal ethics education and training program for contracting officers and personnel. It has also established one purchasing executive with management authority over the three separate purchasing groups.

9. "U.S. Postal Service: A Look at Other Countries' Postal Reform Efforts," January 25, 1996, T–GGD–96–50.

a. Summary.—Many countries have recently reformed or made substantial changes to their postal systems. GAO highlighted these changes for the subcommittee and the Senate Subcommittee on Post Office and Civil Service during a joint hearing on January 25, 1996. The GAO found that while many countries have substantially reformed, privatized, corporatized or commercialized their postal systems, it cautioned the subcommittees to consider any postal reforms in the context of the complexities and unique attributes of the U.S. postal system.

b. Benefits.—The subcommittee benefits and the American people benefit through a systematic review of foreign postal administrations in efforts to improve the Postal Service. GAO testified that most foreign postal systems share the U.S. goal of providing universal service and the use of a government-granted postal monopoly to guarantee this mandate.

10. "U.S. Postal Service: Unresolved Issues in the International Mail Market," March 11, 1996, GAO/GGD–96–51.

a. Summary.—Aware that many countries have recently reformed or made substantial changes to their postal systems and that certain postal issues, such as restricted access to individual mailboxes, are unique to the United States, the subcommittee asked the GAO to review and discuss reform efforts of other countries.

b. Benefits.—This report examined the Service's statutory, current, and planned role in the delivery of international mail. Areas under examination include the existing relationships between the Postal Service, foreign postal administrations and the Universal Postal Union; and whether current postal laws and international agreements may limit the Service's ability to participate internationally. This reports benefits postal customers by allowing the subcommittee to examine the current international mail market to determine the appropriate role the U.S. Postal Service should play in this competitive arena.

11. "U.S. Postal Service: Challenges In Improving Performance and Meeting Competition," March 13, 1996, T–GGD–96–90.

a. Summary.—In conduct of its general oversight authority, the subcommittee invited GAO to evaluate Postal Service performance and its ability to compete in a less regulated market environment. GAO reported that labor-management relations remained strained and that filed grievances were increased by 31 percent from 1993 to 1995. It pointed out that an effort to seek feedback from employees in the form of an employee opinion survey was hurt by one union's claim the results were used improperly during the subsequent labor negotiations. The GAO further found that the Postal Service was losing market share because of the way the Postal Reorganization Act required it to set rates and allocate revenues. GAO testified that the rate-setting requirements reduced Postal Service flexibility in responding to market changes and that the Postal Service must control the cost of its operations to remain competitive as a full-service provider.

b. Benefits.—This report, in the form of testimony, provided the subcommittee with an excellent "snapshot" of challenges to postal competitiveness. It further aided the subcommittee in its effort to develop comprehensive postal reform legislation which would benefit all postal customers.

12. "U.S. Postal Service: Improved Oversight Needed to Protect Privacy of Address Changes," August 13, 1996, GAO/GGD–96–119.

a. Summary.—The Postal Service National Change of Address (NCOA) Program mass disseminates postal customer address change data to 24 licensees who use the data to update proprietary address lists they sell nationwide. To protect the privacy of its customers, the Postal Service imposes restrictions on licensees' use of NCOA information and monitors compliance with these restrictions. However, an unresolved dispute is to what degree the restrictions on licensee's apply to the licensees' clients or contractors. The subcommittee is examining what restrictions the NCOA license agreement imposes regarding the use and release of address information; whether those restrictions are consistent with "privacy" requirements of Federal law; and how Postal Service monitors the licensees' compliance with NCOA license agreements and oversees corrective actions for identified violations.

b. Benefits.—This report provided the subcommittee and others who are concerned about privacy issues with critical information regarding the privacy of individual postal patrons. The GAO determined that the Postal Service has been unable to prevent, detect or correct potential breaches in the licensing agreement and that Postal officials believe the NCOA licensing agreement helps to insure that Federal privacy guarantees are not compromised through the NCOA program. However, GAO expressed concerns regarding the Postal Service failure to express a clear and consistent position regarding the use of NCOA data to create "new-movers" lists and that it has failed to terminate licensees that fail to maintain address-matching software or enforcing the performance standards prescribed in the license agreements. In brief, the Postal Service needs to ensure that the use of NCOA-derived data is limited to the purpose for which it was intended. The subcommittee fully intends to continue to monitor the progress of the Postal Service on this issue as well as other privacy issues in regards to the Postal Service.

13. "Inspectors General: A Comparison of Certain Activities of the Postal IG with Other IGs," September 20, 1996, AIMD–96–150.

a. Summary.—As part of the subcommittee's ongoing review of postal reform issues it requested that the GAO study and report on the functions of the various agency Inspectors General to determine the structural ability of the Postal Service Inspector General to conduct independent audits and investigations. Pursuant to the Inspector General Act Amendments of 1988, the Chief Postal Inspector, while serving as the chief law enforcement officer, also serves in the dual role as the Postal Service Inspector General. The subcommittee viewed this structure as organizationally impaired and

questioned the independence of the Postal Service the Office of Inspector General.

In its review the GAO found that the subcommittee's concerns were valid and stated that the Postal IG was unable to conduct audits of the Postal Service's law enforcement operations in accordance with required auditing standards because, as the Chief Postal Inspector and Inspector General, the position was not organizationally independent. These findings clarified and served as the basis for the amendment providing for the establishment of an independent Office of Inspector General within the Postal Service to Public Law 104–208.

14. "U.S. Postal Service: Revenue Losses From Express Mail Accounts Have Grown," October 24, 1996, GAO/GGD–97–3.

a. Summary.—The subcommittee received allegations that the Postal Service was accepting for shipment Express Mail from business clients with invalid Express Mail Corporate Accounts (EMCA) after reviewing the thousands of invalid EMCA numbers published monthly in the Postal Service's Postal Bulletin. This review was part of the continuing subcommittee efforts to review Postal Service efforts aimed at revenue protection. The subcommittee asked the GAO to review these accounts and the procedures used to govern EMCA acceptance.

The GAO found that some mailers obtained Express Mail services using invalid EMCA numbers and the Postal Service did not collect the postage due or verify EMCA which were later determined to be invalid. GAO recommended that the Postal Service improve on weaknesses in EMCA procedures. Subsequently, postal management has agreed that stronger requirements for opening EMCA need to be implemented and that managers and employees must be held accountable for handling EMCA transactions. The Postal Service plans to automate the invalid account numbers giving acceptance personnel rapid access to invalid account information at post offices.

b. Benefits.—This, and other subcommittee investigations and GAO reports, highlight the need for the Postal Service to emphasize and direct attention to revenue protection. Ratepayers benefit through the effective collection of properly assessed postal rates, thereby helping alleviate the need for further rate increases.

15. "Final-Offer Arbitration as an Alternative Means of Resolving Contract Disputes Between Postal Management and Labor Unions."

a. Summary.—In September 1994, GAO reported that adversarial postal labor-management relations have resulted in reliance on arbitration to settle contract disputes. Both management and unions have expressed dissatisfaction with such a procedure. The subcommittee asked that GAO obtain more information on final-offer arbitration as an alternative to the current procedure. Specifically: What is final-offer arbitration? How and where has final-offer arbitration been used? What do management and labor officials believe has been the impact of final-offer arbitration on their relations?

GAO briefed the subcommittee regarding its informal findings. Specifically, GAO found that final offer arbitration is a specific approach to interest arbitration in which an arbitrator's decision is restricted to the selection of either management's offer or the union's offer. In contrast, the approach used by the Postal Service and its four major postal unions has been conventional interest arbitration, an approach that allows an arbitrator to develop an award decision that may be different from the offers submitted by the Service and the unions.

b. Benefits.—The subcommittee is hopeful this review will indicate ways that Congress can encourage and assist postal management and unions to resolve longstanding labor relations problems. Resolution of these problems benefits postal workers, management and ratepayers by providing a workplace environment free of violence and conducive to gains in worker productivity.

B. OTHER REPORTS AND STATEMENTS

DISTRICT OF COLUMBIA SUBCOMMITTEE

The following District of Columbia Auditor Reports for 1995 have been sent to Congress as mandated by Section 455 of Public Law 93–198:

1. (4/12/95) Review of the District of Columbia Board of Education's Personnel Screening Procedures for New Hires.
2. (04/17/95) Audit of the D.C. Taxicab Commission Assessment Fund—Fiscal Years 1992, 1993, 1994.
3. (06/01/95) FY 1992 Annual Report on Advisory Neighborhood Commissions.
4. (06/08/95) Implementation of the Government Managers Accountability Act of 1995 and the Merit Personnel Law.
5. (06/29/95) FY 1993 Annual Report on Advisory Neighborhood Commissions.
6. (07/10/95) Review of the Agency Fund of the Office of the People's Counsel for Fiscal Year 1994.
7. (07/12/95) Review of the Award and Administration of Parking Ticket Processing and Delinquent Ticket Collection Services Contracts.
8. (07/13/95) Analysis of the Propriety of Lazard Freres Entering Into an Agreement with Merrill Lynch While Serving as the District's Financial Advisor.
9. (07/27/95) Fiscal Year 1994 Annual Report on Advisory Neighborhood Commissions.
10. (08/11/95) Water and Sewer Utility Administration's Participation in the District's Cash Management Pool.
11. (09/05/95) Audit of the District of Columbia Lottery and Charitable Games Control Board for Fiscal Year 1994.
12. (09/20/95) Financial Review of the District of Columbia's Drug Asset Forfeiture Program.
13. (10/20/95) Review of the Public Service Commission Agency Fund for Fiscal Year 1994.
14. (10/24/95) Audit of the District of Columbia's Recycling Program (Revised).
15. (11/07/95) Performance Audit of the Office of Emergency Preparedness.

GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY SUBCOMMITTEE

GENERAL SERVICES ADMINISTRATION

Report to the Congress of the United States—Utilization and Donation of Federal Personal Property—Fiscal Years 1991 and 1992, December 1994.

a. Summary.—This biennial report is required by section 203(o) of the Federal Property Act (Property Act) (40 U.S.C. 484 (o)). It is to present a full and independent evaluation of the programs for donation of Federal surplus personal property. It also contains statistics on excess personal property transferred to Federal agencies which thereupon furnished the items to certain non-Federal organizations. The report is to include such recommendations as GSA determines necessary or desirable.

The instant report makes no recommendations. It states that evaluations and analyses of these programs indicate they are operating as intended by Congress. The report adds, however, that "the proliferation of disposal authorities outside the Property Act is fragmenting both programs causing a loss of oversight and accountability for the transfer of Federal Property." The report speaks, for example, about DOD's Humanitarian Assistance Program. It notes that donation participants and Federal agencies have expressed concern to GSA and Congress that the priority assigned to humanitarian assistance for foreign countries is higher than for meeting domestic needs. Cited property categories are excess clothing, vehicles, and heavy-duty motor equipment, all generated in the continental United States and transferred in substantial quantities for foreign use through the DOD program. The report also discloses swift growth in other transfer programs that adversely impact the donation program, since they involve property at the excess stage before it can be determined surplus. This in effect gives these other transfer programs a priority over the donation program, which involves property at the later surplus stage. In addition, GSA has completed its Federal Operations Review Model (FORM) report on personal property disposal, and the subcommittee will be reviewing this report in detail in the second session of the 104th Congress.

b. Benefits.—The structure of the present donation program was established in 1976 by Public Law 94–519. It consolidated numerous Federal programs for distributing unneeded personal property to State and local organizations. It made GSA, as a single agency, responsible for guiding the partnership with individual State governments. (The current requirement for a biennial report was added in 1988.) The instant report gives a clear picture of the continuing trend toward special legislative deviations outside the Property Act framework that adversely affect the consolidation intended by the 1976 act. The report supplies a solid basis for subcommittee review of the need for further legislative rationalization of this very large but fragmented form of unbudgeted Federal assistance.

EXPLANATORY STATEMENTS

During the first session of the 104th Congress, a total of 12 explanatory statements of proposed negotiated disposal of Federal surplus property were referred to the subcommittee after submission to the full committee pursuant to section 203(e)(6) of the Federal Property and Administrative Services Act of 1949. These properties include the Army Family Housing Site, Orangetown, NY, for $2.0 million; Air Force Plant 78, Box Elder County, UT, for $6.45 million; the Research Triangle Foundation in Research Triangle Park, NC, for other property; the golf course at Fort Benjamin Harrison, Marion County, IN, for $2.4 million; utility systems at Lowry Air Force Base, Denver, CO, for $1.025 million; Youngs Lake Family Housing Site, WA, for $1.6 million; and the Federal Building, Sanford, NC, for $141,000; Seattle Stadium Homesites, Seattle, WA, for $375,000; Chicago O'Hare Air National Guard Base, Chicago, IL, for $100 million; Rickenbacker Air National Guard Base, Columbus, OH, for $600,000; Housing at Myrtle Beach Air Force Base, Myrtle Beach, SC, for $5.05 million; and the electrical distribution system at Myrtle Beach Air Force Base, Myrtle Beach, SC, for $250,000. Of the 12, 3 were transmitted by the Administrator of General Services on behalf of GSA as the disposal agency. The other seven were transmitted by the Secretary of the Army or the Secretary of the Air Force. These were disposals of property determined surplus as a result of recent base closure and realignment legislation which directed GSA to delegate disposal functions under the Federal Property Act to the Secretary of Defense. During the 103d, 102d, and 101st Congresses, the numbers of statements received were 16, 20, and 13, respectively. This contrasts with 45 statements received during the 100th Congress. The decline in the number received results from several factors: (1) Public Law 100–612's raising the dollar threshold for statement submission; (2) the involved screening process for homeless assistance use and the priority of consideration required by section 501 of the Stewart B. McKinney Homeless Assistance Act; (3) the shifting of the approach to real property disposal that has accompanied enactment of the recent base closure and realignment statutes; and (4) special legislative authorizations of individual property transfers, which depart, in whole or in part, from the regular disposal procedures of the Federal Property Act.

According to GSA data, since 1967 through fiscal year 1995, there have been over 1,000 negotiated sales of surplus property to public bodies. These have generated over $846 million in proceeds. The total number of all sales of surplus property since 1967 is 6,587, with an aggregate yield of $1.86 billion. For nearly 50 years, the Committee on Government Reform and Oversight or its predecessors have exercised, by House precedent, legislative and oversight jurisdiction over property management and surplus property disposal. The subcommittee takes seriously the responsibility to provide advance review of explanatory statements in order to monitor compliance with statutory and regulatory provisions.

After thorough review of the statements and supporting documentary, the subcommittee frequently offers comments and recommendations regarding such matters as appraising, negotiating,

and adhering to legal policy requirements. In recent Congresses, the subcommittee has directed comments and recommendations toward assuring, for example, that:

1. GSA's or other disposal agency's negotiations are conducted only with public bodies or such private entities as meet strict statutory criteria and carried out vigorously by the parties at arms length and in the basis of approved valuations. (The Property Act requires that in negotiated disposal the estimated fair market value of the property be obtained.)

2. If, after negotiations leading to a final offer to the Government and before award, special circumstances should cause the property's value to appreciate substantially, GSA does not hesitate to reject the offer and seek further negotiations with the party.

3. The standard 10 percent earnest money deposit is always obtained with the final offer.

4. Any excess profits from resale by the original purchaser are prevented for the standard period of 3 to 5 years.

5. GSA restricts so-called pass-through sales, which are early resales or long-term leases to a developer made by the public body with which GSA has negotiated an otherwise acceptable offer. (Sales to public bodies should involve public-purpose use of the property; otherwise the general statutory policy of disposal by public advertising should be followed.) A local public body should not, of course, be able to channel valuable property directly into private entrepreneurship. (The current GSA policy is set out in its Handbook PBS P 4000.1 CH 4–31. June 29, 1994.)

6. Credit sales are made only on the basis of standard credit terms as provided in the GSA regulations.

7. There is a close scrutiny of negotiations in which part of the consideration to the Government is a valuable nonmonetary benefit, such as parking spaces. Sale should be for cash, credit or cash equivalent.

8. Property under lease to the proposed purchaser is disposed of only when made subject to required audit and payment of lease revenues payable to the Government.

9. Negotiations be conducted only in the presence of authorized representatives.

10. GSA's acquisition of new property by exchanging Federal property under the Property Act or under the Public Buildings Act of 1959 follows precisely the statutory and regulatory criteria which restrict exchanges involving privately owned property. (See further discussion below of a recent example.)

11. The timely notice required by regulations to be given local public agencies for screening purposes is not waived.

12. Interest in available surplus property expressed by a representative of the homeless is recognized consistently with the priority of consideration afforded by section 501 of the Stewart B. McKinney Homeless Assistance Act or, with respect to base closure lands, the Base Closure Community Redevelopment and Homeless Assistance Act of 1994 (Public Law 103–421) (10 U.S.C. 2684 note at "SEC. 2905 (b)(7)").

13. A protective covenant is included the deed to assure that the land will not be used for a structure that the FAA finds would create a hazard to air navigation.

14. GSA's property appraisal data are not divulged to the other party or to the public. (The Freedom of Information Act [5 U.S.C. 552(b)(c)] has been interpreted as sanctioning the withholding of such information.)

15. Appraisals and appraisal reviews follow uniform standards of professional appraisal practice of the Appraisal Standards Board of the Federal Financial Institutions Examination Council.

16. That departures from arms-length and vigorous negotiations are not made through such devices as agreement to use a third-party appraiser or appraisal reviewer as a basis for settling price differences.

During the 104th Congress, one explanatory statement was received involving disposal by property exchange. Exchanges of property are by nature negotiations. As a result of longstanding subcommittee concern about difficulties inherent in disposal by exchange, GSA's regulations have made subcommittee review of such proposed transactions a two-step process that involves a preliminary subcommittee examination (41 CFR 101–47.301–1). Important Federal interest to be served by the transaction may be clear; whereas a clear compliance with the narrow authority supporting exchange may not be ascertainable. Exchanges are even more difficult when the parties seek to exchange lands of equal value so that there be no payment of any cash differential. (GSA does not have authority to pay such a differential.) Appraisal and negotiation difficulties can prolong the transaction for years, as well as complicate eventual subcommittee review of the proposal.

The Defense Base Closure and Realignment Acts of 1988 and 1990 (10 U.S.C. 2687 note) provide that real property and facilities at a closed military installation are subject to the utilization disposal provisions of the Federal Property Act. These provisions also require the Administrator of General Services to delegate his property disposal authority under the Federal Property Act. As a result the subcommittee has now received explanatory statements from the Department of Defense. But amendments to the 1988 and 1990 statutes enacted as part of the National Defense Authorization Act for fiscal year 1994 (section 2903 of Public Law 103–160) have given the Secretary supplemental authority to dispose of base closure property outside the Property Act in cases where severe economic impact on the community resulting from closure justifies a less than fair market value transfer to the recognized local redevelopment authority. In such cases, however the Secretary must furnish an explanation as to why the transfer is not for estimated fair market value and why the transfer could not be made in accordance with the still-effective provisions of the 1988 and 1990 base closure acts which require that the Property Act disposal authority (delegated to the Secretary by GSA) be followed. Accordingly, the opportunity will remain for the review by cognizant, congressional committees of DOD transactions even under the supplemental authority.

C. COMMITTEE PRINTS

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

1. "Deposition Transcripts From the Committee Investigation into the White House Office Travel Matter, Volumes 1, 2, 3, 4, and 5"

In the course of the committee's Travel Office investigation, it became clear that the committee would require the testimony of dozens of witnesses—most of whom were current or former White House staffers or volunteers—to complete its inquiry. A number of prospective witnesses generally were unwilling to be interviewed by committee staff, and most refused to testify under oath. In addition, on more than one occasion, the White House interfered with previously arranged interviews of former administration staffers and insisted on having White House lawyers attend committee depositions.

In order to ensure access to all appropriate witnesses in its White House Travel Office investigation while minimizing the number of hearings required to complete the investigation, it was decided that the committee should seek the authority to depose Travel Office witnesses under oath.

Chairman Clinger submitted H. Res. 369, which was referred to the Committee on Rules, on February 29, 1996. H. Res. 369 provided special authority to the Committee on Government Reform and Oversight to obtain testimony for purposes of investigation and study of the White House Travel Office matter. The bill was limited to provide deposition authority to the Committee on Government Reform and Oversight for its investigation of the Travel Office and related matters. Deposition authority allowed the committee to obtain sworn testimony from witnesses while minimizing the number of hearings needed in order to complete the investigation.

The House approved H. Res. 369 on March 7, 1996. Thereupon, the committee on Government Reform and Oversight notified witnesses it wished to testify under oath before the committee. Depositions commenced in late March 1996. Initially, they were expected to be completed by July 1996, but an additional extension of time was agreed upon to August 1, 1996.

Without deposition authority, it would have been impossible for the committee to schedule and complete more than 70 depositions with witnesses who, in many cases, otherwise would have been uncooperative. Deposition authority allowed the committee to complete its Travel Office investigation as well as an interim draft report on the related FBI files matter with minimal disruption to the committee and the witnesses involved.

POSTAL SERVICE SUBCOMMITTEE

1. "Mail Service in the United States: Exploring Options for Improvement," A Report prepared by Congressional Research Service of the Library of Congress for the Committee on Government Reform and Oversight, December 1995, 95–1105 E.

a. Summary.—This report is an extensive review of the structure, operation and organization of the U.S. Postal Service (USPS)

and was prepared at the request of subcommittee Chairman John McHugh.

In recent years the USPS has come under severe criticism for its service and delivery operations. Furthermore, USPS general labor and overtime costs have far exceeded Service estimates. The Service had anticipated that automation would curb increases in operating costs; however, savings from this effort have fallen short of expectations. The Postal Service has said that it is hampered by constraints in law under which it must operate.

The report discusses the mandate and mission for the Postal Service and questions whether such goals now create a barrier to the Service's attempt to compete in today's complex communications environment. It analyzes the current statutory structure, the Postal Reorganization Act of 1970, under which the Service operates and raises the question whether statutory change is warranted in helping the Postal Service meet the expectations of its customers. The report elaborates on competition in the modern communications industry, and the effective erosion of the postal monopoly by advances in communications technology. It also discusses the impediments the Postal Service faces in its attempts to respond to market developments and to modifying postal rates and services.

b. Benefits.—The report is a comprehensive primer analyzing the scope and effectiveness of the U.S. Postal Service. It provides a reference point in the committee's deliberations to understand the problems of the Service and provide remedial legislation where necessary.

V. Prior Activities of Current or Continuing Interest

DISTRICT OF COLUMBIA SUBCOMMITTEE

The subcommittee will continue areas of interest from the 103d Congress in the following areas:

1. The 104th Congress drew heavily upon the work of its predecessor in producing two pieces of legislation which are H.R. 1345 (Public Law 104–8) and H.R. 2108 (Public Law 104–28) (see Section II.A.4., Legislation). These laws relate respectively to the District's financial condition and the proposed convention center and sports arena.

2. In May 1994, the Committee on the District of Columbia commissioned a GAO study of the District's finances. That report found that the District was "facing both unresolved long-term financial issues and continual short-term financial crises." It warned that the District would run out of cash by fiscal year 1995. The GAO study found the District's budgetary expenditures did not reflect historical and projected trends and found its projections overly optimistic. The 104th Congress found the GAO study particularly helpful as it attempted to ascertain the extent of the District's problem.

3. With regard to the convention center and sports arena, the Committee on the District of Columbia of the 103d Congress commissioned a GAO study that concluded that the District and the Congress needed better cost and benefit projection estimates before commencing this project and urged that a mechanism be found to generate sufficient revenues to cover known expenses. Action was taken on both of these fronts and the revenue source was stipulated in the enacted legislation.

4. The 103d Congress also considered the possible transfer of ownership of St. Elizabeth's Hospital and the District's unfunded pension liability. These remain ongoing concerns. Although the District of Columbia Subcommittee took no action regarding these issues during the first session of the 104th Congress, it intends to revisit them.

HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE

1. Department of Veterans Affairs handling of medical claims by Gulf War veterans.
2. Federal and State child support enforcement program implementation and coordination.
3. HUD takeover of the Chicago Housing Authority and the department's capacity to manage that and other distressed housing authorities.
4. Head Start program.

5. Efforts to combat fraud against Medicare and Medicaid in the home health care industry and in nursing homes.
6. Maximizing the use and efficiency of computers in the Social Security system.
7. FDA drug advertising, promotion and labeling policies.
8. Operation of the Vaccines for Children program.
9. DoL enforcement authority and activities with regard to sweat shops, racketeering and organized crime.
10. HUD management of public housing tenant initiatives.
11. FDA standards for assessment of risk, safety and efficacy of medical devices, including breast and jaw implants.
12. Health Care Finance Administration efforts to control the growth of Medicare and Medicaid expenditures.
13. AIDS funding.
14. Monitoring of emerging infectious diseases by the Centers for Disease Control and Prevention.
15. Health Care Finance Administration's proposed "Medicare Transaction and Information Systems."
16. HUD compliance with statutory deadline to end the use of "welfare hotels" and other unfit transient facilities.
17. Mission and level of coordination between the NLRB, National Mediation Board, the Federal Mediation and Conciliation Service and the Railroad Retirement Board.
18. Social Security Disability Income claims screening for alcohol and drug abuse.
19. FDA regulation of health claims for dietary supplements.
20. Organizational structure of the Equal Employment Opportunities Commission.
21. Review of rural health programs.
22. Status of FDA action on the backlog of food additive petitions.
23. Department of Veterans Affairs/Department of Defense Hospital coordination.
24. Preventing teen pregnancy.
25. DoL management of Multiemployer Welfare Arrangements with regard to health care fraud.
26. Unfunded Mandates Reform Act (Public Law 104–4) compliance.
27. Organizational structure and effectiveness of the Office of Workers Compensation Program.
28. Preemption of State governments by Federal health and safety agencies.
29. Safety of the Nation's blood supply.
30. Department of Education's direct student lending program.
31. Quality of health care provided by the Indian Health Service.
32. Medicare reimbursement for durable medical equipment.
33. National Institute of Health grant allocations process.
34. Ensuring medical records privacy.

NATIONAL ECONOMIC GROWTH, NATURAL RESOURCES, AND REGULATORY AFFAIRS SUBCOMMITTEE

1. Investigation of the White House Database.
2. Implementation of the Small Business Regulatory Enforcement Fairness Act of 1996.

a. Congressional review of Federal agency regulations.

3. Investigation of senior executive travel practices of agencies under the subcommittee's jurisdiction.

4. Regulatory reform—oversight of agency regulations and regulatory practices.

5. Oversight of management and clean up of Superfund sites under the current law.

6. Investigation of Federal agency and Federal grantee abuse of taxpayer-funded grants for lobbying and/or political purposes.

NATIONAL SECURITY, INTERNATIONAL AFFAIRS, AND CRIMINAL JUSTICE SUBCOMMITTEE

1. National drug control strategy source country programs and management.

2. The foreign assistance/drug cooperation certification process.

3. U.S. support of alternative crop production in Peru and Bolivia.

4. Coordination and effectiveness of counterdrug intelligence efforts at all levels of government.

5. Southwest border narcotics interdiction, support and coordination.

6. Maritime narcotics interdiction in the Caribbean.

7. Review of Russia and Newly Independent States' involvement in narcotics transshipment.

8. Examination of the role the Department of Defense plays in counterdrug efforts and how to maximize National Guard assistance.

9. Examination of individual illegal drugs: methamphetamine; cocaine; heroin; marijuana; rohypnol; hallucinogens.

10. Money laundering in support of narco-trafficking.

11. Cooperation and effectiveness of Federal, State and local drug use prevention efforts.

12. Oversight of the Safe & Drug Free School program.

13. Oversight of Federal and non-federal prison drug treatment programs.

14. The decennial census: sampling; adding a multiracial category to census forms; review Census 2000 preparations.

15. The census: continuous measurement costs and benefits.

16. Progress in implementing BRAC closure and consolidations.

17. Review of DOD non-appropriated funds and resale activities.

18. DOD information security procedures and maintenance.

19. Review of DOD Fixed Wing Fleet (B–2, B–52, Fighter Aircraft including Joint Strike Fighter).

20. Waste in DOD inventory management.

21. Examination of readiness levels and adequacy of training funding levels.

22. Review of Posse Comitatus Act: Implications in domestic counterdrug efforts.

23. NASA shuttle privatization and safety concerns.

24. Continuing review of NASA downsizing efforts.

25. Setting Realistic Project Priorities for NASA.

26. Abuses in spending by Federal Department of Corrections.

27. Review of Justice Department weakening of child pornography prosecution policies.

28. Effectiveness of FBI efforts in expanded counterterrorism role.
29. Management of U.S. embassies.
30. Management of overseas real estate.
31. Foreign buildings operations and diplomatic security construction programs.
32. Ballistic missile defense.
33. Review of FEMA's discretionary spending, post-recovery expenditures, and audit procedures.
34. Review of FEMA's flood insurance program and mapping activities.
35. U.S. Customs corruption along the southwest border.
36. NAFTA's impact of drug interdiction efforts.
37. Review of ATF's efforts to decrease Federal firearms licensees.
38. Merger of ATF law enforcement functions into FBI.
39. Federal sentencing guidelines for cocaine and marijuana.
40. National Archives and Records Administration: spacing problems due to accelerated archiving.

POSTAL SERVICE SUBCOMMITTEE

The subcommittee will continue its investigations and oversight work in the following areas within its jurisdiction:

1. Operation of the U.S. Postal Service. The subcommittee will continue to exercise its general oversight authority through the conduct hearings.
2. Postal Service labor-management relations. The subcommittee will continue to explore ways to reduce the incidents of workplace violence.
3. Postal Service and Bureau of the Census cooperation in implementing plans toward the conduct of the decennial census in 2000.
4. Workplace safety, health and ergonomic issues. Additionally, the subcommittee continues to monitor the Postal Service's operation of its workers' compensation program.
5. Postal Service rate and reclassification processes. The Postal Rate Commission issued its recommended decision in Docket No. MC95–1, Mail Classification Reform I. The subcommittee will monitor any actions the Postal Service Board of Governors may take on this decision and its implementation by the Postal Service. In addition, the Postal Service is expected to submit a second reclassification case for nonprofit mailers and other mailers not included in the original filing.
6. Fiscal year budget proposals and impact on the Postal Service, customers and employees. The administration proposed a substantial Federal budget obligation of $9.85 billion on the Postal Service in its balanced budget submission for FY 1996. The subcommittee will continue to monitor any legislative action on this and other budget proposals affecting the Service.
7. Postal Service Reform. The subcommittee will continue with its review of postal reform proposals in an effort to develop a comprehensive legislative package which will address the defects of the current postal statutory structure.

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