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ENVIRONMENTAL PROTECTION

Status of Defense Initiatives for Cleanup, Technology, and Compliance



**National Security and
International Affairs Division**

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The Honorable James M. Inhofe
Chairman
The Honorable Charles S. Robb
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
United States Senate

The Department of Defense (DOD) spends about \$5 billion annually to fulfill its environmental mission. In response to your February 3, 1997, request, we examined selected aspects of DOD's environmental mission. Specifically, this report addresses (1) the time lag between obligations and expenditures for environmental cleanup and its impact on achieving actual cleanup, (2) the basis for funding overseas cleanup, (3) DOD proposal to enter into multistate cooperative agreements for technology certification, and (4) DOD's need for and efforts toward uniform tracking and management of programs involving compliance with environmental laws and regulations.

Background

DOD and other federal facilities are subject to the same environmental, safety, and health laws and regulations as private industry. To fulfill its environmental mission, DOD organized its program into five elements: compliance, cleanup, conservation, pollution prevention, and technology. This report covers three elements that use about \$4.2 billion (90 percent) of DOD's approximately \$4.6 billion funding for environmental protection for fiscal year 1997. They are

- cleanup (\$2 billion), which includes identification, investigation, and cleanup of contamination from hazardous substances and waste on active, closing, and formerly used DOD sites;
- technology (\$0.2 billion), under which DOD invests in research, development, demonstration, and validation of new technologies to support the other elements of its environmental program; and
- compliance (\$2 billion), which ensures adherence to environmental laws and regulations of federal, state, and local jurisdictions. DOD funds domestic cleanup primarily from the Defense Environmental Restoration

Account (DERA).¹ Other environmental activities such as overseas cleanup, technology certification, and environmental compliance, are funded directly from several appropriation accounts, primarily operations and maintenance. In August 1996, we reported on the status of major defense initiatives for cleanup, technology, and compliance.²

Results in Brief

Of the \$1.413 billion made available for environmental cleanup through the fiscal year 1996 Defense Environmental Restoration Account, DOD reported that it obligated \$1.409 billion by the end of that fiscal year, and expended \$385 million. As a result, reported expenditures for actual cleanup have not proceeded as rapidly as the obligations shown in DOD's annual cleanup report to Congress.

The primary reasons cited by the defense components for cleaning up overseas sites have been responses to concerns about U.S. personnel health and safety, and compliance with host nation laws or agreements and U.S. standards. Defense components reported that \$102 million had been obligated for overseas cleanup during fiscal years 1993-96.

DOD told us that it plans to enter into cooperative agreements with states and local governments regarding the certification of environmental technologies. DOD identified candidate technologies for such agreements and expects to sign the first agreement by the end of fiscal year 1997. DOD officials have not estimated the costs for expected cooperative agreements in fiscal years 1997 or 1998 because they do not view the use of these agreements as a separate program and they expect cost savings to offset expenditures.

DOD compliance project and cost data, as reported in the 1996 Environmental Quality Annual Report to Congress, are not complete or accurate. The DOD-wide funding totals for environmental compliance did not account for all funds or major projects. The report omitted about \$250 million in funding and failed to include some major Navy projects. Also, compliance activities with widely varying characteristics are now being combined in DOD's classification categories. Projects with

¹Most DOD cleanup actions are funded through DERA and the Base Realignment and Closure (BRAC) account. Congress established DERA in 1984 to fund the cleanup of old contamination sites on active DOD installations and formerly used defense sites, and it later established the BRAC account for closing installations. For fiscal year 1997, the reported DERA funding totaled \$1.3 billion, and BRAC expenditures totaled \$0.7 billion. BRAC expenditures were discussed in *Military Bases: Potential Reductions to the Fiscal Year 1997 Base Closure Budget* (GAO/NSIAD-96-158, July 7, 1996).

²Environmental Protection: Status of Defense Initiatives for Cleanup, Compliance, and Technology (GAO/NSIAD-96-155, Aug. 2, 1996).

compliance milestones in the year 2000 and beyond are now included with installations already out of compliance. Thus, DOD, the Environmental Protection Agency, and Congress lack the data for environmental compliance they need to conduct oversight functions. Because DOD has indicated a reluctance to take the necessary actions to correct the problems noted in the report, we are suggesting that Congress may wish to consider requiring DOD to ensure that the problems are addressed.

DOD Funds for Cleanup Were Expended Over Several Years

In response to our and Congress' concerns, DOD reported that environmental funds obligated for actual cleanup at active installations and formerly used defense sites reached about 61 percent in fiscal year 1995 and were projected to reach about 74 percent in fiscal year 1997.³ Although DOD reported obligating increasing amounts of funds for actual cleanup activities, a significant portion of these funds will not actually be expended until after the year of obligation. Officials from the Office of the Secretary of Defense (OSD) stated that the expenditure of these funds is based on the amount of work that is completed satisfactorily by contractors.⁴ Expenditures are made after a contractor completes a portion of the contract and submits a bill for the work done, and the government validates the bill and writes a check to pay it.

Table 1 shows that funds appropriated to DERA for fiscal years 1990-95 are reported by the defense components as expended over a period of years, with less than 30 percent expended in the year of appropriation, except for fiscal year 1995.⁵ DOD officials told us that the expenditure rates were generally better than the first-year expenditure rate of 22 percent, which was established as reasonable in a December 1993 joint Office of Management and Budget and Congressional Budget Office letter on outlay rates. OSD officials stated that the expenditure data were obtained from requests to defense components—the Army, the Navy, the Marine Corps, the Air Force, and the Defense Logistics Agency (DLA)—for data because OSD lacks direct access to such defense component reported expenditures.⁶

³This figure was taken from the President's budget submission for fiscal year 1997.

⁴We use the term expenditure to refer to the amount of checks issued or other payments made. DOD's July 1996 Financial Management Regulation indicates that the terms disbursement, outlay, and expenditure may be used interchangeably.

⁵DOD officials told us that the percent for this year may be higher than in other years because of rescissions. The total appropriation dropped by \$300 million, causing reported expenditures for that year to become a larger percentage of the total program funding.

⁶We have issued a series of reports over the past few years documenting deficiencies in the Department's ability to reliably account for and report on its expenditures.

Expenditure data showing further breakdowns of cleanup phases, such as study, oversight, and actual cleanup, were not available for fiscal years 1990-95 but were available for fiscal year 1996.

Table 1: Reported Expenditures From Cleanup Funds for All Phases of Cleanup as a Percentage of Environmental Account Appropriations (fiscal years 1990-95)

Fiscal year appropriations	Percent expended						
	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
1990	22.6	44.3	18.2	5.4	2.0		
1991		21.4	43.7	18.2	4.6	^a	
1992			26.1	42.5	16.8	^a	^a
1993				27.2	42.6	14.4	4.6
1994					24.5	40.0 ^b	15.0
1995						37.1	32.8

^aThe fiscal year 1995 and 1996 expenditure data for the fiscal year 1991 and 1992 appropriation years were not available at the time of our review.

^bAccording to OSD, the Army's portion of expenditures for this year was estimated based on input from other defense components and Army data before and after the fiscal year 1995 time frame.

Source: Office of the Deputy Under Secretary of Defense for Environmental Security.

In fiscal year 1996, the defense components and the Defense Finance and Accounting Service (DFAS) began preparing reports on the components' accountability for environmental restoration funds. A specific goal for establishing the reporting requirement was to track expenditures by phase, such as cleanup in the year of appropriation and subsequent fiscal years. DFAS data did not include all reported obligations in its first report. However, it did account for \$1.2 billion of the \$1.4 billion reported amounts obligated by DOD in fiscal year 1996 and \$325 million of the \$385 million reported expenditures by DOD. Table 2 shows the fiscal year 1996 DERA expenditure plan in the fiscal year 1997 President's budget submission and the end-of-year obligations and expenditures for fiscal year 1996 by phase, as reported by DFAS.

Table 2: Reported Obligations and Expenditures as a Percentage of DERA Funding for Fiscal Year 1996 by Phase

Dollars in millions					
Phase	Budget plan	Obligations		Expenditures	
	Dollars	Dollars	Percent	Dollars	Percent
Total	\$1,413^a	\$1,206^b	85	\$325	23
Cleanup	911	757	83	176	19
Study	319	329 ^c	103 ^c	91	29
Oversight	183	120	65	58	32

^aThe funding, as reported in the budget submission, is \$2 million greater than that reported by DFAS. The higher total includes \$1.4 million carried over from prior years, which the DFAS report does not include.

^bDFAS data did not account for all obligations and expenditures.

^cAlthough DFAS accounted for less than the total amount obligated, obligations for the study phase were more than originally estimated.

Source: The President's fiscal year 1997 budget submission for budget plan data and DFAS for obligation and expenditure data.

According to DFAS report data as of September 30, 1996, DOD expended 23 percent of the total \$1.413 billion of the DERA budget plan in fiscal year 1996. The reported first-year expenditures for study and oversight, 29 and 32 percent of budget, respectively, exceeded the expenditure rate for cleanup.

DFAS officials acknowledge that they cannot presently track detailed breakouts, such as by cleanup phase, of all expenditure data after the first year. Officials told us they recently identified problems in capturing Army and Navy environmental restoration program continuing obligations and expenditures against the fiscal year 1996 appropriation—the first reporting year. According to DFAS, the Army's accounting system does not allow identification of specific program elements beyond the first year for operation and maintenance. Although they agreed that they could provide aggregate expenditure data, Navy officials stated their accounting system does not permit tracking expenditures by phase of cleanup beyond the appropriation year, and the Navy did not submit fiscal year 1996 data in the first quarter of fiscal year 1997. The Air Force had prior difficulty reporting expenditures but believes it has resolved the problems. OSD officials said they were working with the Army and the Navy to resolve these reporting problems.

Cleanup of Overseas Sites Is Largely for Host Country and U.S. Requirements

According to DOD officials, reasons for cleaning up overseas sites are to (1) respond to known imminent and substantial endangerment to human health and safety due to environmental contamination caused by DOD operations; (2) ensure that U.S. forces are able to conduct operations; and (3) respond to requirements stipulated by host nations, which are laid out in Status of Forces Agreements or other legal authorities. The degree of cleanup is negotiated with the host nation before starting work. DOD told us that it uses either host nation laws as the standard for cleaning up or U.S. standards, such as the National Contingency Plan under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, when host nation standards are not specified.

DOD does not routinely report overseas cleanup data, such as numbers, values, or reasons for cleanup. In response to your 1996 inquiry, we asked DOD to provide such information on a one-time basis. Although the data were not complete, we believe the preliminary data provide some useful insight. Information provided by defense components indicates that 69 of 355 overseas cleanup projects with documentation of the reason for cleanup were based on host country laws or host nation agreements. Army officials stated that many of the 195 cleanups for which documents did not show a reason also related to host country laws or requirements.

Our August 1996 report provides a breakdown of the total reported \$102 million for overseas cleanup, including information on the number of sites and projects and funding for fiscal years 1993-96 by service. Table 3 shows the basis for and number of overseas cleanup projects reported by defense components. Host nation laws or agreements were cited as the basis for 3 of the Army's 7 projects for which a basis was reported and for 33 of the Navy's 40 projects. The Marine Corps cited health risks as the basis for projects; the Air Force cited various policies, standards, instructions, and host nation agreements; and DLA cited U.S. responsibility and host nation laws.

Table 3: Overseas Cleanup Projects Identified by Defense Component and the Basis Cited for Cleanup (fiscal years 1993-96)

Component	Basis cited by service component					Total
	U.S. standards	Host nation agreement	Host nation law	Basis not documented	Other ^a	
Army	0	0	3	195 ^b	4	202
Navy	0	26 ^c	7	0	7	40
Marine Corps	2	0	0	0	0	2
Air Force	56 ^d	31 ^e	0	0	17	104
DLA	5	0	2	0	0	7
Total	63	57	12	195	28	355

^a Other category includes training requirements, surveys, and DOD and Air Force policies.

^bThe Army did not report a basis for action for 195 of the 202 projects, but officials told us most, if not all, of the Army's overseas cleanup expenditures are based on host nation laws or agreements.

^cThese projects were based on final standards governing the cleanup, which are a combination of the overseas environmental baseline guidance document standards, host nation laws, and international and Status of Forces Agreements.

^dOf the 56 projects, 22 were based on DOD's Overseas Environmental Baseline Guidance Document standards, which provide implementation guidance, procedures, and criteria for environmental compliance at overseas installations.

^eThese projects were based on the host nation's final standards governing the cleanup.

Source: Defense components.

In reviewing data provided by the Air Force and the Navy, OSD officials stated that there was no official DOD guidance on overseas cleanup before late 1995. They stated that data before 1996 were not easily categorized due to difficulties in differentiating cleanup expenses from compliance expenses overseas. Funding for both overseas cleanup and compliance comes from operation and maintenance funds, according to OSD officials, and some cleanup costs, such as those that refer to Overseas Environmental Baseline Guidance Document standards, may actually have been compliance activities. DOD officials are reviewing Air Force and Navy data to determine the correct basis for cleanup. Also, DOD Inspector General officials told us that they plan to determine the basis for cleanup as part of a planned review of overseas cleanup issues.

Cooperative Agreements for Technology Certifications Are Not Yet Established

At OSD's request, Congress authorized the Secretary of Defense, in fiscal year 1997, to enter into cooperative agreements with states and local governments to certify new environmental technologies.⁷ State environmental authorities supervise many environmental activities and may require demonstration of a new technology before authorizing its use. DOD officials believe state expertise can be used to address environmental requirements cost-effectively, improve operational effectiveness, and achieve wider acceptability of technologies. According to DOD, cooperative agreements would provide a mechanism for several states to view a demonstration of an environmental technology in one location and approve and certify the technology. Under the new law, DOD officials identified potential technologies for consideration and anticipated entering into the first of expected cooperative agreements by the end of fiscal year 1997. However, DOD has not estimated the costs involved in entering into cooperative agreements because officials do not view the use of these agreements as a separate program and they expect savings to offset agreement costs.

Legislative Requirements for Cooperative Agreements

The Defense Authorization Act for Fiscal Year 1997 allows DOD to enter into cooperative agreements for obtaining assistance in demonstrating environmental technologies, collecting and analyzing data from those demonstrations, and implementing quality assurance and quality control programs.⁸ The act requires that the Secretary report annually to Congress on the number of agreements reached and the states involved, nature of the technology involved in each agreement, and funds obligated or expended by DOD during that year for each agreement. The Secretary's authority to enter into agreements terminates at the end of fiscal year 2001.

No Agreements to Date

DOD has not yet entered into any cooperative agreements, but it expects to do so by the end of September 1997. To date, DOD has not estimated costs for agreements. DOD officials stated that they view cooperative agreements as tools to enhance existing environmental programs rather than as a separate program. Consequently, they told us they have not developed documents to describe overall goals or project costs.

⁷National Defense Authorization Act for Fiscal Year 1997, Public Law 104-201, September 23, 1996.

⁸To qualify for a cooperative agreement, the Secretary of Defense must determine that the technology could significantly benefit DOD and that there is no private market for the technology without certification.

DOD officials have not estimated costs for cooperative agreements, but they expect any added costs to be minimal partly because the number of technology demonstrations would be reduced. According to DOD officials, each agreement could have different related costs, including employee salaries for demonstration site visits, employee travel costs to demonstration sites, and the cost of analyses required for state reciprocity. DOD expects funding for cooperative agreements to come from projected savings in other environmental funds.

DOD officials stated that, before the law's enactment, they had used the demonstration technology approach. For example, DOD worked with the Departments of Energy and Interior, the Environmental Protection Agency (EPA), and western states to demonstrate a system that measures subsurface conditions. If the system is employed, the parties expect it to reduce the number of core samples and monitoring wells needed to screen sites effectively. In another example, the Navy worked with other federal and state entities and a commercial company to demonstrate new methods to clean up polychlorinated biphenyls, pesticides, and halogenated compounds from soil, sediments, liquids, and other materials. We requested DOD cost and milestone dates, but they stated they had no definitive information.

Potential Technologies and States Identified for Cooperative Agreements

DOD has identified over 100 technologies as potential candidates under the new law. For example, table 4 shows 12 projects in DOD's Environmental Security Technology Certification Program that could be developed as cooperative agreements.⁹ OSD officials stated that DOD is now deciding which technologies, potential uses, and regulatory agencies (federal, state, or local) might be involved in demonstration projects. DOD plans to select technologies based on urgency, acceptability, and utility, and then expects to match validated technology needs with each location.

⁹The program aims to demonstrate and validate technologies that meet DOD environmental needs and environmental security objectives.

Table 4: Candidates Identified by DOD for the Use of Cooperative Agreements as Part of Its Environmental Security Technology Certification Program

Project	Demonstration state	Number of states where technology could be applied
Recycling of waste acids	New York	5
Site characterization system	Louisiana	50
Containment and recycling of small arms ammunition	Kentucky	50
High-temperature destruction of hazardous waste	Virginia	9
Oxidation of explosives in water	Nebraska	12
Underground barrier wall	California	45
Groundwater recirculation wells	Massachusetts	4
Seismic detection of dense liquids	Pennsylvania	50
Fuel contamination treatment	California	51 ^a
Fiber-optic sensors	Washington	12
Removal of lead-based paint	Illinois	51 ^a
Water oxidation	Arkansas	5

^aIncludes Washington, D.C.

Source: Office of the Deputy Under Secretary of Defense for Environmental Security.

Need to Improve Data Used for Compliance Oversight Continues

DOD has modified its environmental reporting, but environmental compliance project and cost data reported by the defense components in the 1996 Environmental Quality Annual Report to Congress were not yet complete or accurate. Environmental projects of widely varying compliance status are being included in DOD's compliance categories because changes in DOD's policy now combine previously distinct categories and not all service data systems can provide the data for the revised reporting categories.

DOD Initiatives to Improve Compliance Management Began in 1995

We and OSD have noted that DOD's budget execution and financial reporting do not provide DOD or Congress with the information needed to provide for oversight of compliance. In 1995, DOD began an environmental quality initiative to promote consistency in compliance definitions, categories, and requirements. It planned to identify goals; strategies; budget items; and measures of performance for compliance, conservation, and pollution prevention. Accordingly, for the fiscal year 1998 budget planning process, DOD's Office of the Under Secretary of Defense for Environmental Security established new policies and goals for classifying compliance projects and

obtaining needed compliance data. For fiscal year 1999 planning, DOD officials have added explanatory footnotes to budget preparation instructions.

OSD officials stated that they asked the defense components to provide funding breakdowns by project and environmental area (such as compliance or pollution prevention) to support fiscal year 1998 data in next year's annual report for fiscal year 1996. However, they told us that such detail may not be included in the report because data reported by the services were not consistent and could not be standardized for reporting.

Compliance Data Are Not Complete or Accurate

Although the environmental quality report for the first time included individual projects at installations, the data were incomplete because they did not account for all environmental funding or include all projects costing \$300,000 or more. For instance, the report discussed environmental quality programs, including technology, and showed \$2.33 billion planned for DOD's fiscal year 1997 environmental quality program worldwide.¹⁰ However, the President's 1998 budget for fiscal year 1997 totaled \$2.58 billion.¹¹

The report's breakout of projects costing \$300,000 or more omitted some projects. Not all costs would be expected to be included in detail because much of DOD's spending is for recurring costs that are not project based, and many projects fall under the report's \$300,000 threshold. However, the Army's, the Air Force's, and the Marine Corps' detailed project lists accounted for 36, 27, and 25 percent, respectively, of the total they planned to spend, but the Navy's project lists accounted for only 6 percent. Our visits to Navy locations showed that more projects were eligible to be reported. For example, the fiscal year 1995 DOD Environmental Quality Annual Report released in December 1996 showed that the U.S. Atlantic Fleet planned 4 fiscal year 1997 projects costing \$300,000 or more, but data at the U.S. Atlantic Command showed 21 approved projects costing \$300,000 or more for fiscal year 1997.

The Navy reported planned spending of about \$737 million for its fiscal year 1997 U.S. environmental quality program, but it reported 56 projects

¹⁰According to DOD, its environmental quality program is divided into six major functions: planning, compliance, pollution prevention, conservation, education and training, and environmental technology.

¹¹Our draft report reflected a difference of over \$200 million based on the 1997 President's budget for fiscal year 1997, a total of \$2.55 billion (\$220 million greater than the \$2.33 billion in DOD's annual report).

costing \$300,000 or more, valued at about \$41 million (about 6 percent of its reported total). In discussing this issue, Navy headquarters officials stated that (1) most Navy projects fall under the \$300,000 reporting threshold, but the project amounts may later increase; (2) some proposed requirements may be validated later; and (3) new requirements may arise after approval. However, the supporting documentation we examined, such as U.S. Atlantic Fleet project costs, indicated that although better data were available at the time, the Navy did not provide that information to DOD.

Also, reported summary and detailed data are not always accurate. Our comparison of planned funding for environmental quality for fiscal year 1997, as estimated in DOD's two most recent reports, varied significantly in aggregate totals by state and other localities. DOD's planned environmental quality funding for fiscal year 1997 in the two most recent reports was similar in total but varied widely for aggregations, even at the state level. The total difference between the fiscal year 1994 report at \$2.083 billion and the fiscal year 1995 report at \$2.016 billion was a reduction of about \$67 million, a difference of only 3 percent. Even though it is reasonable to expect year-to-year differences in program estimates, more than half of the states and localities varied by significant amounts. Allocations for 29 states and other localities for fiscal year 1997 varied by more than either \$30 million or 30 percent from the plans as estimated in DOD's fiscal year 1994 report versus the fiscal year 1995 report. Data from only nine states and other localities varied by less than 10 percent from one report to the next. Table 5 shows the variations exceeding \$10 million.

Table 5: Fiscal Year 1997 Planned Spending in Fiscal Year 1994 and 1995 Defense Environmental Quality Reports

Dollars in millions				
State	Fiscal year 1994 dollars	Fiscal year 1995 dollars	Dollar difference	Percent difference
Colorado	\$21.9	\$33.3	\$11.5	53
Connecticut	20.8	9.5	-11.3	-54
District of Columbia	234.6	172.0	-62.6	-27
Florida	100.1	63.2	-36.9	-37
Hawaii	89.8	53.7	-36.0	-40
Louisiana	31.0	16.4	-14.6	-47
Missouri	30.4	10.9	-19.5	-64
New Jersey	16.8	46.7	29.8	177
Ohio	20.9	45.7	24.8	118
Pennsylvania	26.2	39.0	12.8	49
Rhode Island	5.9	25.7	19.8	337
Virginia	\$344.1	\$302.4	\$-41.7	-12

Source: Defense Environmental Quality Program Annual Reports to Congress, Fiscal Years 1994 and 1995.

In discussing state-level variances, DOD officials told us they believe some major changes could be attributed to practices such as initially identifying funds for a nationwide initiative to a single headquarters unit and then later identifying specific locations. Also, major decisions, such as closing of bases through the base closure process, could cause some significant changes. In addition, DOD advised us that requirements generated under federal, state, and local environmental statutes and regulations become effective without regard to DOD's budget cycle, and may necessitate shifts in funding. DOD stated the extent of variance would preclude meaningful year-to-year comparisons of spending in different states.

Our comparison of fiscal year 1997 allotments to individual installations with information in DOD's December 1996 report for fiscal year 1995 showed significant differences at the selected installations. Records at these installations showed that all had changes to their programs from that reflected in the DOD reports. Some programs were reported with reasonable accuracy, whereas others showed large differences in costs and projects in the 1995 report. (Except as described below, neither we nor DOD has followed up to reconcile the differences.) For example:

- Fort Bliss, Texas, data in DOD's report showed \$25 million planned for the environmental quality program for fiscal year 1997, including 21 projects

costing over \$300,000 or more each, totaling \$14.5 million. Data at that location in January 1997 showed only \$18.8 million for the fiscal year 1997 environmental quality program. Of the original 21 projects, 4 were discontinued, 3 were deferred, 4 were funded early, and 4 were funded at less than \$300,000, the minimum for inclusion in the report. In addition, seven new projects were added at a reported total cost of \$4.4 million.

- DOD's report showed \$24 million in expenditures at Navy Public Works Center, Norfolk, Virginia, for fiscal year 1996, but data at the Center showed it had spent only about \$9.5 million for that period. An installation official said that the Center had incorrectly reported its fiscal year 1996 program to higher levels. We requested, but have not received, data on planned projects costing \$300,000 or more for fiscal year 1997.
- Data in DOD's report from Quantico Marine Corps Base, Virginia, showed a total of \$22.5 million. The total was \$5.9 million higher than the \$16.6 million that service officials reported. The Navy, which coordinates Marine Corps input, erroneously made two changes that affected the data. The Navy counted an \$8.9 million military construction sanitary landfill project twice and erroneously assessed a \$3-million environmental budget reduction. Quantico's current fiscal year 1997 environmental program has increased to \$17.3 million.
- Data from Aberdeen Proving Ground, Maryland, were relatively more accurate: the fiscal year 1995 report showed \$24.9 million planned for fiscal year 1997, and data at the installation showed planned fiscal year 1997 funding of \$21.7 million. However, the installation's data showed a greater portion of projects costing \$300,000 or more. Nine projects were added, increasing the projects' total, previously valued at \$6.3 million, to \$11.7 million.

Widely Varying Activities Are Included Within DOD's New Compliance Categories

We reported in March¹² and August 1996 that changes made by DOD in definitions for EPA classes used to set priorities for compliance projects in DOD's fiscal year 1998 budget could increase the number of highest priority projects. These changes could dilute the usefulness of the highest priority category by reducing management oversight. Our follow-up work indicates that the defense components have encountered difficulty in providing data in the new categories.

We also reported in March 1996 that, for its fiscal year 1998 budget process, DOD developed new definitions for four of the five EPA classes. We agreed with DOD's general approach but expressed concern that the class

¹²Environmental Protection: Issues Facing the Energy and Defense Environmental Management Programs (GAO/T-RCED/NSIAD-96-127, Mar. 21, 1996).

definitions in DOD's plan (1) were a significant departure from DOD's past definitions, (2) differed from EPA's definitions, and (3) expanded the number of projects that qualify for funding under compliance Class I without distinguishing among different project types, as shown in the following examples:

- Although EPA explicitly limits Class I to facilities currently out of compliance, as documented by notices of violation or consent agreements, DOD's new definition added projects to address requirements in facilities that may not be out of compliance for 2 or more years.
- DOD's descriptions also indicated that items that EPA includes in Class III (such as inventories, surveys, studies, and assessments) could also be routinely funded as Class I projects.
- EPA stated that designating a project as Class III does not mean the project is necessarily less important than one in Classes I or II. Nonetheless, the inclusion of greater numbers of indistinguishable projects under a redefined Class I could reduce management oversight. OSD officials stated it was not their intent to dilute the compliance priority setting process. As we reported in August 1996, DOD said it would act to ensure that priorities are not diluted in the compliance priority setting process. We have not yet seen changes to do this.

After we issued our March and August 1996 reports, DOD updated its environmental compliance guidance (DOD Instruction 4715.6) to reflect the new definitions. Our discussions and review of records showed some concerns about the definitions. For example, in a December 1996 memorandum, the Army's Training and Doctrine Command stated that it disagreed with DOD's revised policy because it is not consistent with the original class definitions. It stated that clear, logically consistent, and stable definitions are useful in managing an environmental program and that changing the definition of classes will make it harder to track, justify, and explain requirements.

The data gathered by DOD under the old or new system do not meet EPA's data needs. According to an April 1996 EPA memorandum, DOD agreed to separately provide EPA with project-level data and supplemental project listings with the details needed to support EPA's automated system. EPA had believed that the additional detail would allow it to recategorize DOD projects under EPA definitions for governmentwide comparability. However, the data DOD provided to EPA varied by service and omitted elements such as federal facility identification numbers and unique project numbers. Also, the Navy did not specify statutory authority data needed by

EPA, and DOD did not provide compliance status information. Without the compliance status information beyond DOD's classification, it is difficult to determine or compare the urgency of projects.

In discussing this issue, an OSD official did not agree that the changes in compliance classes have reduced oversight. The official stated that, even though individual organizations may have opposed the changes, Army headquarters has agreed to the change. Furthermore, the official said DOD provided the same data to EPA last year as it did to Congress and that EPA had not requested additional information this year. According to EPA, it was too late in the budget cycle to ask DOD for additional fiscal year 1997 data.

Conclusions and Recommendations

We support DOD's continuing efforts to resolve defense components' information system weaknesses that limit the accuracy and completeness of reported data. We also agree with DOD's efforts to provide project-level data for compliance oversight but believe that the initiative is impeded by the decision to combine previously distinct compliance categories and the services' inability to provide the requested project-level data. Therefore, we recommend that the Secretary of Defense direct the

- Secretaries of the Army, the Navy, and the Air Force to establish milestones and time frames for providing environmental compliance funding estimates, obligations, and expenditures, including data at the project level and
- Deputy Under Secretary of Defense for Environmental Security to reconsider changes in compliance class definitions so that the data permit better oversight and are more consistent with governmentwide reporting to EPA.

Matter for Congressional Consideration

DOD's inconsistent funding and reporting practices can lead to adverse budget consequences. DOD's planned actions appear to be insufficient to ensure that only the highest priority projects are funded. Because DOD's comments indicate that it does not plan to take the necessary actions to correct the problems identified in this report, Congress may wish to consider requiring DOD to issue guidance for environmental compliance funding. As stated in our recommendations, the guidance should address (1) milestones and time frames needed for obtaining environmental compliance funding estimates, obligations, and expenditures, including

project-level data and (2) changes to DOD's compliance class definitions that are more consistent with governmentwide reporting to EPA.

Agency Comments and Our Evaluation

DOD stated that it partially concurred with our recommendations, but that (1) existing milestones were sufficient and the military departments were improving their ability to meet them and (2) DOD recently reviewed the classification systems for environmental projects and made minor modifications. DOD indicated that it was working to improve the accuracy of the annual report's list of projects in excess of \$300,000 and to monitor the execution of those projects during a semi-annual review process. However, DOD noted that, at both the summary and project levels, expenditure reporting depends on the appropriation from which the efforts are funded. DOD also indicated that the EPA classification system is not sufficient to support budget development or longer range financial planning.

Despite DOD's partial concurrence with our recommendations, we are concerned that its response actually means that little additional effort will be taken to address the issues related to the accuracy and completeness of data, and the dilution of priorities by combining previously distinct compliance categories. For example, DOD's comments give no specific indication as to how DOD intended to improve the accuracy of the data or how it would overcome the difficulties in tracking, justifying, and explaining environmental requirements within DOD's broadened class definitions.

DOD's comments are reprinted in appendix I. DOD also provided suggested editorial and technical changes and supplied updated information. We have incorporated this additional information in the report where appropriate.

Scope and Methodology

To determine the time lag between obligations and expenditures for environmental cleanups and its impact on achieving actual cleanup, we collected and analyzed DFAS reports on cleanup-phase expenditures for fiscal years 1990-96. We discussed the reports and their accuracy with officials from the Office of the Under Secretary of Defense for Environmental Security, and the Office of Program Integration. We compared data for locations visited with corresponding DOD databases, but we did not verify overall database accuracy. However, we have issued a series of reports over the past few years documenting deficiencies in the

Department's ability to reliably account for and report on its expenditures. Consequently, it was not practical for us to identify, collect, and report more reliable expenditure data as a part of this assignment.¹³

To determine the basis for funding overseas cleanup, we obtained and analyzed documents provided by the defense components on cleanup costs by project for fiscal years 1993-96. We also discussed overseas cleanup issues with DOD officials from the Offices of International Affairs and Program Integration. We discussed the accuracy of the data and specific errors discovered by officials but did not verify the reports to overseas source data. We also obtained, reviewed, and analyzed laws, regulations, and other relevant documents.

To determine the status of DOD's proposal to enter into multistate cooperative agreements for technology certifications, we obtained and examined listings of potential projects and related data. We discussed related issues with officials from the Office of the Under Secretary of Defense for Environmental Security.

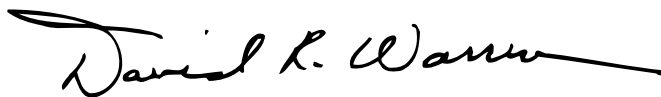
To obtain information on DOD's compliance programs and tracking and management system, we met with and obtained information from officials in the headquarters offices of EPA and the Office of the Deputy Under Secretary of Defense for Environmental Security and in headquarters and field offices of the Army, the Navy, the Air Force, and the Marine Corps. We discussed issues with DOD officials from the Army Training and Doctrine Command, Fort Monroe, Virginia; Air Force Materiel Command, Wright-Patterson Air Force Base, Ohio; and U.S. Atlantic Fleet, Norfolk, Virginia. We reviewed pertinent documents, laws, and regulations as they related to various projects, but did not verify the extent to which projects would comply with applicable laws and regulations. We visited and obtained information on program planning, budget execution, requirements determination, resource allocation, and financial operations for fiscal years 1994-2001 from the following military installations: Aberdeen Proving Ground, Maryland; Fort Bliss, Texas; Kirtland Air Force Base, New Mexico; Quantico Marine Corps Base, Virginia; Navy Public Works Center and Naval Station, Norfolk, Virginia; and Naval Air Facility, El Centro, California. The locations selected were from installations with larger compliance funding for each service in the eastern, central, and western United States.

¹³In DOD Problem Disbursements (GAO/AIMD-97-36R, Feb. 20, 1997), we identified significant errors in DOD expenditure reports.

We conducted our work from November 1996 to March 1997 in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to appropriate congressional committees, the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant, Marine Corps; and the Director, Office of Management and Budget. We will also make copies available to others on request.

If you or your staff have any questions concerning this report, please contact me on (202) 512-8412. Major contributors to this report are listed in appendix II.

A handwritten signature in black ink that reads "David R. Warren". The signature is written in a cursive style with a long horizontal line extending to the right.

David R. Warren, Director
Defense Management Issues

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Abbreviations

BRAC	Base Realignment and Closure account
DERA	Defense Environmental Restoration Account
DFAS	Defense Finance and Accounting Service
DLA	Defense Logistics Agency
DOD	Department of Defense
EPA	Environmental Protection Agency
OSD	Office of the Secretary of Defense

Comments From the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix. DOD comments identified as editorial are not included.

See pp. 16-17.



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

23 APR 1997

Mr. David R. Warren
Director, Defense Management Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "ENVIRONMENTAL PROTECTION: Status of Defense Initiatives for Cleanup, Technology, and Compliance" dated March 14, 1997 (GAO Code 709221/ OSD Case 1319).


DoD partially concurs with the recommendations for the Secretary of Defense to:

- direct the Military Departments to establish milestones and time frames to provide Compliance Program funding estimates, obligations, and expenditures, including project level data; and
- change the compliance class definitions to more closely resemble EPA's definitions.

DoD Regulation 7000.14R (the Financial Management Regulation) requires submission of summary level obligation data on the Compliance program as part of the budget review process, and milestones are provided in annual Comptroller guidance to the Components. Those milestones are sufficient and the Military Departments are improving their ability to meet them. DoD is working to improve the execution review of projects listed in the Environmental Quality Annual Report to Congress. DoD also recently reviewed the classification system for environmental projects and made minor modifications.

Additional details addressing DoD's position on the recommendations are at enclosure 1, and specific comments on the Draft Audit Report are at enclosure 2.

Very truly yours,



Sherri W. Goodman
Deputy Under Secretary of Defense
(Environmental Security)

Enclosures



DoD Comments on GAO Recommendations

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Secretaries of the Military Departments to establish milestones and time frames to provide environmental compliance funding estimates, obligations, and expenditures, including data at the project level.

DoD POSITION: Partially concur. The milestones for providing funding estimates are established in annual memoranda issued by the Under Secretary of Defense (Comptroller) for each budget submission. The Financial Management Regulation requires submission of environmental budget exhibits that include a column for reporting actual obligations at the summary level. The ODUSD(ES) establishes milestones to collect data on projects over \$300,000 to include in the annual report in support of the President's Budget request. In the FY 1998 budget exhibits, the FY 1996 column reports actual obligations that the Components incurred. Expenditure reporting, at both the summary and project level, is dependent upon the appropriation in which the efforts are funded. Military Construction reports incorporate obligation and expenditure reporting at the project level detail for the duration of the appropriation. DoD is working to improve the timeliness and accuracy of the list of projects in excess of \$300,000 in the annual report, and to monitor the execution of those projects during the semi-annual In-Progress Review process.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense direct the Deputy Under Secretary of Defense (Environmental Security) to reconsider changes in compliance class definitions so that the data permit better oversight and are more consistent with government wide reporting to EPA.

DoD POSITION: Partially concur. DoD recently reconsidered the revised classification system and made minor adjustments to the classification standards, and continually reviews programming and budget guidance to ensure that the guidance remains appropriate. Although DoD's classification system is based on the EPA classification system, the EPA classification is not sufficient to support budget development nor longer range financial planning. The current Class definitions allow the DoD Components to respond to Notices of Violation and Consent Agreements, and to budget and program resources to avoid such situations in the future fiscal years in which they would occur otherwise. DoD policy, including the current classification system, is to comply with environmental laws and regulations. That policy includes programming and budgeting resources in sufficient time to avoid notices of violation.

See pp. 16-17.

See pp. 16-17.

Appendix I
Comments From the Department of Defense

Specific Comments
on
GAO Draft Report Code 709221

**"ENVIRONMENTAL PROTECTION: Status of Defense Initiatives for
Cleanup, Technology, and Compliance"**

First Bullet:

On the next to last line, insert the words "closing , realigning," between "active" and "and formerly used defense sites." The new phrase would read as follows: "...active, closing, realigning, and formerly..." with the added words underlined. The revised wording was recommended during the fact sheet discussion.

Page 2, Results in Brief:

Beginning with the third line, revise, as follows: " end of the year, and expended \$385 million. This confirms that expenditures for actual cleanup have not proceeded as rapidly as the obligations reported in DoD's annual cleanup report to Congress. The expenditure rate of over 27% , however, exceeds the first year expenditure rate of 22% established for this program in a joint OMB/CBO letter of December 1993." The reference to the outlay rate letter documents that DoD has not hidden the expenditure rates, neither from Congress nor the Office of Management and Budget.

Footnote 1:

Strike the word "Most" at the beginning of the first sentence.

Revise the third line, as follows: "...DoD installations, and formerly used defense sites (FUDS), and later established the BRAC accounts for funding at BRAC installations...."

Page 3, Third full paragraph: Change the first sentence to read: "DoD compliance project and cost data, as reported in the Environmental Quality Annual Report to Congress...." The addition is required to distinguish between the budget data and the annual report.

Replace the third sentence with: "The EQ Annual Report omitted more than \$40 million that was identified in the budget material supplied in the Office of the Secretary of Defense 'Operation and Maintenance Overview, March 1996' and failed to include some major Navy projects." Without the change, the report does not identify that DoD did provide Congress with the correct numbers, and those budget numbers are the source of the comparison that GAO is making to determine that the EQ annual report was in error.

The balance of the paragraph, by omission, misstates DoD classification and program guidance for Environmental Compliance. The example in the paragraph of projects in the year 2000 being lumped with those currently out of compliance is not true. Projects needed to stay in compliance in the year 2000 would show up as requirements in the FY 2000 budget request. To accurately state DoD's classification, the balance of the paragraph should be rewritten as follows:

"DoD guidance classifies situations where the Components are currently out of compliance and situations that will be out of compliance if funds are not provided during the year requested as Class I environmental requirements. Current DoD budget formats do not distinguish between the amounts requested for either efforts. For example, the FY 1998 President's budget includes amounts to correct situations where DoD will be out of compliance if the funds are not provided in FY 1998."

DoD's classification guidance is included with the guidance which instructs the DoD Components on programming resources for the Future Year's Defense Program. As such, the classification guidance is more far reaching than the EPA classification, and provides more oversight of both the status of compliance and the amount of resources to remain in compliance.

Now on p. 1.
See comment 1.

Now on p. 2.
See comment 1.

Now on p. 2.
See comment 2.

Now on p. 2.
See comment 1.

Now on p. 2.
See comment 3.

See comment 4.

See comment 4.

Appendix I
Comments From the Department of Defense

Now on p. 3.
See comment 1.

DoD Funds for Cleanup Expended Over Several Years:
On the next to the last line, insert "at active installations and formerly used defense sites" after "cleanup". This correction specifies that the reported percentages are for cleanup funded under DERA, not BRAC.

Now on p. 3.
See comment 5.

Page 4, first line:
Insert "activities" after "cleanup," and replace "large" with "small". Change the end of the sentence to read as follows: "...obligation, which indicates that cleanup actions are still in progress. The change from large to small reflects that after two years, over 67% of the obligated funds are expended, and after 3 years, 89% of the funds are expended. Since over 2/3 of the funds are expended after two years, and almost 90% after three years, the existing sentence is misleading.

Now on p. 3.
See comment 1.

Replace the phrase "can be done" at the beginning of the fourth line with "is completed satisfactorily". That change is now in concert with the next sentence.

Now on p. 5.
See comment 1.

First Paragraph:
Revise as follows: "According to DFAS report data as of September 30, 1996, DoD reported that it expended 23 percent of the total \$1.413 billion made available through of DERA the environmental account in fiscal year 1996. The reported first year expenditures for study and oversight, at 29 percent and 32 percent, respectively, of the amounts budgeted for these phases, exceeded the expenditure rate for cleanup."

Now on p. 10.
See comment 6.

DoD Initiatives to Improve Compliance Management Began in 1994
Second sentence: Delete the second sentence. It is factually incorrect and misleading. The November 1994 Memo from Deputy Comptroller established a working group for Cleanup accounting, not for Compliance. The attachment to that Memo is titled "Defense Environmental Restoration Account" and very clearly is for the DERA program, not Environmental Compliance. Additionally, the format does not request information at the installation level, but at the Component summary level, for each subcategory listed on the report.

Now on p. 11.
See comment 3.

Page 14, Compliance Data Are not Complete or Accurate
Second sentence: The number for the President's Budget should be "\$2.37" billion for EQ programs, not "\$2.58", as stated. The total of Compliance, Conservation, and Pollution Prevention in the FY 1997 President's Budget Justification material, summarized in the "Office of the Secretary of Defense Operation and Maintenance Overview, March 1996," page 98, is \$2.37 billion. The draft GAO report uses \$2.58 billion, which includes environmental security technology amounts.

Now on p. 11.
See comment 7.

Third Paragraph, last sentence:
GAO states the EQ annual report was provided in December 1996, but does not reflect that the data were collected by the Components in the Spring of 1996, and thus were 9 months old or older, not 1 month old as the GAO implies.

Now on p. 13.
See comment 8.

Page 16, last paragraph:
Add at the end of the last sentence: "Additionally, requirements generated by federal, state, and local environmental statutes and regulations become effective without regard to the budget cycle. In addition to normal execution problems, such as "bid busts" and execution plan changes, many new requirements are implemented during the fiscal year, regardless of the fact that the requirements were unknown at the time of budget development, and funds were not requested nor appropriated for them. Moving funds during execution is the only way to address these needs, and renders comparing state to state totals from year to year meaningless."

Now on p. 13.
See comment 7.

Page 17, First sentence:
GAO refers to the DoD Environmental Quality Annual Report, as released in December. The reference should note the data was collected in the Spring of 1996, not December.

Appendix I
Comments From the Department of Defense

Now on p. 15.

See comment 7.

Now on p. 15

See comment 4.

Now on p. 15.

See comment 9.

Now on p. 15.

See comment 10.

Now on p. 16.

See comment 6.

Page 19, Continuing sentence from page 18:

The sentence, by omission, misstates DoD classification and funding policy. To be accurate, the sentence should read:

“While EPA explicitly limits Class I to facilities currently out of compliance as documented by notices of violation or consent agreements, DoD’s new definition added projects to address requirements that will be out of compliance if funds are not provided in the fiscal year requested, where it may be 2 or more years before the facility will be out of compliance.”

First Bullet:

This sentence, by omission, misstates DoD policy. To be accurate, the bullet should be worded as follows:

“DoD’s descriptions also indicated that items that EPA includes in Class III (such as inventories, surveys, studies, and assessments) should be funded as Class I projects if they are required by law, regulation, or Policy, and the Department is either currently out of compliance or will be if funds are not provided in the fiscal year requested -could also be routinely funded as Class I projects.”

Inventories, surveys, studies, and assessments are required by various federal, state, and local laws. The Clean Air Act and Endangered Species Act are two good examples. Not performing these inventories, etc., is to be out of compliance, which constitutes a Class I requirement.

Second Bullet, last sentence:

This sentence implies that OSD officials indicated that classification changes were contemplated. OSD officials did not indicate that was the case. The DoD budget process eliminates all but the highest priority environmental compliance efforts.

Last Paragraph, first sentence:

Revise the first sentence to read as follows: “The data gathered by DoD under the new system do not meet EPA’s needs.” Factual correction. The data gathered do not have any relationship to the classification procedures. DoD is working to improve the project identification and reporting.

Page 20 Conclusions and Recommendations:

The second sentence implies that DoD requested project level detailed accounting reports for compliance. That is factually incorrect and misleading. As noted in DoD’s comments about page 13, the Deputy Comptroller (Financial Systems) letter of November 30, 1994 to the Military Components concerning Environmental Security Programs did not address Environmental Compliance. The format attached to that letter is titled “Defense Environmental Restoration Account”, and does not address the Environmental Compliance program. Additionally, the report does not request data at the installation level, but at the Component summary level by subcategory of the Defense Environmental Restoration Account.

The detailed response to the recommendations is in enclosure (1).

The following are GAO's comments on the Department of Defense's (DOD) letter dated April 23, 1997.

GAO Comments

1. We revised our report to reflect DOD's suggested changes.
2. We did not make the suggested change because the term "most" accurately describes that a large percentage but not all of DOD cleanup actions are funded through the Defense Environmental Restoration Account and the Base Realignment and Closure account. For example, Defense Logistics Agency cleanups are commonly funded through its working capital fund.
3. DOD acknowledged that its annual report did not reflect all of the defense agencies' projects. However, it indicated that the understatement was only \$40 million, and not the \$250 million we reported. Even though DOD's annual report lists technology as one of its six major environmental quality program functions, DOD officials told us they did not consider technology as part of the environmental quality program and thus excluded such amounts from reported totals. Our calculations, showing a difference of \$250 million between the President's budget and the annual report, included totals for the defense agencies and technology programs that DOD omitted. The President's 1998 budget for fiscal year 1997 totaled \$2.58 billion, including technology. The \$2.37 billion excludes technology. Since the President's budget included technology programs and the annual report did not indicate that technology programs were being excluded from reported totals, we have not changed our calculations.
4. We recognize that DOD defines Class I to include (1) requirements that will be out of compliance if funds are not provided in the fiscal year requested and (2) inventories, surveys, studies, and assessments required by various federal, state, and local laws to stay in compliance. We addressed the impact of DOD's expanded Class I definitions and the differences between DOD and Environmental Protection Agency (EPA) definitions in prior reports.¹ The EPA Class II definition recognizes those requirements that need funding by the end of the fiscal year, and the Class III definition recognizes what is needed to maintain compliance beyond the near term. In addition, we recognize that inventories and assessments may be required by law, but note that EPA's definition

¹Environmental Protection: Status of Defense Initiatives for Cleanup, Compliance, and Technology (GAO/NSIAD-96-155, Aug. 2, 1996) and Environmental Protection: Issues Facing the Energy and Defense Environmental Management Programs (GAO/T-RCED/NSIAD-96-127, Mar. 21, 1996).

necessitates current non-compliance with requirements to warrant inclusion in Class I, whereas DOD's definition does not.

5. We revised the report to be more precise. The data presented in table 1 show that a significant portion of obligated cleanup funds are not expended in the year in which they are obligated.

6. Our draft report cited a 1994 working group that the Office of the Secretary of Defense (OSD) Deputy Comptroller established to develop budgeting procedures for compliance activities. We deleted reference to that working group because DOD officials stated that they intended for the authorization for an environmental security working group to be limited to cleanup activities.

7. OSD officials told us the components were to provide the collected data to DOD in April 1996, and much of the data were provided late. As indicated in our report, we noted similarities at service installations in that project amounts may later increase, proposed requirements may be validated later, and new requirements may arise after approval. We also noted that additional Navy data were available at the time the Navy provided information to DOD.

8. We revised our report to reflect the challenges DOD encounters with respect to new requirements that arise during a fiscal year, and the necessary funding shifts associated with these requirements.

9. We did not state that DOD contemplated classification changes. We indicated only that DOD officials had stated they would ensure that priorities are not diluted.

10. We revised our report to be more precise. We indicated that data gathered by DOD under its old or new systems do not meet EPA's needs.

Major Contributors to This Report

**National Security and
International Affairs
Division, Washington,
D.C.**

Charles I. Patton, Jr.
Uldis Adamsons
Elizabeth G. Mead
Robert B. Brown
Richard Meeks
Joanne Jurmu
George Shelton

Dallas Field Office

David Marks

Norfolk Field Office

Ed Soniat
Johnnie Phillips

**Office of the General
Counsel**

Lynn Gibson
Margaret Armen

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