United States General Accounting Office

GAO

Performance and Accountability Series

July 1999

# MAJOR MANAGEMENT CHALLENGES AND PROGRAM RISKS

## Implementation Status of Open Recommendations

GAO

Accountability * Integrity * Reliability

GAO/OCG-99-28

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GAO

**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**Comptroller General**
**of the United States**

B-282928

July 30, 1999

The Honorable Fred Thompson
Chairman
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This responds to your May 11, 1999, request for a list of open recommendations to help solve problems in areas we designated as major management challenges in our January 1999 Performance and Accountability Report Series. You also asked that we refer to the source and date of those recommendations, whether or not the agency agreed with the recommendations, and the status of agency actions to implement them. In April 1999, we provided similar information on areas we have designated as high-risk.[1] As in our April report, our responses are based on our most recent comprehensive update on the implementation status of all open recommendations completed in the fall of 1998, unless we have more current information or have made new recommendations.

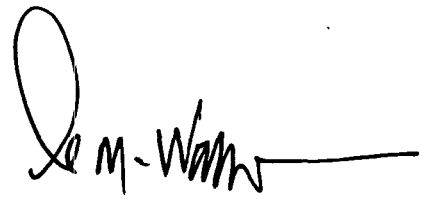
There are currently over 450 open GAO recommendations in these 84 major management challenge areas. As agreed with your office, for those areas with numerous open recommendations, we have focused on those that are most important to solving the problem (generally 10 to 12 per management challenge), and briefly summarized the other recommendations. For many recommendations, agencies have indicated their agreement and intent to implement them. In some cases, actions are underway and progress is being made, while in others, implementation has not yet begun. In some instances, agencies disagreed with our recommendations and plan no action. To maximize the utility of the information, we have kept our comments on agency actions brief. For each management challenge, we include a point of contact who can provide additional information as needed.

[1]High-Risk Series: Recommendations Need to Be Implemented (GAO/HR-99-2R, April 12, 1999).

We look forward to working with you on resolving these problems. If you or your office have any further questions or would like to discuss any of the issues in more detail, please call me at (202) 512-5500 or the GAO contact points.

We are sending a copy of this report to Senator Joseph Lieberman, the Ranking Minority Member of your Committee, and to other interested parties. Copies will be made available to others upon request.

Sincerely yours,



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Comptroller General
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# Department of Agriculture

**Table I.1: USDA's Field Structure Is Inefficient**

USDA's field structure for managing its farm programs is obsolete and inefficient. While USDA has made progress in closing about 1,000 county office locations, its field structure still includes about 2,700 county office locations that serve a decreasing number of farmers. To improve the efficiency of its farm service operations, USDA needs to consider using alternative methods for delivering services to farmers and reconsider the level of personalized service it provides to farmers. There are four open recommendations related to this management challenge.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-98-98<br>Apr. 20, 1998 | The Secretary of Agriculture should direct the Administrator, Farm Service Agency (FSA), in coordination with the Natural Resources Conservation Service and the Rural Development mission area (FSA's Service Center partners), to study the costs and benefits of using alternative delivery methods to accomplish mission objectives. | While USDA partially agreed with the recommendation, it does not intend to implement it. In its response to the Congress and OMB, USDA did not specifically address our key point—the need to study the costs and benefits of using alternative delivery methods to accomplish mission objectives. USDA stated that it must retain its county office structure to provide face-to-face service to selected minority and small farm program participants. We continue to believe that continued pressure to reduce federal expenditures requires USDA to look for ways to deliver services more efficiently. |
| RCED-99-34<br>Dec. 11, 1998 | To measure the economies and efficiencies gained by the departmentwide administrative streamlining, the Secretary of Agriculture should require the leaders for the seven mission areas, in consultation with the Assistant Secretary for Administration and the Chief Financial Officer, to develop and implement performance measures for the department's administrative operations that assess service delivery, efficiency, and quality. | USDA agreed with this recommendation and intends to implement it. While USDA has ongoing initiatives to develop baselines necessary to develop performance measures, it has not yet begun to implement this recommendation. |
| | The Secretary of Agriculture should direct the Undersecretaries for the Farm and Foreign Agricultural Services, Natural Resources and Environment, and Rural Development to develop cost estimates for the completed implementation of administrative convergence. | USDA agreed with this recommendation and has directed the Under Secretaries to work with the Office of Budget and Program Analysis on finalizing a strategy for addressing administrative budget and staffing levels to help determine the total estimated cost of implementation. USDA is in the early stages of implementing this recommendation. |
| | To facilitate the effective implementation of the Administrative Convergence Plan, the Secretary of Agriculture, after approving the implementation plan, should move quickly to fill key leadership positions for the Support Services Bureau and charge the appointed officials with the responsibility to carry out the plan. | USDA agreed with this recommendation and has implemented a series of action items, including the appointment of an Acting Executive Director. USDA is in the early stages of implementing this recommendation. |

**Table I.2: Fundamental Changes Are Needed to Improve Food Safety**

The increasing incidence of foodborne illness has heightened concerns about the federal government's effectiveness in ensuring the safety of food. This concern has resulted in, among other things, the use of more scientific approaches to meat and poultry inspections. However, while these changes are important to better ensuring the safety of our food, they do not address the fundamental problem of having the responsibilities for food safety scattered among 12 different federal agencies, which results in inconsistent oversight, poor coordination, and the inefficient allocation of resources. The current highly fragmented federal system for food safety needs to be replaced with a uniform, risk-based inspections system under a single food agency. There are three open recommendations related to this management challenge.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-94-158 Sept. 26, 1994 | To strengthen the National Residue Program (NRP), the Secretary of Agriculture should direct the Administrator, Food Safety and Inspection Service (FSIS), to modify port-of-entry residue testing for imported meat and poultry to include residues that domestic testing of the exporting nation has shown to have high violation rates, such as heavy metals, as well as the banned and unapproved compounds that the exporting nation identifies as being used domestically, or require that the exporting nation have programs to test specifically for such residues prior to shipment. | USDA agreed with and is well along in implementing this recommendation. FSIS has drafted a report entitled, "Proposed Process To Be Used By Public Health Residue Prioritization Committee," which describes a three-phase risk assessment process that will be used to determine which compounds become part of the monitoring portion of the National Residue Program. The new risk-based monitoring program will consider drugs and pesticides used and environmental contaminants worldwide, regardless of their approval in the United States. In a few months, FSIS plans to seek public comment on the draft report by publishing it in the Federal Register. |
| RCED-98-103 Apr. 30, 1998 | To help the Food Safety and Inspection Service (FSIS) better identify the risks associated with specific foods and thereby further improve the Automated Import Information System's usefulness in selecting high-risk products to inspect, the Secretary of Agriculture should direct the Administrator, FSIS, to modify the Automated Import Information System so that it can identify patterns between laboratory test results and specific foods, foreign firms, and exporting countries. | USDA agreed with this recommendation and is in the early stage of implementation. However, rather than focusing on just the Automated Import Information System, it plans to review the entire port-of-entry inspection procedures, including the Automated Import Information System. USDA said that, as it moves through this planned review, it will address the specific recommendation. In this regard, USDA has an action plan with interim target dates and a final target completion date of January 2001. |
| RCED-99-74 Apr. 28, 1999 | In light of the emergence of antibiotic resistance in humans, questions about the extent that the agricultural use of antibiotics contributes to the human health burden, and the debate over whether further regulation or restriction of use in agriculture is needed, the Secretaries of Agriculture and Health and Human Services should develop a plan with specific goals, time frames, and resources needed to evaluate the risks and benefits of the existing and future use of antibiotics in agriculture, including identifying any data gaps and research methods. | USDA agreed with the recommendation but has not begun implementation. We are awaiting USDA's formal response, which is due within 60 days of the report's release, for its specific plans for implementation. However, successful implementation will depend on the cooperation of the Department of Health and Human Services, as well. |

**Table I.3: Inefficiency and Waste Within the Forest Service Continue**

Inefficiency and waste throughout USDA's Forest Service's operations and organization have cost taxpayers hundreds of millions of dollars. In particular, the Forest Service has not obtained fair market value for its goods or recovered its costs for services, cannot accurately account for a significant amount of its assets and expenditures, has generally unreliable financial statements, and has weak contracting practices. While the Forest Service has made progress in recent years, it is still far from achieving financial accountability and possibly a decade or more away from being fully accountable for its performance. Since the financial problems at the Forest Service are so pervasive and long-standing, we have designated the Forest Service's financial management a high-risk area. (Open recommendations related to the Forest Service's financial management are detailed in GAO/HR-99-2R.) To improve its operational efficiency and effectiveness, the Forest Service must be accountable for its financial operations and performance.

There are 25 open recommendations relating to this major management challenge. In addition to the 10 recommendations discussed in the following table, there are 15 recommendations pertaining to a variety of Forest Service issues, including timber sale contract defaults, the rights-of-way program, suspended or canceled timber sale contracts, use of the National Forest Fund, management of the Salvage Sale Fund, contracting practices, and watershed issues.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-97-16<br>Dec. 20, 1996 | The Secretary of Agriculture should direct the Chief of the Forest Service to update the methods used to calculate fees for commercial and noncommercial special-use permits so that they better reflect fair market values and comply with the requirements of the Independent Offices Appropriations Act of 1952 and Office of Management and Budget Circular A-25. To minimize any impact that large increases in fees could have on permittees, the Service may wish to consider phasing in new fees. In addition, once the fees are updated, the Service needs to routinely keep them up to date. | The Forest Service agreed with this recommendation and implementation is well along. The Forest Service is in its third year of a 5-year effort to conduct appraisals and update fees on over 15,000 recreational residences. In many cases, these appraisals have resulted, or will result, in significantly increased fees. For many of the recreational residences that have been affected by updated appraisals, the Forest Service began phasing in the new fee charges in January 1999. With regard to commercial permits, the Forest Service is moving away from its graduated rate fee system. During the summer 1999, the agency intends to begin implementing a new fee system for winter resort permits that will be easier to use and is expected to better reflect fair market value. |
| | The Secretary of Agriculture should also consider seeking legislation permitting the Forest Service to retain application and processing fees in the Forest Service unit where the costs were incurred. Permitting the Service to retain the revenue necessary to offset the costs of the program would provide additional incentives and resources for getting the necessary work done. | The Forest Service partially agreed with this recommendation. Implementation has not yet begun, but the agency wants the authority to retain application and processing fees. However, the agency has not yet decided whether it will seek authority to retain such fees in the Forest Service unit where the costs were incurred. It expects to address this issue after it completes developing and publishing cost recovery regulations. |

(continued)

| GAO product | Recommendation | Agency action |
|---|---|---|
| | The Secretary of Agriculture should direct the Chief of the Forest Service to develop and issue cost recovery regulations so that the agency has the proper legal basis for recouping the administrative costs incurred in reviewing and processing special-use permit applications. In order to fully implement this recommendation, it will be necessary for the Service to develop a cost accounting system. | The Forest Service agreed with this recommendation and is well along in developing cost recovery regulations. The agency expects to publish its draft regulations for comment in the Federal Register in the summer 1999, and issue final regulations by July 2000. |
| RCED-96-84 Apr. 22, 1996 | To meet the requirements of the Federal Land Policy and Management Act, Mineral Leasing Act, and Office of Management and Budget's Circular A-25, the Secretary of Agriculture should direct the Chief of the Forest Service to develop a fee system that ensures that fair market value is obtained from companies that have rights-of-way to operate oil and gas pipelines, power lines, and communications lines across Forest Service lands. While there are a number of options available to accomplish this goal, the option of establishing fees based on local market data or site-specific appraisals paid for by the users of the rights-of-way appears to be the most attractive because it collects fair market value for each right-of-way and also reduces the agency's administrative costs. | The Forest Service agreed with this recommendation and implementation is well along. The Forest Service is working with the Bureau of Land Management (BLM) to develop a common fee system for rights-of-way that better reflects fair market value. This is one part of an effort to revise its rights-of-way program, which will also include the Forest Service and BLM issuing a common authorization, such as an easement. The agencies expect to complete this effort, and implement a new fee system, by September 2000. |
| RCED-98-58 Feb. 13, 1998 | Because the Forest Service has not exercised its authority to obtain fair market value for certain goods and to recover costs for certain services and has not always acted to contain costs, even when requested to do so by the Congress, the Secretary of Agriculture should direct the Chief of the Forest Service to revise the strategic plan that the agency developed to comply with the requirements of the Government Performance and Results Act to include goals and performance measures for obtaining fair market value for goods, recovering costs for services, and containing expenses as the necessary first step in holding the Forest Service accountable for its performance. | The Forest Service agreed with this recommendation but implementation has not yet begun. While the Service said that such goals and performance measures would be developed as part of the process leading to the revision of the agency's strategic plan in FY 2000, neither a December 1998 draft of the revised strategic plan or the agency's fiscal year 2000 annual performance plan includes any goals or performance measures for obtaining fair market value for goods, recovering costs for services, and containing expenses. |
| RCED-98-88 May 6, 1998 | Effective internal control is essential to safeguarding government assets and to conducting government business with full accountability. To improve compliance with the Federal Managers' Financial Integrity Act and our standards for internal control, the Secretary of Agriculture should direct the Chief of the Forest Service to prepare and implement a written internal control plan for contracting that includes methods for ensuring (1) the complete documentation of critical actions in contract files, (2) the routine supervisory review of contracting activities, (3) more consistent monitoring of contractors' progress on service contracts through the implementation of a training and certification program for contracting officers' representatives, (4) improved summary management information, and (5) clarification of how to determine adequate warrant authority for various types of contracts. | The Forest Service agreed with this recommendation and is well along in its implementation. In May 1999, the Forest Service completed an overall internal control plan, which contains mechanisms for ensuring adequate contract file documentation, routine supervisory review of contracting activities, and improved availability of management information. The Forest Service has issued informal guidance clarifying how to determine adequate warrant authority for various types of contracts and is in the process of drafting an acquisition regulation to formalize the guidance. The Forest Service expects to use the Department of Agriculture's program for training and certifying contracting officers' representatives when that program becomes available in the fall 1999. |

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| GAO product | Recommendation | Agency action |
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| RCED-97-71 Apr. 29, 1997 | Because the Forest Service has proposed removing from its forest plans measurable objectives for goods and services, such as quantities of wood for lumber and forage for livestock and numbers of opportunities for recreation, the Secretary of Agriculture should direct the Chief of the Forest Service to identify how the agency will link its long-term strategic goal of providing multiple benefits to satisfy people's needs for uses, values, products, and services within the capabilities of ecosystems with its annual performance goals and measures for gauging the progress made toward achieving the long-term goal and holding line managers accountable for their performance. | The Forest Service agreed with this recommendation and implementation is in its early stages. The Forest Service's existing performance measures do not adequately reflect accomplishments or progress toward achieving the agency's strategic goal and objectives for providing goods and services, including high quality recreational experiences in national forests. Although the Forest Service is developing a process to identify measurable components of the recreation program, establish standards of quality for each component, and monitor, measure, and report actual management attainment of the quality standards, the process is still evolving and has not been implemented. |
| RCED-99-2 Dec. 2, 1998 | To improve the Forest Service's accountability for results, the Secretary of Agriculture should direct the Chief of the Forest Service to: (1) revise the agency's budget structure, budget allocation criteria, and performance measures to better link them to the Forest Service's strategic goals and objectives; and (2) incorporate the new performance measures into the management cost and performance reporting system that the agency is developing. | In commenting on a draft of this report, the Forest Service generally agreed with this recommendation. As of early June 1999, we had not received the agency's response required by 31 U.S.C. 720. |
| | To help ensure that the budget allocation criteria and performance measures are revised and the management cost and performance reporting system is implemented in a timely manner, the Secretary of Agriculture should direct the Chief of the Forest Service to establish a firm schedule to achieve performance accountability. | In commenting on a draft of this report, the Forest Service generally agreed with this recommendation. As of early June 1999, we had not received the agency's response required by 31 U.S.C. 720. |
| RCED-99-65 Apr. 2, 1999 | The Secretary of Agriculture should direct the Chief of the Forest Service to develop, and formally communicate to the Congress, a cohesive strategy for reducing and maintaining accumulated fuels on national forests of the interior West at acceptable levels. The strategy should include (1) specific steps for: (a) acquiring the data needed to establish meaningful performance measures and goals for reducing fuels; (b) identifying ways of better reconciling different fuel reduction approaches with other stewardship objectives; and (c) identifying changes in incentives and statutorily defined contracting procedures that would better facilitate the accomplishment of fuel reduction goals; (2) a schedule indicating dates for completing each of these steps; and (3) estimates of the potential and likely overall and annual costs of accomplishing this strategy based on different options identified in the strategy as being available for doing so. | In commenting on a draft of this report, the Forest Service agreed that it needs to develop a cohesive strategy for reducing and maintaining accumulated fuels on national forests of the interior West at acceptable levels. As of early June 1999, we had not received the agency's response required by 31 U.S.C. 720. |

**Table I.4: Reducing Overpayments in the Food Stamp Program**

Millions of dollars in overpayments in the Food Stamp Program occur because eligible persons are paid too much or because ineligible individuals improperly participated in the Food Stamp Program. Computer matching can provide a cost-effective mechanism to accurately and independently identify households that include ineligible participants. Some states have taken actions to reduce food stamp overpayments by using computer matching to identify ineligible participants. USDA can enhance the states' effectiveness in identifying ineligible participants and reducing overpayments by taking a lead role in promoting the sharing of information among federal and state agencies. There is one open recommendation related to this management challenge.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-98-228<br>Aug. 6, 1998 | In the absence of a comprehensive national information system on participants in all public assistance programs, the Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service (FNS) to consider establishing a central system to help ensure that individuals participating in the Food Stamp Program are not being improperly included as household members in more than one state concurrently. As part of this effort, FNS should conduct a feasibility study to identify options and provide a cost-benefit estimate for each option. | USDA agreed with this recommendation and has begun taking action. On November 12, 1998, the President signed Public Law 105-379, amending the Food Stamp Act of 1997, to direct the Secretary of Agriculture to study and report to the Congress on options for the design, development, implementation, and operation of a national database to track participation in federal means tested programs (including the Food Stamp Program). USDA's Food and Nutrition Service has initiated action on the study and has contracted with a consulting firm for certain aspects of the study. The study is to be completed by November 1999. |

**Table I.5: USDA Lacks Financial Accountability Over Billions of Dollars in Assets**

USDA has a long-standing history of deficiencies in its accounting and financial management systems. Since 1991, because of these deficiencies, USDA's Inspector General has issued a series of unfavorable financial audit reports on USDA and several of its component agencies' financial statements. In addition, USDA's ability to comply with budgetary and financial statement reporting requirements is severely hampered by its lack of adequate financial systems. USDA currently has an action plan for resolving its accounting and financial systems' deficiencies that calls for full implementation by fiscal year 2000. Given the long-standing nature of USDA's financial management deficiencies, complete resolution by fiscal year 2000 will be a significant challenge.

While currently we have no open recommendations directly related to USDA's overall financial management, the Inspector General's (IGs) financial audits have resulted in detailed recommendations that, if adequately implemented, provide the path that USDA must follow to achieve financial accountability. The IG's recommendations address the need for improving internal controls and implementing a modern financial management system that meets federal accounting standards and requirements. Although USDA has measures underway to correct its financial management deficiencies, few of the IG's recommendations have been fully implemented. As a result, few of the department's financial problems have been fully resolved. As we have done for the past several years, we will continue to monitor the efforts of USDA and its component agencies to achieve financial accountability. In addition, because the financial problems at the Forest Service, a major USDA component agency, are so pervasive and long-standing, we have designated the Forest Service's financial management a high-risk area.

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**Table I.6: USDA Can Save Millions by Better Managing Its Telecommunications Investments**

USDA is not effectively managing its telecommunications systems and services. Among other things, USDA has not consolidated and optimized telecommunications where opportunities exist to do so or established sound management practices to ensure that telecommunications resources are effectively managed and payments for unused, unnecessary, or uneconomical services are terminated. To respond to these problems, USDA has identified improvements it states could reduce its annual over $200 million telecommunications investment by as much as $70 million each year. As a first step, USDA is developing a Telecommunications Action Plan for correcting its telecommunications management deficiencies. However, once this plan is developed, USDA will need to effectively implement it to correct deficiencies and achieve cost savings. The nine open recommendations related to this management challenge are discussed in the following table.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-95-203<br>Sept. 22, 1995 | The Secretary of Agriculture should direct the under secretaries and assistant secretaries to establish and implement procedures for reviewing telecommunications resources at offices USDA plans to either close or relocate to ensure that (1) all unneeded telecommunications services are terminated promptly and vendor accounts are closed and (2) telecommunications equipment is properly accounted for and reused where it is practical and cost-beneficial to do so. | USDA agreed with our recommendation and implementation is in its early stages. On March 23, 1999, USDA's Office of the Chief Information Officer (OCIO) issued an updated and expanded Departmental Regulation (DR) 3300-1, Telecommunications and Internet Services and Use, which requires agencies/offices to identify outdated or no longer needed telecommunications resources and ensure that the agencies/offices are paying for only those resources being used. In May 1999, USDA said it is currently developing a strategy to implement a telecommunications compliance program. As a first step, the OCIO plans to instruct agency/office CIOs and managers to establish the necessary internal controls, including certification by the CIO or senior management official that these procedures have been developed and implemented. |

(continued)

| GAO product | Recommendation | Agency action |
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| | The Secretary of Agriculture should direct the Assistant Secretary for Administration to require the Office of Information Resources Management (OIRM) to develop additional departmental policy requiring agencies to establish management controls over the acquisition and use of telecommunications resources and assist agencies in carrying out these requirements by completing a systematic review of the agencies' current telecommunications management practices to (1) identify and correct telecommunications management deficiencies that exist and (2) establish an agency telecommunications management program that sets performance expectations over agency telecommunications activities and assigns responsibility and accountability necessary to ensure that these activities are effectively carried out. | USDA agreed with our recommendation and implementation is well along. In response to our report, USDA began reengineering the department's telecommunications management activities in June 1996 and began a pilot project to evaluate an application to support the department's new Telecommunications Ordering, Billing, and Inventory (TOBI) system and reengineered processes. However, in May 1999, USDA said that preliminary results of the pilot showed the application was not adequate and the department is currently revising its implementation plan for TOBI. USDA said it expects to begin to execute the revised plan by September 1999. |
| | The Secretary of Agriculture should direct the Assistant Secretary for Administration to require OIRM to strengthen oversight by conducting periodic reviews of agency telecommunications management activities in accordance with federal requirements to ensure that (1) inventories of telecommunications equipment and services are properly maintained, (2) sufficient management controls exist over telecommunications resources and expenditures, and (3) redundant or uneconomical services are eliminated. | USDA agreed with our recommendation and implementation is well along. In April 1997, USDA began implementing the Telecommunications Network Stabilization and Migration Program (TNSMP), which requires mission areas/agencies to establish inventories of telecommunications equipment and services, effective management controls over telecommunications resources and expenditures, and processes for identifying and eliminating redundant or uneconomical services. When TNSMP is fully implemented, USDA expects that oversight of all telecommunications management processes across the department will be strengthened and significantly improved. Work on implementing TNSMP is ongoing and USDA has not provided us with time frames for its completion. |
| | The Secretary of Agriculture should direct the Assistant Secretary for Administration to require OIRM to determine, with assistance from the under secretaries and assistant secretaries for USDA's seven mission areas, interagency information sharing requirements necessary to effectively carry out USDA crosscutting programs and include these data sharing requirements in departmental and agency strategic IRM and telecommunications plans. | USDA agreed with our recommendation and implementation is in its early stages. In February 1997, USDA developed a draft high-level architecture for establishing a departmentwide Enterprise Network. However, work necessary to define USDA's business data and information sharing requirements for the architecture is still ongoing and USDA has not provided us with time frames for its completion. |

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| GAO product | Recommendation | Agency action |
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| AIMD-96-59 Apr. 16, 1996 | The Secretary of Agriculture should direct the Assistant Secretary for Administration and the Chief Financial Officer, in cooperation with the under secretaries and the Office of the Inspector General, to determine the risk of and vulnerability to telephone fraud, waste, and abuse departmentwide; develop an appropriate plan with cost-effective controls to mitigate these risks; and expeditiously implement this plan. In developing this plan, among other things, the department should consider determining whether there is a need to continue to accept collect calls and, if deemed necessary, evaluate the viability and cost-effectiveness of alternatives to collect calls such as offering toll-free numbers. | USDA agreed with our recommendation. USDA has not yet begun implementation, but it intends to do so. As we reported in June 1998, USDA said it believed that the risks of departmentwide telephone abuse and fraud would be better addressed by implementing the department's reengineered telecommunications management processes. To this end, USDA began work on the TOBI system, a USDA-wide telecommunications information system. However, in May 1999, USDA said preliminary results of a pilot project evaluating a system application showed that it was inadequate to support TOBI and USDA is currently in the process of developing a revised implementation plan, which it expects to begin to implement by September 1999. |
| AIMD-97-67 May 8, 1997 | The Secretary of the Interior and the Secretary of Agriculture should ensure that their respective acting CIOs are responsible and accountable for implementing the 1995 joint sharing agreement. At a minimum, the acting CIOs should stop further radio system purchases, except those necessary for meeting immediate technology needs that are critical to ongoing operations, until both departments jointly determine and document where radio equipment and services can be cost effectively shared and savings achieved. | Interior and USDA agreed with our recommendation and implementation is well along. In response to our recommendation, USDA placed a purchase moratorium on Forest Service radio systems on July 21, 1997, and Forest Service began making assessments to identify sharing opportunities. According to USDA, in May 1999, all national forests completed these assessments by October 1998 and were using this information to evaluate requests from forests for authority to redesign and replace radio systems. Sharing opportunities between USDA and Interior have been identified and are being included in forest system upgrade and replacement plans. |
| | The Secretary of the Interior and the Secretary of Agriculture should ensure that their respective acting CIOs are responsible and accountable for implementing the 1995 joint sharing agreement. At a minimum, the acting CIOs should monitor these activities and follow up where needed to ensure that all identified savings opportunities are acted upon. | USDA and Interior agreed with our recommendation and implementation is well along. Interior and Forest Service, USDA's lead agency for identifying sharing opportunities with Interior, identified 107 potential sharing sites and, in January 1998, signed a memorandum of understanding providing for the joint optimization and consolidation of telephone services and data networks. As of May 1999, USDA reported that roughly 35 percent of the sites are currently sharing services, another 10 percent are in the process of doing so, and agreements have been established to share services at new Interior/Forest Service joint facilities. |

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| GAO product | Recommendation | Agency action |
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| AIMD-98-131 June 30, 1998 | The Secretary of Agriculture should direct that the CIO complete and implement a departmentwide corrective action plan that fully addresses all of our recommendations for resolving the department's telecommunications management weaknesses and achieving savings wherever possible. | USDA agreed with our recommendation and implementation is in its early stages. In October 1998, USDA said it would complete and begin implementing a departmentwide corrective action plan in December 1998 that would address all our previous telecommunications management improvement recommendations. However, in May 1999, USDA said it was unable to devote the resources needed to make significant progress because it was working on the Year 2000 computing problem. USDA said that it is currently refocusing its efforts on closing our recommendations and plans to provide us with a status on progress made near the end of June 1999. |
| | The Secretary of Agriculture should direct the CIO to periodically report to the Secretary on the department's progress in (1) implementing this corrective action plan and (2) achieving the estimated $70 million in annual savings identified by the department. | USDA agreed with our recommendation. USDA has not yet begun implementation, but it intends to do so. In October 1998, USDA said that 30 days after completing its departmentwide corrective action plan in December 1998, it planned to brief the Secretary on progress toward implementing the action plan and achieving estimated savings. However, in May 1999, USDA said that progress had been delayed by work on the Year 2000 problem. USDA said it is currently refocusing its efforts on closing these recommendations and plans this summer to begin to brief the Deputy Secretary periodically on the status of the department's telecommunications management improvement efforts. |

**Table I.7: Significant Weaknesses in USDA's Multibillion-Dollar Modernization of Service Center Information Technology Place Effort at Risk**

Since 1993, USDA has been attempting to modernize information technology (IT) for its service centers—the biggest, most costly, and most challenging modernization in its history. USDA experienced a failure with its initial $2.6 billion modernization program—called Info Share—which was disbanded in 1995. Then, in 1995, USDA initiated another modernization effort—called the Service Center Implementation initiative—for the purpose of providing "one-stop" service to customers of the farm service, natural resources, and rural development agencies. Plans under this initiative include modernizing business processes and IT for these agencies' 3,100 locations at estimated life cycle costs that could ultimately exceed $3 billion. We found that USDA's current multibillion-dollar undertaking has several weaknesses that place the entire effort at risk of not achieving an adequate return on investment or significantly improving customer service. Such weaknesses include (1) acquiring new IT without first determining how it will operate to provide "one-stop" service, (2) not managing the IT projects as investments, and (3) not developing a comprehensive plan and management structure for an effort of this magnitude. Because USDA has failed in past efforts to plan and manage IT modernization, and because some of the same weaknesses are present with the ongoing modernization, concerns exist that USDA could again fail unless it addresses these weaknesses. The six open recommendations related to this major management challenge are discussed in the following table.

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| GAO product | Recommendation | Agency action |
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| AIMD-98-168<br>Aug. 31, 1998 | The Secretary of Agriculture should ensure that the following actions are completed before investing in any effort to modernize USDA's IT beyond that necessary for making mission-critical systems Year 2000 compliant and for cost effectively supporting ongoing operations and maintenance: (1) develop and document a concept of operations and the new mission-critical business processes necessary to provide one-stop service at all sites and (2) integrate the service center business process reengineering project with the county-based study. | USDA agreed to develop a concept of operations and new mission-critical business processes and to integrate the reengineering project with its county-based study, but disagreed with the part of the recommendation that it not invest in IT beyond that needed for Year 2000 deficiencies before these actions are completed. USDA is well along in developing a concept of operations, but is in the early stages of developing new business processes and integrating the reengineering project with the study. USDA expects to complete its concept of operations in summer 1999, and shows in its 1999/2000 performance plan a goal of reengineering 60 percent of the service center business processes by fiscal year 2000. We were told that USDA is currently working with OMB in a joint study group to determine how the results for the study completed in fall 1998 will affect the service centers, and that this would include determining what changes, if any, need to be made to the reengineering project based on the study. Decisions are expected to be made in late summer 1999. |
| | The Secretary of Agriculture should hold the CIO accountable, and provide her requisite authority and responsibility for managing and implementing the service center IT modernization. | USDA disagreed with the recommendation and does not intend to implement any action in this area. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of Agriculture should direct that the CIO identify, assess, and document the risks, costs, benefits, and performance measures for each service center IT project before providing additional funding to ongoing projects and approving any new projects, and then use this information to review, control, and evaluate these projects at specific milestones of the project's life cycles. | USDA agreed with this recommendation and is in the early stages of addressing it. USDA reported that the service center IT projects will be subjected to the evolving USDA capital investment and control process, and that OCIO approval for the common computing environment deployment will depend on the project meeting capital investment planning and control requirements. The modernization plan, which is under development and expected to be completed during summer 1999, is supposed to include a documented assessment of the risks, costs, benefits, and performance measures for each project. |
| | The Secretary of Agriculture should direct that the CIO develop a comprehensive plan for the service center IT modernization that documents and tracks all critical milestones, dependencies among major segments, and resources needed to complete milestones, taking into account the resources that will be needed to make the service center agencies' systems Year 2000 compliant. | USDA agreed with this recommendation and is well along in establishing a comprehensive implementation plan for the service center IT modernization as part of its modernization plan due to be completed in summer 1999. |
| | The Secretary of Agriculture should direct that the CIO develop an acquisition strategy that focuses on buying technology in manageable increments, where cost justification and performance measures are developed and documented for each increment. | USDA agreed with the recommendation regarding an acquisition strategy and is in the early stages of addressing it. USDA says that procurements of any mission-critical systems by the service centers will be carefully scrutinized to ensure that they are fully justified. The modernization plan expected to be completed in summer 1999 is supposed to have manageable increments of planned acquisitions, each of which has separate cost justifications and performance measures. |
| | The Deputy Secretary should report on a regular basis to the Secretary of Agriculture on the progress the department is making to implement each of these recommendations, and notify the Secretary when all of the identified weaknesses have been fully addressed and resolved. | USDA agreed with this recommendation, but has not yet started the intended action. |

**Table I.8: USDA Faces Serious Year 2000 Computing Challenges**

In May 1998, we testified that USDA will have a great deal of difficulty in correcting, testing, and implementing its mission-critical automated information systems in time for the Year 2000. While USDA has begun to address the Year 2000 problem, it still faces significant challenges renovating and replacing all of its mission-critical systems in time and taking the necessary steps to ensure that vital public services are not disrupted. The four open recommendations related to this management challenge are discussed in the following table.

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| GAO product | Recommendation | Agency action |
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| AIMD-99-178<br>May 21, 1999 | The Secretary of Agriculture should direct that the Chief Information Officer (CIO) advance the department's December 1999 time frame for completing and testing agencies' Business Continuity and Contingency Plans (BCCPs) to no later than September 30, 1999. | Although the CIO agreed to implement the recommendation during our exit briefing with USDA, the department has not responded to the report, which was just released on June 3, 1999. |
| | The Secretary of Agriculture should direct that the undersecretaries for USDA's seven mission areas, as well as the CIO, Chief Financial Officer, and Assistant Secretary for Administration, have their respective agencies and offices develop priorities for completing and testing BCCPs that are aligned with the department's 43 highest priority business processes to ensure the remaining work addresses these processes first. | Although the CIO agreed to implement the recommendation during our exit briefing with USDA, the department has not responded to the report, which was just released on June 3, 1999. |
| | The Secretary of Agriculture should direct that the undersecretaries for USDA's seven mission areas, as well as the CIO, Chief Financial Officer, and Assistant Secretary for Administration, have their respective agencies and offices establish specific milestones to complete key interim BCCP steps that have not yet been addressed. | Although the CIO agreed to implement the recommendation during our exit briefing with USDA, the department has not responded to the report, which was just released on June 3, 1999. |
| | The Secretary of Agriculture should direct that the undersecretaries for USDA's seven mission areas, as well as the CIO, Chief Financial Officer, and Assistant Secretary for Administration, have their respective agencies and offices report regularly to the Secretary progress on meeting milestones to ensure that the agencies and offices adequately address all key BCCP steps that are appropriate to each agency. | Although the CIO agreed to implement the recommendation during our exit briefing with USDA, the department has not responded to the report, which was just released on June 3, 1999. |

# Department of Commerce

**Table II.1: Pursuing More Cost-Effective Alternatives to NOAA's Research Fleet**

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) has an aging in-house fleet of 15 ships that are used to support its programs in fisheries research, oceanographic research, and hydrographic charting and mapping. For more than a decade we and others have urged NOAA to pursue more cost-effective alternatives. While NOAA has increased its outsourcing for these services, it continues to rely on its aging fleet, most of which are inefficient to operate and maintain and lack the latest technology. NOAA plans to spend at least $185 million over the next 5 years for four new replacement fisheries research ships. Greater reliance on outsourcing raises questions about the continuing viability of the NOAA Corps of 240 officers who manage and operate NOAA's ships. While we currently do not have any open recommendations related to this major management challenge, continuing congressional oversight of NOAA's budget requests for replacement or upgraded ships is needed to ensure that NOAA is pursuing the most cost-effective alternatives for acquiring marine data.

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**Table II.2: Improving Financial Management Systems and Processes**

The Department of Commerce faces several challenges in the financial management area. The department has a goal of obtaining an unqualified audit opinion on its financial statements beginning for fiscal year 1999 (which will be audited in 2000) and is making progress towards that goal. After receiving a disclaimer of audit opinion on its fiscal years 1996 and 1997 consolidated financial statements, for fiscal year 1998, Commerce received an unqualified audit opinion on its balance sheet and a disclaimer of audit opinion on its other financial statements. We currently do not have any open recommendations in this major management challenge area. However, Commerce continues to face significant challenges in implementing new computer systems to meet federal requirements and to make all of its systems Year 2000 compliant.

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# Department of Defense

**Table III.1: Information Management and Technology Issues Pose Major Concerns - Progress on Year 2000 Conversion**

The Department of Defense (DOD) relies on computer systems for virtually all of its operations, including strategic and tactical operations; sophisticated weaponry; intelligence, surveillance, and security efforts; and more routine business functions such as payroll and logistics. For an organization as large as DOD—with over 1.5 million computers, 28,000 systems, and 10,000 networks—addressing the Year 2000 problem is a formidable task. While DOD has an enormous effort underway to remediate its mission-critical systems and ensure that its key operations will continue to function after the century date change, its effort is at risk. DOD's early management of the effort was hampered by inconsistent guidance, lack of reliable and timely information on program status, inaccuracies concerning systems compliance in component-level reports, and poor contingency planning. Over the past year, DOD has improved its management of its Year 2000 program by establishing a strong department-level program office, with active participation by the Deputy Secretary of Defense, to oversee Year 2000 efforts. It has also improved its systems inventory and instituted a testing program aimed at ensuring continuity of key missions and operations. However, DOD remains behind schedule in completing its systems remediation and is still grappling with some of the program management issues previously described.

Our audit efforts resulted in 38 recommendations, covering DOD and its components, related to this major management challenge, of which 14 remain open. Corrective actions on 8 of these 14 recommendations are in various stages of completion. Because DOD determined that it could no longer use its initial systems inventory for Year 2000 purposes, and due to the limited time remaining before January 1, 2000, the remaining six of the original recommendations are no longer applicable and will be closed.

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| GAO product | Recommendation | Agency action |
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| AIMD-97-117<br>Aug. 11, 1997 | The Director of the Defense Finance and Accounting Service (DFAS) should direct the Deputy Director for Information Management to require the full implementation of the recently established Year 2000 certification process and ensure that Year 2000 compliance is predicated on testing all systems, including commercial-off-the-shelf (COTS) applications and personal computers and servers. | DFAS agreed with our recommendation and is well along in taking corrective action. The DFAS Year 2000 Management Plan requires that all mission-critical systems be fully certified, and that the certification of compliance be predicated on testing all systems, including COTS applications and personal computers and servers. As of May 1999, DFAS had not completed the certification of all its systems, but was tracking the status of these efforts regarding COTS applications, personal computers, and servers. According to DFAS, certification of all systems is to take place in July 1999, after the completion of Year 2000 systems testing. |
| | The Director of DFAS should direct the Deputy Director for Information Management to devise a testing schedule that identifies the test facilities and resources needed for performing proper testing of DFAS systems to ensure that all systems can operate in a Year 2000 environment. | DFAS agreed with our recommendation and is well along in taking corrective action. As of April 1999, the DFAS Year 2000 testing program was still ongoing and was not scheduled to be completed until July 1999. The Year 2000 environment-level testing facilities have been identified, and DFAS is working with the Defense Information Systems Agency (DISA) to determine the resources needed, schedules, and readiness of DISA processing center platforms to test DFAS systems in a Year 2000 environment. |

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| GAO product | Recommendation | Agency action |
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| AIMD-97-149 Sept. 26, 1997 | The Director of the Logistics Systems Support Center (LSSC) should develop a contingency plan that includes specific actions for ensuring that the Army's logistic functions continue to operate at appropriate levels if all or part of the Commodity Command Standard System (CCSS) fails to work at the year 2000. | LSSC agreed with our recommendation and is well along in taking c orrective action. LSSC completed a system contingency plan for CCSS on February 5, 1999. In addition, each user command of CCSS has been directed to complete a functional contingency plan. According to LSSC, the DOD Inspector General reviewed the CCSS contingency plan for adequacy and indicated that the plan was sound, but should be tested. LSSC plans to test the plan prior to the end of fiscal year 1999. |
| AIMD-98-150 June 30, 1998 | The Secretary of the Navy should direct the Department of the Navy's Chief Information Officer (CIO) to ensure that the Navy Year 2000 Coordination Office is provided with sufficient staff and authority to ensure that components have identified and corrected interfaces and developed written memorandums of agreement with interface partners. | The Navy agreed with our recommendation and is well along in taking corrective action. The Navy Year 2000 Coordination Office increased its staffing level from 10 staff at the time of our review to a current level of 16 staff to ensure that adequate personnel were available, with the necessary authority, to correct the Year 2000 problems we identified. The Navy has tasked program managers with negotiating memorandums of agreement for each system interface and recording this information in its Year 2000 database. Senior-level management is responsible for ensuring the completion of these tasks. While the Navy reports that significant progress has been made in identifying the interfaces, preparing the agreements, and populating the database, the process is still ongoing. Senior management has emphasized to its managers the need to complete all of the required agreements and to record this information in the Year 2000 database. |
| | The Secretary of the Navy should direct the Department of the Navy's CIO to ensure that the Navy Year 2000 Coordination Office is provided with sufficient staff and authority to ensure that Year 2000 contingency planning focuses on the continuity of all of the Navy's critical military operations and business processes rather than on only a small portion of mission-critical systems. | The Navy agreed with our recommendation and is well along in taking corrective action. As stated above, the Navy Year 2000 Coordination Office increased its staffing level from 10 staff at the time of our review to a current level of 16 staff to ensure that adequate personnel were available, with the necessary authority, to correct the Year 2000 problems we identified. The Navy is also taking action to ensure that Year 2000 contingency planning focuses on the continuity of all of Navy's critical military operations and business processes. In November 1998, the Navy issued a Year 2000 contingency planning guide for commanders to use in developing contingency plans and provided procedures for addressing potential Year 2000 readiness challenges and threats. The guide states that the adopted procedures should be exercised in Year 2000 operational test events, which are currently ongoing. To ensure continuity of business operations at the user level, the Navy also is requiring contingency plans for all mission-critical systems. In some cases, these plans will be revised to account for problems identified during testing. The Navy's Year 2000 Coordination Office is monitoring the development of these contingency plans in order to promote continuity of business operations and ensure mission capability at the user level. |

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| GAO product | Recommendation | Agency action |
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| AIMD-98-35 Jan. 16, 1998 | The Secretary of the Air Force should immediately require that the Air Force ensure its cost estimates factor in the actual resources it believes are needed to renovate and implement systems so that it can make informed resource trade-off decisions and ensure that this estimate is periodically refined throughout the Year 2000 program. | The Air Force agreed with our recommendation and is well along in taking corrective action. The Air Force tasked program offices with developing realistic cost estimates for Year 2000 systems renovation and implementation and periodically refining these estimates. In the May 1999 DOD Year 2000 quarterly report to OMB, the Air Force reported that it will cost about $1.2 billion to complete its Year 2000 program. The Air Force plans to continue to report its revised cost estimates to OMB on a quarterly basis. |
| | The Secretary of the Air Force should<br>•ensure that components are developing test plans and identifying the need for additional testing resources, and<br>•design an approach to obtain any needed testing resources that are identified by Air Force components. | The Air Force agreed with our recommendation and is well along in taking corrective action. The Air Force analyzed test resource needs and concluded that the existing mix of in-house and contractor resources was sufficient. Also, the Air Force issued guidance directing its program/system managers to develop test plans for conducting system certification tests, functional end-to-end integration testing, and operational readiness evaluations, but has continued to rely on its individual components to ensure that these test plans are developed. In March 1999, the Air Force received $163.8 million in Year 2000 supplemental funds, of which about $113 million is to be used to complete its Year 2000 testing. However, the Air Force does not expect to complete its Year 2000 testing until late 1999, and has acknowledged that additional test resources may be needed to procure new hardware and software to support testing, to develop additional test plans, and to conduct additional tests of some remediated systems. The Air Force is tracking test completion dates and costs through its Year 2000 database. |
| | The Secretary of the Air Force should ensure that components have prepared contingency plans for their mission-critical systems. | The Air Force agreed with our recommendation and is well along in taking corrective action. The Air Force revised and expanded its Year 2000 Management Plan to provide better guidance for completing contingency plans, and now requires Year 2000 contingency plans for all mission-critical and mission-essential systems. A plan is also required for any other system that did not complete implementation by December 31, 1998. According to the Air Force Year 2000 Program Office, while most system managers/owners have competed this important task, a few have not. The Program Office is monitoring the status of competed contingency plans via its Year 2000 database. |

**Table III.2: Information Management and Technology Issues Pose Major Concerns - Information Security**

Securing Defense's vast array of networked computers is a major challenge. Defense's computer systems are particularly susceptible to attack through connections to the Internet, which Defense uses to enhance communications and information sharing. Audit reports have identified a broad array of problems. One of the most fundamental issues, which we reported on in August 1998, is that DOD has not completed development of an architecture, or blueprint, for its command, control, and communications systems. Without such an architecture, DOD will find it difficult to ensure that these systems, which are essential to DOD's long-term plans for ensuring information superiority, are adequately protected. Other reports have identified specific control weaknesses in existing systems that increase the risks of damage from intrusions, as well as from malicious acts and inadvertent mistakes by authorized users.

Currently, there are 10 open recommendations related to this issue. All but one of these are restricted to limited official use and are not detailed here. The recommendation below pertains to Defense's need to devote adequate human resources to its information security efforts.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-96-84<br>May 22, 1996 | The Secretary of Defense should strengthen the DOD computer security program by requiring information system security officers at all installations and setting specific standards for ensuring that these information system security officers as well as system and network managers are given sufficient time and training to perform their duties appropriately. | DOD agreed with this recommendation, and implementation is in its early stages. It agreed to direct that all military installations ensure that they have personnel assigned to the responsibilities of information systems security officer, network manager, and system administrator. DOD also agreed to expeditiously determine the extent of shortfalls and determine the efforts and resources required to improve the training and availability of these responsible personnel. DOD has established Departmentwide Information Assurance Program (DIAP) to ensure that information assurance efforts are integrated and coordinated. Among its functions, DIAP ensures that sufficient adequately trained and educated personnel are available to carry out defensive information operations. |

**Table III.3: Military Personnel Issues Need Attention**

DOD faces a significant challenge in retaining the hundreds of thousands of new recruits that it enlists each year. Despite enlistees' obligations to serve 2 to 6 years on initial contracts, we have found that between fiscal years 1982 and 1993, 31.7 percent of all enlistees did not complete these first terms of service. This first-term attrition is costly in that the services' recruiting and training investment in each enlistee averages almost $38,000. Assuming that the attrition rate for the enlistees who entered the services in fiscal year 1998 is the same as the attrition rate for those who entered in fiscal year 1993—35.8 percent—we estimate that 64,400 of these nearly 180,000 persons will be separated early. At a recruiting and training cost of $37,884 per enlistee, the services' total investment in these persons will be $2.4 billion.

In four reports and five testimonies, we have made 21 recommendations for ways DOD could reduce the attrition of first-term enlistees, 16 of which are discussed in the following table and are in varying stages of implementation. DOD has asserted that each of the other five recommendations that remain open in our system have been fully implemented. We plan follow-on work to track DOD's actions in response to all 21 recommendations, including determining whether the 5 have been fully implemented.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| NSIAD-97-39<br>Jan. 6, 1997 | To provide a reliable database for DOD to manage attrition and for the services to set appropriate targets for reducing attrition, the Secretary of Defense should issue implementing guidance for DOD's separation codes. | DOD has agreed with this recommendation, and implementation is well along. In the area of medical attrition, DOD has completed the groundwork for a complete analysis of why enlistees are being separated for medical reasons. It has revised its directive on physical standards for military service to include International Classification of Disease codes to note any medically disqualifying conditions of enlistees. In April 1998, DOD also began collecting data on nonmedical separations. It has formed a joint working group to standardize the current separation codes and to develop common definitions across the services. |
| | The Secretary of Defense should direct the services to require all applicants for enlistment to (1) provide the names of their medical insurers and providers and (2) sign a release form allowing the services to obtain past medical information. | DOD has agreed with this recommendation, and implementation is well along. The Military Entrance Processing Command is formulating procedures to comply with this requirement. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of Defense should direct the services to revise their "Applicant Medical Prescreening Form" and their "Report of Medical History" to ensure that medical questions are specific, unambiguous, and tied directly to the types of medical separations most common for recruits during basic and follow-on training. | DOD has agreed with this recommendation and is well along in its implementation. A new form to collect applicants' medical histories has been completed. DOD states that this new form will allow medical practitioners to obtain precise medical histories that will be reviewed by Military Entrance Processing Station physicians in determining applicants' medical eligibility. This process will also allow Military Entrance Processing Station physicians to request additional medical records or information on applicants prior to their scheduled physical examinations. |
| | The Secretary of Defense should use DOD's newly proposed database of medical diagnostic codes to determine whether adding medical screening tests to pre-entrance physical examinations and/or providing more thorough medical examinations to selected groups of applicants could cost effectively reduce attrition at basic training. | DOD has agreed with this recommendation, and its implementation is well along. DOD has revised its directive on physical standards for military service to include International Classification of Disease codes to note any medically disqualifying conditions of enlistees. Once these codes have been entered into a database of enlistees' medical waivers, DOD will be able to determine whether attrition risks are higher for various types of medical conditions and whether it would be cost-effective to add more medical screening tests to pre-entrance physical examinations. |
| | The Secretary of Defense should place the responsibility for reviewing medical separation files with an organization completely outside the screening process. | DOD originally disagreed with this recommendation, but the recommendation was incorporated into the National Defense Authorization Act for Fiscal Year 1998 (P.L. 105-85). Since then, DOD has made plans to form a team made up of officials from the Office of the Assistant Secretary of Defense (Health Affairs) and the Office of Accession Policy to conduct semiannual reviews of medical separations. |
| NSIAD-98-213 Sept. 15, 1998 | The Secretary of Defense should direct the service secretaries to include as a separate category the numbers of first-term personnel released more than 90 days before the end of their contract terms when they report first-term attrition rates. | DOD agreed to implement this recommendation but has not yet done so. DOD said that it will direct the services to review their 90-day release policies and the exceptions granted to those policies. |
| | The Secretary of Defense should direct the service secretaries to use existing quality-of-life surveys or create new ones to (1) collect information on the factors contributing to first-term enlistees' separation and (2) identify quality-of-life initiatives aimed at reducing the attrition of first-term personnel. | DOD agreed with this recommendation and is in the early stages of implementation. DOD said that it would direct the services to collect information on factors contributing to first-term enlistees' separation and use that information to identify quality-of-life issues that could be addressed to reduce attrition. It also said that it would coordinate a plan of action and milestones with the services and ask them to prepare a report on their research findings. |
| | The Secretary of Defense should direct the service secretaries to continually emphasize to all commissioned and noncommissioned officers the costs of first-term attrition, the difficulty of acquiring new enlistees to replace early losses, and the importance of providing positive leadership in targeting first-term enlistees who could be encouraged to complete their contractual obligations. | DOD agreed with this recommendation and is in the early stage of implementation. DOD stated that it would direct the services to continually emphasize the cost of first-term attrition, its impact on recruiting, and the importance of positive leadership. |

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| | The Secretary of Defense should direct the service secretaries to collect more complete data on specific groups of enlistees whom the services wish to target for remedial action and issue guidance and formal policy changes to local commanders indicating what specific actions—such as more counseling, optional testing, further job choices, or remedial training—can be taken to prevent the early discharge of these targeted groups. | DOD agreed to implement this recommendation and is in the early stages of implementation. DOD said that it would direct the services to collect data on specific types of attrition that they may consider targeting for remedial action. DOD said that guidance and formal policy changes would be issued to local commanders to ensure appropriate actions. |
| | The Secretary of Defense should direct the service secretaries to reassess the appropriateness of providing favorable types of discharge to enlistees whose behavior or performance led to their early separation and ensure that proper incentives exist to encourage enlistees to complete their first terms. | DOD agreed with this recommendation and is in the early stages of implementation. DOD said that it would ask the services to reassess the appropriateness of providing favorable types of discharges to enlistees whose behavior or performance led to their early separation and ensure that proper incentives exist to encourage enlistees to complete their first terms. |
| NSIAD-98-58 Jan. 30, 1998 | The Secretary of Defense should instruct the services to jointly explore the feasibility of developing or procuring assessment tests that can aid in the selection of recruiters. | DOD has agreed to implement this recommendation, and its efforts are well along. The Army and the Air Force are now testing instruments to predict recruiters' success. The Army's instrument is called a "Recruiter Selection Profile," and the Air Force's instrument is called the "Emotional Quotient Inventory." |
| | To maintain recruit quality and increase a recruit's chances of graduating from basic training, the Secretary of Defense should instruct the Army, the Navy, and the Air Force to implement the Marine Corps' practice of administering a physical fitness test to recruits before they report to basic training. | DOD disagreed with this recommendation and has no plans to implement it. DOD does not plan to ask the services to administer a mandatory physical fitness test to recruits before they report to basic training. DOD believes that physical fitness tests, as well as any other physical training during the Delayed Entry Program, should be voluntary. |
| | To enhance recruiters' working conditions and the services' ability to attract qualified candidates for recruiting duty, the Secretary of Defense should encourage the use of quarterly floating goals as an alternative to the services' current systems of monthly goals. | DOD disagreed with this recommendation and has no plans to implement it. DOD does not plan to direct the services to adopt a quarterly goal system. The services believe that they need to monitor recruiting missions on a monthly basis and that they already take quarterly trends for recruiters into account. |
| NSIAD-99-53 Feb. 23, 1999 | The Secretary of Defense should develop and monitor a DOD-wide plan to use initiatives in background check processes. At a minimum, DOD should incorporate the benefits of using the Defense Security Service's Electronic Personnel Security Questionnaire and the Federal Bureau of Investigation's Integrated Automated Fingerprint Identification System. The plan should also address the integration of these two initiatives with the expanded security clearance background investigation requirements contained in Executive Order 12968. The plan should include specific time frames and budget requirements for implementation. | DOD agreed with this recommendation and is in the early stages of implementing it. DOD has established a panel, led by the Office of the Assistant Secretary of Defense (Command, Control, Communications and Intelligence) to develop specific implementation plans to integrate new criminal history information initiatives. The panel met for the first time in January 1999 and expects to complete its implementation plan by the summer of 1999. |

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| | The Secretary of Defense should require all national agency checks for enlistment into the military to be based on a full fingerprint search to (1) reduce the risks associated with enlisting individuals who have been convicted of the more serious misdemeanors and felonies and (2) identify individuals who have used aliases. | DOD agreed to implement this recommendation and is in the early stages. DOD plans to have purchased automated fingerprint scanners at all 65 of its Military Entrance Processing Stations by the end of fiscal year 2000. |
| | The Secretary of Defense should direct the services, after the initiatives available in 1999 are in use, to end their practices of sending enlistees to training and to first-duty stations without having all available criminal history information. | DOD agreed with this recommendation. It is in the early stages of implementation. DOD will fully implement this recommendation only after it is confident that background checks can be conducted promptly. At this point, DOD wishes to maintain the flexibility of sending enlistees to training without a complete criminal history check. |

# Department of Education

**Table IV.1: Education's Administrative Effort Is Inadequate to Ensure Access to Postsecondary Institutions While Protecting Federal Financial Interests**

The Department of Education has had difficulty implementing and operating its new core financial management system. As a result, the preparation of the fiscal year 1998 financial statement and related audit have been delayed until Education completes reconciling general ledger data and resolves significant differences between the general ledger and other related information. Education did not meet the March 1, 1999, deadline for completing the fiscal year 1998 audit, and may not complete it until October 1999. In addition to the two recommendations discussed in the following table on credit reform after which Education took a number of steps to improve its capabilities, there are 11 related open recommendations that were discussed in our earlier report on open recommendations in high-risk areas (GAO/HR-99-2R; Apr. 12, 1999).

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-98-14<br>Mar. 30, 1998 | The Secretaries of Agriculture, Education, Housing and Urban Development, and Veterans Affairs, and the Administrator of the Small Business Administration, should improve oversight of credit reform implementation, including ensuring that estimates are prepared accurately.<br><br>The Secretaries of Agriculture, Education, Housing and Urban Development, and Veterans Affairs, and the Administrator of the Small Business Administration, should improve oversight of credit reform implementation, including ensuring that documentation supporting subsidy estimates included in the budget and financial statements is prepared and retained. | The Department of Education agreed with the recommendations and is well along in their implementation. Education stated that it has already taken a number of steps to improve its capabilities in this area. Education said that over the past several years it has steadily increased staff, contractor, and system resources dedicated to developing accurate and timely estimates; formed a Cost Estimation and Analysis Division in the Budget Office to focus on credit estimates; improved historical data; and worked closely with auditors, us, the Congressional Budget Office, the Office of Management and Budget (OMB), and others to improve technical capabilities. However, in its fiscal year 1997 audit report, the Office of Inspector General (OIG) reported, as a material weakness, that Education needs to establish (1) the validity of its principal data store to provide a basis for preparing reliable loan estimates in the future and (2) sufficient controls to detect material errors in its loan estimates.<br><br>Education's corrective action plan indicates that it is in the process of complying with OIG's recommendations, including (1) documenting data gathering and validation and its budget/finance model and its assumptions and (2) performing quality control reviews of loan estimates and documenting the results of these reviews. Education is implementing these recommendations. |

**Table IV.2: Year 2000 Computer Compliance Lacking**

Information systems are at the heart of the department's ability to carry out its mission. In many ways, Education's student financial aid delivery system is similar to functions performed in the banking industry, such as making loans, reporting account status, and collecting payments. The department currently maintains 11 major systems for administering student financial aid programs. These systems, developed over time by multiple contractors in response to new programs or mandates, have resulted in a complex, heterogeneous systems environment. Because of systems interdependencies, repercussions from Year 2000-related problems could be felt throughout the student financial aid community. In September 1998, the department faced major risks that Year 2000 failures could seriously disrupt the student financial aid delivery process.

While there are currently no open recommendations related to Education's Year 2000 compliance program, at the request of the Congress, we continue to monitor the department's efforts in this area. In May 1999, we testified that Education had made progress toward making its programs and supporting systems Year 2000 compliant. However, work remains to complete Education's planned Year 2000 program so as to ensure that the risk of disruption to student financial aid delivery is minimized, and that the department is prepared to handle emergencies. As of March 31, 1999, Education reported that all of its 14 mission-critical systems—including the 11 student financial aid delivery systems—were Year 2000 compliant and in operation. While much of the work on renovating and validating mission-critical systems has been completed, and the risk of student financial aid delivery system failures has been significantly reduced, the department needs to continue making Year 2000 a top priority. Our review of three of these systems found adequate test documentation. But the department has not yet closed out four of its systems as completing the Year 2000 compliance process in accordance with Education-specific guidance; other systems issues also remain outstanding, although they are generally considered low-risk. Testing of data exchanges and end-to-end testing of key business processes are continuing according to the department's schedule as is the refinement of business continuity and contingency plans.

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**Table IV.3: Balancing Oversight of Programs and Program Flexibility**

Education faces challenges in administering programs that are a joint responsibility with state and local agencies. Such administration requires striking a balance between program flexibility and program control. Education lacks enough information on program effectiveness to meet the needs of the Congress and other decisionmakers. Our work has also shown that there may be overlap and duplication in federal education programs. Two recommendations related to this management challenge remain open; each related to oversight and management issues.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| HEHS-98-84<br>Apr. 30, 1998 | The Secretary of Education should direct states to include in their Title I plans information on the strategies, activities, and resources that the state educational agencies will use to ensure that Title I program resources serve eligible charter school students. | The Department of Education agreed and is well on the way to implementing this recommendation as it develops new regulations. In October 1998, the Congress enacted Public Law 105-278, the Charter School Expansion Act of 1998. Among other provisions, the act requires that state education agencies specify in their applications for charter school grant program funds how they will inform charter schools of their eligibility for federal funds and which federal education programs, including title I, they may participate in. According to Education officials, OMB is reviewing Education's draft regulations promulgated under the act. Education officials believe their regulations will be fully responsive to our recommendation and will forward them to us when OMB approves them. |
| | The Secretary of Education should take the steps necessary to direct states to include charter school representation on states' Title I committees of practitioners that advise states on implementing their Title I program responsibilities. | The Department of Education agreed and is well on the way to implementing this recommendation as it develops new regulations. In October 1998, the Congress enacted Public Law 105-278, the Charter School Expansion Act of 1998. Among other provisions, the act directs the Secretary of Education to ensure that charter school representatives are consulted in developing any program rules or regulations for federally funded education programs. According to Education officials, OMB is reviewing Education's draft regulations promulgated under the act. Education officials believe that their regulations will be fully responsive to our recommendation and will forward them to us when OMB approves them. |

# Department of Energy

**Table V.1: Department of Energy Has Had Difficulty Completing Large Projects**

DOE has had difficulty completing large projects on time and within budget. From 1980 through 1996, DOE terminated 31 of 80 major system acquisitions (mission-critical projects costing over $100 million) after expenditures of over $10 billion. Of the 15 completed projects, most were behind schedule and over budget. While there is currently only one open recommendation related to this management challenge, we continue to monitor this issue because of lack of progress. DOE reported on Feb. 19, 1999, that it had implemented changes to improve its project management, implying that it had addressed its problems in this area. However, some current projects are in trouble, including the cleanup of radioactive waste at Pit 9 in Idaho. We reported in 1997 that the project was 26 months behind its original schedule, and that projected costs were more than double the contract's original $200 million estimate. Recently, DOE scrapped this effort and decided to restart the project with another remedial assessment, to be completed in February 2003. At the Hanford site, management and oversight problems with the spent nuclear fuels project have also caused delays and increased costs. DOE is storing spent nuclear fuels in two water basins that are well beyond their design life and are located just 1,400 feet from the Columbia River. Despite progress in designing and constructing new facilities, the effort is over 4 years behind schedule and its costs have almost doubled to about $1.4 billion.

DOE's process to remove radioactive waste from tanks at the Savannah River site failed for a number of reasons—most notably, ineffective project management and oversight. In 1985, DOE expected to spend $32 million over 3 years to construct a facility to process this waste. However, after spending about $500 million, DOE suspended the project and began looking for an alternative. Current estimates indicate that an alternative process may not be available until 2007 and could cost $3.5 billion over the projects lifetime. DOE is also having difficulty managing the Spallation Neutron Source project, estimated to cost $1.36 billion over 7 years. This is the largest interlaboratory collaborative scientific project ever attempted, bringing together the work of five national laboratories. DOE does not have (1) an effective project team with the technical skills and experience to properly manage this project, (2) reliable cost and schedule estimates, and (3) adequate contingency allowances for a project of this size. Finally, DOE has not effectively overseen the acquisition and use of its supercomputers. Even though it uses only about 59 percent of its current supercomputing capacity, it is planning to spend $257 million during fiscal year 1998 through 2002 to almost triple that capacity.

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| GAO product | Recommendation | Agency action |
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| RCED-98-208<br>July 17, 1998 | The Secretary of Energy should designate the Department's most ambitious acquisitions of supercomputer systems—such as those in the ASCI program—as strategic systems warranting oversight at the highest departmental level. | DOE does not intend to implement this recommendation. In its March 30, 1999, letter, DOE indicated that the Department disagreed with the recommendation because it believes that the program already receives oversight at the highest level. |

**Table V.2: Department of Energy's Transition to External Regulation Is Slow**

With few exceptions, DOE's facilities are not licensed or inspected by independent regulators to help ensure safe operations. The Department's own advisory committee concluded that "Widespread environmental contamination at DOE facilities and the immense costs associated with their cleanup provide clear evidence that self-regulation has failed." While DOE agreed to external regulation in these areas, its commitment appears to be lagging. There are two open recommendations addressing DOE's wavering position on the external regulation of worker safety and nuclear facility safety.

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| GAO product | Recommendation | Agency action |
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| RCED-98-163<br>May 21, 1998 | Given DOE's wavering position on external regulation and the limitations in its pilots, the Secretary of Energy should clarify the Department's position on the external regulation of worker safety and nuclear facility safety at DOE's facilities. | In a Sept. 11, 1998, letter to GAO, DOE disagreed that it needed to clarify its position on external regulation. DOE said it is pursuing external regulation through its pilot program and that it will submit legislation to enable certain facilities to be externally regulated as part of its fiscal year 2000 budget process. The Secretary of Energy has now reversed his opinion and recently announced (Mar. 1999) that the Department would not seek legislation exempting itself from departmental regulation. DOE is also truncating its pilot program on the basis that the results to date show that the costs of externally regulating its facilities outweigh the benefits.<br><br>The Nuclear Regulatory Commission—DOE's partner in the pilot program—disagrees with DOE on the lessons learned from the pilots conducted to date and will be issuing its own report on the results of the pilots. The pilot program was intended to result in a joint report. As a result of these developments, the future of external regulation remains highly uncertain. |
| | Given DOE's wavering position on external regulation and the limitations in its pilots, the Secretary of Energy should develop a strategy to implement the external regulation of worker safety and nuclear facility safety that is consistent with the Department's position. This strategy should include specific goals, objectives, and milestones and show how the information from the pilot projects, and other techniques, will meet the strategy's goals and objectives. | Although DOE agreed with this recommendation in its Sept. 11, 1998, letter to GAO, its agreement assumed a continuing joint DOE/NRC pilot program. Also, because DOE truncated its pilot program and NRC has not made its official position public, there is no clear direction for external regulation at the Department. As a result, DOE has not yet begun to implement this recommendation. |

**Table V.3: Department of Energy's Organizational Structure Allows Challenges to Go Uncorrected**

DOE's ineffective organizational structure blurs accountability, allowing problems to go undetected and remain uncorrected. At Brookhaven National Laboratory on Long Island, radioactive tritium leaked into groundwater for years because DOE's weak organizational structure discouraged effective oversight of the contractor's operations. DOE eventually terminated its relationship with the organization managing this facility because the laboratory lost public trust.

There are seven open recommendations focused on DOE's organizational structure. These recommendations range from better aligning the Department's activities and missions to better defining its roles, responsibilities, and accountability for program activities and specific projects. If DOE is unable to refocus the laboratories' missions and develop a management approach consistent with these new missions, the Congress may wish to consider alternatives to the present DOE-laboratory relationship.

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| GAO product | Recommendation | Agency action |
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| RCED-95-10<br>Jan. 27, 1995 | The Secretary of Energy should evaluate alternatives for managing the laboratories that more fully support clear missions, achieve results by linking the laboratories' activities to DOE missions, and maximize the laboratories' resources. Such a strategy could start by addressing the many management issues raised in this report and should be consistent with DOE's major efforts to reform contract management. The strategy must also support goals for DOE and the laboratories to comply with environment, safety, and health initiatives. | DOE has taken partial action to address this recommendation. In 1995, DOE created the Laboratory Operations Board to provide dedicated management attention to laboratory issues on a continuing basis. However, the Board's role is advisory and is not a substitute for strong DOE leadership and organizational accountability. Under the Board's guidance, DOE developed a strategic laboratory mission plan in 1996, but this plan was primarily descriptive, did not direct resources or provide mission direction, and has not been revised. DOE is also developing research and development roadmaps to provide mission direction and focus. This action, however, has not been fully implemented. Finally, DOE recently announced a reorganization in which its field offices and associated laboratories report directly to program offices. The effect of this action has not been evaluated. An important feature of this reorganization is the creation of dedicated program leadership positions for laboratory operations. |

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| | To help achieve this goal, the Secretary should strengthen the Office of Laboratory Management by providing it with sufficient resources and authority to facilitate cooperation with the laboratories and resolution of management issues across all DOE program areas. | DOE has not directly addressed this recommendation, but has taken other actions that it believes achieve the goals of having a strengthened Office of Laboratory Management. DOE believes its Laboratory Operations Board provides the focus and direction need to provide policy direction and advice to its national laboratories, but, as noted, this office is only advisory. DOE's recent reorganization may provide more direct accountability over the laboratories. |
| RCED-97-18 Dec. 10, 1996 | The Secretary of Energy should require that a mandatory standard contract clause be included in all management and operating contracts that gives DOE the exclusive authority to set contract goals and incentives that support the strategic plans and missions of the Department. | DOE agreed with this recommendation and in March 1999 publish a regulation that gives the contracting officer the authority to unilaterally decide on contract goals and incentives if DOE and the contractor cannot reach mutual agreement. |
| RCED-98-68 Apr. 17, 1998 | The Secretary of Energy should ensure the timely and cost-effective resolution of the wide range of issues surrounding pit storage, including ensuring that the plan being developed by DOE addresses such key items as a clear definition of responsibility and accountability for program activities. | DOE fully agrees with and accepts this recommendation and has already taken action to develop and implement an Integrated Pit Storage Plan to address the long-term storage of pits. This plan will address the recommended definition of responsibility and accountability. |
| RCED-98-80 Mar. 13, 1998 | The Secretary of Energy should develop a comprehensive vadose zone strategy for the Hanford site that addresses cleaning up the high-level waste tank farms and the cribs, ponds, trenches, and other waste sites. The strategy should define leadership roles within DOE and its contractors. The overall leadership for this program should be clearly defined, with measurable performance goals and accountability for meeting the goals established at the outset. | The Department agrees that it needs to develop a site wide strategy to assess the impact of contaminants in the vadose zone and groundwater at Hanford. Implementation of the Department's approach for developing a site wide strategy is underway. In April 1998, the Department issued a plan for integrating groundwater and vadose zone monitoring activities. As a part of this plan, the Department is using its national laboratories to assist in establishing credible scientific activities to solve the vadose zone problem at Hanford, putting together a panel of technical experts to advise and assist the Department on groundwater and vadose zone issues, and conducting periodic public meetings and workshops. Out of these activities, DOE expects to develop, in partnership with the scientific community and the private sector, a comprehensive site wide vadose zone and groundwater characterization program. |

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| RCED-98-94<br>Apr. 14, 1998 | The Secretary of Energy should review the Department's organizational structure and seek opportunities to better align the organization with its strategic plan's business lines. | In commenting on our report, DOE told us that it constantly seeks opportunities to better manage its complex and diverse organization. On April 21, 1999, DOE announced changes to its management and organizational structure. Among other changes, the Department's major operations and field offices will be reporting directly to one of its major program offices. However, these changes do not address the fundamental disconnection between DOE's strategic plan and its organization. |
| RCED-98-197<br>Sept. 10, 1998 | To ensure the timely and effective implementation of recommendations from many past laboratory advisory groups, the Secretary of Energy should develop a comprehensive strategy with objectives, milestones, DOE offices and laboratories responsible for implementation actions, performance measures that will be used to assess success in meeting implementation objectives, a tracking system to monitor progress, and regular progress reports on the status of implementation. | DOE has not yet implemented this recommendation, which was made to allow more systematic tracking and evaluation of recommendations made in over 20 separate studies on DOE and the national laboratories, many of which called for some sort of DOE reorganization. DOE believes it is taking several actions to address many of these past recommendations and that the work of its Laboratory Operations Board will significantly improve the laboratories' management. |

**Table V.4: Department of Energy's Staff Lack Technical and Management Skills**

DOE's staff lack technical and management skills needed to oversee complex operations. At an Idaho facility, DOE turned to a private contractor, in part, because it lacked the in-house expertise needed to evaluate technical cleanup proposals. At the Hanford site, where DOE entered into a multibillion-dollar fixed-price contract for the next 20 years, DOE has no experts in fixed-price contracting. Finding enough staff with the necessary skills presents a serious challenge to DOE, particularly in light of recent downsizing initiatives.

There are six open recommendations addressing the need to improve DOE's technical and management skills. These recommendations include the need for DOE to develop comprehensive occupational training needs assessments throughout the Department and to ensure that specific projects are fully staffed with the expertise required.

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| GAO product | Recommendation | Agency action |
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| RCED-99-13<br>Oct. 8, 1998 | The Secretary of Energy should take immediate action to fully implement the Department's management and oversight plan for the Hanford tank waste project, including ensuring that (1) the oversight team is fully staffed with the expertise required and (2) adequate funding is available to provide the site support services called for in the contract. | DOE agreed with GAO's recommendation on staffing and has started to implement this recommendation. DOE's primary initiative for improving the project's oversight was establishing, in December 1998, the Hanford Office of River Protection to manage all aspects of the tank waste project. DOE determined that the unique skills needed to effectively manage the tank waste contract included expertise in fixed-price contract management, private financial markets, and technological design and engineering. DOE received authorization to add 27 federal employees with these unique skills to its Office of River Protection staff. It expected to complete staffing by March 1999. However, as of May 1999, DOE had hired only 10 staff, including the manager of the Office of River Protection, a safety engineer, and a private capital-financing expert. DOE officials now expect that it will hire all 27 employees by the end of fiscal year 1999. |

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| | | DOE agreed with GAO's recommendation on funding and has started to implement this recommendation. DOE reported that it would ensure that the fiscal year 1999 funding for site support projects is adequate and that fiscal year 2000 funding for site support projects is also expected to be adequate. Because of delays in the overall schedule for the tank waste project, some of the work for three primary support projects and various operating activities was recently deferred to future years. Consequently, the Congress approved DOE's proposal to reprogram about $53 million, initially appropriated in fiscal year 1999 for the three site support projects and various operating activities, to tank farm maitenance and operations activities intended to help ensure safe tank farm operations. The adequacy of funding in the years beyond fiscal year 2000 for site support projects cannot be determined at this time. |
| RCED-99-56 Feb. 12, 1999 | To improve the process for setting the training budget, the Secretary of Energy should require the completion of (1) annual training plans and (2) individual development plans for all departmental employees, as required by a DOE order. | DOE fully agreed. By memorandum dated March 4, 1999, the Secretary directed that this recommendation be implemented. However, implementation has not yet begun. |
| | To improve the process for setting the training budget, the Secretary of Energy should require the expeditious completion of a comprehensive occupational training needs assessment throughout the Department. Where the assessment process cannot be expedited, the priorities should be set for the order in which occupational groups will be assessed. | DOE fully agreed. DOE indicated that it will continue to assess occupational training needs within funding constraints and in accordance with priorities established in its strategic plan. Implementation is in its early stages. |
| | To reduce spending on DOE training, the Secretary of Energy should require the establishment of criteria for what type of nonmandatory training is appropriate and a review and elimination of nonmandatory training courses given across DOE that do not meet those criteria. | DOE fully agreed. By memorandum dated March 4, 1999, the Secretary directed the elimination of nonmandatory training that does not meet certain criteria. However, implementation has not yet begun. |
| | To reduce spending on DOE training, the Secretary of Energy should require the standardization of the development and delivery of training that has general application across DOE. | DOE agreed. DOE indicated that it will strengthen training that has general application across DOE through the creation of centers of excellence. Implementation is in the early stages. |
| | To implement DOE's new training plan, the Secretary of Energy should require that the plan Include an identification of the steps necessary to improve contractor training performance. At a minimum, those steps should include (1) establishing departmental guidance on the development, monitoring, and evaluation of contractor training programs and budgets; (2) incorporating a standard set of performance measures regarding training into its performance-based contracts; and (3) clarifying the roles and responsibilities for the oversight of contractor training performance departmentwide. | DOE fully agreed. By memorandum dated March 4, 1999, the Secretary directed that specific management and results-based performance objectives be established for contractor training programs. In addition, the Secretary directed that DOE contracts be amended to include challenging, performance-based requirements and evaluation criteria for contractor training. Implementation has not yet begun. |

# Department of Health and Human Services

**Table VI.1: Scope and Complexity of HHS Programs Create Challenges With Coordination, Oversight, and Performance Measurement**

Coordinating the efforts of the numerous administrators of the Department of Health and Human Services (HHS) programs—which include HHS' 11 agencies and state and local governments—is critical to ensuring program efficiency and effectiveness. HHS must also coordinate with a number of other federal, state, and local agencies that have programs with similar goals. While HHS recognizes these needs, it has not delineated how it plans to ensure effective program coordination. Certain program characteristics—such as those that give the states the flexibility to design their own programs—make coordination and oversight a daunting task. Compounding this difficulty is the need for HHS to develop adequate performance measures to ensure accountability.

There are 49 open GAO recommendations related to this major management challenge. In addition to the 12 recommendations discussed in the following table, there are 37 recommendations involving the Health Care Financing Administration's (HCFA) oversight of institutions for persons with mental retardation, HCFA's release of data on health maintenance organization (HMO) performance, Head Start programs, the Food and Drug Administration's (FDA) steps to improve the safety of human tissue banks, HCFA's assessment of organ procurement organization performance, FDA's oversight of medical device tracking and recall systems, federal lead poisoning screening programs, the Medicare managed care appeals process, HCFA's monitoring of the use of home oxygen equipment, and the Substance Abuse and Mental Health Services Administration's monitoring and assessment of methadone maintenance treatment programs.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| HEHS-95-2<br>Oct. 20, 1994 | The Secretary of Health and Human Services should systematically review imaging utilization information developed by the Health Care Financing Administration (HCFA) and use the authority provided under the Omnibus Budget Reconciliation Act of 1993 (OBRA) to develop any additional regulations needed to reduce overutilization through abusive self-referral practices. | HCFA agreed with our recommendation and is well along in implementing it. HCFA has not yet published regulations to fully implement the OBRA provisions that restrict imaging referrals. HCFA published interim regulations on August 14, 1995, and December 11, 1995. On January 9, 1998, HCFA published a Proposed Rule on Physicians' Referrals to Health Care Entities With Which They Have Financial Relationships. As of June 1, 1999, HCFA had not issued a final rule and does not expect to do so until May 2000. |
| HEHS-97-23<br>Oct. 22, 1996 | The Secretary of Health and Human Services should direct the Administrator of HCFA to require standard formats and terminology for important aspects of health maintenance organization (HMO) informational materials for beneficiaries, including benefits descriptions. | HCFA partially agreed with this recommendation and is in the early stages of implementing this part of the recommendation. It is developing a standard Summary of Benefits document and intends to require HMOs and other Medicare+Choice organizations to use the document beginning in November 1999. HCFA may standardize aspects of other marketing materials by 2000. HCFA's response, however, does not fully address our recommendation to require standard format and terminology for important aspects of HMOs' informational materials. |

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| GAO product | Recommendation | Agency action |
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| HEHS-98-25<br>Dec. 5, 1997 | The Secretary of Health and Human Services should direct FDA to act in several areas to improve the safety and efficacy of donated human tissue and to increase FDA's ability to regulate tissue facility activities. FDA should move ahead with its plan to require reproductive and stem cell facilities to adhere to all requirements of the current regulation. | FDA agreed with this recommendation and is in the early stages of implementation. FDA's proposal that manufacturers of human cellular and tissue-based products register with FDA and list their products would include stem cell and reproductive facilities. On December 10, 1998, the agency reopened and extended the period for comment on this rule. FDA plans to publish two proposed rules to address donor suitability, good tissue practices, and enforcement, one to be published in June 1999 and the other in September 1999. These proposals will discuss requirements for stem cell and reproductive tissue facilities. |
| HEHS-98-21<br>Mar. 17, 1998 | To improve the effectiveness of FDA's foreign inspection program to ensure that only safe, pure, and high quality drugs are imported into the United States, the Commissioner of FDA should reexamine and revise FDA's foreign inspection strategy to provide adequate assurance that all foreign manufacturers exporting approved pharmaceutical products to the United States comply with U.S. standards. At a minimum, the strategy should include (1) timely follow-up inspections of all foreign manufacturers that have been identified as having serious manufacturing deficiencies and that promised to take corrective action and (2) periodic surveillance inspections of all foreign pharmaceutical manufacturers, not just those considered high-risk. | FDA partially agreed with this recommendation and is in the early stages of implementing the part with which it agreed. On May 14, 1999, FDA issued a proposed rule for foreign establishment registration and listing that would require foreign manufacturers to register with FDA and list all the products they intend to import into the United States. However, FDA does not now intend to reassess its foreign inspection strategy. Moreover, FDA does not intend to reinspect all foreign manufacturers identified as having serious manufacturing deficiencies but that promise to correct them. |
| HEHS-98-186<br>June 30, 1998 | To determine whether the Head Start program is making a difference in the lives of those it serves, HHS should assess the impact of regular Head Start programs by conducting a study or studies that will definitively compare the outcomes achieved by Head Start children and their families with those achieved by similar non-Head Start children and families. | HHS initially disagreed with this recommendation but has agreed to fulfill requirements delineated in legislation. Implementation is in the early stages. HHS is developing a research plan to assess the effect of Head Start. Head Start's reauthorization (Community Opportunities, Accountability, and Training and Educational Services Act of 1998) requires HHS to appoint an expert panel to design such an assessment. On the basis of recommendations of this panel, HHS is required to evaluate the program, using such methodological designs as longitudinal designs, control groups, nationally recognized standardized measures, and random selection and assignment, as appropriate. It is then required to submit reports on the research design and preliminary results and a final report. HHS has convened an advisory panel of experts who have met once, and plan future meetings to discuss research papers on various design and methodological issues. In addition, Head Start quality resource centers have been trying different approaches to random assignment of children to Head Start and comparison programs. |

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| GAO product | Recommendation | Agency action |
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| HEHS-99-18 Jan. 15, 1999 | To improve screening rates within federal health programs, HCFA and the Health Resources and Services Administration (HRSA) should improve the monitoring of compliance with federal lead screening policies within the Medicaid and health center programs. Specifically, HCFA should require state Medicaid agencies to report on the lead screening services that are provided to children within the Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) program and to document progress in meeting lead screening performance goals. HCFA should require the states that do not meet expectations to develop plans for improving their performance. HRSA should use current monitoring mechanisms to better ensure that health centers follow all federal lead screening policies. | HHS agreed with this recommendation and plans to implement it, but has not yet begun. HHS is developing a departmentwide action plan for addressing our recommendations. As of June 1999, the draft action plan had been prepared and was under HHS' review. |
| HEHS-99-36 Feb. 26, 1999 | To improve management and oversight of the Medicare Incentive Payment program, the Secretary of Health and Human Services should integrate the program into the Department's overall access-to-care strategic planning and performance measurement activities. | HHS agreed with this recommendation and plans to implement it, but has not yet begun. HHS indicated that program objectives would be developed and integrated into its future efforts, under the Government Performance and Results Act. |
| HEHS-99-46 Mar. 18, 1999 | To strengthen its ability to ensure that nursing homes maintain compliance with Medicare and Medicaid quality-of-care standards, the Administrator of HCFA should improve the effectiveness of civil monetary penalties and continue to act to shorten the delay in adjudicating appeals, including monitoring progress made in reducing the backlog of appeals. | HHS agreed with this recommendation and is in the early stages of implementation. HHS has requested an additional $9.5 million to bring about faster adjudication and collection of civil monetary penalties by (1) doubling the number of administrative law judges hearing these appeals at the Departmental Appeals Board, along with necessary supporting staff, and (2) increasing the number of attorneys in the HHS Office of General Counsel to deal with the increased number of appeals. |
| | To strengthen its ability to ensure that nursing homes maintain compliance with Medicare and Medicaid quality-of-care standards, the Administrator of HCFA should strengthen the use and effect of termination. The Administrator should (1) continue Medicare and Medicaid payments beyond the termination date only if the home and state Medicaid agency are making reasonable efforts to transfer residents to other homes or alternate modes of care, (2) ensure that reasonable assurance periods associated with reinstating terminated homes are of sufficient duration to effectively demonstrate that the reason for termination has been resolved and will not recur, and (3) revise existing polices so that the pre-termination history of a home is taken into account in taking a subsequent enforcement action. | HCFA partially agreed with this recommendation and is in the early stages of implementing the part with which it agreed. HCFA is conducting a baseline study of 30 involuntary terminations in fiscal year 1998 to determine what oversight and payment practices were used during the 30 days after termination in these cases and whether they were applied appropriately and consistently. HCFA will take actions it determines to be appropriate given the results of this study. HCFA is also working to develop additional examples of cases to illustrate its policies for setting the length of reasonable assurance periods and to include them in the state operations manual. This is projected to be complete by November 30, 1999. HCFA has developed revised language for inclusion in the state operations manual by September 30, 1999. |

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| GAO product | Recommendation | Agency action |
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| HEHS-99-80 Mar. 22, 1999 | To make complaint investigations a more effective tool for protecting nursing home residents' health and safety, the Administrator of HCFA should revise federal guidance and ensure state agency compliance by developing additional standards for the prompt investigation of serious complaints alleging situations that may harm residents but are categorized as less than immediate jeopardy. These standards should include maximum allowable timeframes for investigating serious complaints and for complaints that may be deferred until the next scheduled annual survey. States may continue to set priority levels and timeframes that are more stringent than these federal standards. | HCFA agreed with this recommendation and is in the early stages of implementation. HCFA has instituted a policy directing the states to investigate any complaint alleging actual harm within 10 days. The states are still waiting for additional guidance on this policy. |
| | To make complaint investigations a more effective tool for protecting nursing home residents' health and safety, the Administrator of HCFA should revise federal guidance and ensure state agency compliance by strengthening federal oversight of state complaint investigations, including monitoring states' practices regarding priority-setting, on-site investigation, and timely reporting of serious health and safety complaints. | HCFA agreed with this recommendation and intends to implement it, but has not yet begun. HCFA has initiated the Complaints Improvement Project to develop additional standards and oversight, but these concerns and actions related to improving oversight remain pending. |
| HEHS-99-68 Apr. 12, 1999 | To help ensure that the Medicare managed care appeals process provides adequate protection to Medicare beneficiaries, the Administrator of HCFA should develop criteria for plans to use in determining when initial decisions and appeals should be expedited. | HCFA disagreed with this recommendation and does not intend to implement it. HCFA does not intend to develop additional criteria for determining when initial decisions and appeals should be expedited. |

**Table VI.2: HHS Needs Reliable and Comprehensive Data and Data Systems to Manage Programs and Assess Results**

HHS does not have access to the data needed to effectively manage its extensive health insurance programs, grant-making activities, and regulatory responsibilities. Developing and maintaining systems to ensure access to such data, however, are challenging, since many important HHS programs are administered by program partners, such as state and local governments. Yet without these systems, HHS cannot adequately oversee its programs. Technical concerns about computer capabilities posed by the year 2000 add further complexity. Of particular concern is the possible interruption of Medicare services and payments. There are 26 open recommendations related to this major management challenge. In addition to the 10 recommendations discussed below, there are 16 recommendations involving child support enforcement, Medicare billing, the Food and Drug Administration's (FDA) financial management of property, and FDA's implementation of the Safe Medical Devices Act of 1990.

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| GAO product | Recommendation | Agency action |
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| AIMD-97-78<br>May 16, 1997 | To help HCFA improve its ability to use effective systems development practices and improve its software acquisition capability, the Secretary of Health and Human Services should direct the Administrator of HCFA to (1) obtain an independent assessment of its software acquisition capabilities using the Software Engineering Institute's software acquisition capability maturity model, and implement improvements to correct any identified weaknesses and (2) report its findings to both HHS and the Office of Management and Budget. | HHS has not officially responded to or acted on this recommendation. Because of the magnitude of the problems we identified with the Medicare Transaction System (MTS) project, HHS/HCFA decided 3 months after our report was issued that it would be in the best interest of the government to terminate the MTS project. However, this recommendation involved improving HCFA's ability to use effective systems development practices and improve its software acquisition capability. HCFA has not planned to obtain an independent assessment of its software acquisition capabilities using the Software Engineering Institute's software acquisition capability maturity model. |
| AIMD-97-72<br>June 30, 1997 | To maximize the federal government's return on costly technology investments, the Secretary of Health and Human Services should direct and ensure that the Assistant Secretary of the Administration for Children and Families develops and implements a structured approach to reviewing automation projects to ensure that significant systems development milestones are identified and that the costs of project decisions are justified during the entire effort. Each major systems phase should be reviewed and, at critical points—analysis, design, coding, testing, conversion, and acceptance—the Office of Child Support Enforcement should, according to preestablished criteria, formally report to the state whether it considers the state ready to proceed to the next milestone or phase. | HHS agreed with this recommendation and is well along with implementing it. HHS issued a final rule on August 21, 1998 that provides for more systematic determinations and monitoring of key milestones in state systems developments, and more closely ties project funding to those milestones. Language was added to clarify that the Advanced Planning Document (APD) must contain an estimated schedule of life cycle milestones and project deliverables (modules) related to the description of estimated expenditures by category. Specifically, the regulation requires that the APD must include milestones relative to the size, complexity, and cost of the project and address requirements analysis, program design, procurement, and project management. HHS recently took additional actions, which we are evaluating. |

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| GAO product | Recommendation | Agency action |
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| AIMD-98-91 Apr. 15, 1998 | To implement HCFA's current plans to expeditiously realize dollar savings in the Medicare program through the use of claims auditing edits, the Administrator of HCFA should require, in any competition, that vendors have comprehensive claims auditing edits, which at a minimum address the mutually exclusive, incidental procedure, and diagnosis-to-procedure categories of inappropriate billing codes. | HCFA agreed with this recommendation and is in the early stages of implementing it. HCFA plans to release a request for proposal (RFP) to acquire claims-auditing edits for the Medicare program. When it is available, we will review it to determine if it requires vendors to have comprehensive claims-auditing edits, that at a minimum address the mutually exclusive, incidental procedure, and diagnosis-to-procedure categories of inappropriate billing codes. |
| AIMD-99-51 Feb. 22, 1999 | To correct weaknesses identified in prior audit reports and strengthen controls over automated data processing (ADP) equipment, the Commissioner of the Food and Drug Administration (FDA) should finalize and implement proposed procedures to conduct comprehensive property inventories and component-specific spot audits. | FDA agreed and implementation is well along. According to FDA, it has developed and will continue to refine new procedures for performing inventories, and spot audits have begun. |
| HEHS-97-21 Jan. 29, 1997 | To improve FDA's adverse event reporting system's ability to serve as an early warning system about medical device problems as intended by the Safe Medical Devices Act of 1990 (SMDA 90), the Commissioner of FDA should document corrective actions or adverse event reports that result from analysis and investigations of device problems. | FDA partially agreed with this recommendation and is well along in implementing the part with which it agreed. Under FDA's new medical device regulation, manufacturers are required to document corrective actions and report them to FDA. FDA is still developing a methodology to add this information to its Manufacturer and User Device Experience (MAUDE) database. |
| | FDA's study of an adverse event reporting system based on a representative sample of user facilities should focus on whether this approach can provide manufacturers and FDA with the quantity and quality of information needed to rapidly identify and correct problems with devices that have varying usage rates. | FDA partially agreed with this recommendation and is well along in implementing the part with which it agreed. FDA has completed a pilot test of the sentinel system and is developing plans to implement the system. |
| HEHS-98-229 Sept. 15, 1998 | In keeping with its goal of improving state reporting, the Administrator of the Substance Abuse and Mental Health Services Administration (SAMHSA), should develop an action plan for how the agency will increase states' reporting of accurate, complete, and consistent treatment need data in block grant applications and include a summary of these actions in the Department of Health and Human Services' year 2000 performance plan. | SAMHSA agreed with this recommendation and is in the early stages of implementation. SAMHSA developed a four-step action plan for how it will increase the states' reporting of better treatment need data. The plan includes the agency's communicating to the states its intention to respond affirmatively to the recommendation, encouraging them to develop a quality control process, and performing quality control checks on the states' grant applications. The agency has notified the states of the need for and importance of accurate, complete, and consistent treatment need data and will soon begin reviewing needs assessment data in the states' fiscal year 1999 block grant applications. The results of the reviews will be communicated to the states and summarized in the agency's future reports under the Government Performance and Results Act. |

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| HEHS-99-18 Jan. 15, 1999 | To improve the awareness of providers and the public about the prevalence of elevated blood lead levels among young children in their communities and to enhance the effectiveness of targeted screening efforts, HCFA and CDC should work more closely with state Medicaid and CDC-supported programs to encourage information-sharing and the development of data needed to better identify at-risk children. Specifically, state Medicaid programs should be encouraged to work with state health departments to develop systems to identify the prevalence of elevated blood lead levels among children in Medicaid. | HHS agreed with this recommendation and intends to implement it, but has not yet begun. HHS established a departmentwide initiative to develop an action plan for addressing our report's recommendations. As of June 1999, the draft action plan had been prepared and was under HHS' review. |
| | To improve the awareness of providers and the public about the prevalence of elevated blood lead levels among young children in their communities and to enhance the effectiveness of targeted screening efforts, HCFA and CDC should work more closely with state Medicaid and CDC-supported programs to encourage information-sharing and the development of data needed to better identify at-risk children. Specifically, CDC should require grant applicants to (1) demonstrate that they have, or have systems to obtain, representative, reliable data on the prevalence of elevated blood lead levels in their states or communities or to commit to conducting periodic surveys to obtain such data and (2) commit to developing mechanisms for distributing such information to the public and providers. | HHS agreed with this recommendation and intends to implement it, but has not yet begun. HHS established a departmentwide initiative to develop an action plan for addressing our report's recommendations. As of June 1999, the draft action plan had been prepared and was under HHS' review. |
| HEHS-99-46 Mar. 18, 1999 | To strengthen its ability to ensure that nursing homes maintain compliance with Medicare and Medicaid quality-of-care standards, the Administrator of HCFA should develop better management information systems. The Administrator should enhance the Online Survey, Certification, and Reporting (OSCAR) system or develop some other information system that can be used both by the states and by HCFA to integrate the results of complaint investigations, track the status and history of deficiencies, and monitor enforcement actions. | HCFA agreed with this recommendation and is in the early stages of implementation. HCFA has begun a project to redesign OSCAR. A new management information system for survey and certification is projected to be complete and operational by the end of January 2002. |

**Table VI.3: Program Integrity Is a Continuing Challenge for HHS**

With HHS' broad range of programs, large numbers of grantees and contractors, huge volume of vendor payments, and millions of beneficiaries, it must always be vigilant in protecting its programs from fraud, waste, abuse, and mismanagement. The sheer dollar size of HHS' programs makes them attractive targets, and the consequences can be severe. HHS needs to improve its processes for identifying and preventing fraud, waste, abuse, and mismanagement and to maintain constant vigilance in the future. The $200 billion Medicare program exemplifies the importance of such efforts.

Four recommendations related to this major management challenge are open. Most of the open recommendations related to this management challenge were included in a product that we issued on April 12, 1999, on open recommendations in high-risk areas (GAO/HR-99-2R).

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| GAO product | Recommendation | Agency action |
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| HEHS-99-92 Apr. 12, 1999 | In order to help Medicare beneficiaries make informed health care decisions and reduce the administrative burden on agency staff and managed care organizations (MCO), the Administrator of HCFA should require MCOs to produce one standard, Federal Employees Health Benefits Program (FEHBP)-like document for each plan that completely describes plan benefit coverage and limitations, and require MCOs to distribute this document during sales presentations and upon request. | HCFA disagreed with this recommendation and does not plan to implement it. HCFA believed that some information provided to beneficiaries should be more standard, but disagreed that beneficiaries need one standard document for each plan that completely describes plan benefit coverage and limitations, and it has no plans to develop such a document. Instead, HCFA is currently designing a standard benefit summary document and intends to require MCOs to use it beginning in November 1999 to coincide with the Medicare+Choice open enrollment period. |
| | In order to help Medicare beneficiaries make informed health care decisions and reduce the administrative burden on agency staff and managed care organizations (MCO), the Administrator of HCFA should fully implement HCFA's new contract form for describing plans' benefit coverage, the Plan Benefit Package (PBP), for the 2001 contract submissions to facilitate the collection of comparable benefit information and help ensure full disclosure of plans' benefits. | HCFA agreed with this recommendation and is in the early stages of implementation. HCFA is pilot testing the PBP elements for the 2000 contract year and plans for full implementation for the 2001 contract year. |
| | In order to help Medicare beneficiaries make informed health care decisions and reduce the administrative burden on agency staff and managed care organizations (MCO), the Administrator of HCFA should develop standard forms for appeals and enrollment. | HCFA partially agreed with this recommendation and is in the early stages of implementing the part with which it agrees. HCFA has begun developing standard forms for appeal and denial notices and plans to require mandatory use by Medicare+Choice organizations in 2000. However, it does not intend to develop standard enrollment forms. Instead, it plans to mandate the use of standard enrollment notification language at some future time. |
| | In order to help Medicare beneficiaries make informed health care decisions and reduce the administrative burden on agency staff and MCOs, the Administrator of HCFA should take steps to ensure consistent application of the agency's marketing material review policy. | HCFA agreed with this recommendation and is in the early stages of implementation. HCFA has begun several efforts, which are in early implementation stages, related to improving the consistency of its marketing review. |

# Department of the Interior

**Table VII.1: A Basic Reexamination of the Organization and Functions of Land Management Agencies Is Needed**

The four major land management agencies in the United States are the Bureau of Land Management (BLM), the National Park Service (NPS), and the Fish and Wildlife Service (FWS) in Interior and the Forest Service in the Department of Agriculture. The responsibilities of these agencies—particularly BLM and the Forest Service—have become similar over time. At the same time, managing these agencies has become more complex; budgets have become tighter, and there is an increased understanding that the boundaries for natural systems are not necessarily consistent with the existing jurisdictional and administrative boundaries of federal, state, and local agencies. These conditions suggest a need to reexamine how these agencies are organized and function in order to streamline their operations and become more efficient.

There are currently no open GAO recommendations related to reorganizing federal land management agencies. Nonetheless, in our work at these four federal agencies we will continue to identify and address opportunities for streamlining and improving the efficiency of the programs they are responsible for managing. However, unless and until there is a clear consensus in the Congress for pursuing the kind of basic organizational changes suggested by our analyses, it is unrealistic to expect the agencies to accomplish them via their own initiative.

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**Table VII.2: Interior Does Not Have the Information It Needs to Properly Protect, Preserve, and Maintain Resources**

Even though Interior is the caretaker for much of the nation's natural, cultural, and historic resources, it frequently lacks critical information on the condition of these resources. In addition, Interior does not know the scope and extent of maintenance problems at the tens of thousands of buildings, dams, and other facilities for which it is responsible. As a result, Interior does not know the status of key issues like the nature or extent of many problems relating to the resources it is legislatively mandated to foster, protect, and preserve; the effectiveness of measures taken to deal with the problems; or the areas where the limited financial resources should be allocated to achieve the most good.

There are currently two open recommendations related to this area. Beyond these we have numerous reports highlighting problems with the department's management of its basic stewardship responsibilities for the national, cultural, historic and other resources under its care. The most common theme of these reports has been that the Interior agencies—the National Park Service, the Bureau of Land Management, the Fish and Wildlife, and others—need to develop a better understanding and knowledge of the conditions of the resources within their respective jurisdictions. Our body of work has helped to expose problems like the Park Service's lack of knowledge about the condition of the national resources in our national parks, the large size of the deferred maintenance problems in Interior agencies, and the lack of knowledge about what is needed to deal with and correct these problems. While our work has helped to expose these problems, we have not recommended specific corrective actions. However, the department is progressing in each of the areas highlighted in our work. For example, the National Parks Service is now developing baseline data on the conditions of many of its key resources that will enable it to better determine whether these resources are being adequately preserved and protected as well as where problems might be occurring. Similarly, the Department of the Interior is in the process of developing information systems and management processes to better define and manage the deferred maintenance problem within its various bureaus. We will continue to monitor the department's efforts and progress in each of these areas.

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| GAO product | Recommendation | Agency action |
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| RCED-94-284 Aug. 30, 1994 | In order to better define its employee housing needs and identify opportunities for reducing its housing inventory, the Secretary of the Interior should require the Director of the National Park Service to conduct a park-by-park review of housing needs to determine whether its current housing inventory at each location is needed and justified. | The agency agreed with our recommendation and is well along in its implementation. The Park Service has recently completed a park-by-park assessment of its employee housing inventory and needs. It is now using this information to determine whether each park has too many or too few housing units. The outcome of these decisions could have a substantial impact on the deferred maintenance problems facing the agency since any reductions in the existing housing inventory would reduce overall maintenance needs. |
| RCED-98-150 July 1, 1998 | To ensure that the consistency and reliability of wetlands acreage data are improved, the Secretary of the Interior (as well as the Secretary of Agriculture) should develop and implement a strategy for ensuring that all actions contained in the Clean Water Action Plan relating to wetlands data are adopted governmentwide. Such actions should include the development of consistent definitions and reporting standards for all federal agencies. | The agency agreed with our recommendation and is in the early stages of implementing it. Interior, in conjunction with other executive branch organizations, is now developing a strategy consistent with our recommendation. This includes (1) developing and executing a plan to use existing data systems in a single wetlands status and trends report, (2) convening a peer review panel to evaluate the plan, (3) issuing technical guidance on the restoration, enhancement, and creation of wetlands functions, and (4) establishing an interagency tracking system to more accurately account for wetlands loss, restoration, creation, and enhancement. |

**Table VII.3: Guidance, Oversight, and Accountability Need Improvement**

Decentralization of responsibility, coupled with inadequate guidance and oversight, has resulted in significant differences in how Interior's field offices have implemented both legislative mandates and the administration's goals and objectives. For example, BLM field offices vary widely in the organization and staffing of the oil and gas inspection and enforcement program, the degree of supervisory oversight provided, and the number of inspections planned and conducted, among other things. As a result, BLM's oil and gas inspection and enforcement program continues to be an area that is vulnerable to abuse and mismanagement. Similarly, in the Park Service, decisions about spending and operating priorities are, to a large degree, delegated to the individual park managers. Under this approach, park managers have broad discretion in deciding how to spend the parks' operating funds. The most significant limitation associated with this decentralized approach is that it does not focus on the results that were achieved with the funds spent. Thus, scarce park resources are not always spent in the best interests of the agency as a whole but rather on the more parochial interests and preferences of individual park managers.

There is one open recommendation related to this issue. In addition, as part of Interior's implementation of the Results Act many of the concerns we have expressed in this area should be addressed. The principles and objectives of the Results Act are aimed at getting at the same issues we have identified in our work. For example, as part of its implementation of the Results Act, the Park Service is requiring individual park managers to develop strategic and annual performance plans that are consistent with and support Service-wide goals. The Park Service is also implementing an information system to track performance against established goals and to link spending and goals. Other Interior agencies have similar initiatives to underway. Nonetheless, until these processes are fully implemented, there is no effective means to monitor progress and hold managers accountable. Consequently, we will continue to monitor the agencies' efforts and progress.

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| GAO product | Recommendation | Agency action |
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| RCED-99-121<br>Apr. 22, 1999 | To ensure that the South Florida ecosystem is restored promptly and efficiently, the Secretary of the Interior, as the Chairperson of the South Florida Ecosystem Restoration Task Force, in conjunction with the other members of the Task Force, should (1) develop a strategic plan that will (a) outline how the restoration of the South Florida ecosystem will occur, (b) identify the resources needed to achieve the restoration, (c) assign accountability for accomplishing actions, and (d) link the strategic goals established by the Task Force to outcome-oriented annual goals, and (2) work with the organizations and entities participating in the restoration effort to develop and agree upon a decision-making process to resolve conflicts. | The agency agrees with our recommendation. In commenting on a draft of our report and in congressional testimony, agency officials said that they intend to implement this recommendation. They are in the early stages of implementation. A draft plan is now being developed and is expected to be completed in 2001. |

**Table VII.4: Management Problems Continue to Plague Interior's Tribal and Indian Programs**

Interior administers the federal government's trust responsibilities to tribes and Indians. This responsibility includes managing $3 billion of Indian trust funds and providing about $800 million annually for basic tribal services such as natural resource management and social services. Management of the trust funds has long been characterized by inadequate accounting and information systems, poor recordkeeping and internal controls, and other weaknesses that result in no assurance that fund assets are being properly managed. In addition, federal funding to provide basic tribal services has been criticized for not being responsive because the funding does not consider tribes' needs, the tribes' own revenues, or the funds necessary to fully fund the tribal programs.

There are nine open recommendations related to this issue. All of them deal with the Indian trust fund activities. While we currently have no open recommendations related to Interior's distribution of funding for Indian tribes, we continue to monitor key issues associated with this major management challenge. In July 1998, we reported that BIA's distribution of funds to tribes is not based on the needs of the tribes and does not take into account tribal revenues from such things as Indian gaming activities. As a result of our report the Congress directed Interior to further study this issue. The study results were not completed as of May 1999.

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| GAO product | Recommendation | Agency action |
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| T-AFMD-91-2<br>Apr. 11, 1991 | To ensure effective reconciliation, audit, and accounting for Indian trust funds, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to develop policies and procedures to ensure that balances remain accurate once the accounts are reconciled. | The Department of the Interior agreed with this recommendation and implementation is well along. BIA completed two volumes of trust fund accounting procedures for field office trust fund accountants and issued them to all field offices in 1995. The Secretary of the Interior, in August 1997, established a trust improvement project that includes a subproject, the objective of which is to inventory, review and revise, and develop and establish, where appropriate, policies and procedures to facilitate the proper management, accounting, investment, audit and reporting to account holders of Indians' trust assets. That project is now under way. However, as noted below, Interior was unable to fully reconcile the Indian trust fund accounts and brought its reconciliation effort to a close in the fall of 1995. |

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| GAO product | Recommendation | Agency action |
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| AFMD-92-38 June 18, 1992 | The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to seek alternatives to the current reconciliation project and develop a proposal for reaching a satisfactory resolution of the trust fund account balances with account holders. In developing this proposal, the Assistant Secretary for Indian Affairs should consider (1) limiting contractor reconstruction efforts for tribal trust fund accounts to periods for which adequate records are available, (2) accepting audited balances from tribes, (3) negotiating agreements with individual Indians on balances reported on their account statements, or (4) requesting legislated settlements on all or selected accounts, based on the results of the other alternatives. | The Department of the Interior agreed with this recommendation and implementation is well along. BIA limited its contractor's reconstruction efforts to periods for which adequate records were available and excluded Individual Indian Monies (IIM) accounts from the reconciliation effort due to prohibitive costs and difficulties locating records. Although Interior spent over 5 years in a massive effort to locate supporting documentation, it could not fully reconcile the Indian trust fund accounts. Interior brought the reconciliation process to a close in fall 1995 and in January 1996 a report was issued to each tribe on the results associated with its accounts. In November 1997, the Secretary of the Interior sent to the Congress a final report on the reconciliation process with a legislative proposal for resolving disputed account balances where tribes disagree with the reconciliation results. In addition, IIM account balances are now the subject of litigation as the result of a class-action lawsuit brought on behalf of IIM account holders. |
| AIMD-94-185 Sept. 22, 1994 | The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to immediately ensure that leases and other contractual information are maintained and validated to ensure that all earned trust fund revenues are billed for, collected, and posted to the correct account. | The Department of the Interior agreed with this recommendation and implementation is well along. The Special Trustee for American Indians, in his April 1997 strategic plan to implement Indian trust fund management reforms, called for the acquisition of an accounts receivable/master lease subsystem data, tickler, and collection system that uses lease-contract and ownership information for trust income verification, reconciliation, billing, payments, collection, accounting, disbursement, audit, asset quality review, and compliance purposes. In August 1997, the Secretary of the Interior established a trust improvement project that included a subproject for acquiring a master lease/accounts receivable subsystem. A contract has been awarded and system acquisition efforts are underway. However, in April 1999, we questioned the adequacy of Interior's procedures for acquiring Indian trust systems and made additional recommendations noted below. |
| | The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to act immediately to eliminate title and ownership determination and recordkeeping backlogs by reprogramming existing resources, hiring temporary employees, or contracting for services. | The Department of the Interior agreed with this recommendation, however, implementation is in its early stages. According to the Land Records Officer in Interior's Office of Trust Responsibility, additional resources for eliminating the backlogs were not made available as a result of fiscal year 1995 and 1996 budget cuts. Interior's Special Trustee for American Indians, in his April 1997 strategic plan to implement Indian trust fund reforms, called for the elimination of title and ownership determination and recordkeeping backlogs. In August 1997, the Secretary of the Interior established a trust improvement project that includes two subprojects directed at eliminating probate backlogs. Those subprojects are now being planned. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to immediately take action to ensure prompt action to replace the BIA subsidiary and Individual Indian Money accounting system with a system that integrates BIA land records and ownership information and trust fund accounting information. | The Department of the Interior agreed with this recommendation and implementation is well along. In April 1997, the Special Trustee for American Indians released his strategic plan, which called for the acquisition of an integrated trust fund management system. In August 1997, the Secretary of the Interior established a Trust Improvement project that includes subprojects directed at (1) acquiring a new IIM accounting system and (2) acquiring a system that integrates BIA land records and ownership information and trust fund accounting information. Contracts have been awarded for both systems and acquisition and testing are underway. |
| AIMD-98-37 Nov. 26, 1997 | The Secretary of the Interior should direct the Special Trustee to work with the department's Chief Information Officer to identify all related business functions and obtain input on information requirements from all stakeholders to (1) provide adequate evidence of a framework for sharing related business and functional information and program requirements among the cognizant organizations and functions and (2) support the design and development of management and information systems. | The Department of the Interior agreed with this recommendation and implementation is in its early stages. In response to this recommendation, the department stated that (1) an extensive project management and oversight structure has been established, (2) business and functional information is being exchanged and coordinated through the Trust Improvement Project Team, (3) formal concept of operations documents will be prepared and exchanged for the Trust Funds Management function and the Trust Asset Management functions, and (4) contacts were made with many stakeholders, including departmental land management and trust asset management elements, to explain project objectives and approach. However, we recently found that Interior did not follow a sound process for defining its requirements and, as noted below, we made an additional recommendation to help Interior better address this area. |
| | The Secretary of the Interior should direct the Special Trustee to work with the department's Chief Information Officer to comply with legal and regulatory requirements for major information technology investments by developing a strategic information resources management plan, criteria for the evaluation of major information system investments, and an information architecture that aligns technology with mission goals. | The Department of the Interior agreed with this recommendation and implementation is in its early stages. In response to this recommendation, the department stated that (1) coordination efforts are underway with the department's Chief Information Officer and various bureaus, (2) ongoing and future acquisitions will comply with legal and regulatory requirements, the Clinger-Cohen Act, and OMB guidance, and (3) new trust systems will be included in the department's overall strategic Information Resources Management Plan, evaluated under criteria for major information system investments, and designed to align technology with mission goals. However, we recently found that the department has not yet defined an integrated architecture for Indian trust operations and, as noted below, reiterated our recommendation. |

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| GAO product | Recommendation | Agency action |
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| AIMD-99-53<br>Apr. 28, 1999 | To ensure that Interior's information systems are compatible and effectively satisfy Interior's business needs, the Secretary of the Interior should direct the Chief Information Officer to develop an information systems architecture for Indian trust operations that (1) provides a high-level description of Interior's mission and target concept of operations, (2) defines the business functions to be performed and the relationships among functions; the information needed to perform the functions; the users and locations of the functions and information; and the information systems needed to support the department's business needs, (3) identifies the improvement projects to be undertaken, specifying what they will do, how they are interrelated, what data they will exchange, and what their relative priorities are, and (4) details specific standards and approaches that will be used to build or acquire systems, including hardware, software, communications, data management, security, and performance characteristics. | While the Department of the Interior has not responded to this recommendation yet, implementation seems to be in its early stages. According to the department's Assistant Secretary for Policy, Management and Budget, preliminary work on a system architecture has started. |
| | To reduce the risks GAO identified with the effort to acquire a service for managing assets and land records, the Secretary of the Interior should direct the Chief Information Officer to (1) clearly define and validate functional requirements, security requirements, and data management requirements, (2) develop and implement an effective risk management plan, and (3) ensure that all project decisions are based on objective data and demonstrated project accomplishments, and are not schedule driven. | While the Department of the Interior has not responded to this recommendation yet, it has taken some actions and implementation is in its early stages. A risk management plan for the acquisition has been developed and some requirements have been defined. |

**Table VII.5: Problems in Managing New Automated Records System Put BLM Programs at Risk**

The Bureau of Land Management (BLM) has been developing the Automated Land and Mineral Record System/Modernization (ALMRS) for several years. In March 1997, we reported that BLM encountered problems that increased the risk of degraded system performance and capability and had already resulted in higher costs. We also reported BLM would not be ready to deploy the ALMRS software until it completed essential management plans, policies, and procedures to help ensure a successful transition and operating environment. In May 1998, we reported that recent and potential delays in implementing the ALMRS software placed BLM at risk because existing systems that were being used to support mission-critical business processes, which were to be replaced by the ALMRS software, would be subject to the Year 2000 computer-date problem. On March 4, 1999, we testified that recent tests showed that ALMRS did not meet BLM's business needs, and BLM decided not to deploy ALMRS. We made recommendations to (1) thoroughly examine the ALMRS software to determine whether it could be cost beneficially modified and (2) reduce the risks that future information technology efforts would result in a similar outcome.

There are currently four open recommendations related to this management challenge. These recommendations were transmitted to BLM in our April 1999 testimony. We also closed all of the recommendations we made in 1997 and 1998 based on BLM's corrective actions and decision not to deploy ALMRS. Those recommendations we summarized in Major Management Challenges and Program Risks: Department of the Interior (GAO/OCG-99-9, January 1999) and focused on areas such as configuration management, security planning and architecture, transition planning, operations and maintenance planning, and Year 2000 contingency planning.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-99-135 Apr. 30, 1999 | The Secretary of the Interior should ensure that BLM thoroughly analyzes the ALMRS Initial Operating Capability (IOC) software, reported to cost more than $67 million, to determine whether it can be cost beneficially modified to meet the bureau's needs. This analysis should be part of an overall effort to identify and assess all viable alternatives, including (1) modifying ALMRS IOC software, (2) modifying existing land and recordation systems, (3) acquiring commercial, off-the-shelf software, or (4) developing new systems. The alternatives analysis should clearly identify the risks, costs, and benefits of each alternative, and should be performed only after BLM is assured that it has fully verified its business requirements. | The Director of BLM agreed with this recommendation; however, the bureau has not yet provided information on its implementation of the recommendations in this recently issued report. |
| | The Secretary of the Interior should ensure that BLM assesses and strengthens its investment management practices to help avoid future problems. The Clinger-Cohen Act of 1996 seeks to maximize the return on investments in information systems by requiring agencies to institute sound capital investment decisionmaking. Under the act, agencies must design and implement a process for maximizing the value and assessing and managing the risks of information technology acquisitions. The act also requires agencies to (1) assess the knowledge and skills of their executive and management staff to meet agencies' information resources management requirements and rectify any deficiencies and (2) develop, maintain, and facilitate the implementation of a sound and integrated information technology architecture. Effectively enforcing a sound information technology architecture to guide and constrain a modernization program can preclude inconsistent systems design and development decisions, suboptimal performance, and excessive cost. | The Director of BLM agreed with this recommendation; however, the bureau has not yet provided information on its implementation of the recommendations in this recently issued report. |
| | The Secretary of the Interior should ensure that BLM obtains an independent assessment of its systems acquisition capabilities, and ensure that it uses sound systems acquisition processes. | The Director of BLM agreed with this recommendation; however, the bureau has not yet provided information on its implementation of the recommendations in this recently issued report. |
| | The Secretary of the Interior should ensure that until such assessments are completed and corrective actions taken, BLM not undertake any sizable systems acquisition or development efforts. | The Director of BLM agreed with this recommendation; however, the bureau has not yet provided information on its implementation of the recommendations in this recently issued report. |

# Department of Justice

**Table VIII.1: INS Management Challenges Persist**

The Immigration and Naturalization Service (INS) has been in the process of developing a restructuring plan to meet various objectives, including clearly dividing enforcement of immigration laws from delivery of immigration services. However, INS does not plan on addressing certain management challenges, such as the absence of written guidance on appropriate channels of communication within the agency, until the restructuring plan is approved. Other management challenges facing INS include the existence of outdated policies and procedures on how to implement immigration laws, selecting a replacement financial management system without first analyzing its business processes and developing a risk management plan, and not having appropriate accounting records and internal controls to enable its auditor to express an opinion on INS' financial statement. The 13 open recommendations related to this issue are discussed in the following table.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| GGD-97-132<br>July 22, 1997 | The Commissioner of INS should take steps to mitigate the risks associated with INS' planned approach for acquiring a new financial management system. Such steps should include fully implementing plans to analyze its current financial management processes and determining future financial management process needs, finalizing a comprehensive implementation plan, and fully developing and implementing a risk management plan. | INS disagreed with the recommendation and does not intend to implement it. INS believes it has continued to refine system implementation plans in a way that mitigates risks and does not see the need for our recommendation action. |
| | To help achieve the reorganization goals, the Commissioner of INS should provide written guidance to all INS managers on the responsibilities and authority of the Executive Associate Commissioners for Field Operations and Programs in relation to each other. | INS has agreed with this recommendation, and intends to act on it, but has not yet done so. INS has developed a plan to restructure the agency. INS says that upon congressional approval of the plan, implementation will include the preparation of written guidance to all INS personnel. |
| | To help achieve the reorganization goals, the Commissioner of INS should provide written guidance on the appropriate coordination and communication methods and channels between offices, including (1) when and how Field Operations and Programs should coordinate and communicate with each other, (2) when and how the Office of Programs should coordinate and communicate with the regional offices and the districts and sectors, and (3) when and how the Office of Policy and Planning should coordinate with the other offices. | INS agreed with the recommendation. INS has not yet begun to implement this recommendation, but it intends to do so. The restructuring of INS may have an effect on the existence, function, and authorities of the offices cited in the recommendation. INS plans to issue written guidance on coordination and communication after its restructuring plan is approved. |
| | To help achieve the reorganization goals, the Commissioner of INS should incorporate into INS' current evaluation of the reorganization the issues raised in this report so that they can be addressed as INS attempts to fully achieve the goals of the reorganization. | INS has agreed with the recommendation and is in the proces of implementing it. Clarifying roles and responsibilities and improving communication are central to the restructuring of the INS. These issues are to be considered fully in the creation of an INS restructuring plan. |

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| GAO product | Recommendation | Agency action |
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| GGD-98-164 July 31, 1998 | To help correct undercounts, reduce conceptual problems, and, where possible, fill gaps for information on immigration flow, the Comissioner of INS should (1) evaluate and, were feasible, work toward improving data flow and (2) utilize a set of demographic categories (or an information typology) that clarly distinguishes different concepts and helps determine which statistics can fairly be compared to others. | INS has agreed with the recommendation but has not yet begun to implement it. INS plans to utilize our typology on flow, based on demographic concepts, as a framework for reporting, analysis, and evaluation. Some of the categories identified in our typology, such as newly arrived illegal immigrants, are extremely difficult to measure. INS has led the effort to develop more precise estimates and continues to seek new data sources and methods for estimating the flow of illegal imigrants. INS is also testing new systems that may be able to track the entrace of certain individuals admitted for temporary periods, such as business visitors and students. INS also seeks to improve information on nonimmigrants who adjust from one nonimmigrant status to another. INS plans to eliminate the information gap on all asylum seekers admitted during the year. |
| | To eliminate confused reporting of data and estimates concerning immigration flow, the Commissioner of INS should more clearly report information about trends in legal immigration flow and about the difference between the concepts of flow and net change in the INS Yearbook—or develop a new reporting format that communicates effectively to policymakers and interested members of the general public. | INS has agreed with the recommendation but has not yet begun to implement it. INS plans to continue to report on the number and characteristics of aliens granted legal permanent residence during a year; however, INS reports plans to utilize demographic concepts (see response to above recommendation) in order to eliminate confusion. More information will also be provided to describe how the various data series overlap. The effects of administrative processes on the trends in immigration should be discussed fully. As more complete information on the date of entry of the various categories of immigrants becomes available, INS plans to develop new reporting formats providing a more complete account of all foreign-born persons entering the United States in a year. |
| | To reduce the uncertainty associated with statistical estimates of demographic concepts other than immigration flow, fill information gaps for specific legal statuses, and address fragmented reporting, the Commissioner of INS and the Director of the Bureau of the Census should together devise a plan of joint research for evaluating the quality of census and survey data on the foreign-born. | INS has agreed with the recommendation but has not yet begun to implement it. INS and the Bureau of the Census have already entered into an interagency agreement to work together to evaluate and publish information on the population of foreign-born persons enumerated in the Current Population Survey. This formal arrangement is to be used to address this recommendation. The agreement states that the Census Bureau and INS plan to continue to address methodological problems and data quality issues associated with the development of population estimates and projections of the foreign-born population and their characteristics. |
| | To reduce the uncertainty associated with statistical estimates of demographic concepts other than immigration flow, fill information gaps for specific legal statuses, and address fragmented reporting, the Commissioner of INS and the Director of the Bureau of the Census should together further develop, test, and evaluate the three-card method that we devised for surveying the foreign-born about their legal status. | INS disagrees with this recommendation and does not plan to take any action to implement it. In commenting on the report, INS stated that it would provide "support and consultation" to the Census Bureau for this activity, but INS would need an independent evaluation of the three-card method before committing funds to the method's development. The Census Bureau will not do the work without funding, and INS will not provide funding without an independent evaluation. |

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| GAO product | Recommendation | Agency action |
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| | To reduce the uncertainty associated with statistical estimates of demographic concepts other than immigration flow, fill information gaps for specific legal statuses, and address fragmented reporting, the Commissioner of INS and the Director of the Bureau of the Census should together either publish a joint report or coordinate reports that present information on population size, net change, and emigration. | INS agreed with the recommendation and has begun implementation of it, but is still in an early stage. INS and the Bureau of the Census have already entered into an interagency agreement to work together to evaluate and publish information on the population of foreign-born persons enumerated in the Current Population Survey. This formal arrangement will be used to address this recommendation. The agreement states that the Census Bureau and INS will continue to address methodological problems and data quality issues associated with the development of population estimates and projections of the foreign-born population and their characteristics. |
| GGD-99-31 March 30, 1999 | The Attorney General should direct the Commissioner of INS to evaluate the effectiveness of integrity assurance efforts, such as training, background investigations, and reinvestigations. | INS agreed with the recommendation and is in the early stages of implementation. It is too soon to assess specific agency actions. |
| | The Attorney General should require the Commissioner of INS to comply with policies that require employment reinvestigations to be completed when they are due. | INS agreed with the recommendation and is in the early stages of implementation. It is too soon to assess specific agency actions. |
| | The Attorney General should direct the Commissioner of INS to strengthen internal controls at southwest border ports-of-entry and at Border Control checkpoints by establishing (1) one or more methods to deprive drivers of their choice of inspection lanes at ports-of-entry, (2) a policy for the inspection of law enforcement officers or their vehicles at ports-of-entry and Border Patrol checkpoints, and (3) a recusal policy concerning the performance of inspections by Immigration Inspectors and Border Patrol Agents where their objectivity may be in question. | INS agreed with the recommendation and is in the early stages of implementation. It is too soon to assess specific agency actions. |
| GGD-98-197 Sept. 28, 1998 | To improve confidence in the sampling methodologies used to determine future immigration and naturalization fees, the Commissioner of INS should ensure that future samples are consistent with generally accepted social science techniques and that the statistical integrity of the sampling plans is maintained throughout the study. | INS agreed with the recommendation and has begun to implement it, but is still in an early stage. According to an INS Budget official, the Commissioner of INS, in response to our recommendation, intends to ensure the integrity of future user fee study sampling plans. He also said that a statistically valid sample was recently drawn for two applications in INS' current user fee study. Due to a budget cutback, INS couldn't fund a complete user fee analysis for its other applications. If adequate funding is available in the future, INS plans to develop statistically valid samples for its studies. |

**Table VIII.2: Challenges With Implementation of INS' Programs**

The Attorney General has established a strategy to strengthen immigration enforcement; however, our review of three aspects of the strategy has raised concerns about INS' efforts to achieve program objectives. First, INS has spent billions of dollars on border enforcement but has not done a comprehensive evaluation to determine whether its strategy to deter illegal entry has been effective. Second, INS has a program to place criminal aliens in removal proceeding while the aliens serve their prison sentences, but it has failed to identify thousands of such aliens before their release into U.S. communities. Most of those whom INS identified were released from prison and placed in detention before INS completed the removal proceedings, causing INS to incur millions of dollars in avoidable detention costs. Third, INS is required to complete criminal history checks on all naturalization applicants before the application is approved. INS' failure to do so in some cases has resulted in criminal aliens being improperly naturalized. INS issued instructions to implement internal control procedures in the naturalization process, but questions about the process' integrity remain.

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| GAO product | Recommendation | Agency action |
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| GGD-97-47<br>May 20, 1997 | The Attorney General should direct the Commissioner of INS to periodically determine and assess the production rates and processing times in the INS field units. | INS agreed with the recommendation and is in the early stages of implementing it. INS receives monthly reports by each application type for each processing unit and monitors the units' applications completed per hour and projected processing times by unit. |
| | The Commissioner of INS should first ensure that the field units are consistently reporting the data used to calculate the rates and times. | INS agreed with the recommendation and is in the early stages of implementing it. INS' Benefits Division, along with a working group of field office staffs and other headquarters entities, streamlined and revised reports starting in fiscal year 1998. Training began in August 1997 to promote consistency and accuracy of data. In addition, monthly telephone conferences with its four service centers are to be held to answer questions about reporting definitions and address data concerns. |
| | After ensuring that data are consistently reported, including using the same definitions, the Commissioner of INS should analyze the production rates and processing times for each field unit by application type. | INS agreed with the recommendation and is in the early stages of implementing it. INS is using the naturalization application to analyze production rates and processing times for each field unit. On the basis of this analysis, INS will analyze other application types to improve production rates and processing times. |
| | After ensuring that data are consistently reported, including using the same definitions, the Commissioner of INS should identify factors that contribute to making the field units more or less productive and timely. | INS agreed with the recommendation and is in the early stages of implementing it. INS is using the naturalization application to identify factors that contribute to making field units more or less productive and timely. On the basis of this analysis, INS plans to review other application types to identify opportunities to improve productivity and timeliness. |

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| GAO product | Recommendation | Agency action |
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| | After ensuring that data are consistently reported, including using the same definitions, the Commissioner of INS should determine whether and what changes could be made to make individual field units more productive and timely. | INS agreed with the recommendation and is in the early stages of implementing it. INS is using the naturalization applications to determine whether and what changes could be made to make individual field units more productive and timely. Based on this analysis, INS plans to include other application types to improve productivity and timeliness. |
| | After ensuring that data are consistently reported, including using the same definitions, the Commissioner of INS, should follow up with the field units to ensure that appropriate changes are implemented. | INS agreed with the recommendation and is in the early stages of implementing it. INS has established a process to monitor that field units are implementing appropriate changes. |
| GGD-98-21 Dec. 11, 1997 | The Attorney General should develop and implement a plan for a formal, cost-effective, comprehensive, systematic evaluation of the strategy to deter illegal entry across the southwest border. This plan should describe (1) the indicators that would be required for the evaluation, (2) the data that need to be collected, (3) mechanisms for collecting the data, (4) controls intended to ensure accuracy of the data collected, (5) expected relationships among indicators, and (6) procedures for analyzing the data. | INS agreed with the recommendation and is in the early stages of implementing it. The Commissioner of INS followed up with a letter to the Chairman of the Senate Judiciary Committee on February 13, 1998, that described the actions INS would take to implement the recommendation.<br><br>As we reported in our update of the border strategy implementation (GGD-99-44) in May 1999, INS contracted with a research firm to design an evaluation strategy, identify data needs and analytical approaches, and conduct a study of the results of the southwest border strategy. On June 3, 1999, an official with INS' Office of Policy and Planning stated that INS had received a report from the contractor in May 1999. However, results of the report were unavailable, so it is unclear whether the study has fulfilled the recommendation. |
| GGD-99-33 Apr. 2, 1999 | The Commissioner of INS, as a part of the outreach program for INS' pilot programs, should seek assistance from federal and state agencies, such as the Department of Labor and state labor agencies, in disseminating information to employers about the programs. | INS agreed with the recommendation and is in the early stages of implementing it. INS officials stated that a more systematic coordination with other agencies could be useful and that they would add this type of coordination effort to other recruitment efforts underway. |
| | The Commissioner of INS, in implementing the interior enforcement strategy, should clarify the criteria for opening investigations of employers suspected of criminal activities. | In its agency comments, Justice did not specifically comment on this recommendation or indicate whether they will take any action, nor has it formally responded to the Congress regarding the recommendation. INS had just revised its interior enforcement strategy, and strategy specifics were not yet developed. Justice has not formally responded to the Congress regarding this recommendation. However, an INS official stated in a June 1, 1999, telephone conversation that INS was still in the process of developing implementation plans for the strategy, which would include, among other things, specific criteria for opening investigations of employers suspected of criminal activities. |

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| T-GGD-97-154 July 15, 1997 | The Commissioner of INS should establish a nationwide data system containing the universe of foreign-born inmates reported to INS by the Bureau of Prisons (BOP) and the state departments of corrections and use this system to track the Institutional Hearing Program (IHP) status of each inmate. | INS agreed with the recommendation and is in the early stages of implementing it. Functional requirements for the system were defined. On the basis of the requirements, the Criminal Alien Investigations System (CAIS98) was developed, and, in April 1998, it was piloted in the federal IHP site in Oakdale, Louisiana. A User Acceptance Test was conducted in July 1998. Several modifications were suggested and made. In September 1998, the system was deployed further to the federal IHP site in Allenwood, Pennsylvania. In October 1998, it was deployed to the federal IHP site in La Tuna, Texas. An updated version of CAIS98 has been completed, but expenditures for further deployment are under review by the INS Information Technology Investment Review Board. |
| | The Commissioner of INS should give priority to aliens serving time for aggravated felonies by establishing controls to ensure that these aliens are identified from among the universe of foreign-born inmates provided by BOP and the states, are placed into deportation proceedings while in prison, and are taken into custody upon their release. | INS disagreed with this recommendation and does not intend to implement it. INS continues to prioritize institutional cases by release date and maintains that this is important because (1) detention space is currently in short supply and (2) the vast majority of criminal aliens are aggravated felons. We reported in October 1998, however, that INS still failed to identify all deportable criminal aliens, including aggravated felons. INS has attempted to remedy this problem by addressing the backlog of unprocessed inmates in state prisons. |
| | The Commissioner of INS should (1) develop a workload analysis model to identify the IHP resources needed in any period to achieve overall program goals and the portion of those goals that would be achievable with alternative levels of resources and (2) use the model to support INS' IHP funding and staffing requests. Such a model should consider several factors, including the number of foreign-born inmates, number of prisons that must be visited, number and types of IHP staff, length of time needed to process cases, and travel time and costs. | INS agreed with the recommendation and is in the early stages of implementing it. INS completed work on a draft workload analysis model in June 1998 and delivered a management briefing on the model in January 1999. The model should be available for input to future budget cycles. |
| | The Commissioner of INS should identify the causes of immigration agent attrition and take steps to achieve IHP program goals. | INS agreed with the recommendation and is in the early stages of implementing it. INS has identified what it believes are the causes for the high attrition rate, but it has not determined the appropriate solution to the problem. |
| | The Commissioner of INS should establish and effectively communicate a clear policy on the role of special agents in the IHP and, using a workload analysis model, set IHP goals for district responsibilities. | INS agreed in part with this recommendation, and is in the early stages of implementing that portion of the recommendation. With respect to clarifying policy, INS communicated the role of special agents assigned to criminal alien removal work in an October 1997 memo to field managers. With respect to establishing IHP goals for district directors, INS prefers that regional directors have the flexibility to manage the district goals and therefore does not intend to implement this part of the recommendation. |

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| GAO product | Recommendation | Agency action |
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| | If it appears that IHP goals will not be met, INS should document any actions taken to correct the problem. | INS agreed with the recommendation and is in the early stages of implementing it. In May 1998, it appeared that INS might not be able to meet its removal goal for the fiscal year. As a result, INS regional mangers were tasked with developing plans for increasing criminal alien removals. When INS did not achieve its fiscal year 1998 removal goal, it tasked each INS region with developing and implementing a program overhaul and improvement plan. |

**Table VIII.3: Significant Departmental Financial Management Weaknesses**

Since our January 1999 report series, the audit of the Department of Justice's fiscal year 1998 Consolidated Balance Sheet and Consolidated Statements of Net Cost and Changes in Net Position was completed and resulted in a disclaimer of opinion because the auditors were unable to obtain sufficient evidence about certain balances and disclosures in the consolidated financial statements. The department had also received a disclaimer of opinion on the Consolidated Statement of Financial Position for fiscal year 1997, and the department's Inspector General noted that although improvements were being made in certain areas, overall, the department had not substantially progressed towards an unqualified opinion. In connection with the audit of Justice's fiscal year 1998 consolidated financial statements, auditors disclosed one material weakness and three reportable conditions. In reporting on the separate audits of Justice's component entities, auditors identified 13 material weaknesses and 18 reportable conditions related to internal controls. Some of these problems affected the components' ability to receive opinions on their financial statements and produce reliable financial information on a routine basis. Finally, auditors identified several noncompliance conditions related to the Federal Financial Management Improvement Act of 1996, the Prompt Pay Act, appropriation law, and the Illegal Immigration Reform and Immigration Responsibility Acts.

While we do not have any open recommendations related to Justice's financial management weaknesses, the department's financial statement auditors have open recommendations related to correcting material weaknesses and reportable conditions identified in the audits. These recommendations include improving electronic data processing (EDP) controls, ensuring that financial transactions are recorded in accordance with federal accounting standards, strengthening controls over Fund Balance With Treasury, and improving fiscal year-end closing procedures. We and the Justice Office of Inspector General (OIG) will continue to monitor certain key financial management issues at the department.

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**Table VIII.4: Embezzlements and Financial Management Control Weaknesses at DEA**

In September 1998, we reported on two embezzlement cases at the Drug Enforcement Administration (DEA) and on some of the financial management weaknesses identified and reported by DEA's external auditor. In our report, we stated that some of the financial management weaknesses compromised DEA's overall control environment and are the type of control problems that could allow embezzlements, such as those reported, to occur without prompt detection. For example, the external auditor reported in its fiscal year 1997 financial statement audit report that, of 148 items sampled, documentation to support the proper receipt and acceptance of goods and services had not been received for 14 expense transactions. The auditor reported similar instances in its fiscal year 1998 financial statement audit. Payment of expenses without adequate documentation is the type of control weakness that contributes to an environment where embezzlements can take place. For instance, in one of the cases of reported embezzlements, DEA processed transactions even though it lacked documents to establish that the amounts were owed. Although, DEA's external auditor issued an unqualified opinion on DEA's fiscal year 1998 balance sheet, the auditor issued a disclaimer of opinion on all of DEA's other financial statements. The disclaimer of opinion was issued because it was not practical for the external auditors to extend auditing procedures to sufficiently satisfy themselves as to the beginning balances of assets, liabilities, and net position. Finally, the external auditors also identified one material weakness and three reportable conditions related to DEA's internal control and identified two instances of noncompliance related to the Prompt Pay Act and the Federal Financial Management Improvement Act of 1996.

While we do not have any open recommendations related to DEA's embezzlements and financial management control weaknesses, DEA's financial statement auditors have open recommendations related to correcting the material weaknesses and reportable conditions identified in the audits. These recommendations include implementing mainframe security software, accurately and completely reporting seized drug information, reconciling differences between DEA's Fund Balance With Treasury Accounts and its general ledger, and strengthening internal controls over accruals and disbursements. We and the Justice OIG will continue to monitor certain key financial management issues at DEA.

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# Department of Labor

**Table IX.1: Labor Lacks Accurate and Reliable Information to Assess Program Performance**

The Department of Labor lacks accurate and reliable information needed to effectively assess whether many of its programs are producing their intended results and to determine whether its resources are being used effectively. This deficiency is particularly important for Labor, because many of its activities are fragmented or duplicated either within the department or by other departments or state or local governments. Thus, major challenges facing Labor include determining how to provide consistent outcome information across multiple programs with similar objectives, ensuring that Labor's outcome information is accurate, and monitoring program implementation. In addition, Labor needs to rely less on its component offices and the Office of Inspector General to ensure the reliability and validity of program performance data.

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| GAO product | Recommendation | Agency action |
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| GGD/OCE-98-2 Oct. 9, 1997 | As long as a fixed market basket Consumer Price Index (CPI) is published, the Commissioner of the Bureau of Labor Statistics (BLS) should update the expenditure weights of the CPI's market basket of goods and services more frequently than every 10 years to make it more timely in its representation of consumer expenditures. | BLS agreed and the implementation is well along. After a review to determine the optimal frequency for updating the expenditure weights, BLS announced in December 1998 that future updates of the expenditure weights would take place every 2 years after data for January 2002 are released. |
| HEHS-98-1 Oct. 21, 1997 | Improvements are needed to make the measures used to assess Job Corps placement contractor performance more meaningful. Therefore, the Secretary of Labor should modify certain measures for placement contractors, including eliminating from the placement pool participants whom contractors realistically could not or should not be expected to place, such as participants who were expelled for criminal or violent behavior. | Labor agreed and the implementation is in its early stages. Labor convened a workgroup to develop modifications to the performance measures, which studied whether to eliminate from the placement pool participants whom contractors realistically could not or should not be expected to place, such as participants who were expelled for drugs or violent behavior. As a result, participants who are expelled from the program for drugs or violence within the first 45 days are to be eliminated from the placement pool. |
| | Improvements are needed to make the measures used to assess Job Corps placement contractor performance more meaningful. Therefore, the Secretary of Labor should modify certain measures for placement contractors, including replacing the current job-training match system with one that captures realistic information and providing guidance to regional offices to ensure that matches are correct and that the data are accurately recorded. | Labor agreed and implementation is in its early stages. The Office of the Job Corps is making a transition to a new system based on the Occupational Employment Statistics, a design established by BLS. It expects the new system to be more accurate and easier to maintain and monitor in terms of eliminating erroneous job-training matches. A pilot test was conducted with six placement agencies using the new system in February and March 1998. This system will become operational in the summer of 1999. |

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| | Improvements are needed to make the measures used to assess Job Corps placement contractor performance more meaningful. Therefore, the Secretary of Labor should modify certain measures for placement contractors, including establishing separate placement performance standards for participants with different levels of program accomplishment—for example, those who completed program requirements and those who dropped out early. | Labor agreed and implementation is in its early stages. The Office of the Job Corps convened a technical workgroup to develop modifications to the performance measures. As a result, the Job Corps has developed separate placement standards for graduates and nongraduates. |
| HEHS-98-20 Dec. 31, 1997 | To improve service to both employers and workers, the Secretary of Labor should regularly collect data on its performance in meeting the H-2A regulatory and statutory deadlines for processing H-2A applications and should use these data to monitor and improve its performance. | Labor agreed and implementation is in its early stages. Labor has assigned a full-time staff member to draft a work plan and timetable for an automated processing and performance tracking system. The work plan should be completed by the summer of 1999. |
| HEHS-98-193 Aug. 21, 1998 | To improve Labor's detection and reporting of illegal child labor in agriculture, the Secretary of Labor should direct the Assistant Secretary for Employment Standards to test the feasibility of collecting data on the number of minimum-wage and other labor law violations that involve anyone younger than 18. | Labor agreed with the concept but has no plans to implement this recommendation as stated. Alternatively, it is adding a child labor component to the National Agricultural Workers Survey to measure issues specific to children working in agriculture. Its view is that using a statistically valid sample of this workforce is a more effective way of dealing with the underlying problem. |
| | The Secretary of Labor should direct the Assistant Secretary for Employment and Training to develop and analyze data on Migrant and Seasonal Farmworker Program services and outcomes for children aged 14 to 17 to determine the number of these children served, the services provided, and the outcomes experienced by these children. | Labor disagreed and will not be implementing this recommendation. Labor maintains termination data on program participants that can be broken out by any age group. However, other data on program participants are tracked by ages 14 to 22, and collecting data on a subset of this group—that is, for ages 14 to 17—would require a different data collection strategy and could not be done without the approval of the Office of Management and Budget. Furthermore, the issue may be resolved with new program requirements as a result of the Workforce Investment Act. |

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| HEHS-99-15<br>Nov. 4, 1998 | Improvements are needed to ensure that the information used to assess Job Corps program performance is accurate and meaningful. Specifically, two of the measures used to judge the success of the Job Corps program—vocational completion and job training match—provide misleading information that overstates program outcomes. Therefore, the Secretary of Labor should more accurately define and report information on the extent to which program participants complete vocational training.<br><br>Improvements are needed to ensure that the information used to assess Job Corps program performance is accurate and meaningful. Specifically, two of the measures used to judge the success of the Job Corps program—vocational completion and job training match—provide misleading information that overstates program outcomes. Therefore, the Secretary of Labor should develop a more accurate system of reporting training-related jobs and effectively monitor its implementation. | Labor agreed and implementation is in its early stages. Labor has hired one contract employee in Seattle and is hiring a second contract employee who will be located at Job Corps headquarters and whose principal responsibilities will be to verify job placement and validate the training-relatedness of the placement. |
| HEHS-99-21<br>Jan. 11, 1999 | To reduce the cost of verification related to the Davis-Bacon Act and increase the benefits, the Secretary of Labor should direct the Administrator of the Wage and Hour Division (WHD) to revise verification procedures to maximize the expected value to be gained from verification. Specifically, Labor should increase the use of telephone verification—while decreasing on-site verification audits—and increase efforts to obtain payroll documentation from all selected submitters. | Labor agreed and implementation is in its early stages. Labor will be increasing from 2 percent to 5 percent the number of data collection forms randomly selected for telephone verification and will request supporting documentation during this telephone verification. |

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| | To reduce the cost of verification related to the Davis-Bacon Act and increase the benefits, the Secretary of Labor should direct the Administrator of WHD to revise verification procedures to maximize the expected value to be gained from verification. Specifically, Labor should change the procedures used to select wage data for verification, using a judgmental sample of wage data forms based on the potential impact of the data on prevailing wage rate determinations rather than using a random sample. | Labor agreed and implementation is well along. For each craft for which a wage rate is proposed, Labor will identify the contractors with the biggest effect on the wage data and any contractor reporting wage rates outside a predetermined weighted mean. Following this selection process, these contractors will be contacted by telephone to request that they submit supporting documentation. If it is not provided, these contractors will be referred for possible on-site verification. Detailed guidance for selecting the judgmental sample has been developed and is scheduled to be used beginning with all surveys completed in May 1999. |
| | To reduce the cost of verification related to the Davis-Bacon Act and increase the benefits, the Secretary of Labor should direct the Administrator of WHD to revise verification procedures to maximize the expected value to be gained from verification. Specifically, Labor should revise verification procedures to take more appropriate action when documentation cannot readily be obtained from a contractor, such as not using data when supporting documentation is requested but not provided, requiring documentation where possible, and giving third parties, such as representatives of unions and contractor associations, an opportunity to provide supporting documentation for data they submitted. | Labor partially agreed and implementation of the changes to which it agreed is well along. Documentation will be requested in all telephone and on-site verifications. If a contractor is not able or willing to provide the documentation or access to the documentation, the data submitted may still be used unless the contractor has a history of not cooperating or has previously provided inaccurate data. Labor is developing a nationwide system for tracking these contractors and will use it in deciding whether to use data that cannot be verified. The tracking system is scheduled to be used beginning with all surveys completed in May 1999. Third parties will be given the opportunity to provide supporting documentation for all data they submit. |

**Table IX.2: Decentralization Intensifies Labor's Coordination Challenge**

Labor's decentralized structure and the numerous federal, state, and local partners that share responsibility for Labor's programs complicate its efforts to effectively coordinate the many programs it oversees. Not only does Labor itself have 22 offices, many of which have overlapping responsibilities, but for many of its programs, such as job training, enforcement, and data collection, Labor must work with state and local governments or nongovernmental organizations that often manage the programs on a day-to-day basis. As a result, the need for coordination, communication, and cooperation among Labor and its partners is vital to ensuring that program services are delivered efficiently. While Labor's strategic and performance plans acknowledged the need for coordination among some of its partners, such as in job training, the plans generally lacked detail on how such coordination will be achieved, especially given the rapidly changing job training environment.

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| GAO product | Recommendation | Agency action |
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| HEHS-96-4<br>Nov. 2, 1995 | To better meet the Older Americans Act (OAA) title V goal of equitably distributing Senior Community Service Employment Program (SCSEP) funds within the states, the Secretary of Labor should require greater cooperation among national sponsors and states in equitable distribution matters. | Labor agreed and implementation is in its early stages. Labor has taken some additional actions to increase coordination among sponsors. The Congress is considering proposed reauthorization of the OAA that may change distributions of funds between state sponsors and national sponsors. |
| | To better meet the OAA title V goal of equitably distributing SCSEP funds within states, the Secretary of Labor should adjust, as necessary, sponsors' funding levels to reward sponsors that are willing to establish positions in underserved counties. | Labor partially agreed but does not intend to implement the recommendation. Labor has taken some actions to instruct sponsors to put new positions into underserved areas; however, it has no plans to adjust sponsors' funding levels solely on their ability to meet equitable distribution requirements. OAA reauthorization language being considered may significantly change the distribution of funds to and among national sponsors and states. OAA reauthorization is pending. |
| | The Secretary of Labor should enforce the statutory limit on administrative expenses and be prepared to reduce the funds available for administration of any grantee exceeding the legal limit by improperly categorizing costs or incurring improper indirect costs.<br>The Secretary of Labor should revise the 1995 regulations to adopt the definition of administrative costs set out in the 1976 regulations. | Labor disagrees and does not intend to implement these recommendations. Rather, Labor has issued program guidance to sponsors on the charging of costs, allowing sponsors to charge certain costs to the category of enrollee costs rather than to administration. |
| HEHS-97-51<br>Mar. 31, 1997 | The Chairman of the Nuclear Regulatory Commission (NRC) and the Secretary of Labor should coordinate efforts to ensure that NRC's Allegation Management System includes information on the status of cases at Labor. | Labor agreed and implementation is well along. Both the NRC Chairman and the Secretary of Labor have signed a revised memorandum of understanding in which Labor agrees to notify NRC promptly of additions or changes in the status of allegation cases. |
| HEHS-98-20<br>Dec. 31, 1997 | To improve service to both employers and workers, the Secretary of Labor should update and revise the H-2A handbook to include procedures for all agencies involved and key contact points, both at Labor and at other agencies. | Labor agreed but has not yet begun to implement this recommendation. Rather than revising the current H-2A handbook, it will issue a new handbook and will begin the process during fiscal year 2000. |
| HEHS-98-193<br>Aug. 21, 1998 | To improve Labor's detection and reporting of illegal child labor in agriculture, the Secretary of Labor should direct the Assistant Secretary for Employment Standards to ensure that procedures specified in the existing agreements among WHD and other federal and state agencies—especially regarding referrals to and from other agencies, joint inspections, and exchange of information—are being followed and, as required in some agreements, are being recorded and tracked. | Labor agreed and implementation is well along. Labor has developed specific procedures for handling potential violations of child labor in agriculture, including those procedures to be used in interactions with other federal and state agencies, and has distributed advanced copies of the procedures to WHD field staff. The final versions were distributed in a revised handbook on July 15, 1999. We will review the procedures to determine if they comply with our recommendation. |

**Table IX.3: Alternative Enforcement Strategies Could Leverage Labor's Limited Resources**

Labor faces a formidable challenge in enforcing basic workplace protections, from ensuring that workers receive at least a minimum wage to allowing parents to take leave to spend time with their newborn children to protecting workers from occupational hazards. Labor must enforce these protections in millions of workplaces employing millions of workers throughout the nation. Given the breadth of these mandates and the scope of its enforcement task, Labor needs to more effectively leverage its limited resources beyond traditional inspections, citations, and fines by using alternative enforcement strategies.

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| HRD-92-40 Mar. 10, 1992 | The Secretary of Labor should direct the Assistant Secretary for Pension and Welfare Benefits to develop a mechanism to help states identify Multiple Employer Welfare Arrangements (MEWA). | Labor agreed and implementation is in its early stages. The Health Insurance Portability and Accountability Act of 1996 authorizes Labor to require certain MEWAs to file annual reports. Labor plans to require such reporting and recently completed draft regulations implementing this requirement. It plans to issue final regulations by September 30, 1999. |
| HEHS-98-20 Dec. 31, 1997 | After the Attorney General has delegated the INS role in petition approval to Labor, to reduce total application processing time and facilitate better accuracy in estimating the date workers will be needed, the Secretary of Labor should amend the regulations to allow H-2A applications to be submitted up to 45, rather than 60, days before the date of need so long as INS does not have a role in the petition approval process. | Labor agreed and the agency intends to implement this recommendation, but implementation depends upon completion of the recommendation that the Attorney General delegate authority for approving H-2A petitions to Labor. Delegation of this authority is in process. The administration is initiating rule-making to implement this recommendation. The proposed rule-making reduces the time period from 60 to 45 days. Publication is imminent. |
| | To better protect both domestic and H-2A workers, the Secretary of Labor should extend the authority to suspend employers with serious labor standard or H-2A contract violations to WHD. | Labor agreed and intends to implement this recommendation, but implementation has not yet begun. In its budget submission for fiscal year 2000, Labor has requested that the function be transferred from the Employment and Training Administration to WHD. Implementation awaits congressional action on the budget. |
| | To better protect both domestic and H-2A workers, the Secretary of Labor should revise Labor's regulations to require agricultural employers to guarantee H-2A workers' wages for the first week after the date of need and to pay workers those wages no later than 7 days after the date of need. | Labor has not yet determined whether it agrees with this recommendation or intends to implement it. The guarantee for first week's wages is still under consideration by the agency. |
| | To better protect both domestic and H-2A workers, the Secretary of Labor should revise Labor's regulations regarding the three-quarter guarantee to remove incentives to overestimate the contract period. Revisions Labor considers should include applying the guarantee incrementally during the duration of the H-2A contract in a manner that would improve the protection afforded to H-2A workers but also minimize any additional administrative burden on agricultural employers. | Labor disagrees and does not intend to implement this recommendation. Labor considers its current regulations adequate to effectively deal with this issue. |
| HEHS-98-193 Aug. 21, 1998 | To improve Labor's detection and reporting of illegal child labor in agriculture, the Secretary of Labor should direct the Assistant Secretary for Employment Standards to develop a method for identifying the number of record-keeping violations resulting from employers not having children's ages on file as required by the Fair Labor Standards Act. | Labor agreed with the concept but has no plans to implement this recommendation. Rather, it is adding a child labor component to the National Agricultural Workers Survey to measure issues specific to children working in agriculture. Its view is that using a statistically valid sample of this workforce is a more effective way of dealing with the underlying problem. |

**Table IX.4: Year 2000 Problem Could Jeopardize Benefits Payments and Economic Statistics**

The Department of Labor has taken action to prepare its 61 mission-critical systems for the impending century change. However, with about 6 months remaining before the year 2000, Labor still remains at risk of Year 2000 disruptions in two areas as we highlighted last fall: making benefits payments to laid-off workers and producing labor and economic statistics. Given these risks, Labor must focus on testing activities and develop appropriate contingency plans to ensure business continuity in the event of system failures.

One of Labor's programs to help unemployed workers is the Unemployment Insurance Program. Operated under a federal-state partnership, State Employment Security Agencies (SESA) operate their own systems to provide benefits to laid-off workers, collect taxes from employers, and track employee earnings. In September 1998, we reported that many SESAs were at risk of Year 2000-induced failures as early as January 1999 because of the inability of some systems to project the end of a claimant's benefit year past December 1999. We urged Labor to initiate the development of contingency plans to ensure continuity of core business processes in the event these systems became inoperable. Indeed, by instituting contingency measures, Labor was able to avert date problems in January at four SESAs thus avoiding disruption of benefits. However, in spite of the agency's success in meeting its early Year 2000 challenge, many of these state-run systems are still not yet Year 2000 compliant and remain at risk.

The Bureau of Labor Statistics (BLS) is an independent national statistical agency that collects, processes, analyzes, and disseminates essential statistical data for the American public, the Congress, other federal agencies, state and local governments, business, and labor. In May 1999, we raised concerns regarding BLS' use of a noncompliant software product in several of its systems. In 1997, the manufacturer discontinued support for the older version of the product as it was determined not to be "Year 2000 Ready." The vendor strongly recommended that customers upgrade to a compliant version and not attempt to use the noncompliant version in the next century. BLS conducted an assessment of the product and concluded that its systems would not be affected by the date problem identified by the manufacturer due to its limited use. Based on its assessment and testing, BLS made a management decision to accept the risks associated with a known product rather than take the chance of introducing addtional unknown risks by upgrading the product or accelerating the migration of the systems to a new technology before the year 2000.

While there are currently no open recommendations related to Labor's Year 2000 management challenge, we will continue to update the Congress on Labor's progress in assuring that all state unemployment systems are Year 2000 compliant. We will also monitor Labor's use of noncompliant products in its statistical systems and identify any additional concerns raised by the vendor over the next 6 months.

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# Department of State

**Table X.1: Enhancing the Management of Security Programs for Overseas Personnel and Property**

In the wake of the bombing of the U.S. embassies in Kenya and Tanzania, the Congress provided the Department of State $1.45 billion in emergency funding in the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999 (P.L. 105-277) to enhance security around the world. This includes funds for an immediate response to the bombings, such as medical treatment, counterterrorism programs and rewards, and economic assistance, as well as funds to rebuild the embassies in Kenya and Tanzania. In addition, State will likely request several billion dollars in funds for new capital construction in the upcoming years. State will face several management challenges in administering an expanded security construction program, including whether it can bring on board the appropriate amount of staff to plan and manage a large number of overseas construction projects.

While there currently are no open recommendations related to State's management of security programs, we are reviewing State's handling of these efforts. In view of State's prior experiences and difficulties in implementing the security construction program, several questions and issues need to be addressed as part of today's efforts to formulate strategies for enhancing security. Questions should focus on the total costs to bring overseas posts into compliance with current security standards, the actions needed to ensure that State has the management capability to implement a large-scale construction program, and whether there are adequate control mechanisms to ensure efficient and effective use of available funding. One issue of utmost importance to address first is whether there is a valid need for the large number of U.S. employees overseas. The security burden is directly associated with the size of the overseas workforce so that State needs to take the lead in a broad examination of how the U.S. government carries out its overseas roles and related missions and whether all requirements and alternatives have been explored.

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**Table X.2: Improving Information Management Systems**

State's information resource management (IRM) infrastructure has historically been inadequate to support the agency's core foreign policy and administrative functions. State officials have recognized that deficiencies exist. State is spending hundreds of millions of dollars each year on IRM, including $100 million to $150 million to modernize its information technology (IT) hardware and software systems, remediate Year 2000 problems, implement a comprehensive information security management system, and upgrade its overall IT capability. State estimated in 1997 that it would need $2.7 billion over 5 years to achieve a modernized global infrastructure. However, this estimate was not prepared through the rigorous analytical process called for in federal guidance designed to control costs and improve efficiency.

We recommended that State implement a number of corrective measures, including establishing a central information security unit and adopting risk-based IT security management techniques. State concurred with the majority of our recommendations and has taken steps to improve information security, such as establishing a central IT security unit and department-level information systems security officer, preparing new management guidance on IT security, and increasing IT security awareness activities.

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| GAO product | Recommendation | Agency action |
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| AIMD-98-145 May 18, 1998 | The Department of State should establish a central information security unit and assign it responsibility for facilitating, coordinating, and overseeing the department's information security activities. In doing so, State should assign the Chief Information Officer (CIO) the responsibility and authority for ensuring that the information security policies, procedures, and practices are adequate. | State agreed with this recommendation and implementation is in its early stages. According to State, the Under Secretary for Management will designate the department's Designated Approving Authority (DAA), who will be responsible for information systems security. State did not give a time frame for this action. |
| | The Department of State should establish a central information security unit and assign it responsibility for facilitating, coordinating, and overseeing the department's information security activities. In doing so, State should clarify the computer security responsibilities of the Bureau of Diplomatic Security, the Office of Information Management, and individual bureaus and diplomatic posts. | State agreed with this recommendation, and implementation is in its early stages. The DAA, being responsible for overall information security, will ensure implementation of the certification process and the accreditation process at the appropriate management levels within the department. |

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| GAO product | Recommendation | Agency action |
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| | The Department of State should establish a central information security unit and assign it responsibility for facilitating, coordinating, and overseeing the department's information security activities. In doing so, State should consider whether some duties that have been assumed by these offices can be assigned to, or at a minimum coordinated with, the central information security unit. | State agreed with this recommendation and implementation is in its early stages. State plans to consolidate certain aspects of its information security program. Specifically, the DAA will have management and oversight responsibility for the certification and accreditation of information systems. |
| | The Department of State should develop policy and procedures that require senior State managers to regularly determine the (1) value and sensitivity of the information to be protected, (2) vulnerabilities of their computers and networks, (3) threats, including hackers, thieves, disgruntled employees, foreign adversaries, and spies, (4) countermeasures available to combat the problem, and (5) cost-effectiveness of the countermeasures. | State agreed with this recommendation, and implementation is in its early stages. According to State, the implementation and subsequent application of the accreditation process will ensure the ongoing accomplishment of these items. Accreditation is the formal declaration by the DAA that an IT system is approved to operate in a particular security mode using a prescribed set of safeguards at an acceptable level of risk. The process analyzes specified system security features through extensive vulnerability and systems protections testing. |
| | The Department of State should revise the Foreign Affairs Manual (FAM) so that it clearly describes the legislatively mandated security responsibilities of the CIO, the security responsibilities of senior managers and all computer users, and the need for and use of risk assessments. | State agreed with this recommendation, and implementation is in its early stages. According to State, the process for updating the FAM is ongoing with the inclusion of a section addressing the duties and responsibilities of the CIO. State did not provide an estimate for completion of the revisions. |
| | The Department of State should establish and implement key controls to help the department protect its information systems and information, including assessments of the department's ability to (1) react to intrusion and attacks on its information systems, (2) respond quickly and effectively to security incidents, (3) help contain and repair any damage caused, and (4) prevent future damage. State should also establish the central reporting and tracking of information security incidents to ensure that knowledge of these problems can be shared across the department and with other federal agencies. | State agreed with this recommendation, and implementation is in its early stages. State has contracted with Federal Computer Incident Response Capability (FedCIRC) to improve its incident response capability and began a limited Computer Emergency Response Team–type response for selected networks. State officials have told us that they have begun to address the long-term funding issues associated with establishing the infrastructure for intrusion detection. It is unclear, however, from responsible State officials' actions and statements how and when the department will fully establish this incident response control. |
| | The Department of State should ensure that the results of the annual financial statement audits required by the Chief Financial Officers Act of 1990 are used to track the department's progress in establishing, implementing, and adhering to sound information security controls. | State agreed with this recommendation, and implementation is in its early stages. The department has taken steps within the Federal Managers Financial Integrity Act framework to address the fact that the department's Information System Security Program lacks adequate focus and is fragmented among several bureaus. |

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| AIMD-98-162 Aug. 28, 1998 | Regarding the Year 2000 problem, the Secretary of State should ensure that senior program managers and the CIO reassess all of State's systems using the new mission-based approach to identify those systems supporting the most critical business operations. | The State Department agreed with our recommendation and is in the early stages of implementing it. However, the new mission-based assessment (a departmentwide business operations-based prioritization of mission-critical systems) has not yet been done. Instead, the Year 2000 Program Management Office prioritized mission-critical systems within each of the major internal organizations at State and used this to guide its Year 2000 remediation efforts. State is currently implementing a mission-based prioritization of mission-critical systems in line with our recommendation. |
| NSIAD-98-242 Sept. 29, 1998 | The Secretary of State should make the development of a fully implemented IT planning and investment process a top priority. The Secretary's implementation strategy should include establishing a fully functioning IRM Technical Review Board and IRM Configuration Control Board. | State agreed with this recommendation and is well along in implementing it. It has strengthened its IRM Program Board and is reactivating the Technical Review Board that meets regularly to help manage its Capital Investment Fund. It has also converted one of its project-specific configuration control boards into a departmentwide board that addresses all projects. Meetings include representatives from all bureaus and offices. |
| | The Secretary should include in State's implementation strategy establishing a validated information technology architecture to help guide the department's IRM modernization and ongoing IT support decisions. | State agreed with this recommendation and is well along in implementing it. It now has a high-level architecture in place. However, it is considered a work-in-progress because additional detail is continually being added. Many of the standards contained in the architecture were derived from the work of the departmentwide Configuration Control Board. |
| | The Secretary should include in State's implementation strategy revising (once the boards and architecture are in place) the strategic and tactical plans and 5-year cost estimate and identifying potential cost savings expected from the modernization effort. | State agreed with this recommendation and is well along in implementing it. It has drafted a new Strategic Plan that is under departmentwide review. State is preparing cost estimates that will be added to the plan, but they aren't yet completed. State has also taken action to update the Tactical Plan every 6 months. |
| | The Secretary should include in State's implementation strategy establishing specific milestones for completing the full implementation of the IT planning and investment process and a mechanism to measure progress against these milestones. | State agreed with this recommendation and is well along in implementing it. It is including output and outcome performance measures and milestones for measuring progress in the new Strategic Plan and in subsequently revised IRM technical plans. |

**Table X.3: Improving Financial Management Systems**

One of State's long-standing shortcomings has been the absence of an effective financial management system that can assist managers in making "cost-based" decisions. State received an unqualified audit opinion on its departmentwide financial statements for fiscal year 1997, but the agency needs to continue to bring its systems into full compliance with federal accounting and information management requirements. State must also work on solving related internal control weaknesses if it is to adequately protect its assets and have timely, reliable data for cost-based decision-making, reporting, and performance management.

We identified weaknesses in State's financial management systems in connection with the audit of the financial statements of the federal government. While there currently are no open recommendations related to State's financial management, we will continue to monitor the agency's improvement efforts. For example, State has indicated that it is in the process of establishing a contract to study the level of compliance with the Federal Financial Management Improvement Act. State has also indicated that additional reports and procedures are being put into place to address internal control weaknesses. In addition, to improve coordination efforts with agencies located at overseas posts, State has implemented a new system that is expected to better manage resources and allocate overseas support costs.

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**Table X.4: Effectively Managing the Visa Process**

State processes more than 8 million immigrant and nonimmigrant visa applications annually. State's own internal assessments have categorized this process as being materially deficient due to unfilled computer systems needs, insufficient staffing overseas, and inadequate interagency coordination, which have weakened management controls. To reduce the program's vulnerability to fraud, State has put a number of controls in place to prevent unqualified individuals from receiving a visa, including a special computerized logarithmic name-checking capability and an antiterrorism tip-off program. There is one open recommendation in this area, related to the need for State to develop timeliness standards for processing nonimmigrant visas to determine the appropriate level and mix of resources needed and to take full advantage of all ongoing efforts to improve visa operations.

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| GAO product | Recommendation | Agency action |
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| NSIAD-98-69<br>Mar. 13, 1998 | To determine the appropriate level and mix of resources needed and to take full advantage of all ongoing efforts to improve visa operations, the Secretary of State should develop timeliness standards for processing nonimmigrant visas. | Initially, State said that it would establish timeliness goals, which would serve to identify the posts with the greatest backlogs so that such posts would receive the necessary support for improved operational efficiency. However, in June 1999, State officials informed us that they do not intend to implement this recommendation due to staffing constraints. |

**Table X.5: Effectively Reorganizing Foreign Affairs Agencies**

In a major effort to improve the efficiency and effectiveness of U.S. foreign affairs operations, the Congress directed the abolishment of the U.S. Information Agency (USIA) and the U.S. Arms Control and Disarmament Agency (ACDA) and the transfer of those functions into State. A key issue is whether State can integrate these agencies in a manner that reduces overall costs while enhancing capability.

While there currently are no open recommendations related to State's reorganizing of the foreign affairs agencies, we will continue to monitor this situation at State. For example, State has indicated that during the transition, costs will likely increase because of the need to implement system conversions and transfers; in the longer term, overall staffing and costs may decrease. State faces several challenges in achieving the objectives of this reorganization.

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**Table X.6: Strengthening Strategic and Performance Planning**

State needs to strengthen its strategic and performance planning as part of its overall efforts to improve management. In its first strategic plan for foreign affairs, State formulated 16 foreign policy goals that cover a wide spectrum of U.S. national interests—national security, economic prosperity, American citizens and U.S. borders, law enforcement, democracy, humanitarian response, and global issues. The department's 1999 annual performance plan often fell short of Results Act requirements. Overall, the performance plan did not clearly indicate the department's intended performance and was vague about how State will coordinate with other agencies. Further, State's performance plan did not provide sufficient confidence that its performance information would be credible.

While there currently are no open recommendations related to State's strategic and performance planning, we will continue to monitor State's actions in this area. For example, in response to our work, State is attempting improve its planning by developing clearer and more objective performance measures linked to performance goals and identifying partnerships with other agencies or governments to address crosscutting issues.

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# Department of Transportation

**Table XI.1: The Acquisition of Major Aviation and Coast Guard Systems Lacks Adequate Management and Planning**

Faced with rapidly growing volumes of air traffic and aging equipment to control air traffic, in 1981 FAA initiated an ambitious air traffic control modernization program. FAA expects air traffic control modernization to cost $42 billion through fiscal year 2004. Because of its size, complexity, cost, and problem-plagued past, we designated the air traffic control modernization program as a high-risk information technology initiative in 1995. Recommendations concerning this issue were addressed in our product on open recommendations related to high-risk areas, issued on April 12, 1999 (GAO/HR-99-2R).

The U.S. Coast Guard is planning what is potentially the largest acquisition in its history. This effort, the Deepwater Capability Replacement Project, involves replacing or modernizing many of the Coast Guard's 92 ships and 209 airplanes and helicopters. In October 1998, we reported that the Coast Guard needs to more thoroughly address the project's justification and affordability. The Coast Guard initially estimated that the project would cost $9.8 billion (in constant dollars) over a 20-year period. The project is still in its early stages, but initial planning estimates call for spending $300 million starting in fiscal year 2001 and $500 million each year over the next 19 years. Eight recommendations remain open related to this issue.

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| GAO product | Recommendation | Agency action |
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| RCED-97-110<br>May 14, 1997 | The Secretary of Transportation should direct the Commandant of the Coast Guard to incorporate the following approach into the Coast Guard's strategy for confronting and managing changes in the current budget climate: develop a more comprehensive strategy and corresponding plan for addressing impending budget targets, including systematically identifying and prioritizing alternatives that could be considered if future budget targets require additional spending reductions. In so doing, the Coast Guard should give serious consideration to relevant but unimplemented recommendations from past studies and options identified in its recent National Streamlining Study. The agency should also identify the legislative actions necessary to implement these alternatives. Particularly in light of capital projects, the Coast Guard should consider including a reassessment of its missions and its relationship to user groups as part of this activity. | The Coast Guard agreed with our recommendation and is well along in implementation. According to the Coast Guard, it has recently produced the FY 2000 Agency Capital Plan (ACP). The concepts in this ACP represent a significant step forward in Coast Guard capital planning, yet it is very much a work-in-progress. The ACP provides a brief overview of capital planning concepts and key guiding principles in support of the mission and goals of the service, broadly tying classes of assets to operational activities and outcomes they produce. Further, the ACP presents a baseline of current assets, examines the ability of the service's capital inventory to meet current and future operational requirements, and provides an overview of approved acquisitions. It examines affordability concerns, identifies budget constraints and strategies, and lays out a general plan for future investments and divestitures to ensure that the future capital base of the service will meet anticipated needs. |

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| GAO product | Recommendation | Agency action |
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| | | According to the Coast Guard, work has begun on the FY 2001 ACP. The FY 2001 ACP development process continues the effort to link capital planning to mission performance and outcomes. The effort will focus on identifying areas that need strengthening and improvement in the previous ACP and further developing these areas, including format improvements and information considerations. Additionally, the next version will focus on developing decision rules for managing capital assets and aligning them with the business planning and budget processes. |
| RCED-99-6 Oct. 26, 1998 | The Secretary of Transportation should direct the Commandant of the Coast Guard to (1) evaluate whether contracting teams should be instructed to base their proposals for the Deepwater Project on the assumption that the funding level will be lower than $500 million a year and (2) submit his decision on this matter to the Department of Transportation (DOT) Transportation System Acquisition Review Council or other appropriate offices within DOT for approval. | The Coast Guard agreed with this recommendation and is in the early stages of implementing it. According to the Coast Guard, the key issue is to ensure that its planning and contracting efforts fully comport with funding realities. At this point, it is not possible for the Coast Guard to know, with reasonable specificity, what its outyear funding levels will be. As a result, in these very early planning stages in which the Deepwater Project is presently engaged, no single potential funding level holds any greater validity than the existing level. The Coast Guard fully recognizes the potential for variation from this planning figure, and will conduct a sensitivity analysis of the potential impact of varied funding levels on the project. According to the Coast Guard, it is not clear at this point to whom in DOT it should submit its decision. The department is still evaluating how major acquisition programs will be managed and how decisions such as these will be staffed in the future. |
| | The Secretary of Transportation should direct the Office of the Assistant Secretary for Administration and the Coast Guard to expedite the development and issuance of updated information from internal studies to contractors involved in developing proposals for the Deepwater Project. Information should include, but not necessarily be limited to, the remaining service life of ships and aircraft, gaps between current and needed capabilities, and future service levels. | The Coast Guard agreed with this recommendation and is well along in implementation. According to the Coast Guard, it will ensure that all updated information regarding the condition of current assets is fully and appropriately provided to the contracting teams for effective consideration in their efforts. Its exceptions for completing the detailed analyses of asset condition coincide with the concept exploration process and provisions have been made for incorporating their results. Further, the Coast Guard, as part of its continual evaluation of the status of the project and the overall acquisition process plan, is evaluating the merits of modifying the duration and output of the concept exploration process. The intent of potential modifications is to increase the extent of interaction between the Coast Guard and the contracting teams, so that it continues further into the process. In addition, the Coast Guard will seek to have the final product of this phase provide sufficient information to accommodate full and effective evaluation of the competing designs. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of Transportation should direct the Office of the Assistant Secretary for Administration and the Coast Guard to revise acquisition guidelines to better ensure that mission analysis projects for future projects are based on accurate and complete data on the condition of the assets, as appropriate for assets or systems in question. Such revisions should stress the importance of using rigorous engineering or other data-based evaluations to estimate the remaining service life of assets rather than using estimates made when the assets were produced or modified. | The Coast Guard partially agreed with this recommendation and is well along in implementation. According to the Coast Guard, while it will strive to ensure that mission analysis reports for future projects are based on accurate and complete data on the condition of current assets, it is not necessary to revise existing guidelines. The existing guidelines combined with effective oversight mechanisms served well to identify deficiencies with the Coast Guard's Deepwater mission analysis. Actions are underway to provide additional quantitative analysis of the condition of existing assets. |
| | The Secretary of Transportation should direct the Office of the Assistant Secretary for Administration and the Coast Guard to revise acquisition guidelines to ensure that mission analysis reports and mission needs statements disclose the methodologies and data sources used, and to expand guidelines and emphasize the importance of using more systematic data collection techniques, such as structured interviews, sampling techniques, and empirical data. | The Coast Guard partially agreed with this recommendation and is in the early stages of implementing it. According to the Coast Guard, it agrees that specific information regarding methodologies and data sources should be available throughout the acquisition process and will implement the recommendation once the structure of future department oversight for major systems acquisitions is determined. In addition, according to the Coast Guard, it fully supports the use of empirical data and quantitative analysis to support acquisition projects. Its information is based on operating experience with the assets and specific technical reviews of the assets by highly trained experts. The Coast Guard considers the existing acquisition guidelines sufficient and will continue to work with the operating administrations to ensure that major systems acquisitions are fully supported by empirical data and quantitative analysis. |
| | The Secretary of Transportation should direct the Office of the Assistant Secretary for Administration and the Coast Guard to develop a method to better ensure that existing acquisition requirements are carried out, such as documenting the gap between current and needed capabilities. Such actions could include the use of tools like checklists of key requirements or certification that requirements have been met. | The Coast Guard agreed with this recommendation and is well along in implementation. According to the Coast Guard, the process used for Deepwater provides mechanisms to implement cutting-edge approaches to large-scale government procurement. A project the scale of Deepwater is necessarily a complex and dynamic one. The Coast Guard will continue to ensure that acquisition requirements are being carried out once the structure of future department oversight for major systems acquisitions is determined. |
| RCED-95-62 Jan. 24, 1995 | To enable the Coast Guard to manage its cutter inventories more effectively between now and when the Logistics Master Plan is fully implemented, the Secretary of Transportation should direct the Commandant of the Coast Guard to, where economically feasible, consolidate at regional support centers those cutter inventories that are located at individual onshore facilities, particularly where several cutters from the same class are clustered or where the cutters' individual onshore storage facilities are housed within a single building. | The Coast Guard agreed with this recommendation and is well along in implementation. According to the Coast Guard, the concept of regional support centers with centralized oversight of shore-side inventory is being developed. The Coast Guard is identifying the resources needed to support consolidated shore-side inventories. The Coast Guard has made interim progress in consolidating shore-side inventory at three locations and an additional two locations will be added by 2000. The information system that can support inventory ashore nationwide was scheduled to be completed in fiscal year 2000, but now is scheduled to be implemented in 2002. |

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| GAO product | Recommendation | Agency action |
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| | To enable the Coast Guard to manage its cutter inventories more effectively between now and when the Logistics Master Plan is fully implemented, the Secretary of Transportation should direct the Commandant of the Coast Guard to make use of the current automated inventory control program mandatory on all cutters that have sufficient computer hardware and have not implemented CMplus (a computerized inventory system), consolidate and analyze inventory data for each class, and redistribute excess parts from additional cutter classes as warranted. | The Coast Guard agreed with this recommendation and is well along in implementation. According to the Coast Guard, it has over 578 units reporting operating materials and supplies electronically into a central database, of which 125 are using CMplus. An inventory releveling effort for the 270-foot cutter was completed in April 1996. Efforts for all other cutters that can use CMplus should be completed in FY 2003. |

**Table XI.2: Serious Challenges Remain in Resolving FAA's Year 2000 Risks**

FAA faces challenges in making its computer systems ready for the Year 2000. In August 1998, we testified that FAA was unlikely to complete all critical tests in time and that unresolved risks threatened aviation operations. The implications of FAA's not meeting the Year 2000 deadline are enormous and could affect hundreds of thousands of people through customer inconvenience, increased airline costs, grounded or delayed flights, or degraded levels of safety.

FAA has made progress in addressing its Year 2000 computing challenge. While we currently do not have any open recommendations in this area, we are continuing to monitor a number of challenges continuing to face the agency. These challenges include addressing data exchanges, international coordination, reliance on the telecommunications infrastructure, and business continuity planning.

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**Table XI.3: FAA and the Nation's Airports Face Funding Uncertainties**

DOT and the Congress face a challenge in reaching agreement on the amount and source of long-term financing for FAA and the nation's airports. Between 1982 and 1998, the Airport Improvement Program (AIP) provided about $2.2 billion in federal grants for rehabilitating and maintaining airport runways. However, FAA's priority system is not equipped to determine which proposed rehabilitation projects will deliver the best return for the dollars spent. The one open recommendation under this management challenge concerns evaluating options for improving the quality of information on airfield pavement conditions.

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| RCED-98-226<br>July 31, 1998 | To enable FAA to make the most cost-effective decisions when awarding AIP grants for runway rehabilitation projects, the Secretary of Transportation should direct the Administrator of FAA to evaluate options for improving the quality of information on airfield pavement conditions for national system airports. These options include, but are not limited to, (1) improving the existing runway condition information contained in the Airport Safety Data Program by reviewing and revising rating criteria, and providing adequate training for inspectors, (2) requiring airports to submit pavement condition index (PCI) information as part of their airport master plan or as support in applications for relevant discretionary AIP grants, or (3) requiring all airports in the national airport system to submit PCI information on a regular basis and using the information to create a pavement condition database that could be used in evaluating the cost-effectiveness of project applications and forecasting anticipated pavement needs. | FAA agreed with the recommendation and is in the early stages of implementation. FAA has requested the views of various airport interest groups. As of May 1999, FAA is synthesizing the responses into a position paper for internal review. FAA anticipated that the review would be completed by the end of FY 1999. FAA's Director of Airport Safety and Standards believes that option 1 does not provide an appropriate source for the level of detailed data required and that implementing option 3 would be too expensive and disruptive to grant administration. The Director believes that a modified version of option 2 could be implemented. |

**Table XI.4: Aviation Safety and Security Programs Need Strengthening**

The aviation accident rate per mile traveled has remained low but flat over the last 2 decades. Unless the accident rate is reduced, however, as air travel continues to grow, the actual number of accidents will increase. We have identified numerous weaknesses in FAA's inspection, oversight, and enforcement activities. While FAA is taking steps to address the shortcomings in its safety programs, eliminating those shortcomings will take considerable time and effort. In addition, while progress is being made in strengthening airport security, it will take several years to address all problem areas, and FAA's weak computer security practices present significant vulnerabilities to the air traffic control system. Fourteen recommendations remain open relating to FAA oversight of aviation safety and security, focused on (1) targeting FAA's resources to the most serious problems, (2) improving documentation and analysis of findings to provide early warnings of impending safety problems, (3) improving enforcement and compliance, and (4) improving computer and physical security at air traffic control facilities. Other recommendations related to the computer security of new air traffic control systems were addressed in our product on open recommendations related to high-risk areas issued on April 12, 1999 (GAO/HR-99-2R).

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| GAO product | Recommendation | Agency action |
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| RCED-98-21<br>Oct. 24, 1997 | The Secretary of Transportation should instruct the Administrator of FAA to expand the use of locally based teams for repair station inspections, particularly for facilities that are large, complex, have higher rates of noncompliance or meet predetermined risk indicators. | FAA agreed with the recommendation and is in the early stages of implementation. FAA has already begun experimenting with team inspections. Team oversight is an integral part of FAA's new Air Transportation Oversight System (ATOS), but this system has not yet been extended to repair stations. |
| | To ensure that FAA inspectors are effectively documenting and resolving deficiencies found during inspections, the Secretary of Transportation should instruct the Administrator of FAA to monitor the implementation of the strategy to improve data quality to ensure it is completed as soon as possible so that the data used in the Safety Performance Analysis System are reliable when the system is fully implemented in 1999. | FAA agreed with the recommendation and is well along in implementing it. The agency has implemented data quality assurance strategies recommended in its 1996 Comprehensive Data Quality Plan. ATOS (not yet applied to repair stations) includes dedicated data quality assurance staff, but has not yet resolved all data quality problems. |
| | To ensure that outdated regulations governing the oversight of repair stations and certification and training requirements or maintenance personnel are updated as soon as possible, the Secretary of Transportation should instruct the Administrator of FAA to expedite efforts to update the regulations and to establish and meet schedules for completing the updates. | FAA agreed with the recommendation and is well along in implementing it. FAA has written the Notice of Proposed Rulemaking for revision to part 145 of the Federal Aviation Regulations. It is currently under review at the Office of the Secretary of Transportation. |

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| | The Secretary of Transportation should instruct the Administrator of FAA to develop and use checklists or job aids for inspectors that allow a greater degree of comprehensiveness, standardization, and assurance that the repair station complies with regulatory requirements. | FAA agreed with the recommendation and is in the early stages of implementing it. Under ATOS, standardized job aids have been developed and are being employed by inspectors at major airlines. FAA plans to apply the ATOS system to the inspection of repair stations. |
| RCED-98-6 Feb. 27, 1998 | To strengthen FAA's inspection process to provide more complete and accurate information on potential problems in aviation safety and security—so that information can provide early warning of potential risks and serve as a basis for allocating the agency's inspection resources—the Secretary of Transportation should direct the Administrator of FAA to revise FAA Order 2150.3A to require that FAA's inspection staff report all observed problems and violations in their respective program offices' tracking systems. | FAA agreed with this recommendation and is well along in implementing it. FAA plans to issue a change to FAA Order 2150.3A by January 2000. The delay in the original target completion date is due to budget restrictions on travel and increased workload in the offices that are jointly working on these issues. |
| | To strengthen FAA's inspection process to provide more complete and accurate information on potential problems in aviation safety and security—so that information can provide early warning of potential risks and serve as a basis for allocating the agency's inspection resources—the Secretary of Transportation should direct the Administrator of FAA to develop guidance for inspectors to distinguish major from minor violations, improve FAA's inspection databases to incorporate these distinctions, and develop a plan for focusing on FAA's resources on the violations with the greatest potential impact on aviation safety and security. | FAA partially agreed with this recommendation. FAA's efforts to respond to this recommendation are in their early stages of implementation. A work group has been reviewing these issues and will be making its recommendations by January 2000. The delay in the original target completion date is due to budget restrictions on travel and increased workload in the offices that are jointly working on these issues. In addition, on October 1, 1998, FAA implemented a new aviation safety inspection system, ATOS, to oversee the nation's 10 largest passenger airlines. ATOS incorporates features that direct inspection resources toward those situations where a failure could lead to an unsafe condition. ATOS also incorporates features to improve the targeting of inspection resources to areas that present the greatest risk. |
| | To strengthen FAA's enforcement process and the agency's capacity to better encourage and monitor compliance with aviation safety and security regulations, the Secretary of Transportation should direct the Administrator of FAA to take steps to improve the usefulness of FAA's databases for identifying and targeting enforcement resources to the most serious aviation safety and security problems by (1) updating the cost estimates to directly link FAA's inspection and enforcement tracking systems and moving forward on this initiative if it would prove cost-effective and could streamline the enforcement process and (2) developing a process for distinguishing major from minor enforcement cases and for focusing FAA's resources on the cases with the greatest potential impact on aviation safety and security. | FAA agreed with this recommendation and is in the early stages of implementation. The Compliance Review Team has reviewed the feasibility and the costs involved in improving the accessibility of the Enforcement Database. The use of the Intranet, combined with rehosting the data onto a PC server, would allow various offices access to these data. The cost will vary depending on how much mainframe programming is needed, whether the system is completely moved to a server, and the level of technology that is available. The cost for rehosting could be as much as $800,000, which would be recouped in 2 years (savings of not using the mainframe). This estimate does not include costs for training and the interface for each office accessing the data. This project has been put on hold until budget issues that currently face the FAA are resolved.<br><br>FAA has initiated work to develop a process for distinguishing major enforcement cases. An FAA workgroup has begun developing agencywide guidance for identifying major cases. |

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| GAO product | Recommendation | Agency action |
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| | To strengthen FAA's enforcement process and the agency's capacity to better encourage and monitor compliance with aviation safety and security regulations, the Secretary of Transportation should direct the Administrator of FAA to require legal staff to inform inspectors periodically of the status of cases and to explain why penalties are reduced. | FAA agreed with the recommendation and is well along in implementing it. FAA plans to make appropriate changes to FAA Order 2150.3A by January 2000. The delay in the original target completion date is due to budget restrictions on travel and increased workload in the offices that are jointly working on these issues. |
| RCED-98-7 Nov. 24, 1997 | To help ensure that airlines appropriately train pilots in crew resource management principles under part 121 of the federal aviation regulations and that FAA inspectors are able to uniformly evaluate this training, the Secretary of Transportation should direct the Administrator of FAA to develop a process that airlines must follow for creating a crew resource management curriculum with measurable criteria under part 121 as it has for the Advanced Qualification Program. | FAA agreed in part with the recommendation and is in the early stages of implementation. FAA has begun rewriting the air carrier training requirements. The agency anticipates publishing a Notice of Proposed Rulemaking by the end of 1999. Pending FAA reauthorization legislation (S. 82) directs FAA to develop specific training curricula similar to the Advanced Qualification Program. |
| AIMD-98-155 May 18, 1998 | The Secretary of Transportation should direct the Administrator of FAA to develop and to develop and execute a plan to inspect the 187 air traffic control (ATC) facilities that have not been inspected in over 4 years and correct any weaknesses identified so that these ATC facilities can be granted physical security accreditation as expeditiously as possible but no later than April 30, 1999. | FAA partially agreed with our recommendation and is well along in implementing it. The agency has completed inspections of all the facilities identified in our report and has established priorities for completing work at those facilities with weaknesses before granting accreditation. |
| | The Secretary of Transportation should direct the Administrator of FAA to correct identified physical security weaknesses at inspected facilities so that these ATC facilities can be granted physical security accreditation as expeditiously as possible but no later than April 30, 1999. | FAA partially agreed with our recommendation and is in the early stages of implementation. FAA is in the process of correcting physical security weaknesses so that accreditation can be granted. However, FAA stated that completion is linked to resource availability. |
| | The Secretary of Transportation should direct the Administrator of FAA to ensure that the required annual or triennial follow-up inspections are conducted, deficiencies are promptly corrected, and accreditation is kept current for all ATC facilities, as required by FAA policy. | FAA agreed with our recommendation and is in the early stages of implementation. FAA has issued explicit direction to all regional security managers to ensure that all staffed facilities receive an initial survey and, thereafter, comprehensive inspections annually for category I facilities and every 3 years for category II facilities. FAA stated that deficiencies would be corrected as expeditiously as resources permit. |
| | The Secretary of Transportation should direct the Administrator of FAA to assess, certify, and accredit all ATC systems, as required by FAA policy, as expeditiously as possible but no later than April 30, 1999. | FAA partially agreed with our recommendation and is in the early stages of implementation. FAA has completed vulnerability assessments on 12 systems and plans to certify and accredit other systems this year. |
| | The Secretary of Transportation should direct the Administrator of FAA to ensure that all systems are assessed, certified, and accredited at least every 3 years, as required by federal policy. | FAA agreed with our recommendation and is in the early stages of implementation. FAA has delegated this responsibility to the newly created Chief Information Officer (CIO) organization. |

**Table XI.5: Lack of Aviation Competition Contributes to High Fares and Poor Service for Some Communities**

While deregulation of the airline industry is generally considered to be a success by DOT and others, a number of small- and medium-sized communities have experienced higher fares and worse service since the airline industry was deregulated in 1978. Deterrents to new entrant airlines include FAA-imposed limits on the number of takeoffs or landings at Chicago's O'Hare, Washington's Ronald Reagan National, and New York's Kennedy and LaGuardia airports; the dominance of a few airlines serving many major airports; and certain marketing strategies of established carriers. Additionally, proposed alliances between the nation's six largest airlines raise concerns about competition. While we have no open recommendations under this management challenge, we continue to monitor this area. In response to our recommendations, and to enhance competition, DOT has begun to grant a limited number of slots to new entrants at O'Hare and LaGuardia airports. In addition, DOT has issued a controversial draft policy that identifies anticompetitive behavior and factors that DOT will consider if it decides to pursue formal enforcement actions to correct such behavior. Finally, a number of bills have been introduced, but not passed in the Congress that address barriers to competition.

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**Table XI.6: DOT Needs to Continue Improving Oversight of Surface Transportation Projects**

Many large-dollar highway and transit projects, each costing hundreds of millions to billions of dollars, continue to incur cost increases, experience delays, and have difficulties acquiring needed financing. We have found, particularly for large-dollar projects, that costs have increased and financing has become more difficult at the same time that federal, state, and local governments must deal with the need for balanced budgets and many competing priorities. This situation is even more critical in light of the recently passed 6-year, $218 billion Transportation Equity Act for the 21st Century, which will fund thousands of new major highway and mass transit projects. Seven recommendations remain open in this area, four relating to Federal Transit Administration (FTA) grant oversight and three related to the DOT's implementation of a new loan program authorized in the Transportation Infrastructure Finance and Innovation Act (TIFIA) of 1999.

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| GAO product | Recomendation | Agency action |
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| RCED-98-89 Apr. 3, 1998 | To continue FTA's progress in improving grant oversight on a nationwide basis, the Secretary of Transportation should direct the Administrator of FTA to require all regional staff to consistently apply established procedures and practices for monitoring and correcting grantees' noncompliance to ensure standardization throughout FTA. | DOT agreed with this recommendation and is well along in implementing it. DOT is taking steps such as issuing memoranda and conducting regularly scheduled meetings with its regional staff that emphasize the need to ensure application of standardized oversight procedures and practices while monitoring and correcting grantees' areas of noncompliance. |
| | The Secretary of Transportation should ensure that the Administrator of FTA requires all regional staff to provide information on triennial reviews to the Triennial Review Information System on a consistent basis so that it can be used as the monitoring and tracking mechanism that FTA originally intended it to be. FTA should quickly move to incorporate the results of other specialized reviews, such as financial management oversight and procurement reviews, into the system so that all instances in which grantees are not in compliance with federal requirements can be monitored and tracked to their proper resolution. | DOT agreed with this recommendation and is well along in implementing it. DOT is implementing a new Comprehensive Oversight Tracking System (OTRAK) that uses contractors to input the results of FTA's triennial reviews and other specialized reviews. FTA headquarters officials are now using the system to track both grantee and regional oversight actions. This should assist FTA in monitoring and quickly correcting instances where grantees are not in compliance with federal requirements. |
| | The Secretary of Transportation should require the Administrator of FTA to (1) enforce the time frames established by FTA for resolving noncompliance findings and closing out triennial reviews and (2) abide by established reporting time frames. | FTA agreed with this recommendation and is well along in implementing it. In March 1998, a memo was sent to all regional offices stressing the importance of timely completion of grantees' corrective actions. |
| | The Secretary of Transportation should require that the Administrator of FTA have the Office of Oversight monitor the way regional staff are implementing oversight procedures and policies to ensure dependable and consistent application throughout the agency. | FTA agreed with this recommendation and is well along in implementing it. FTA headquarters officials have increased the monitoring of regional oversight operations using OTRAK to ensure renewed emphasis on resolving noncompliance issues and meeting established timeframes for closing out the findings of triennial reviews. |
| RCED-99-44 Jan. 14, 1999 | In implementing the TIFIA program, the Secretary of Transportation should direct appropriate department officials to evaluate the economic feasibility of projects applying for the program's funds.<br><br>Before providing a substantial amount of federal dollars to projects, the Secretary of Transportation should obtain and independently evaluate information including (1) a capital cost estimate based on detailed engineering plans (2) a finance plan that is based on the detailed cost estimate and that specifies the source and security of all public and private sector financial commitments, and (3) an operating plan that enumerates the project's future revenues and assesses the risks to the federal credit instrument should revenues be lower than projected. | DOT agreed with all of our recommendations and is in the early stages of implementing them. On June 2, 1999, the department published final regulations for the TIFIA program. We are reviewing these regulations to determine whether they comply with our recommendations. |
| | The Secretary of Transportation should ensure that the environmental review process has been completed before it makes substantial TIFIA program funding commitments. | |

**Table XI.7: Amtrak's Financial Condition Is Tenuous**

Since it began operating in 1971, Amtrak has never been profitable and, in recent years, has had to borrow money to meet its operating expenses. Since its inception, Amtrak has received nearly $23 billion in federal subsidies for operating and capital expenses. Despite efforts to control expenses and increase revenues, Amtrak's financial condition has substantially deteriorated in recent years, and it is likely to remain heavily dependent on federal assistance well into the future. While we currently have no open recommendations concerning this management challenge, we continue to monitor Amtrak's financial situation. Amtrak has stated that it will eliminate the need for federal operating support by 2002. If Amtrak requires federal operating subsidies after December 2002, the Amtrak Reform and Accountability Act of 1997, which ends federal subsidies, also provides for the Congress to consider either restructuring or liquidating Amtrak.

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# Department of the Treasury

**Table XII.1: IRS/The Need for Restructuring IRS' Organization and Business Practices**

IRS is planning the most comprehensive restructuring of its organization and business practices in decades. The impetus for change stems from congressional concerns about tax administration, including concerns about IRS' treatment of taxpayers, which resulted in the Congress passing the IRS Restructuring and Reform Act of 1998. To address these concerns and to institute his own initiatives, the Commissioner of Internal Revenue announced a multiyear business modernization plan for IRS that emphasizes improving customer service. Under the proposed changes, IRS would be organized into four units that would specialize in serving the needs of different types of taxpayer groups. The four proposed units are (1) wage and investment income, (2) small business, self-employment, and supplemental income, (3) large and mid-size business, and (4) tax exempt and government entities. Managing the restructuring will be a challenge for IRS because the proposed changes to IRS' operations are extensive coupled with IRS' need to balance taxpayer assistance efforts while applying appropriate enforcement actions and collecting taxes, and the necessity to coordinate restructuring with systems modernization.

Restructuring is also the basis for IRS to change its organizational performance measures and the way it uses measures to focus attention on priorities, assess organizational performance, and identify improvement opportunities. The new framework for organizational performance will seek to balance customer satisfaction, business results, employee satisfaction, and productivity. On that basis, IRS is developing a balanced set of measures to reinforce the appropriate relationship between providing service to taxpayers and enforcing compliance with the tax laws. This too will be challenging for IRS, in particular as it develops and implements performance measures to gauge it efforts to reduce taxpayer burden through improved customer service.

The Commissioner's restructuring plan acknowledges that new technology is essential to addressing the problems that have hampered IRS' ability to better serve taxpayers. Deficiencies exist in IRS' computer systems and, as the plan points out, the new business practices and organizational structure are to provide a basis for completing and implementing the modern systems outlined in the technology modernization blueprint. One challenge for IRS is to ensure that the systems development plans under the modernization blueprint and restructuring plan are aligned. In addition, the success of the Commissioner's restructuring plan depends on IRS addressing and correcting its long-standing internal control and system weaknesses related to financial management.

There are no open recommendations related to the restructuring of IRS' organization and business practices. It is only recently that IRS has begun to develop final implementation plans for restructuring. We are currently monitoring IRS' overall efforts in this area and we plan to periodically share any observations we have with IRS on a real-time basis. In addition, we recently started work that focuses specifically on how IRS' restructuring and businesses practices affect small business taxpayers but that work has not progressed far enough for us to make recommendations.

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**Table XII.2: IRS/The Need to Improve Security Controls Over Information Systems**

For the past 5 years, we have testified and reported numerous times on the ineffectiveness of IRS' security and general controls in safeguarding IRS information systems and facilities. Although IRS has made progress improving computer security, weaknesses in IRS' computer security controls continue to place IRS' automated systems and taxpayer data at serious risk. These weaknesses affect IRS' ability to control physical access to its facilities and sensitive computing areas, control electronic access to sensitive taxpayer data and computer programs, prevent and detect unauthorized changes to taxpayer data or computer software, and restore essential IRS operations following an emergency or natural disaster. Until these weaknesses are mitigated, IRS continues to run the risk of its tax processing operations being disrupted. Furthermore, sensitive taxpayer data entrusted to IRS could be disclosed to unauthorized individuals, improperly used or modified, or destroyed, thereby exposing taxpayers to loss or damages resulting from identity fraud and other financial crimes.

In addition to the three recommendations discussed in the following table, there are eight other open recommendations related to specific computer control weaknesses at several IRS facilities. In GAO/AIMD-93-34, we recommended that IRS computer programs be controlled by a program librarian and that the Philadelphia Service Center director review the card key system to ensure that only authorized users have access to protected facilities. In GAO/AIMD-99-38, we recommended that IRS continue efforts to improve computer controls over tape media, telecommunications equipment and remote access to IRS systems, modifications to computer programs, and disaster recovery planning and to complete implementation of a servicewide computer security management program. We will be conducting follow-up work to identify the status of IRS efforts to implement these recommendations.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-99-38<br>Dec. 14, 1998 | The Commissioner of Internal Revenue should direct the Chief Information Officer and Director of the Office of Systems Standards and Evaluation to work in conjunction with the facility directors as appropriate to continue efforts to implement appropriate control measures to limit physical access to facilities, computer rooms, and computing resources based on job responsibility.<br><br>The Commissioner of Internal Revenue should direct the Chief Information Officer and Director of the Office of Systems Standards and Evaluation to work in conjunction with the facility directors as appropriate to continue efforts to limit access authority to only those computer programs and data needed to perform job responsibilities and review access authority regularly to identify and correct inappropriate access.<br><br>The Commissioner of Internal Revenue should ensure that IRS completes implementation of its servicewide computer security management program. This program should include procedures for assessing risks for all of IRS' facilities, networks, major systems, and taxpayer data on a regular, ongoing basis to ensure that controls are adequate. | IRS has corrected a large percentage of the system weaknesses that we had previously reported, and we verified that these corrective actions were implemented. However, we continue to identify additional problems. IRS has agreed with our new recommendations and stated that it is taking additional actions to improve security and adequately address the remaining weaknesses. IRS is in the early stages of correcting these weaknesses. We will review actions to address both new and previous recommendations as part of our audit of IRS' FY 1999 financial statements. |

**Table XII.3: IRS/The Need to Confront the Challenges Presented By the Year 2000 Computer Problem**

IRS' Year 2000 computer problem is a pervasive time-critical management challenge that IRS must successfully overcome to avoid significant disruptions in its operations in the new millennium. Most of IRS' information systems, like those in many public and private entities, were not designed to read dates beyond December 31, 1999. As a result, IRS, along with many other entities, is engaged in massive efforts to make its information systems Year 2000 compliant to avoid operational disruptions. IRS is challenged with managing one of the largest civilian Year 2000 undertakings. Of the estimated $1.9 billion earmarked for the Treasury Department's Year 2000 program, $1.4 billion has been designated for IRS. Although much time and effort has been spent working to correct its Year 2000 problems, IRS was faced with significant challenges in making its systems Year 2000 compliant because it lacked a comprehensive inventory of information systems infrastructure (i.e., systems software, hardware, and telecommunications networks) and IRS' Chief Information Officer did not control all mission-critical assets. We issued a report in June 1998 that addressed IRS' Year 2000 challenges and identified two risk areas: (1) the absence of an integrated master schedule showing the interdependencies among the many Year 2000 efforts and (2) a limited approach to contingency planning. Our report recommended that IRS act to expand its contingency planning efforts to address potential system failures that could affect its core business processes. Since we issued our report, IRS has acted to address many of our recommendations. One recommendation related to IRS' Year 2000 efforts focusing on developing and testing contingency plans for IRS' core business processes remains open and is discussed in the following table.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| GGD-98-138<br>June 15, 1998 | The Commissioner of Internal Revenue should ensure that IRS has adequately assessed the vulnerabilities of its core business processes in the event of year 2000-induced system failures by developing and testing contingency plans for core business processes if existing plans are not appropriate. | IRS agreed with our recommendation and is well along in implementing it. Specifically, IRS established business continuity working groups that identified the need to develop 35 contingency plans for its core business processes and 4 plans for its key support services. According to IRS reports, it has (1) completed the development of 38 contingency plans, (2) developed test plans for 38 plans, and (3) completed testing for 18 plans. According to IRS officials, they plan to complete contingency plan testing in September 1999. As part of an ongoing assignment to review IRS' Year 2000 readiness for issuing refunds, we plan to review a subset of the contingency plans for IRS' tax return processing core business systems. The objective of this review is to determine the extent to which the plans conform to GAO's business continuity and contingency planning guide as well the Department of Treasury and IRS' contingency plan guidance. |

**Table XII.4: U.S. Customs Service/Weaknesses Relating to Internal Controls Over Data in Automated Systems**

Customs faces certain challenges that are primarily related to controlling access to sensitive data that are maintained in its automated systems and maintaining complete and reliable information in its core financial systems. In its March 1998 audit report on Customs' fiscal year 1997 financial statements, the Treasury Office of Inspector General (OIG) reported several internal control matters, including (1) core financial management systems needed to be improved and integrated, (2) adherence to systems development standards for certain financial management systems was lacking, (3) computer access vulnerabilities existed that could allow for unauthorized modification and deletion of production programs, systems software, and data in Customs' systems, and (4) disaster recovery capabilities were in need of improvement. In its March 1999 audit report on Customs' fiscal year 1998 financial statements, the Treasury OIG continued to report these same matters. There are 13 open GAO recommendations related to this management challenge, which are discussed in the following table. In addition, the Treasury OIG made similar recommendations to Customs related to access to its computer systems and improvement and integration of its core financial management systems.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AFMD-92-30<br>Aug. 25, 1992 | The Commissioner of Customs should direct the Chief Financial Officer (CFO) to develop and implement an integrated accounts receivable system to record and control all amounts (duties, fees, fines, and penalties) from the time they are owed until they are collected or determined to be uncollectible. | Customs management agreed with the recommendation and implementation is well along. Customs plans to replace the Automated Commercial System (ACS) with the Automated Commercial Environment (ACE). In the ACS redesign, Customs plans to incorporate a customer-based accounts receivable (A/R) subsidiary ledger, rather than continuing to maintain information at the individual import transaction level. The new process will include the Automated Centralized Accounts Receivable Subsidiary Ledger and is expected to meet all financial reporting requirements when completed. The target date to test the initial prototype version of the A/R subsidiary ledger was March 1999. However, according to Customs officials, this date was not met due to the lack of available funding. The full implementation of ACE, scheduled for the year 2002, may also be delayed due to funding issues. |
| AIMD-94-5<br>Nov. 8, 1993 | To help strengthen the accuracy C of the accounts receivable balance reported in Customs' financial statements, the Commissioner of Customs should direct the CFO to require supervisory personnel to review the work of staff responsible for updating and changing information in ACS to ensure that all assessments are accurately and completely recorded. | ustoms management agreed with the recommendation and implementation is well along. The Treasury OIG reported in its FY 1998 audit report that standard procedures and requisite changes to ACS have not been implemented to provide for appropriate supervisory review and authorization of critical changes. According to Customs officials, Customs plans to replace ACS with ACE. The full implementation of ACE, scheduled for the year 2002, may be delayed due to funding issues. |

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| GAO product | Recommendation | Agency action |
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| | Customs should develop and maintain an integrated accounting system that can capture accurate and reliable information on all types of assessments (including duties, taxes, fines, and penalties) from assessment through collection of any related amounts. | Customs management agreed with the recommendation and implementation is well along. Customs plans to replace ACS with ACE. In the ACS redesign, Customs plans to incorporate a customer-based accounts receivable (A/R) subsidiary ledger, rather than continuing to maintain information at the individual import transaction level. The new process will include the Automated Centralized Accounts Receivable Subsidiary Ledger and is expected to meet all financial reporting requirements when completed. The target date to test the initial prototype version of the A/R subsidiary ledger was March 1999. However, according to Customs officials, this date was not met due to the lack of available funding. The full implementation of ACE, scheduled for the year 2002, may also be delayed due to funding issues. |
| AIMD-94-23 Dec. 14, 1993 | The Commissioner of Customs should direct the CFO to revise Customs' accounting systems and procedures to properly account for the receipt of goods and services. Specifically, the CFO should (1) modify the accounting systems for Automated Receiving Report System (ARRS) transactions to automatically liquidate obligations and post the related entries in the proprietary accounts immediately upon receipt of goods and services, (2) develop and implement a mechanism for non-ARRS transactions to acknowledge and transmit receiving data and use such data to post the appropriate budgetary and proprietary accounting entries, and (3) expand the use of the Report on Open Obligations, as a short-term measure, by instructing program office personnel to review the report and notify the National Finance Center when goods and services have been received. | Customs management agreed with the recommendation and implementation is well along. According to Customs officials, the Department of the Treasury has an initiative to standardize bureau procurement systems. Until this initiative is complete, modifications to Customs' financial systems that would record accounts payable upon receipt of goods and services are on hold. In its FY 1998 audit report, the Treasury OIG concluded that Customs was unable to record a liability in the general ledger system upon receipt of goods and services. Accordingly, Customs uses manual procedures after the fiscal year end to establish the accounts payable balance. According to Customs officials, Customs' Quality Planning for Asset Management (QPAM) initiated plans to replace the current Federal Financial System with a Joint Financial Management Improvement Program (JFMIP)-approved core financial system that would enable Customs to record transactions on an accrual basis. This initiative has been submitted to Customs' Investment Review Board for approval. |
| AIMD-94-38 Mar. 7, 1994 | The Commissioner of Customs should direct the Assistant Commissioner for Inspection and Control to develop and implement, in conjunction with Customs' CFO, a strategy for inspecting cargo from both high- and low-risk carriers to help provide reasonable assurance that all cargo delivered is accurately and completely identified on manifests and entry documents. Carriers undergoing such inspections should be randomly selected to ensure that they are representative of all carriers. | Customs management agreed with the recommendation and implementation is well along. In FY 1998, Customs continued its Compliance Measurement Program (CMP) which is a statistically based examination program. The result of these programs allows Customs to identify low compliance areas, track improvement in key sectors, identify revenue gap commodities, and measure improvements resulting from interventions. According to Customs officials, the carrier manifest CMP has now been expanded to include actual physical verification of the contents of containers. According to the Treasury OIG, these procedures were recently implemented but it has not yet tested the procedures. |

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| GAO product | Recommendation | Agency action |
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| | The Commissioner of Customs should monitor implementation of the new procedures for accounting for in-bond transfers to ensure that they address the weaknesses that have been identified. In conjunction with this effort, the Commissioner should provide personnel involved in maintaining data on in-bond transfers with clear and detailed guidance and adequate training on complying with the new procedures. | Customs management agreed with the recommendation and implementation is well along. In FY 1999, selected items shipped in-bond will be examined. This requires Customs to inspect selected cargo at the port of origin or the port of destination. According to the Treasury OIG, the results of Customs' in-bond tests will allow it to determine a compliance rate, but will not allow it to project a revenue gap (i.e., amount of under or over collections). In November 1998, Customs implemented the Automated Broker Interchange (ABI) link to allow automated brokers and importers to transmit in-bond data directly into the Automated Manifest System (AMS). Customs plans to implement a post-audit in-bond compliance program to also address the weaknesses identified with in-bond transfers. |
| | The Commissioner of Customs should direct the Assistant Commissioner for Inspection and Control, in conjunction with the CFO, to require district offices to maintain perpetual inventory records of goods held in bonded warehouses and foreign trade zones (FTZ) that they are responsible for overseeing. | Customs management partially agreed with our recommendation and intends to implement a CMP for FTZs. However, according to the Treasury OIG's fiscal year 1998 financial audit report, Customs has not yet done so. Customs has deferred the issue until it completes its Bonded Warehouse CMP. In its FY 1998 audit report, the Treasury OIG reported that Customs has designed a CMP for bonded warehouses; however, Customs did not conduct any bonded warehouse CMP examination in FY 1998. |
| | The Commissioner of Customs should direct the Assistant Commissioner for Inspection and Control, in conjunction with the CFO, to enhance the Automated Commercial System (ACS) so that the district offices could use this system to maintain perpetual records of merchandise quantities at each warehouse and FTZ. | Customs management partially agreed with our recommendation, however implementation has not yet begun. Customs has deferred action on this recommendation pending the results of the compliance measurement test for bonded warehouses. According to Customs officials, Customs has not developed a specific CMP for FTZs because of the difficulty in tracing the goods entered into and withdrawn from FTZs. This difficulty exists because most big FTZs are manufacturing operations that incorporate imported components into larger items that are eventually withdrawn and either entered into U.S. commerce or exported. Customs plans to implement a CMP for FTZs and will determine whether the bonded warehouse CMP methodology could be applied to FTZs. |

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| GAO product | Recommendation | Agency action |
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| | The Commissioner of Customs should direct the Assistant Commissioner for Commercial Operations, in conjunction with the CFO, to develop a means of automatically entering information needed to verify drawback claims into ACS so that liquidators can use the system to automatically verify drawback claims. | Customs management agreed with the recommendation and implementation is well along. In FY 1995, Customs programmed ACS to detect drawback claims that exceeded the total amount of duty and tax paid on related import entries. However, ACS cannot link drawback claims related to import entries filed prior to FY 1995. According to the Treasury OIG's FY 1998 audit results, a reportable condition still exists in this area. The Treasury OIG reported that Customs now requires import specialists to annotate on the original import entry the line items and quantity for which the drawback is claimed. Also, in FY 1998, Customs continued sampling drawback payments and liquidations to ensure that appropriate amounts were paid. The Treasury OIG tested Customs' sample and agreed that no significant duplicate, excessive, or otherwise improper disbursements were made in FY 1998. However, the Treasury OIG reiterated its recommendation that Customs needs to implement effective controls over drawback claims as part of the ACE implementation. |
| | The Commissioner of Customs should direct the Assistant Commissioner for Commercial Operations, in conjunction with the CFO, to enhance ACS so that historical information on drawback claimants such as accelerated claim privileges, excessive claims previously filed, overdue receivables, and regulatory audit results are available to liquidators in a national database.<br><br>The Commissioner of Customs should direct the Assistant Commissioner for Commercial Operations, in conjunction with the CFO, to require that liquidators review this database to ensure that special privileges, such as accelerated drawback payments, are granted only to claimants who have consistently complied with Customs claim filing requirements. | Customs management agreed with the recommendation and implementation is well along. Limited profile information is available in ACS, such as bond data and year-to-date and cumulative claim amounts. Customs officials also stated that ACS will include a profile on each claimant that will be accessible online by Customs drawback specialists. The profile will include information such as whether the claimant is approved to receive accelerated drawbacks. A national database with this claimant profile information is part of the ACE planned implementation. According to Customs officials, ACE will electronically reference the claimant profile for approved privileges or adverse information when claims are processed. The full implementation of ACE, scheduled for the year 2002, may be delayed due to funding issues. |

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| GAO product | Recommendation | Agency action |
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| | The Commissioner of Customs should direct the Assistant Commissioner for Commercial Operations, in conjunction with the CFO, to enhance the bond liability module to monitor the sufficiency of bonds posted for drawback transactions, including the ability to alert liquidators when coverage is exceeded. | Customs management agreed with recommendation and implementation is well along. To monitor the sufficiency of bonds posted for drawback transactions, Customs implemented new procedures for use with the dedicated bond liability module in October 1994. In October 1995, the bond liability module was revised to allow persons in the field to query bond usage. In addition, the revised module includes warning messages when bond amounts are exceeded. Under the new procedures, Customs will accept only a bond type activity code "1a" for the Drawback Program. A bond type activity code "1,1a" will no longer be accepted. Any bonds with activity code "1,1a" on file with Customs when the new procedures are implemented will be invalid. Further, the new procedures will require that the bond amount for accelerated drawback payments match the claim amount. Despite these corrective actions, the results of the Treasury OIG's audit of Customs' FY 1998 financial statements showed that this control can still be overridden and that ACS would require reprogramming to generate reports of these overrides for supervisory review. |
| AIMD-94-119 June 15, 1994 | The Commissioner of Customs should direct the Assistant Commissioner for Inspection and Control to require personnel at ports of entry to maintain accurate and up-to-date data in AMS and to routinely investigate all shipments that have not been replaced by the end of a prescribed period. | Customs management agreed with the recommendation and implementation is well along. Customs directed all jurisdictions to reconcile discrepant AMS bills of lading or supply an alternative method for completing the task. However, according to the Treasury OIG's FY 1998 audit results, Customs' controls over bills of lading and in-bond shipments still need to be strengthened. The ACS generated exception reports of the open items were not being analyzed promptly, due to a high rate of data input errors and a lack of edit controls in ACS. In September 1998, Customs implemented a nationwide statistically based compliance measurement program—TIN MAN—to reduce the number of erroneous open in-bond exceptions in ACS. Customs is considering implementing a similar program to address open bills of lading in AMS. |

**Table XII.5: U.S. Customs Service/Weaknesses Relating to the Development of Customs' Automated Commercial Environment System**

Our work showed that an incomplete systems architecture hindered Customs' ability to manage information technology investments, particularly large, mission-critical systems such as its Automated Commercial Environment (ACE) system. Since our January 1999 report, we identified additional serious management and technical weaknesses that have hindered Customs' ability to develop and acquire ACE. The additional weaknesses that we reported are that Customs (1) invested in ACE without a firm basis for knowing that it is a cost-effective system solution and (2) built ACE without employing software engineering rigor and discipline.

Our work on Customs' systems architecture resulted in recommendations for Customs to complete and enforce an enterprise systems architecture. Customs agreed with these recommendations and has acted to fully address them and we have, therefore, closed the two architecture-related recommendations. As a result of our subsequent work, there are now three open recommendations related to this major management challenge.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-99-41 Feb. 26, 1999 | In addition to previous recommendations to improve Customs' management of information technology, we recommended that Customs correct the management and technical weaknesses discussed in this report before building ACE. To accomplish this, the Commissioner of Customs should, with the support of Customs' chief information officer (CIO), ensure that Customs rigorously analyzes alternative approaches to building ACE, including exploring the International Trade Data System as an alternative to developing ACE entirely within Customs. | Customs agreed with this recommendation and is in the early stages of implementation. Specifically, Customs is planning to conduct a cost analysis that will include consideration of a reconfigured Automated Commercial System and other information technology alternatives to ACE. Additionally, Customs plans to use the International Trade Data System as the interface between the trade community and ACE. |
| | In addition to previous recommendations to improve Customs' management of information technology, we recommended that Customs correct the management and technical weaknesses discussed in this report before building ACE. To accomplish this, the Commissioner of Customs should, with the support of the Customs CIO, ensure that Customs makes investment decisions incrementally, i.e., for each increment: (1) use disciplined processes to prepare a rigorous life-cycle cost estimate, including an explicit discussion of its inherent uncertainty, (2) prepare realistic and supportable benefit expectations, (3) require a favorable return-on-investment and compliance with Customs' architecture before making any investment, and (4) validate actual costs and benefits once an increment is piloted, compare these with estimates, use the results in making further decisions on subsequent increments, and report the results to Customs' House and Senate appropriations and authorizing committees. | Customs agreed with this recommendation and is in the early stages of implementation. Specifically, Customs plans to incrementally develop life cycle cost estimates and anticipated benefits for ACE. Customs will then use this information to make investment decisions in accordance with Customs' existing information technology (IT) investment management process, which now requires that proposed IT investments expect a favorable return on investment and compliance with Customs' enterprise information systems architecture, and also requires Customs to conduct post-implementation reviews of major IT projects, such as ACE, to determine actual costs and benefits. Customs plans to begin this incremental approach before the end of fiscal year 1999. |
| | In addition to previous recommendations to improve Customs' management of information technology, we recommended that Customs correct the management and technical weaknesses discussed in this report before building ACE. To accomplish this, the Commissioner of Customs should, with the support of the Customs CIO, ensure that Customs strengthens ACE software acquisition management by (1) establishing an effective process improvement program and correcting weaknesses in ACE software acquisition processes identified in this report, thereby bringing ACE processes to at least Software Engineering Institute (SEI) level 2, and (2) requiring at least SEI level 2 processes of all ACE software contractors. | Customs agreed with this recommendation and is in the early stages of implementation. Specifically, Customs is exploring options for establishing a software acquisition process improvement program. As a first step, Customs has assigned organizational responsibility and authority for software process improvement. Additionally, Customs has recently established a policy requiring that all software contractors that conduct business with Customs be certified at least at SEI level 2. |

**Table XII.6: Financial Management Service/The Need to Address Issues Related to Preparing Reliable Consolidated Financial Statements for the Government**

In our March 1998 audit report on the government's fiscal year 1997 consolidated financial statements (CFS), we reported that problems with fundamental recordkeeping, incomplete documentation, and weak internal controls prevent the government from accurately reporting a large portion of assets, liabilities, and costs. These deficiencies affect the reliability of the CFS and much of the underlying financial information. As preparer of the CFS, FMS has a key responsibility to work with agencies to address some of these problems, including the government's inability to (1) properly account for billions of dollars of basic transactions, especially those between governmental entities, (2) ensure that the information in the CFS is consistent with agencies' financial statements, and (3) ensure that all disbursements are properly recorded. While there currently are no open recommendations related to the first two issues, FMS has developed actions plans and is working with us, OMB, and key agencies to address the noted problems. However, fixing all of these problems represents a significant challenge because of the size and complexity of the government and the discipline needed to comply with new accounting and reporting requirements. Meeting these challenges will require a significant commitment of agencies' and FMS' management as well as adequately trained staff and effective automated financial systems.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-99-3 Oct. 14, 1998 | The Secretary of the Treasury should direct the Commissioner of FMS to work with agencies and provide sufficient resources to develop supplemental written guidance, including step-by-step procedures for reconciliations, targeted to agencies with reconciliation problems to assist them in clearly understanding their responsibilities. | FMS agreed with the recommendation and implementation is well along. FMS' Fund Balance Team has contracted with FMS' Center for Applied Financial Management to develop a comprehensive set of standard operating procedures (SOP) for use by federal agencies in reconciling fund balances with Treasury accounts. The procedures will include steps for reconciling monthly statement of differences and fund balances with Treasury accounts. Overall, the SOPs will cover the routine transactions an agency may have to record and ultimately reconcile that affect its fund balances accounts. FMS is also in the process of updating agency reporting and reconciliation requirements and procedures published in the Treasury Financial manual. FMS expects these actions to be completed in June 1999. |
| | The Secretary of the Treasury should direct the Commissioner of FMS to work with agencies and provide sufficient resources to develop training courses for agencies' use in training personnel who are involved in reconciling fund balances with Treasury accounts. | FMS agreed with the recommendation and implementation is well along. FMS is developing a curriculum for providing a core competency for reconciling fund balances with Treasury accounts. The curriculum will include training courses, guidelines, on-site visits by FMS, and conferences. Training courses have been developed and are available through FMS' Center for Applied Financial Management. These course materials can be used by agencies to develop in-house training programs. According to FMS officials, guidelines on reconciliation, including standard operating procedures for agencies and updates to the Treasury Financial Manual, will be completed and distributed to the agencies in June 1999. Also, an FMS Fund Balance Team was created and is currently making on-site visits to assist agencies with their reconciliation needs. |
| | Treasury should make enhancements to the Government On-line Accounting Link System as soon as it is practical in order to provide agencies with the technology needed to promote efficient and effective reconciliations. | FMS agreed with the recommendation and intends to implement it as soon as practical. Due to other priorities, such as Year 2000 computer conversion issues and other significant challenges associated with the nonstandardized agency systems across the federal government, it is not practical for Treasury to make enhancements to the Government On-line Accounting Link System at this time. |

**Table XII.7: Financial Management Service/The Need to Improve Computer Security Controls**

FMS faces considerable challenges in overseeing the development, implementation, and operation of its entitywide information systems, including the establishment of appropriate computer controls. FMS maintains a wide array of financial and information systems to help it process and reconcile money disbursed and collected by the various government agencies. Multiple banking, collection, and disbursement systems are also used to process agency transactions, capture relevant data, transfer funds to and from Treasury accounts, and facilitate the reconciliation of these transactions. In addition to operating six regional financial centers, FMS relies on a network of contractors and the Federal Reserve Banks to help carry out its financial management responsibilities. In October 1998, we reported that general computer control weaknesses at FMS and its contractor data centers place the data maintained in FMS' financial systems at significant risk of unauthorized modification, disclosure, loss, or impairment. The weaknesses we found included (1) inappropriate access to computer programs, data, and equipment, (2) inadequate segregation of duties, (3) improper application software development and change control procedures, and (4) incomplete or untested service continuity plans. Weak controls over FMS' computer systems place billions of dollars of payments and collections at risk of fraud. These weaknesses existed primarily because FMS does not have an effective entitywide computer security planning and management program. Because of the large volume of transactions, the significance of the related amounts involved, and the number of weaknesses identified at the FMS data centers visited, we considered FMS' general computer control problems a material weakness. In connection with fulfilling our requirement to audit the U.S. government's fiscal year 1998 financial statements, we reviewed the computer controls over key FMS financial systems and we also reviewed the status of computer weaknesses at FMS identified during our fiscal year 1997 audit. We noted that general computer control problems continue to exist and be identified as a material weakness.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-99-10 Oct. 20, 1998 | To address weaknesses in general controls cited in our July 31, 1998, "Limited Official Use" version of this report, we recommended that the Secretary of the Treasury direct the Commissioner of the Financial Management Service, along with the FMS Information Resources Assistant Commissioner, to take the following actions: (1) correct the individual weaknesses that we identified and communicated to FMS management during our testing, which were summarized in the "Limited Official Use" report, and (2) assign responsibility and accountability for correcting each weakness to designated individuals. These individuals should report to the Commissioner on the status of all weaknesses, including actions taken to correct them. | Treasury agreed with this recommendation and implementation is well along. FMS officials have completed corrective actions for 24 of the 67 weaknesses that were identified. Specifically, action has been taken that corrected 14 of the 29 weaknesses related to logical security controls, 1 of the 5 weaknesses related to physical security controls, and 1 of the 4 weaknesses related to segregation of duties. In addition, corrective actions have been completed for 5 of the 10 weaknesses related to application development and software change control process, 2 of the 6 weaknesses related to service continuity, and 1 of the 10 weaknesses related to an entitywide security plan; while action has not been completed on any of the 3 weaknesses related to system software security controls. FMS officials believe planned system enhancements will resolve 6 of the 43 open weaknesses and work is in progress to address the 37 remaining open weaknesses. |
| | To address weaknesses in general controls cited in our July 31, 1998, "Limited Official Use" version of this report, we recommended that the Secretary of the Treasury direct the Commissioner of the Financial Management Service, along with the FMS Information Resources Assistant Commissioner, to work with other appropriate assistant commissioners to ensure that an effective entitywide security planning and management program is in place. This program should include the following elements: (1) a strong central security management focal point to ensure that major elements of a risk management program are carried out and to provide a communications link among organizational units, (2) periodic risk assessments and needs determinations, (3) policy and controls implementation, (4) promotion of computer control awareness through training and other attention-getting techniques, and (5) evaluation and monitoring of policy and control effectiveness. | Treasury agreed with this recommendation and implementation is in its early stages. FMS officials are working to implement this recommendation and have informed us that an outline and instructions for the security handbook that will include the security plan have been drafted. Also, FMS officials said that they have conducted information technology security awareness training at several FMS offices and conducted on-site reviews at various sites. |

**Table XII.8: Financial Management Service/The Need to Effectively Implement the Debt Collection Improvement Act**

The Congress has raised concerns about the slow pace at which the Debt Collection Improvement Act of 1996 (DCIA) has been implemented by the Department of the Treasury's FMS and the other agencies with related responsibilities. We reported in June 1997 that improved reporting for billions of dollars of delinquent debt was needed. In June 1998, we testified that FMS did not have a system capable of matching all federal payments against nontax delinquent debts owed the government, as envisioned by DCIA, because of systems development problems. Progress is being made by FMS; however, challenges remain in effectively fulfilling its responsibilities under DCIA.

There are six open recommendations related to improving delinquent debt reporting, which are discussed in the following table. In addition, we identified several areas in which actions by FMS are needed to reduce the risk of costly system modifications and further delays in the Treasury Offset Program (TOP). FMS has acted to address these areas; however, enhancements to the TOP system to incorporate additional payment types (e.g., Social Security benefit payments) have not yet been completed.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-97-48<br>June 2, 1997 | The Secretary of the Treasury should revise the framework and data requirements for agency reporting on debt collection to ensure that reports to the Congress<br><br>•provide complete and consistent reporting on the status of agency efforts to collect delinquent debt,<br><br>•provide amounts that agencies are actually trying to collect. For example, agencies should report amounts that have been written off but that are still being pursued,<br><br>•provide information that is reliable based on independent audits and disclose information about account balances that are questioned through audits, and<br><br>•report delinquent debt consistently from agency to agency or disclose inconsistencies. | The Department of the Treasury's FMS agreed with our recommendations and is well along in implementing them. FMS has revised the Report on Receivables Due from the Public (TROR) for agencies' use as of the second quarter of fiscal year 1999. The report was revised to incorporate our recommendations and to capture data relevant to the provisions of the Debt Collection Improvement Act (DCIA) of 1996. Agencies now access and submit the report via the Internet and are required to use footnotes to document inconsistencies or to provide further details. Two enhancements remain to be implemented— verification from the CFO that amounts reported on the TROR agree with audited financial statements and implementation of a write-off policy. According to FMS, these enhancements will be implemented during fiscal year 2000. FMS reported in its May 28, 1999, corrective action plan to address our recommendations that the necessary actions to implement our recommendations have been completed; however, we believe that the two remaining enhancements mentioned above and the framework to be used to report receivable information to the Congress must be completed before FMS has fully implemented these recommendations. |
| | The Secretary of the Treasury should revise the framework and data requirements for agency reporting on debt collection to ensure that reports to the Congress offer an evaluation of agency use of individual collection tools. The reports should include the number of cases and dollar amount against which each tool was applied, the success rate, and the cost of using each tool. | FMS agreed with this recommendation and is well along in implementing it. FMS believes that it has completed the actions required to implement it, however we believe that additional actions are needed. Specifically, while the revised TROR requires agencies to report collections by type of tool, it does not require agencies to report their success rate or the cost of using each tool. |
| | The Secretary of the Treasury should revise the framework and data requirements for agency reporting on debt collection to ensure that reports to the Congress aggregate credit data by similar program characteristics and provide explanatory information where necessary in order to more appropriately portray program differences and focus on collection challenges unique to similar programs. | FMS agreed with this recommendation and is in the early stages of implementation. FMS is currently developing enhancements to the TROR reporting system to implement it. FMS reported in its May 28, 1999, corrective action plan to address our recommendations that the enhancements will be tested and implemented before September 1999. |

**Table XII.9: Weaknesses Exist in Computer Systems Security**

In its auditors' reports on Treasury's fiscal year 1997 and 1998 departmentwide financial statements, the Treasury OIG reported as a material weakness that computer security controls, which are designed to safeguard data, protect computer application programs, prevent system software from unauthorized access, and ensure continued computer operations, need to be strengthened. Although some improvements have been made, computer control weaknesses in financial systems access and physical security controls at certain bureaus reported by the Treasury OIG in previous years continued to exist during fiscal years 1997 and 1998 and additional weaknesses were identified.

Our work and that of the Treasury OIG have identified significant problems at three bureaus—IRS, Customs, and FMS. Our recommendations have been made at the bureau level. A description of the weaknesses and our open recommendations are contained in the separate sections on each of these bureaus. Additionally, we are continuing to monitor actions in response to recommendations made by the Treasury OIG through our work related to the OIG's audit of Treasury's departmentwide financial statements in conjunction with our audit of the consolidated financial statements of the U.S. government.

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**Table XII.10: Weaknesses Relating to Integrated Financial Management Systems**

In its auditors' report on Treasury's fiscal year 1996 departmentwide financial statements, the Treasury OIG reported that Treasury's lack of integrated financial management systems was a material weakness. An integrated system would perform basic accounting functions and provide integrated budget, financial, and performance information that managers could reliably use to make decisions. The auditors reported that several component entities maintained separate systems to support programs and financial management and that these nonintegrated systems could not be relied on to provide complete and accurate information without extensive manual procedures, analyses, and reconciliations. The Treasury OIG had recommended that the Treasury Chief Financial Officers Council develop a strategy for improving the level of financial systems integration within and among the department's bureaus.

The Treasury OIG reported in its fiscal year 1997 audit report that the CFO Council had initiated a project to define core financial data requirements, evaluate current systems capabilities, and develop recommendations for implementation of a departmentwide data stewardship process. However, in both its fiscal year 1997 and 1998 audit reports, the Treasury OIG reported that financial system integration issues continued to exist.

There are currently no open GAO recommendations related to this issue. The Treasury OIG has one open recommendation related to the need for the Treasury Chief Financial Officer to ensure that component entities develop appropriate plans to improve and integrate their financial management systems and monitor the implementation of these plans. We are continuing to monitor the status of this major management challenge through our work related to the OIG's audit of Treasury's departmentwide financial statements in conjunction with our audit of the consolidated financial statements of the U.S. government.

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**Table XII.11: Weaknesses Relating to the Process Used to Prepare Departmentwide Financial Statements**

In its auditors' reports on Treasury's fiscal year 1996 and 1997 departmentwide financial statements, the Treasury OIG reported material weaknesses related to the department's process used to prepare the departmentwide financial statements. These weaknesses primarily related to financial data submitted by bureaus which was in the wrong format, contained inconsistencies, incorrect classifications and inaccurate reporting, and had intradepartmental account balances and transactions that were out of balance in excess of $100 million. The Treasury OIG reported that, if not mitigated by actions that required a significant amount of the department's and Treasury OIG's resources, these weaknesses may have caused material misstatements in the departmentwide financial statements. In its auditors' report on the fiscal year 1998 departmentwide financial statements, the Treasury OIG reported that the department has made significant enhancements in this area. However, the Treasury OIG also reported that there are continuing challenges, including timely submission of audited financial statements and integrity of financial data produced by the component entities. While there are currently no open GAO recommendations related to this issue, we will continue to monitor this issue through our work related to the OIG's audit of Treasury's departmentwide financial statements in conjunction with our audit of the consolidated financial statements of the U.S. government.

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**Table XII.12: Weaknesses Relating to the Compliance of Financial Management Systems With Federal Requirements**

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires auditors performing financial audits to report whether agencies' financial management systems substantially comply with federal accounting standards, financial systems requirements, and the government's standard general ledger at the transaction level. In its fiscal year 1997 and 1998 auditors' reports on compliance with laws and regulations, the Treasury OIG identified instances where the department's financial management systems did not substantially comply with requirements detailed in FFMIA. Treasury reported that it had various actions planned to correct the problems. For example, according to a Treasury official, one of its bureaus recently implemented a new system that complies with FFMIA requirements. While there currently are no open GAO recommendations related to this issue, the Treasury OIG has one open recommendation—for Treasury to continue to monitor and assess the progress of the bureaus in developing and implementing their remediation plans to address identified instances of noncompliance. We are continuing to monitor the status of this major management challenge through our work related to the OIG's audit of Treasury's departmentwide financial statements in conjunction with our audit of the consolidated financial statements of the U.S. government.

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# Department of Veterans Affairs

**Table XIII.1: VA Health Care Infrastructure Does Not Meet Current and Future Needs**

Many Department of Veterans Affairs (VA) facilities are deteriorating, unneeded, or inappropriately configured. As VA shifts its emphasis from providing specialized inpatient services to providing primary outpatient care, less of VA's existing hospital space is needed. Unneeded, vacant buildings and grounds create a financial drain on VA. Maintaining unproductive assets siphons valuable resources away from providing direct medical services. In confronting this challenge, VA needs to decide whether and how to maintain, renovate, liquidate, or redirect the use of these assets. VA needs to decide which services could be consolidated across its facilities as well as those that could be offered more efficiently by other public and private providers who contract with VA. These decisions must be made in the context of a decreasing population of veterans—one that has a rapidly increasing proportion of members aged 85 and older who may require more intensive services, such as nursing home care. Furthermore, these decisions are likely to affect how VA meets its medical education mission to train physicians and other clinical care providers and will require VA to restructure its affiliation agreements with medical schools and other institutions. All these decisions will be of critical importance in shaping how VA fulfills its health care role well into the next century.

There are six open recommendations related to this major management challenge. They address the need for (1) VA to improve its planning and budgeting for capital assets, (2) VA to more accurately collect information on nursing home availability costs, and (3) the Great Lakes Veterans Integrated Service Network to develop and implement a detailed plan for meeting veterans' needs in the Chicago area with three hospitals instead of four.

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| GAO product | Recommendation | Agency action |
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| HEHS-97-27 Dec. 20, 1996 | As part of VA's ongoing efforts to improve nursing home resource management decisions, the Secretary of Veterans Affairs should direct the Under Secretary for Health to more accurately accumulate and report nursing home costs, assess the availability of community nursing home resources, and identify locations where current reimbursement rates are not competitive. | VA agreed with our recommendation and has initiated efforts, which are in varying stages of completion by location, to improve the accuracy of its data collection processes through the implementation of the Decision Support System (DSS) at VA medical facilities and Veterans Integrated Service Network (VISN) offices. VA is also implementing the Minimum Data Set (MDS) developed by the Health Care Financing Administration in order to collect clinical data on patient care that is compatible with the private sector. As the new MDS data become available electronically, VA's present Patient Assessment instrument data will no longer be needed or maintained. |
| HEHS-98-64 Apr. 16, 1998 | The Secretary of Veterans Affairs should direct the Great Lakes network director to develop and implement a detailed plan for meeting veterans' needs in three hospitals. This plan should explore all options available and select those that maximize veterans' access to services while minimizing to the extent practical, the impact on employees, medical schools, and others. The plan should also identify which of the four Veterans Health Administration (VHA) hospitals in the Chicago area to close. | VA disagreed with the recommendation to develop and implement a detailed plan for meeting veterans' needs in three Chicago-area hospitals. Rather, VA believed that further analysis was needed before making such a decision. On August 21, 1998, VA officially awarded a contract to a consulting firm to assess VA's facilities and recommend the most efficient means for meeting the health care needs of veterans under the Veterans Integrated Service Network's (VISN) 12 jurisdictions. A VA working group identified seven factors for the contractor to consider when deciding how the hospitals should be structured and included six hospitals for study. VA instructed the contractor to include the Milwaukee and Madison VA hospitals in its analyses in addition to the four Chicago-area VA hospitals. The contractor began its work (notice to proceed) on September 17, 1998, and is scheduled to submit a final report to VA by June 30, 1999. |
| T-HEHS-99-83 Mar. 10, 1999 | The Secretary of Veterans Affairs should require the Under Secretary for Health to (1) use VA's centralized budget process for a larger share of its investment decisions, (2) ensure that the fundamental principles underlying that process are rigorously implemented when making decentralized investment decisions, (3) modify written guidelines to describe, in greater detail, minimum quanitative data required for each decision criteria, and (4) exclude, from the prioritization process, all proposals that fail to meet the information requirements. | During recent testimony, VA indicated its agreement with our recommendations, however, we have not yet received its official response, nor are we aware of specific actions on these recommendations. |

**Table XIII.2: VA Lacks Adequate Information to Ensure That Veterans Have Access to Needed Health Care Services**

Because VA lacks accurate, reliable, and consistent information on how resources are being allocated, it cannot ensure that veterans are receiving equitable access to care across the country, as mandated by the Congress. The Congress was concerned that the dramatic shift in the veteran population from the Northeast and Midwest to the South and West had occurred without a corresponding shift in VA health care resources. In fiscal year 1997, therefore, VA introduced a new resource allocation system to begin to correct historical inequities in allocating resources, with the intent of improving the equity of veterans' access to care. However, VA does not know if it is making progress in providing similar services to similarly situated veterans. VA has also been unable to ensure that veterans who need costly specialized treatment and rehabilitative services have access to such care. Also, the Congress required VA to ensure that its capacity for specialized treatment and rehabilitative services for certain conditions is not reduced below October 1996 levels and that veterans with these conditions have reasonable access to care. However, as a result of VA's changing definitions for data, inaccurate data reporting at the local level, and irreconcilable data differences within VA, it is difficult to determine the extent to which VA is maintaining its national capacity to treat special disability groups. Finally, VA has not developed information that will enable it to ensure that it meets the increased demand for care generated by its new enrollment process. VA projects that by the end of fiscal year 1999, it will have enrolled about 4.4 million veterans. If each of these veterans receives medical services from VA in fiscal year 1999, the percentage of veterans receiving VA care will increase about 47 percent compared with the percentage of those served annually in recent years.

Twenty recommendations related to this major management challenge are open. In addition to the 13 recommendations discussed below, 7 recommendations are related to VA's Medical Care Cost Recovery authority and participation rates in Persian Gulf Spouse and Children Examinations.

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| HEHS-96-121<br>July 25, 1996 | The Secretary of Veterans Affairs should provide the Congress, through future budget submissions, data on the extent to which VA services were provided to veterans in the mandatory and discretionary care categories for both inpatient and outpatient care. | VA did not agree but did issue a preliminary report on eligibility reform implementation in the fall of 1998. It intends to issue another report on the effect of enrollment in June 1999. Also, VA's enrollment process, implemented in October 1998, has greatly lessened the need for the recommended action and GAO plans to close this recommendation. |
| HEHS-97-7<br>Oct. 25, 1996 | The Secretary of Veterans Affairs should direct the Under Secretary for Health to provide the Congress a report that presents the overall VA plan and time schedule for the systemwide establishment of access points to assist the Congress in determining the affordability of the VA plan. | VA did not agree that it is necessary to provide the Congress with a report on how many, where, and when access points would be established throughout the country. However, VA has since reported that it will develop a national analysis to identify any remaining major gaps in access not already covered by current and planned access points. VA is well along in drafting the report containing the results of that analysis. This report should meet the intent of GAO's recommendation. |

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| GAO product | Recommendation | Agency action |
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| HEHS-97-178 Sept. 17, 1997 | The Secretary of Veterans Affairs should direct the Under Secretary for Health to develop more timely and detailed indicators of changes in key Veterans Equitable Resource Allocation (VERA) workload measures and medical care practices to maintain VERA's ability to equitably allocate resources in the future and help ensure that veterans receive the most appropriate care. | VA agreed in principle and appears to be well along in its efforts to respond to this recommendation, but action has not been completed. VA found that the number of patients who had made only one visit increased substantially in some Veterans Integrated Service Networks (VISN) after VERA was introduced and that continuing the basic care capitation rate for such patients would provide greater allocations to these VISNs than appropriate. To correct this problem, VA is establishing a third capitation rate of $100 for single-visit patients in fiscal year 1999, in addition to the existing rates for basic and special care patients. This rate is substantially less than the capitation rate for basic care, under which such patients were previously categorized. We found that VERA incentives could lead to the behavior and distortions VA found and that VA was not monitoring single-visit patients. A subsequent contractor study made a similar point. VA is also monitoring changes in the number of special care patients served. However, VA has not addressed the recommendation to develop similar workload indicators and monitor changes in medical care practices. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to improve oversight of VISNs' allocation of resources to their facilities by: (1) developing criteria for use in designing VISN resource allocation methods, (2) reviewing and approving these methods, and (3) monitoring the impact of the methods on veterans' equitable access to care. | VA agreed with this recommendation. Implementation is underway, appears well along, but has not been completed. VA has added a criterion to its allocation principles for VISNs to use in allocating resources to their facilities (VHA Directive 97-054). VA's directive says that VISNs' allocations to their facilities shall "support the goal of improving equitable access to care and ensure appropriate allocation to facilities to meet that goal." VA's "bridge document" requires each VISN to report on how it allocates its resources each year to facilities. Each VISN must also provide additional narrative to explain how its allocations address the goal of ensuring equitable resource allocation and improving equitable access. These documents are reviewed by the Office of the Under Secretary for Health. |
| HEHS-98-4 Oct. 17, 1997 | The Secretary of Veterans Affairs should, in designing the enrollment process for the veterans' health care program, develop procedures for gathering and updating detailed information on veterans' employment, insurance, and service-connected disabilities. | VA agreed with this recommendation and is well along in implementation. VA has developed enrollment procedures for gathering and updating information on veterans' employment, insurance, and service-connected disabilities. This information is collected as part of the application-for-care screens during initial enrollment, can be updated at any time at the veteran's request, and will be updated annually for priority 5 veterans (veterans whose annual income and net worth fall below the means test threshold) along with an updated means test. VA Form 10-10EZ, Application for Health Benefits, was developed in part to respond to our recommendation. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of Veterans Affairs should develop procedures to ensure that authority to retain health insurance recoveries would not detract from services to veterans who lack private health insurance. | VA agreed with our recommendation's intent but disagreed with the need for procedures to accomplish this goal. VA believes that it is already taking a number of actions—such as setting principles of funding allocations to be consistent with eligibility requirements and priorities—to preserve access for veterans who do not have private insurance. While VA says that it is well along, GAO will continue to monitor these actions to determine if they are responsive to our recommendation. |
| HEHS-98-116 June 15, 1998 | The Secretary of Veterans Affairs should direct the Under Secretary for Health to set a national target level of performance that focuses each network on a goal of providing reasonable geographic access to VA primary care for highest percentage of current users practical by 2002. | VA agreed in principle that access to its health care varies. VA intends to act on our recommendation, however, implementation has not yet begun. VA has reported that it plans to incorporate the recommendation into future planning guidance. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to require networks to include in their business plans the percentage of: (1) current users, by priority status, who have reasonable access, (2) the remaining current users (without reasonable access), by priority status, who are targeted to receive improved access through the establishment of community clinics by 2002, and (3) current users, by priority status, who will not have reasonable access by 2002. | VA agreed with this recommendation and implementation is well along. VA will require that this information be included in each Community-Based Outpatient Clinic (CBOC) proposal for consideration during the approval process. VA will also issue guidance that requires this information to be included in fiscal year 2000 network plans. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to require networks to plan and propose new community-based clinics in a manner that ensures that veterans with highest statutory priorities achieve reasonable access as quickly as possible, consistent with the requirements of the Veteran Health Care Reform Act of 1996. | VA agreed in principle with this recommendation and implementation is well underway. VA reported that this information is needed in conjunction with experiential information it is collecting resulting from the requirement, effective October 1, 1998, that veterans enroll in its health care system. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to establish minimum criteria that all networks are to use annually for evaluating new clinics' performance. | VA agreed in principle with this recommendation and implementation is well underway. VA reported that it would identify a minimum criteria set for all networks to use that focuses on evaluating outcomes rather than performance. VHA also reported that new clinics' performance and workload evaluations will also be incorporated into the planning process. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to require networks to annually report their evaluation results to the Capital Budgeting and Oversight Service, a unit within VA, and others for their use in reviewing proposals for new clinics and other purposes. | VA disagreed with the necessity for an annual report, considering it to be excessive. Instead, VA said that it would determine what it considers to be a reasonable period for evaluating new clinics and report the results as recommended. Thereafter, it will incorporate performance and workload results into the planning process and review and adjust them as needed. GAO agrees that VA's suggested action, when completed, will be responsive to the intent of this recommendation. That action has not yet been taken. |

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| GAO product | Recommendation | Agency action |
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| HEHS-98-226 Aug. 28, 1998 | The Secretary of Veterans Affairs should direct the Under Secretary for Health to develop uniform definitions and institute timely reporting of changes in access to care, including the number and eligibility priority of patients served, waiting times for care, and patient satisfaction for specific services at the VISN and facility level. | VA said it is working to improve its information systems so that they will be more useful to VISN and headquarters management. This action is in its early stages. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Health to develop criteria for equitably allocating resources to facilities and monitor any improvements in equity of access among and within VISNs. | VA agreed and had made progress toward responding to the recommendation. Action appears to be well along but not yet completed. (See also agency action on recommendations in report number HEHS-97-178, above.) |

**Table XIII.3: VA Lacks Outcome Measures and Data to Assess Impact of Managed Care Initiatives**

VA does not know how its rapid move toward managed care is affecting the health status of veterans because measures of the effects on patient outcomes of changes in its service delivery have not been established. VA, like many other public and private health care providers, has recognized the necessity for and the difficulty of creating such measures. VA's challenges in assessing outcomes are further complicated by poor data. We and others have reported numerous concerns about VA's outcome data, including inconsistent, incompatible, and inaccurate databases; changes in data definitions over time; and the lack of timely and useful reporting of information to medical center, VISN, and national program managers.

Our work on health care for Persian Gulf War and homeless veterans has resulted in eight open recommendations related to this management challenge. They involve the development and uniform implementation of a process focusing on the integration of diagnostic services, treatment and evaluation of the effectiveness of that treatment, and periodic reevaluation of veterans with undiagnosed illnesses.

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| GAO product | Recommendation | Agency action |
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| HEHS-98-197<br>Aug. 19, 1998 | The Secretary of Veterans Affairs should direct the Under Secretary for Health to uniformly implement a health care process for Gulf War veterans that provides for the coordination of diagnoses of illnesses.<br><br>The Secretary of Veterans Affairs should direct the Under Secretary for Health to uniformly implement a health care process for Gulf War veterans that provides for the coordination of treatment of symptoms and illnesses.<br><br>The Secretary of Veterans Affairs should direct the Under Secretary for Health to uniformly implement a health care process for Gulf War veterans that provides for coordinating evaluations of treatment effectiveness.<br><br>The Secretary of Veterans Affairs should direct the Under Secretary for Health to uniformly implement a health care process for Gulf War veterans that provides for the coordination of periodic reevaluation of those veterans whose illnesses remain undiagnosed. | VA agreed with these recommendations and implementation is in the early stages. The Under Secretary for Health established the Gulf War Field Advisory Group to provide advice regarding the broad range of Gulf War-related veterans' programs VA offers. The group will assess progress and make further recommendations concerning the implementation of a more uniform, coordinated health care program for Gulf War veterans. The group held an initial telephone conference on March 23, 1999, and future meetings are planned. An annual report will be submitted to the Under Secretary for Health. |

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| HEHS-99-53 Apr. 1, 1999 | The Secretary of Veterans Affairs should direct the Under Secretary for Health and the Assistant Secretary for Planning and Analysis to collaborate on conducting a series of program evaluation studies to clarify the effectiveness of VA's core homeless programs and provide information about how to improve those programs. Where appropriate, VA should make decisions about these studies (including the type of data needed and the methods to be used) in coordination with other federal agencies with homeless programs, including the Department of Health and Human Services (HHS), the Department of Housing and Urban Development (HUD), and the Department of Labor (Labor). | VA agreed and implementation is in its early stages. VA's Northeast Program Evaluation Center (NEPEC) has taken the lead in developing evaluation studies on VA's homeless veterans' programs, including a 3-year outcome evaluation of four VA medical centers to determine the effectiveness of (1) the HUD-VA Supported Housing (VASH) Program (permanent housing plus long-term case management), (2) case management only, and (3) the traditional contract community-based residential treatment with case management provided by the Health Care for Homeless Veterans (HCHV) Program. The Mental Health Strategic Healthcare Group and four VISNs have been approved to develop a pilot initiative to provide critical time intervention case management for homeless veterans in inpatient treatment. NEPEC will direct the program evaluation to determine the effectiveness of this treatment strategy. The Center for Mental Health Services of the Substance Abuse and Mental Health Services Administration within the HHS has agreed to train VA staff in the use of this treatment model and will be consulted on program evaluation. |
| NSIAD-97-163 June 23, 1997 | Because of the numbers of Gulf War veterans who continue to experience illnesses that may be related to their service during the Gulf War, the Secretary of Defense, in conjunction with the Secretary of Veterans Affairs, should develop and implement a plan to monitor the clinical progress of Gulf War veterans in order to help promote appropriate and effective treatment and provide direction to the research agenda. | VA agreed and implementation is in its early stages. However, VA has contracted with the National Academy of Sciences to review methodologies for monitoring the health of Gulf War veterans, and this project is under way. |
| | Because of the numbers of Gulf War veterans who continue to experience illnesses that may be related to their service during the Gulf War, the Secretary of Defense, in conjunction with the Secretary of Veterans Affairs, should give greater priority to research on treatment for ill veterans and on low-level exposures to chemicals and their interactive effects and less priority to further epidemiological studies. | VA agreed and implementation is in its early stages. Two specific initiatives directed toward the treatment of Gulf War veterans' illnesses have been undertaken. A planning committee of clinical researchers has been formed to develop a protocol for a multisite trial of treatments for chronic fatigue syndrome and fibromyalgia among Gulf War veterans. In addition, a program announcement, released in 1998, announced an open-ended solicitation, using VA funds, to support additional multisite treatment trials for Gulf War veterans' illnesses. Finally, the Research Working Group (chaired by VA) of the Persian Gulf Veterans Coordinating Board worked cooperatively with the Department of Defense (DOD) to develop a Broad Agency Announcement soliciting research on the health effects of low-level exposure to chemicals, including chemical warfare nerve agents. Twelve new research projects were subsequently awarded, three specifically addressing the effects of low-level exposures and three specifically addressing problems of interactions. |

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| NSIAD-98-89<br>Mar. 3, 1998 | In order to evaluate more effectively the incidence of tumors and other Gulf War illnesses over time, the Secretaries of Defense and Veterans Affairs should continue to strengthen existing monitoring capabilities. Attention should be directed toward improving the utility of existing data systems and particularly in developing cost-effective ways to make data systems more compatible with one another so that information from different sources can be linked. In addition, steps should be taken to address the data quality concerns identified in this report. | VA agreed and implementation is in the early stages. VA and DOD have indicated they are working to improve health information, including the transfer of data between the departments and the development of a joint computerized patient record system. |

**Table XIII.4: VA Faces Major Challenges in Managing Non-Health-Care Benefits Programs**

In managing its non-health-care benefits programs, VA needs to overcome a variety of difficulties. Currently, VA cannot ensure that its veterans' disability compensation benefits are appropriately and equitably distributed because its disability rating schedule does not accurately reflect veterans' economic losses from their disabilities. Also VA is compensating veterans for diseases that are neither caused nor aggravated by military service. In addition, claims-processing in VA's compensation and pension program continues to be slow, and the vocational rehabilitation program has yielded limited results. Moreover, the data that VA will use to measure compensation and pension program performance are questionable. Finally, VA has inadequate control and accountability over the direct loan and loan sales activities within its Housing Credit Assistance program.

There are 33 open recommendations related to the management of various VA non-health-care benefits, including the administration of disability and pension benefits, vocational rehabilitation benefits, and direct loan and loan sale activities. Some of the most important open recommendations are discussed in the table below.

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| GAO product | Recommendation | Agency action |
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| AIMD-99-24<br>Mar. 24,1999 | (The following seven recommendations relate to management of loan assets and cash flows associated with VA's direct loans):<br><br>The Secretary of Veterans Affairs should direct the Under Secretary for Benefits to:<br><br>1. Provide a basis for monitoring and controlling loan and property assets and any related cash flows managed by contractors by establishing a database for direct loans, through the development of a complete inventory of all loans originated. The database should be similar to the information systems in place at major owners of housing loan portfolios.<br><br>2. Implement processes to allow immediate improvements in VA's capability to monitor contractor servicing of direct loans and disbursements related to VA-owned properties. These improvements would include periodically obtaining tax bills for VA-owned properties from independent sources and comparing this information to that in its Property Management System (PMS) to validate servicer requests for reimbursement of expenses.<br><br>3. Develop a centralized database to immediately record loans in the process of being assumed by VA in order to establish timely and thorough visibility over those assets and to facilitate transferring such information to the contract servicer expeditiously.<br><br>4. Reconcile all loan records in the contractor's database to VA's general ledger on a monthly basis, by the end of the following month.<br><br>5. Continue to develop standardized policies and procedures intended to ensure completeness, consistency, and accuracy of data obtained and recorded concerning individual loans and properties. Implement quality assurance steps to ensure the accuracy of these data.<br><br>6. Adhere to federal legislation and guidance regarding cash management. Servicers should be instructed to remit all proceeds to VA's Treasury accounts daily upon receipt. Further, VA should recoup the total interest on Season's Mortgage Group's (SMG) account balances from the inception of VA's contract with Computer Data Systems, Incorporated/SMG.<br><br>7. Establish suspense accounts, and a control account in VA's general ledger, to record all collections that cannot be allocated to specific loan accounts. | VA generally agreed with these recommendations and is in the early stages of implementing them. VA officials told us that the specifications for the direct loan database are complete and hardware is being ordered, but they could not tell us when the project will be completed. While VA did not agree with our recommendation regarding independent verification of data to validate servicer reimbursement requests, VA officials told us that they are making changes. For example, VA has initiated an effort to record the tax information into the PMS. Such information can be used to verify amounts before reimbursing the servicer. VA officials told us that a centralized database for recording assumed loans is a feature of the new Loan Servicing and Claims system. VA is beginning to reconcile all loan records in the contractor's database to VA's general ledger. In addition, VA is updating its policies and procedures related to the outsourcing of portfolio loan servicing and is conducting training for all regional offices. VA agreed with the first part of our recommendation pertaining to cash management practices but has not begun to implement it. The issue of recoupment of interest is under review by VA's legal counsel. VA has not yet established suspense accounts or a control account in VA's general ledger to record collections that cannot be allocated to specific accounts. |

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| | (The following five recommendations relate to operational and accounting control over loan sales):<br><br>The Secretary of Veterans Affairs should direct the Under Secretary for Benefits to:<br><br>1. Establish adequate separation of duties and supervision over VA staff involved in all loan sale operational and administrative activities.<br><br>2. Disclose cash flows related to loan sales and related guarantees in VA's budget records, calculate and report the cost of direct loans and loan guarantees, and budget for the subsidy and administrative cost of the loans and guarantees in accordance with the Federal Credit Reform Act of 1990 and Office of Management and Budget (OMB) Circular A-11.<br><br>3. Develop and implement procedures to ensure that relevant data from servicers and the trustee/custodian are provided promptly to VA offices responsible for managing or recording trust activities and transactions.<br><br>4. Complete the reconstruction of the historical data for the loan sales, the resulting trust, and financing for the required reserve accounts for each trust.<br><br>5. Record loan sale transactions and all subsequent activity associated with the trusts consistent with federal accounting standards and any related guidance. This would include: (1) making appropriate accounting adjustments to accurately reflect the results of prior years' transactions and (2) recording all financial transactions relating to trust activities, including those associated with the original sale, the establishment of the reserves, drawdowns to satisfy the federal guarantee, subsidy reestimates, and replenishments to satisfy trust agreement provisions as well as revenue from trust investments and assets. | VA concurred with recommendation 1 but has not implemented it. VA concurred with recommendations 2 through 5 and is in the early stages of implementation. VA contracted with an independent public accountant to<br><br>•correct accounting and budget reporting deficiencies to comply with the Federal Credit Reform Act of 1990 and OMB Circular A-11,<br><br>•develop new procedures for promptly providing servicers' and trustee/custodian data to VA offices responsible for managing the loan program,<br><br>•reconstruct the historical data on loan sale activities,<br><br>•design a system for recording loan sale transactions and all subsequent activity, and<br><br>•calculate and report the cost of direct loans and loan guarantees. |
| | The Secretary of Veterans Affairs should direct the Under Secretary for Benefits to establish and implement adequate monitoring activities of outsourced activities to include both direct loans and VA property servicing as well as activities associated with the loan sales. These efforts should be designed to comply with OMB Circular A-129 and be stringent, given the risks inherent in the existing servicing environment. | VA concurred but has not begun to implement this recommendation. |

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| GAO product | Recommendation | Agency action |
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| HRD-92-100 Sept. 4, 1992 | The Secretary of Veterans Affairs should implement the requirements of the 1980 amendments related to finding and maintaining suitable employment for disabled veterans. | VA generally agreed with the recommendation. Action appears to be in its early stages. During fiscal year 1998, a task force was created to study policies and procedures related to contracting for vocational rehabilitation services. That task force completed its work and submitted a report to the Director of the Vocational Rehabilitation and Counseling (VR&C) Service. The recommendations of the task force will be used to shape future contracting policy and procedures. |
| | The Secretary of Veterans Affairs should take the lead in developing more effective working arrangements with the Department of Labor (DOL), state rehabilitation agencies, and private contractors for providing job placement services to disabled veterans. | VA generally agreed with this recommendation and implementation is well along. VR&C partnered with Labor to expand and improve employment services for veterans who are job-ready. A cooperative training program for VR&C and Labor staffs was conducted in July 1998, and additional joint training programs are planned for fiscal years 1999 and 2000. Both national and state cooperative agreements have been developed with state rehabilitation agencies for obtaining employment assistance from state agencies when a veteran's case indicates that such help would be profitable. VA also has plans to include staffs of state agencies in the joint training activities in fiscal years 1999 and 2000. VA field staffs have worked closely with private contractors that provided employment services to 2,500 job-ready veterans during the first three quarters of fiscal year 1998. The cost-benefit analysis on contracted services will provide VA information to plan future policy and procedures in contracting for services. |
| | The Secretary of Veterans Affairs should<br><br>—determine why so many disabled veterans drop out before successfully completing the vocational rehabilitation program, and<br><br>—take action aimed at reducing the number of dropouts and increasing the numbers who are successfully rehabilitated. | VA generally agreed with this recommendation and implementation is well along—in the final stages. The Office of the Assistant Secretary for Policy and Planning will perform an attrition study that will be completed sometime in fiscal year 1999. The results of this study will allow VA to<br><br>—develop specific actions to increase the number of program participants who are successfully rehabilitated and<br><br>—generate policies and procedures and other input that will be developed and distributed to field staff. |
| | The Secretary of Veterans Affairs should review the performance standards established for the vocational rehabilitation program and determine whether services to the veterans can be improved by establishing a realistic performance measurement system, such as benchmarking, that clearly focuses on the program's objectives and continually measures progress toward achieving them. | VA generally agreed with this recommendation and implementation is well along—in the final stages. Using the four-member VR&C Field Advisory Committee as consultants, the review will be accomplished, and revised performance standards will be developed. In Veterans Benefits Administration's (VBA) work to develop a balanced scorecard, VR&C developed performance measures and goals. According to a VA official, although the balanced scorecard is being refined, it has brought VBA a long way toward establishing a performance measurement system that focuses on key operational areas. |

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| GAO product | Recommendation | Agency action |
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| HEHS-99-35 Mar. 1, 1999 | To further strengthen VA's ability to identify error-prone cases, ensure the integrity of accuracy rate-related performance data reported under the Government Performance and Results Act (Results Act), and keep the Congress informed about VA's progress in addressing challenges that must be met in order to improve accuracy, the Secretary of Veterans Affairs should direct the Under Secretary for Benefits to revise Systematic Technical Accuracy Review (STAR) to collect more detailed medical characteristics data, such as the human body systems, the specific impairments, and the specific deficiencies in medical evidence involved in those disability claims which are found to be in error, so that VA can identify and focus corrective actions on specific problems that Regional Office adjudicators have in correctly evaluating certain types of medical conditions or in correctly determining whether medical evidence is adequate to make a decision. | VA agreed in principle with this recommendation and implementation is in the early stages. VA will regularly review the STAR process and assess it for strengths and weaknesses. VA will seek areas where more detailed, stratified, or different data would be helpful. In addition, VA will conduct an examination pilot project to address examination quality and process issues. VA plans to review more than 60,000 examinations for quality. These reviews will include both VA-provided and contract examinations. Information about specific examination categories within each body system group and data based on specialist versus nonspecialist examinations are being collected. A customer survey will also be conducted. |
| | To further strengthen VA's ability to identify error-prone cases, ensure the integrity of accuracy rate-related performance data reported under the Results Act, and keep the Congress informed about VA's progress in addressing challenges that must be met in order to improve accuracy, the Secretary of Veterans Affairs should direct the Under Secretary for Benefits to implement a claims-processing accuracy review function that meets the government's internal control standard on separation of duties and the program performance audit standard on organizational independence. | VA disagreed with and has not acted on this recommendation. Instead, the Compensation & Pension Service gathered a dedicated staff to conduct sufficient reviews to establish statistically valid accuracy rates for each Service Delivery Network (SDN) and the nation, with local reviews required to assess individual regional office accuracy. Unless VA provides adequate separation of duties and organizational independence for accuracy reviewers, potential questions about the integrity of accuracy-related performance data will likely persist. |
| | To further strengthen VA's ability to identify error-prone cases, ensure the integrity of accuracy rate-related performance data reported under the Results Act, and keep the Congress informed about VA's progress in addressing challenges that must be met in order to improve accuracy, the Secretary of Veterans Affairs should direct the Under Secretary for Benefits to inform the Congress on VA's progress in the annual Results Act reports by (1) establishing stricter employee accountability for the achievement of performance goals and (2) developing more effective training for claims adjudicators. | VA agreed with this recommendation and implementation is in the final stages. VA indicated that in its annual Results Act report, it would include the implementation status of the balanced scorecard approach, including an assessment of its effectiveness in establishing clear and fair accountability at all organizational levels. In addition, VA is creating a variety of training packages to ensure more effective, standardized training of decisionmakers and clerical support staff. The packages will be used to train new hires and merit promotees when they enter a new position and to improve skills for journeymen employees. Results will be measured by criterion-referenced performance tests developed with validity and reliability assessments. Furthermore, VA has begun to develop a certification-of-skills package that will require employees to demonstrate acquisition of skills and competencies before developmental and career ladder promotions. |

**Table XIII.5: VA Needs to Manage Its Information Systems More Effectively**

We have recently reported on several key issues related to VA information systems. First, in July 1998 we reported that VA had not yet institutionalized a disciplined process for selecting, controlling, and evaluating information technology investments as required by the Clinger-Cohen Act. Second, we reported in September 1998 that VA lacked adequate control and oversight of access to its computer systems. Third, we reported in April 1999 that VA has progressed in addressing year 2000 challenges but still has a number of associated issues to address.

Twenty-two recommendations related to this major management challenge are open. We discuss below five recommendations on VA's implementation of Clinger-Cohen Act requirements, two recommendations related to the development of year 2000 contingency plans, and five recommendations on VA's need to implement comprehensive departmentwide computer security planning and management. Ten other recommendations related to VA's computer security management are not separately addressed. Finally, VA has acted on six recommendations related to its year 2000 readiness and they are being closed.

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| GAO product | Recommendation | Agency action |
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| AIMD-98-154<br>July 7, 1998 | The Secretary of Veterans Affairs should direct the Assistant Secretary for Policy and Planning to develop a departmentwide strategy that details how VA will reengineer its business processes, including identifying and prioritizing process improvement projects, and delineating their interrelationships. | VA agreed with this recommendation and, although action has not yet begun, it intends to implement the recommendation. |
| | To fulfill the requirements of the Clinger-Cohen Act and other information technology legislative reforms, the Secretary of Veterans Affairs should direct VA's Chief Information Officer (CIO) to develop a detailed implementation plan with milestones for completing an integrated, departmentwide information technology architecture. | VA agreed with this recommendation and implementation appears to be well along. VA stated that it has published a departmentwide technology architecture, which includes a Technical Reference Model, a Standards Profile, and a Security Standards Profile. According to VA, this fulfills the Clinger-Cohen requirement for technology architecture. We have requested documentation of VA's architecture and will review it when we receive it. |

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| | To fulfill the requirements of the Clinger-Cohen Act and other information technology legislative reforms, the Secretary of Veterans Affairs should direct VA's CIO to fully implement a disciplined process for selecting information technology investments in which all decisions are based upon complete and current project information, including estimated project costs, expected mission-related benefits, projected schedule, and risks. | VA agreed with this recommendation and implementation appears to be well along. VA stated that it has developed and implemented a capital investment process for information technology that takes into account a variety of factors, including estimated project costs, benefits, projected scheduling issues, and risks. This process, according to VA, is fully integrated with its overall capital investment review process and includes two steps. First, a chartered panel tasked by VA's CIO Council evaluates information technology projects against one another for merit and sufficiency. Second, the projects that pass this screening are then submitted for review and evaluation in the VA's capital investment review process. We have requested documentation of this process and will review it when we receive it. |
| | To fulfill the requirements of the Clinger-Cohen Act and other information technology legislative reforms, the Secretary of Veterans Affairs should direct VA's CIO to conduct formal in-process reviews at key milestones in a project's life cycle, including comparing actual estimated project costs, benefits, schedule, and risks, and provide these results, as well as the results of periodic project status reviews performed by VA components, to decisionmakers who will determine whether to continue, accelerate, or terminate information technology projects. | VA agreed with this recommendation and implementation appears to be well along. VA stated that it is conducting in-process reviews and has developed a schedule for in-process reviews for fiscal year 1999. In addition, VA plans to implement an Internet-based, automated, project management tool to assist in collecting project-level information for use during these reviews. After this project management tool is implemented, quarterly reviews of information technology projects will be made, the results of which will be reported to the CIO Council. VA expects that its efforts to improve the qualitative reviews of information technology initiatives will evolve over the next 6 to 12 months. |
| | To fulfill the requirements of the Clinger-Cohen Act and other information technology legislative reforms, the Secretary of Veterans Affairs should direct VA's CIO to initiate postimplementation reviews for information technology projects within 12 months of implementation, to compare completed project cost, schedule, performance, and mission improvement outcomes with original estimates, and provide the results of these reviews to decisionmakers so that improvements can be made to VA's information technology investment process. | VA agreed with this recommendation and implementation appears to be well along. VA stated that it is conducting postimplementation reviews and has developed a schedule of postimplementation reviews for fiscal year 1999. In addition, VA plans to implement an Internet-based, automated, project management tool to assist in collecting project-level information for use during these reviews. The results of postimplementation reviews will be provided to the CIO Council quarterly. VA expects that its efforts to improve the qualitative reviews of information technology initiatives will evolve over the next 6 to 12 months. |
| AIMD-98-237 Aug. 21, 1998 | To reduce the likelihood of delayed or interrupted benefits, the Secretary of Veterans Affairs, with support from VBA's CIO, should ensure that VBA establishes a milestone for the contractor-developed business continuity framework and subsequent critical dates for the preparation of business continuity and contingency plans for each core business process or program service so that mission-critical functions affecting benefits delivery can be carried out if software applications and commercial off-the-shelf (COTS) products fail. These plans should provide a description of resources, staff roles, procedures, and timetables needed for implementation. | VA agreed with this recommendation and implementation appears to be well along. In January 1999, VBA completed a draft of its Business Continuity and Contingency Plan, which contains an assessment of how VBA's major business areas will be affected if the year 2000 problem is not corrected in time as well as contingencies to invoke should mission-critical systems or infrastructure fail. The plan provides a high-level overview and describes resources, staff roles, procedures, and timetables for its implementation. VBA's regional offices are expected to have similar plans in place by June 30, 1999. |

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| GAO product | Recommendation | Agency action |
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| | The Secretary of Veterans Affairs, with support from the VHA CIO, should ensure the rapid development of business continuity and contingency plans for each medical facility so that mission-critical functions affecting patient care can be carried out if software applications, COTS products, or facility-related systems and equipment do not function properly. These plans should address issues, such as when to invoke alternative solutions or options if the manufacturer, who VHA depends on for compliance information, does not submit any. The plans also should describe resources, staff roles, procedures, and timetables needed for implementation. | VA agreed with this recommendation and implementation appears to be well along. In March 1999, VHA issued a Patient-Focused Year 2000 Contingency Planning Guidebook to its medical facilities. The guidebook discusses how the facilities should develop contingency plans for each major hospital function—such as radiology, laboratory, and pharmacy—as well as each major support function—such as telecommunications, facility systems, medical devices, and automated information systems. The medical centers were tasked with developing business continuity and contingency plans. According to VHA's Year 2000 Project Manager, the majority of medical centers have completed their plans. |
| AIMD-98-175 Sept. 23, 1998 | The Secretary of Veterans Affairs should develop and implement a comprehensive departmentwide computer security planning and management program. Included in this program should be procedures for ensuring that risks are assessed periodically to ensure that controls are appropriate. | VA agreed with this recommendation and implementation appears to be well along. In February 1999, VA's CIO approved the formation of a project team to develop requirements for establishing a departmentwide computer security planning and management program, which will include a risk management cycle. The project team is scheduled to complete the requirements phase by June 30, 1999. |
| | The Secretary of Veterans Affairs should develop and implement a comprehensive departmentwide computer security planning and management program. Included in this program should be procedures for ensuring that security policies and procedures comprehensively address all aspects of VA's interconnected environment. | VA agreed with this recommendation and implementation appears to be well along. In February 1999, VA's CIO approved the formation of a project team to develop requirements for establishing a departmentwide computer security planning and management program to include provisions for establishing and maintaining comprehensive security policies and procedures. The project team is scheduled to complete the requirements phase by June 30, 1999. |
| | The Secretary of Veterans Affairs should direct the VA CIO to work in conjunction with the VBA and VHA CIOs and the facility directors, as appropriate, to establish controls to ensure that disaster recovery plans are comprehensive, current, fully tested, and maintained at the off-site storage facility. | VA agreed with this recommendation and implementation appears to be well along. In October 1998, VA's CIO directed the security components at VA, VBA, and VHA to work with facility directors to review their disaster recovery plans and develop plans to improve them as needed. In developing corrective action plans, emphasis is to be given to ensuring that all plans are complete, current, and fully tested, and to maintain copies off-site. |
| | The Secretary of Veterans Affairs should direct the VA CIO to review and assess computer control weaknesses that have been identified throughout the department and establish a process to ensure that these weaknesses are being addressed. | VA agreed with this recommendation and implementation appears to be well along. VA's CIO and the two major administrative CIOs have been working together with the VA's Inspector General to determine previously identified computer security weaknesses and have developed a plan to address them. However, this plan does not include other computer security weaknesses cited through internal reviews performed at various VA facilities. VA has not yet decided on including these other security weaknesses in its security action plan. No time period has been established to complete this effort. |

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| | The Secretary of Veterans Affairs should direct the VA CIO to work in conjunction with the VBA and VHA CIOs and the facility directors, as appropriate, to separate incompatible computer responsibilities, such as system programming and security administration, and ensure that access controls enforce segregation of duties principles. | VA agreed with this recommendation and implementation appears to be well along. In October 1998, VA's CIO directed the security components at VA, VBA, and VHA to work with facility directors to ensure adherence to the segregation of duties principles and to develop plans to improve this area if needed. Corrective actions are to include efforts to provide adequate oversight to ensure the enforcement of these principles. VA security staff are still working to complete this effort. No time period has been established for completion. |

# Agency for International Development

**Table XIV.1: USAID Has Not Implemented a Comprehensive Information Management System**

The U.S. Agency for International Development's (USAID) effort to develop and implement its New Management System (NMS), which is meant to consolidate primary information systems into a single integrated network, has not been fully successful. The NMS is only partially functional and has created problems in agency operations. In 1996, USAID deployed the system without sufficient testing, and subsequent difficulties forced USAID to suspend its use for most administrative functions in overseas missions in April 1997. Despite an expenditure of at least $92 million as of January 1999, the NMS is not likely to be fully operational and compliant with federal accounting standards for several more years. Until then, USAID will not have accurate information to ensure that its operations and programs are being managed in a cost-effective and efficient manner.

While there currently are no open recommendations related to USAID's NMS, we will continue to monitor USAID's reform efforts. These efforts include steps being taken by USAID to correct the deficiencies of the NMS, including appointing a Chief Information Officer, who has instituted more disciplined processes for planning, developing, and implementing information technology. An NMS program manager has also been appointed to handle deficiencies and implement remedial actions within the NMS. However, USAID does not anticipate fully implementing the NMS across the agency for several more years.

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**Table XIV.2: USAID's Actions Not Adequate to Resolve the Year 2000 Problem**

Although OMB recognizes that USAID is making progress in achieving Year 2000 compliance for its seven mission-critical systems, USAID has not completed implementation for four of these systems. System remediation and implementation are scheduled to be complete in July 1999. While we currently have no open recommendations related to USAID's Year 2000 problem, we will continue to monitor its remediation efforts.

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**Table XIV.3: USAID Remains Vulnerable to Weak Financial Management**

USAID continues to face financial management challenges. The lack of an integrated financial management system and the existence of material control weaknesses hinder the agency's ability to routinely produce reliable and timely financial management information or to prepare auditable financial statements. As we discussed in our January 1999 Performance and Accountability Series report, USAID's Office of Inspector General (OIG) was unable to express an opinion on the agency's financial statements for fiscal years 1996 and 1997. In March 1999, the OIG also disclaimed an opinion on the fiscal year 1998 financial statements. The process of preparing financial statements and subjecting them to independent audit is the first step in generating, on a routine basis, complete, reliable, and timely financial information for decisionmakers at all levels. Without financial integration and strong controls, USAID's systems do not comply with federal accounting and management requirements.

Our work leading us to identify financial management as a major management challenge at USAID was done as part of our overall audit of the consolidated financial statements of the federal government. USAID is in the process of correcting some of its deficiencies in this area in part by contracting a number of its financial management functions to organizations outside the agency, including a private bank and another U.S. government agency. In addition, USAID submitted a plan to the Office of Management and Budget outlining these and other steps to address some of its financial management deficiencies over the next 5 years. While there currently are no open recommendations related to USAID's financial management, we will continue to monitor the agency's efforts to overcome its long-standing problems in this area.

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# Environmental Protection Agency

**Table XV.1: EPA Needs More Comprehensive Information on the Environment**

The Environmental Protection Agency (EPA) needs more comprehensive information on the condition of the environment to effectively set priorities, assess progress in achieving its goals and objectives, and report on its accomplishments in a credible way. Although EPA and the states collect a considerable amount of data, the agency's data systems are often outmoded and difficult to integrate in order to produce comprehensive environmental information. Important gaps in the data also exist.

Seven open recommendations are related to this management challenge. Collectively, these recommendations focus on the need for EPA to develop agencywide policies and procedures for disseminating information, find ways to make data more accessible to the public, develop agencywide information systems architecture, and improve information resources planning and quality assurance activities.

We are currently performing a broad review that focuses on the key information management issues facing EPA. This review will identify the major information problems related to data inaccuracies, fragmentation, and gaps; the initiatives that EPA has implemented to address these problems; and the role of EPA's new central information office, which the agency plans to create to manage its information requirements. A report on this review will be issued in September 1999.

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| GAO product | Recommendation | Agency action |
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| RCED-98-245<br>Sept. 24, 1998 | To help ensure that EPA provides the public with data that are accurate, complete, and relevant to its needs, the Administrator of EPA should supplement the agency's existing policies on information resources management by developing agencywide policies and procedures that specify guidance and standards for program offices involved in designing, developing, and implementing information dissemination projects. Such guidance and standards should address obtaining stakeholders' involvement in the projects' design and development, testing for and correcting errors in the data, and communicating contextual information on the data's uses and limitations. | EPA agrees with this recommendation, and implementation is in the early stages. In October 1998, the Administrator of EPA announced a reorganization of the agency's information management activities into a single office. According to EPA officials, the new office will be responsible for, among other things, developing and implementing standards to improve the quality of EPA's information. EPA has not yet begun to develop the policies and procedures we recommended. However, in responding to our report in January 1999, EPA stated that given the expected implementation dates for the new office, EPA "should be developing and issuing standards such as those called for in the recommendation by April 2000." |
| | Given the potential usefulness of the Emergency Planning and Community Right-to-Know Act of 1986 section 312 data to the public, the Administrator of EPA should evaluate options to make the data more accessible and implement the most cost-effective option that provides availability on a regional and national basis. In implementing the project, EPA should use the policies and standards for dissemination projects that we have recommended. | EPA agrees with this recommendation to evaluate options for making the data more accessible. Implementation has not yet begun, but EPA intends to implement the recommendation. However, EPA told us that it would not do so until the agency's new information office is established in September 1999 and the office has time to develop agencywide policies and procedures. Once these policies and procedures are established, the agency will evaluate options with respect to the broader availability of data. |

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| GAO product | Recommendation | Agency action |
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| IMTEC-92-14 April 2, 1992 | To strengthen EPA's overall ability to accomplish its cross-media mission, the Administrator of EPA should complete the agency's cross-media information resources management (IRM) strategy by developing an agencywide information systems architecture that explains the structure of and communications among the agency's information resources that are needed to achieve its single- and cross-media missions. | EPA agreed with this recommendation and is in the early stages of implementing it. EPA has issued a framework for developing an information systems architecture. |
| AIMD-94-25 Nov. 17, 1993 | To assist the Office of Pollution Prevention and Toxics (OPPT) in its efforts to provide efficient and effective collection, dissemination, and use of Toxic Substances Control Act (TSCA) data as required by the act, the Administrator of EPA should direct the Assistant Administrator for the Office of Prevention, Pesticides, and Toxic Substances to (1) complete a strategic IRM plan based on an analysis of internal users' functional and informational needs, (2) evaluate alternative system architectures for meeting those needs, and (3) select a target architecture to guide the development and evolution of OPPT systems. | EPA agreed with this recommendation and is well along in implementing it. The agency reported that it has produced an information management strategy and initiated a systems architecture study. On the basis of this study, EPA plans to select a target systems architecture by August 1999. |
| | To assist OPPT in its efforts to provide efficient and effective collection, dissemination, and use of TSCA data as required by the act, the Administrator of EPA should limit new OPPT system development efforts until the IRM plan and target systems architecture are completed. | EPA agreed with this recommendation and is well along in implementing it. EPA officials stated that they have limited major system development efforts until the agency selects a target architecture. |
| AIMD-95-167 Aug. 22, 1995 | As a part of the recently initiated reassessment of Resource Conservation Recovery Act (RCRA) information needs, the Administrator of EPA should require the Assistant Administrator of the Office of Solid Waste and Emergency Response to develop clear data definitions for all EPA-required data. | EPA agreed with this recommendation and is well along in implementing it. The agency reported that this recommendation will be addressed through its Waste Information Needs (WIN) initiative. EPA reported that a key principle in its WIN information strategy plan is to develop consistent data definitions. EPA plans to achieve this by specifying the data for which nationally consistent definitions must be established and developing those definitions as it completes five Program Area Analyses (PAA). EPA estimates that definitions associated with two PAAs will be completed by the end of 1999. |
| | As a part of the recently initiated reassessment of RCRA information needs, the Administrator of EPA should require the Assistant Administrator of the Office of Solid Waste and Emergency Response to develop a data quality assurance program that establishes data reliability standards and methods to ensure data reliability. | EPA agreed with this recommendation and is well along in implementing it. The agency reported that this recommendation would be addressed through its WIN initiative. Data quality standards are to be developed as EPA conducts its five PAAs. |

**Table XV.2: EPA Faces Challenges in Reinventing Environmental Regulations**

Although the current regulatory system for environmental protection has its successes, it has proven to be costly and, at times, inflexible. Noting that complex future environmental challenges will require fundamentally different regulatory approaches, EPA has initiated a variety of actions aimed at reinventing environmental regulation. For example, in March 1995, EPA announced a series of high-priority and significant actions to improve the current regulatory system and lay the groundwork for a new system of environmental protection. However, as we concluded in July 1997, the agency faces several challenges that need to be addressed to create a climate in which regulatory reinvention can succeed. These broad issues include helping its rank-and-file employees understand and support changes to the current regulatory system, obtaining consensus among the agency's varied stakeholders on what these changes should be, and effectively evaluating the success of many of its regulatory reform initiatives. EPA has initiated actions to deal with these issues.

We do not currently have any open recommendations in this area. However, reinvention, by its nature, is an ongoing process that will require continual improvement by the agency. It will also require continued involvement by GAO, the Congress, and other stakeholders in the environmental regulatory process.

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**Table XV.3: A Good Working Relationship With the States Has Been a Long-Term Challenge for EPA**

As authorized by environmental statutes, EPA has delegated the responsibility for the day-to-day implementation of most federal environmental programs to the states. The working relationship between EPA and the states has often been characterized by fundamental disagreements over such issues as EPA's and state environmental agencies' respective roles, appropriate priorities among state environmental programs, and the appropriate degree of federal oversight. For example, our May 1998 report on EPA's and states' efforts to focus state enforcement programs on achieving environmental results cited unanimous concerns among the 10 states contacted that different EPA offices convey an inconsistent message on the appropriate use of compliance tools. Oregon officials, for example, cited "internal battles" between EPA's Office of Enforcement and Compliance Assurance and the agency's program offices, noting that the offices tend to have different initiatives and priorities, which has led to confusion for both the EPA regions and the states. Officials in Colorado, Massachusetts, and Pennsylvania cited similar problems. EPA and the states are pursuing an initiative with the potential to address many of these concerns. The National Environmental Performance Partnership System (NEPPS), which was established by EPA and state leaders in May 1995, is intended to focus the efforts of EPA and state regulators more on results and less on administrative management and oversight. The details of how NEPPS will work are still evolving as the system is currently being implemented and refined. We recently did a review of NEPPS and issued a report on June 21, 1999 (GAO/RCED-99-171). We recommended that EPA work with senior-level state officials to initiate a joint evaluation process that would identify the key issues which are impeding further NEPPS progress and that would develop mutually agreed upon remedies for the identified issues. Because the report only recently was issued, we have not included a detailed discussion of our recommendation and EPA's actions in the below discussion.

There are two open recommendations related to EPA's working relationship with the states, which were made in our May 1988 report.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-98-113 May 27, 1998 | The Administrator of EPA should ensure that the development of the Office of Enforcement and Compliance Assurance's (OECA) Performance Profile stays on the schedule outlined in its National Performance Measures Strategy, the profile will be developed collaboratively with interested states in a manner that helps these states meet their own performance measurement needs, and that OECA periodically disseminates information (as it becomes available) among the states on effective practices in measuring enforcement programs' results. | EPA agreed with our recommendation and implementation is well along. The agency has formed working groups of headquarters and regional staff to address key problems and has obtained contractor support to provide expertise and statistical analysis. The agency has also initiated efforts to engage interested states in pilot projects so that their efforts to improve performance measurement benefit the states as well. Specifically, in March 1999, the office indicated that it was making funds available for cooperative agreements to enhance states' abilities to engage in outcome-based compliance measurement. |
| | The Administrator of EPA should promote greater consistency in what has been a fragmented and inconsistent message by different EPA offices on the appropriate balance in EPA's enforcement program between enforcement and compliance assurance activities. In doing so, the Administrator should build on EPA's recent efforts to address this issue by ensuring that (1) the expectations set for OECA, program offices, and other EPA headquarters and regional offices are consistent with the agency's policy calling for an appropriate mix of tools to achieve compliance, (2) different EPA offices with enforcement responsibility more systematically coordinate their negotiations with, and oversight of, state agencies on enforcement-related matters, and (3) the enforcement-related provisions of EPA's Performance Plan, prepared pursuant to the Government Performance and Results Act, focus on outcomes in a manner consistent with that of the core performance measures developed under EPA's National Performance Measures Strategy, the National Environmental Performance Partnership System, and the agency's other results-oriented initiatives. | EPA agreed with our recommendation. EPA plans to implement this recommendation, but has not yet begun to do so. Senior management in EPA's OECA met with staff in all 10 EPA regions and with senior managers to stress internal coordination as a priority. The office also added outcome-oriented measures to its FY 2000 Annual Performance Plan. Specifically, whereas measures in the previous plan had focused exclusively on outputs, such as the numbers of inspections conducted and enforcement actions taken, the latest plan also includes the use of statistically valid noncompliance rates for selected environmental problems or selected sectors (an outcome measure). |

# National Aeronautics and Space Administration

**Table XVI.1: Controlling International Space Station Costs**

The National Aeronautics and Space Administration (NASA) and its international partners—Japan, Canada, the European Space Agency, and Russia—are building a space station as a permanently orbiting laboratory to conduct research on materials and life sciences, to observe the Earth, and to provide for commercial opportunities under nearly weightless conditions. In December 1998, the first two parts of the space station were successfully coupled in orbit.

In May 1998, we reported that the life cycle cost estimate to develop, operate, and decommission the station had increased by about $2 billion since 1995, to about $95.6 billion. Regarding the prime contractor's performance, its estimate of a cost overrun at completion has increased several times; it stands at $986 million as of April 1999. Since May 1998, the program has continued to face cost and schedule problems and the effects of funding shortfalls in Russia. Delivery of a key Russian part of the station—the Service Module—has slipped by 8 months. On April 29, 1999, we testified before the Congress that uncertainty regarding Russian involvement will require NASA to continually plan and implement contingency initiatives. Although NASA has a contingency plan to mitigate Russian nonperformance, it does not have an approved overall contingency plan to address issues such as late delivery or loss of critical hardware. The agency acknowledges that the lack of an overall contingency plan makes the program more risky.

Until recently, two recommendations have been open related to this major management challenge. However, we now consider these recommendations as having been addressed by the Congress, and consequently, we will close them during the current fiscal year. In September 1997, we stated that the Congress may wish to consider reviewing the space station program focusing on reaching agreement with the executive branch on the future scope and cost level of the program. We also stated that if the Congress decides to continue the space station program, it may wish to consider reestablishing funding limitations that include firm criteria for measuring compliance. The House Science Committee conducted a hearing on June 24, 1998, on the direction of the space station program. This hearing provided a forum for a thorough review of the space station program. A bill introduced in the 105th Congress authorizing NASA's appropriations for fiscal years 1998 and 1999 included funding cap language. However, the 105th Congress did not pass NASA's authorization bill.

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**Table XVI.2: Following Through on Aerospace Test Facilities Cooperative Efforts**

NASA is cooperating with the Department of Defense (DOD) to address issues of mutual interest regarding investment in, and use of, aerospace test facilities. In April 1996, NASA and DOD agreed to form joint working groups for six types of major test facilities, including wind tunnels and rocket engine test stands. In September 1996, the Congress added to this effort by requiring NASA and DOD to prepare a joint plan on rocket propulsion test facilities.

In March 1998, we reported that the promise of closer NASA/DOD cooperation remains largely unfulfilled because NASA and DOD (1) had not convened most test facility working groups, (2) have competed with each other to test engines for new rockets, and (3) had not prepared a congressionally required joint plan on rocket propulsion test facilities. We also reported that although NASA and DOD had agreed to go beyond cooperative working groups in aeronautics and jointly manage their aeronautical test facilities, they had not yet reached agreement on key aspects of a new management organization to be called the National Aeronautical Test Alliance. Ultimately, if this alliance is successful, the adoption of joint management by other working groups could be considered.

There is one open recommendation related to this major management challenge that would require congressional action. In a March 1998 report, we stated that congressional intent, as reflected in the statutory requirement for joint planning of rocket propulsion test facilities, is not being fully met by NASA and DOD. We further stated that the Congress may wish to consider reaffirming its intention in this regard and extend its joint planning requirement to other types of aerospace test facilities, including a requirement that NASA and DOD assess the possible extension of joint management of aeronautical facilities to other types of test facilities, especially rocket propulsion. Since our report, a joint meeting of most working groups was held in May 1998. An inaugural meeting of the working group for wind tunnels was held in August 1998. NASA and DOD did not prepare the legislatively mandated joint plan to coordinate rocket propulsion test facilities. However, according to a NASA official, the rocket propulsion test working group is performing joint planning and preparing guidance to ensure the best use of each agency's test facilities. On May 24, 1999, a NASA official said that NASA and DOD expect to establish the new National Aeronautical Test Alliance in the summer of 1999.

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# Nuclear Regulatory Commission

**Table XVII.1: NRC Lacks Assurance of Nuclear Plants' Safety**

The Nuclear Regulatory Commission (NRC) lacks assurance that its current regulatory approach ensures safety. NRC assumes that plants are safe if they operate as designed and follow NRC's regulations. However, NRC's regulations and other guidance do not define, for either a licensee or the public, the conditions necessary for a plant's safety; therefore, determining safety is subjective. Furthermore, six major reviews of NRC since 1979 have pointed out that NRC's regulatory approach is punitive rather than results oriented, licensees are forced to expend considerable resources on complying with regulations that may have limited impact on safety, and NRC's focus on achieving compliance with paperwork requirements can divert attention from safety activities. NRC and the nuclear utility industry have embarked on initiatives to address long-standing regulatory issues in a way that would ensure that NRC carries out its regulatory mission more effectively and efficiently. These initiatives are designed to improve safety decision-making through the analysis of risk, use agency resources more efficiently, and reduce unnecessary burdens on utilities.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-97-145<br>May 30, 1997 | To enhance licensees' accountability, the Commissioners should direct NRC staff to develop strategies to act more aggressively on safety deficiencies when they are discovered. To achieve this goal, NRC should require inspection reports to fully document for all plants the status of the licensees' actions to address identified problems under NRC's corrective action requirements, including timetables for the completion of corrective actions and how NRC will respond to nonconformance with planned actions. | NRC agreed with and is well along in implementing this recommendation. For example, NRC has changed its inspection program by requiring more frequent reviews of licensees' corrective action programs. NRC plans to periodically review a risk-informed sample of NRC and licensee identified issues to ensure that appropriate actions have been taken. NRC is also developing guidance for the appropriate place in which to document commitments (i.e., technical specifications, safety analysis report, or some other document). However, NRC did not agree that it should document and track corrective actions for all violations in inspection reports. In addition, NRC did not address how it would establish timetables for licensees to complete the corrective actions or how it would respond to nonconformance with such actions. |

**Table XVII.2: NRC Is Slow to Require Corrective Action**

NRC's oversight has been inadequate and slow. Although NRC's indicators show that conditions throughout the nuclear energy industry have generally improved, they also show that several plants are chronically poor performers. At three nuclear plants with long-standing safety problems that we reviewed, NRC did not take aggressive action to ensure that the utilities corrected the problems. The problems ranged from failures of equipment to work properly when tested to weaknesses in licensees' conduct of maintenance programs. NRC's programs are designed to ensure that utilities comply with its regulations, take prompt actions to correct any deficiencies found, and operate their plants safely. NRC gives utilities considerable latitude to fix their problems. This strategy works well when the utilities' managers place priority on maintaining a strong safety culture. We found, however, that this condition was not present in the three plants we examined and that the problems worsened when NRC did not hold utilities accountable for fixing them. As a result of NRC's inaction, the conditions at the plants worsened, reducing safety margins. NRC is examining its inspection, enforcement, and plant performance assessment programs, in part, to address these issues. These efforts show a commitment by NRC to strengthen its oversight.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-97-145 May 30, 1997 | To enhance licensees' accountability, the Commissioners should direct NRC staff to develop strategies to more aggressively act on safety deficiencies when they are discovered. To achieve this goal, NRC should require inspection reports to fully document for all plants the status of the licensees' actions to address identified problems under NRC's corrective action requirements, including timetables for the completion of corrective actions and how NRC will respond to nonconformance with planned actions. | NRC agreed with and is well along in implementing this recommendation. For example, NRC developed a process to identify and track licensees' commitments and to verify their implementation. NRC is developing guidance for the appropriate place in which to document commitments (i.e., technical specifications, safety analysis report, or some other reports). NRC plans to have its inspectors sample the more risk-significant actions and ensure that licensees have taken appropriate corrective actions on a schedule commensurate with the risk and safety significance of the issue. However, NRC did not agree that it should document and track corrective actions in inspection reports for all violations. In addition, NRC did not address how it would establish timetables for licensees to complete the corrective actions or how it would respond to nonconformance with such actions. |
| | To enhance licensees' accountability, the Commissioners should direct NRC staff to develop strategies to act more aggressively on safety deficiencies when they are discovered. To achieve this goal, NRC should make licensees' responsiveness to identified problems a major feature of the information provided to the participants of the Senior Management Meetings, including how NRC will respond if problems go uncorrected. For example, NRC should describe the range of sanctions that it will impose on the licensees on the basis of the potential seriousness of their failure to resolve problems within a predetermined time. These sanctions should range from assessing fines to involuntary shutdown of the plant. | NRC agreed with and is well along in implementing this recommendation. However, the method in which NRC expects to do so differs from that envisioned in our report. In January 1999, NRC issued for public comment a new safety inspection, assessment, and enforcement process that includes seven cornerstones (i.e., initiating events, mitigation systems, barrier integrity, emergency preparedness, and public protection, occupational protection, and physical protection). For each cornerstone, NRC will identify the desired results, important attributes that contribute to achieving the desired result, areas to be measured, and various options for measuring the identified areas. As proposed, the process would use performance indicators; inspection results; utilities' self-assessments; and clearly defined objective thresholds for making decisions. The process is anchored in a number of principles, including the belief that a certain level of safety performance could warrant decreased NRC oversight and performance thresholds should be set high enough to permit NRC to arrest declining performance. The new process sets out the actions that NRC will take when plant performance declines. NRC expects to begin pilot testing the process at 13 plants in June 1999 and to implement the program during fiscal year 2000. |

**Table XVII.3: NRC's Culture and Organizational Structure Impede Effective Actions**

NRC's culture and organizational structure have made the process of addressing concerns with the agency's regulatory approach slow and ineffective. At the heart of safe plant operations is NRC's holding utilities accountable for fixing problems more promptly and addressing management issues more directly. The need to ensure that NRC's regulatory programs work as effectively as possible is extremely important, particularly in light of major changes taking place in the electric utility industry. Yet changing NRC's culture will not be easy. Six major reviews conducted since 1979 found chronic and significant problems with NRC's regulatory culture. The various reviews have concluded that NRC's organizational structure, inadequate management control, and inability to oversee itself have impeded its effectiveness. NRC has taken various actions to improve its organization and culture. For example, in 1996 NRC began to strengthen its skills in certain key processes and to identify opportunities for efficiency and effectiveness. Despite its efforts, in June 1998, NRC's Office of the Inspector General reported that staff were uncertain and confused about the new directions in regulatory practices and challenges facing the agency. According to staff, NRC recognizes the need to communicate effectively with its staff and other stakeholders and is developing plans to do so.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| RCED-99-95 Mar. 19, 1999 | To help ensure the safe operation of plants and the continued protection of public health and safety in a competitive environment, the Commissioners of NRC should direct the staff to develop a comprehensive strategy that includes, but is not limited to, objectives, goals, activities, and time frames for the transition to risk-informed regulation; specifies how the commission expects to define the scope and implementation of risk-informed regulation; and identifies the manner in which it expects to continue the free exchange of operational information necessary to improve the quality and reliability of risk assessments. | NRC agreed with and is in the process of implementing this recommendation. NRC staff is developing a document that describes the agency's strategy for risk-informed regulation. The document will also describe the activities that NRC wants to risk-inform and the actions, schedule, and resources needed to do so. One activity will specify the manner in which NRC will ensure the free exchange of operational information. In addition, NRC expects to restructure its PRA Implementation Plan to more clearly link its risk-informed activities to its strategy. |
| RCED-97-145 May 30, 1997 | To enhance licensees' accountability, the Commissioners should direct NRC staff to develop strategies to more aggressively act on safety deficiencies when they are discovered. To achieve this goal, NRC should require that the assessment of management's competency and performance be a mandatory component of NRC's inspection process. | Although NRC agrees that licensees' management performance is instrumental to safe plant operations, NRC disagreed with—and does not expect to implement—this recommendation. In response to the recommendation and as part of its effort to improve the senior management process, NRC investigated the development of tools to assess management performance. In March 1998, the staff provided five options to the commission for assessing the performance and competency of licensee management. On the basis of that information, the commission directed the staff to continue the practice of inferring licensee management performance from inspections, routine assessments, and event follow-up. The commission also eliminated resources directed toward developing a systematic method of inferring management performance and did not approve the use of fiscal year 1999 and 2000 resources for this purpose. |

# Social Security Administration

**Table XVIII.1: Long-Standing Supplemental Security Income Issues Require More Active Management and Oversight**

Since the Social Security Administration (SSA) assumed responsibility in 1974 for the Supplemental Security Income (SSI) program, SSA officials have been challenged to serve the diverse needs of program recipients while still protecting the program's overall financial health and integrity. Long-standing challenges—such as program abuses and mismanagement, increasing SSI overpayments, and SSA's inability to recover outstanding SSI debt—have continued, contributing to recent congressional criticism of SSA's ability to effectively manage SSI and ensure program integrity. We recently reported that SSI difficulties are attributable to two underlying causes: an organizational culture that places greater priority on processing and paying claims than on controlling program expenditures and a management approach characterized by SSA's reluctance to fulfill its policy development and planning role in advance of major program crises. Several recommendations dealing with SSI, a component of this management challenge, remain open and were included in a product issued on April 12, 1999, on open recommendations related to high-risk areas (GAO/HR-99-2R). There are no other open recommendations related to this management challenge.

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**Table XVIII.2: Disability Programs Need Redesigning and More Focus on Return to Work**

The Social Security Administration's (SSA's) complex process for determining whether an individual qualifies for a disability benefit—the disability claims process—is plagued by a number of long-standing weaknesses. In reviewing SSA's efforts to redesign its disability claims process, we have found that SSA has been unable to keep its activities on schedule or demonstrate that proposed changes will significantly improve its claims process. In addition, SSA has placed little priority on helping eligible disability program claimants move off the disability rolls and return to work.

There are 12 open recommendations related to this management challenge. In addition to the nine recommendations discussed in the following table, there are three recommendations addressing the need for SSA to redesign its disability claims process. However, these recommendations have been superseded, for the most part, by the more recent recommendations presented below.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| HEHS-97-28<br>Nov. 21, 1996 | Because the Short Term Disability Plan (STDP) has shown that it can help reduce the backlog of appealed cases, and if SSA determines that accurate decisions are being made, the Commissioner should extend the plan until SSA institutes a permanent process that ensures the timely and expeditious disposition of appeals. | SSA agreed and determined that STDP has enhanced its ability to manage its caseload of hearing requests. Therefore, SSA extended one of the plan's key initiatives, the senior attorney position, through April 2000. With these actions, SSA was well along with implementing the recommendation; however, SSA has recently changed its plan and now does not expect to extend the senior attorney initiative beyond the end of fiscal year 1999. Thus, SSA still has a significant backlog of appealed cases and has not yet instituted a permanent process that ensures the timely and expeditious disposition of cases. |
| HEHS-97-102<br>Aug. 12, 1997 | To better ensure that adjudicators review the same record, SSA should increase the number of cases it plans to return to Disability Determination Services (DDSs) when new evidence is submitted on appeal. | SSA agreed and is in the early stages of implementing this recommendation. Hearing offices are returning selected appealed cases to the DDSs for consideration of new evidence introduced at the administrative law judge (ALJ) hearing. However, SSA has been unable to meet its goal of remanding 100,000 cases per year. SSA changed its remand criteria in September 1998 to assist ALJs with processing older cases; it plans to pursue its remanding goals through other process unification initiatives. |

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| GAO product | Recommendation | Agency action |
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| HEHS-99-25 Mar. 12, 1999 | As SSA proceeds with further exploration and testing of redesign initiatives and considers implementation options, it should further focus resources on those initiatives, such as process unification, quality assurance, and computer support systems, that offer the greatest potential for achieving SSA's most critical objectives. | SSA agreed that process unification and quality assurance initiatives should be pursued and is in the early stages of implementing a number of process unification initiatives. The agency also agreed that systems technologies must continue to be an important focus of resources. SSA noted that significant improvements to the disability claims process could and should be made in advance of full implementation of these systems technologies. Thus, SSA has not begun to implement this recommendation but plans to do so. |
| | As SSA proceeds with further exploration and testing of redesign initiatives and considers implementation options, it should test promising concepts at a few sites in an integrated fashion. | SSA agreed that testing promising concepts in an integrated fashion at a few sites is appropriate. However, SSA's recent decision to introduce several prototype redesign concepts at a large number of sites appears inconsistent with our recommendation. Therefore, SSA has not begun to implement this recommendation and does not intend to do so. |
| | As SSA proceeds with further exploration and testing of redesign initiatives and considers implementation options, it should establish key supports and explore feasible alternatives before committing significant resources toward testing of specific initiatives, such as the disability claims manager (DCM). | SSA agreed, believing that its testing of the DCM initiative is in accordance with our recommendation. However, we are concerned that SSA continues to test this initiative on a large scale without having explored the position's potential efficacy through limited pilot testing or adequately exploring feasible alternatives. In its comments, SSA noted that it would consider the time lines and effect of critical supports before launching future tests. Therefore, SSA has not begun to implement this recommendation and does not intend to do so. |
| | As SSA proceeds with further exploration and testing of redesign initiatives and considers implementation options, it should develop a comprehensive set of performance goals and measures to assess and monitor changes in the disability claims process. | SSA disagreed that a more comprehensive set of performance goals and measures is needed to monitor and evaluate its disability claims process and has not begun action on the recommendation. However, in its fiscal year 2000 annual performance plan, SSA indicates that it plans to develop additional goals and performance measures. |
| | As SSA proceeds further with exploration and testing of redesign initiatives and considers implementation options, it should ensure that quality assurance processes that both monitor and promote the quality of disability decisions are in place. | SSA agreed that appropriate and supportive quality assurance processes must be developed as part of any successful implementation strategy. However, SSA disagreed that a redesigned quality assurance system is needed or can reasonably be developed in advance of the adjudicative process whose quality it is designed to ensure. Thus, SSA has deferred substantive action on quality assurance redesign until the adjudicative process has been adequately defined. The agency expects to move forward with quality assurance redesign sometime in 1999. |

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| GAO product | Recommendation | Agency action |
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| HEHS-96-133<br>July 11, 1996 | The Commissioner of SSA should develop a comprehensive return-to-work strategy that integrates, as appropriate, earlier intervention, earlier identification, and provision of necessary return-to-work assistance for applicants and beneficiaries, and changes in the structure of cash and medical benefits. The Commissioner should also identify legislative changes needed to implement such a program. | SSA agreed and action is in the early stages. SSA has contracted with more than 400 public and private vocational rehabilitation (VR) providers, trained state VR agency staff on SSA work incentives and reimbursement procedures, positioned itself to contract with state agencies to research ways to improve service integration for beneficiaries attempting to return to work, and proposed to demonstrate the effectiveness of vouchers for beneficiaries to obtain VR services from providers reimbursed on an outcome basis. Effective July 1999, SSA will increase the substantial gainful activity level for beneficiaries, thereby allowing them to have higher earned incomes before leaving the disability rolls. These steps indicate a greater agency priority on return-to-work and illustrate that the agency has begun responding to our recommendations. However, SSA's efforts would have greater effect if they were integrated into a unified and consistent return-to-work strategy and cash and medical benefits were structured to give beneficiaries better impetus to attempt work. Assistance should also be provided earlier in the process. It remains incumbent on SSA to identify legislative action necessary to support these changes. |
| HEHS-96-62<br>Apr. 24, 1996 | The Commissioner of SSA should take immediate action to place a greater priority on return-to-work, including designing more effective means to more accurately identify and expand beneficiaries' work capacities and better implementing existing return-to-work mechanisms. As part of this effort, the Commissioner should develop a legislative package for those areas in which SSA does not currently have authority to enact change in order to position SSA to expeditiously redirect its emphasis on return-to-work. | |

**Table XVIII.3: New Technology Required to Cope With Future Workload Demands**

To cope with increased workload demands—caused, in part, by the forthcoming retirement of the baby boom generation—SSA is counting on its effective use of technology to allow the agency to serve the increasing numbers of applicants and beneficiaries with fewer staff. However, concerns have been raised about the implementation of new computer equipment under the Intelligent Workstation/Local Area Network (IWS/LAN) initiative, which is intended to play a major role in SSA's redesigned work processes and in better serving a larger beneficiary population. SSA also needs to address deficiencies in its information systems' internal controls. The SSA fiscal year 1998 financial statement audit noted continuing deficiencies in the design and operation of information systems' internal controls. These deficiencies raise concerns regarding information protection, continuity of operations, and separation of duties. Specific information protection weaknesses were noted in SSA's local area network, distributed systems, and mainframe computer security. The audit also noted that SSA remains vulnerable should a near-term disaster occur because of deficiencies in components of its disaster recovery plan and related testing of that plan. In addition, the audit noted instances of insufficient separation of duties, particularly in the data operations and customer service staff position.

The seven open recommendations regarding SSA's effective use of technology to serve its beneficiaries are discussed in the following table. While there are no open GAO recommendations related to information systems' internal controls, an audit by an independent public accounting firm (which can be found in the Social Security Accountability Report for fiscal year 1998) identified deficiencies that need to be addressed to ensure appropriate information security. GAO continues to monitor SSA's progress in addressing its internal control deficiencies as part of GAO's efforts on the governmentwide consolidated financial statement audit.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| AIMD-94-143<br>Sept. 19, 1994 | The Commissioner of Social Security should better define IWS/LAN requirements by linking the agency's planning and reengineering efforts to its automation initiatives, including implementing fully functioning pilots to assess the ability of IWS/LAN to support reengineered processes at locations offering the most potential benefits. | SSA agreed with, and is in its early stages of implementing this recommendation. SSA began pilot tests on its Reengineered Disability System (RDS) in August 1997 to assess the ability of IWS/LAN to support reengineered processes. However, SSA encountered performance problems during its RDS pilot tests and tasked a contractor to evaluate the RDS software development project. Based on the contractor's evaluation, SSA expected to select an option for proceeding to achieve the objectives of the RDS project. As of mid-May 1999, however, Systems officials stated that the contractor's report had not been finalized and delivered to SSA. |

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| GAO product | Recommendation | Agency action |
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| | The Commissioner of Social Security should better define IWS/LAN requirements by linking the agency's planning and reengineering efforts to its automation initiatives. This includes working closely with states in reassessing systems requirements for state Disability Determination Services to ensure that they support SSA business and service delivery needs and state requirements. | SSA agreed with, and is well along in implementing this recommendation. SSA initiated steps to work with state Disability Determination Services (DDS) officials in determining systems requirements to support the reengineered disability process. DDS officials have been included in SSA's Disability Process Reengineering pilot efforts, including those for the RDS software system. SSA encountered performance problems during RDS pilot tests and Systems officials have indicated that additional workstations will be needed to satisfy all of SSA's and the DDS' requirements. As a result, the CIO has requested that SSA reassess its needs and identify the total number of workstations required to support the IWS/LAN initiative. SSA must continue working with state DDSs in assessing systems requirements to ensure that they support SSA business needs and state requirements. |
| | The Commissioner of Social Security should estimate and annually report the total cost and benefits of process and systems changes. This should include establishing measurable cost and performance goals that will provide SSA and its oversight bodies with adequate information to assess the reasonableness of SSA goals and progress during testing and implementation of IWS/LAN. | SSA agreed with, and is in its early stages of implementing this recommendation. SSA is enhancing its investment review process to assess major investments at key decision points to ensure the proposed initiatives are well founded, are redirected or terminated when necessary, are achieved within the approved cost and schedule, and provide expected benefits. SSA also initiated pilot tests to assess the ability of IWS/LAN to support reengineered processes. SSA encountered performance problems during RDS pilot tests, and tasked a contractor to evaluate RDS. Based on the contractor's evaluation, SSA intended to select an option for proceeding to achieve the objectives of the RDS project including the definition of an operational testing and cost-benefit evaluation strategy that ensured RDS releases were operationally sound and cost-beneficial before further IWS/LAN investments were made. However, as of mid-May 1999, Systems officials stated that the contractor's report had not been finalized and delivered to SSA. |
| AIMD-98-39 Jan. 28, 1998 | To strengthen SSA's software process improvement program, as part of its recently initiated pilot projects, the Commissioner of Social Security should direct the Deputy Commissioner for Systems to develop and implement plans that explicitly articulate SSA's strategy and time frames for (1) developing baseline data, (2) identifying specific, measurable goals for its improvement initiative, and (3) monitoring and measuring progress in achieving these goals. | SSA agreed with, and is well along in implementing this recommendation. SSA established a Software Measurement Team to work closely with its Software Process Improvement Team to ensure that proper measures and goals are put into place for its software process improvement effort. In July 1998, SSA completed a plan that delineates tasks and activities needed to develop its baseline data and specific measurable goals for its software process improvement initiative. SSA has now implemented the plan to collect baseline data, focusing initially on five new projects, including three Capability Maturity Model pilot projects. However, SSA's goal is to collect baseline data from about 30 projects in total, and it needs to reflect the additional projects in its plan. SSA has stated that it will revise the plan to reflect the increased scope of this effort. |

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| GAO product | Recommendation | Agency action |
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| AIMD-98-136 June 19, 1998 | To strengthen SSA's management of its IWS/LAN investment, the Commissioner of Social Security should direct the Deputy Commissioner for Systems to immediately assess the adequacy of workstations specified in the IWS/LAN contract, and based on this assessment, determine (1) the number and capacity of workstations required to support the IWS/LAN initiative, and (2) its impact on the IWS/LAN implementation schedule. | SSA agreed with, and is well along in implementing this recommendation. In August 1998, SSA reported that it had determined the number of workstations required to implement IWS/LAN. Since then, Systems officials have indicated that additional workstations beyond the 56,500 specified in the contract will be required to meet all of SSA's and the state DDS' needs. In April 1999, the CIO requested that SSA conduct a study to reassess its needs and identify the total number of workstations required to support the IWS/LAN initiative. SSA plans to use the results of this study to revise the IWS/LAN workyear savings and return on investment beyond the initial 56,500 workstations. SSA is also in the process of awarding an IWS/LAN follow-on contract to complete the national IWS/LAN rollout. Once the contract is awarded, SSA plans to update its IWS/LAN implementation schedule. |
| | To strengthen SSA's management of its IWS/LAN investment, the Commissioner of Social Security should direct the Deputy Commissioner for Systems to work closely with state DDSs to promptly identify and resolve network management concerns and establish a strategy for ensuring the compliance of those states relying on IWS/LAN hardware for year 2000 corrections. | SSA agreed with, and is well along in implementing this recommendation. SSA continues to work with the DDSs to identify and resolve IWS/LAN network management concerns at DDS offices and establish a strategy for ensuring the compliance of those states relying on IWS/LAN hardware for Year 2000 corrections. As of March 1999, SSA has only provided one DDS an alternative capability for increased network control and the agency has not yet resolved other network control and management issues throughout the DDS community. In addition, while SSA has identified equipment in each DDS that is not Year 2000 compliant, it must still complete its strategy for addressing these needs promptly. |

(continued)

| GAO product | Recommendation | Agency action |
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| | To strengthen SSA's management of its IWS/LAN investment, the Commissioner of Social Security should direct the Deputy Commissioner for Systems to establish a formal oversight process for measuring the actual performance of each phase of IWS/LAN, including identifying the impact that each IWS/LAN phase has on mission performance and conducting post-implementation reviews of the IWS/LAN project once it is fully implemented. | SSA agreed with this recommendation. However, it has not yet begun implementing the recommendation, although it intends to do so. SSA agrees that performance goals and measures should be prescribed to determine how well information technology investments support its programs and provide expected results. SSA stated that it is determining whether expected benefits are being realized from IWS/LAN installations through in-process and post-implementation assessments. SSA further stated that its planning and budgeting process ensures that it regularly assesses the impact of IWS/LAN on agency productivity and mission performance. However, SSA could not provide specific information to show how its planning and budgeting process and data on workyear savings resulting from IWS/LAN installations were being used to assess the project's actual contributions to improved productivity and mission performance. In addition, SSA has not yet scheduled a post-implementation review for Phase I of the IWS/LAN initiative, although, in April 1999, the CIO requested that an IWS/LAN investment review be performed. To ensure that its investments are sound, it is crucial that SSA develop measures to assess mission-related benefits, and use them in making project decisions. |

# U.S. Postal Service

**Table XIX.1: Long-Standing Challenges in Labor-Management Relations**

The Postal Service has been hampered by long-standing challenges in labor-management relations that, in many instances, resulted from autocratic management styles; adversarial attitudes of employees, unions, and management; and an inappropriate and inadequate performance management system. Labor-management relations have been exemplified by numerous unresolved employee grievances; disagreements that have impaired initiatives to improve the efficiency of postal operations, such as disagreements over implementation of postal automation between the Service and the labor union that represents city letter carriers; and frequent reliance upon third-party arbitration to settle contract negotiations. Although achieving consensus does not come quickly or easily, we believe that continued labor-management problems may lead to escalating workplace difficulties and hamper efforts to achieve desired improvements.

We have one open recommendation in this area. In 1994, we recommended that the parties establish a framework agreement that would outline common goals and strategies to set the stage for improving the postal work environment. The Service accepted our recommendations.

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| GAO product | Recommendation | Agency action |
|---|---|---|
| GGD-94-201A&B Sept. 29, 1994 | The Postal Service and its unions and management associations should develop a long-term framework agreement to change the workplace climate in mail processing and delivery functions. The agreement should provide for the following principles and values:<br><br>(1)structure the work to give employees greater responsibility and accountability for results;<br>(2)provide incentives to encourage all employees to share in the tasks necessary for success and to allow for recognition and reward for corporate and unit performance;<br>(3)train employees and hold them accountable, with a focus on customer service;<br>(4)select and train supervisors to be facilitators/ counselors who will have the skills, experience, and interest to treat employees with respect, motivate them, recognize and reward them, promote teamwork, and deal with poor performers; and<br>(5)counsel, train, and if necessary, remove supervisors and employees who show a lack of commitment to work-unit goals, values, and principles. | The Postal Service agreed with this recommendation. The Postal Service and its unions and management associations have initiated efforts to improve labor-management relations, but a framework agreement between the Service and all of its unions and employee organizations has not been achieved. The Service has recently negotiated contract agreements with two major unions, while contract negotiation with a third union is in binding arbitration. In addition, the Service has held a series of summit meetings involving the major unions and management associations under the auspices of the Federal Mediation and Conciliation Service to address concerns raised in our report. The Service reports that it has reached individual agreements with its unions that focus on reducing conflict in the workplace, identifying and eliminating root causes of labor disputes, and improving the effectiveness of grievance arbitration procedures.<br><br>The Service also reported that it has several initiatives under way to improve the quality of postal management. Some of these initiatives include training programs to enhance the skills and abilities of mid-level managers and first-line supervisors. |
| | | The Service states that it intends to build on its efforts to improve labor-management relations and that it eventually may be possible to pursue a framework agreement encompassing all organizations once there is increased trust among the parties. |

**Table XIX.2: The Continuing Challenge of Containing Postal Costs and Protecting Revenues**

The Postal Service's continued success will depend heavily on controlling operating costs, strengthening internal controls, and ensuring the integrity of its services. The Service has recognized that it needs aggressive cost management and strong and effective internal operating controls to avoid unwarranted costs. However, in recent years we have reported on needed actions to control costs and protect postal revenues in several areas, such as its automation program to improve the efficiency of letter carriers; its program to receive postage due from bulk business mail that has accounted for almost one-half of the Service's annual revenue; and its efforts to prevent and detect fraudulent use of mechanical postage meters. We have also reported that the Service has experienced cost overruns on a number of major capital projects and failed to realize some opportunities to achieve savings. This situation has been exacerbated by weak internal controls. Finally, as competition grows and places billions of dollars of revenues at risk, the Service has said that it will be challenged to find new revenue sources. Recent efforts by the Postal Service to introduce new products and services have frequently met opposition and caused controversy as competitors and others have questioned whether it is appropriate for the Service, a government entity with monopoly protection, to provide nontraditional products and services, such as retail merchandise and new electronic initiatives, in competition with the private sector.

While we do not currently have any open recommendations in this area, we plan to continuously monitor the Service's operational and financial performance and assess the need for further improvements. As competition increases, we also have continuing concerns about the Service's ability to control costs and improve productivity while meeting its goals to maintain and improve service.

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**Table XIX.3: The Need to Implement Reliable Indicators of Postal Performance**

Major mailers and the public remain concerned about obtaining quality service at reasonable prices. The Postal Service has committed to developing reliable indicators of postal performance corresponding to each of its performance goals so that it can track progress and meet the requirements of the Government Performance and Results Act of 1993 (the Results Act). Recently, the Service has reported improvements in delivery service, including its record of on-time delivery of overnight First-Class Mail, which improved from 82 percent in fiscal year 1994 to 93 percent in fiscal year 1998. However, we have reported on concerns that past achievements in overnight mail delivery came at the expense of other mail service, such as 2-day and 3-day letter mail, advertising mail, and periodicals. In addition, the Service has acknowledged that some employees sought to undermine the integrity of performance data on overnight mail delivery.

The Postal Service continues to progress in this area, and we do not currently have any open recommendations. During our reviews of the Postal Service's fiscal year 1999 and fiscal year 2000 annual performance plans, the Service acknowledged that it had not completed its process of developing measurable indicators for all of its performance goals. The Service recognized that development of additional performance indicators would be an ongoing process and stated its intention to continue developing and adding new performance indicators in subsequent annual performance plans. We will continue to monitor the Service's progress in this area, because without adequate performance indicators, it will not be possible to measure the Service's progress toward meeting its performance goals.

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**Table XIX.4: Postal Service at Risk of Year 2000 Problems**

The Postal Service faces a major challenge in updating its computer systems to avoid Year 2000 malfunctions that could disrupt mail delivery. The Service has a special responsibility to correct its computers because a number of private sector and government groups may need to use the Postal Service as a backup delivery system if their computers malfunction. For this reason, the Postal Service is concerned about the prospect of a mail surge in January 2000. An early assessment by the Postal Service's Office of Inspector General showed that the Service was slow to recognize the scope of the challenge and act to ensure that its computer systems were Year 2000 compliant. The Service estimated last year that the total cost of fixing its Year 2000 problem could be as much as $500 million to $700 million.

We have not made formal recommendations in this area, but have continued to monitor the Service's progress in addressing the Year 2000 problem. We identified the major challenges still facing the Postal Service in our testimony in February 1999. These challenges included (1) completing systems renovation and mail processing equipment correction and testing, (2) ensuring the readiness of hundreds of local facilities, (3) determining the ability of key suppliers and interface partners to be Year 2000 ready, (4) completing simulation testing of business process areas, and (5) completing the development and testing of business continuity and contingency plans. Further, these challenges are exacerbated by the fact that the Service anticipates a surge in workload beginning in September due to the holiday business rush, which typically requires greater management attention. Our testimony noted that top postal managers should ensure that an overall management plan is developed and followed, continue to provide resources and support for the program, and ensure that all components and business areas fully support and participate in the process. The Service has developed the overall management plan and continues to act to address the remaining challenges that are critical to ensuring that the Service is ready for the year 2000.

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