

GAO

Report to the Chairman, Subcommittee on
Environment, Energy, and Natural
Resources, House Committee on
Government Operations

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ENVIRONMENTAL FUNDING

DOE Needs to Better Identify Funds for Hazardous Waste Compliance



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United States
General Accounting Office
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Resources, Community, and
Economic Development Division

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The Honorable Mike Synar
Chairman, Subcommittee on Environment,
Energy, and Natural Resources
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

On February 11, 1987, you requested that we review the Department of Energy's (DOE) funding for activities to comply with two environmental laws—the Resource Conservation and Recovery Act of 1976 (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA). RCRA and CERCLA are comprehensive waste management statutes. RCRA regulates hazardous waste from generation through its ultimate disposal, and CERCLA regulates the cleanup of inactive waste sites.

Specifically, you were concerned that DOE, which has significant environmental problems at its facilities, may not be providing sufficient funds for bringing its facilities into compliance with environmental laws such as RCRA and CERCLA. While DOE estimates that compliance activities under the two laws, over time, could cost billions of dollars, we were told during our initial work that DOE did not have records segregating and detailing its total expenditures for RCRA and CERCLA activities. Given this lack of records, we agreed, during subsequent discussions with your office, to direct our efforts at why DOE cannot identify its RCRA and CERCLA funds. This report addresses that issue.

In summary, DOE does not specifically budget or account for RCRA and CERCLA funds. The funds are primarily commingled within money allotted for DOE defense operations and are not readily distinguishable. To identify the funds, DOE would have to undergo a tedious and time-consuming process of breaking out budget and accounting totals and reviewing related activities to determine if they represent RCRA or CERCLA compliance efforts. Consequently, DOE cannot readily identify its budgeted or expended RCRA and CERCLA dollars and has provided only funding estimates. Therefore, DOE cannot readily demonstrate compliance with Executive Order 12088, which, in part, requires executive agencies to ensure that sufficient funds are requested in their budgets and that funds appropriated for compliance with environmental standards, such as those related to RCRA and CERCLA, are not used for other

purposes; it cannot demonstrate proper internal controls over resources—funds spent to comply with the two laws; and it cannot promptly respond to the Congress to address its concerns regarding DOE's environmental funding.

DOE recognizes the need to better identify its RCRA and CERCLA funds and will be separately budgeting and accounting for some of the dollars, beginning in fiscal years 1988 and 1989, so that it can readily identify them. However, it needs to do more because its efforts will not identify funding for a major portion of compliance activities. Therefore, we are recommending that the Secretary of Energy specifically identify in DOE's future budgets to the Congress all of DOE's RCRA and CERCLA funds and separately account for them.

Background

RCRA and CERCLA are complex, multifaceted waste management statutes that address the nation's current, future, and past hazardous waste problems. RCRA, enacted in 1976, provides for the safe management and control of current and future generated hazardous waste from generation through its ultimate disposal. CERCLA, enacted in 1980, provides for the cleanup of releases of hazardous substances from abandoned or uncontrolled hazardous waste sites that present or have the potential to present substantial danger to public health, welfare, or the environment. Federal agencies, along with private entities, must comply with both statutes and are responsible not only for all hazardous waste activities conducted on their lands but also, as owners, for those activities conducted by their contractors.

DOE estimates that it has approximately 270 RCRA treatment, storage, or disposal units and potentially over 1,700 CERCLA sites. These units and sites are areas in DOE's defense complex, located throughout the United States, where hazardous waste or substances are handled, stored, or deposited. The areas are associated with defense operations to produce nuclear weapons materials, such as plutonium, which DOE and its predecessors have been doing for more than 40 years. DOE's hazardous waste includes substances such as lead, cadmium, and chromium that are toxic if ingested and come mostly from its nuclear materials and weapons research and development activities. DOE also generates mixed waste, which contains both radioactive and hazardous substances. The mixed waste generally comes from DOE's nuclear defense production facilities, including reprocessing facilities where spent nuclear reactor fuel is chemically processed to extract residual uranium and plutonium for

reuse. If the hazardous and mixed waste are inadequately managed, they can cause serious health and environmental problems.

DOE's current RCRA and CERCLA activities, for the most part, include completing the identification of units and sites at its defense complex that are subject to RCRA and CERCLA, assessing the extent of problems at identified areas, and identifying needed corrective actions. Although it has not completed its identification of units and sites, problems, and needed corrective actions, DOE estimates that complying with the two statutes could cost billions of dollars at some of its facilities. DOE expects its major expenses will be for conducting removal or remedial cleanup activities at its CERCLA sites and for upgrading facilities or constructing new ones at its defense complex to bring RCRA units into operating compliance.

As agreed with your office, we focused our review on RCRA and CERCLA funds in DOE's office of Assistant Secretary for Defense Programs because it is responsible for implementing most of DOE's RCRA and CERCLA activities. We also agreed to conduct our work at DOE headquarters and Hanford operations in Richland, Washington, which has the highest total of combined RCRA units and potential CERCLA sites. Appendix I provides a more detailed discussion of our review objective, scope, and methodology.

Difficulty in Identifying DOE's RCRA and CERCLA Funds

The current budget and accounting systems for DOE's defense programs do not specifically identify funds budgeted or expended for RCRA and CERCLA activities. To identify the funds, program officials would have to go through a tedious and time-consuming process of breaking out supporting budget and accounting data. Consequently, program officials could not readily identify RCRA and CERCLA funds.

DOE's defense budget and accounting systems, generally set up to reflect defense operations, are classified by programs. For example, the budget identifies seven defense programs¹ and provides a narrative on program activities and funding amounts for each program. The budget further breaks down each program by subprograms and provides related narrative and funding information. For example, the budget for the Nuclear Materials Production program is broken down into subprograms such as

¹These programs are (1) Weapons Activities, (2) Nuclear Materials Production, (3) Defense Waste and Transportation Management, (4) Verification and Control Technology, (5) Nuclear Safeguards and Security, (6) Security Investigations, and (7) Naval Reactors Development.

reactor operations, processing of nuclear materials, and supporting services.

The accounting system is set up to parallel the budget programs and subprograms, but it provides more detailed breakdowns. For example, a program (i.e., Nuclear Materials Production) can be broken down into four levels of classifications: (1) subprograms (i.e., reactor operations), (2) categories (i.e., feed materials), (3) tasks (i.e., highly enriched uranium), and (4) subtasks (i.e., reactor). Each classification represents a separate financial account within the system and has a description to identify the specific use of funds. The accounts are designed to ensure that actual obligations and costs are represented accurately in DOE's financial records.

Neither the budget nor the accounting classifications identify RCRA or CERCLA funds. These funds are scattered and commingled within budget and accounting totals under existing classifications. They are not specified as RCRA or CERCLA dollars but as dollars for carrying out specific tasks as an integral part of defense operations.

To identify budgeted or expended RCRA and CERCLA funds, defense program officials would have to break out budget and accounting totals, review related activities or tasks, and determine whether they are RCRA or CERCLA compliance efforts. This process is laborious because there are hundreds of budget and accounting totals involved and thousands of associated activities or tasks. In addition, the details supporting the totals are not located at headquarters nor field offices, but are maintained by the contractor, as is the case at Hanford. At least 10 defense program field offices are responsible for managing RCRA and CERCLA activities. Thus, not specifically budgeting and accounting for RCRA and CERCLA funds makes it difficult for DOE to identify those funds.

Consequently, when asked, program officials at headquarters and Hanford could not show us how much they funded for RCRA and CERCLA activities. Headquarters officials told us that they do not have sufficient budget and accounting data to break out RCRA and CERCLA dollars and that we would have to go to each field office for the information. DOE and contractor officials at Hanford told us that they could not readily identify such funds; to do so, they would have to review extensive budget information and manually review thousands of cost accounts. They agreed that specifically budgeting and accounting for RCRA and CERCLA dollars will enable them to readily identify the dollars.

Problems Associated With DOE's Inability to Identify RCRA and CERCLA Funds

Because DOE cannot identify its RCRA and CERCLA funds, it is confronted with several related problems. These problems pertain to demonstrating compliance with Executive Order 12088, demonstrating good internal controls, and promptly responding to the Congress.

The President, in October 1978, issued Executive Order 12088 to address federal agencies' responsibilities for complying with environmental requirements, which would include those relating to RCRA and CERCLA. Although CERCLA was not enacted until 1980, the order is broad enough to cover CERCLA activities. The purpose of the order was to ensure that federal agencies complied with environmental requirements. The order requires, among other things, each executive agency to ensure that sufficient funds are requested in its budget and that funds for compliance with environmental standards are not used for any other purposes. The order also requires that each agency annually submit to the Director of the Office of Management and Budget (OMB), through the Administrator of the Environmental Protection Agency (EPA), funding estimates for environmental compliance.

DOE has submitted to OMB, through EPA, its RCRA and CERCLA funding data, but the estimates are not fully supported by specific budget or accounting data. According to DOE officials from the office of Assistant Secretary for Environment, Safety, and Health, which has oversight responsibility for DOE's environmental compliance activities, the data are primarily estimates made by program officials. Thus, DOE cannot readily demonstrate compliance with Executive Order 12088 because it cannot show specific budget or accounting data needed to ensure sufficient and appropriate use of funds for environmental compliance.

EPA and OMB officials are aware that DOE cannot readily identify its budgeted and expended RCRA and CERCLA dollars and that DOE does not know how much it has actually funded overall for RCRA and CERCLA activities. According to an EPA official responsible for monitoring federal compliance with environmental laws, DOE, along with other federal agencies, has problems budgeting and accounting for RCRA and CERCLA dollars. This official added that the Department of Defense has established a program to address RCRA and CERCLA remedial efforts that has resulted in separate budgeting and accounting for those program activities. The official believed that DOE may want to consider a similar separate budgeting and accounting approach. OMB officials told us that they also are aware of DOE's difficulty in identifying RCRA and CERCLA funds and are working with DOE to find a solution. They agreed that specifically

budgeting and accounting for RCRA and CERCLA dollars will enable DOE to readily identify them.

Another consequence of DOE's inability to identify its RCRA and CERCLA funds is that it cannot demonstrate sound internal controls over the funds. We issued in 1983 "Standards for Internal Controls for the Federal Government." This document presents the internal control standards to be followed by federal agencies and covers both program management as well as traditional financial management areas. In the document, we state that good internal controls facilitate the achievement of management objectives by serving as checks and balances against undesired actions. We also state that an essential internal control technique or standard is properly classifying transactions and events. Unless DOE can identify its RCRA and CERCLA funds, through proper classifications, it cannot show the checks and balances needed for proper management and accounting of the large amount of money—billions of dollars—that is anticipated for compliance activities.

Further, the Congress has shown considerable interest in DOE's environmental activities and has expressed concern that DOE may be focusing on meeting production goals and neglecting its environmental responsibilities. A series of GAO reports and testimonies identifying environmental issues at DOE facilities has played an important role in advising the Congress as to the severity and scope of the problems. For example, we identified numerous environmental problems at DOE's nuclear defense facilities. In one report² in which we addressed environmental issues at nine DOE defense facilities, we identified significant groundwater and soil contamination at some of the facilities. In another report³ that was the result of your joint request with the Ranking Minority Member of the Senate Subcommittee on Energy, Nuclear Proliferation, and Government Processes, Committee on Governmental Affairs, on Hanford's compliance with RCRA and CERCLA, we reported that Hanford did not meet RCRA requirements and was experiencing delays in conducting CERCLA activities. We pointed out in a third report,⁴ on environmental issues at

²Nuclear Energy: Environmental Issues at DOE's Nuclear Defense Facilities (GAO/RCED-86-192, September 1986).

³Nuclear Waste: Unresolved Issues Concerning Hanford's Waste Management Practices (GAO/RCED-87-30, November 1986).

⁴Environment, Safety, & Health: Information on Three Ohio Defense Facilities (GAO/RCED-86-51FS, November 1985).

three DOE nuclear defense production facilities in Ohio, that DOE recognized it has emphasized production over environment and safety at its Feed Materials Production Center in Fernald, Ohio.

The Senate Committee on Governmental Affairs held hearings, at which we testified, in March 1987, to address DOE's environmental, safety, and health problems. During one of the hearings, the Committee noted our findings and expressed particular interest in the money allotted for environmental cleanup. Also, the House Subcommittee on Environment, Energy, and Natural Resources has shown similar funding concerns, requesting us to conduct this review. Unless DOE can readily identify its RCRA and CERCLA funds, it cannot promptly address congressional concerns regarding DOE's overall RCRA, CERCLA, and environmental funding.

DOE Recognizes Problems, Is Making Improvements, but Needs to Do More

DOE recognizes that not being able to readily identify its RCRA and CERCLA funds presents the problems we identified and has taken some actions to address this issue. However, DOE's efforts are not sufficient because they do not identify funding for a major portion of compliance activities, i.e., bringing RCRA units into compliance.

According to DOE defense program officials, efforts are underway to better identify RCRA and CERCLA dollars. For example, DOE's fiscal year 1988 budget includes a new category for providing information and technological support for RCRA and CERCLA activities. Funds will be specifically earmarked, for instance, for (1) a computer-based system incorporating hazardous and mixed waste inventory data bases, data analysis, and reports and (2) waste cleanup technology demonstrations. DOE is requesting about \$11 million for those activities in fiscal year 1988. In addition, program officials are in the process of developing and establishing a new category in the fiscal year 1989 budget that will specifically earmark funds to clean up inactive waste or CERCLA sites.

These new budget categories not only will earmark funds for those particular RCRA and CERCLA activities in DOE's budget but also will result in the creation of new accounts within DOE's accounting system that will separately track those funds. However, program officials told us that the new budget categories will not include all RCRA and CERCLA activities. They will not include funds for bringing RCRA units into compliance. Program officials estimate those activities could cost hundreds of millions of dollars. They said that they have not yet decided how to handle those funds. Thus, DOE's improvements are a step in the right direction, but

more needs to be done to identify funding for all RCRA and CERCLA compliance activities.

Conclusions and Recommendation

Because DOE does not specifically budget or account for its RCRA and CERCLA funds, it cannot readily identify them. As a result, DOE cannot readily demonstrate compliance with Executive Order 12088; demonstrate sound internal controls over the funds which could total billions of dollars; or promptly respond to congressional concerns regarding DOE's overall RCRA, CERCLA, and environmental funding. Although DOE is making improvements by separately budgeting and accounting for some RCRA and CERCLA funds, it needs to do more because DOE's efforts will not identify funding for a major portion of compliance activities.

Therefore, we recommend that the Secretary of Energy specifically budget and account for all of DOE's RCRA and CERCLA funds. This effort should include (1) identifying the funds in DOE's future budgets and highlighting them to the Congress and (2) creating separate accounts in DOE's accounting system to track expended RCRA and CERCLA dollars.

We discussed the information in this report with DOE officials, who agreed that it was factually accurate. However, as agreed with your office, we did not obtain official agency comments on a draft of this report. Our work was performed in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days from the date of issuance. At that time we will send copies to the appropriate congressional committees; the Secretary of Energy; the Administrator, Environmental Protection Agency; and the Director, Office of Management and Budget. We will also make copies available to others upon request.

This work was performed under the direction of Keith O. Fultz, Associate Director. Other major contributors are listed in appendix II.

Sincerely yours,

A handwritten signature in cursive script that reads "J. Dexter Peach". The signature is written in black ink and is positioned above the printed name and title.

J. Dexter Peach
Assistant Comptroller General

Objective, Scope, and Methodology

On February 11, 1987, the Chairman, Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, requested that we review the adequacy of DOE's funding for RCRA and CERCLA activities. However, after we learned that DOE could not readily identify its RCRA and CERCLA funds, we agreed with the Chairman's office to direct our efforts at why DOE cannot identify the funds.

As agreed, we focused our review on funding in defense programs and conducted work at DOE headquarters and Hanford operations. We also focused our review on RCRA and CERCLA funding for fiscal years 1987 and 1988.

To determine how defense programs budget and account for their funds and address the difficulty they have identifying RCRA and CERCLA dollars, we reviewed funding plans and budget guidances for defense programs at headquarters and Hanford. We also reviewed defense programs' and Hanford's fiscal years 1987 and 1988 budget requests to the Congress, and supporting documentation and accounting records.

We discussed DOE's defense budget and accounting process and the difficulty in identifying RCRA and CERCLA funds from that process with program officials at headquarters and Hanford and with officials from the office of the Assistant Secretary for Environment, Safety, and Health, which has oversight responsibility for DOE's environmental activities. We also discussed the process and difficulty with EPA and OMB officials responsible for monitoring federal environmental compliance to obtain their views on the subject. Our work was conducted between March and September 1987.

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