
April 1997

Reports and Testimony: March 1997

Highlights

Health Insurance

Although the percentage of Americans covered by employment-based health insurance fell from 75 percent to 71 percent between 1989 and 1995, the number of insured dependent children fell even further, from 73 percent to 66 percent. Higher costs have led some employers to raise employee health insurance premiums for family coverage or to drop such coverage altogether. Page 18.

Food Stamps

In a computer match of 1995 food stamp rolls with state prison data in four states, GAO discovered more than 12,000 prisoners who were improperly counted among households receiving food stamps, resulting in an estimated \$3.5 million in overpayments. Computer matching is an effective way to detect such fraud, but it is not widely used. Page 2.

Information Technology Investment

Investments in information technology can have a dramatic impact on organizational performance, and the federal government is spending billions of dollars to upgrade its aging systems. To evaluate how well federal agencies select and manage information technology resources, GAO has developed a guide to identify specific areas in which improvements can be made. Page 2.

ANNOUNCEMENT

Beginning with this issue, the “Monthly List” will include GAO legal decisions, opinions, and reports on agency rules. (See pages 46-48.) These documents are posted daily and can be downloaded from GAO’s home page on the World Wide Web (<http://www.gao.gov>). They can also be obtained by using the order form in the back of this publication.

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Reports and Testimony: March 1997

Special Publications

Assessing Risks and Returns: A Guide for Evaluating Federal Agencies' IT Investment Decision-making

GAO/AIMD-10.1.13, Feb. 1997 (109 pages).

Despite huge federal investments in information technology (IT), many government programs are still hampered by inaccurate data and inadequate systems. Too often, federal IT projects have cost too much, produced too little, and failed to significantly boost performance. Yet general agreement exists that the government can improve its performance through the integration of IT into basic business and mission needs. Outdated computer systems must be replaced; inefficient, paper-oriented processes must be automated; accurate financial data must be developed and maintained; and an ever-increasing amount of information must be stored and managed. This guide is intended to help evaluate how well federal agencies are selecting and managing their IT resources and to identify areas in which improvements are needed. The guide focuses on assessing an organization from three levels: (1) the process that an organization is using to select, manage, and evaluate its IT investments; (2) the data that are being used to make IT decisions; and (3) the IT decisions that are being made using the defined processes and data.

Agriculture and Food

Food Stamps: Substantial Overpayments Result From Prisoners Counted as Household Members

GAO/RCED-97-54, Mar. 10 (23 pages).

Despite federal regulations prohibiting prisoners from receiving food stamps, GAO identified more than 12,000 inmates who were included in households receiving food stamps. These households improperly collected \$3.5 million in benefits. Payments to prisoners go undetected because government agencies do not verify the information on household membership provided by food stamp applicants. Moreover, most state and local agencies responsible for running the program do not routinely collect and review lists of persons in state and local prisons to determine whether they are being counted as members of food stamp households. Because of the program's reliance on information provided by clients, computer matching of lists of prisoners and household members could detect

prisoner participation. Although some states have introduced various computer-matching routines, many states have yet to do so.

**Farm Programs:
Finality Rule Should Be Eliminated**

GAO/RCED-97-46, Mar. 7 (22 pages).

The Farm Service Agency pays billions of dollars each year to farmers as part of such programs as disaster assistance and agricultural conservation. Occasionally, because of errors, the agency pays farmers too much. In 1990, Congress enacted the “finality rule,” which states that a farmer need not repay an overpayment unless it is discovered within 90 days of the date of the payment or the application for program benefits, fraud is involved, or the farmer was aware that an error had occurred. The rule was intended to protect farmers from the hardship of repaying large sums of money long after payments had been made. This report reviews the (1) number and the dollar amount of overpayments not repaid by farmers under the rule since 1990 and the characteristics of individual overpayments and (2) steps that the agency has taken to reduce the number of finality-rule cases and associated dollar amounts.

**Food-Related Services:
Opportunities Exist to Recover Costs by Charging Beneficiaries**

GAO/RCED-97-57, Mar. 20 (64 pages).

The federal government spent nearly \$1.6 billion in fiscal year 1995 to provide food-related services, such as testing, grading, and approving agricultural commodities and products. Although the government recovered about \$400 million of this expenditure through user fees, GAO has identified more than \$700 million in additional fees that could have been assessed. In some cases, the persons or companies benefitting from these services paid user fees for all or part of the cost to provide the services. In other cases, no user fees were charged. This report identifies opportunities to increase the share of funding by beneficiaries for food-related services now provided by the federal government. GAO discusses the (1) types of food-related services provided by federal agencies; (2) extent to which beneficiaries now pay for these services through user fees; and (3) potential opportunities to recover more of the service costs through user fees, as well as arguments for and against doing so.

Testimony

Agricultural Research: More Efficient and Accountable System Could Better Respond to New Challenges, by Robert A. Robinson, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. [GAO/T-RCED-97-101](#), Mar. 13 (seven pages).

For more than a century, publicly funded agricultural research has been a catalyst in creating a vigorous agricultural economy and a bountiful supply of inexpensive food and fiber. Along with extension and education, agricultural research has helped transform U.S. agriculture into a productive, technology-based operation. However, GAO believes that changes are needed to strengthen the system so that it can better respond to current and future food and agricultural needs. In particular, the system could be made more efficient by closing and consolidating federal laboratories and by increasing collaboration among public and private researchers. In addition, greater accountability is needed to foster quality research and reduce unnecessary duplication.

Budget and Spending

Addressing the Deficit: Budgetary Implications of Selected GAO Work for Fiscal Year 1998

[GAO/OCG-97-2](#), Mar. 14 (363 pages).

This report, part of a continuing effort to help Congress identify ways to reduce the deficit, updates previous GAO work in this area and systematically identifies the budgetary implications of selected program reforms that have not yet been implemented or enacted. This year's report contains 147 options (71 of them new) for deficit reduction that have been drawn from the findings and issues developed in GAO audits and evaluations. GAO includes an analytical framework that Congress may want to use to assess the goals, scope, and approaches for delivering federal programs. It is organized around the following three themes: reassess objectives (reconsider whether to terminate or change the services and the programs provided), redefine beneficiaries (reconsider who pays for benefits from a particular program), and improve efficiency (reconsider how a program or service is provided).

Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation

[GAO/AIMD-97-46](#), Mar. 27 (54 pages).

Since 1950, the federal government has attempted several governmentwide initiatives designed to better align spending decisions with expected performance—commonly known as “performance budgeting.” Congress enacted the Government Performance and Results Act (GPRA) in 1993 to improve the effectiveness, efficiency, and accountability of federal programs by having agencies focus on program results. In this way, GPRA can be viewed as the most recent effort to closely link resources to performance expectations. This report compares and contrasts the key design elements and approaches of GPRA with those of past initiatives to identify ways in which past lessons are incorporated into GPRA and which of the remaining issues pose significant challenges to successful implementation.

Civil Rights

Testimony

Farm Programs: Efforts to Achieve Equitable Treatment of Minority Farmers, by Robert A. Robinson, Director of Food and Agriculture Issues, before the Subcommittee on Department Operations, Nutrition, and Foreign Agriculture, House Committee on Agriculture. [GAO/T-RCED-97-112](#), Mar. 19 (14 pages).

The number of minority-owned farms is declining at a more rapid rate than other farms, which has called into question the treatment of minority farmers in receiving federal assistance. Moreover, for years, minority farmers have reported that Agriculture Department (USDA) officials do not treat them in the same way as nonminority farmers in the agency’s programs, particularly in decisions made in USDA’s county offices and district loan offices. This testimony, which draws on a January 1997 report ([GAO/RCED-97-41](#)), (1) discusses the Farm Service Agency’s efforts to treat minority farmers in the same way as nonminority farmers in delivering program services, (2) examines the representation of minorities in the staffing of county offices and county committees in counties with the highest number of minority farmers, and (3) examines data on the disposition of minority and nonminority farmers’ applications to participate in the Agricultural Conservation Program and the direct loan program at the national level and in five county and five district loan offices for fiscal years 1995 and 1996.

Education

School Finance: State Efforts to Reduce Funding Gaps Between Poor and Wealthy Districts

[GAO/HEHS-97-31](#), Feb. 5 (319 pages).

Children from poor backgrounds often have low levels of academic achievement and high dropout rates. In addition, poor communities often lack the tax base to provide enough funding for education, even when they tax themselves at high rates. Despite state efforts to supplement the local funding of poor school districts, a GAO survey found that in 37 states in 1991-92, wealthier districts had more total funding available than did poor districts; on average, wealthy districts had about 24 percent more funding per pupil than did poor districts. To shrink the gap between poor and wealthy school districts, states can raise their share of school funding, increase targeted efforts to help poor districts, or both. If targeting is increased, poor and middle-income districts would receive more state funding, while wealthy districts would receive less state funding. States may also increase their state share of education funding. A higher state share can offset income-related gaps, even if the targeting effort is low, according to GAO's analysis. However, making such changes may be difficult because of taxpayers' concerns. Policymakers and others can use the measures in this report—particularly the fiscal neutrality score, implicit foundation level, and equalization effort—to assess the equity effects of current and proposed changes in policies for financing state schools.

Testimony

Department of Education: Challenges in Promoting Access and Excellence in Education, by Cornelia M. Blanchette, Associate Director for Education and Employment Issues, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. [GAO/T-HEHS-97-99](#), Mar. 20 (20 pages).

This testimony discusses two major challenges confronting the Department of Education. The first is ensuring access to postsecondary institutions while also protecting the financial interests of the government. The second is promoting access to excellence in elementary, secondary, and adult education. GAO also discusses how better management, as envisioned in recent legislation, could enhance the Department's ability to meet these challenges.

Employment

Testimony

Department of Labor: Challenges in Ensuring Workforce Development and Worker Protection, by Carlotta C. Joyner, Director of Education and Employment Issues, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. [GAO/T-HEHS-97-85](#), Mar. 6 (22 pages).

The mission of the Department of Labor, which has a budget of \$34 billion and 16,000 staff in fiscal year 1997, is to promote the welfare of U.S. wage earners, improve their working conditions, and advance opportunities for profitable employment. In recent years, the U.S. work environment has changed, making these goals more difficult to achieve. Although the strength of international competition has underscored the need for a skilled U.S. labor force, many Americans remain unprepared for such employment. At the same time, major changes are occurring in employer/employee relations, such as greater use of part-time and contract workers. This testimony discusses two areas that pose significant challenges to the Department: (1) providing effective employment and training programs that meet the diverse needs of target populations in a cost-effective way and (2) ensuring worker protection within a flexible regulatory structure. GAO also discusses how better management, as envisioned in recent legislation, could improve the Department's ability to meet these challenges.

Energy

Nuclear Weapons: Capabilities of DOE's Limited Life Component Program to Meet Operational Needs

[GAO/RCED-97-52](#), Mar. 5 (eight pages).

The Energy Department (DOE) is responsible for managing the nation's nuclear weapons stockpile, including a limited life components program. This program involves the periodic replacement of components to prevent nuclear weapons from becoming inoperative. DOE appears able to provide limited life components for nuclear weapons as long as the size of the nation's stockpile does not increase significantly. DOE lacks enough production capacity for some key components if weapons from the inactive stockpile are reactivated. DOE's Albuquerque Operations Office

plans to expand production capacity of these key components. This expansion, if completed on time, will allow DOE to meet the Production and Planning Directive's requirements by providing the capacity to support weapons that may be reactivated. Initially, DOE considered delaying the expansions by not funding them in fiscal year 1997. However, DOE told its Albuquerque Office to make the expansions a priority and to fund them during fiscal year 1997.

**Department of Energy:
Management and Oversight of Cleanup Activities at Fernald**

GAO/RCED-97-63, Mar. 14 (90 pages).

More than 50 articles alleging mismanagement and safety violations at the Energy Department's (DOE) Fernald site appeared in the Cincinnati Enquirer last year. The Fernald Site, located about 18 miles from Cincinnati, is contaminated from years of uranium metal production. DOE has a five-year, \$1.9 billion contract with Fluor Daniel Fernald to clean up the facility. The contract will be up for a one- to three-year renewal in November 1997. DOE estimates that it will take an additional 13 years and about \$2.4 billion to finish the cleanup. The seriousness of the allegations prompted both DOE and Fluor Daniel Fernald to investigate the situation. This report discusses (1) the extent to which DOE is effectively managing and overseeing two key cleanup projects at Fernald—the vitrification pilot plant project and the uranyl hexahydrate project—that were reported on in the Cincinnati Enquirer, (2) DOE's oversight of safety and health activities at the site, and (3) the contractors' compliance with performance and financial system procedures. GAO also discusses the major allegations and what is known about them, including the results of the two main investigations, and provides information on the facts surrounding Fluor Daniel Fernald's recent announcement that it may take 12 to 15 years to complete the cleanup, rather than the previously agreed-upon 10-year time frame.

**Nuclear Safety:
International Atomic Energy Agency's Nuclear Technical
Assistance for Cuba**

GAO/RCED-97-72, Mar. 24 (24 pages)

The International Atomic Energy Agency (IAEA) has provided technical aid to Cuba, including \$680,000 for nuclear safety assistance for two

Soviet-designed power reactors on which construction has been suspended because of a lack of financial support. Russia intends to resume construction with financing provided by an international consortium. The United States opposes the completion of these reactors and discourages other countries from providing assistance to Cuba, except for safety purposes. GAO found that IAEA has spent about \$12 million on nuclear technical assistance projects for Cuba since 1963. About three-quarters of the assistance consisted of equipment, such as computer systems, and radiation-monitoring and laboratory equipment. IAEA recently approved an additional \$1.7 million for nuclear technical assistance for Cuba through 1999. Most of IAEA's assistance projects were funded through the agency's technical cooperation fund, which is supported by member states' voluntary contributions. In 1996, the United States contributed more than \$16 million, about 30 percent, of the \$53 million in the fund. From 1981 through 1995, the United States withheld about \$2 million from its voluntary contribution that otherwise would have gone for nuclear technical assistance for Cuba. Of the total dollar value of all projects IAEA has provided for Cuba, about \$680,000 was approved for nuclear safety assistance for Cuba's nuclear power reactors from 1991 through 1998, of which about \$313,000 has been spent. U.S. officials told GAO that they did not object to IAEA providing nuclear safety assistance to Cuba's reactors because the United States generally supports nuclear safety assistance.

**Federal Power:
Issues Related to the Divestiture of Federal
Hydropower Resources**

[GAO/RCED-97-48](#), Mar. 31 (114 pages).

In recent years, various bills have been introduced to divest the federal assets used for generating, transmitting, and marketing hydroelectricity. At the request of Members of Congress, GAO agreed to develop a primer on issues that should be considered in any discussion about the divestiture of federal hydropower assets, including federal power marketing administrations (PMAS). GAO agreed to provide information on the Southeastern, Southwestern, and Western PMAS, including similarities and differences, and their interactions with the agencies that operate federal water projects (mostly, the Bureau of Reclamation and the Army Corps of Engineers); the main objectives and general decisions involved in divesting federal assets; and the specific issues related to hydropower to be addressed before a divestiture of the PMAS. GAO found that although Southeastern, Southwestern, and Western all market hydropower

generated at federal water projects, they serve different geographical areas and have different assets. The PMAs are not the main source of electricity for most of their customers; the three in the GAO study supply only about 7 percent of the electricity requirements of their customers. However, because their power is purchased primarily during times of peak demand at rates that are, on average, half the rates charged by other utilities, great demand exists for PMA power. Divestiture of hydropower assets involves decisions about what assets to sell, how to group these assets, what conditions and liabilities to transfer to the buyer, and what sales mechanism to use. If a decision to divest federal hydropower assets is reached, several key issues would need to be addressed. These include balancing how water is used among the multiple purposes of federal water projects; assigning the contractual obligations and liabilities of the Bureau, the Corps, and the PMAs; handling Native Americans' claims to water, property, and tribal artifacts; and determining the future responsibility for protecting the environment and endangered species. The potential effects of a divestiture on wholesale and retail electric rates, which in turn would affect regional economies, are other important issues.

Testimony

Department of Energy: Improving Management of Major System Acquisitions, by Victor S. Rezendes, Director of Energy, Resources, and Science Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-97-92](#), Mar. 6 (12 pages).

From 1980 through 1996, the Energy Department (DOE) conducted 80 projects that it characterizes as "major system acquisitions." Thirty-one of these projects were terminated before completion after expenditures of more than \$10 billion. Only 15 of the projects were completed, and most of them were finished behind schedule and over budget. Moreover, three of the 15 projects have yet to be used for their intended purpose. The remaining 34 projects are ongoing, many with substantial cost increases and schedule slippages. Four key factors underlie the cost overruns, schedule slippages, and terminations of DOE's most critical projects. These are unclear or changing missions, the incremental funding of projects, a flawed system of incentives both for DOE personnel and contractors, and too few DOE personnel with the skills to effectively oversee contractors' operations. On the positive side, DOE is launching several initiatives that could help improve the Department's overall management as well as the management of individual major system acquisitions.

Environmental Protection

Federal Facilities: EPA's Penalties for Hazardous Waste Violations

[GAO/RCED-97-42](#), Feb. 28 (22 pages).

From November 1989 through October 1996, the Environmental Protection Agency (EPA) assessed penalties in 61 cases totaling \$16.4 million against federal agencies for hazardous waste violations. Penalties were assessed against the Departments of Agriculture, Defense, Energy, and the Interior and the U.S. Coast Guard. Forty-one cases involving penalties of \$8.2 million were settled for \$8.4 million, including the value of supplemental environmental projects. Agencies made direct cash payments of \$2.4 million and agreed to perform supplemental environmental projects costing about \$6 million. Twenty cases with assessed penalties of \$8.2 million are still being negotiated. GAO reviewed three settled cases that involved penalties of \$6 million against the Departments of Defense and Energy, which represented more than a third of the value of all the assessed penalties. After negotiations—which lasted from seven to 20 months—were finalized, the cases were settled for \$3.7 million. EPA and the Departments of Defense and Energy spent \$364,000 in salaries, travel expenses, and other costs to negotiate these three settlements.

Superfund: EPA Could Further Ensure the Safe Operation of On-Site Incinerators

[GAO/RCED-97-43](#), Mar. 5 (23 pages).

The Environmental Protection Agency (EPA) has used incineration—controlled, high-temperature burning—to clean up some of the most toxic forms of contamination at the nation's most severely contaminated hazardous waste sites. However, local community groups, concerned that incinerators could emit hazardous substances, have often protested the choice of incineration as a cleanup remedy. This report examines (1) the safeguards that EPA uses to promote the safe operation of incinerators at these sites and (2) whether EPA has fully implemented its planned system of safeguards.

Testimony

Superfund: Proposals to Remove Barriers to Brownfield Redevelopment, by Peter F. Guerrero, Director of Environmental Protection Issues, before the Senate Committee on Environment and Public Works. [GAO/T-RCED-97-87](#), Mar. 4 (seven pages).

During the past several decades, manufacturing has been on the decline in many U.S. cities. When businesses close, they often leave behind abandoned and idled properties, known as “brownfields,” which are sometimes contaminated with chemical wastes. To avoid the cost of assessing and cleaning up these properties in accordance with federal and state environmental laws, some new businesses have opted to locate in uncontaminated sites outside cities. These decisions have deprived central city neighborhoods of tax revenues and employment opportunities. This testimony draws on the findings of a June 1996 report ([GAO/RCED-96-125](#)). GAO discusses the (1) legal barriers that the Superfund legislation poses to redeveloping brownfields and (2) types of federal financial support that states and localities would like to help them address such properties.

Peer Review: EPA’s Implementation Remains Uneven, by Stanley J. Czerwinski, Associate Director for Environmental Protection Issues, before the Subcommittee on Energy and Environment, House Committee on Science. [GAO/T-RCED-97-95](#), Mar. 11 (10 pages).

Peer review is the critical evaluation of scientific and technical work by independent experts to enhance the product’s quality and credibility. Peer review can actually help avoid costly and time-consuming delays by helping to steer product development along the most efficient, effective course. The Environmental Protection Agency’s (EPA) current peer review policy—updated in 1994 and now under evaluation by the agency—stresses the importance of these reviews and calls for the peer review of all major scientific and technical work that may eventually play an important role in key agency decisions. Despite recent progress, however, EPA continues to implement peer review unevenly. GAO recommended that (1) upper-level EPA managers have the information needed to know whether all relevant work has been considered for peer review and (2) staff and managers are informed about the need for and benefits of peer review and their specific responsibilities in implementing the policy. EPA has taken steps to implement GAO’s recommendations. For example, EPA plans to begin peer review training for its managers and staff in June 1997. Although it is still too soon to know whether these efforts will be successful, GAO is encouraged by the high-level attention being paid to this important issue.

Financial Institutions

Bank Data: Material Loss of Oversight Information From Interstate Banking Is Unlikely

GAO/GGD-97-49, Mar. 26 (30 pages).

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 authorizes interstate mergers between banks beginning June 1, 1997. When this law was passed, there was a concern that information on the distribution of bank deposits and loans by state would be lost. As a result, GAO was mandated to determine whether implementation of the act would result in a loss of information that is important to federal bank regulation and oversight. GAO found that to the extent that interstate branching becomes prevalent, data from financial filings known as call reports, as currently collected and reported to regulators, will become less useful for approximating bank loan and deposit activity within a state. As bank holding companies consolidate by merging multistate banking operations and as banks expand across state lines, call report information reported at the bank level will increasingly encompass the loans and deposits from more than one state. However, accurately measuring loan and deposit activity by state was subject to limitations even before Riegle-Neal. Compared with the information that existed before it was enacted, the implementation of Riegle-Neal is unlikely to result in a loss of information essential to regulatory and congressional oversight.

Financial Management

Financial Audit: Independent Counsel Expenditures for the Six Months Ended September 30, 1996

GAO/AIMD-97-64, Mar. 31 (26 pages).

Independent counsels are required to report every six months on their expenditures from a permanent, indefinite appropriation established with the Justice Department to fund independent counsel activities. GAO audits these expenditures. GAO found that the statements of expenditures for the offices of independent counsels Arlin M. Adams/Larry D. Thompson, David M. Barrett, Joseph E. diGenova/Michael F. Zeldin, Daniel S. Pearson, Donald C. Smaltz, and Kenneth W. Starr were reliable in all material respects. GAO's consideration of internal controls disclosed no material weaknesses. In addition, GAO found no reportable instances of noncompliance with laws and regulations.

**Financial Management:
Improved Management Needed for DOD Disbursement
Process Reforms**

GAO/AIMD-97-45, Mar. 31 (21 pages).

Problem disbursements by the Defense Department—those that have not been matched with corresponding obligations—have been a source of concern for many years because such disbursements increase the chance that fraudulent or erroneous payments will go undetected and that cumulative amounts of disbursements will exceed appropriated funds. Defense Finance and Accounting Service (DFAS) officials have said that transactions paid at one location, but accounted for at another—known as “transactions by others” (TBO)—are the major contributors to problem disbursements. To address the problem, DFAS sought to improve the current disbursement process and identified 14 action items to improve TBO disbursement operations. GAO found that as of October 1996, 10 of the 14 action items had either not been implemented or were only partially completed. Of the four items implemented, GAO’s review of the two for which some implementation information was available showed that DFAS had not met its objectives. GAO identified three issues that limited DFAS’ ability to effectively and promptly achieve its goal of improved TBO processing. First, DFAS did not develop adequate information to effectively diagnose the causes of problem disbursements, implement solutions, and evaluate progress. Second, DFAS did not provide strong, consistent management for the project. Third, DFAS may not be allocating enough resources to critical areas.

**Government
Operations**

**Postal Reform in Canada:
Canada Post Corporation’s Universal Service and Ratemaking**

GAO/GGD-97-45BR, Mar. 5 (69 pages).

This briefing report provides information on Canada’s 1981 postal reform initiative, which created the Canada Post Corporation. The Corporation strives to operate on a self-sustaining financial basis. The Corporation incurred operating losses each year through fiscal year 1988 and reported its first profit the following year. The Corporation subsequently reported profits in four of the seven fiscal years 1990 through 1996. Knowledge about Canada’s experience with postal reform may prove helpful to ongoing congressional efforts to reform the U.S. Postal Service. This

report presents information on (1) universal mail service in Canada, (2) Corporation ratemaking, and (3) key events affecting the Corporation since its creation in 1981.

**U.S. Postal Service:
Information on Post Office Closures, Appeals, and
Affected Communities**

GAO/GGD-97-38BR, Mar. 11 (44 pages).

Local post offices, long a part of American culture and business, have become increasingly expensive for the Postal Service to maintain. Nevertheless, the Postal Reorganization Act of 1970 prohibits the Postal Service from closing any small post offices purely for economic reasons. In 1976, Congress formulated guidelines on whether and how the Postal Service is to close post offices. This briefing report provides information on (1) the Postal Service process for closing post offices, (2) the number of post offices closed since 1970, (3) the number of proposed post office closures appealed to the independent Postal Rate Commission and the disposition of those appeals, and (4) the attributes of affected communities for fiscal years 1995 and 1996.

**Privatization:
Lessons Learned by State and Local Governments**

GAO/GGD-97-48, Mar. 14 (48 pages).

A number of state and local governments have successfully shifted functions or responsibilities to the private sector, usually through contracting or managed competition. Lessons learned from these experiences may be helpful to the federal government as it pursues its own privatization efforts. This report discusses privatization initiatives in the states of Georgia, Massachusetts, Michigan, New York, and Virginia as well as the city of Indianapolis, Indiana.

Testimony

High-Risk Areas: Benefits to Be Gained by Continued Emphasis on Addressing High-Risk Areas, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management, before the Subcommittee on Oversight, House Committee on Ways and Means.

GAO/T-AIMD-97-54, Mar. 4 (nine pages); and

High-Risk Areas: Actions Needed to Solve Pressing Management Problems, by Gene L. Dodaro, Assistant Comptroller General for Accounting and Information Management, before the Senate Committee on Governmental Affairs. [GAO/T-AIMD/GGD-97-60](#), Mar. 5 (24 pages).

Drawing on GAO's high-risk series ([GAO/HR-97-1](#) through [GAO/HR-97-14](#), Feb. 1997), the first testimony discusses major government programs prone to waste, fraud, abuse, and mismanagement. GAO focuses on high-risk areas within the Internal Revenue Service, Medicare, and the Supplemental Security Income Program. GAO also discusses such other vulnerable areas as financial management at the Customs Service, information security weaknesses, and the "Year 2000" problem. The second testimony addresses solutions to these serious management problems, which cost taxpayers billions of dollars and undermine the quality of government services. GAO outlines the steps that need to be taken to fix these problems.

Congressional Review Act, by Robert P. Murphy, General Counsel, before the Subcommittee on Commercial and Administrative Law, House Committee on the Judiciary. [GAO/T-OGC-97-29](#), Mar. 6 (11 pages).

Concerned about the reach, cost, and impact of federal regulations on citizens and businesses, Congress passed the Small Business Regulatory Enforcement Fairness Act, which requires agencies to submit proposed rules to Congress and GAO. This gives Congress an opportunity to review rules before they take effect and to disapprove those found to be too burdensome, excessive, or duplicative. GAO's role is to provide Congress with a quick review of all major rules submitted to determine if the agencies have complied with the procedural steps governing the regulatory process. For rules that are determined to be "major," GAO must report to relevant congressional committees within 15 calendar days. This testimony discusses GAO's responsibilities under the act and the agency's experiences in the 11 months since the law was enacted.

Managing for Results: Enhancing the Usefulness of GPRA Consultations Between the Executive Branch and Congress, by L. Nye Stevens, Director of Federal Management and Workforce Issues, before the Subcommittee on Management, Information and Technology, House Committee on Government Reform and Oversight. [GAO/T-GGD-97-56](#), Mar. 10 (17 pages).

Under the Government Performance and Results Act (GPRA), each agency is to develop a strategic plan that lays out its mission, long-term goals, and

strategies for achieving those goals. Agencies are required to submit their plans to Congress by September 30, 1997. The plans must take into account the views of Congress and other stakeholders. To ensure that these views are considered, GPRA requires that the agencies consult with Congress and solicit the views of other stakeholders as they develop their strategic plans. This testimony discusses ways to enhance the usefulness of the consultations between executive branch agencies and Congress.

U.S. Postal Service: Challenges to Sustaining Improved Performance, by Michael E. Motley, Acting Director for Government Business Operations Issues, before the Subcommittee on the Postal Service, House Committee on Government Reform and Oversight. [GAO/T-GGD-97-53](#), Mar. 12 (14 pages).

This testimony (1) focuses on the performance of the Postal Service and the need to improve internal controls and protect revenues in an organization that takes in and spends billions of dollars each year and (2) highlights some of the key reform and oversight issues that continue to challenge the Postal Service and Congress as they consider how U.S. mail service should be provided in the future. GAO also provides observations from its ongoing work on labor-management relations at the Postal Service and other areas.

Department of Health and Human Services: Management Challenges and Opportunities, by Richard L. Hembra, Assistant Comptroller General for Health, Education, and Human Services Programs, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. [GAO/T-HEHS-97-98](#), Mar. 18 (21 pages).

This testimony highlights three challenges that the Department of Health and Human Services (HHS) faces in meeting its mission. First, HHS needs to better define its mission, objectives, and measures of success and increase its accountability to taxpayers. The Government Performance and Results Act presents HHS with opportunities to bring discipline to management at all levels of the Department, define the kinds of information needed to implement and assess its programs, and identify ways to progress toward accomplishing its goals. However, meeting the law's requirements for strategic plans, performance measures, and reporting on program accomplishments will not be easy. Second, HHS needs to ensure that it has the information systems necessary to manage and evaluate its programs and to track its progress in meeting performance goals. Third, HHS must constantly combat fraud, waste, abuse, and mismanagement. Medicare, for example, which accounts for more than half of HHS' total budget, is

particularly vulnerable. HHS needs to be vigilant because its programs will likely remain targets of fraud and abuse and because waste and mismanagement can have serious consequences for both taxpayers and program beneficiaries.

Health

Employment-Based Health Insurance: Costs Increase and Family Coverage Decreases

GAO/HEHS-97-35, Feb. 24 (36 pages).

Nearly two-thirds of Americans under age 65—some 150 million people—have employment-based private health insurance. At the same time, the percentage of Americans who are uninsured or rely on Medicaid, particularly children, continues to increase. GAO found that as costs for providing health insurance increase, the percentage of Americans under age 65 with private health insurance coverage decreased from 75 percent in 1989 to about 71 percent in 1995. Of this general decline, about 70 to 90 percent was due to fewer working-age adults and children being covered as dependents. Between 1989 and 1995, the percentage of working-age adults (18 to 64 years old) with private insurance coverage decreased from 76 percent to 73 percent. If the same percentage of working-age adults had been covered in 1995 as in 1989, about 5 million more adults would have had private insurance. However, children experienced the greatest loss of private coverage. During these 6 years, the percentage of children under age 18 with private health insurance decreased from more than 73 percent to 66 percent. If private coverage had not decreased, about 5 million more children would have had private insurance.

Blood Supply: FDA Oversight and Remaining Issues of Safety

GAO/PEMD-97-1, Feb. 25 (157 pages).

Transmission of the HIV virus by transfusion decreased dramatically after donor testing was introduced in 1995, and more and better tests for other diseases have also reduced transfusion risks. Although the blood supply is very safe, federal regulations cannot entirely eliminate all risk from transfusions because of human error, technological limitations of testing, and the biological nature of the product itself. The Food and Drug Administration (FDA) can strengthen the safety of the blood supply in some areas. For example, the lack of a uniform donor questionnaire allows

variability in donor screening; the lack of mandatory deferral notification allows some donors who have tested positive for viruses to unwittingly attempt to donate again; the untested units donated for self-use may be mistakenly used for unintended recipients; and FDA has been slow to investigate error and accident reports that may warrant a recall. FDA does not require unlicensed facilities—those that do not sell or exchange blood products across state lines—to report errors and accidents. This is a significant problem because these unlicensed facilities constitute more than two thirds of all blood facilities that, together, produce 10 percent of the nation's blood supply. FDA inspections of both licensed and unlicensed blood facilities appear to be inconsistent in focus, scope, and documentation. Moreover, FDA does not maintain a central repository for inspection reports and, therefore, does not examine national trends. GAO also found confusion within the blood industry about how to interpret FDA regulations.

**Blood Supply:
Transfusion-Associated Risks**

[GAO/PEMD-97-2](#), Feb. 25 (92 pages).

The U.S. blood supply is safer today than at any time in recent history, with risks from blood transfusions quite small compared with the benefits of transfusion in saving lives. Improved donor screening and education have removed from the donor pool many persons who are at high risk for disease, and tests used to screen blood for viruses are considerably more sensitive than earlier versions. However, risks remain. Eight of every 10,000 donated units of blood carry a serious risk to the recipient, including allergic reactions, bacteria, reactions to incompatible blood transfusions, and viruses. GAO estimates that four out of 1,000 patients who receive the average transfusion of five units of blood are at risk of being exposed to contaminated blood that could sicken or even kill them. On the other hand, as many as half of the 1,000 recipients would be at serious risk of dying immediately unless they receive a transfusion. The risk that a surgery patient will require blood and develop a chronic disease or die as a result of that blood is estimated at four in 10,000. For the average person with no foreseeable plans for surgery, the annual risk of developing a chronic disease or dying from the transfusion is five in 1 million.

**Medicare HMOS:
Potential Effects of a Limited Enrollment Period Policy**

GAO/HEHS-97-50, Feb. 28 (48 pages).

Congress has recently considered making Medicare's policies more consistent with those of other large health care purchasing organizations by establishing a limited time each year when Medicare beneficiaries could enroll in a particular plan and by restricting disenrollment outside that period. To assist Congress in considering the effects of such a policy change, this report assesses how a limited enrollment period would affect Medicare, private health plans, beneficiaries, and employers who provide Medicare supplemental benefits to retirees. GAO examines the potential effects of policy changes on (1) the growth of Medicare's managed care program, (2) employers' attempts to administer their respective benefits seasons, (3) taxpayer savings measured against beneficiary protections, and (4) the resources needed by the federal agency that runs Medicare's day-to-day operations.

**NIH-Funded Research:
Therapeutic Human Fetal Tissue Transplantation Projects Meet
Federal Requirements**

GAO/HEHS-97-61, Mar. 10 (eight pages).

Therapeutic human fetal tissue transplantation holds promise for treating a host of diseases, including juvenile diabetes and leukemia. Ongoing federally funded research is using tissue from aborted fetuses to treat patients with Parkinson's disease. Ethical concerns have been raised, however, that some women might choose to abort their fetuses to treat family members or to supply fetal tissue for financial gain. In June 1993, legislation was enacted that established guidelines governing human fetal tissue transplantation research that is federally funded. In general, GAO found that the law's requirements are being complied with. The legislation's documentation requirements—pertaining to informed consent of donors and recipients and compliance statements made by institutions, researchers, and attending physicians—were met. The Department of Health and Human Services did not submit required annual reports on the program's activities, although it did issue a combined report in January 1997 describing activities from fiscal year 1993 onward. There have been no reported violations in the acquisition of human fetal tissue for use in transplantation.

Testimony

Medicaid: Decline in Spending Growth Due to a Combination of Factors, by Jonathan Ratner, Associate Director for Health Financing and Systems Issues, before the Senate Committee on Finance. [GAO/T-HEHS-97-91](#), Mar. 4 (11 pages).

The annual growth rate in Medicaid spending dropped from more than 20 percent in the early 1990s to 3.3 percent in fiscal year 1996. This testimony discusses the following three issues: (1) the variation in Medicaid spending growth among the states, particularly for the most recent two-year period, which culminated in the 3.3-percent growth rate in fiscal year 1996; (2) the key factors behind the decrease from previous years' growth rates; and (3) the implications of these and other factors for Medicaid's expenditures in the future.

Medicaid: Recent Spending Experience and the Administration's Proposed Program Reform, by William J. Scanlon, Director of Health Financing and Systems Issues, before the Subcommittee on Health and Environment, House Committee on Commerce. [GAO/T-HEHS-97-94](#), Mar. 11 (15 pages).

This testimony focuses on the following two issues: (1) the key factors underlying Medicaid's 3.3-percent growth rate in fiscal year 1996 and their implications for future spending and (2) the administration's proposal to contain Medicaid cost growth through decreases in disproportionate share hospital payments and per capita caps and to increase state flexibility. GAO found no single pattern across all states that explains the recent dramatic decrease in the growth of Medicaid spending. Rather, a combination of factors accounts for the low growth rate in 1996. Leading factors include continued reductions in disproportionate share hospital payments in some states because of earlier federal restrictions on the amount of such payments and the leveling off of Medicaid enrollment in other states following planned expansions in prior years. Several states attributed the lower growth rate to an improved economy and to state initiatives limiting expenditure growth through the use of managed care, long-term care alternatives, and other programmatic changes. The administration's Medicaid reform proposal would further control spending by reducing disproportionate share hospital expenditures and imposing a per capita cap, while giving the states greater flexibility in program policy and administration for their managed care and long-term care programs.

Medicare: Inherent Program Risks and Management Challenges Require Continued Federal Attention, by Leslie G. Aronovitz, Associate Director for Health Financing and Systems Issues, before the Subcommittee on

Oversight, House Committee on Ways and Means. [GAO/T-HEHS-97-89](#), Mar. 4 (eight pages).

Federal spending for Medicare, one of the largest government entitlement programs, totaled \$197 billion in fiscal year 1996. Because of the program's size and mission, Medicare remains at high-risk for waste, fraud, and abuse. Wrongdoers continue to find ways to dodge safeguards, underscoring the need for constant vigilance and increasingly sophisticated ways to protect against gaming the system. Better oversight and leadership by the Health Care Financing Administration (HCFA), the appropriate application of new anti-fraud-and-abuse funds, and the mitigation of risks involved in acquiring the Medicare Transaction System—a major claims processing system—should help reduce future losses. Moreover, as Medicare's managed care enrollment grows, HCFA must ensure that payments to health maintenance organizations (HMO) reflect the cost of care, that beneficiaries receive enough information about HMOs to make informed choices, and that the agency uses its expanded authority to enforce HMO compliance with federal standards.

Medicare Post-Acute Care: Home Health and Skilled Nursing Facility Cost Growth and Proposals for Prospective Payment, by William J. Scanlon, Director of Health Financing and Systems Issues, before the Subcommittee on Health, House Committee on Ways and Means. [GAO/T-HEHS-97-90](#), Mar. 4 (11 pages).

After relatively modest cost growth during the 1980s, Medicare outlays for skilled nursing facilities and home health care have grown rapidly during the 1990s. Skilled nursing facility payments rose from \$2.8 billion in 1989 to \$11.3 billion in 1996, while home health care costs rose from \$2.4 billion to \$17.7 billion during the same period. This testimony discusses the reasons behind the cost growth for skilled nursing facilities and home health care and the administration's announced legislative proposals for these two Medicare benefits.

Medicare: Home Health Cost Growth and Administration's Proposal for Prospective Payment, by William J. Scanlon, Director of Health Financing and Systems Issues, before the Subcommittee on Health and Environment, House Committee on Commerce. [GAO/T-HEHS-97-92](#), Mar. 5 (seven pages).

After relatively modest cost growth during the 1980s, Medicare expenditures for home health care have soared in recent years. Home health care costs grew from \$2.4 billion in 1989 to \$17.7 billion in 1996—an

average annual increase of 33 percent. Medicare's home health care costs have grown because a larger portion of beneficiaries use this benefit than in the past and the number of services used by each beneficiary has more than doubled. Several factors have increased use of the benefit. Legislation and coverage policy changes in response to court decisions have liberalized coverage criteria for the benefit. These changes, in turn, have transformed the nature of home health care from primarily posthospital care to more long-term care for chronic conditions. Finally, weaker administrative controls over the benefit, resulting from resource constraints, make the detection of inappropriate claims more unlikely. The administration's major proposals for home health care are designed to give providers greater incentives to operate efficiently by immediately tightening the limits on the cost per visit that will be paid and imposing a new cap on per-beneficiary costs. After these changes go into effect in 1999, home health payments would switch from a cost reimbursement to a prospective payment system. These two proposals are estimated to save \$12.4 billion during the next five years.

Housing

Fair Housing: Funding and Activities Under the Fair Housing Initiatives Program

GAO/RCED-97-67, Mar. 26 (39 pages).

The Fair Housing Initiatives Program was established in 1988 to help public and private organizations fight housing discrimination. GAO was asked to review how funds are allocated among funding categories, how much demand exists for funds, who receives funds, and how this money is being used. From the program's inception through fiscal year 1997, Congress appropriated \$113 million for the program. Funds are allocated among four categories: private enforcement (for private nonprofit groups), the fair housing organizations initiative (for private nonprofit entities), education and outreach (for private and public entities), and administrative enforcement (for state and local agencies). The largest portion, more than \$40 million, has gone to the private enforcement initiative. Through fiscal 1996, 220 organizations in 44 states and the District of Columbia received program grants. Other than enforcement activities, funds have been used for various other activities, such as litigation, new fair housing organizations, pamphlets and brochures, advertisements, and conferences and seminars on fair housing.

**Housing:
HUD's Program for Persons With AIDS**

GAO/RCED-97-62, Mar. 24 (41 pages).

The Housing Opportunities for Persons With AIDS (HOPWA) program was established within the Department of Housing and Urban Development in 1990 to meet the needs of people with AIDS, who often have had difficulty obtaining suitable housing because of discrimination, the need for support services, or other problems. Grantees can use funds from the program for a broad range of housing assistance and support services intended to prevent homelessness. Limited data indicate that about 71 percent of the funds have been spent on housing assistance, about 16 percent on support services, and the remaining 13 percent on housing information services and administrative costs. The program generally provides assistance to low-income individuals suffering from AIDS/HIV and their families. Coordination between the HOPWA program and the Ryan White programs, which provide grants to states and localities to fund an array of services for persons with AIDS/HIV, occurs primarily at the grantee level. Several grantees and project sponsors told GAO that the two programs could be better coordinated. HUD's field offices are primarily responsible for overseeing and monitoring grantees under the HOPWA program, and field offices can use various tools to oversee grantees and monitor their use of funds.

**Native American Housing:
Information on HUD's Housing Programs for Native Americans**

GAO/RCED-97-64, Mar. 28 (31 pages).

Although the Department of Housing and Urban Development (HUD) has invested \$4.3 billion during the past decade for housing and community development in Native American tribal areas, the Urban Institute recently reported that 40 percent of Native Americans in these areas live in overcrowded or physically inadequate housing. Providing safe and decent housing at reasonable cost is difficult in tribal areas because of (1) remote and austere settings, (2) the limited human resources of many Indian housing authorities, (3) land-use restrictions, (4) the difficulty that contractors and Indian housing authorities have in complying with statutory requirements that give hiring preference to Indians, and (5) vandalism and neglect. New Indian housing legislation, set to take effect in October 1997, changes HUD's Indian housing assistance by

requiring block grants to each of more than 550 tribes instead of categorical grants to each of the existing 180 housing authorities. HUD believes that its initial workload could rise significantly. GAO summarized this report in testimony before Congress; see:

Native American Housing: Challenges Facing HUD's Indian Housing Program, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Senate Committees on Indian Affairs and Banking, Housing, and Urban Affairs. [GAO/T-RCED-97-105](#), Mar. 12 (16 pages).

Testimony

Housing and Urban Development: HUD's Management Deficiencies, Progress on Reforms, and Issues for Its Future, by Lawrence J. Dyckman, Associate Director for Housing and Community Development Issues, before the Subcommittee on Human Resources and Intergovernmental Relations, House Committee on Government Reform and Oversight. [GAO/T-RCED-97-89](#), Mar. 6 (23 pages).

Serious management and budgetary problems continue to plague the Department of Housing and Urban Development (HUD). Although HUD has taken steps during the past two years to address some of its most pressing problems, those actions are far from complete. HUD's programs continue to represent large federal loan commitments and discretionary spending, much of which goes to rental assistance for people who are least able to afford decent housing. This testimony focuses on (1) the long-standing management shortcomings that hamper HUD's effectiveness, the progress made in addressing these problems, and the work remaining; (2) the problems in HUD's assisted and public housing programs, which represent the largest part of its outlays and a vast share of the budget authority that HUD expects to need in the future; and (3) the need to reach agreement on federal housing policy, HUD's mission, and the resources devoted to achieving that mission.

HUD's Fiscal Year 1998 Budget Request: Some Requests for Funding May Be Unnecessary, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Subcommittee on VA, HUD, and Independent Agencies, House Committee on Appropriations. [GAO/T-RCED-97-108](#), Mar. 18 (15 pages).

GAO has included the Department of Housing and Urban Development (HUD) in its list of government programs at high risk for waste, fraud, abuse, and mismanagement. (See [GAO/HR-97-12](#), Feb. 1997). This testimony

focuses on HUD's request for more than \$9 billion to renew rental assistance contracts, as well as on some of the assumptions underlying HUD's estimate. GAO discusses (1) the estimates that HUD used to develop its budget request for renewing Section 8 assisted housing contracts, (2) HUD's justification for 50,000 additional Section 8 certificates, (3) HUD's success in reducing the level of uncommitted funds for public housing modernization that are held by housing authorities, and (4) HUD's request for \$100 million to fund the second round of the Empowerment Zone/Enterprise Community Program.

Income Security

Social Security: Disability Programs Lag in Promoting Return to Work

GAO/HEHS-97-46, Mar. 17 (36 pages).

Each week, the Social Security Administration (SSA) pays more than \$1 billion in cash benefits to disabled beneficiaries under the disability insurance and the supplemental security income programs. Design and implementation weaknesses, however, have hindered the ability of these programs to return beneficiaries to work. The application process stresses work incapacity and assumes that many medical impairments preclude employment. Also, SSA does little to provide the support and assistance that many disabled persons need to work. Not surprisingly, these program weaknesses have yielded poor return-to-work outcomes and the two programs have not kept pace with changing societal attitudes toward economic self-sufficiency among the disabled. Lessons learned from return-to-work strategies in the private sector and other countries could help federal disability programs return the disabled to productive activity and at the same time reduce the flow of cash benefits.

Testimony

Supplemental Security Income: Long-Standing Problems Put Program at Risk for Fraud, Waste, and Abuse, by Jane L. Ross, Director of Income Security Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-HEHS-97-88, Mar. 4 (eight pages).

The problems GAO has identified with the Social Security Administration's (SSA) supplemental security income program are long-standing and have led to billions of tax dollars being overpaid to recipients. They have also compromised the program's integrity and reinforced public perceptions that the program pays benefits to too many people for too long. Although

many of the changes recently made by Congress and SSA may yield improvements, the underlying problems persist. Shortcomings in program design and inadequate SSA management oversight have placed the supplemental security income program at high risk for waste, fraud, and abuse. Sustained attention from top-level SSA management as well Congressional cooperation are needed to improve the program's operations and eligibility rules.

Information Management

Weather Satellites: Planning for the Geostationary Satellite Program Needs More Attention

[GAO/AIMD-97-37](#), Mar. 13 (56 pages).

The National Oceanic and Atmospheric Administration (NOAA) is in the process of procuring new geostationary operational environmental satellites to replace the current series of satellites, which will reach the end of their useful lives around 2002. NOAA plans to buy a continuation series of two to four satellites that will be very similar to the current series in their capabilities to fill the potential gap in satellite coverage that could occur after the turn of the century. Beyond the potential gap in coverage, NOAA has not yet decided whether to continue procuring the same type of satellites or consider new designs for a next generation system. In fiscal year 1998, NOAA plans to spend more than \$240 million to develop and operate the geostationary operational environmental satellite system. Because upcoming NOAA budgets are expected to be tight, this report assesses (1) the agency's strategy for procuring continuation series satellites, (2) what steps the agency should be taking to prepare for the next generation series of satellites, and (3) whether the potential exists to improve the system and reduce costs in the long term.

Land Management Systems: BLM Faces Risks in Completing the Automated Land and Mineral Record System

[GAO/AIMD-97-42](#), Mar. 19 (28 pages).

The Bureau of Land Management's (BLM) automated land and mineral record system/modernization project is intended to improve BLM's ability to record, maintain, and retrieve land description, ownership, and use information. It is the largest system development project ever undertaken

by BLM or the Department of the Interior. BLM and the prime contractor are now approaching the final stages of software development and the beginning stages of operational testing. This report discusses (1) whether risks remain that could seriously affect the project's performance, capability, or cost; (2) whether BLM is ready to deploy the project in fiscal year 1997; (3) the latest costs estimates for the project and reasons for any cost increases; (4) what Interior is doing to promote the use of the project by its other bureaus; and (5) whether other Interior bureaus are planning to use the project for their land management needs.

**Air Traffic Control:
Immature Software Acquisition Processes Increase FAA System
Acquisition Risks**

[GAO/AIMD-97-47](#), Mar. 21 (144 pages).

The Federal Aviation Administration (FAA) is spending billions of dollars to modernize software-intensive air traffic control systems. GAO examined the processes used to acquire software, using models developed by Carnegie Mellon University's Software Engineering Institute to define and determine an organization's software process maturity. FAA did not fully meet any of the criteria to achieve a "repeatable" level of maturity, the second of a five-level maturity scale. FAA's processes for acquiring costly and complex software are ad hoc, sometimes chaotic, and not repeatable across projects. Moreover, serious process weaknesses have prevented FAA from satisfying the one criterion for the third level of maturity, called "defined." FAA is committed to increasing process maturity in its air traffic control modernization effort, but despite four years of effort it still lacks an effective management approach to improve software processes. In addition, FAA lacks an effective plan to prioritize improvements and measure progress. As a result, it has launched a "hodge podge" of software acquisition improvement efforts without any analytical justification.

Testimony

USDA Information Management: Action Needed to Address Long-Standing Deficiencies, by Joel C. Willemsen, Director of Information Resources Management Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. [GAO/T-AIMD-97-56](#), Mar. 5 (16 pages).

This testimony focuses on efforts by the Agriculture Department (USDA) to put into place a foundation for effective acquisition and management of its information technology resources. GAO discusses (1) past difficulties that

USDA has experienced in planning for and managing information technology, (2) steps the Department needs to take to significantly improve its management of information technology resources, and (3) USDA's current moratorium on information technology acquisitions.

National Oceanic and Atmospheric Administration: Weather Service Modernization and NOAA Corps Issues, by Joel C. Willemssen, Director of Information Resources Management Issues, before the Subcommittee on Energy and Environment, House Committee on Science.

[GAO/T-AIMD/GGD-97-63](#), Mar. 13 (16 pages).

This testimony discusses GAO's work in three areas involving the National Oceanic and Atmospheric Administration (NOAA), an agency within the Commerce Department. GAO (1) provides its preliminary findings on the National Weather Service's advanced weather interactive processing system, the linchpin of the Service's \$4.5-billion modernization effort; (2) discusses NOAA's geostationary operational environmental satellite system, which plays a vital role in weather forecasting; and (3) summarizes the findings from an October 1996 report ([GAO/GGD-97-10](#)) on the NOAA commissioned corps.

International Affairs

State Department: U.S. Participation in Special-Purpose International Organizations

[GAO/NSIAD-97-35](#), Mar. 6 (82 pages).

Because of tight federal budgets, some Members of Congress have expressed concern about the level of U.S. spending to support international organizations. This report provides information on U.S. government membership in 25 special-purpose international organizations and two inter-American organizations that received funding of \$10.8 million in 1995 through assessed contributions provided by the State Department. GAO discusses (1) the State Department's efforts to assess whether U.S. government membership in these groups continues to serve the nation's interests (included is a summary description of the organizations' missions and the issues that have been raised about the benefits of U.S. membership) and (2) the steps that have been taken to keep the government's contribution costs low.

**United Nations:
Limitations in Leading Missions Requiring Force to Restore Peace**

GAO/NSIAD-97-34, Mar. 27 (56 pages).

During the Cold War, the United Nations had few opportunities to carry out peace operations involving military force because the superpowers vetoed most of these initiatives. Since then, the U.N. Security Council has authorized several peace operations involving the use of force, including those in Somalia and the former Yugoslavia. Because of the U.N.'s performance in leading peace operations, some now question whether the U.N. is an appropriate organization to lead such missions. Others contend that inadequate resources and operational structure have hampered the U.N.'s effectiveness. GAO examined this issue, with particular focus on (1) the precedents that exist for authorizing the U.N. to lead peace operations that require force to achieve their objectives and (2) whether limitations exist in the U.N.'s ability to lead peace operations calling for the use of force.

**Justice and Law
Enforcement**

**Campus Crime:
Difficulties Meeting Federal Reporting Requirements**

GAO/HEHS-97-52, Mar. 11 (24 pages).

The Crime Awareness and Campus Security Act, which was enacted in 1990 in response to a steady rise in violent crime reported on college campuses, encourages the development of security policies and procedures at all colleges and universities participating in federal student aid programs—including policies and procedures to address sexual assaults and to introduce uniformity in reporting campus crime statistics to students, parents, and employees. GAO found that although colleges are having difficulty complying with the act, the Department of Education only recently began to systematically monitor compliance. Moreover, citing resource limitations, the Department delayed preparing a report on campus crime statistics that was required by law to be issued in September 1995; the Department issued the report in February 1997. At the campus level, colleges are finding it difficult to consistently interpret and apply some of the law's reporting requirements. Areas of difficulty include how to include incidents reported to campus officials other than law enforcement officers, interpreting federal requirements for reporting sexual offenses, and reporting data on hate crimes. Proposed federal

legislation would have augmented available information on campus crime by requiring that campus police records be open to the campus community. Similar laws are on the books in eight states. Three laws require that colleges maintain daily logs.

**Drug Control:
Observations on Elements of the Federal Drug Control Strategy**

GAO/GGD-97-42, Mar. 14 (68 pages).

Although the federal government spent more than \$15 billion in fiscal year 1997 to combat drugs, the availability of drugs on U.S. streets and the number of persons using illegal drugs continue to be serious problems. This report (1) discusses the findings of current research on promising approaches in drug abuse prevention targeted at school-age youth; (2) describes promising drug treatment strategies for cocaine addiction; (3) summarizes recent GAO work assessing the effectiveness of international efforts to reduce illegal drug availability, including interdiction (GAO/NSIAD-97-75, Feb. 1997); (4) assesses whether the U.S. Coast Guard's performance measures for its antidrug efforts conform to the principles of the Government Performance and Results Act of 1993; and (5) summarizes recent GAO documents on federal drug prevention and treatment activities.

Testimony

Naturalization of Aliens: Assessment of the Extent to Which Aliens Were Improperly Naturalized, by Laurie E. Ekstrand, Associate Director for Administration of Justice Issues, before subcommittees of the House Committee on Government Reform and Oversight and the House Committee on the Judiciary. GAO/T-GGD-97-51, Mar. 5 (11 pages).

Between September 1995 and September 1996, the Immigration and Naturalization Service (INS) received about 1.3 million naturalization applications, and about 1 million aliens were naturalized. During that time, INS streamlined the naturalization process. Although these efforts greatly increased the volume of applications processed and approved, the Justice Department has identified errors in the naturalization process. Concerns have been raised that INS may have improperly naturalized aliens with felony convictions. According to the Justice Department, among the 1 million aliens who were naturalized between September 1995 and September 1996 were about 71,500 aliens who had criminal history records on file with the FBI and about 179,500 aliens whose fingerprint records

were unclassifiable by the FBI or whose records for other reasons may not have been checked by the FBI for their criminal history. The Justice Department and INS are reviewing records to determine the extent to which aliens were improperly naturalized.

U.S. Customs Service: Varied Reaction to the Labor-Management Partnership Concept, by Norman J. Rabkin, Director of Administration of Justice Issues, before the Subcommittee on Trade, House Committee on Ways and Means. [GAO/T-GGD-97-54](#), Mar. 11 (13 pages).

A 1993 executive order required the head of each federal agency to create labor-management councils to involve employees and their unions as full partners. The idea was for the councils to identify problems and craft solutions to better serve the agency's customers and accomplish its mission. In June 1994, the U.S. Customs Service and the National Treasury Employees Union entered into a partnership agreement that established 19 goals, set up a National Partnership Council, and stated that the Union will participate in agency operational meetings and groups in order to involve the Union in decisions affecting the workforce. This testimony discusses the new relationship between the Customs Service and the Union; the views of Customs management, supervisors, and the Union on the relationship; and GAO's own observations on this relationship.

U.S. Customs Service: Office of Regulations and Rulings Has Yet to Establish Performance Measures, by JayEtta Z. Hecker, Associate Director for International Relations and Trade Issues, before the Subcommittee on Trade, House Committee on Ways and Means. [GAO/T-NSIAD-97-115](#), Mar. 11 (nine pages).

The U.S. Custom Service's Office of Regulations and Rulings facilitates the entry of goods, which were valued at more than \$800 billion in 1996. The Office drafts regulations implementing U.S. trade laws; issues rulings on the classification, valuation, and marking of imported goods; and provides guidance to the trade community and other Customs' units on their compliance responsibilities. This testimony discusses (1) how the Office measures its performance, (2) the extent to which it is meeting its timeliness goals, and (3) industry views on its performance.

National Defense

Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing

GAO/NSIAD-97-86, Mar. 11 (28 pages).

Increasingly, the federal government is using “outsourcing,” or contracting out, for commercial services to save money, achieve management efficiencies, and promote operating flexibility. Recent studies have noted that the Pentagon could save billions of dollars by outsourcing support functions at military bases. This report examines the (1) extent to which the Defense Department (DOD) and the military services emphasize the outsourcing of base support services, (2) factors that influence savings in the outsourcing process, and (3) impediments to DOD’s outsourcing.

Navy Ordnance: Analysis of Business Area Price Increases and Financial Losses

GAO/AIMD/NSIAD-97-74, Mar. 14 (50 pages).

The Navy ordnance business area increased prices 78 percent from fiscal years 1994 through 1996 and incurred about \$212 million in losses during that same period. Most of these losses were due to actual overhead costs exceeding budgeted overhead costs. This situation has led to significant price increases that ultimately reduce purchasing power for the military services’ operations and maintenance appropriation dollars. GAO is concerned that excessive operating costs may exist in many of the Defense Department’s (DOD) logistics business activities and may be causing operations and maintenance appropriations to be used inefficiently. GAO will be examining additional DOD business activities to determine the extent of the problem.

DOD Service Academies: Problems Limit Feasibility of Graduates Directly Entering the Reserves

GAO/NSIAD-97-89, Mar. 24 (18 pages).

The National Defense Authorization Act for Fiscal Year 1997 directed GAO to report on the policy and cost implications of assigning up to five percent of the graduating class of the military service academies to National Guard or military reserve units with a corresponding increase in the number of Reserve Officer Training Corps (ROTC) graduates serving on

active duty. Officials at the military academies and the Defense Department, with the exception of those representing the National Guard, believe that sending academy graduates to guard or reserve units upon graduation would be counterproductive. They point to the need for new officers, regardless of the source of their education, to receive skill training and experience before they can be productive guard or reserve members. Because the academies are the most expensive source of new officers, concerns were expressed that sending academy graduates to the reserves before they complete their active duty obligation would not produce enough of a payback for the cost of their education. National Guard officials, however, noted that they have vacancies in junior officer grades and believe that assigning academy graduates directly to the National Guard would be feasible. National Guard officials believe that the policy and administrative difficulties in accessing academy graduates could be overcome.

**Force Structure:
Potential Exists to Further Reduce Active Air Force Personnel**

[GAO/NSIAD-97-78](#), Mar. 28 (48 pages).

Between fiscal years 1986 and 1997, the Air Force will cut its active military personnel from more than 600,000 to 381,000—a 37-percent reduction. Mission forces were reduced at a much greater rate than infrastructure forces; consequently, about two-thirds of present active duty forces are allocated to infrastructure functions. It is possible to further reduce the active Air Force below the 381,000 threshold without affecting the Air Force's war-fighting capability. The Air Force recently identified a potential to reduce active forces by as many as 75,000 additional military personnel beyond fiscal year 1998 and is reviewing options for replacing military personnel assigned to infrastructure jobs with civilians or contractors who may be able to do this work at less cost.

Testimony

Combat Air Power: Joint Mission Assessments Could Enhance Investment Decisions, by Richard Davis, Director of National Security Analysis Issues, before the Subcommittee on Airland Forces, Senate Committee on Armed Services. [GAO/T-NSIAD-97-105](#), Mar. 5 (28 pages).

Considerable discussion has taken place in recent months about the Defense Department's (DOD) aircraft modernization programs. Much of the discussion has centered on whether DOD will be able to "afford" the large

number of new combat aircraft that it now plans to buy. This testimony, which is based on a September 1996 GAO report ([GAO/NSIAD-96-177](#)), focuses on joint warfighting requirements, the aggregate capabilities of U.S. combat air power forces to meet those requirements, and DOD's efforts to place greater emphasis on joint considerations in program and budget decisions.

Defense Aircraft Investments: Major Program Commitments Based on Optimistic Budget Projections, by Louis Rodrigues, Director of Defense Acquisition Issues, before the Subcommittees on Military Research and Development and Military Procurement, House Committee on National Security. [GAO/T-NSIAD-97-103](#), Mar. 5 (21 pages).

Although the Defense Department (DOD) plans to buy more than 8,300 aircraft at a cost of \$343 billion through fiscal year 2030, the financing of these acquisitions appears questionable given likely future defense budgets. GAO believes that the need and timing of several planned military aircraft acquisitions should be reexamined. This testimony discusses (1) how much DOD has historically spent on aircraft purchases, (2) the availability of funding for aircraft purchases, and (3) how funding instabilities have led to schedule delays and billions in cost increases. GAO also discusses recent reports in which it has questioned the need for and the timing of some aircraft programs.

Chemical Weapons and Materiel: Key Factors Affecting Disposal Costs and Schedule, by Henry L. Hinton, Jr., Assistant Comptroller General for National Security and International Affairs, before the Subcommittee on Military Procurement, House Committee on National Security. [GAO/T-NSIAD-97-118](#), Mar. 11 (37 pages).

Destroying the stockpile of U.S. chemical munitions will exceed the Army's estimate of nearly \$25 billion and will take longer than planned because of public concerns over the safety of incineration, compliance with environmental laws, and the introduction of alternative disposal technologies. The cost and the schedule of the disposal program are driven largely by whether states and local communities agree with the proposed disposal method at the remaining stockpile sites. Reaching agreement has consistently taken longer than the Army had anticipated. Recognizing the difficulty of satisfying public concerns about specific disposal locations, suggestions have been made by Congress, the Defense Department, and others to change the program's basic approach to

destruction. However, these proposals involve trade-offs and would require changes in existing legal requirements.

Military Readiness: Improvements Still Needed in Assessing Military Readiness, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Military Readiness, House Committee on National Security. [GAO/T-NSIAD-97-107](#), Mar. 11 (16 pages).

Today's American military forces have earned the reputation of being among the best, if not the best, trained forces in the world. Yet, after nearly a decade of military downsizing, concerns have been raised about the potential for a new "hollowing" of U.S. forces. Concerns voiced by military personnel to congressional staff during field visits are very different from official assessment reports on unit readiness that are forwarded through service headquarters to the Joint Chiefs of Staff and to the Office of the Secretary of Defense. This difference has raised questions about the true measure of readiness of U.S. military forces. This testimony addresses three questions: What disconnects are associated with readiness reporting, and why do they exist? What corrective measures have been proposed and taken to measure readiness? What further actions are needed?

Defense Outsourcing: Challenges Facing DOD As It Attempts to Save Billions in Infrastructure Costs, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Readiness, House Committee on National Security. [GAO/T-NSIAD-97-110](#), Mar. 12 (42 pages).

The Defense Department (DOD) estimates that almost two-thirds of its budget for fiscal year 1997—about \$146 billion—will go towards operations and support activities, which include facility maintenance, training, military health care, and spare parts inventories. DOD is trying to save billions of dollars by outsourcing work to the private sector and through other initiatives. This testimony discusses DOD's past experience in realizing infrastructure savings, key infrastructure areas that offer the greatest potential for savings, and challenges that DOD faces in reducing its infrastructure in the future.

Military Attrition: Better Screening of Enlisted Personnel Could Save DOD Millions of Dollars, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Personnel, Senate Committee on Armed Services. [GAO/T-NSIAD-97-102](#), Mar. 5 (18 pages); and

Military Attrition: Better Screening of Enlisted Personnel Could Save Millions of Dollars, by Mark E. Gebicke, Director of Military Operations and Capabilities Issues, before the Subcommittee on Military Personnel, House Committee on National Security. [GAO/T-NSIAD-97-120](#), Mar. 13 (17 pages).

This testimony summarizes a January 1997 report ([GAO/NSIAD-97-39](#)) on military attrition. GAO found that more than 14 percent of new recruits leave the military during their first six months and that more than 30 percent leave before the end of their first term. The main reasons for the high attrition rate during the first six months are the (1) inadequate screening of military applications for disqualifying medical conditions or drug use and (2) failure of recruits to perform adequately because they are in poor physical shape or they lack motivation. Although the military is very concerned about attrition, its goals for reducing attrition are based on inconsistent, incomplete data and are unrealistic. GAO estimates that the military could save as much as \$39 million annually if it reduced these attrition rates.

Defense Depot Maintenance: Uncertainties and Challenges DOD Faces in Restructuring Its Depot Maintenance Program, by David R. Warren, Director of Defense Management Issues, before the Subcommittee on Military Readiness, House Committee on National Security. [GAO/T-NSIAD-97-111](#), Mar. 18 (62 pages).

Waste and inefficiency in the Defense Department's (DOD) logistics system, including management of its \$13 billion depot maintenance program, prompted GAO to include military infrastructure among its list of high-risk areas within the federal government. (See [GAO/HR-97-7](#), Feb. 1996.) This testimony discusses DOD's (1) plans for eliminating costly depot maintenance excess capacity, (2) progress in finalizing a new policy on allocating depot workload, (3) current approach to allocating maintenance workloads for new and existing systems, and (4) estimates that billions can be saved by outsourcing depot maintenance.

Defense Inventory Management: Problems, Progress, and Additional Actions Needed, by Henry L. Hinton, Jr., Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on National Security, International Affairs, and Criminal Justice, House Committee on Government Reform and Oversight. [GAO/T-NSIAD-97-109](#), Mar. 20 (33 pages).

Inventory management problems have plagued the Defense Department (DOD) for decades. Despite DOD's efforts to correct these shortcomings, GAO has included inventory management in its list of government programs vulnerable to fraud, waste, and abuse. (See [GAO/HR-97-5](#), Feb. 1997.) GAO recently reported that half of DOD's \$69.6 billion inventory of spare parts, medical supplies, hardware, food, and clothing is either obsolete or rarely used. (See [GAO/NSIAD-97-71](#), Feb. 1997.) The underlying causes of this unneeded inventory include outdated and inefficient inventory management practices that often fail to meet customer demands, inadequate inventory oversight, weak financial accountability, and overstated requirements. Because of these problems, DOD's annual outlay of \$15 billion for additional inventory is at risk. In the short term, DOD must continue to stress the efficient operations of its existing logistics systems. This includes disposing of unneeded inventory, implementing efficient and effective inventory management practices, training personnel and rewarding the right behavior, improving data accuracy, and enforcing existing policies to minimize the acquisition of unneeded inventory. In the long term, DOD must establish goals, objectives, and milestones for changing its culture and adopting new management tools and practices. The key to changing DOD's management culture will be an aggressive approach using best practices from the private sector.

Natural Resources

Emergency Salvage Sale Program: Forest Service Met Its Target, but More Timber Could Have Been Offered for Sale

[GAO/RCED-97-53](#), Feb. 24 (33 pages).

In 1995, Congress established an emergency program, commonly known as the "salvage rider," to boost sales of salvage timber by easing environmental regulations, eliminating the administrative appeals process, and expediting judicial reviews. GAO found that although the Forest Service slightly exceeded its target for salvage timber sales, the volume could have been significantly greater. In July 1996, for example, USDA placed restrictions on the criteria used to classify sales as salvage sales, which delayed 224 sales containing 722 million board feet that the Forest Service had planned to offer for sale. In addition, in December 1996, USDA told the Forest Service not to advertise any salvage sales under the rider after that date. This delayed 27 additional sales involving nearly 30 million board feet. This report also discusses whether (1) four provisions of the salvage rider helped the Forest Service to offer salvage timber for sale

more promptly and (2) salvage sales of concern to environmentalists met the definition of salvage timber under the salvage rider and Forest Service guidelines.

**Minerals Management:
Costs for Onshore Minerals Leasing Programs in Three States**

GAO/RCED-97-31, Feb. 27 (42 pages).

In fiscal year 1996, the development of federal onshore leasable minerals nationwide generated \$936 million, of which the states received about half. The federal government's appropriations for administering its onshore leasable minerals program in that same year were nearly \$114 million. States will pay the federal government \$22 million of this amount. This report (1) identifies how much Wyoming, New Mexico, and California paid the federal government for managing minerals on federal lands within their boundaries, (2) identifies the costs to the three states for their own minerals management programs, and (3) compares these federal and state program costs. GAO also discusses the activities that are associated with the federal and state programs.

**Science, Space, and
Technology**

**Intellectual Property:
Comparison of Patent Examination Statistics for Fiscal Years 1994
and 1995**

GAO/RCED-97-58, Mar. 13 (22 pages).

A July 1996 GAO report (GAO/RCED-96-190) provided statistics on "patent pendency," or the amount of time that the Patent and Trademark Office takes to examine a patent application. This report updates those statistics and compares pendency for fiscal years 1994 and 1995. Specifically, GAO discusses overall pendency; patent pendency by examination groups, secrecy orders, foreign applications, and current and original application dates; and patent pendency attributable to applicants.

**Tax Policy and
Administration**

**Tax Policy:
Effects of the Alcohol Fuels Tax Incentive**

GAO/GGD-97-41, Mar. 6 (60 pages).

In the late 1970s and early 1980s, Congress enacted tax incentives for biomass-derived alcohol fuels. Proponents maintained that the incentives would reduce U.S. dependence on petroleum imports and would provide an additional market for U.S. agricultural products. Subsequent environmental legislation has boosted the demand for alcohol fuels, which are blended with gasoline to increase its oxygen content, in areas of the country with mandatory minimum oxygen requirements for transportation fuel. In recent months, Congress has debated the need for continuing the tax incentives for alcohol fuels. This report answers the following questions on tax incentives for alcohol fuels: Whom do the incentives benefit and harm economically? What environmental benefits have the incentives produced? Have the incentives increased the nation's economic independence? To what extent has the partial exemption from the excise tax for alcohol fuels reduced the flow of revenues into the Highway Trust Fund?

**Tax Policy:
Information on the Joint and Several Liability Standard**

[GAO/GGD-97-34](#), Mar. 12 (43 pages).

When a married couple files a joint federal income tax return, each spouse becomes individually responsible for paying the entire amount of the tax associated with that return. Because of this joint and several liability standard, one spouse can be held liable for tax deficiencies assessed after a joint return was filed that were solely attributable to the actions of the other spouse. However, when one spouse, without the knowledge of the other, incurs additional taxes, the other potentially "innocent spouse" can obtain relief from the additional tax liability if certain conditions are met. In response to concerns about the effectiveness of the current innocent spouse provisions and other perceived inequities caused by the joint and several liability standard, this report discusses (1) the potential universe of taxpayers who may be eligible for innocent spouse relief, (2) the Internal Revenue Service's (IRS) procedures for handling requests for innocent spouse relief, (3) whether the innocent spouse provisions afford the same treatment for all taxpayers, (4) the potential effects of replacing the joint and several liability standard with a proportionate liability standard, (5) the potential effects on IRS of requiring it to abide by the terms of divorce decrees when those decrees allocate tax liabilities, and (6) the potential effects on IRS of changing the law so that community income of one spouse cannot be seized to satisfy tax liabilities incurred by the other spouse before their marriage.

Testimony

IRS High-Risk Issues: Modernization of Processes and Systems Necessary to Resolve Problems, by Lynda D. Willis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. [GAO/T-GGD-97-52](#), Mar. 4 (17 pages).

The Internal Revenue Service (IRS) has for years struggled to collect the nation's tax revenues using outdated processes and technology. The result has often been inefficient and ineffective programs that are prone to waste, fraud, abuse, and mismanagement. Of particular concern are IRS' efforts to modernize its tax systems, manage its administrative and revenue accounting systems, identify and collect taxes owed to the government, detect and prevent the filing of fraudulent tax returns, protect the confidentiality of taxpayer information, and prevent the disruption of services because of computer malfunctions. At a minimum, IRS needs an implementation strategy that includes both cost-benefit analyses and reasonable estimates of the extent, time frames, and resources needed to correct its high-risk vulnerabilities. IRS also needs to (1) better define, prioritize, and manage new information systems; (2) ensure that its administrative and revenue accounting systems fully comply with the federal government's accounting standards; (3) design and implement both administrative and electronic controls to protect taxpayer data from unauthorized access; and (4) develop performance measures that will allow its managers, Congress, and GAO to track its progress. Above all, IRS management needs to sustain its commitment to resolving the agency's high-risk problems.

Tax Administration: IRS' Fiscal Year 1997 Spending, 1997 Filing Season, and Fiscal Year 1998 Budget Request, by Lynda D. Willis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. [GAO/T-GGD/AIMD-97-66](#), Mar. 18 (30 pages).

Halfway through the 1997 tax season, nearly 25 percent more tax returns had been filed electronically than at the same time last year. Meanwhile, of some 21.6 million attempts by taxpayers to reach the Internal Revenue Service (IRS) by phone, IRS answered more than 52 percent of the calls as of February 1997—up from about 21 percent in 1996. Regarding IRS's fiscal year 1997 spending and fiscal year 1998 budget request, Congress may wish to consider the following issues as it continues its oversight and appropriations activities: Should the \$36 million that IRS will not be using for systems development in fiscal year 1997 be rescinded? What level of funding is needed to make IRS' information systems century date

compliant, and will those changes be made in time? Does IRS need all of the money it is requesting for fiscal year 1998 for the Distributed Input System/Remittance Processing System replacement project? What level of funding should Congress provide for developing new information systems, given the lack of any justification for the \$131 million request for fiscal year 1998 and the \$1 billion investment account for fiscal years 1998 and 1999? What reliable, outcome-oriented performance measures should be put in place to guide Congress and IRS in deciding what resources should be given to IRS and how best to allocate them among IRS's different programs?

Transportation

Air Traffic Control: Status of FAA's Standard Terminal Automation Replacement System Project

[GAO/RCED-97-51](#), Mar. 5 (16 pages).

Since the early 1980s, efforts by the Federal Aviation Administration (FAA) to modernize the air traffic control system have experienced lengthy schedule delays and substantial cost overruns. Because of these problems, in 1994 FAA restructured its acquisition of the Advanced Automation System—the centerpiece of its modernization effort—into more manageable time segments. One of these segments, known as the Standards Terminal Automation Replacement System (STARS) project, is expected to replace older computers used at FAA facilities to track aircraft in airspace around airports. In September 1996, FAA contracted with Raytheon Corporation to develop and install STARS. This report discusses the extent to which the (1) schedule estimate for STARS is attainable and (2) cost estimates to make STARS operational are likely to change.

Testimony

Aviation Safety and Security: Challenges to Implementing the Recommendations of the White House Commission on Aviation Safety and Security, by Gerald L. Dillingham, Associate Director for Transportation Issues, before the Subcommittee on Aviation, Senate Committee on Commerce, Science and Transportation. [GAO/T-RCED-97-90](#), Mar. 5 (11 pages).

Last year, 380 people died in accidents involving large U.S. airlines—the largest number in 11 years. The crashes of TWA Flight 800 off Long Island and ValuJet Flight 592 in the Florida Everglades accounted for most of these deaths. Although the nation's air transportation system remains the

safest in the world and the Federal Aviation Administration is a model for other countries, these tragic events underscore the need to continuously increase the existing margin of safety. The recently released report of the White House Commission on Aviation Safety and Security made 57 recommendations concerning safety, security, air traffic control, and disaster response. GAO testified that these recommendations are a good start toward ensuring greater safety and security for passengers, restructuring the relationships between government and private industry, and maintaining America's global leadership in aviation. However, key questions remain about how and when the recommendations will be implemented, how much they will cost, and who will pay for them. This testimony focuses on the challenges to converting the Commission's recommendations from concepts to realities.

DOT's Budget: Safety, Management, and Other Issues Facing the Department in Fiscal Year 1998 and Beyond, by John H. Anderson, Jr., Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. [GAO/T-RCED/AIMD-97-86](#), Mar. 6 (60 pages).

Last year, GAO testified that the Department of Transportation faced tremendous challenges in ensuring the safe and efficient movement of people and goods and a cost-effective investment in the nation's transportation infrastructure, which includes its highways and transit systems, airports, airways, ports, and waterways. If anything, overcoming these obstacles will be even more difficult because efforts to improve the safety and security of the aviation system will stretch limited resources even further. At the same time, pressure to reduce the federal deficit and the demand for scarce federal dollars for other transportation programs continue unabated. The \$38 billion proposed in the Department's fiscal year 1998 budget represents a one-percent reduction from this year's enacted appropriation. Funding constraints underscore the need for the Department to improve its management and oversight to ensure that taxpayers get the most out of their transportation investment dollars. This testimony discusses the major safety and security, management, and other issues facing the Department.

Surface Transportation: Prospects for Innovation Through Research, Intelligent Transportation Systems, State Infrastructure Banks, and Design-Build Contracting, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Transportation and

Infrastructure, Senate Committee on Environment and Public Works. [GAO/T-RCED-97-83](#), Mar. 6 (10 pages).

This testimony focuses on how innovation in federal research, financing, and contracting methods can improve the performance of the nation's surface transportation system. GAO discusses (1) the role of surface transportation research, which has yielded such benefits as crash protection devices, programs to reduce alcohol-related deaths, and long-lasting highway surfaces; (2) the Transportation Department's Intelligent Transportation System Program, which has received \$1.3 billion to use computers and telecommunications to promote safety and efficiency in surface transportation; (3) state infrastructure banks; and (4) efforts by the Federal Highway Administration to test and evaluate the use of an innovative design-build contracting method for highway construction.

Intercity Passenger Rail: Amtrak's Financial Viability Continues to Be Threatened, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Railroads, House Committee on Transportation and Infrastructure. [GAO/T-RCED-97-80](#), Mar. 12 (21 pages); and

Intercity Passenger Rail: The Financial Viability of Amtrak Continues to Be Threatened, by Phyllis F. Scheinberg, Associate Director for Transportation Issues, before the Subcommittee on Surface Transportation and Merchant Marine, Senate Committee on Commerce, Science, and Transportation. [GAO/T-RCED-97-94](#), Mar. 13 (21 pages).

The elimination of federal operating support for Amtrak depends on the railroad's ability to boost revenues, control costs, and provide customers with high-quality service. GAO testified that Amtrak's financial condition is still very perilous and heavily dependent on federal capital and operating funds. Although Amtrak has developed a plan to increase revenues and reduce cost growth, passenger revenues have been declining and the gap between deficits and federal operating subsidies has begun to grow. At the end of fiscal year 1996, the gap between the operating deficit and federal operating subsidies totaled \$82 million. Capital investment is critical if Amtrak's business plans are to succeed. Amtrak will need billions of dollars to bring its equipment and facilities systemwide and its tracks in the Northeast Corridor into a state of good repair and to introduce high-speed rail service between Washington and Boston. It will be difficult for Amtrak to achieve operating self-sufficiency by 2002 because of the

environment in which it operates. First, Amtrak is depending on capital investment to support its business plans—specifically, an increase in capital funding support, possibly from a dedicated funding sources like the Highway Trust Fund. GAO cautions that the current budget environment may limit the amount of money actually made available to Amtrak. Second, Amtrak is relying greatly on revenue growth and cost containment to replace federal operating support. The economic and competitive environment in which Amtrak operates may limit revenue growth, however, and Amtrak will find it hard to take those steps necessary—such as route and service adjustments—to cut costs.

Veterans Affairs

Testimony

Department of Veterans Affairs: Programmatic and Management Challenges Facing the Department, by David P. Baine, Director of Planning and Reporting in the Health, Education, and Human Services Division, before the Subcommittee on Human Resources, House Committee on Government Reform and Oversight. [GAO/T-HEHS-97-97](#), Mar. 18 (36 pages).

The Department of Veterans Affairs (VA) has a profound effect on the welfare of the nation's 26 million veterans. In fiscal year 1996, VA's 222,000 workers delivered a wide array of medical, disability compensation, pension, housing, insurance, education, and burial services in more than 1,000 facilities at a cost of more than \$38 billion. This testimony discusses the steps taken to boost the efficiency of VA's health care system and VA's progress in addressing the challenges GAO testified on two years ago. GAO also discusses (1) challenges facing the Veterans Business Administration in handling compensation and pension benefits, (2) VA's efforts to implement the Government Performance Review Act and other recent legislation intended to improve the management of government programs, and (3) changes that could be made in veterans' benefits and in the operation of VA programs to help reduce the budget deficit.

Legal Decisions and Opinions

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Defense Reutilization and Marketing Service Awards Ceremonies

B-270327, Mar. 12.

Vouchers for luncheon expenses incurred by the Defense Reutilization and Marketing Service (DRMS) for employees attending worldwide DRMS awards ceremonies may be paid. We have approved the payment of reasonable ceremonial expenses, including food, incurred in connection with the presentation of awards under the Government Employees' Incentive Awards Act. 65 Comp. Gen. 738 (1986). The \$20 per employee expense limitation set by DRMS in connection with presentation of the awards is not inconsistent with the Incentive Awards Act or implementing regulations.

Environmental Protection Agency—Inspector General—Cooperative Agreement—Procurement

B-262110, Mar. 19.

Environmental Protection Agency (EPA) should have used a procurement contract rather than a cooperative agreement to obtain support services from the University of Kansas (KU) for an EPA data management conference. If EPA had chosen to use a contract to procure the services, KU would not have been allowed to pay travel and related expenses for non-federal conference attendees. However, since the EPA Assistant Regional Administrator caused the error by choosing an inappropriate funding vehicle, neither the certifying official nor KU should have to repay EPA; both acted in good faith in fulfilling their obligations and neither had a basis for questioning the Assistant Regional Administrator's decision to use the cooperative agreement.

Export-Import Bank

B-272254, Mar. 5.

Under 12 U.S.C. § 635(a)(1) (1994), the Export-Import Bank may not charge its customers for travel expenses incurred by the Bank in connection with a customer's transactions, and deposit the receipts to the credit of the Bank's appropriation. Section 635(a)(1) permits the Bank to accept voluntary reimbursements for the travel expenses of its employees from non-federal sources; it does not authorize the Bank to charge fees to cover employees' travel expenses.

National Security Agency—Availability of Appropriations To Purchase Food as a Nonmonetary Award under the Government Employees Incentive Awards Act.

B-271511, Mar. 4.

1. The National Security Agency may use appropriated funds to purchase food or food vouchers for use as a nonmonetary award under the Government Employees Incentive Awards Act, 5 U.S.C. §§ 4501-4506. We have no legal basis to object to the Office of Personnel Management's conclusion that agencies may use meals or food vouchers as informal recognition awards provided that the agency concludes that (1) the contribution being recognized will be properly rewarded by presenting an informal recognition award of nominal value, rather than a cash award, time off award, or an honorary award; and (2) meals or vouchers therefor represent a form of informal recognition award that would not jeopardize the credibility and integrity of the government's incentive awards program.
2. The Act authorizes agencies to "incur necessary expenses for the honorary recognition of employees." 5 U.S.C. § 4503. We have previously interpreted the Act to permit agencies to use operating appropriations to pay for refreshments and meals in connection with agency employee awards ceremonies, if the agency determines that a reception with food would enhance the recognition value of the awards. 65 Comp. Gen. 738, 740 (1986); B-235163.11, February 13, 1996.

[Letter]

B-271896, Mar. 4.

Relief is granted to State Department Class B Cashier where proximate cause of loss was not negligent practices of the cashier, but the laxity that pervaded the Embassy's operation and management of its cashier's office.

Reports on Agency Rules

Board of Governors of the Federal Reserve System: Bank Holding Companies and Change in Bank Control (Regulation Y).

[GAO/OGC-97-28](#), Mar. 12.

Department of Agriculture, Farm Service Agency and Commodity Credit Corporation: Conservation Reserve Program—Long-Term Policy.

[GAO/OGC-97-26](#), Mar. 6.

Department of Justice, Immigration and Naturalization Service and Executive Office for Immigration Review: Inspection and Expedited Removal of Aliens; Detention and Removal of Aliens; Conduct of Removal Proceedings; Asylum Procedures. [GAO/OGC-97-32](#), Mar. 28.

Federal Communications Commission: Facilitate Future Development of Paging Systems and Implementation of Section 309(j) of the Communications Act; Competitive Bidding. [GAO/OGC-97-31](#), Mar. 21.

Securities and Exchange Commission: Revision of Holding Period Requirements in Rules 144 and 145. [GAO/OGC-97-27](#), Mar. 11.

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