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# Housing and Community Development Products 1990-91

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# Foreword

Preventing the misery of homelessness, finding decent and affordable housing, revitalizing blighted urban areas, and aiding small businesses are key housing and community development issues facing the nation. As a legislative agency, the General Accounting Office (GAO) serves the public interest by providing Members of Congress and others who make policy with accurate information, unbiased analysis, and objective recommendations on how best to use public resources in support of the well-being and security of the American people. Reports and testimonies are used to communicate the results of our work.

This compilation provides summaries and other information on reports and testimonies related to housing and community development issues that were issued between January 1990 and December 1991. The summaries are grouped into the following seven categories:

- Homeownership Assistance
- Rental and Public Housing
- Homelessness
- Community Development
- Small and Minority Business
- Disaster Assistance
- Related Topics

Work on housing and community development issues primarily involves the Department of Housing and Urban Development, as well as housing programs in the Departments of Agriculture and Veterans Affairs. Other key agencies are the Department of Commerce's Economic Development Administration and Minority Business Development Agency, the Federal Emergency Management Agency, and the Small Business Administration.

We hope these summaries will be useful to you. These documents are available upon request. For information on how to obtain copies of these documents, including a fax order form, see the last pages of this report.

Questions about our work may be directed to me at (202) 566-1142 or my Assistant Directors, whose names, telephone numbers, and areas of responsibility are listed in appendix I.

Judy England-Joseph

Judy A. England-Joseph, Director
Housing and Community Development Issues
Resources, Community, and Economic
Development Division

# Contents

## Abbreviations

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|---|---|
| AFMD | Accounting and Financial Management Division |
| CALTRANS | California Department of Transportation |
| DOD | Department of Defense |
| EDA | Economic Development Administration |
| EFS | Emergency Food and Shelter Program |
| EPA | Environmental Protection Agency |
| EC1992 | European Community Single Internal Market Program |
| FDIC | Federal Deposit Insurance Corporation |
| FmHA | Farmers Home Administration |
| FEMA | Federal Emergency Management Agency |
| FHA | Federal Housing Administration |
| GGD | General Government Division |
| GSA | General Services Administration |
| GNMA | Government National Mortgage Association |
| HHS | Department of Health and Human Services |
| HRD | Human Resources Division |
| HUD | Department of Housing and Urban Development |
| IRS | Internal Revenue Service |
| LIHEAP | Low-Income Home Energy Assistance Program |
| NSIAD | National Security and International Affairs Division |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| PEMD | Program Evaluation and Methodology Division |
| PTO | Patent and Trademark Office |
| RCED | Resources, Community and Economic Development Division |
| RTC | Resolution Trust Corporation |
| SBA | Small Business Administration |
| SBIC | Small Business Investment Company |
| SCORE | Service Corps of Retired Executives |
| USDA | United States Department of Agriculture |
| VA | Veterans Affairs' |
| 8(a) | Minority Small Business and Capital Ownership Development Program |

# Homeownership Assistance

## Homeownership Assistance

**Federal Agricultural Mortgage Corporation:**
**GAO Actions to Meet Requirements in the Agricultural Credit Act of 1987**

GAO/RCED-90-90, January 5, 1990

The Agricultural Credit Act of 1987 requires the General Accounting Office (GAO) to complete certain studies by January 6, 1990, on a new secondary market for agricultural real estate and rural housing loans created by the act. However, because the new market—to be administered by the Federal Agricultural Mortgage Corporation (known as Farmer Mac)—was not yet fully operational, GAO was unable to complete the required studies and other periodic reviews. Farmer Mac officials said the secondary market should be fully operational in early 1990. This report provides information on (1) Farmer Mac's development and current status, (2) GAO's past work on agricultural real estate secondary market issues and Farmer Mac, (3) the studies and reviews of Farmer Mac that the act required GAO to do, and (4) GAO's planned work relating to the statutory requirements.

**Financial Audit:**
**Farmers Home Administration's Financial Statements for 1988 and 1987**

GAO/AFMD-90-37, January 25, 1990

While the U.S. agricultural economy has shown signs of improvement over the last 2 years, the Farmers Home Administrations's losses continue to mount. Farmers Home Administration (FmHA) lost $13.8 billion in fiscal year 1988, and its accumulated deficit is now $42.6 billion. Delinquent farm loan balances were $12.5 billion—almost half of the farm loan portfolio. After examining FmHA financial statements for fiscal year 1988, GAO was unable to satisfy itself that FmHA's acquired property accounts were presented fairly. GAO found the following material internal control weaknesses relating to acquired property: (1) FmHA's loan classification system used to estimate losses on individual farm loans is unreliable, (2) FmHA's tracking system for acquired property contained inaccurate and incomplete information, (3) FmHA has not finished changes to its tracking system that would allow it to record acquired property at fair market value or to record the associated gain or loss at the time of acquisition, and (4) FmHA has not come up with a way to determine property holding and disposition costs for estimating loan losses and for computing the acquired property balance.

**Financial Audit:**
**Federal Housing Administration Fund's 1988 Financial Statements**

GAO/AFMD-90-36, February 9, 1990

GAO audited the Federal Housing Administration (FHA) Fund's consolidated financial statements for fiscal year 1988. As a result of the 1988 financial audit, FHA adjusted its financial statements from a loss of $858 million to a loss of $4.2 billion. Rising defaults in economically stressed regions, sales of foreclosed properties at less than carrying values, the failure of several large coinsurers, and program fraud and abuse all contributed to the 1988 losses. GAO and Price Waterhouse have declined to express an opinion on FHA's 1988 financial statements because of uncertainty about the extent to which losses are due to fraud and abuse and because of the lack of an accurate inventory of foreclosed property. GAO is also concerned about the large potential future losses in FHA's General Insurance Fund. The audit also revealed serious internal accounting control weaknesses in third-party monitoring, financial management systems, insurance program design, controls over costs and claims settlement, and the performance of basic accounting functions. The audit also showed that FHA did not fully comply with the Debt Collection Act of 1982.

**Use of Housing Subsidies**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD/Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs.

GAO/T-RCED-90-34, February 27, 1990

Its review of Sierra Pointe, a moderate rehabilitation project located in Clark County, Nevada, leads GAO to conclude that there is a real danger of providing too much financial assistance to a developer when multiple subsidies are awarded to individual projects without a review of the total amount of assistance. For Sierra Pointe, a 160-unit project, GAO estimated that the developer realized cash flow of about $1.8 million, or about 22 percent, above the cost to acquire and rehabilitate the project. GAO also believes there is a real danger of using subsidies inefficiently. It is inefficient to use the Moderate Rehabilitation Program and tax credits in housing markets that already have an adequate supply of rental housing. When Sierra Pointe was approved and during its development, GAO estimated that at least 160 suitable rental units were available to house low-income families. GAO also reviewed seven other projects and found out that it would have been more economical to have relied on existing housing using section 8 certificates rather than on producing more units through a combination of moderate rehabilitation and tax credit subsidies.

**Farmers Home Administration's Implementation of the Agricultural Credit Act of 1987 and Sales of Farm Inventory Property**

Testimony by John W. Harman, Director of Food and Agricultural Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture.

GAO/T-RCED-90-38, March 5, 1990

GAO's preliminary work on FmHA's implementation of the debt servicing provisions of the Agricultural Credit Act at 10 county offices showed that while many delinquent borrowers have been offered restructuring or net recovery value buyout, most delinquent borrowers did not apply for servicing or did not submit complete applications. Many of the borrowers who qualified for servicing were offered restructuring, with and without debt writedown; however, most serviced borrowers were offered net recovery value buyout. GAO's work also showed that only a small percentage of the restructured borrowers had favorable financial potential for future successful farming operations. The vast majority of restructured borrowers do not have such potential without continued FmHA financial assistance. Furthermore, bad faith borrowers have been allowed to buy out their FmHA debt at the net recovery value of their collateral, which is usually much less than their outstanding debt. Bad faith borrowers will also be eligible to reacquire their farmland, or farm homestead, if FmHA forecloses on their properties.

**Loan Asset Sales: An Evaluation of FmHA's 1987 Sales**

GAO/AFMD-90-42, April 6, 1990

GAO reviewed two pilot loan asset sales completed by the Department of Agriculture's Farmers Home Administration. Public Law 99-509, the Omnibus Reconciliation Act of 1986, directed FmHA to sell enough loans in fiscal year 1987 from its Rural Housing Insurance Fund and its Rural Development Insurance Fund to realize not less than $2.7 billion in net sale proceeds. To meet these targets, FmHA sold loans with an aggregate unpaid principal balance of more than $4.8 billion and realized over $2.8 billion in net sale proceeds. GAO concluded that FmHA conducted its pilot loan asset sales in a professional manner—that is, in a manner similar to that of private sector organizations—that sought to maximize the sale proceeds to the government. However, the government did incur about $91 million in sales transaction costs that it would not have incurred had it held the loans to maturity. GAO found that the rights of the borrowers whose loans were sold were fully protected during the loan sale transactions. GAO is concerned that the sale of federal loans is not a sound approach to reducing the federal deficit. Such sales simply accelerate the government's rights to receive future revenues to the year of sales.

**Low-Income Housing Tax Credit Utilization and Syndication**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD/Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs.

GAO/T-RCED-90-73, April 27, 1990

Use of the low-income housing tax credit program has steadily grown since the program began, and today the program has become the nation's primary effort to encourage low-income housing production. GAO's testimony discusses three issues: (1) the amount of low-income housing tax credits allocated to states and awarded to projects for calendar years 1987 through 1989 and the number of low-income housing units developed in connection with these awards, (2) the syndication process used to help raise capital to finance low-income housing projects that have been awarded tax credits, and (3) the net amount of equity capital raised through the syndication of projects awarded tax credits relative to the amount of the credit award. If the existing tax credit program is to be continued on either a temporary or permanent basis, GAO believes that adequate controls need to be developed to ensure that projects that receive credits are maintained and operated in accordance with program requirements. Projects that have been awarded credits should be carefully monitored to ensure that they continue to qualify for the annual credits by serving low-income families. These efforts should help discourage program abuses.

### Federal Agricultural Mortgage Corporation: Secondary Market Development and Risk Implications

GAO/RCED-90-118, May 4, 1990

This report consolidates information GAO has reported since 1987 on the development and implementation of a new secondary market for agricultural real estate and rural housing loans—the Federal Agricultural Mortgage Corporation, known as Farmer Mac. GAO focuses on issues that it believes merit further consideration as the Congress deliberates the development and implementation of Farmer Mac. In particular, GAO discusses the potential financial risk to the government in creating such a market and whether Farmer Mac's loan criteria, market structure, and risk parameters will satisfy the broad expectations that the Congress had when it passed the enabling legislation. This report contains information on (1) secondary markets in general, including the purposes such markets have served in the past; (2) underwriting in general and risk management in other secondary markets; (3) major categories of underwriting standards used in secondary markets; (4) key issues concerning the development of a secondary market for agricultural real estate and rural housing loans; and (5) key issues concerning Farmer Mac underwriting standards.

### Impact of FHA Loan Policy Changes on Its Cash Position

Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs.

GAO/T-RCED-90-70, June 6, 1990

GAO testified on its analysis of the impact of three proposed policy changes on the cash position of the Federal Housing Administration's Mutual Mortgage Insurance Fund. These proposals include (1) increasing the FHA mortgage ceiling limits, (2) reducing downpayment requirements, and (3) allowing FHA to insure adjustable rate mortgages with higher interest rates. The reduced downpayment and adjustable rate mortgage proposals are estimated to have a relatively small effect on the Fund's cash position. On the other hand, if overall economic conditions remain favorable and if house prices appreciate at a rate of 5 to 9 percent annually, the Fund's cash balance will remain positive under GAO's base case and will be higher if the mortgage ceiling is raised. However, the additional insurance-in-force that this policy change will generate may expose the federal government to potentially greater financial risks. Lower house price appreciation rates, like those seen today, will have a negative impact on the Fund if they continue. On the basis of its analysis, GAO believes that while increases in the FHA's mortgage ceiling to account for house price increases are necessary to prevent the deterioration of the Fund's balance and to allow FHA to maintain its current share of the housing market, there is a need to proceed with caution on how high to raise the mortgage ceiling.

**Farmers Home Administration:**
**Farm Program Debt, Delinquencies, and Debt Losses as of June 30, 1989**

GAO/RCED-90-158BR, June 26, 1990

The Farmers Home Administration—a credit agency of the U.S. Department of Agriculture—is the "lender of last resort" to farmers and is the federal government's main source of farm credit. In addition to making direct loans to family farmers who cannot get credit at reasonable rates and terms, FmHA guarantees some farm loans made by private lenders. This briefing report provides financial information on FmHA's portfolio for five major farm loan programs as of June 30, 1989: farm ownership, farm operating, emergency disaster, economic emergency, and soil and water. Overall, GAO found that past due payments on FmHA's major farm programs rose from $164 million in 1976 to $8.7 billion in 1989. Almost 90 percent of this amount is owed by farmers who have not made a payment in 3 years or more. Over the past 12 years, losses in these major farm programs have grown from about $41 million to over $3.3 billion for direct loans and from $277,000 to more than $64 million for guaranteed loans.

**Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance, and Urban Affairs.

GAO/T-RCED-90-95, July 10, 1990

The Congress and the nation face a dilemma: Can the Federal Housing Administration (FHA) run a financially sound single family mortgage insurance program—one involving reasonable costs and risks—without overburdening low- and moderate-income homebuyers, particularly first-time homebuyers, in order to achieve such financial stability? GAO testified on the effect of proposed policy changes on the FHA Mutual Mortgage Insurance Fund's cash position. Because the Fund has not yet reached the point of requiring assistance from the U.S. Treasury, there is still time to reform the program and reverse the trend toward insolvency before federal financial assistance becomes necessary. GAO believes that in deciding what reforms are appropriate to achieve this goal, the Congress should not only carefully balance the desire to assist homebuyers with the federal government's potential financial risk and liability, but also it should base these reforms on its expectations of the housing market's future performance.

### Home Ownership:
### Limiting Mortgage Assistance Provided to Owners With High-Income Growth

GAO/RCED-90-117, September 26, 1990

The Congress passed legislation in 1988 to recapture some or all of the subsidy from first-time home owners who receive qualified mortgage bond assistance. The purpose of the measure was to retrieve the subsidy from owners who experience rapid income increases after they bought their assisted home and, as a result, no longer needed the subsidy. GAO is concerned that the recapture provisions, which will go into effect in 1991, do not treat all owners with income increases equitably. For example, the 1.25 percent point recapture rate may be larger than the interest-rate reduction owners received. Moreover, because the recapture amount is computed only after the subsidy is discontinued, some owners will continue to receive the assistance even after they no longer require it to make housing payments. Finally, assisted loans can be made to those who could afford market-rate conventional loans with comparable terms and, therefore, do not need mortgage bond assistance. GAO believes that a more fundamental change would be to discontinue the assistance when the owner could afford to remain an owner without the reduced interest-rate loan. Finally, agencies could limit this assistance to those who could not initially afford a market-rate conventional loan with comparable terms.

## Financial Audit: Government National Mortgage Association's 1989 Financial Statements

GAO/AFMD-91-8, October 30, 1990

This report presents the results of GAO's audit of the Government National Mortgage Association's (GNMA) 1989 financial statements. In GAO's opinion, and consistent with the opinion of Price Waterhouse, GNMA's financial present fairly its financial position for 1989 and the results of its operations and its cash flows for that fiscal year in conformity with generally accepted accounting principles. For fiscal year 1989, GNMA had an income of $54 million—a $206 million decrease from fiscal year 1988 income. The cause of the decrease was the additional provision for estimated losses due to (1) increased use by VA of an option to limit its losses, (2) uninsured mortgages in the mortgage pool, (3) the failure of defaulted issuers to remit certain proceeds, and (4) unanticipated costs associated with increased levels of security issuer defaults. The 1989 audit also disclosed two material internal control weaknesses, which increase the risk of more losses to GNMA. First, GNMA did not always coordinate with FHA and VA on the monitoring of issuers of GNMA mortgage-backed securities. FHA and VA insure or guarantee most of the mortgages. Second, some security issuers, primarily savings and loans, have been allowed to continue in GNMA's Mortgage-Backed Securities Program, even though they have violated GNMA's requirements by including goodwill in their net worth calculations without specific approval.

## Secondary Mortgage Market: Information on Underwriting and Home Loans in the Atlanta Area

GAO/RCED-91-2, November 28, 1990

Have the underwriting criteria of secondary market institutions and private mortgage insurers contributed to racial discrimination? While GAO was unable to examine this issue fully due to difficulties in obtaining data on the lending activities of nondepository institutions, this report provides information on (1) underwriting guidelines set by some secondary mortgage market agencies to help them determine whether they should purchase, insure, or guarantee single-family home loans made by lenders and (2) statistical data on such loan activity by these agencies in the Atlanta, Georgia, area. GAO found that of the approximately 57,000 loans purchased or insured by Fannie Mae, Freddie Mac, and HUD between 1987 and 1989 in Atlanta, 87 percent were made to properties in predominately white areas. About 83 percent of these loans were for properties in ZIP code areas having average annual incomes of $35,000-$74,999. Median home prices were also highest in predominantly white, higher income areas. Of the over 6,000 VA-guaranteed loans made during the same period, 53 percent went to whites and 47 percent went to minorities.

### Federal Housing Administration: Monitoring of Single Family Mortgages Needs Improvement

GAO/RCED-91-11, February 7, 1991

To encourage lending to first-time homebuyers and others who might not qualify for conventional loans, the Federal Housing Administration (FHA)—as part of its insurance program for single family homes—provides mortgage insurance to lenders. However, FHA could not provide GAO with either a comprehensive description of how it monitors the insurance program or a list of its monitoring activities. Without appropriate internal controls or procedures, the insurance program and FHA's largest fund—the $305 billion Mutual Mortgage Insurance Fund—are vulnerable to waste, fraud, and mismanagement. GAO reviewed operations at FHA headquarters and at FHA field offices in Los Angeles, California, and Tampa, Florida. While GAO's results are not generalizable to other FHA offices, GAO is concerned that other FHA field offices may have similar problems in monitoring the insurance program.

### Secondary Mortgage Market: Home Loans in the Atlanta Area

Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Consumer and Regulatory Affairs, Senate Committee on Banking, Housing, and Urban Affairs

GAO/T-RCED-91-13, February 28, 1991

In response to congressional concerns about racial discrimination in home mortgage lending, GAO testified on its work on secondary mortgage market home loans in the Atlanta area. (See GAO/RCED-91-2, November 28, 1990.) During the 2-year period ending June 30, 1989, GAO found that the combined secondary mortgage market purchases made or insured in Atlanta by Fannie Mae, Freddie Mac, and HUD were generally fewer in neighborhoods with lower average incomes and higher concentrations of minorities. GAO testified that while the loan activity data do not demonstrate whether racial discrimination actually occurred, they do illuminate the extent and location of secondary mortgage market loan activity in the Atlanta area during a specific period.

### Homeownership: Loan Policy Changes Made to Strengthen FHA's Mortgage Insurance Program

GAO/RCED-91-61, March 1, 1991

After analyzing various policy changes to the Federal Housing Administration's single-family mortgage insurance program, GAO concludes that the cash position of the Fund over the next 10 years will depend heavily on the actual economic conditions that prevail—particularly house price appreciation rates. GAO believes that if house prices appreciate at a rate of only 2 to 4 percent annually, then U.S. Treasury assistance will likely be needed even if overall economic conditions are generally favorable. In June 1990, a Price Waterhouse study concluded that the Fund was not actuarially sound. To address this problem, the Department of Housing and Urban Development proposed several reforms to its single-family mortgage insurance program. The Congress used GAO's analysis of the financial and budgetary impacts of seven alternative reforms in deciding which reforms would be incorporated into the Cranston-Gonzalez Housing Act, enacted in November 1990. The reforms included setting an annual risk-related premium structure, with higher premiums for new mortgage loans with lower down payments. GAO estimates that the reforms should save about $2.5 billion over a 5-year period.

### Property Disposition: Information on Federal Single-Family Properties

GAO/RCED-91-69, March 29, 1991

The Federal Housing Administration, the Department of Veterans Affairs, and the Farmers Home Administration must dispose of single-family properties that they acquire when the borrowers cannot repay home mortgages insured, guaranteed, or made by one of these agencies. A fourth agency, the Resolution Trust Corporation, disposes of single-family properties as part of its job of managing and disposing of assets of failed savings and loans. This report presents information on (1) the number of single-family properties acquired and sold, the losses associated with those sales, and current inventories and their geographic distribution and (2) the procedures used by each agency to manage and sell single-family properties.

### Tax-Exempt Bonds: Retirement Center Bonds Were Risky and Benefited Moderate-Income Elderly

GAO/GGD-91-50, March 29, 1991

GAO surveyed 271 tax-exempt bonds totaling $2.8 billion that were issued from 1980 through July 1990 on behalf of charitable organizations to finance housing for the elderly. The facilities offered a variety of living arrangements, health care, and amenities for their residents. Entrance and monthly fees supported both the specialized services and the relatively high debt payments that these highly debt-financed projects must pay. Accordingly, GAO found that 75 percent of the facilities housed residents with average incomes higher than $15,000—making the facilities affordable for about one-quarter of the nation's elderly. At the end of 1989, GAO estimated that the overall default rate for bonds issued for retirement centers between 1980 and 1989 was about 20 percent. In comparison, GAO estimated an overall default rate of about 1 percent for selected revenue bonds like those for industrial development projects and hospitals. GAO found that many of the defaulted projects were highly debt-financed and the bonds' interest rates were higher than average rates paid on revenue bonds issued during the same period. This weak financial structure, combined with the inexperience of some developers and their overestimated occupancy projections, made the facilities vulnerable to default.

### Tax Administration: Expanded Reporting on Seller-Financed Mortgages Can Spur Tax Compliance

GAO/GGD-91-38, March 29, 1991

As much as $200 million in 1989 federal taxes may not have been paid because of noncompliance in reporting seller-financed mortgage interest income and deductions. If legislation were passed to require buyers to report sellers' social security numbers, GAO believes, on the basis of IRS studies on the impact of information reporting, that most of this tax revenue would have been paid due to increased voluntary compliance. To pursue any remaining unpaid taxes, IRS could use the social security number as part of an enforcement program to identify sellers who fail to report seller-financed mortgage interest, as well as buyers who understate seller-financed mortgage deductions.

### Farmers Home Administration: Information on Appeals of Farm and Housing Loan Decisions

GAO/RCED-91-106, April 9, 1991

In 1988 the Farmers Home Administration established a new appeals process for individuals dissatisfied with FmHA loan decisions. In response to concerns about the new process, this report examines (1) the status of FmHA farmer loan program and rural housing loan program appeals, (2) the timeliness of holding appeal hearings and implementing appeal decisions, and (3) the results of minority and nonminority appeals.

### Farmers Home Administration: Sales of Farm Inventory Properties

GAO/RCED-91-98, April 9, 1991

The Farmers Home Administration (FmHA) has over 3,400 farm properties in its inventory that were acquired from borrowers who were unable to repay their FmHA loans. This report provides information on (1) the price at which farm inventory properties have been sold or offered for sale, (2) the extent to which beginning farmers acquired these properties and whether such properties are appropriate for them, and (3) the effect that conservation easements have on the agricultural uses of FmHA properties.

### Thrifts and Housing Finance: Implications of a Stricter Qualified Lender Test

GAO/GGD-91-24, April 30, 1991

The widespread failure of savings and loans during the 1980s led to a serious reevaluation of the purpose and the regulation of the industry. The Financial Institutions Reform, Recovery, and Enforcement Act provides for a stricter qualified thrift lender test that, effective July 1991, will require thrifts to hold an increased percentage of their assets in housing-related investments like residential mortgages and mortgage-backed securities. GAO evaluated the implications of a stricter qualified thrift lender test. In GAO's view, it is not evident that raising the thrift lender test from 60 to 70 percent will reduce industry risk. A more stringent test may, in fact, increase the risk. GAO is unsure what test level will keep the thrift industry safe and profitable, thereby minimizing risks to the taxpayer. Given possible increased risks associated with raising the qualified thrift lender test to a higher level, however, the Congress may wish to leave the test unchanged at the current 60-percent level.

### Financial Audit: Farmers Home Administration's Financial Statements for 1989 and 1988

GAO/AFMD-91-36, May 6, 1991

GAO's opinion on the Farmers Home Administration's (FmHA) consolidated financial statements is qualified for both fiscal years 1989 and 1988 because GAO was unable to satisfy itself that the acquired farm and rural housing property accounts were presented fairly. Specifically, GAO's opinion discloses that (1) accounting records used to support the reported amount of FmHA's acquired property were inaccurate and (2) reports produced by the Acquired Property Tracking System were not properly reconciled with the detailed acquired property files at FmHA field offices. GAO's report on FmHA's internal control structure discusses the problem with the acquired property tracking system and an additional internal control weakness related to the new farm loan classification system's inability to project loan losses on FmHA's $22 billion direct farm loan portfolio. GAO has identified FmHA as a high-risk area within the federal government, and this report discusses the nature and extent of problems associated with FmHA systems and programs. This report also contains a discussion and analysis for the 3 fiscal years, 1987 through 1989, that GAO has audited FmHA's financial statements. GAO's analysis focuses on FmHA operations and presents trends in FmHA's operations, including the status of its loan portfolio. FmHA's cumulative deficit from operations totaled $40.6 billion at the end of fiscal year 1989. The extent of FmHA losses in the future will depend on the health of the agricultural economy because its portfolio tends to expand during periods of economic stress and to contract when the farm economy improves. Being a lender of last resort, FmHA will consistently operate at a loss because (1) many loans are not repaid and (2) it loans money at a lower rate than it pays the U.S. Treasury for borrowing money. When more loans are provided, the interest rate subsidy costs rise and more loans are not repaid. The extent of losses will also depend on FmHA efforts to improve its processes for making and servicing loans and its oversight of acquired properties.

**Farmers Home Administration: Appeals of Farm and Housing Loan Decisions**
Testimony by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Agriculture, Credit, Senate Committee on Agriculture, Nutrition, and Forestry, and before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations.

GAO/T-RCED-91-59, May 21, 1991

This testimony, which examines the Farmers Home Administration's appeals process for persons dissatisfied with FmHA loan decisions, is based primarily on an April 1991 GAO report (see GAO/RCED-91-106, April 9, 1991). GAO discusses (1) the status of FmHA farmer loan program and rural housing loan program appeals, (2) the timeliness of holding hearings and implementing appeal hearings, and (3) the results of appeals broken down by whether applicants were minorities or nonminorities. GAO also comments on the methodology used by USDA's Office of Inspector General in a recent study evaluating the quality of hearing officers' decisions on appeals.

**HUD Reforms: Limited Progress Made Since the HUD Scandals**
Testimony by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Employment and Housing, House Committee on Government Operations.

GAO/T-RCED-91-62, June 12, 1991

In GAO's view, it is too soon to evaluate the effectiveness of efforts by the Department of Housing and Urban Development to combat widespread waste, fraud, and abuse at that agency. GAO concludes, however, that the underlying causes of the scandals at HUD—inadequate information and financial management systems, including computerized systems; weak internal controls; inappropriate organizational structure; and insufficient staffing—remain largely unresolved, leaving the agency vulnerable to future problems.

### Federal Agricultural Mortgage Corporation: Issues Facing the Secondary Market for FmHA Guaranteed Loans

GAO/RCED-91-138, June 13, 1991

The Federal Agricultural Mortgage Corporation (Farmer Mac) has made significant strides by establishing, within 3 months of being authorized to do so, the infrastructure and policy that will guide the operations of a secondary market for FmHA guaranteed loans. Farmer Mac faces several problems, however, in facilitating a viable secondary market. Challenges inherent in the market—lack of commonality among the loans, lack of lenders' need for liquidity, and low loan volume—may be difficult to address. Additionally, Farmer Mac may have to compete with the ad hoc market, in which sellers are offered purchase terms that appear to be more attractive. Farmer Mac's ability to distinguish itself from the ad hoc market is likely to depend on the value participants place on (1) a uniform infrastructure for selling loans and securities and (2) the guarantee of timely payment of principal and interest to investors. FmHA and Farmer Mac both have said that one result of a viable secondary market will be a rise in the number of guaranteed loans made. This increasing lending activity, however, may further expose the government to financial risks resulting from abuses in the guaranteed-loan program. GAO summarized this report in testimony before the Congress.

### Federal Agricultural Mortgage Corporation: Conditions May Slow Development of Secondary Markets

Testimony by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Conservation, Credit, and Rural Development, House Committee on Agriculture.

GAO/T-RCED-91-66, June 13, 1991

This testimony summarizes GAO's June 13, 1991, report (GAO/RCED-91-138) on issues facing the secondary market for FmHA guaranteed loans.

### Federal Agricultural Mortgage Corporation: Potential Role in the Delivery of Credit for Rural Housing

GAO/RCED-91-180, August 7, 1991

The Federal Agricultural Mortgage Corporation, known as Farmer Mac, was created in 1988 to facilitate a secondary market for buying and selling agricultural real estate and rural housing loans. The Congress expected that a secondary market would make more long-term, fixed-rate loans available to rural borrowers. This report examines (1) Farmer Mac's actions to establish a secondary market for rural housing loans, including the development of standards to govern the quality of those loans; (2) Farmer Mac's potential role in facilitating the delivery of credit for rural housing, given the government-sponsored mechanisms already in place to serve rural areas; and (3) barriers Farmer Mac may face in facilitating the delivery of credit for rural housing.

**Federal Agricultural Mortgage Corporation: Secondary Market Development Slow and Future Uncertain**

GAO/RCED-91-181, September 10, 1991

The Federal Agricultural Mortgage Corporation (Farmer Mac) was created to promote the development of a secondary market for agricultural real estate and rural housing loans. The Congress expected that a secondary market for buying and selling these loans—in the form of securities guaranteed by Farmer Mac—would help make more long-term credit available to farmers, ranchers, and rural home owners. This report discusses three aspects of the market's development: (1) Farmer Mac's actions to establish the basis for the market; (2) the current status of the market, including the factors that have constrained its development; and (3) the market's effects on agricultural credit to date.

**Federal Home Loan Mortgage Corporation: Abuses in Multifamily Program Increase Exposure to Financial Losses**

GAO/RCED-92-6, October 7, 1991

Commonly referred to as Freddie Mac, the Federal Home Loan Mortgage Corporation is a federal chartered corporation that buys multifamily (apartment buildings) as well as single-family residential mortgages from primary lenders (seller/servicers) who then usually service the mortgages for Freddie Mac after the sale. Following allegations by a Bronx community group that 35 apartment buildings in the New York borough were overfinanced and allowed to deteriorate, GAO examined whether Freddie Mac (1) accepted overvalued appraisals when it bought the properties, which resulted in overfinancing; (2) had in effect a loan-serving process in the years after the mortgage purchase that protected it against additional risk; and (3) has new procedures to prevent overfinancing and servicing problems. Because of weak internal controls, Freddie Mac did not detect patterns of inaccurate and incomplete information in the appraisals and reports on the physical and financial condition of the properties that were provided by seller/servicers. Consequently, Freddie Mac overfinanced 27 of the 35 properties by about 20 percent of its total investment in them and increased the chances of fraud and program abuse. As of July 1991, Freddie Mac was foreclosing on 7 of the 35 properties, and 5 others were 90 or more days delinquent in mortgage payments. The internal control weaknesses identified in this report have also been found in other reviews of Freddie Mac's multifamily program nationwide. Freddie Mac has suspended purchases in major multifamily program and is now developing new program procedures. Purchases will resume when Freddie Mac determines that these procedures are adequate to prevent problems in the future. However, the changes instituted and planned as of July 1991 do not address all of the problems GAO identified. Unless additional controls are in place, Freddie Mac will remain vulnerable to program abuse and avoidable financial losses.

### Financial Audit: VA Housing Credit Assistance Program Financial Statements for Fiscal Years 1989 and 1988

GAO/AFMD-92-2, October 24, 1991

The Department of Veterans Affairs' (VA) housing assistance program financial statements present fairly the program's financial position for fiscal year 1989 and 1988 and the results of its operations for those years. VA's housing assistance program operations for fiscal year 1989 reported a net operating income of $200 million, as compared with a $1.8 billion loss the preceding year. This change is due mainly to a refinement in how VA estimates its liability for losses on loans currently guaranteed. Further refinement in the way VA approximates guaranteed loan losses would ensure that estimates continue to reasonably reflect actual losses and requirements of the Federal Credit Reform Act are met. A decline in guaranteed home loan foreclosures also contributed to the changes, as well as to a related change in the amount of VA's estimated liability for these losses. For fiscal years 1986 through 1989, VA's housing assistance program had a cumulative net operating loss of $3.9 billion. At the end of fiscal year 1989, the present value of VA's estimated liability for accrued loan losses payable in the future was $2.7 billion. Most of the actual loan loss payments will be made over the next 5 years and could amount to $3.6

billion. These payments will have to be funded primarily from appropriations since the fees VA charged on these loans were legislatively designed to cover only a small portion of the related losses. Foreclosures on VA guaranteed loans grew between fiscal years 1986 and 1988 but declined in fiscal year 1989. However recent increases in loan default rates suggest that future foreclosures could rise. This report discusses factors that could affect the VA housing assistance programs's financial position in the future. VA's self-assessments of its housing assistance program internal controls disclosed material weaknesses in several areas for which corrective actions are under way. In addition, GAO found that VA did not reconcile discrepancies in financial data contained in various systems that support the housing assistance program.

**ADP Modernization:
Half-Billion Dollar FmHA Effort Lacks Adequate Planning and Oversight**

GAO/IMTEC-92-9, October 29, 1991

The Farmers Home Administration (FmHA) needs to rethink its approach to modernizing its information system. The agency is spending hundreds of millions of dollars to modernize systems that support its loan systems before it has clearly articulated a business vision and supporting information needs. So far, FmHA has concentrated on upgrading the existing technology that supports its current loan-making practices. To help define and carry out a strategic vision and supporting information systems, FmHA should consider forging alliances and cultivating partnerships with experts from government, industry, and academia. FmHA must develop an overall information systems plan or blueprint showing how its information technology projects fit together. A guiding architecture is essential to prevent the modernization effort from degenerating into a loose collection of independent systems. FmHA also lacks an effective process for overseeing the modernization. The absence of effective oversight increases the risk that the current modernization effort—like its two predecessors—will fail, leaving the agency without the information technology it needs to improve its credit management. GAO summarized this report in testimony before the Congress:

**Farmers Home Administration:
Half-Billion Dollar ADP Modernization Lacks Adequate Planning and Oversight**

Testimony by JayEtta Z. Hecker, Director of Resources, Community, and

Economic Development Information System Issues, before the Subcommittee on Conservation, Credit and Rural Development, House Committee on Agriculture.

GAO/T-IMTEC-92-2, October 29, 1991

**Financial Management:**
**Analysis of Selected VA and FHA Housing Program Accounting Methods**

GAO/AFMD-92-8, November 25, 1991

The Department of Veterans Affairs' (VA) housing program accrues guaranteed loan losses at loan origination. The Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund accrues such losses when an insured loan defaults; loans that default generally do so within 10 years after loan origination. The timing differences in accruing loan losses are attributable to variations in the loan programs involved. Revenue from VA guaranteed loan fees and Fund insurance premiums is recognized when the guaranteed or insured loan losses are recognized; thus, both revenue and related costs are recorded in the same accounting period. Both entities value acquired property's sales. In addition, in their financial statements, the entities offset the principal amount of direct mortgage loans with an allowance for loan losses, thus valuing loan assets at their net realizable value. In fiscal year 1991, the VA housing assistance program will start including administrative costs as a program operation cost, as the Fund currently does.

# Rental and Public Housing

## Rental and Public Housing

**Potential Losses From the Rental Housing Inventory: Soundness of Current Estimates**
Testimony by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs.

GAO/T-PEMD-90-8, February 28, 1990

In recent years, several studies have suggested that, as private owners end their participation in federal housing programs by prepaying their mortgages, many federally subsidized rental units could be lost from the low- and moderate-income housing inventory. GAO testified on the preliminary results of its efforts to measure potential losses of federally subsidized units. GAO's findings suggest that the prepayment problem is closely tied to the opportunities available to property owners in a particular local market. For example, in the tight housing markets of Boston and Los Angeles, almost all the owners GAO spoke with would like to prepay as soon as possible; however, in low demand markets like Denver and Houston, owners were far less likely to be interested in prepaying.

**Utility Allowances Provided to Public Housing and Section 8 Households and Resulting Rent Burdens**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs.

GAO/T-RCED-90-41, March 7, 1990

GAO testified on housing allowances provided to public housing and section 8 housings. Specifically, GAO discussed (1) the extent of utility allowances provided to those households, (2) the resulting rent burdens of households that receive these allowances, and (3) options available for changes.

**Issues Pertaining to the Management of the Buffalo Municipal Housing Authority**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Honorable Daniel Patrick Moynihan at a field hearing in Buffalo, New York

GAO/T-RCED-90-87, June 9, 1990

GAO testified on (1) the effectiveness of a recently signed agreement between the Buffalo Municipal Housing Authority and the Department of Housing and Urban Development to improve the racial balance of Buffalo public housing developments, (2) the reasons for the Authority's relatively high vacancy rates, and (3) the need for the current number of employees at the Authority. GAO believes that prior practices that allowed tenants to choose the development in which they preferred to live have resulted in highly segregated housing. The Authority faces significant challenges in implementing the voluntary compliance agreement, reducing its high vacancy rate, and improving the overall condition of its developments. Strong leadership and management at the Authority, effective HUD oversight, and community support and involvement will all be needed to overcome these challenges.

**Assisted Housing:**
**Rent Burdens in Public Housing and Section 8 Housing Programs**

GAO/RCED-90-129, June 19, 1990

Under federal housing law, assisted households are usually required to pay 30 percent of their adjusted income for rent. By regulation, HUD has interpreted "rent" to include shelter cost plus a reasonable amount for utility costs. This interim report looks at the proportion of income that assisted households pay for rent and utilities (called "rent burden") at six public housing agencies.

**Rental Housing:**
**Inefficiencies From Combining Moderate Rehabilitation and Tax Credit Subsidies**

GAO/RCED-90-168, June 19, 1990

GAO looked at eight housing projects and found that the developers generally realized cash proceeds that greatly exceeded their costs for acquiring and rehabilitating the projects. These proceeds ranged from about $3,800 to $13,700 per unit and represent 11 to 34 percent of the project's acquisition and development costs. Developers generated the proceeds by selling their ownership interests in the projects along with the related tax credits and then combining these proceeds with mortgage loans secured by moderate rehabilitation rental subsidies. GAO believes that these projects represent an inefficient use of federal housing dollars for two reasons. First, by combining subsidies under the Moderate Rehabilitation Program with low-income housing tax credits, project developers received more assistance than needed to ensure the project's financial viability or to compensate them for their limited financial risk. Second, the use of both of these programs was questionable because the projects were in areas with ample vacant units. Because rents in these areas were often well below the rents established at the eight projects, housing certificates or vouchers would have been less expensive for the government.

### Rental Housing: Observations on the Low-Income Housing Tax Credit Program

GAO/RCED-90-203, August 14, 1990

The Low-Income Housing Tax Credit Program—authorized in the Tax Reform Act of 1986—was intended to provide an incentive for investors to construct or rehabilitate low-income housing. This report provides information on the following: (1) the estimated cost to the Treasury of low-income housing tax credits awarded during 1987-89, (2) whether the awarded tax credits have resulted in reduced rents paid by tenants in credit-assisted units, (3) whether such tenants have been selected from waiting lists maintained by public housing authorities, (4) the adequacy of existing compliance monitoring requirements, (5) the adequacy of current statutory provisions designed to prevent noncompliance, and (6) alternative tax credit allocation formulas.

### Housing for the Elderly: HUD Policy Decisions Delay Section 202 Construction Costs

GAO/RCED-91-4, January 14, 1991

Under the section 202 program, nonprofit organizations receive direct loans for constructing or rehabilitating rental housing for the elderly and handicapped, primarily those of lower income. Over the past 9 years, the time required to process a section 202 project has increased. In 1988, HUD had a 3-year backlog of projects for which construction had not yet begun. As a result, housing assistance to many low-income elderly and handicapped people has been delayed. GAO identified three main reasons for processing delays: (1) HUD has indirectly restricted funds available to finance 202 projects by establishing fair market rents that are too low in some cases and do not reflect the cost of construction; (2) HUD offices are inconsistent in their cost containment reviews and often change project plans in an effort to lower costs to limits supportable by fair market rents; and (3) HUD's field offices vary in their administration of the program, with some offices having developed effective processing procedures while others have not. This report contains recommendations to the Secretary of HUD for ensuring the timely completion of section 202 projects.

### Public Housing: Management Issues Pertaining to the Buffalo Municipal Housing Authority

GAO/RCED-91-70, March 1, 1991

After reviewing a voluntary 3-year compliance agreement between the Department of Housing and Urban Development and the Buffalo Municipal Housing Authority to correct tenant assignment practices that resulted in highly segregated housing developments in Buffalo, GAO concludes that it is too soon to know whether the agreement will achieve its objectives. To encourage individuals to move, the agreement provides incentives in the form of vouchers for child care, education, and vocational training, as well as improvements to the recipients' apartments. Until these incentives are actually offered, however, it is unclear whether they will successfully motivate people to move into developments where there will be a racial or ethnic minority. While GAO does not disagree with HUD's view that so-called "hardware" items like kitchen appliances may be paid for out of operating funds, GAO views the so-called "software" funds like child care vouchers as an improper expense. As of June 1990, about 26 percent of the Authority's 5,000 federally financed units were vacant; this compares with a national average of 7.5 percent for housing authorities. Health hazards, undesirable locations, poor building conditions, restrictive tenant assignment policies, extensive modernization efforts, and the Authority's inability to promptly renovate apartments for new occupants were some of the contributing factors. These vacancies are particularly troubling given (1) the 2,800 families who are on the waiting list for public housing in Buffalo and (2) the $240,000 per month HUD is paying in subsidies on these vacant units. Although the Authority's staffing level exceeds HUD's indicators and is about 1.5 times higher than the average for 10 housing authorities of similar size, HUD has approved the Authority's staffing level as necessary to deal with many of the problems already mentioned.

## Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses

GAO/RCED-91-40A and GAO/RCED-91-40B, March 26, 1991

While over 3 million lower-income households now receive rental housing assistance through the Department of Housing and Urban Development's public housing and section 8 certificate programs, concerns have arisen that many of these households are not receiving adequate allowances to pay their utility bills. The first volume of this report examines how utility allowances are provided to households and the extent to which the allowances cover utility costs. It also discusses benefits and drawbacks of two alternatives for ensuring that a greater proportion of assisted households pay 30 percent of their adjusted income for rent and utilities. The second volume presents detailed results on utility allowance practices from a nationwide survey of public housing agencies. It also contains the results of GAO's review of household rent payments, utility allowances, and utility costs for an estimated 9,500 households at six housing agencies.

## Rental Housing: Implementing the New Federal Incentives to Deter Prepayments of HUD Mortgages

GAO/PEMD-91-2, April 30, 1991

In the past, owners of low- and moderate-income rental housing that was federally insured could prepay their mortgages and then raise rents, displacing the original residents. Legislation enacted in 1990 seems to reduce the likelihood that the supply of low-income housing will be reduced due to near-term prepayments. To aid in the implementation of that legislation, this report provides information on the number of units eligible for prepayments and the interest of owners in prepayment.

**Radon Testing in Federal Buildings Needs Improvement and HUD's Radon Policy Needs Strengthening**
Testimony by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environment and Public Works

GAO/T-RCED-91-48, May 8, 1991

GAO testified on federal efforts to reduce the hazards of radon, a naturally occurring, colorless, odorless gas that has been shown to cause lung cancer. Over half of the federal agencies have completed their initial tests of federally owned buildings in high-risk areas for radon. Several agencies discovered high radon levels and are making additional tests and, in some cases, taking action to protect federal workers. Despite this progress, GAO has concerns about the following: at least one agency used radon detectors and measurement firms that were not approved by EPA as meeting minimum proficiency standards; many radon detectors were lost at some agencies, and retesting may be required; some agencies did not use or fully implement EPA's recommended quality assurance procedures; and delays in retrieving detectors at one agency raise questions about the accuracy of its tests. On a related matter, GAO is concerned that the Department of Housing and Urban Development's proposed radon policy does not include testing and mitigation programs to protect residents of public housing. Instead, HUD is suggesting a 4-year research program before deciding on an appropriate policy. This policy fails to recognize that EPA has, in fact, already set testing and mitigation procedures that are being applied to a variety of circumstances by the public and the federal government.

# Homelessness

## Homelessness

### Homelessness: McKinney Act Programs and Funding for Fiscal Year 1989

GAO/RCED-90-52, February 16, 1990

GAO is required to report annually on the status of programs authorized under the McKinney Act. The act, which seeks to establish a comprehensive program to help homeless people, now funds 18 programs that provide direct services for the homeless. This report outlines the act's legislative history; describes each McKinney Act program; and details monies provided under each program, by state, for fiscal year 1989. Of the $1.1 billion that the Congress appropriated for McKinney Act programs in fiscal years 1987 through 1989, the largest portion—around $365 million—went to the Federal Emergency Management Agency's Emergency Food and Shelter Program, which gives food and shelter to needy people on an emergency basis.

### Homelessness: Too Early to Tell What Kinds of Prevention Assistance Work Best

GAO/HRD-90-89, April 24, 1990

Although no reliable national data exist, estimates of the homeless population in the United States range from 250,000 to 3 million. An even greater number may be at risk of becoming homeless due to eviction and/or mortgage foreclosure. Hundreds of state and local groups provide homelessness prevention assistance. Yet GAO could not determine the effectiveness of this assistance because few assistance providers have the resources to collect the client follow-up data needed for such evaluations. Prevention assistance usually takes the form of onetime rent, mortgage, or utility payments. Counseling may also be involved. While at least six federal programs provide funds in support of these efforts, state and local organizations decide for themselves whether to use funds for homelessness prevention or other assistance, like emergency food and shelter for those who are already homeless. Even though many groups provide homeless prevention aid, the demand for their help is so great that some programs have run out of money or have had to cut back their assistance to individuals. GAO believes that collecting and evaluating data on the different types of assistance would help groups to target their limited resources to the most effective programs.

## Homelessness: McKinney Act Reports Could Improve Federal Assistance Efforts

GAO/RCED-90-121, June 4, 1990

This report describes the status of reports on programs for the homeless mandated by the McKinney Act. The act requires seven federal agencies and the Interagency Council on the Homeless to submit reports to the Congress on homelessness. Sixteen of the reports are a onetime requirement, 10 are required annually, and one, a General Services Administration report meant to identify available surplus federal property for use by the homeless, is required quarterly. As of April 1990, 6 of the 16 onetime reports and 8 of the 10 annual reports for fiscal year 1988 had been issued. GAO believes that these reports could provide federal agencies and the Congress with useful information on the current program effectiveness on topics like housing and health care for the homeless. This information could be especially useful to the Congress as it considers reauthorization of the McKinney Act, which expires on September 30, 1990. However, each time that GAO has checked on overdue reports, HUD and HHS officials have changed the report issuance dates. Accordingly, it is important that these agencies brief the appropriate congressional committees on information contained in the reports. Furthermore, these agencies need to work with the committees to establish new schedules for the final reports.

## Homelessness: Changes in the Interagency Council on the Homeless Make It More Effective

GAO/RCED-90-172, July 11, 1990

GAO found that the Interagency Council on the Homeless has made significant changes in response to March 1989 congressional hearings. At those hearings, GAO testified that the Council had been slow to respond to what the Congress had characterized as an immediate and unprecedented homelessness crisis. In this report, GAO notes that the leadership of the Council's current chairman—the Secretary of HUD—has improved substantially. For example, by loaning 10 HUD employees to serve as the Council's regional coordinators on a nonreimbursable basis, the Chairman has strengthened the Council's field coordination efforts and has improved services to the homeless. About two-thirds of the state officials and local assistance providers GAO surveyed said that the current Council's improvement efforts were "somewhat" to "very effective." These individuals also thought that the Council should be reauthorized to continue coordinating these efforts. GAO found the Council's 1989 annual report to the Congress to be an improvement over last year's publication because it focuses on the federal response to the homeless and addresses the levels of federal funding needed to combat the problem of homelessness.

**Homelessness:**
**Status of the Surplus Property Program, the Interagency Council on the Homeless, and FEMA's Emergency Food and Shelter (EFS) Program**

Testimony by John M. Ols, Jr., Director, Housing and Community Development Issues, before the Senate Committee on Governmental Affairs.

GAO/T-RCED-90-98, July 19, 1990

GAO testified on its work related to provisions of the McKinney Homeless Assistance Act. The Surplus Property Program, which is designed to identify vacant federal property available for homeless shelter, needs improvement. GAO believes the government needs to be sure properties are truly vacant and available before publicizing them as such and that comprehensive federal guidance on how to obtain federal properties should be developed. GAO found that changes made by the Interagency Council on the Homeless have significantly improved the Council's services and operations; that review is detailed in a report summarized above (GAO/RCED-90-172, July 11, 1990). Finally, GAO's review of the Emergency Food and Shelter Program administered by the Federal Emergency Management Agency revealed that funds are now reaching assistance providers in a more timely fashion than GAO reported previously.

**Homelessness:**
**Action Needed to Make Federal Surplus Property Program More Effective**

GAO/RCED-91-33, October 9, 1990

GAO found that although there has been progress in making surplus federal property available for use by the homeless under title V of the McKinney Act, problems remain that hinder the effective implementation of title V.

Specifically, properties are being listed in the Federal Register as suitable for homeless use before screening for federal need is completed. As a result, assistance providers are misled and may be applying for properties that are unavailable. In addition, many assistance providers are dissatisfied because they lack easy access to the Federal Register. In response, the General Services Administration and the Department of Housing and Urban Development have developed additional ways of publicizing federal properties, including sending notices directly to interested assistance providers. The McKinney Act authorizes only the leasing of federal properties and not transfers of property titles and donations. As a result, some assistance providers say that they cannot afford to renovate these properties or obtain loans to do so because leased property cannot be used as loan collateral. GAO believes that federal leases for facilities for the homeless may expose the government to liability. Also, local jurisdictions may seek compensation for the additional costs incurred—like emergency services for shelter residents—associated with nongovernment use. Changes in the leases could minimize these potential costs.

### Homelessness: Homeless and Runaway Youth Receiving Services at Federally Funded Shelters

GAO/HRD-90-45, December 19, 1990

This report analyzes the characteristics of youths who were served by shelters funded under the Runaway and Homeless Youth Act. GAO found that while there have been reports of a growing population of homeless youth, little information is available on the size or characteristics of either the total homeless youth population or the subgroup seeking assistance from runaway and homeless shelters. As the result of its analysis, however, GAO does make the following observations: (1) homeless youth seem to be a diverse group of people facing many problems, (2) the shelter network may not be able to meet some needs of homeless and runaway youth, (3) many youth may not be receiving needed services after they leave the shelters, (4) many homeless youth who do not return to their families after leaving a shelter move on to unstable living arrangements, and (5) very few of the homeless youth appear to leave shelters for independent living programs. Because troubled youth and those who are younger than 16 years old may not be suitable for independent living programs, more information is needed on alternative programs.

## Homelessness: Access to McKinney Act Programs Improved but Better Oversight Needed

GAO/RCED-91-29, December 28, 1990

GAO found that the Department of Housing and Urban Development (HUD), the Department of Health and Human Services (HHS), and the Departments of Education and Labor have eased barriers that assistance providers and others claimed hindered their efforts to help the homeless through McKinney Act program funds. These barriers included requirements for matching funds, environmental reviews, and time limits for program expenditures. While all federal agencies have made it easier to obtain McKinney Act funds, monitoring efforts vary. GAO believes that without adequate monitoring, there is a greater likelihood of misused funds and inefficient programs. Furthermore, the lack of (1) federal guidance to assistance providers on the type of data they should be collecting for evaluation and (2) program effectiveness evaluations have hindered the government's knowledge of whether McKinney Act programs are working. Although agency officials believe the reduction in barriers will make it easier for grantees to obtain McKinney Act funds, they are concerned about how slowly some grantees are spending the funds. As a result, federal agency officials have changed their program regulations, issued guidance, and proposed legislative changes to ensure that program funds are spent in a more timely manner.

## Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1990

GAO/RCED-91-126, May 1, 1991

The McKinney Act's homeless assistance programs provide the homeless with emergency food and shelter, transitional and permanent housing, primary health care services, mental health care, alcohol and drug abuse treatment, education, and job training. This report provides a legislative history of the act, describes each program established pursuant to the act, and states the amount of money provided under each program by state for fiscal year 1990. The Congress appropriated about $600 million for 18 direct assistance programs for the homeless and the Interagency Council on the Homeless. Of the 18 programs, 6 provided funds through a formula, or block-grant-type process, and 12 used a competitive process. The single largest funded program for 1990 was the Federal Emergency Management

Agency's Emergency Food and Shelter Program, which received around $496 million. The Congress appropriated about $655 million for 15 existing programs and 5 new ones for fiscal year 1991 and the Interagency Council on the Homeless.

**Counting the Homeless:**
**Limitations of 1990 Census Results and Methodology**
Testimony by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs and before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service.

GAO/T-GGD-91-29, May 9, 1991

GAO testified on the Census Bureau's 1990 Shelter and Street Night Enumeration, which was designed to count people who might otherwise have been missed by the census. The census and S-Night were not designed to, and did not, provide a complete count of the nation's homeless. The Bureau consistently has warned data users that the decennial census is not the appropriate vehicle for determining the extent of homelessness. In past reports, GAO has discussed efforts that extend well beyond the census that need to be done to estimate the number of homeless. As a result of methodological and operational weaknesses, however, the Bureau added fewer people to the census count through S-Night than it probably could have if it had aggressively pursued the daytime method early in the decade. S-Night is an example of what has been one of GAO's major concerns for several years: that the late census planning and the failure to fully consider and evaluate alternatives that characterized the 1990 census must be avoided for the 2000 census.

**Homelessness:**
**Federal Personal Property Donations Provide Limited Benefits to the Homeless**

GAO/RCED-91-108, July 15, 1991

The Federal Surplus Property Donation Program disposes of property no longer needed by federal agencies. Items range from heavy equipment, such as planes, ships, cars, and construction equipment, to more common domestic items, such as clothing, kitchen equipment, hardware, furniture, and office equipment. Property not claimed by groups such as the Boy

Scouts or the Red Cross is then made available to state agencies, which can distribute it to public and nonprofit private organizations, including homelessness assistance providers. Overall, GAO found that the program is not a significant source of aid to the homeless. In fiscal year 1990, according to General Services Administration estimates, only about one-twentieth as many providers obtained property directly from state agencies for surplus property as received assistance through the single largest McKinney Act program. The dollar value of the donations these providers have received since 1987 has also been limited. The donation program is limited in its potential to help the homeless because of the types of items available for donation, the resources required for providers to obtain donated items, the priority assigned to providers in the distribution process, and an impractical report requirement. Neither types of property available for donation nor the resources required for homelessness assistance providers to participate could be altered without changing the overall purpose and focus of the donation program. Providers could, however, be allowed to select surplus items earlier in the disposal process, and restrictions on the use of donated property could be modified to simplify providers' administrative tasks.

### D.C. Government: Information on the Homeless Family Program

GAO/GGD-91-108, August 22, 1991

While the District of Columbia has been providing housing to homeless families since the mid-1960s, enactment of the D.C. Right to Overnight Shelter Initiative of 1984 gave every homeless person in the District the right to overnight shelter. As a result, the number of homeless families assisted has increased more than 300 percent from fiscal year 1984 through 1990. This report addresses five issues concerning the operation of the District's homeless family program: (1) What approaches has the District used to acquire its apartment-style shelter housing? (2) What is the District paying for contract shelter and support services? (3) How does the District monitor contractor performance? (4) How many once-homeless families have located permanent housing? (5) How many families who left a shelter have returned to this program?

## Homelessness: Transitional Housing Shows Initial Success but Long-Term Effects Unknown

GAO/RCED-91-200, September 9, 1991

Believing that homeless people need more than emergency assistance to help them lead independent lives, the Congress has directed the Department of Housing and Urban Development (HUD) to develop innovative approaches to providing housing and supporting services to the homeless, especially deinstitutionalized people, families with children, individuals with mental problems, and handicapped persons. A major aspect of the Supportive Housing Demonstration Program is transitional housing to facilitate the movement of individuals to independent living. This report looks at whether (1) the program is helping homeless people move to independent living and what factors influence successful transitions, (2) the program is serving the types of clients specifically targeted by the Congress with a wide range of services, and (3) HUD is adequately monitoring grantees and assessing the program's effectiveness.

## Homelessness: Policy and Liability Issues in Donating Prepared Food

GAO/RCED-92-62, December 9, 1991

To what extent do federal laws, regulations, or policies hinder federal facilities like cafeterias from making prepared food that is uneaten available to the homeless? Of 14 federal Departments that maintain food service facilities, 13 said that they had little unconsumed food to donate. The remaining agency—the Defense Department—has only just begun its donation policy and could not estimate how much food might be available. Almost all of the Departments use food service contractors to run their facilities. These contractors are allowed to use their own discretion in donating foods. None of the contractors GAO contacted had written policies on donating unconsumed food, but they said they do donate some food on an ad hoc basis. States have enacted food donation statutes, called "good samaritan laws," that provide food donors various degrees of immunity from civil or criminal liability should someone become ill after eating donated food. Federal food service facilities that choose to donate food are covered by these statutes.

## 1990 Census:
## Limitations in Methods and Procedures to Include the Homeless

GAO/GGD-92-1, December 30, 1991

This report focuses on the Census Bureau's Shelter and Street Night (S-Night) Operation, which was meant to include the homeless population in the census. GAO concludes that the results of S-Night cannot be used to construct a count of the nation's homeless at any level of geography because S-Night was not designed to capture all of the nation's homeless population. In addition, the chosen method of enumerating selected shelter and street locations at night resulted in an unknown number of the hidden homeless being missed and a lack of assurance that those counted were homeless and would not also be counted during other census operations. These methodological limitations, combined with the operational problems the Bureau experienced with the street count, resulted in S-Night street data that have limited value in meeting needs for information on the number of homeless and their characteristics.

# Community Development

## Community Development

**Financial Audit:**
**Pennsylvania Avenue Development Corporation's 1988 Financial Statements**

GAO/AFMD-90-22, January 11, 1990

In GAO's opinion, the Pennsylvania Avenue Development Corporation's financial statements for fiscal year 1988 present fairly, in all material respects, its financial position and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles. Because the 1987 financial statements, which are presented for comparative purposes, have not been audited, GAO did not express an opinion on them.

**Communities in Fiscal Distress:**
**State Grant Targeting Provides Limited Help**

GAO/HRD-90-69, April 13, 1990

Between 1977 and 1987, direct federal aid to counties, cities, and townships declined by about three-fifths, to 5.2 percent of local revenues. Although cuts took place in many programs, the expiration of the $4.6 billion general revenue-sharing programs in 1986 accounted for 40 percent of the reductions and affected nearly 39,000 local governments. In response to concerns that these funding cuts may seriously affect fiscally distressed communities, GAO looked at how state governments were meeting the fiscal needs of these local communities. GAO also looked at how the loss of revenue affected such communities. This report identified states with wide differences in local tax burdens (fiscal disparities) and discussed the extent to which state general purpose fiscal assistance programs reduce disparities between the fiscally distressed and better off communities.

**Distressed Communities:**
**Public Services Declined in New Jersey Despite Targeted State Aid**

GAO/HRD-90-96, July 9, 1990

New Jersey enjoyed substantial prosperity during the 1980s. Yet not all of its communities participated in this economic expansion. Large and growing disparities emerged between poorer and wealthier communities, with the former facing more difficulties in coping with the loss of federal funds and the expiration of general revenue sharing. This report, the first in a series of three case studies, examines the condition of basic services in poor communities in New Jersey. The other two reports will focus on fiscally distressed communities in California and Texas. This report looks at changing federal-local fiscal relations due to declining federal aid and the loss of general revenue sharing. It also examines local efforts to cope with existing fiscal problems and assesses whether state policies helped to offset these circumstances.

### Distressed Communities: Public Services Declined in California as Budget Pressures Mounted

GAO/HRD-90-95, August 16, 1990

GAO examined local public services in poorer communities in three states in light of recent declines in federal-local aid and the termination of general revenue sharing. This report is a case study of Yolo and Tehama counties, two of California's poorest. GAO found that poorer counties in California have been more adversely affected by state- and voter-imposed revenue limitations and by the increased costs of state-mandated programs than have other local governments. While poorer counties tend to need more public services, their weaker local economies limit the amount of money available to finance public services. As a result, general revenue sharing was an important source of funding. When general revenue sharing ended in 1986, California did not replace the federal funds or take other measures to offset these losses. Thus, although the expiration of the program did not cause Yolo and Tehama's current fiscal problems, it did contribute to them. Yolo and Tehama counties developed strategies to deal with the loss of general revenue sharing; however, their efforts were inadequate, and they were forced to cut programs and postpone capital investments.

### Economic Development Administration: Treatment of Blacks at the Economic Development Administration in the 1980s

GAO/HRD-90-148, September 26, 1990

GAO examined allegations concerning the treatment of blacks at the Economic Development Administration (EDA) in the Department of Commerce. These allegations, raised by a former EDA employee, involved

(1) personnel and equal employment opportunity matters affecting black EDA employees and (2) programmatic decisions dealing with the award of grant funds and how these activities affected black applicants. GAO could not review allegations about incidents occurring between fiscal year 1981 and 1984 because documentation was unavailable; EDA generally does not keep records and files for more than 3 years. However, GAO does discuss the number, bases, and resolutions of formal discrimination complaints filed by black employees at EDA during fiscal years 1985 to 1989. During fiscal years 1986 through 1989, blacks were relatively well represented in all federal job categories and grade levels at EDA when compared with the national civilian labor force, even though EDA's funding and staffing levels had decreased significantly. EDA generally prepared annual affirmative employment plans and accomplishment reports as required, although it did not always follow through on actions stated in its affirmative employment plans. Data on the extent that minorities benefitted from EDA grants were unavailable, as were data on the number of jobs created for minorities.

### Rural Development: Problems and Progress of Colonia Subdivisions Near Mexico Border

GAO/RCED-91-37, November 5, 1990

Colonias, which first appeared in the 1950s when developers began creating unimproved subdivisions outside city boundaries, are mainly found today in counties along the Texas-Mexico border. Of the four states GAO reviewed, Texas reported 842 colonias with almost 200,000 residents and New Mexico reported 15 colonias with about 15,000 residents. Water, sewage, and sanitation appear to be major problems in these communities. For example, less than 1 percent of the colonias GAO visited in Texas had sewage systems. Some Texas colonias residents lack indoor plumbing and rely instead on outside water spigots; hook-up and monthly service charges for the water system are unaffordable for some residents. In New Mexico, colonias residents typically use wells that are vulnerable to contamination. In colonias without sewers, residents often use septic tanks and pit privies that do not meet public health standards. Both Texas and New Mexico have programs to fund water and sewer development. Over the years, municipal water suppliers and nonprofit water corporations have extended public water to 60 percent of the Texas colonias and 80 percent of the New Mexico colonias; however, efforts to provide sewer systems to those colonias have been minimal. While all four states in GAO's review have requirements that would limit the future development of colonias, there are concerns that future colonia developments may not be fully precluded because of exemptions in the statutes.

### Community Development: Oversight of Block Grant Monitoring Needs Improvement

GAO/RCED-91-23, January 30, 1991

Local governments rely on the Community Development Block Grant program to help meet locally defined community development needs, including the creation of decent housing and the expansion of economic opportunities. However, the Office of Inspector General found that many problems plagued the administration of grantees' programs. GAO reviewed three Department of Housing and Urban Development field offices (Baltimore, Maryland; Columbus, Ohio; and Detroit, Michigan) to determine how they monitored entitlement grantees of Community Development Block Grants. GAO found that weaknesses in HUD's guidance for monitoring entitlement grantees may have contributed to less than adequate supervisory and evidentiary control practices. Without adequate supervisory and evidentiary controls over its monitoring program, HUD cannot ensure that management problems are detected or that staff do not duplicate previous work. In addition, without using information found in Office of Inspector General reports when planning their monitoring, field offices may not be using their limited resources most effectively.

### Distressed Communities: Capital Investments Were Postponed in Texas as Local Economies Weakened

GAO/HRD-91-14, February 6, 1991

GAO examined local public services in poorer communities in three states to discover the effects of declining federal-local aid and the termination of general revenue sharing. This report is the third and final case study, focusing on Weslaco and Uvalde, two distressed communities in Texas. GAO found that, because Texas suffered two economic slumps in the 1980s that affected all communities, the poorer communities examined by GAO did not appear to lose economic ground relative to other Texas communities. However, fiscal problems did worsen in Weslaco and Uvalde; these communities, like other poorer areas, have greater than average service needs and fewer resources with which to meet them. Local efforts to cope with fiscal problems helped Weslaco and Uvalde maintain their limited levels of most local services after revenue sharing ended, but both communities had to postpone capital investment projects for lack of funds. GAO also found that Texas, like most states, did not replace revenue sharing funds when that program expired in 1986. Overall, state spending, taxing, and grant-in-aid policies made it more difficult for poorer communities to meet their public service responsibilities.

### Community Development: HUD Oversight of the Dallas Block Grant Program Needs Improvement

GAO/RCED-92-3, November 27, 1991

Newspaper articles have alleged that the city of Dallas poorly administered housing programs funded by the Dallas Community Development Block Grant program. GAO found that the Department of Housing and Urban Development (HUD) did not adequately oversee and monitor the program. This report focuses on HUD's monitoring of the city's (1) timely expenditure of program funds, (2) use of program funds for enforcement of local housing codes, (3) control over subrecipients, and (4) accounting for planning and administrative costs.

# Small and Minority Business

## Small and Minority Business

**Minority Business:**
**Management Improvements Needed at Minority Business Development Agency**

GAO/RCED-90-69, January 19, 1990

The Department of Commerce created the Minority Business Development Agency in 1969 to promote opportunities for the Nation's minority businesses. For a nominal fee, the agency provides management, marketing, and technical help to minorities who want to start, expand, or improve their businesses. GAO found that delays in funding and the ineffective use of staff have hindered the agency's delivery of service. Despite these problems, a nationwide GAO survey found that agency clients (1) were generally satisfied with the services, (2) believed the services have been useful, (3) would seek help from the agency again. GAO identified several problems with grant applications that delayed their review and approval until the problems were resolved. Since the Minority Business Development Centers—which actually provide the services to clients—cannot be funded without an approved application, some Centers have had to shut down from one to four months. Commerce officials have been working on these problems over the past year, but it is too early to tell if their efforts have been successful. GAO also found that although the agency's program funds, and thus its programs, were reduced by about 43 percent between fiscal years 1980 and 1989, only minimal reductions in staff occurred. Thus, the agency is overstaffed today. The agency's new Director said he is trying to resolve the problems with timely processing of grant applications and with effective staff use.

**Small Business:**
**Development Centers Meet Counseling Needs of Most Clients**
Testimony by John M. Ols, Jr., Director, Housing and Community Development Issues, before the Senate Committee on Small Business.

GAO/T-RCED-90-65, April 18, 1990

GAO testified on its November 1989 report on the Small Business Administration's Small Business Development Center Program (GAO/RCED-90-38BR). In summary, GAO found that the centers are meeting the counseling needs of most clients. A high percentage of clients are satisfied with the help they received and believe they were assisted quickly. They also believe they received the kind and amount of assistance they wanted, and most would use the program again. GAO believes the improvements being considered by the Small Business Administration should further enhance the services provided by the centers.

**Comments on H.R. 2274 [the Small Business Protection Act] and Our Report on Contracting Practices for Military Base Support Contracts**

Testimony by Paul F. Math, Director of Research, Development, and Procurement Issues, before the Subcommittee on Procurement, House Committee on Small Business.

GAO/T-NSIAD-90-34, April 19, 1990

This testimony focuses on H.R. 2274, the Small Business Protection Act, and on a February 1987 GAO report entitled Procurement Opportunities to Use More Preferred Practices for Base Support Contracts (GAO/NSIAD-87-7). Both the legislation and the GAO report seek to require additional justification and promote better analysis of alternatives, when warranted, before decisions are made to consolidate work functions into larger contracts. Information GAO collected on military base support contracts for its 1987 report raised concerns about the adverse effect on small businesses for consolidating single function contracts into large contracts. GAO believes H.R. 2274 proposes a reasonable approach for ensuring that, before deciding whether to consolidate contract work, procuring agencies take into account the opportunities given to small businesses to participate.

**Health Insurance: Availability and Adequacy for Small Businesses**

Testimony by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Antitrust, Monopolies and Business, Senate Committee on the Judiciary.

GAO/T-HRD-90-33, June 5, 1990

Small businesses are having an increasingly difficult time offering health insurance that meets the needs of their employees. About half of the small businesses with less than 10 employees do not offer health insurance to their employees. GAO testified on the problems facing small businesses in obtaining adequate and affordable health insurance coverage. GAO concludes that while many proposals have been offered for resolving this situation, there is still no consensus and the nation has not yet embraced a solution to this problem.

### Audits of Small Business Investment Companies

Testimony by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Senate Committee on Small Business.

GAO/T-AFMD-90-23, June 21, 1990

GAO discussed certified public accounting firm audits of small business investment companies. In particular, GAO answered several questions about audits of River Capital Corporation, a small business investment company that owed the Small Business Administration $28.5 million when it filed for bankruptcy in August 1989.

### European Single Market: U.S. Government Efforts to Assist Small- and Medium-Sized Exporters

GAO/NSIAD-90-167, June 21, 1991

This is GAO's second report on trade issues related to the European Community's Single Internal Market Program, known as EC 1992. This report focuses on European Community efforts to enhance the competitiveness of its small- and medium-sized enterprises, U.S. government activities that support U.S. small business exporters in the EC 1992 environment, and areas in which collaboration with the EC could assist these firms.

### Small Business: Low Participation in Set-Aside Program Expected for Sheltered Workshops

GAO/RCED-90-192, August 6, 1990

Between fiscal years 1989 and 1993, private and public organizations for the handicapped (sheltered organizations) are authorized to compete for small business set-aside contracts awarded by federal agencies. GAO is required to prepare a report by September 1992 describing the impact that such contracts have had on for-profit small businesses. This interim report describes (1) the availability of data needed to measure how contracts with sheltered workshops have affected for-profit small business and (2) the extent to which sheltered workshops are participating in the early stages of the program. Overall, organizations representing sheltered workshops said that their participation in the program has been minimal. They said that sheltered organizations were unaware of their eligibility to participate in the program and how to bid on federal set-aside contracts. The organizations also said that the 1988 authorizing legislation prohibits items that are competitively supplied by sheltered workshops under set-aside contracts from being added to the list of products and services that are permanently awarded to sheltered workshops under the provisions of the Javits-Wagner-O'Day Act.

### Small Business: Efforts to Improve Activities of the Service Corps of Retired Executives

GAO/RCED-91-5, November 20, 1990

The Service Corps of Retired Executives (SCORE) is a voluntary, nonprofit organization whose primary purpose is to apply the experience of its counselors in solving the problems of small businesses. This report discusses (1) how SCORE operates and what services it provides and (2) several managerial and administrative issues, including SCORE's management information system, the Small Business Administration's oversight of SCORE chapters, the chapters' interaction with the Small Business Development Center program, evaluations of counselors' performances, and funding for clerical support and travel. GAO believes that SCORE chapters can provide counseling and workshops with modest financial and administrative support from SCORE headquarters or SBA. Some chapters, however, may not need large amounts of funds because facilities and/or services are provided without charge by SBA or business associations like the local chambers of commerce. GAO concludes that SCORE's recent efforts to improve chapter operations by issuing reporting guidelines and revoking charters of chapters that do not improve their performance are a step in the right direction. GAO realizes that SCORE's members are volunteers who provide valuable assistance to SBA and the small business community; nevertheless, accurate reporting of chapters' counseling sessions and workshops are important for improving management.

## Beef Procured for Commissaries: Small Businesses Received Significant Share of Orders for Commissary Resale

GAO/NSIAD-91-100, February 11, 1991

In response to concerns that small business may not be receiving a fair share of contract awards under DOD's current system, GAO reviewed the way DOD buys beef for its commissaries. Overall, GAO found that small businesses accounted for a large share of beef sales to the military commissaries—supplying 44 percent of the estimated $163 million bought in 1990 and 48 percent of the estimated $181 million bought in 1989 under the two primary methods of acquiring beef. Officials responsible for commissary management in the four services said that they are satisfied with the price and quality of the beef they are purchasing. This report also discusses recent developments that may affect future procurement methods.

## Private Pensions: 1986 Law Will Improve Benefit Equity in Many Small Employers' Plans

GAO/HRD-91-58, March 29, 1991

In response to concerns that women may not be getting a fair shake from the pension system even though pension rules are gender neutral, the Congress passed the Retirement Reform Act of 1984. Before this bill became law, many participants in small employers' pension plans were treated inequitably according to GAO's criteria. GAO assumes that a plan is equitable if every participant earns a benefit that is the same percentage of pay per year of service; conversely, a plan is deemed inequitable if men earn more than $1.10 in benefits as a percentage of pay per year of service for every $1 women earn. GAO found that most defined benefit plans sponsored by small employers favored the higher-paid, who were mostly men. The Retirement Reform Act's integration changes and proposed IRS nondiscrimination rules will, GAO believes, substantially limit the extent to which a plan may favor the higher-paid in the allocation of benefits. Consequently, the extent of benefit inequity will decrease in many small employers' defined benefit plans. GAO supports IRS' new rules and believes that they will result in substantial gains in benefit equity.

### Minority Business: Minority Business Development Agency Needs to Address Program Weaknesses

GAO/RCED-91-114, April 16, 1991

The Minority Business Development Agency, part of the Department of Commerce, awards grants to develop and increase business opportunities for racial and ethnic minorities, primarily through its Business Development Center program and to a lesser extent through its special projects program. This report looks at (1) the Agency's procedures and practices for attracting, selecting, and managing special projects and (2) the Agency's response to previously identified management deficiencies in both the Center and special projects programs.

### Small Business: Information on and Improvements Needed to Surety Bond Guarantee Programs

GAO/RCED-91-99, April 23, 1991

Since 1971 the Small Business Administration's Surety Bond Guarantee Program has helped qualified small businesses obtain bonds required for construction and service contracts from surety companies, bonds that would be unobtainable without an SBA guarantee. Because minorities were having a particularly hard time obtaining bonds, the Congress passed legislation in 1988 establishing a Preferred Surety Bond Guarantee Program, which allows selected surety companies to underwrite and issue SBA-guaranteed bonds without SBA's prior review and approval. This report provides information on the (1) Surety Bond Guarantee Program activities during fiscal years 1987-89 to be used as a baseline for determining the impact of the pilot program, and (2) status of the pilot Preferred Surety Bond Guarantee Program.

### GSA Travel Services: Small Disadvantaged Businesses Seldom Receive Contracts

GAO/GGD-91-58BR, April 26, 1991

In response to concerns that small businesses and small disadvantaged businesses seldom receive government travel contracts, GAO looked at how the General Services Administration have been contracting with travel agencies to provide travel arrangements for government employees. GAO found that small disadvantaged businesses have had little success in winning GSA travel service controls. During the past 3 fiscal years, small businesses received about 9 percent of the estimated travel service contracts awarded by GSA, while small disadvantaged businesses received about 1 percent of the estimated dollar value. In an effort to increase participation by small and small disadvantaged businesses (1) the Air Force has created smaller acquisitions by allowing installations to contract for their own travel services and (2) the Army has required offerors to submit subcontracting plans. These options are available to GSA if it chooses to give small and small disadvantaged firms greater opportunity for travel service contracts.

**Small Business:**
**SBA Incurs Substantial Losses on Liquidated Loans**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Senate Committee on Small Business.

GAO/T-RCED-91-64, June 4, 1991

The Small Business Administration has been experiencing heavy losses due to the liquidation of general business loans. During fiscal year 1989, the three SBA regions reviewed lost a total of $161 million on liquidated loans valued at $256 million. These losses were incurred mainly because insufficient collateral was put up at the time the loans were liquidated. SBA considers collateral of secondary importance when making loans. As a result, SBA accepts inventory and accounts receivable as loan collateral, the value of which often declines during the life of a business. SBA regulations require that loan collateral be adequate to reasonably protect the interests of the government. However, the regulations also state that lack of collateral cannot normally be the sole basis for disapproving a loan. SBA emphasizes the latter when reviewing loan applications. Loan losses were also higher than necessary because SBA did not maximize recoveries on existing collateral.

**Small Business:**
**Participation in SBA's (8)a Business Development Program**

GAO/RCED-91-173, June 11, 1991

The Minority Small Business and Capital Ownership Development Program, commonly known as the 8(a) program, is intended to promote small businesses owned by socially and economically disadvantaged individuals. This report provides information on (1) the number of Caucasian women in the 8(a) program, which is run by the Small Business Administration; (2) the number of these women who have sued SBA to gain entry; and (3) the criteria SBA uses to determine whether Caucasian women and others are socially disadvantaged.

### Telecommunications: GSA Should Improve Oversight of Small Business Contracting

GAO/IMTEC-91-57, July 9, 1991

The prime contractors are exceeding their subcontracting goals under the FTS 2000, Technical Assistance and Management Services, and Washington Interagency Telecommunications Systems contracts, using small and small disadvantaged businesses for telecommunications and other services. Some large subcontractors did not provide their plans for further subcontracting, however, and opportunities for subcontracting to small and small disadvantaged businesses may have been missed. As a result, it is unclear whether "maximum practicable opportunity" has been afforded to those businesses under these contracts. GSA's and the prime contractors' lack of diligence in overseeing large contractor compliance with the law has contributed to this uncertainty.

### Small Business: Improper Payments of Former Administrator's Expenses

GAO/RCED-91-134, July 19, 1991

The Small Business Administration paid for travel expenses incurred by its former Administrator that were improperly authorized and justified. It also paid for continuing legal education courses for the Administrator that had not been approved by the Office of Personnel Management, as required by law. SBA officials attributed this situation to improper advice rather than to wrongdoing by the Administrator. Subsequently, SBA requested and received postapproval from OPM for the law courses. GAO disagrees with OPM's decision because GAO believes that the courses did not meet the requirements for providing training to presidential appointees. Among the government-paid trips taken by the Administrator, 23 of 33 trips included stops in either Wisconsin or Minnesota; the Administrator's home is located in Somerset, Wisconsin, a suburb of Minneapolis. While GAO did not determine the need for or appropriateness of these trips, an SBA reexamination of all travel records could identify any improper payments requiring reimbursement from the former Administrator.

### Small Business: Evaluation of Investment Companies' Financing Activities

GAO/RCED-91-142BR, July 23, 1991

GAO reviewed the financing activities of investment companies participating in the Small Business Administration's Small Business Investment Company (SBIC) Program, which helps small businesses obtain equity capital, management assistance, and long-term financing. This briefing report provides information on (1) the number and dollar amount of financing made by SBICs in calendar years 1983 through 1989, (2) the size of businesses receiving financing and the purpose of the financing, (3) SBAS definition of "small business concern" and the ability of businesses with large gross assets to qualify for financing, and (4) the role of banks in providing financing through SBIC and specialized SBIC programs.

### Resolution Trust Corporation: Progress Under Way in Minority and Women Outreach Program for Outside Counsel

GAO/GGD-91-121, August 30, 1991

The Resolution Trust Corporation is required to prescribe regulations for including firms owned by women and minorities to the maximum extent possible in all RTC contracting activities. Officials at RTC and the Federal Deposit Insurance Corporation said that their slow start in moving the outreach program for outside counsel was due to insufficient headquarters staff. Since July 1991, however, RTC has developed regulations for the establishment of minority and women outreach programs and these regulations were published in the Federal Register in August 1991. Resources to assist with the development of the program were provided through additional hiring. RTC and FDIC have also adopted a joint venture program that may increase the areas of expertise for firms owned by women and minorities. Yet a number of shortcomings need to be corrected if RTC is better to achieve the program's objectives. The list of counsel utilized, the factors used to pick outside counsel, and the monthly case referral reports need improvement. Additionally, headquarters oversight of field outreach activities needs improvement. Furthermore, adequate staffing levels in headquarters and the field offices need to be maintained. RTC and FDIC have acknowledged these shortcomings and said that action plans exist. But, until the necessary steps are taken to correct these problems, the program remains vulnerable to the perception that it is not accomplishing its objectives.

### Resolution Trust Corporation: Progress Under Way in Minority- and Women-Owned Business Outreach Program

GAO/GGD-91-138, September 27, 1991

GAO assessed the policies and procedures used by the Resolution Trust Corporation to maximize the involvement of minority- and women-owned businesses in contracting by the agency. Specifically, this report focuses on RTC's program concerning asset management services. GAO found that the lack of comprehensive program guidance and oversight, combined with inadequate staff at RTC headquarters, regional, and consolidated offices, resulted in a slow start in the program for minority- and women-owned businesses. GAO also found inconsistent implementation of program provisions. In addition, technical bonus points for the program were being applied inconsistently, thereby precluding some minority- and women-owned businesses from final considerations for contracts. Also, the cost advantage was not being applied because contractors' cost proposals were generally not within the required 3 percent of the lowest bid. While RTC has proposed a series of initiatives to boost the number of employees at regional and consolidated offices working on the program, oversight efforts may fall short because the directive does not provide for (1) more program staff at headquarters or (2) procedures for nationwide oversight to ensure uniform implementation of the program.

### Federal Research: Small Business Innovation Research Program Shows Success but Could be Strengthened

Testimony by Keith O. Fultz, Director of Planning and Reporting, Resources, Community, and Economic Development Division, before the House Committee on Small Business.

GAO/T-RCED-92-3, October 3, 1991

The Small Business Innovation Development Act of 1982 stressed the benefits of technological innovation and the ability of small businesses to transform research and development results into new products. GAO testified on the commercial trends (primary sales) of products in the final phase of the Small Business Innovation Research program, which was authorized by the act. This phase of the program is intended to pursue commercial or government applications of program technology. GAO testified that although many program projects have not yet had enough time to reach their full commercial potential, the program is showing success overall. As of July 1991, the program had generated more than $1.1 billion in sales and additional funding for further technical development. In addition, most sales and additional development funding came from the private sector, suggesting that R&D projects funded by the program are achieving a key goal—increasing private sector commercialization. The extent of commercialization varies widely by agency, however, and could be enhanced if more emphasis, particularly by the Defense Department, were placed on increasing private-sector commercialization. This, along with attention to others issues involving company participation in the final phase of the program, could further strengthen the program.

**Patent and Trademark Office:**
**Impact of Higher Patent Fees on Small-Entity and Federal Agency Users**

GAO/RCED-92-19BR, October 11, 1991

Under the Omnibus Budget Reconciliation Act of 1990, the Patent and Trademark Office (PTO) in the Department of Commerce must in the future recover essentially all of its patent costs through patent user fees. This change means that a 50-percent subsidy for patent fees enjoyed by small-entity users of PTO services will be shifted from annual appropriations to large-entity users of PTO services. To achieve a fairer distribution of fees, PTO has proposed reducing the subsidy for small entities beginning in fiscal year 1992. In this briefing report, GAO provides information on four alternative approaches to the PTO proposal to reduce the 50-percent subsidy and presents the views of senior patent attorneys and technology transfer officials at 10 federal laboratories with the most active patent and licensing programs.

**Export Promotion:**
**Status of SBA Programs**
Testimony by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Exports, Tax Policy, and Special Problems, House Committee on Small Business

GAO/T-NSIAD-92-3, November 14, 1991

The Department of Commerce is the lead agency for export promotion in the federal government. However, 10 other federal agencies, including the Small Business Administration (SBA), also spend money on programs intended to help U.S. businesses export. This testimony focuses on the current status of SBA export promotion programs.

### Technology Transfer: Federal Efforts to Enhance the Competitiveness of Small Manufacturers

GAO/RCED-92-30, November 22, 1991

The United States has experienced major trade deficits in manufactured goods each year since 1983, and U.S. companies have lost significant market share to foreign competitors. In particular, small manufacturers have not kept pace with their foreign rivals because they have not upgraded their manufacturing processes with basic automated equipment like computer-aided design systems. In response, four federal programs were created during the last 3 years to help small manufacturers regain their industrial competitiveness. The primary technology need of most small manufacturers is for proven, off-the-shelf automated technologies to enable them to raise productivity, improve product quality, and respond to changing market conditions. Most small manufacturers cannot effectively use the advanced, state-of-the-art automated technologies developed at the National Institute of Standards and Technology and other federal laboratories because they generally lack the resources or trained personnel to incorporate such technologies into their operations. Overall, GAO found that the four federal programs have been only somewhat effective in addressing the technological needs of small manufacturers to improve their competitiveness. In addition, the four programs have affected only a relatively small percentage of small manufacturers; by themselves, they have little impact on improving small manufacturers' competitive position. Moreover, while the federal programs offer incentives for states to start or expand technology assistance services, only seven states provide direct consultation to manufacturers—the type of help experts consider most effective in assisting manufacturers. Recently, three of these states substantially cut funding for their programs because of budget constraints.

# Disaster Assistance

## Disaster Assistance

**Roles, Cost, and Criteria for Assessing Agriculture Disaster Assistance Programs Between 1980 and 1988**
Testimony by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Production and Stabilization of Prices, Senate Committee on Agriculture, Nutrition, and Forestry.

GAO/T-RCED-90-37, March 6, 1990

USDA provides farmers with disaster assistance through direct cash payments, subsidized emergency loans, and a crop insurance program. Between fiscal years 1980 and 1988, the federal government has incurred costs of approximately $17.6 billion in support of these programs: $6.9 billion for direct cash payments, $6.4 billion for disaster assistance emergency loans, and $4.3 billion for crop insurance. Using basic principles of equity and efficiency, GAO concludes that crop insurance appears to be a better way of providing disaster assistance than either the direct payment or emergency loan programs. However, the real effectiveness of the program cannot be fully determined as long as it has the disadvantage of competing with the other disaster assistance programs. Consequently, if the Congress chooses to rely on crop insurance as the primary method of providing disaster assistance, it should prevent other disaster assistance programs from competing with it.

**Preliminary Information on the Federal Government's Response to Recent Natural Disasters**
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation.

GAO/T-RCED-90-75, May 1, 1990

GAO testified on its ongoing work on the federal government's response to recent natural disasters like Hurricane Hugo and the Loma Prieta earthquake. GAO believes it is premature to give a final opinion on the federal government's disaster relief efforts. However, as GAO obtained information on the three major phases of emergency management—preparedness, immediate response, and recovery—it did find a common theme: that of coordination difficulties and uncertainty about the roles and responsibilities of federal agencies. GAO also discussed FEMA's overall organization and management, including staffing adequacy, the implications of vacant high-level positions at FEMA, and FEMA evaluations of disaster relief efforts and recommendations for improvement.

**Loma Prieta Earthquake: Collapse of the Bay Bridge and the Cypress Viaduct**

GAO/RCED-90-177, June 19, 1990

On October 17, 1989, the Loma Prieta earthquake struck northern California and caused the collapse of a two-level, 1.25-mile section of the Cypress Viaduct on Interstate Route 880 in Oakland; 42 people were killed. A section of the Oakland-San Francisco Bay Bridge also collapsed, resulting in one death. GAO examined what the California Department of Transportation (CALTRANS) knew about the vulnerability of the two structures to earthquake damage; levels of federal and state spending to strengthen bridge and viaduct structures vulnerable to earthquakes; and funding needed to complete California's seismic retrofit program. GAO found that the retrofit program, initiated 18 years ago to correct deficiencies in structures designed before 1971, has been a lower priority project than other highway safety projects. Only the first phase of a three-phase program has been completed. Had the retrofit program progressed to the third phase—which calls for reinforcement of all multicolumn structures like the Cypress Viaduct—before the October 1989 earthquake, CALTRANS engineers believe they would have identified a structural flaw in the viaduct's support columns that they think contributed to its collapse. CALTRANS officials thought the Bay Bridge had been retrofitted sufficiently before the earthquake. Since the earthquake, the state has focused more attention on completing its retrofit program, creating a separate budget and staff for the project. However, the state has not yet appropriated enough money to complete the program. The decision was deferred until after June 5, 1990, when voters approved a ballot measure intended to make additional transportation funds available.

**Flood Insurance: Information on the Mandatory Purchase Requirement**

GAO/RCED-90-141FS, August 22, 1990

Under the Flood Disaster Protection Act of 1973, federal agencies like the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency must ensure that their member lending institutions—before making loans—require properties in special flood hazard areas to carry flood insurance. This insurance is designed to provide an alternative to disaster assistance. This fact sheet addresses the views of the Federal Emergency Management Agency's Federal Insurance Administration (which manages the National Flood Insurance Program), regulatory agencies, and lenders on issues related to compliance with the mandatory flood insurance provision; the level of compliance in certain areas of Texas and Maine; and efforts to increase compliance.

### Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement

GAO/RCED-91-43, March 6, 1991

In 1989 Hurricane Hugo and the Loma Prieta earthquake caused billions of dollars in damage and hardship for hundreds of thousands of people. In response to congressional concerns about the timeliness, efficiency, and coordination of the federal response to these natural disasters, GAO reviewed how FEMA and other federal agencies carried out their duties. GAO found problems in all phases of disaster management—preparedness, response, and recovery. These problem areas warrant federal, state, and local government attention to help improve responses to future disasters. In particular, the Congress may wish to consider providing FEMA with authority to act as a first response agency, where such assistance is warranted, and should consider authorizing FEMA to institute approaches that provide permanent, rather than temporary, housing to disaster victims.

### Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement

Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation.

GAO/T-RCED-91-39, May 15, 1991

This testimony discusses the federal, state, and local responses to Hurricane Hugo in September 1989 and to the Loma Prieta earthquake in October 1989. The severity of these nearly simultaneous events highlighted problem areas in three phases of disaster management: preparedness, immediate response, and recovery. These problem areas need federal, state, and local agencies' attention to help improve the response to future disasters.

### Disaster Assistance: Supplemental Information on Hurricane Hugo in South Carolina

GAO/RCED-91-150, May 21, 1991

The information provided in this report supplements GAO's earlier work entitled Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement (GAO/RCED-91-43, March 6, 1991). This information pertains only to South Carolina; it includes the (1) Federal Emergency Management Agency's efforts to provide temporary housing assistance to the victims of Hurricane Hugo, (2) response of South Carolina counties' local emergency management officials to GAO's disaster assistance survey, and (3) cost-sharing arrangements among FEMA and state and local governments to fund public assistance projects in South Carolina.

### Defense Research: Funding of the U.S./U.S.S.R. Joint Seismic Program

GAO/NSIAD-91-256, July 5, 1991

For fiscal years 1988 through 1990, the Congress provided funds to the Defense Advanced Research Projects Agency to support the U.S./U.S.S.R. Joint Seismic Research Program, which is administered by the Incorporated Research Institutions for Seismology. In 1990 questions surfaced about whether the level of funds being provided by the Defense Advanced Research Projects Agency for this program met the level intended by the Congress. This report examines whether funding for the Joint Seismic Program for fiscal years 1988 through 1990 was consistent with congressional intent.

### Impoundments: No Restrictions Placed on Obligations of Disaster Relief and Housing Funds Pending Congressional Approval of Rescission

GAO/OGC-91-11, July 20, 1991

On June 28, 1991, the President submitted to the Congress his fifth special impoundment message for fiscal year 1991. This message revises the amounts of two referrals and reports two rescissions of budget authority. GAO reviewed the two deferrals and found them to be in accordance with the Impoundment Control Act. The two rescissions involve funds for disaster relief and assisted housing. Notwithstanding the formal rescission proposals, funds for both these accounts are apparently not being withheld from either the Economic Development Administration or the Department of Housing and Urban Development.

## Impoundments: Deferrals of Fiscal Year 1991-92 Funds for International and Domestic Programs

GAO/OGC-92-3, November 12, 1991

On September 30, 1991, the President submitted to the Congress his seventh special impoundment message for fiscal year 1991 and his first special impoundment message for fiscal year 1992. The seventh special impoundment message reports one deferral of fiscal year 1991 funds for international disaster assistance at the Agency for International Development. The first special message reports seven deferrals of budget authority. GAO reviewed these deferrals and found them to be in compliance with the Impoundment Control Act.

# Related Topics

## Other Related Topics

### Government Ethics: HUD Financial Disclosure Reports Missing or Not Reviewed

GAO/GGD-90-51, February 6, 1990

As part of its review of the government's use of experts and consultants, GAO looked at whether these individuals have been filing the financial disclosure statements used to identify and avoid conflicts of interest arising from an employee's personal financial interests and his or her federal duties. At the Department of Housing and Urban Development, GAO found that the system for obtaining and reviewing disclosure statements was extremely weak, both for regular employees and for experts and consultants. Out of a sample of 62 experts and consultants, HUD never received disclosure statements from 52 of them. While agencies are required to review public disclosure statements within 60 days of filing for possible conflicts of interests, none of the 62 statements had been reviewed more than 100 days after filing. HUD attributed these problems to inadequate staff; however, GAO believes the main cause to be more fundamental—that HUD officials had not adequately discharged their duties. The Secretary of HUD is ultimately responsible for seeing that HUD has an effective program and for holding HUD officials accountable for doing their jobs. Overall, GAO cites the lack of the following as contributing factors: clearly defined responsibilities, formal written procedures, enough management responsibilities, adequate staff, and adequate leadership to manage the program. HUD said that wholesale improvement of its ethics program is a priority and that it has begun responding to GAO's recommendations. HUD's reforms include the creation of a new Office of Ethics and the complete restructuring of the financial disclosure system.

### Partnership Projects: A Framework for Evaluating Public-Private Housing and Development Efforts

GAO/PEMD-90-9, May 22, 1990

Although public-private partnerships appear to be a popular way of addressing local housing and community development needs, claims of their success have been based largely on anecdotal evidence. As a result, GAO developed a framework for evaluating the success of public-private partnerships in housing and community development. This framework relies on three sets of criteria: the needs that a partnership addresses, the process by which the partnership operates, and the outcomes of the projects. This report discusses how to apply these criteria to individual local projects, how to evaluate federal support for such projects, and the applicability of the framework.

**Improvements Needed in the Environmental Protection Agency's Testing Programs for Radon Measurement Companies**
Testimony by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environmental and Public Works.

GAO/T-RCED-90-81, May 23, 1990

Radon, a naturally occurring, colorless, odorless gas has been shown to cause lung cancer. As a result, EPA and the Public Health Service advise homeowners to test their homes and to take action if elevated radon levels are discovered. However, GAO believes that to make health decisions, homeowners need more assurance that the radon test results they obtain are accurate. In GAO's view, greater accuracy in radon measurements would result from (1) mandatory participation in the Radon Measurement Proficiency program and (2) requiring radon measurement firms to meet minimum quality assurance requirements as a condition to participation. In addition, to ensure that state programs provide a minimum degree of control and consistency over radon measurement companies, GAO recommends that EPA issue guidance on the type of state programs and level of control it believes are needed at the state level in order to provide homeowners with adequate assurances that radon measurements are accurate.

**Effects of the Fiscal Year 1990 Sequester at HUD**

GAO/RCED-90-217FS, August 10, 1990

What effect did the fiscal year 1990 sequester have on federal agencies? GAO looked at five federal agencies that provide a cross-section of large and small agencies and various types of programs that affect the public. This fact sheet—one in a series of case studies—specifically examines how the Department of Housing and Urban Development dealt with the $175.3 million reduction in HUD's fiscal year 1990 appropriation. It discusses (1) how resources were reduced by the sequester and (2) what impact the sequester had on HUD's ability to fulfill its mission and on the people served by its programs.

## Air Pollution: Changes Needed in EPA's Program That Assesses Radon Measurement Firms

GAO/RCED-90-209, August 31, 1990

EPA attributes 20,000 lung cancer deaths each year to indoor radon. To help ensure that homeowners obtain accurate radon measurements, in 1986 EPA published procedures for taking radon measurements and established the voluntary Radon Measurement Proficiency program. However, the voluntary nature of this program lets firms market radon measurement devices that have never been tested or that have failed testing. The result is that homeowners have little assurance that their radon readings are accurate. In addition, the program does not require radon measurement companies to implement quality assurance programs. GAO believes the program could be improved by (1) requiring radon measurement devices to pass tests before being sold and (2) requiring radon measurement companies to demonstrate adequate quality assurance programs as a condition for participating in the program. GAO found that most states have not developed programs to ensure the quality of radon test data that companies provide homeowners. In the absence of federal guidelines, requirements differ from state to states as to the licensing, accreditation, and certification of radon measurement companies.

## Low-Income Energy Assistance: Legislative Changes Could Result in Better Program Management

GAO/HRD-90-165, September 7, 1990

States are limited in their ability to manage their heating assistance programs because they normally receive funds from the Low Income Home Energy Assistance Program after the heating season has begun and after they have decided on the benefits to be provided to eligible participants. In addition, the Department of Health and Human Services does not have enough flexibility to respond to unanticipated energy cost increases that can occur as a result of unusually severe weather or fuel price increases. HHS and the states could better manage the program if (1) it were forward funded so the states would know exactly how much federal assistance they would receive before they begin handling applications for heating assistance and (2) HHS had some discretion in how funds are allocated to the states to enable it to react to unanticipated energy-related circumstances.

**Low-Income Home Energy Assistance:**
**A Program Overview**

GAO/HRD-91-1BR, October 23, 1990

The Low Income Home Energy Assistance Program provides eligible households with assistance for home energy costs. Assistance is available to (1) help families pay heating and cooling costs, (2) prevent energy cutoff in crisis situations, and (3) help families make their homes more energy efficient. This report provides background information on the program in preparation for the program's reauthorization in 1990.

**Low-Income Home Energy Assistance:**
**HHS Has Not Assured State Compliance With Administration Cost Restrictions**

GAO/HRD-91-15, November 13, 1990

The Low-Income Home Energy Assistance Program (LIHEAP) provides eligible households with assistance for home heating and cooling, home weatherization, and home energy crisis. The Department of Health and Human Services distributes funds to states, which are responsible for administering the program. The legislation authorizing the program requested that states not use more than 10 percent of LIHEAP funds for administrative and planning costs. GAO reviewed the program in Georgia, and found that two local agencies administering LIHEAP on behalf of the states were planning to use other federal funds to supplement the available LIHEAP funds to meet administrative and planning costs. This practice could have resulted in more than 10 percent of administrative costs being paid with federal funds, which the law prohibits. Georgia state officials were advised of this possibility and said the state would take steps to prevent this from happening in 1990 and future years. GAO also found that HHS does not currently monitor for such instances of possible noncompliance and recommended actions the HHS Secretary could take to assure that administrative costs in excess of 10 percent are paid with nonfederal funds, which the law allows.

**Budget Issues:**
**Effects of the Fiscal Year 1990 Sequester**

GAO/AFMD-91-21, January 18, 1991

This report examines the effects of the fiscal year 1990 sequester on five federal agencies: the Department of Health and Human Services, IRS, the Department of Education, the Environmental Protection Agency, and the Department of Housing and Urban Development. GAO found that the 1990 sequester had only a minimal effect on the five agencies. The five agencies actually lost less than 1.4 percent of their final budget authority because (1) growth in agency appropriations offset sequester reductions and (2) appropriations enacted after the sequestration were partially exempt from that process. As a result, agencies absorbed the sequester reductions by postponing program expansions and improvements rather than by cutting core services. Final 1990 figures peg the deficit at $220.4 billion, or $120.4 billion over the target level. Had OMB predicted the need for a $120 billion sequester in its earlier sequestration reports, GAO believes that meaningful nonsequester deficit reduction might have been achieved in the face of massive, across-the-board cuts. GAO continues to believe that sequestration alone will not eliminate the deficit. Instead, a combination of good faith negotiations, political leadership, and compromise on difficult policy matters is needed.

**Low-Income Home Energy Assistance:**
**States Cushioned Funding Cuts but Also Scaled Back Program Benefits**

GAO/HRD-91-13, January 24, 1991

The Low Income Home Energy Assistance Program provides eligible households with assistance for home energy costs. Assistance is available to (1) help families with cooling costs, (2) prevent energy cutoffs in crisis situations, and (3) help families make their homes more energy efficient. GAO found that between fiscal years 1986 and 1989, the states-while offsetting about one-fourth of the cuts in federal funding for the program, mainly with oil overcharge funds resulting from legal settlements with major oil producers-scaled back energy assistance benefits. In addition, most states served fewer households, although 43 percent attributed the decrease to factors other than federal funding cuts, such as improved economic conditions that reduced the need for assistance. States generally complied with key program requirements by assuring the Department of Health and Human Services that they were (1) doing outreach activities, especially for the elderly and handicapped, and (2) targeting benefits to households most in need. Also, the four states GAO visited had incorporated fiscal controls most in need. Also, the four states GAO visited had incorporated fiscal controls to prevent erroneous payment. GAO found that in nearly all states, other government and private sector programs provide home energy assistance to low-income households. In fiscal year 1989, this assistance amounted to about $200 million.

### Low-Income Home Energy Assistance: Observations on HHS' Administration of the Program

GAO/HRD-91-119FS, September 30, 1991

This fact sheet provides information on how the Department of Health and Human Services (HHS) manages the Low-Income Home Energy Assistance Program, which was created in 1981 to help eligible households meet the cost of home heating and cooling, energy-related crises, and residential weatherization activities. GAO discusses HHS' (1) oversight and review of state grant programs; (2) staffing allocation for the program; (3) technical assistance for grantees, particularly Indian tribes; and (4) required data collecting activities and annual report to the Congress on states' compliance with statutory requirements.

### Defense Housing: Difficulties Associated With Managing an Aging Family Housing Inventory

GAO/NSIAD-92-9FS, November 12, 1991

The federal government has an inventory of around 400,000 military family housing units, about 72 percent of which are 26 years old or older. This is the point at which many of the major components of the dwelling reach the end of their estimated useful life. The Defense Department estimates that almost 200,000 of these dwellings will require about $11 billion for renovations over the next decade to keep them habitable. The replacement value of the 400,000 units now exceeds $39 billion. As an example of some of the difficulties faced by housing managers, this report also provides a synopsis of what happened to 28 family housing units on Antigua, a small Caribbean island, in the 1970s and 1980s.

# Key Contacts

| | | |
|---|---|---|
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GAO/AFMD-90-37, January 25, 1990

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GAO/AFMD-90-36, February 9, 1990

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Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD / Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs.
GAO/T-RCED-90-34, February 27, 1990

☐ Farmers Home Administration's Implementation of the Agricultural Credit Act of 1987 and Sales of Farm Inventory Property
Testimony by John W. Harman, Director of Food and Agricultural Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture.
GAO/T-RCED-90-38, March 5, 1990

☐ Loan Asset Sales: An Evaluation of FmHA's 1987 Sales
GAO/AFMD-90-42, April 6, 1990

☐ Low-Income Housing Tax Credit Utilization and Syndication
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD/Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs.
GAO/T-RCED-90-73, April 27, 1990

☐ Federal Agricultural Mortgage Corporation: Secondary Market Development and Risk Implications
GAO/RCED-90-118, May 4, 1990

☐ Impact of FHA Loan Policy Changes on Its Cash Position
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs.
GAO/T-RCED-90-70, June 6, 1990

☐ Farmers Home Administration: Farm Program Debt, Delinquencies, and Debt Losses as of June 30, 1989
GAO/RCED-90-158BR, June 26, 1990

☐ Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance, and Urban Affairs.
GAO/T-RCED-90-95, July 10, 1990

☐ Home Ownership: Limiting Mortgage Assistance Provided to Owners With High-Income Growth
GAO/RCED-90-117, September 26, 1990

☐ Financial Audit: Government National Mortgage Association's 1989 Financial Statements
GAO/AFMD-91-8, October 30, 1990

☐ Secondary Mortgage Market: Information on Underwriting and Home Loans in the Atlanta Area
GAO/RCED-91-2, November 28, 1990

☐ Federal Housing Administration: Monitoring of Single Family Mortgages Needs Improvement
GAO/RCED-91-11, February 7, 1991

☐ Secondary Mortgage Market: Home Loans in the Atlanta Area
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Consumer and Regulatory Affairs, Senate Committee on Banking, Housing, and Urban Affairs
GAO/T-RCED-91-13, February 28, 1991

☐ Homeownership: Loan Policy Changes Made to Strengthen FHA's Mortgage Insurance Program
GAO/RCED-91-61, March 1, 1991

☐ Property Disposition: Information on Federal Single-Family Properties
GAO/RCED-91-69, March 29, 1991

☐ Tax-Exempt Bonds: Retirement Center Bonds Were Risky and Benefited Moderate-Income Elderly
GAO/GGD-91-50, March 29, 1991

☐ Tax Administration: Expanded Reporting on Seller-Financed Mortgages Can Spur Tax Compliance
GAO/GGD-91-38, March 29, 1991

☐ Farmers Home Administration: Information on Appeals of Farm and Housing Loan Decisions
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Testimony by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Subcommittee on Agriculture, Credit, Senate Committee on Agriculture, Nutrition, and Forestry, and before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations.
GAO/T-RCED-91-59, May 21, 1991

☐ HUD Reforms: Limited Progress Made Since the HUD Scandals
Testimony by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Employment and Housing, House Committee on Government Operations.
GAO/T-RCED-91-62, June 12, 1991

☐ Federal Agricultural Mortgage Corporation: Issues Facing the Secondary Market for FmHA Guaranteed Loans
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☐ Federal Agricultural Mortgage Corporation: Conditions May Slow Development of Secondary Markets
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GAO/RCED-91-180, August 7, 1991

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GAO/RCED-92-6, October 7, 1991

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☐ ADP Modernization: Half-Billion Dollar FmHA Effort Lacks Adequate Planning and Oversight
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Testimony by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information System Issues, before the Subcommittee on Conservation, Credit and Rural Development, House Committee on Agriculture.
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GAO/AFMD-92-8, November 25, 1991

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Testimony by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs.
GAO/T-PEMD-90-8, February 28, 1990

☐ Utility Allowances Provided to Public Housing and Section 8 Households and Resulting Rent Burdens
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs.
GAO/T-RCED-90-41, March 7, 1990

☐ Issues Pertaining to the Management of the Buffalo Municipal Housing Authority
Testimony by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Honorable Daniel Patrick Moynihan at a field hearing in Buffalo, New York
GAO/T-RCED-90-87, June 9, 1990

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GAO/RCED-90-203, August 14, 1990

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GAO/RCED-91-70, March 1, 1991

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GAO/RCED-91-40A and GAO/RCED-91-40B, March 26, 1991

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GAO/PEMD-91-2, April 30, 1991

☐ Radon Testing in Federal Buildings Needs Improvement and HUD's Radon Policy Needs Strengthening
Testimony by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Superfund, Ocean and Water Protection, Senate Committee on Environment and Public Works
GAO/T-RCED-91-48, May 8, 1991

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☐ Homelessness: Too Early to Tell What Kinds of Prevention Assistance Work Best
GAO/HRD-90-89, April 24, 1990

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Changes in the Interagency Council on the Homeless Make It More Effective
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Status of the Surplus Property Program, the Interagency Council on the Homeless, and FEMA's Emergency Food and Shelter (EFS) Program
Testimony by John M. Ols, Jr., Director, Housing and Community Development Issues, before the Senate Committee on Governmental Affairs.
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☐ Homelessness:
Action Needed to Make Federal Surplus Property Program More Effective
GAO/RCED-91-33, October 9, 1990

☐ Homelessness:
Homeless and Runaway Youth Receiving Services at Federally Funded Shelters
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☐ Homelessness:
Access to McKinney Act Programs Improved but Better Oversight Needed
GAO/RCED-91-29, December 28, 1990

☐ Homelessness:
McKinney Act Programs and Funding Through Fiscal Year 1990
GAO/RCED-91-126, May 1, 1991

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Limitations of 1990 Census Results and Methodology
Testimony by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs and before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service.
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Federal Personal Property Donations Provide Limited Benefits to the Homeless
GAO/RCED-91-108, July 15, 1991

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Information on the Homeless Family Program
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Transitional Housing Shows Initial Success but Long-Term Effects Unknown
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Limitations in Methods and Procedures to Include the Homeless
GAO/GGD-92-1, December 30, 1991

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Pennsylvania Avenue Development Corporation's 1988 Financial Statements
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State Grant Targeting Provides Limited Help
GAO/HRD-90-69, April 13, 1990

☐ Distressed Communities:
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Treatment of Blacks at the Economic Development Administration in the 1980s
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Problems and Progress of Colonia Subdivisions Near Mexico Border
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Oversight of Block Grant Monitoring Needs Improvement
GAO/RCED-91-23, January 30, 1991

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Capital Investments Were Postponed in Texas as Local Economies Weakened
GAO/HRD-91-14, February 6, 1991

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HUD Oversight of the Dallas Block Grant Program Needs Improvement
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☐ Minority Business:
Management Improvements Needed at Minority Business Development Agency
GAO/RCED-90-69, January 19, 1990

☐ Small Business:
Development Centers Meet Counseling Needs of Most Clients
Testimony by John M. Ols, Jr., Director, Housing and Community Development Issues, before the Senate Committee on Small Business.
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GAO/T-NSIAD-90-34, April 19, 1990

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Availability and Adequacy for Small Businesses
Testimony by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Antitrust, Monopolies and Business, Senate Committee on the Judiciary.
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Testimony by Brian P. Crowley, Director of Planning and Reporting in the Accounting and Financial Management Division, before the Senate Committee on Small Business.
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GAO/HRD-91-58, March 29, 1991

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GAO/GGD-91-58BR, April 26, 1991

☐ Small Business: SBA Incurs Substantial Losses on Liquidated Loans
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☐ Telecommunications: GSA Should Improve Oversight of Small Business Contracting
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