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Foreword

GAO's Housing and Community Development Issue Area conducts studies of programs involved in providing affordable housing and maintaining vital communities for all Americans. Agencies administering these programs include the Department of Housing and Urban Development, the Department of Veterans Affairs, the Farmers Home Administration, the Small Business Administration, the Federal Emergency Management Agency, and many private and nonprofit community organizations.

This index includes information on the products issued between January 1992 and December 1994 that discuss housing and community development programs. The index also includes studies performed in other GAO issue areas on related topics. This index is divided into broad subject areas that should be useful for general information and research purposes and for understanding the housing and community development issues that GAO is addressing.

Questions about this index can be directed to me by mail at the U.S. General Accounting Office, Room 1842, 441 G Street, NW, Washington, D.C. 20548; or by telephone at (202) 512-7631. Readers interested in ordering documents or in requesting searches on a specific topic should call (202) 512-6000 or fax a request to (301) 258-4066. Additional ordering details, as well as instructions for getting on our mailing list, appear at the end of this index.

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Abbreviations

AFMD	Accounting and Financial Management Division, GAO
AIMD	Accounting and Information Management Division, GAO
DBE	Disadvantaged Business Enterprise
DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
DPAH	Department of Public and Assisted Housing, District of Columbia
FDICIA	Federal Deposit Insurance Corporation Improvement Act
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
FmHA	Farmers Home Administration
GAO	General Accounting Office
GGD	General Government Division, GAO
GNMA	Government National Mortgage Association
GSA	General Services Administration
HEHS	Health, Education, and Human Services Division, GAO
HRD	Human Resources Division, GAO
HUD	Department of Housing and Urban Development
IDB	industrial development bonds
IRS	Internal Revenue Service
MAP	Single Family Mortgage Assignment Program
MPP	Market Promotion Program
NSIAD	National Security and International Affairs Division, GAO
OCG	Office of the Comptroller General, GAO
OGC	Office of General Counsel, GAO
OP	Office of Policy, GAO
PATH	Projects for Assistance in Transition From Homelessness
PHA	public housing authority
RCED	Resources, Community, and Economic Development Division, GAO
RTC	Resolution Trust Corporation
SBA	Small Business Administration
SSBIC	specialized small business investment companies
TPCC	Trade Promotion Coordinating Committee
VA	Department of Veterans Affairs
8(a)	Minority Small Business and Capital Ownership Development Program

Public and Assisted Housing

Estimating Preservation Program's Cost

(Correspondence, 11/17/94, GAO/RCED-95-48R).

Pursuant to a congressional request, GAO examined the Department of Housing and Urban Development's (HUD) computer model for estimating its low-income housing preservation program costs, focusing on the model's ability to make reliable annual budget estimates for the preservation program. GAO noted that (1) the model cannot reliably estimate the program's annual funding needs, primarily because it cannot predict when project owners will apply for preservation incentives and how long it will take HUD to process these applications; (2) the model's overall design, data, and key assumptions are reasonable and well founded; (3) because of the model's limitations, in recent years HUD has relied more on actual program experience to estimate annual budget costs; and (4) it could not determine whether use of the budget estimation process based on actual program experience resulted in more realistic cost estimates because information on actual costs for fiscal years 1994 and 1995 was not available.

Federally Assisted Housing: Expanding HUD's Options for Dealing With Physically Distressed Properties

(Testimony, 10/06/94, GAO/T-RCED-95-38).

Under its Section 8 project-based assisted housing programs, the Department of Housing and Urban Development (HUD) pays part of the rent for low-income families living in privately owned rental housing. HUD provides this assistance for more than 20,000 privately owned properties nationwide at an estimated annual cost of $5.8 billion. The mortgages for about half of these properties are also insured or held by HUD. This testimony (1) compares the costs of rehabilitating two properties in poor physical condition—Edgewood Terrace Apartments in Washington, D.C., and 6000 South Indiana Apartments in Chicago—with the costs of other alternatives for housing the tenants; (2) discusses the views of tenants and community leaders on these options; and (3) identifies legislative and administrative factors limiting HUD's discretion in dealing with physically distressed properties.

Resolution Trust Corporation: Affordable Housing Disposition Program Achieving Mixed Results

(Letter Report, 09/28/94, GAO/GGD-94-202).

This report reviews the Resolution Trust Corporation's (RTC) Affordable Housing Disposition Program. Specifically, GAO (1) assesses RTC's progress in providing home ownership and rental opportunities for very low-, lower-, and moderate-income families since GAO last reported in September 1992; (2) assesses RTC's procedures for ensuring that purchasers of program properties comply with income and occupancy requirements; and (3) attempts to identify RTC's costs of running the program. GAO also provides information on the status of RTC's and the Federal Deposit Insurance Corporation's joint plan for continuing the program after RTC closes in December 1995.

Federally Assisted Housing: Condition of Some Properties Receiving Section 8 Project-Based Assistance is Below Housing Quality Standards

(Testimony, 07/26/94, GAO/T-RCED-94-273).

Physical conditions in the Section 8 assisted properties GAO visited ranged from very good to very poor. The properties in good physical condition show that the Section 8 program can work. Conditions in some properties, however, clearly violated the Department of Housing and Urban Development's (HUD) housing quality standards. In the distressed properties, families lived in units with leaking toilets and sinks, exposed electrical wiring, holes in walls and ceilings, broken air conditioners and smoke detectors, damaged and missing kitchen cabinets, and roach and rat infestation. Moreover, the landlords for some of these distressed properties collected rents that were higher than those for well-maintained apartments nearby. Although HUD has various enforcement tools to ensure that properties comply with its housing quality standards, including barring or suspending landlords from further participation in Section 8 programs and terminating housing assistance contracts, HUD has used these tools sparingly and inconsistently.

Lead-Based Paint Hazards: Abatement Standards Are Needed to Ensure Availability of Insurance

(Letter Report, 07/15/94, GAO/RCED-94-231).

Millions of property owners face significant financial risks because liability insurance for lead hazards is becoming increasingly difficult to obtain. A number of owners and their insurers have already made payments—some amounting to millions of dollars—to the families of lead-poisoned children. To avoid the growing number of claims, property owners can attempt to remove lead hazards—which can be costly—but no nationally accepted methods or standards for such abatement exist. Consequently, owners cannot be sure their abatement efforts will reduce their liability, and insurance companies are reluctant to insure against unpredictable claims for damages resulting from lead hazards. Thus, until the Environmental Protection Agency establishes reasonable standards for the inspection and abatement of lead hazards in privately owned property, little progress will be made toward providing insurance for property owners or abatement contractors.

Public Housing: Information on Backlogged Modernization Funds

(Fact Sheet, 07/15/94, GAO/RCED-94-217FS).

GAO was asked to review the extent to which funds appropriated by the Congress to modernize the nation's public housing are not being spent in a timely manner. This fact sheet discusses the extent of, reasons for, and federal and local efforts to reduce the accumulation of unobligated modernization funds. In summary, through fiscal year 1994, the Congress has appropriated approximately $9.3 billion that either has not been approved for local use by the Department of Housing and Urban Development or which public housing authorities have not obligated for modernization projects. Of this amount, $1.4 billion has been available to public housing authorities for more than 2 years and is unobligated.

Rental Housing: Use of Smaller Market Areas to Set Rent Subsidy Levels Has Drawbacks

(Chapter Report, 06/24/94, GAO/RCED-94-112).

To ensure that needy families are able to live in adequate housing, the Department of Housing and Urban Development (HUD) provides rent subsidies to low-income households. This program, known as the Section

8 program, served more than 1 million households at a cost of about $7 billion in 1992. The amount of rental assistance that a household receives varies with the market area in which the household lives. The size and nature of a market area can vary greatly: Entire states, large metropolitan areas, and medium-sized cities can all be considered market areas. In response to congressional concerns that these market areas are too broadly defined to permit rental assistance payments that reflect true market rents, this report determines (1) the effects of basing rent subsidy payments on smaller market areas, including any effects that doing so would have on recipient households' access to education and employment, and (2) the extent to which payments made under the current program have an inflationary effect on the rental rates in surrounding areas. GAO also provides information on where Section 8 recipients lived and their proximity to key services and businesses. GAO based its analysis on the following four market areas: Oklahoma City, Oklahoma; Seattle, Washington; Washington, D.C.; and Wilmington, Delaware.

District of Columbia Public Housing

(Correspondence, 06/03/94, GAO/RCED-94-235R).

Pursuant to a congressional request, GAO reviewed the performance standards for the District of Columbia's Department of Public and Assisted Housing (DPAH). GAO noted that (1) although 6 of the Department of Housing and Urban Development's (HUD) 12 indicators could assist the Congress in measuring DPAH performance, none of the indicators directly measures tenant satisfaction; (2) the Congress should reevaluate the need for and usefulness of the indicators before it incorporates them in its fiscal year 1995 District of Columbia appropriation bill; (3) adding additional requirements to DPAH may be premature, since DPAH has been recommended for receivership; (4) DPAH management and operating processes are wasteful and inefficient; (5) DPAH and HUD have entered in a partnership and taken several steps to improve DPAH's overall operation; (6) DPAH operations are overseen by a five-member board that includes the Mayor of the District of Columbia and HUD Assistant Secretary for Public and Indian Housing; and (7) the Congress should allow sufficient time for the partnership's initiatives to evolve and management improvements to take effect so that District public housing residents can be helped.

Rental Housing: Distribution and Use of FmHA's Rural Rental Housing Program Funds

(Letter Report, 06/01/94, GAO/RCED-94-141).

The Housing Act of 1949 created the Rural Rental Housing Program to provide affordable housing for lower-income households. With annual appropriations of about $574 million for fiscal years 1992 and 1993, the program provides low-interest loans to borrowers to build and rehabilitate affordable housing projects in rural areas. This report discusses the (1) Farmers Home Administration's (FmHA) procedures for allocating funds to states and selecting projects within states and whether these procedures have caused project concentration in a relatively small number of states; (2) extent to which FmHA's allocation and project award procedures reflect actual housing needs; (3) extent to which states have used program funds, including the amount of unused funds that have been reallocated to other states; and (4) size and status of the rural rental housing portfolio as of September 30, 1992.

Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues

(Letter Report, 05/27/94, GAO/RCED-94-85).

The Department of Housing and Urban Development (HUD) runs two similar rental housing subsidy programs for low-income households—the section 8 certificate and voucher programs. These two programs, which local and state housing agencies operate for HUD, enable 1.3 million poor families to live in decent, affordable, privately owned housing. Although these programs are in many ways similar, several statutory and administrative differences can affect the housing subsidy that households receive. Over the past several years, GAO, the Vice President's National Performance Review, and others have urged that the two programs be combined; legislation now before the Congress would accomplish that goal. This report examines (1) the benefits of a merger, (2) the major program differences that would need to be reconciled, (3) the effect of a merger on HUD's budgeting and financial management, and (4) the effort needed to merge the two programs.

Lead-Based Paint Poisoning: Children in Section 8 Tenant-Based Housing Are Not Adequately Protected

(Letter Report, 05/13/94, GAO/RCED-94-137).

The lead-based paint inspections that the Department of Housing and Urban Development (HUD) requires public housing authorities to conduct in section 8 housing mainly involve visual searches for chipped or peeling paint. These inspections do not test for lead unless a child with elevated lead levels is known to live in the home. The four public housing authorities GAO visited—Boston, Massachusetts; Minneapolis, Minnesota; New Orleans, Louisiana; and St. Paul, Minnesota—complied with these requirements, but their visual inspections did not alert them to lead hazards in intact painted surfaces, such as floors, window sashes, and window sills. HUD officials could not estimate the cost of testing section 8 housing or whether requiring such testing would discourage landlord participation in the program. Federal regulations did not adequately protect children with elevated lead levels living in the four public housing authorities GAO studied. Tests by local health agencies showed that 7 of the 11 residences selected for GAO's study contained lead-based paint hazards. The public housing authorities, however, did not know whether paint testing was being done, and local health agencies did not routinely determine whether the children they identified with high lead levels lived in section 8 housing. Therefore, the health agencies did not alert the public housing authorities to the children's condition. The applicability of the Lead-Based Paint Poisoning Prevention Act to section 8 housing is unclear. Although the act appears to cover section 8 housing, the legislative history suggests that the Congress intended to exempt such housing from the act's requirements for lead-based paint risk assessments and other control measures. Because these requirements could be costly, they could discourage landlord participation in the program, thereby reducing the stock of affordable housing. HUD, however, maintains that the act does apply to section 8 housing and plans to draft rules imposing the act's requirements for dwellings in the program.

Distressed Public Housing

(Correspondence, 05/10/94, GAO/AIMD-94-78R).

Pursuant to a legislative requirement, GAO reviewed the National Commission on Severely Distressed Public Housing's financial transactions. GAO noted that (1) the Commission disbursed about $2 million for contracts, travel, payroll, and miscellaneous transactions during its existence; (2) although the Commission did not always adhere to proper administrative procedures, its disbursements appeared to be reasonable and properly authorized and documented; (3) accounting procedure problems involved unsigned approvals for contracts and purchase orders, inadequately documented expenses and invoices, and unsupported travel expenses; and (4) the General Services Administration needs to reconcile and recover any erroneous Commission payments and ensure that other similar entities use proper accounting and disbursing procedures.

Multifamily Housing: Information on Projects Eligible for Preservation Assistance

(Fact Sheet, 04/15/94, GAO/RCED-94-177FS).

This fact sheet discusses the Department of Housing and Urban Development's (HUD) multifamily housing stock that is eligible for incentives under either title II of the Housing and Community Development Act of 1987 or title VI of the National Housing Affordability Act of 1990. These incentives are offered to preserve this housing for lower-income households. This fact sheet details the characteristics of these projects, such as their number and locations, and also identifies those projects whose owners have filed for incentives. GAO also discusses the cost of the incentives provided to project owners as of September 30, 1993, the end of the most recent fiscal year for which data are available.

Public Housing: Housing Agency Officials Want More Flexibility in Replacing Deteriorated Housing

(Testimony, 03/22/94, GAO/T-RCED-94-159).

The Department of Housing and Urban Development (HUD) classified more than a dozen large public housing authorities (PHA) as "troubled" because the public housing they manage is plagued with excessive vacancy rates. Although public housing vacancy rates nationwide are 8 percent, troubled agencies average more than double that because many deteriorated properties are unlivable and have no tenants. Until PHAs can demolish or dispose of these properties, HUD continues to pay PHAs large sums to prevent further deterioration. Housing agency officials told GAO that a maze of interrelated constraints prevents them from replacing worn out and often vacant or crime-ridden housing with livable stock. These officials said that because of inflexible rules and red tape, they spend millions of dollars on vacant properties and more money to rehabilitate aging buildings than it would have cost to build new ones. HUD officials characterized the process of public housing replacement as gridlock. This testimony discusses (1) the one-for-one replacement statute that requires replacing every demolished or disposed of public housing unit with one meeting acceptable housing standards; (2) site and neighborhood standards that seek to avoid over-concentrations of minorities or persons receiving federal assistance; and (3) HUD oversight of troubled housing agencies.

Housing Issues: The Housing and Community Development Act of 1994

(Testimony, 03/10/94, GAO/T-RCED-94-148).

H.R. 3838, the Housing and Community Development Act of 1994, addresses a number of issues that GAO has identified in its housing work. For example, the act contains provisions that could reduce the potential for defaults or foreclosures in three government-sponsored loan programs: the Department of Housing and Urban Development's (HUD) insured multifamily loans, HUD-guaranteed Community Development Block Grant loans, and the Farmers Home Administration's rural housing loans. The act would improve HUD's efficiency in assisting lower-income households by merging HUD's tenant-based certificate and voucher assistance programs. The act also authorizes more funding for homelessness assistance programs. On the other hand, GAO is concerned about how the certificate and voucher assistance programs and the homeless assistance programs can best be structured to meet the needs of program recipients while minimizing administrative burdens on HUD staff and program recipients. Congressional monitoring of both the Community Development Block Grant and HUD's multifamily loan programs will ensure that continued delinquencies, defaults, and foreclosures do not threaten the program's effectiveness.

Lead Poisoning Notification

(Correspondence, 10/14/93, GAO/RCED-94-18R).

Pursuant to a congressional request, GAO provided information on lead poisoning and the effectiveness of local health agencies' notification to public housing authorities (PHA) of children diagnosed with elevated blood levels. GAO found that (1) of the six local health agencies reviewed, five do not timely notify PHAs when they identify children with elevated blood levels living in public housing containing lead-based paint hazards; (2) San Francisco has the only local health agency that coordinates its efforts with its PHA; (3) although PHAs are responsible for removing lead-based paint hazards from public housing, the average time between identification of children with elevated blood levels and PHA notification is 2 months; (4) PHAs could not take any actions to address potential problems because of notification delays; (5) notification delays occur because of state or local procedures that require prenotification testing and the inordinate amount of time required to complete home testing; (6) although the Centers for Disease Control has recently encouraged lead poisoning prevention organizations to develop systems that will expedite testing and ensure more timely notification, local health agencies have not been advised to change their notification procedures; and (7) without timely notification, PHAs cannot reduce children's exposure to lead-based paint hazards.

Lead-Based Paint Poisoning: Children in Public Housing Are Not Adequately Protected

(Chapter Report, 09/17/93, GAO/RCED-93-138).

Children with elevated blood lead levels who live in public housing have not been adequately protected from further poisoning from lead-based paint because the Department of Housing and Urban Development (HUD) and local housing authorities have not complied with all the requirements of a 1988 law. The six public housing authorities (PHA) GAO reviewed often did not comply with HUD regulations for testing these children's homes or relied on testing procedures that may not have fully disclosed the presence of lead-based paint. In only 1 of the 50 cases GAO reviewed did PHAs comply with emergency abatement or relocation regulations for children with elevated blood lead levels. Many children ended up being exposed to lead-based paint for more than a year after PHAs learned of their diagnoses. A lack of HUD oversight, coupled with PHAs' noncompliance, has left these children vulnerable to lead poisoning and may produce lawsuits that are costly to the federal government. Moreover, HUD regulations do not require either notifying other tenants about lead-based paint dangers or testing other units in buildings where diagnosed children live. Overall, HUD has not complied with all the law's requirements aimed at abating lead-based paint hazards from public housing and has not ensured that PHAs comply with its testing, abatement, and notification requirements.

Assisted Housing: Evening Out the Growth of the Section 8 Program's Funding Needs

(Letter Report, 08/05/93, GAO/RCED-93-54).

Housing subsidies provided under the government's Section 8 program have enabled nearly 3 million poor families to obtain decent and affordable housing from private owners. The Department of Housing and Urban Development makes this money available through more than 40,000 contracts with local housing agencies, state finance agencies, and private owners. Many of these contracts will expire within 5 years, and the estimated cost to renew them will total almost $59 billion. This report discusses (1) estimated budget authority needs to renew expiring Section 8 rental housing assistance contracts in fiscal years 1994-98, (2) ways to even out the growth in budget authority for contract renewals, and (3) the relationship between budget authority needs to fund contract amendments—additional budget authority for contracts with insufficient remaining funds—and budget authority needs to renew expiring contracts.

Public Housing: Low-Income Housing Tax Credit as an Alternative Development Method

(Letter Report, 07/16/93, GAO/RCED-93-31).

Under the National Affordable Housing Act of 1990, GAO is required to review different ways of developing public housing units. This report compares the approaches taken by public housing authorities in developing housing under the Public Housing Development Program and the Low-Income Housing Tax Credit Program. The former provides direct federal grants, while the latter allows public housing authorities to raise development funds by forming public-private partnerships with investors. The public housing authorities GAO reviewed used the tax credit program to serve tenants and to develop programs that differed from those in the public housing program. For example, the tax credit projects served smaller households and were more likely to be located in predominantly low-income households than were the public housing projects. Furthermore, if the cost inefficiencies suggested by GAO's case study in Montgomery County, Maryland, exist in other tax credit projects, the federal government may find the tax credit program to be the more costly alternative for helping very poor households. Nevertheless, the public housing authorities GAO reviewed found the tax credit program a valuable resource for developing public housing in this period of shrinking federal budgets.

Public Housing: Projects Developed With Low-Income Housing Tax Credit Differ From Traditional Public Housing Development Projects

(Testimony, 06/17/93, GAO/T-RCED-93-54).

Because of declining federal funding, the number of housing units added to the nation's public housing stock fell dramatically, from about 30,000 in 1981 to less than 3,000 a decade later. Some public housing authorities, responding to the unmet housing needs of low-income households, have begun using the tax credit program as a way to raise money to build more public housing. This testimony compares the low-income housing tax credit program and the public housing program in terms of (1) tenant and project characteristics, (2) costs to the federal government, and (3) public housing administrations' experiences with developing each type of project.

Public and Assisted Housing: Some Progress Made in Implementing HUD's Family Self-Sufficiency Program

(Letter Report, 04/08/93, GAO/RCED-93-78).

The government's family self-sufficiency program was created in 1990 to coordinate federal public housing, Indian housing, and section 8 rental housing assistance with public and private support services. The program, by linking housing assistance with support services, like education and job training, seeks to help lower-income families attain economic independence and become homeowners. This report discusses (1) the program's status, (2) actions by the Department of Housing and Urban Development (HUD) to coordinate its efforts with those of other federal agencies that will fund the support services needed for the program, and (3) HUD efforts to determine how much to reimburse local housing agencies for the costs of operating their family self-sufficiency programs.

Rental Housing: Serving the Elderly Through the Section 8 Program

(Fact Sheet, 03/29/93, GAO/RCED-93-12FS).

The Department of Housing and Urban Development (HUD) provides rental housing assistance to families through its section 8 voucher and certificate programs. By subsidizing a portion of household rent, HUD hopes to enable more low-income families to live in private rental housing that is decent and safe. This fact sheet provides information on the following section 8 issues: (1) the demographic characteristics of elderly and nonelderly voucher and certificate recipients, including sex, race, handicapped status, adjusted income, and education; (2) the quality of the housing units rented by elderly voucher and certificate recipients; and (3) the proportion of income that elderly and nonelderly voucher recipients pay for rent.

Acquiring Public Housing from RTC

(Correspondence, 03/17/93, GAO/RCED-93-46R).

Pursuant to a congressional request, GAO reviewed the public housing authorities' (PHA) acquisition of federal foreclosed properties from the Resolution Trust Corporation (RTC) to satisfy PHA needs for low-income housing. GAO noted that (1) in the six states surveyed, very few PHAs had acquired federal foreclosed properties from RTC; (2) obstacles that prevented PHAs from acquiring federal foreclosed properties included insufficient financing, poor marketing and advertising, and limitations in the quantity, quality, and type of properties available; (3) PHAs believed that they had a small chance of getting federal funds to purchase the properties; (4) PHAs that were able to acquire RTC properties had problems obtaining adequate information from RTC on the properties; (5) PHAs had mixed views on whether RTC was helpful in their attempts to acquire properties; (6) RTC did not respond timely to PHAs' requests, decisionmakers were not accessible, approval processes were lengthy, and RTC did not make properties affordable; and (7) the Affordable Housing Disposition Program may make multifamily properties more affordable by permitting its staff to negotiate purchase prices directly with PHAs and offering discounts on the unrestricted appraised value of the property.

Rental Housing: Additional Information on Our Casas' Use of HUD's Grant Funds

(Fact Sheet, 08/24/92, GAO/RCED-92-249FS).

In a March 1992 report (GAO/RCED-92-132FS), GAO discussed how Our Casas—a nonprofit resident management council in San Antonio, Texas—spent Housing and Urban Development (HUD) grants meant to encourage resident management in public housing projects. This fact sheet provides supplemental information on Our Casas' use of grant funds. GAO discusses (1) Our Casas' organizational structure and tenant representation, (2) HUD's award of a technical assistance grant to Our Casas and HUD's monitoring of the council's progress toward implementing resident management, (3) Our Casas' expenditure of grant funds, (4) additional costs related to the grant, (5) Our Casas' choice of a public housing management specialist, and (6) Our Casas' grant accomplishments. GAO also discusses areas in which Our Casas' efforts to move toward resident management seem to have been hampered by a lack of cooperation with the San Antonio Housing Authority.

Public Housing: Housing Persons With Mental Disabilities With the Elderly

(Chapter Report, 08/12/92, GAO/RCED-92-81).

Public Housing: Issues in Housing the Nonelderly Mentally Disabled With the Elderly

(Testimony, 03/27/92, GAO/T-RCED-92-44).

Households having nonelderly persons with mental disabilities occupy about 9 percent of the public housing units for the elderly that GAO studied, and the number of such individuals in public housing for the elderly appears to be on the rise. Public housing authorities report that people in almost one-third of those households cause serious problems like threatening other tenants and having disruptive visitors. Although about 78 percent of public housing authorities say that mental health services are provided in their communities, the extent to which public housing residents avail themselves of such services is unclear. Agreements between public housing authorities and local mental health services, however, have helped to deliver needed mental health care to public housing residents with disabilities. The rights of the nonelderly mentally disabled to live in federally subsidized housing primarily serving the elderly vary by federal program. Owners or sponsors of housing provided under three rental housing programs (the sections 202, 221(d)(3), and 236 programs) may lawfully limit occupancy to the elderly and exclude all nonelderly persons, including those with mental disabilities. In contrast, excluding nonelderly persons with mental disabilities from public housing for the elderly or from section 8 rental housing would violate the antidiscrimination requirements of the Fair Housing Act and the Rehabilitation Act of 1973.

Supportive Housing: HUD Is Not Assessing the Needs of Elderly Residents

(Testimony, 08/12/92, GAO/T-PEMD-92-12).

How well does the Department of Housing and Urban Development (HUD) assess the need for supportive services for elderly residents in section 202 housing and the need for modernization and retrofitting of section 202 buildings? HUD neither collects data nor has a methodology for assessing the needs of section 202 housing residents. HUD contends that supportive services in section 202 housing are the responsibility of the Department of Health and Human Services. Given that a section 202 building's physical structure and its service component are fundamentally linked to the concept of supportive housing, some coordination between the two agencies on this issue might have been expected. This does not appear to have been the case: A draft memorandum of understanding between HUD and the Department of Health and Human Services has been around for years but has never been signed. Information on resident frailty and the need for building modernization and retrofitting can be used to target projects most deserving of available funding. Information on resident frailty can also be used to determine the features that residents need in their buildings. Currently, HUD neither collects nor ensures that project sponsors collect data on these subjects. Although HUD periodically inspects the physical condition of 202 projects and rates building managers, limited staff and travel budgets mean that HUD cannot perform inspections annually. When inspections are done, no assessment is made of a facility's retrofitting requirements.

HUD's Family Self-Sufficiency

(Correspondence, 07/31/92, GAO/RCED-92-248R).

GAO reviewed the Department of Housing and Urban Development's (HUD) Family Self-Sufficiency Program, focusing on how the program applies to Indian housing authorities. GAO found that (1) although the Indian community generally agrees with the program's concept and goals, it has not widely endorsed the program itself; (2) federal and Indian housing officials have suggested program changes, including making the program voluntary for Indian housing authorities and allowing eligible program participants to receive the escrow savings account set up for them under the program; and (3) those changes would allow participants to move from HUD-assisted rental housing to HUD-assisted Indian housing authority home ownership housing, from which they become ultimate buyers.

Urban Poor: Tenant Income Misreporting Deprives Other Families of HUD-Subsidized Housing

(Chapter Report, 07/17/92, GAO/HRD-92-60).

A computer match of Internal Revenue Service tax data with the income reported to local authorities by 175,000 households to establish their eligibility and rent payments for federally subsidized housing found that 21 percent of the households may have underreported their incomes by as much as $138 million. The Department of Housing and Urban Development (HUD) provides more than $13 billion in housing subsidies to 4.6 million needy families, but millions of more needy families may be going without decent housing because HUD lacks an accurate, centralized system to verify eligibility and household income data for families living in subsidized units. The income underreporting uncovered by GAO resulted in excess federal subsidies of $41 million for 1989 alone. A centralized income and eligibility verification system could help HUD ensure that subsidized households are paying appropriate rents and that needy, very low-income families have access to subsidized housing.

Rural Rental Housing: Incentives Maintain Low-Income Housing but Clearer Guidance Needed

(Letter Report, 06/23/92, GAO/RCED-92-150).

The Farmers Home Administration (FmHA) is authorized to provide housing project owners with various financial incentives, such as equity loans, to encourage them to keep their apartment buildings in FmHA's rural rental housing program rather than prepaying their loans and ending their involvement in the program. Although FmHA has been successful in preserving its rural rental housing inventory and preventing displacement of low-income tenants, the financial incentives FmHA provided to achieve these goals were substantial, and, in some cases, larger than they should have been. The $69-million tab to preserve nearly 6,000 apartment units may actually be higher because costs associated with the return on investment and rental assistance incentives are unknown. Although FmHA has developed a draft final regulation that should end the payment of excessive financial incentives, the final regulation has been continually delayed because of higher priorities.

Toxic Substances: Federal Programs Do Not Fully Address Some Lead Exposure Issues

(Letter Report, 05/15/92, GAO/RCED-92-186).

Millions of American children have enough lead in their blood to affect their intelligence and behavior, according to the Centers for Disease Control. Because lead harms the developing brain and nervous system, lead exposure is especially dangerous to fetuses and young children. Federal lead reduction programs among three main agencies—the Environmental Protection Agency, the Department of Housing and Urban Development, and the Centers for Disease Control—address some, but not all, of the most serious aspects of the lead-poisoning problem. Among the issues yet to be fully addressed are (1) testing children for elevated blood-lead levels, (2) removing lead-based paint from homes and schools, (3) relocating families during paint removal, (4) recycling lead, and (5) removing lead-contaminated soil. Information on the extent to which these matters are being dealt with is limited, and recent data characterize state and local lead-poisoning prevention programs as patchwork in scope, raising concerns about how well they are handling the lead-poisoning problem.

Rural Rental Housing: Excessive Profits and Program Abuses in Multifamily Housing

(Testimony, 05/13/92, GAO/T-RCED-92-63).

Private developers who combine low-income housing tax credits with Farmers Home Administration (FmHA) loans to build multifamily housing for low-income renters in rural areas are reaping returns of up to 970 percent on their initial cash investment. Overall, GAO testified that FmHA's multifamily housing program is at high risk for fraud and abuse. Overstatement of construction costs, overcharging for project management and construction fees, and misuse and diversion of project funds have been a problem for years. During the past 5 years, 35 indictments and 26 convictions have been handed down against FmHA multifamily developers and project managers. FmHA officials recognize that many of these fraudulent and abusive activities have arisen because of a lack of internal controls and trained staff. FmHA is attempting to strengthen its internal controls, which should help minimize such problems in the future.

Public and Assisted Housing: Linking Housing and Supportive Services to Promote Self-Sufficiency

(Briefing Report, 04/01/92, GAO/RCED-92-142BR).

This report discusses the implications of linking federal housing assistance to supportive services to promote self-sufficiency for low-income families. The Family Self-Sufficiency Program has been established within the Department of Housing and Urban Development (HUD) to promote local strategies for helping low-income families achieve greater self-sufficiency. GAO concludes that several factors will affect the evaluation and administration of the program. First, requiring public housing authorities (PHA) to report how many program participants have relinquished housing assistance and what alternatives to assisted housing they have found will permit meaningful and consistent assessments of the program's progress. Second, it is too early to tell whether HUD's proposed prohibition against the use of motivation as a factor in selecting program participants will affect how PHAS run their programs—including their ability to obtain needed support services. Finally, only limited data are available to determine the extent to which HUD's reimbursement of PHAS' administrative costs will cover the reasonable expenses that PHAS incur in running effective programs.

Rental Housing: Our Casas Resident Council's Use of Technical Assistance Grant Funds

(Fact Sheet, 03/02/92, GAO/RCED-92-132FS).

This fact sheet reviews how the Our Casas Citywide Resident Council—a nonprofit resident management council in San Antonio, Texas—used technical assistance grant funds provided by the Department of Housing and Urban Development (HUD). In May 1990, HUD awarded the Our Casas group an $88,000 grant to help train resident managers in public housing. GAO discusses (1) how the grant funds are being spent by the Our Casas group and whether the expenditures are in keeping with the purposes of the grant and (2) whether Our Casas received other federal funding.

Manufactured Housing in New Mexico

(Correspondence, 01/31/92, GAO/RCED-92-91R).

GAO reviewed the Farmers Home Administration's (FmHA) manufactured housing program operated by one of its approved dealer-contractors in

New Mexico, focusing on FmHA efforts to (1) resolve homeowner complaints against the dealer-contractor and (2) remove the dealer-contractor from future participation in government programs. GAO determined that (1) the dealer-contractor's manufacturer inspected the claimed defects at 6 of the 10 homes with alleged defects and agreed to correct the defects at its own expense; (2) the manufacturer performed repair work on 2 of the remaining 4 homes prior to the inspection, and FmHA considered the defects resolved; (3) although in July 1989 FmHA initiated debarment proceedings against the dealer-contractor, FmHA subsequently decided not to pursue debarment, since the contractor's company was defunct and its president was deceased; (4) in August 1991, FmHA initiated debarment proceedings against the dealer-contractor's surviving principal partners and its salesman; and (5) in December 1991, the salesman's debarment was overturned because FmHA failed to demonstrate, by the applicable standard of evidence, that the asserted grounds for debarment existed.

Mortgage Financing and Home Ownership

Rural Housing: Shift to Guaranteed Program Can Benefit Borrowers and Reduce Government's Exposure

(Letter Report, 12/21/94, GAO/RCED/AIMD-95-63).

Pursuant to a congressional request, GAO examined the current status of the Farmers Home Administration's (FmHA) single-family housing loan portfolio and the merits of allowing borrowers with direct loans to refinance their loans within the direct loan program or through FmHA's guaranteed loan program for single-family housing. GAO reported that, as of September 30, 1994, FmHA held a portfolio of about 765,000 direct loans for single-family housing with an outstanding principal balance of $18.6 billion. In fiscal years 1991 through 1994, FmHA guaranteed an additional 25,000 housing loans for about $1.5 billion. GAO found that the majority of FmHA's direct loan borrowers would not benefit from refinancing; however, some nonsubsidized and minimally-subsidized, high interest-paying direct loan borrowers would benefit from refinancing. Furthermore, lowering borrowers' interest rates within the direct program, which is currently prohibited by regulation, would help FmHA reach its objective of promoting successful homeownership. Similarly, refinancing eligible borrowers through the guaranteed program, which would require a legislative change, would help FmHA meet the same objective, as well as meet its requirement to graduate direct loan borrowers to private credit.

Mortgage Financing: Financial Health of FHA's Home Mortgage Insurance Program Has Improved

(Letter Report, 10/18/94, GAO/RCED-95-20).

Through its Federal Housing Administration (FHA), the Department of Housing and Urban Development insures private lenders against losses on home mortgages financed through its Mutual Mortgage Insurance Fund. These mortgages are now valued at nearly $270 billion. Although the Fund has historically been financially self-sufficient, it began to experience substantial losses during the 1980s, mainly because of high foreclosure rates on single-family homes supported by the fund in economically depressed areas. This report (1) summarizes GAO's assessment of the economic net worth of the Fund at the end of fiscal year 1993 and (2) describes GAO's econometric and cash flow modeling approach for forecasting the economic net worth of the Fund.

Housing Finance: Implications of Alternative Methods of Adjusting the Conforming Loan Limit

(Letter Report, 10/05/94, GAO/RCED-95-6).

The Housing and Community Development Act of 1980 caps the size of mortgages that can be purchased by either Fannie Mae or Freddie Mac. The act allows the conforming loan limit to be adjusted annually so that Fannie Mae and Freddie Mac can respond to changing conditions. For 1994, the conforming loan limit is $203,150. This report reviews the methodology used to adjust the conforming loan limit. GAO (1) assesses the effect on the loan limit of using alternative adjustment methods, (2) determines the implications of Fannie Mae's and Freddie Mac's decisions not to adjust the loan limit for 1994, and (3) provides information on how users of the Finance Board's data view the data's accuracy.

Credit Reform: Appropriation of Negative Subsidy Receipts Raises Questions

(Letter Report, 09/26/94, GAO/AIMD-94-58).

As part of GAO's investigation of several highly technical issues related to implementation of the Federal Credit Reform Act of 1990, this report examines agencies' budgetary treatment of negative subsidies—in which receipts exceed outlays—and whether this treatment could harm program management and budgeting. GAO discusses how the Office of Management and Budget has treated negative subsidies of the Federal Housing Administration's Mutual Mortgage Insurance Fund and the Export-Import Bank in the budget. GAO also notes the budget treatment of the Government National Mortgage Association's negative subsidy receipts. Furthermore, the report discusses an alternative to appropriating the present value of estimated negative subsidy receipts and the additional legislative requirements imposed on the Federal Housing Administration's Mutual Mortgage Insurance program.

Credit Reform: Case-by-Case Assessment Advisable in Evaluating Coverage and Compliance

(Letter Report, 07/28/94, GAO/AIMD-94-57).

This report evaluates several highly technical issues related to implementation of the Federal Credit Reform Act of 1990. GAO discusses (1) whether the budgetary treatment of the Government National Mortgage Association conformed to credit reform requirements; (2) whether the cost of programs that reduce the credit subsidy rate should be considered in determining total credit subsidy costs and, if so, whether the cost of the rental assistance provided to participants in the Farmers Home Administration's section 515 direct loan program should be added to the cost of the credit program; and (3) whether the 1990 act's exclusion of the credit activities of the Resolution Trust Corporation and the Federal Deposit Insurance Corporation from its requirements was appropriate.

Mortgage Financing: Financial Health of FHA's Home Mortgage Insurance Program Has Improved

(Testimony, 06/30/94, GAO/T-RCED-94-255).

The Federal Housing Administration's (FHA) Mutual Mortgage Insurance Fund made significant progress during fiscal year 1993 toward achieving the capital reserves needed for actuarial soundness under the law. Clearly, legislative and other program changes have helped restore the Fund's financial health and reverse the trend of the late 1980s and early 1990s toward insolvency. Fiscal year 1993 was, however, an unusually good year for FHA because actual economic conditions and forecasts of future economic conditions were favorable. Nevertheless, forecasting economic net worth and resulting capital ratios to determine whether FHA will have the funds needed to cover its losses over the life of 30-year loans it has insured is uncertain. Loan performance, and therefore economic net worth and capital ratios, will depend on several economic and other factors, such as the rate of appreciation in-house prices and premiums charged FHA borrowers. Loan performance will also be affected by the demand for FHA-insured loans, which partly depends on alternatives available from private mortgage insurers. The desire to assist home buyers must be carefully weighed against the government's potential financial risk and expectations for the housing market's future performance.

Housing Finance: Characteristics of Borrowers of FHA-Insured Mortgages

(Briefing Report, 04/06/94, GAO/RCED-94-135BR).

The Federal Housing Administration (FHA), created during the Depression to insure lenders against losses on home mortgages and to expand opportunities for low- and moderate-income persons to buy homes, had nearly $320 billion in mortgages outstanding as of September 1992. FHA insured 5.6 percent of all single-family mortgages made in 1992. This briefing report provides information on the characteristics of borrowers with single-family home loans insured by FHA through its Mutual Mortgage Insurance Fund. GAO examines how the income, age, and race of borrowers of FHA-insured mortgages and the location of their homes have changed since the 1970s, when FHA first began collecting data on these characteristics.

Federal Home Loan Bank System: Reforms Needed to Promote Its Safety, Soundness, and Effectiveness

(Chapter Report, 12/08/93, GAO/GGD-94-38).

In response to the savings and loan disaster, the Congress overhauled federal regulation of the thrift industry. Many of these changes directly affected the Federal Home Loan Bank System, which was established in the 1930s to facilitate mortgage lending to homebuyers. This report answers the following questions: Can the Federal Home Loan Bank System pay its assessment for affordable housing and for cleaning up the savings and loan mess while carrying out its mission? What are appropriate capital standards for the Federal Home Loan Bank System? Should the terms of membership in the Federal Home Loan Bank System be changed? What is, and what should be, the role of the Federal Home Loan Bank System in affordable housing, and how would system consolidation affect this? Should the Federal Home Loan Bank System be allowed to offer new products and services? GAO also discusses needed changes in the corporate governance and regulation of the system.

Housing Finance: Expanding Capital for Affordable Multifamily Housing

(Chapter Report, 10/27/93, GAO/RCED-94-3).

One of the nation's most critical housing problems today is the shortage of decent and affordable multifamily rental housing. The Congress has been trying to expand the availability of capital to finance such housing through credit enhancements—mechanisms for transferring credit risk from one party to another—such as mortgage insurance. The Congress has authorized the Federal Housing Administration to undertake risk-sharing demonstration projects to test the effectiveness of new forms of federal credit enhancements for multifamily housing. This report examines (1) the problems that have led to the shortage of mortgage financing for affordable multifamily housing, (2) the factors limiting the expansion of a secondary market for such housing, (3) alternative forms of federal credit enhancements, and (4) ways to estimate and limit the federal government's exposure to risks in adopting specific credit enhancements.

Federal Credit Reform: Information on Credit Modifications and Financing Accounts

(Letter Report, 09/30/93, GAO/AIMD-93-26).

Calculating the cost of loan obligation and loan guarantee commitment modifications and maintaining financing accounts were among the many new accounting and reporting requirements placed on agencies by the Federal Credit Reform Act. Although agencies in the past had not generally needed to calculate the cost of loan obligation and loan guarantee commitment modifications, this is an important part of credit reform for budgetary purposes. Furthermore, for the most part, agencies did not update their financial systems or establish new payment control procedures to accommodate the financing accounts created by the act. Instead, several agencies used precredit reform financial systems and controls and made estimates, adjustments, or consolidations to provide financing account data, which can affect the accuracy and the reliability of this information.

U.S. Department of Agriculture: Centralized Servicing for FmHA Single-Family Housing Loans

(Briefing Report, 09/23/93, GAO/RCED-93-231BR) (Testimony, 02/09/94, GAO/T-RCED-94-121).

The Farmers Home Administration (FmHA) makes housing and farm loans to rural Americans who cannot otherwise obtain the loans on reasonable terms. Centralized servicing of loans is widely and successfully used by the private sector, including mortgage firms that typically consolidate and centralize loan-servicing functions, such as loan collections, escrow accounting for taxes and insurance, and delinquency management. These products note that FmHA's single-family housing loan portfolio is far larger than the agency's farm loan portfolio, FmHA's efforts during the past 5 years to centralize servicing operations for direct housing loans have not been fruitful, the advantages of centralization outweigh the disadvantages, and options for moving forward with centralization would be consistent with the Department of Agriculture's efforts to reinvent itself.

Tax Administration: Improving Compliance With Real Estate Tax Deductions

(Testimony, 09/21/93, GAO/T-GGD-93-46).

This testimony makes three main points about overstated deductions for real estate tax payments. First, for the most part individual taxpayers overstated their deductions for real estate tax payments by including nondeductible payments, such as user fees. Second, confusion over which payments were and were not deductible real estate taxes contributed to taxpayer noncompliance. Third, the Internal Revenue Service can improve compliance by simplifying tax documents and by redirecting its enforcement efforts and cooperating with state and local officials.

Homeownership: Appropriations Made to Finance VA's Housing Program May Be Overestimated

(Letter Report, 09/08/93, GAO/RCED-93-173).

Under its Home Loan Guaranty Program, the Department of Veterans Affairs (VA) has partially guaranteed $389 billion in home loans made to veterans by private sector lenders. The outstanding balance on these loans was $171 billion as of September 1992. In an effort to pin down the actual cost to the government guaranteeing the loans for their full life—up to 30 years—VA was required, beginning in fiscal year 1992, to estimate the subsidy cost associated with its new loan guarantees. The estimate determines the budgetary appropriations that are provided in the years that the loans are originated to cover all estimated future losses from those years' portfolios of mortgage loans. This report (1) estimates the costs, under different economic scenarios, to the federal government of guaranteeing VA's fiscal years 1992 and 1993 home mortgage loans and (2) compares GAO's estimates with estimates prepared by the administration.

Homeownership: Actuarial Soundness of FHA's Single-Family Mortgage Insurance Program

(Testimony, 07/27/93, GAO/T-RCED-93-64).

GAO testified that the Mutual Mortgage Insurance Fund was not actuarially sound as of the end of fiscal year 1991, but that its financial health may have improved in fiscal year 1992. GAO estimates that the fund had an economic net worth of about –$1.4 billion at the end of fiscal year 1991 and a resulting capital reserve ratio of –0.46 percent of the amortized insurance-in-force, valued at $302 billion at that time. Even if the Federal Housing Administration (FHA), which runs the fund, were to stop insuring new loans after September 30, 1991, the fund's reserves would not cover the federal government's potential liability over the life of the loans outstanding. The actual economic net worth and capital reserve ratios of the fund—and the validity of GAO's estimates—will depend on a number of future economic factors, including the rate of appreciation in house prices over the life of the FHA mortgages of up to 30 years. This factor is significant because, as house prices rise, borrowers' equity increases and the probability of defaults and foreclosures drops. If house prices increase more or less rapidly than GAO assumed, the fund's economic net worth will be higher or lower than GAO anticipated.

Rural Housing: FmHA's Home Loan Program Not Meeting the Needs of All Rural Residents

(Letter Report, 06/14/93, GAO/RCED-93-57).

The Farmers Home Administration (FmHA), part of the Department of Agriculture, makes home loans to rural residents who cannot afford homes through private financing. GAO found that although rural areas have the worst housing conditions, they receive a smaller percentage of housing assistance than areas close to urban centers. Program funds lent under FmHA's single-family housing program are concentrated in and around metropolitan areas and are disproportionately higher than the demand for housing in these areas warrants. Remote rural areas, on the other hand, receive a disproportionately low amount of funds in relation to housing needs. The Congress has acted to ensure that remote rural areas are better served by the program, but these actions have not yet been implemented. FmHA has identified factors contributing to the low demand for program funds in remote areas, including low-income limits difficult for remote rural families to meet and subjective application of criteria used to approve housing for the program. This report includes color photos of houses rejected for the program because of slight violations, such as having a fireplace or too many windows.

Lead-Based Paint Poisoning: Children Not Fully Protected When Federal Agencies Sell Homes to Public

(Chapter Report, 04/05/93, GAO/RCED-93-38).

Lead paint was used in homes until the 1970s, including many of the 110,000 homes sold to the public in fiscal year 1992 by the Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, and the Farmers Home Administration. In response to the devastating consequences of lead poisoning among young children, the Congress in 1988 strengthened requirements for single-family homes that the government sells to the public. Agencies were required to test—rather than visually inspect—painted surfaces, treat both defective and intact surfaces containing lead, and notify purchasers of test results. Yet, HUD never revised its regulations to reflect the tougher 1988 testing and treatment requirements. Even the less stringent regulations have not been fully implemented by the agencies' field offices. For example, although HUD requires that inspections be documented, the field offices GAO reviewed could not produce this documentation. This report also discusses how recent legislation has affected lead-based paint hazards.

VA Housing Loan Program

(Correspondence, 03/29/93, GAO/RCED-93-129R).

Pursuant to a congressional request, GAO reviewed an independent report on the Department of Veterans Affairs' (VA) Home Loan Guaranty Program, focusing on whether the (1) report's recommendations were supported by sufficient evidence and (2) report contained factual errors or analytical weaknesses. GAO found that (1) the report did not adequately support six of the seven recommendations with sufficient evidence; (2) the report failed to sufficiently identify a supportable problem with the home loan program, explain the proposed problem's impact on the program, and show how the recommendation would redress the proposed problem; (3) without further explanation and supporting evidence, VA could not consider corrective action; (4) the report could be misleading due to inaccuracies and a questionable analytical methodology; and (5) VA fully implemented one of the report's recommendations and partially implemented two others.

Tax Policy: Many Factors Contributed to the Growth in Home Equity Financing in the 1980s

(Letter Report, 03/25/93, GAO/GGD-93-63).

Home equity financing, estimated to represent about 12 percent of all housing debt, or $357 billion in 1991, grew at an average annual rate of about 20 percent between 1981 and 1991. This report reviews the use of home equity financing, including both home equity loans and home equity lines of credit, and how the Tax Reform Act of 1986 affected household use of home equity financing compared with other forms of consumer credit. GAO discusses (1) what trends exist in home equity as well as mortgage-backed financing and other kinds of consumer credit used during the 1980s; (2) who is using home equity financing and for what purposes; (3) what factors caused the growth in home equity financing; (4) what problems are associated with this type of borrowing; and (5) what the implications of various tax policy options are that might be instituted to constrain home equity borrowing.

Appraisal Reform: Implementation Status and Unresolved Issues

(Letter Report, 10/30/92, GAO/GGD-93-19).

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 requires that real estate appraisals for transactions involving the federal government be written reports that conform to uniform standards and be completed by certified professionals. Overall, positive strides have been made at the federal and state levels to implement title XI by the December 31, 1992, deadline. For example, all 50 states and the District of Columbia and most U.S. territories have come up with programs for licensing and certifying appraisers. Moreover, as of September 1992, nearly 60,000 appraisers nationwide had been state-licensed or -certified. Similarly, each of the federal financial institutions regulatory agencies and the Resolution Trust Corporation have issued appraisal regulations. These changes have been accompanied by controversy, however, and several issues remain unresolved, including appraiser availability and appraisal cost, the appropriate de minimus threshold, standards for evaluating real estate-related financial transactions under the de minimus threshold, and state enforcement of appraisal standards.

Rural Rental Housing: Excessive Profits and Program Abuses in Multifamily Housing

(Testimony, 05/13/92, GAO/T-RCED-92-63).

Private developers who combine low-income housing tax credits with Farmers Home Administration (FmHA) loans to build multifamily housing for low-income renters in rural areas are reaping returns of up to 970 percent on their initial cash investment. Overall, GAO testified that FmHA's multifamily housing program is at high risk for fraud and abuse. Overstatement of construction costs, overcharging for project management and construction fees, and misuse and diversion of project funds have been a problem for years. During the past 5 years, 35 indictments and 26 convictions have been handed down against FmHA multifamily developers and project managers. FmHA officials recognize that many of these fraudulent and abusive activities have arisen because of a lack of internal controls and trained staff. FmHA is attempting to strengthen its internal controls, which should help minimize such problems in the future.

Pension Plans: Investments in Affordable Housing Possible With Government Assistance

(Letter Report, 06/12/92, GAO/HRD-92-55).

While pension fund financing of affordable housing for low- and moderate-income families has varied widely among the investments GAO has reviewed, three main characteristics are common. First, when investing in affordable housing, pension funds tend to funnel their assets into fixed-rate securities that can be easily sold to other investors in a national market. Second, each investment receives some kind of government assistance. Third, pension fund investments are set up by intermediaries, such as banks, state housing authorities, and nonprofit developers, that have identified affordable housing opportunities and arranged financing. These intermediaries have provided the staff and the expertise that the pension funds lack. Information on rates of return has been limited, but for the investments on which GAO has information, the pension funds have generally received rates of return similar to other investments of comparable risk.

Mortgage Credit Enhancements: Options for FHA in Meeting the Need for Affordable Multifamily Housing

(Testimony, 04/03/92, GAO/T-RCED-92-52).

Mortgage credit enhancements—financing arrangements to ensure loan repayments by builders of multifamily rental properties—are among a broad range of mechanisms that the Federal Housing Administration (FHA) can use to expand the supply of affordable housing for lower-income tenants. If such enhancements are employed, they must be cost-effective in achieving the desired result. Yet ensuring cost-effectiveness depends on having accurate data on the costs and risks involved, and information on the performance characteristics of affordable multifamily housing loans is currently nonexistent. GAO suggests that Fannie Mae, Freddie Mac, and FHA—because they now hold large portfolios of multifamily mortgages or insure such mortgages and are also experienced in maintaining relevant large data bases—would be good candidates for developing such information. Furthermore, the bank regulatory agencies, the Federal Housing Finance Board, the Bureau of Economic Analysis, and various professional organizations representing mortgage originators could lend valuable insight in developing a national affordable housing data base.

Government-Sponsored Enterprises: System of Internal Controls at Freddie Mac, Fannie Mae, and Sallie Mae

(Letter Report, 03/31/92, GAO/GGD-92-50).

GAO's review of internal controls at the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), and the Student Loan Marketing Association (Sallie Mae) uncovered no significant weaknesses except for Freddie Mac's controls over its multifamily business. GAO's work was not comprehensive enough, however, to render an opinion on the design or operations of the entire control system of each of these government-sponsored enterprises. As a result of its weaknesses in controls over purchasing and servicing multifamily loans, Freddie Mac charged off over $300 million against reserves from 1986 through 1990. Freddie Mac has made changes in personnel; suspended purchases of new multifamily loans; and revamped its methods for buying, servicing, and monitoring such loans. Freddie Mac does not plan to resume purchasing new multifamily loans until sometime in 1992.

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

(Letter Report, 11/25/91, GAO/AFMD-92-8).

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 at the net amount of cash expected to be realized from the property's sale. In addition, the entities, in their financial statements, 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 1992, VA's housing assistance program will start including administrative costs as a program operation cost, as the Fund currently does.

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

(Letter Report, 10/07/91, GAO/RCED-92-6).

Commonly referred to as Freddie Mac, the Federal Home Loan Mortgage Corporation is a federally 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-servicing 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 its 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.

HUD Management

HUD: Mortgage Assignment Program

(Correspondence, 05/31/94, GAO/AIMD-94-123R).

GAO reviewed the information systems that support the Department of Housing and Urban Development's (HUD) Single Family Mortgage Assignment Program (MAP), focusing on whether the systems (1) substantially support HUD application and loan servicing processes and (2) contain sufficient data to measure program effectiveness. GAO noted that (1) MAP information systems generally support the program's major loan servicing processes and contain sufficient data to measure program effectiveness, (2) the MAP assignment log that records the receipt of and final decisions on MAP applications does not support many of the application processing tasks performed by field office staff, (3) HUD loan servicing systems are complex and difficult to use, (4) loan servicers and supervisors lack adequate operational training, and (5) HUD lacks systematic processes for identifying users' information support needs.

Housing and Urban Development: Management and Budget Issues in HUD's Fiscal Year 1995 Appropriation

(Testimony, 05/12/94, GAO/T-RCED-94-206) (Testimony, 05/12/94, GAO/T-RCED-94-218).

This testimony offers GAO's comments as part of the fiscal year 1995 appropriations hearing for the Department of Housing and Urban Development (HUD). Faced with an increasingly limited budget and seemingly endless demand for its resources, HUD is scrutinizing the way it works so that it can do more with less. HUD's effort is two-pronged: the Department is totally reorganizing to improve its delivery of services at the same time it is "reinventing itself"—examining the emphasis of its programs, its priorities, and its way of doing business. The outcome of these efforts will have a major impact on the appropriations HUD seeks. This testimony identifies a number of issues in need of further study or resolution in HUD's management of either specific programs or large parts of its budget.

HUD Information Resources: Strategic Focus and Improved Management Controls Needed

(Chapter Report, 04/14/94, GAO/AIMD-94-34).

The Department of Housing and Urban Development (HUD) continues to be plagued by poorly integrated, ineffective, and unreliable information systems that neither satisfy management needs nor provide adequate control. It will take years to fully resolve these problems. This situation exists because HUD's information management resources have not been planned and managed to meet the Department's missions and strategic objectives. In addition, HUD has not established adequate security for its computers that process sensitive and privacy data and lacks contingency plans for data processing in the event of a major disruption or disaster. Finally, HUD's efforts to develop and implement integrated financial systems have been impeded by ineffective planning and management oversight. HUD's recent commitment to strategic planning and its initial steps to address strategic planning represent the first substantive actions taken since GAO reported on the absence of strategic information resources planning a decade ago.

Multifamily Housing: Status of HUD's Multifamily Loan Portfolios

(Fact Sheet, 04/12/94, GAO/RCED-94-173FS).

The Department of Housing and Urban Development (HUD), through the Federal Housing Administration (FHA), insures mortgages on multifamily properties. In cases of default, a lender may turn over the mortgage to HUD and be reimbursed for the amount of the insurance claim—HUD, in effect, becomes the new lender for the mortgage. The number of insured multifamily loans that have defaulted and been assigned to HUD has grown significantly, and the agency believes that even greater numbers of multifamily loans could default in the future, producing additional losses. This fact sheet provides information on the financial state of HUD's multifamily insured and assigned loan portfolio. For the insurance-in-force portfolio, GAO discusses the number of current and delinquent loans. For the HUD-held portfolio, GAO discusses the number of current and delinquent loans, the ratio of loan delinquencies to the unpaid principal balances, and steps that HUD has taken to resolve the delinquencies.

Multifamily Housing: Information on Selected Properties Owned by HUD

(Fact Sheet, 04/11/94, GAO/RCED-94-163FS).

The Department of Housing and Urban Development's (HUD) inventory of foreclosed multifamily properties has grown in the past 4 years. HUD acquired this inventory mostly through foreclosures on properties that had loans insured by its Federal Housing Administration. To help the Congress evaluate the impact of new legislation intended to improve HUD's ability to dispose of this inventory, GAO collected information on HUD-owned multifamily properties in Dallas, Texas, and Kansas City, Missouri. A total of 19 properties were included in GAO's analysis. This fact sheet discusses (1) the size and vacancy rates of the properties, the number of units receiving project-based Section 8 assistance, and the distribution of the units by the number of bedrooms; (2) HUD's estimates of the money needed to rehabilitate the properties; and (3) the current tenants' income levels and percentage of income spent on rent.

GAO High-Risk Program

(Correspondence, 01/27/94, GAO/AIMD-94-72R).

Since early 1990, GAO has been reviewing and reporting on government programs especially vulnerable to waste, fraud, abuse, and mismanagement. This report updates the 17 areas included in GAO's High-Risk Series issued in December 1992 and adds to the list the Department of Housing and Urban Development (HUD), where billions of dollars continue be at risk due to long-standing organizational, systems, and staffing problems. In GAO's view, HUD warrants the special focus that comes with high-risk designation.

Ginnie Mae: Greater Staffing Flexibility Needed to Improve Management

(Testimony, 10/29/93, GAO/T-RCED-94-67).

Despite its status as a government-owned corporation with potentially huge liabilities for the federal government—$416 billion as of August 30, 1993—the Government National Mortgage Association (GNMA) has limited authority to add personnel to manage its assets. Because GNMA's staffing needs continue to be tied to the Department of Housing and Urban Development's (HUD) personnel ceiling, the agency has been turning to contractors to handle management information systems, manage and dispose of acquired mortgage portfolios, and monitor issuers. A recent HUD staff study concluded that GNMA lacked enough staff to properly manage its current workload and would need more employees to undertake new initiatives. GNMA managers have been unable to effectively monitor their contractors' activities and have been unable to respond to changing market conditions by creating new products that could lower financing costs for Federal Housing Administration and Department of Veterans Affairs homebuyers.

Government National Mortgage Association: Greater Staffing Flexibility Needed to Improve Management

(Letter Report, 06/30/93, GAO/RCED-93-100).

In recent years, downturns in the real estate markets and allegations of mismanagement and fraud have prompted increased scrutiny of several federal loan guaranty programs. Some of these programs have run up huge losses, such as the $2.5 billion loss posted by the Federal Housing Administration (FHA) in fiscal year 1991. The federal government ended up having to pay the lenders for losses on the defaulted mortgages insured by FHA. This report focuses on the Government National Mortgage Association's (GNMA) ability to oversee its approved mortgage originators, or issuers, and the $426 billion worth of mortgage-backed securities outstanding as of September 1992. The federal government will have to pick up the tab should the GNMA issuers default. GAO (1) provides information on how GNMA has changed to accomplish its mission, (2) identifies recent management problems experienced by GNMA in overseeing its issuers, and (3) examines GNMA's efforts to solve its management problems.

Multifamily Housing: Impediments to Disposition of Properties Owned by the Department of Housing and Urban Development

(Testimony, 05/12/93, GAO/T-RCED-93-37).

The Department of Housing and Urban Development's (HUD) inventory of multifamily housing surged from 10,000 units in 1990 to 27,000 units in 1992. In addition, HUD had begun foreclosing on another 42,000 units. GAO found that the most significant impediment to the disposition of this inventory was the shortage of federal funds for rental subsidies needed to preserve units for low- to moderate-income tenants. Once the federal government is obligated to preserve these units, HUD will pay the cost of preservation whether the properties are sold or whether they remain in HUD's inventory. In the absence of any action to change this situation, HUD would remain the landlord for a huge inventory of properties—a role that HUD was never intended to play nor has it been adequately staffed to fulfill.

FHA Internal Controls

(Correspondence, 09/30/92, GAO/RCED-92-227R).

Pursuant to a congressional request, GAO reviewed two internal control reports issued in 1991 on the Federal Housing Administration's (FHA) single- and multifamily housing loan insurance programs, focusing on materially significant financial and management internal control weaknesses reported for the first time. GAO found that (1) an independent accounting firm identified 206 internal control weaknesses in both FHA programs, of which 59 were newly reported; (2) the accounting firm considered 11 of 147 previously reported weaknesses and 8 of 59 newly reported weaknesses to be materially significant; (3) the single-family program had 133 reported weaknesses, of which 34 were new, which mainly affected mortgage premium and insurance claims processing, mortgage note servicing, and property disposition; (4) the multifamily program had 73 weaknesses, of which 25 were new, affecting mainly property disposition, mortgage premium processing and distribution, mortgage note servicing, and project monitoring; and (5) FHA generally agreed with the findings and has taken actions, such as developing a comprehensive risk-based internal control system, to correct all the reported material weaknesses, but it is too early to tell if the improvements have been effective.

HUD's Modernization Allocation

(Correspondence, 08/07/92, GAO/RCED-92-259R).

Pursuant to a congressional request, GAO provided information on the Department of Housing and Urban Development's (HUD) process for allocating Comprehensive Grant Program funds, focusing on (1) whether extraneous factors were used to allocate funds and (2) the basis for changes in the preliminary and final allocations. GAO noted that (1) the HUD allocations were consistent with final regulations and (2) inconsistencies between the preliminary estimate and the final allocations resulted from more complete and accurate data being available at the time of the final allocation.

Restructuring Real Property Dispositions

(Correspondence, 08/06/92, GAO/GGD-92-26R).

GAO commented on the feasibility of restructuring the federal government's approach to managing and disposing of assets targeted for disposition. GAO noted that (1) the six agencies it reviewed did not maintain comparable data on personnel costs associated with managing and disposing of real property; (2) some agencies were reluctant to provide estimates and others would not do so because they had no basis for making the estimates; and (3) due to the lack of reliable cost data, analysis would not produce information that would support restructuring recommendations.

Political Appointees: Number of Noncareer SES and Schedule C Employees in Federal Agencies

(Fact Sheet, 06/08/92, GAO/GGD-92-101FS).

This fact sheet provides information on the number and placement of political appointees in the federal government. GAO discusses (1) the number of noncareer Senior Executive Service (SES) and Schedule C appointees at each agency and department and governmentwide; (2) the number of career SES members governmentwide; and (3) the number, placement, and employment trends of noncareer SES and Schedule C appointees at five agencies—the Department of Education, the Environmental Protection Agency, the Department of Housing and Urban Development, the Small Business Administration, and the U.S. Information Agency.

Section 8 Budget Needs

(Correspondence, 05/12/92, GAO/RCED-92-187R).

GAO reviewed the Department of Housing and Urban Development's (HUD) budgetary needs for expiring section 8 certificate and voucher contracts for fiscal year 1993. GAO found that (1) at the three HUD field offices reviewed, HUD estimated that it will need $237.8 million to renew expiring tenant-based section 8 certificate and voucher contracts; (2) the HUD estimate for tenant-based certificate and voucher contracts did not include the $16.4 million in budget authority needed to renew contracts for fiscal year 1993, but did include $8.6 million in budget authority for contracts that are not due to be renewed in fiscal year 1993; and (3) the estimates differed because HUD field offices and HUD quality control procedures did not identify contracts that are due to be renewed in fiscal year 1993 and because data bases used to supplement information supplied by field offices contained incorrect information.

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains

(Letter Report, 01/31/92, GAO/RCED-92-46).

The underlying causes of the scandal uncovered in 1989 at the Department of Housing and Urban Development (HUD) involve long-standing and systemic deficiencies that remain largely unresolved, leaving the agency vulnerable to waste, fraud, abuse, and mismanagement. GAO notes four major department-wide deficiencies—inadequate information and financial management systems, including computer systems; weak internal controls; inappropriate organizational structure; and insufficient staffing. Until these deficiencies are corrected, there is no guarantee that abuses similar to those revealed 2 years ago will not recur. GAO concludes that only continued support and oversight can assure the public that HUD's resources are being used to effectively serve the intended beneficiaries.

Homelessness

Efforts to Assist the Homeless in San Antonio

(Correspondence, 07/11/94, GAO/RCED-94-238R).

Pursuant to a congressional request, GAO reviewed the role of McKinney Act programs in assisting the homeless in San Antonio, Texas. GAO noted that (1) although the homeless have had access to a range of low-income assistance programs since 1970, most of these programs were not targeted specifically toward the homeless; (2) before McKinney Act programs became available, emergency shelters were established by charitable organizations and health care was available through county facilities; (3) McKinney program funding has played a small but important role in San Antonio's homeless assistance efforts since 1987; (4) McKinney programs have improved existing emergency food and shelter programs, funded transitional housing, expanded health care services, helped link adult education programs with shelters, established mobile outreach services for the mentally ill and employment assistance for veterans, and improved coordination between local organizations and providers; (5) local service providers believe that their current resources are not sufficient to meet the special needs of the homeless; (6) service providers believe that San Antonio needs to increase the amount of transitional housing, employment training, literacy education, prenatal care for youths, substance abuse treatment, homeless prevention efforts, affordable housing for low-income persons, and high-paying jobs; and (7) San Antonio should seek new and creative ways to provide low-income housing, since affordable housing shortages contribute to homelessness in San Antonio.

Efforts to Assist the Homeless in Seattle

(Correspondence, 07/11/94, GAO/RCED-94-237R).

Pursuant to a congressional request, GAO reviewed the role of McKinney Act programs in assisting the homeless in Seattle, Washington. GAO noted that (1) homeless social service programs and emergency services have been available in Seattle for many years and are funded by local and state governments and private sources; (2) McKinney program funding has played an important role in Seattle's homeless assistance efforts since 1987; (3) McKinney programs have supplemented existing food and emergency shelter services, expanded employment and education programs, and funded transitional housing, health care services shelters, and mentally ill outreach programs; (4) although McKinney funds are provided to cities for food, shelter, health care, education, and employment programs targeted to the homeless, the current resources available are not meeting service demands; (5) service providers believe that without McKinney program funds, health care outreach services, transitional housing, and education programs would be greatly reduced or discontinued; (6) local service providers believe that Seattle needs to increase the amount of affordable housing for low-income persons, funds for substance abuse programs, services targeted to youths, and its employment training, education, and homeless prevention efforts; and (7) Seattle should seek new and creative ways to provide low-income housing, since affordable housing shortages contribute to homelessness in Seattle.

Efforts to Assist the Homeless in Baltimore

(Correspondence, 07/11/94, GAO/RCED-94-239R).

Pursuant to a congressional request, GAO reviewed the role of McKinney Act programs in assisting the homeless in Baltimore, Maryland. GAO noted that (1) homeless emergency services have been available in Baltimore since the 19th century; (2) before McKinney Act programs became available, churches, missions, and private groups provided food and shelter services for the homeless; (3) since 1987, McKinney program funding has played an important role in Baltimore's efforts to assist the homeless; (4) McKinney programs have supplemented existing emergency food and shelter services, funded transitional housing and education programs for adults and children, expanded health care services, and established mobile outreach services for the mentally ill and a research demonstration project for homeless people with chronic mental illness and substance abuse problems; (5) service providers believe that without McKinney program funds, case management and health care outreach services, transitional housing, and adult education programs would be greatly reduced or discontinued; (6) local service providers believe that their current resources are not sufficient to meet the special needs of the homeless and that Baltimore needs to increase the amount of affordable housing, funds for substance abuse programs, and its homeless education and prevention efforts; and (7) Baltimore should seek new and creative ways to provide low-income housing, since affordable housing shortages contribute to homelessness in Baltimore.

Efforts to Assist the Homeless in St. Louis

(Correspondence, 07/11/94, GAO/RCED-94-97R).

Pursuant to a congressional request, GAO reviewed the role of McKinney Act programs in assisting the homeless in St. Louis, Missouri. GAO noted that (1) homeless emergency shelter services have been available in St. Louis since the 1940s; (2) before McKinney Act programs became available in St. Louis, churches, missions, and city-funded hospitals provided emergency food and shelter and limited health care services to the homeless; (3) since 1987, McKinney Act programs have played an important role in St. Louis' efforts to assist the homeless; (4) McKinney programs have supplemented existing emergency food and shelter services, expanded existing employment and adult education services, and funded innovative programs for homeless mothers with drug abuse problems, health care services, and mobile outreach services to the mentally ill; (5) local service providers believe that their current resources are not sufficient to meet the special needs of the homeless and that St. Louis needs to be more responsive to the housing needs of low-income families; (6) St. Louis probably undercounts some homeless subgroups that do not or cannot access services; and (7) St. Louis should seek new and creative ways to provide additional low-income housing.

Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1993

(Letter Report, 06/29/94, GAO/RCED-94-107).

GAO is required to report annually to the Congress on the status of programs authorized under the McKinney Act. This report provides updated program and funding information for fiscal years 1992 and 1993. The report also provides information on the third reauthorization of the act. GAO discusses the legislative history of the act, describes each McKinney Act program, and identifies the funding provided under each program by state. GAO also briefly describes newly authorized assistance programs for the homeless and significant changes to existing McKinney Act programs that occurred during these two fiscal years.

Homelessness: McKinney Act Programs Provide Assistance but Are Not Designed to Be the Solution

(Chapter Report, 05/31/94, GAO/RCED-94-37).

The Stewart B. McKinney Homeless Assistance Act of 1987 established emergency food and shelter programs; programs providing longer-term housing and supportive services; and programs designed to demonstrate effective approaches for providing the homeless with other services, such as physical and mental health, education, and job training. GAO evaluated the act's impact in Baltimore, Maryland; San Antonio, Texas; Seattle, Washington; and St. Louis, Missouri. This report discusses (1) what difference the McKinney Act programs have made in these cities' efforts to help the homeless, (2) what problems the cities have experienced with McKinney Act programs, and (3) what directions the cities' programs for the homeless are taking and what gaps the McKinney Act programs may fill.

Homelessness: Demand for Services to Homeless Veterans Exceeds VA Program Capacity

(Letter Report, 02/23/94, GAO/HEHS-94-98).

Veterans are generally believed to be about one-third of the homeless population in the United States; on any given night, up to 250,000 of an estimated 600,000 homeless persons living on the streets or in shelters may be veterans. Virtually all of these veterans are men, many of whom suffer from mental illness or drug and alcohol problems. The capacity of Department of Veterans Affairs (VA) programs to serve these homeless veterans, however, falls far short of the demand for such services. Furthermore, VA services for homeless veterans are nonexistent in many areas of the country. Every VA medical center is required to assess the needs of homeless veterans, determine the availability of VA and other services in its area, and establish plans to meet those needs in coordination with public and private providers. VA has not done these assessments and has yet to set specific target dates. If VA is to address the medical and social needs of homeless veterans nationwide, existing substance abuse, mental health, and housing programs will need to be substantially expanded and enhanced. VA may need to open new beds, hire more staff, contract with private providers of health care/housing, and either renovate buildings or allow private homeless groups to do so to provide temporary housing. In an era of tight federal budgets, however, increasing services for the homeless could force cutbacks in services to other veterans.

Homelessness: Appropriate Controls Implemented for 1990 McKinney Amendments' PATH Program

(Chapter Report, 02/22/94, GAO/HEHS-94-82).

The Department of Health and Human Services' Projects for Assistance in Transition From Homelessness (PATH) program provides states with funds to serve homeless persons with serious mental illnesses and substance abuse problems. The Department has implemented appropriate program controls to ensure that PATH expenditures are consistent with the 1990 McKinney Amendments, which require GAO to report on the PATH program every 3 years. In the five states GAO reviewed—California, Florida, Illinois, New York, and Texas—state grant procedures, financial oversight, and provider monitoring also helped guarantee that PATH services reached the target population. Local providers' mental health assessments further ensured that PATH services reach the people they were intended for.

Homelessness: Information on and Barriers to Assistance Programs Providing Foreclosed Property

(Chapter Report, 09/30/93, GAO/RCED-93-182).

The Department of Housing and Urban Development (HUD), the Department of Veterans Affairs, the Farmers Home Administration, and the Resolution Trust Corporation have all developed procedures for choosing properties from their inventories for sale or lease to nonprofit groups that assist the homeless. Through fiscal year 1992, the four agencies had sold about 560 single-family properties and leased nearly 2,000 to homeless groups on terms more favorable than offered to the general public. HUD accounted for more than 90 percent of this activity. At the time of these transactions, the four agencies had nationwide inventories of about 41,000 other single-family properties available for purchase and 4,000 available for lease. Homeless groups see a great need for, and are interested in acquiring, federal foreclosed properties, but only about 5 percent of those in GAO's national survey had done so. GAO found lack of information to be the main barrier for organizations that had not participated in the agencies' programs. Organizations face additional barriers once they obtain enough information and decide to participate. Those participating in HUD's program overwhelmingly cited the costs they were expected to pay and difficulty in getting funding from federal and other sources as the main roadblocks to their acquiring more property. Although these groups find multifamily housing useful, they have obtained almost none from the four programs.

Homelessness: McKinney Act Programs and Funding Through Fiscal Year 1991

(Letter Report, 12/21/92, GAO/RCED-93-39).

This report provides a legislative history of the McKinney Act; a description of each McKinney Act program; and the amount of money provided under each program, by state, for fiscal year 1991. The report also briefly describes newly authorized assistance programs for the homeless and significant changes to existing McKinney Act programs. Overall, about $2.4 billion was earmarked during fiscal years 1987 through 1991 for federal programs to help the homeless; 95 percent of the money went for food, shelter, and health care and the rest went for education and job training.

Homelessness: Single Room Occupancy Program Achieves Goals, but HUD Can Increase Impact

(Chapter Report, 08/27/92, GAO/RCED-92-215).

During a 25-year period beginning in 1960, the United States lost about 1 million rooms housing single individuals—about half of the nation's total supply. Single persons now make up the bulk of America's homeless. In 1987, the Congress created the Section 8 Moderate Rehabilitation Program for Single Room Occupancy Dwellings for Homeless Individuals. This report looks at whether the program is meeting its goals of creating adequate housing and delivering support services to the single homeless for as long as needed. GAO also discusses (1) how the Department of Housing and Urban Development oversees projects in development and reviews their financial feasibility and (2) regulations requiring the use of tenant waiting lists developed by local public housing agencies.

Homelessness: HUD Improperly Restricts Applicants for Supplemental Assistance Program

(Letter Report, 08/13/92, GAO/RCED-92-200).

The Department of Housing and Urban Development (HUD) has no authority to decree that only states may apply for certain grants to aid the homeless, a step HUD took last year after having earlier awarded grants to cities, counties, tribes, and nonprofit groups. The Supplemental Assistance for Facilities to Assist the Homeless program was created in 1987 as a competitive grant program to (1) supplement two other McKinney Act programs and (2) fund comprehensive, innovative programs that meet the immediate and long-term needs of homeless individuals and families. Since the program was established 5 years ago, HUD has awarded grants totaling $37.5 million, making it HUD's smallest assistance program for the homeless. Beginning in fiscal year 1991, only states were eligible to apply for program grants. Although HUD's intent was to use limited program funds more effectively, GAO does not believe that the agency had the authority to limit eligibility. Recent HUD initiatives, if properly implemented, should lead to more effective and efficient program management. Furthermore, grantees from fiscal year 1987 are meeting the objectives outlined in their grant applications, and the target populations stipulated by the Congress are being served.

Homelessness: HUD's Interpretation of Homeless Excludes Previously Served Groups

(Letter Report, 08/12/92, GAO/RCED-92-226).

The Department of Housing and Urban Development (HUD), under new criteria established in 1991, began limiting its funds to programs that serve people who are literally homeless, the only exception being people threatened with immediate homelessness. Although HUD has revised its guidance, some of the terms and definitions that govern the HUD field offices and assistance providers remain vague. Terms describing individuals as "imminently" homeless or "in the later stages" of eviction have been interpreted differently by various HUD offices, leading to inconsistency and confusion concerning program eligibility. HUD's new eligibility criteria have made the following groups ineligible for funding: institutionalized mentally ill or retarded persons; persons doubled up with families or friends or living in substandard housing; and the rural homeless, who are often "hidden" in overcrowded or substandard housing.

Homelessness: Policy and Liability Issues in Donating Prepared Food

(Letter Report, 12/09/91, GAO/RCED-92-62).

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 food. 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.

Community Development

Rural Development: Patchwork of Federal Programs Needs To Be Reappraised

(Chapter Report, 07/28/94, GAO/RCED-94-165).

The traditional sources of America's economic vitality—such as farming and industries based on natural resources—have undergone gradual yet significant restructuring during the 20th century. This restructuring has been accompanied by long-term economic disappointments. Poverty rates have remained high in rural counties, and unemployment rates have generally been higher in rural areas than in cities. These conditions have fueled an exodus from many rural areas, worsening their problems. This report (1) identifies the factors that influence a rural area's economic success or failure and (2) evaluates whether federal programs efficiently address rural economic problems.

Housing Issues: The Housing and Community Development Act of 1994

(Testimony, 03/10/94, GAO/T-RCED-94-148).

H.R. 3838, the Housing and Community Development Act of 1994, addresses a number of issues that GAO has identified in its housing work. For example, the act contains provisions that could reduce the potential for defaults or foreclosures in three government-sponsored loan programs: the Department of Housing and Urban Development's (HUD) insured multifamily loans, HUD-guaranteed Community Development Block Grant loans, and the Farmers Home Administration's rural housing loans. The act would improve HUD's efficiency in assisting lower-income households by merging HUD's tenant-based certificate and voucher assistance programs. The act also authorizes more funding for homelessness assistance programs. On the other hand, GAO is concerned about how the certificate and voucher assistance programs and the homeless assistance programs can best be structured to meet the needs of program recipients while minimizing administrative burdens on HUD staff and program recipients. Congressional monitoring of both the Community Development Block Grant and HUD's multifamily loan programs will ensure that continued delinquencies, defaults, and foreclosures do not threaten the program's effectiveness.

Community Development: Block Grant Economic Development Activities Reflect Local Priorities

(Chapter Report, 02/17/94, GAO/RCED-94-108).

To help state and local governments develop viable communities, the Congress has appropriated more than $62 billion to the Community Development Block Grant Program since 1975. Grantees have broad discretion, but funded activities must either benefit low- or moderate-income households, help prevent or eliminate slums, or meet other urgent community development needs. This report (1) provides information on the funding of economic development activities and the impediments that grantees have experienced; (2) identifies issues related to the proper use of these funds; (3) provides information on the types and quality of jobs resulting from programs funding and identifies possible criteria for measuring job quality; and (4) identifies potential performance indicators for measuring the overall effectiveness of economic development activities under the program.

Property Insurance: Data Needed to Examine Availability, Affordability, and Accessibility Issues

(Letter Report, 02/09/94, GAO/RCED-94-39).

In the wake of the 1992 Los Angeles riots, concerns have been raised about the availability and affordability of insurance needed for rebuilding. This report examines several issues involving property insurance in urban areas. This report discusses (1) the types of data that are now collected for determining the availability, affordability, and accessibility of property insurance for homeowners and small businesses in urban neighborhoods; (2) the types of data that would be needed to assess these issues if available data are inadequate; and (3) options that are available for collecting these data for homeowners insurance.

Industrial Development Bonds: Achievement of Public Benefits Is Unclear

(Chapter Report, 04/22/93, GAO/RCED-93-106).

The federal government gave up more than $2 billion in revenue in 1991 because of the tax-exempt status of small issue industrial development bonds. The bonds, issued by state and local governments, fund the creation and expansion of manufacturing facilities. Because of the public benefits associated with these bonds, interest earned by investors from them is exempt from federal tax. GAO found that although these bonds are being used for their intended purpose—financing manufacturing facilities—additional benefits being claimed, such as creating jobs, assisting economically depressed areas, and fostering start-up companies, are hard to substantiate. Concerns that the bonds are subject to high default rates or are paid off early, thus removing restrictions requiring the project to remain in manufacturing, were not substantiated by GAO's work.

Rural Credit: Availability of Credit for Agriculture, Rural Development, and Infrastructure

(Letter Report, 11/25/92, GAO/RCED-93-27).

In response to congressional concerns about the deterioration of rural communities, GAO looked into the availability of credit in rural America in four states—Kansas, Mississippi, Montana, and Virginia. This report examines (1) the extent to which adequate credit exists to fund agricultural production; rural development, which for the purposes of this report is limited to the needs of businesses; and the development of the rural infrastructure (including roads, bridges, and water systems) and (2) the extent to which rural lending institutions are investing in their communities as opposed to more distant areas.

Industrial Development Bonds

(Correspondence, 07/24/92, GAO/RCED-92-247R).

Pursuant to a congressional request, GAO provided information on small issue industrial development bonds (IDB), issued by state or local governments to help private companies finance the construction or expansion of small manufacturing projects. GAO noted that (1) the federal government forgoes about $2 billion annually in tax revenue for IDB interest, which is tax exempt; (2) in 1991, states issued about $1.2 billion in IDB; (3) the Internal Revenue Code only requires that IDB be restricted to manufacturing projects that do not exceed $10 million and does not require IDB issuers to establish criteria to assess public benefits of IDB-financed projects; (4) most states and localities do not have any criteria other than the Internal Revenue Code requirements for issuing IDB; and (5) in 1991, Ohio approved 33 IDB-financed projects, but generally did not target IDB approval for such public benefits as fostering economic development in distressed areas, creating jobs, assisting start-up companies, and keeping manufacturing operations in the United States.

Community Development: Neighborhood Reinvestment Corporation Should Improve Program Management

(Chapter Report, 07/08/92, GAO/RCED-92-174).

The Congress created the Neighborhood Reinvestment Corporation in 1978 to encourage reinvestment in older neighborhoods by financial institutions working in tandem with local governments and residents. The Corporation provides these partnerships, known as NeighborWorks Organizations, with about $6 million in grants each year. The Corporation's oversight of the organizations, however, has fallen short as a result of inadequate program reviews and financial audits. Grant management, which should alert the Corporation to potential problems at the organizations before they become critical, has suffered because of this poor oversight. Unapproved transfers of grant funds to pay for organizations' operating expenses often went undetected. The Corporation is relying increasingly on competition in awarding contracts for professional services and is making policy changes to increase competition in its procurements. It is not yet clear, however, how effective these policy changes will be. Lowering the dollar threshold above which competitive bidding is required would guarantee more competition.

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

(Letter Report, 11/27/91, GAO/RCED-92-3).

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.

Disaster Assistance

GAO Work on Disaster Assistance

(Correspondence, 08/31/94, GAO/RCED-94-293R).

Pursuant to a congressional request, GAO (1) summarized its work related to federal disaster assistance and (2) provided information on federal agencies' responses to its prior recommendations. GAO noted that in response to its recommendations (1) the Federal Emergency Management Agency (FEMA) has required states to upgrade their responses to catastrophic disasters, assisted local, state, and federal agencies to better prepare and anticipate disasters, improved its cost information collection operations, and revised its historical reimbursement regulations; (2) the Congress has proposed legislation that will establish a commission to coordinate federal agency response to severe droughts, allow federal agencies to better prepare for catastrophic disasters when there is adequate warning, allow the President to appoint an official to oversee federal preparedness for and response to disasters, and improve the management and coordination of the National Flood Insurance, Federal Crop Insurance, and All-Hazard Insurance Programs; (3) the Congress has not taken any substantive actions to define FEMA's role in providing disaster-related long-term housing or mitigating the dangers workers face in moderate- to high-risk areas; (4) states have made limited progress in identifying and correcting seismic-related bridge deficiencies; and (5) there have been various efforts to develop a more effective approach to administering agriculture disaster assistance payments.

Los Angeles Earthquake: Opinions of Officials on Federal Impediments to Rebuilding

(Letter Report, 06/17/94, GAO/RCED-94-193).

In January 1994, an earthquake measuring 6.8 on the Richter scale shook Los Angeles, killing 61 people, injuring 18,000 others, and leaving 25,000 homeless. More than 55,000 buildings were damaged, and the city's freeway system was severely damaged. Damage was estimated to be as high as $15 billion and prompted the largest number of applications for disaster relief in the history of the Federal Emergency Management Agency. GAO is required to report to the Congress on federal laws, unfunded mandates, and regulatory requirements that may prevent or hinder state and local authorities from quickly rebuilding in Southern California. This report draws on GAO's interviews with federal, state, and local officials and summarizes their views about such barriers.

Federal Disaster Insurance: Goals Are Good, but Insurance Programs Would Expose the Federal Government to Large Potential Losses

(Testimony, 05/26/94, GAO/T-GGD-94-153).

Although the insurance industry has absorbed losses from recent natural disasters without systemic failures, concerns exist about its ability to handle losses from potentially larger disasters. The federal government has absorbed a large portion of the losses from past disasters and is likely to pay out even larger amounts in the future. S. 1350 would set up three interrelated programs—a multihazard disaster mitigation program, a primary insurance program for earthquakes and volcanic eruptions, and a reinsurance program to cap insurers' losses when major disasters occur. This testimony explains in detail the provisions of S. 1350 and provides GAO's analysis and concerns about the legislation.

Hurricane Iniki Expenditures

(Correspondence, 04/18/94, GAO/RCED-94-132R).

GAO reviewed whether the U.S. Fish and Wildlife Service used emergency appropriated funds for the repair and replacement of national wildlife refuge facilities damaged by Hurricane Iniki. GAO noted that (1) the Fish and Wildlife Service did not have authorization to use emergency funds for reconstruction work at two refuges; (2) the Service planned to use emergency funds for enlarging selected buildings at one refuge and remodeling the visitors' center at another refuge; (3) approximately $12.8 million in emergency disaster assistance was appropriated to the Fish and Wildlife Service for construction projects; and (4) of the amount appropriated, the Service allocated $6.2 million for the rehabilitation of the refuges.

Flood Insurance: Financial Resources May Not Be Sufficient to Meet Future Expected Losses

(Letter Report, 03/21/94, GAO/RCED-94-80).

The National Flood Insurance Program, a key component of federal flood disaster relief, was always intended to be subsidized. Therefore, overall premium income for the program is not enough to build reserves that can cover anticipated flood losses. For example, 41 percent of the program's policies are subsidized, and it is inevitable that claims losses and program expenses will at some point exceed program funds. In the event of a catastrophe, not even the Federal Emergency Management Agency's borrowing authority would be enough to cover potential claims. Raising premiums would improve the program's financial health but could lead to canceled policies, creating a future burden on other flood relief programs. On the other hand, greater program participation by property owners, although likely to cut the cost of other federal disaster assistance programs, would place a greater financial burden on the National Flood Insurance Program because of the need to cover additional subsidized properties.

Flood Insurance: Information on Various Aspects of the National Flood Insurance Program

(Testimony, 09/14/93, GAO/T-RCED-93-70).

A series of recent disasters—the December 1992 nor'easter, the March 1993 storm in Florida, and the record floods in the Midwest this summer—have virtually wiped out the National Flood Insurance Program, raising doubts about whether it will have enough money to meet current and future claims arising from flood damage. GAO notes that the fund is not, nor is it required to be, actuarially sound, mainly because the Congress authorized below-market insurance rates for policyholders without providing annual appropriations to cover the subsidy. This testimony reviews (1) the actuarial soundness of the fund and the implication of ending its subsidized flood insurance rates, (2) procedures used to set the program's flood insurance rates, and (3) financial management problems addressed in Inspector General audits of the fund.

Disaster Management: Improving the Nation's Response to Catastrophic Disasters

(Letter Report, 07/23/93, GAO/RCED-93-186).

The nation's management of disasters was strongly criticized after Hurricane Andrew leveled much of South Florida and Hurricane Iniki devastated the Hawaiian island of Kauai in 1992. Even before these storms, the federal government's response to major disasters like Hurricane Hugo and the Loma Prieta earthquake drew intense criticism. The government's response to Hurricane Andrew, in particular, raised doubts about whether the Federal Emergency Management Agency was capable of responding to such catastrophes and whether it had learned any lessons from Hurricane Hugo and the Loma Prieta earthquake. GAO has testified repeatedly in 1993 on the inadequacy of the federal strategy for responding to disasters. This report summarizes GAO's analyses, conclusions, and recommendations.

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar

(Letter Report, 06/18/93, GAO/NSIAD-93-180).

Within a 3-week period, Florida, Louisiana, Hawaii, and Guam were ravaged by storms that inflicted billions of dollars in damages and disrupted the lives of hundreds of thousands of people. As part of the government's response to Hurricanes Andrew and Iniki as well as Typhoon Omar, the Federal Emergency Management Agency asked the Defense Department to help provide humanitarian assistance to the disaster victims. This report (1) identifies the roles and the missions of the active military and National Guard forces that provided the assistance; (2) identifies problems affecting their delivery of assistance; (3) determines whether their participation affected their units' readiness and training; (4) determines whether the military needs to reorient its roles, training, equipment, and doctrine for these kind of operations; and (5) identifies the costs and the sources of funding associated with the military's participation in disaster assistance.

Rural Disaster Assistance

(Correspondence, 06/14/93, GAO/RCED-93-170R).

Pursuant to a congressional request, GAO reviewed (1) whether there are differences in the way federal disaster assistance is provided to rural and urban areas, (2) whether the needs of a rural area with a low population density differ from those of an urban area, and (3) the role of the Federal Emergency Management Agency (FEMA) in fighting forest fires. GAO noted that (1) the disaster assistance provided in rural areas is not different from the assistance provided in urban areas; (2) federal assistance is available when state and local resources are insufficient; (3) disaster response in rural areas places a greater burden on state and local emergency management personnel, since they have to cover large geographic areas with fewer personnel and resources; (4) FEMA believes that threats and needs are more concentrated in urban areas; and (5) FEMA generally has little involvement in forest fires on federal lands unless there is a presidential declaration of disaster.

Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy

(Testimony, 05/25/93, GAO/T-RCED-93-46) (Testimony, 05/18/93, GAO/T-RCED-93-20).

Several recent catastrophes—especially Hurricane Andrew in South Florida—have led to growing dissatisfaction with the nation's system for responding to major disasters. The federal strategy lacks provisions for the federal government to (1) comprehensively assess damage and the needs of disaster victims and (2) provide food, shelter, and other essential services when local volunteer efforts are not enough. Even when there is warning of an impending disaster, advance preparations are not clearly authorized until after the President has issued a disaster declaration. In addition, the Federal Emergency Management Agency (FEMA) could make better use both of its own resources as well as those it provides to state and local governments to improve overall preparedness for catastrophes. GAO recommends that FEMA establish a disaster unit to independently assess damage and estimate response needs following a catastrophe. Second, the President should appoint a senior White House official to oversee FEMA and the federal response to disasters.

Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation's Response Strategy

(Testimony, 03/02/93, GAO/T-RCED-93-13) (Testimony, 01/27/93, GAO/T-RCED-93-4).

The federal government's strategy for responding to catastrophes like Hurricane Andrew is deficient. The federal government lacks plans for (1) comprehensively assessing damage and the needs of disaster victims or (2) delivering quick, responsive assistance. The federal government also does not have explicit authority to adequately prepare for a disaster when there is warning. Finally, state and local governments generally do not have the training and funding needed to respond on their own to disasters. In the case of Hurricane Andrew, shortcomings included inadequate damage assessments, inaccurate estimates of needed services, and miscommunication and confusion at all levels of government—all of which slowed the delivery of vital services to disaster areas. On the other hand, the military proved that it can respond very efficiently to the immediate needs of the disaster victims. GAO outlines several steps that the Federal Emergency Management Agency and the Congress could take to strengthen the government's response to natural disasters.

Disaster Relief Fund: Actions Still Needed to Prevent Recurrence of Funding Shortfall

(Letter Report, 02/03/93, GAO/RCED-93-60).

The fiscal year 1991 shortfall in the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund occurred essentially because (1) large expenses were paid from the fund during fiscal year 1991 as a result of disasters from previous years, such as the Loma Prieta earthquake and Hurricane Hugo; (2) no appropriation was made for fiscal year 1991; and (3) the enactment of the supplemental appropriation was delayed. Recent steps taken by the Congress and FEMA should lessen the chances of another shortfall. For example, legislation enacted in 1991 stating that supplemental appropriations for the Disaster Relief Fund will be considered as emergency funds should help to reduce the delay in making funds available. Also, FEMA is trying to develop more accurate and timely estimates of disaster costs. Although major disasters like Hurricane Andrew involve huge costs paid over many fiscal years, FEMA's budget submission to the Congress gives no idea how much of the balance of the Disaster Relief Fund at the start of the year will be needed to pay for disaster costs arising from previous years. The Congress could use such information in considering the need for and the amount of appropriations.

Earthquake Recovery: Staffing and Other Improvements Made Following Loma Prieta Earthquake

(Chapter Report, 07/30/92, GAO/RCED-92-141).

The Loma Prieta earthquake, which struck northern California in October 1989, was the most destructive earthquake that the Federal Emergency Management Agency (FEMA) has had to deal with since the agency's creation a decade ago. FEMA has provided more than $350 million in federal assistance to repair damaged buildings and plans to obligate another $164 million, but many requests for disaster assistance remain unfulfilled. FEMA and local authorities have gotten into disputes over funding, primarily over grant eligibility and amounts. This report assesses (1) FEMA's guidance for determining funding eligibility for rebuilding public and nonprofit structures and (2) the agency's strategy for staffing an earthquake recovery effort.

Flood Insurance: Information on the Mandatory Purchase Requirement

(Testimony, 07/27/92, GAO/T-RCED-92-86).

The Flood Disaster Protection Act of 1973 requires the purchase of flood insurance for (1) any federal loan or grant used to buy or build a home in certain flood areas and (2) loans secured by improved property in certain flood areas if the loans are made by financial institutions regulated or insured by the federal government. A key objective of legislation pending before the Congress is to expand the number of properties required to have such flood insurance. GAO's limited review of victims in two floods in Texas and Maine shows that most households in Maine that were subject to the mandatory purchase requirement did have flood insurance; however, most in Texas did not. GAO could not discover the reason for this disparity, although the large majority of flood victims in both states were not subject to the mandatory purchase requirement. The two main reasons for this were that many Maine households had unmortgaged property and many mortgages in Texas were held by unregulated lenders who are exempt from the mandatory purchase requirement.

Small Business: SBA Needs to Improve Administrative Practices for Disaster Operations

(Letter Report, 05/07/92, GAO/RCED-92-144).

Shortly after Hurricane Hugo struck the U.S. Virgin Islands in September 1989, the Small Business Administration (SBA) set up temporary offices in St. Thomas and St. Croix to help homeowners and businesses obtain disaster assistance loans. A number of allegations were raised about improper hiring practices involving temporary employees and improper reimbursement of travel expenses. GAO found that some SBA hiring, supervision, promotion, and pay practices were inappropriately handled during the Hugo disaster operation. While SBA is undertaking steps to prevent a recurrence of these problems, SBA procedures for issuing temporary waivers of the automatic reduction in per diem paid to temporary employees still do not include documentation and periodic review requirements. In addition, because of a 6-month limit on paying per diem to temporary disaster employees, SBA had to release or transfer some employees before their work was done, disrupting the work flow and making the SBA work force less efficient.

Small Business

U.S. Government Aid to Business: Federal Government Programs That Provide Management and Technical Assistance

(Fact Sheet, 10/14/94, GAO/GGD-95-3FS).

This fact sheet provides information on federal government programs that give management and technical assistance to businesses. GAO identifies, given the limited time constraints of the assignment, as many federal government programs that provide such help as was possible; briefly describes these programs and identified the target customers that these programs were designed to serve; and reports the current funding levels for these programs.

Small Business: SBA's Health Care Reform Activities

(Letter Report, 09/06/94, GAO/RCED-94-240).

In late September 1993, anticipating strong interest in the administration's health care reform proposal, the Small Business Administration (SBA) and the Commerce Department jointly produced a brochure describing how health insurance would be provided and what role small employers would play in financing insurance for their workers under the proposed Health Security Act. GAO concludes that SBA did not violate the statutory prohibition on lobbying by preparing and distributing the brochure. The brochure did not unlawfully lobby for the President's plan because it did not urge businesses to contact Members of the Congress to support the plan. Furthermore, SBA has the authority under the Small Business Act to publish and distribute the brochure. When SBA distributed copies of the brochure to the Democratic National Committee—one of many recipients of the document—it did not follow customary government procedures for distributing large quantities of agency publications. Government agencies usually do not give large quantities of free publications to private sector organizations; however, SBA initially gave the Democratic National Committee 10,000 free copies of the brochure. Democratic National Committee officials later paid SBA $5,000 for copies of the brochure.

Highway Contracting: Disadvantaged Business Program Meets Contract Goal, but Refinements Are Needed

(Chapter Report, 08/17/94, GAO/RCED-94-168).

The Transportation Department's Disadvantaged Business Enterprise Programs seeks to eliminate the effects of historical discrimination by helping small businesses owned by socially and economically disadvantaged individuals. Under the program funded by the Federal Highway Administration, the states are required to set goals and award contracts so that not less than 10 percent of their federal-aid highway funds goes to firms in the program. The Federal Highway Administration also funds state-provided technical and business development assistance for Disadvantaged Business Enterprise firms through its supportive services program. This report evaluates (1) whether the states were meeting their Disadvantaged Business Enterprise participation goals and how effective the Federal Highway Administration's efforts were in ensuring that they did, (2) whether the Federal Highway Administration effectively provided technical and business development assistance through its supportive services program, and (3) whether "graduation" from the program equates to business success.

Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program

(Testimony, 07/27/94, GAO/T-RCED-94-278).

Although the Small Business Administration (SBA) has improved some aspects of its 8(a) business development program, which provides federal contracts to small businesses owned by socially and economically disadvantaged persons, SBA is still not in a position to evaluate the program's overall success in enabling minority businesses to compete in the commercial marketplace after they leave the program. The value of 8(a) contracts awarded competitively during fiscal year 1992 was higher than the value of contracts awarded during the preceding year, but the distribution of contracts continued to be concentrated among a very small percentage of firms. Also, SBA could not say whether its revised business plans for 8(a) firms are being reviewed annually, as required by law, or whether the firms are meeting the non-8(a) contract goals to reduce the firms' reliance on program contracts. Finally, the information SBA provided GAO shows that its failure to properly plan the redesign of the program's management information system continues to hamper the implementation of a system of providing SBA managers with basic 8(a) program information.

Defense Conversion: Capital Conditions Have Improved for Small- and Medium-Sized Firms

(Letter Report, 07/21/94, GAO/NSIAD-94-224).

Cuts in the Defense Department's (DOD) procurement budget are forcing a consolidation of the defense industrial base and job loss for many defense industry workers. This situation has prompted initiatives to help defense firms, particularly small ones, convert defense-related technology to commercial use. The Defense Department is authorized to provide up to $15 million for guaranteed loans to help small firms in the defense industry convert to commercial applications. This report provides information on general trends in the availability of capital for small- and medium-sized firms and on federal and nonfederal initiatives to improve access to capital for these firms.

Regulatory Flexibility Act: Status of Agencies' Compliance

(Letter Report, 04/27/94, GAO/GGD-94-105).

The Regulatory Flexibility Act requires federal agencies to assess the effects of their proposed rules on small entities, which include small businesses, small government jurisdictions, and small not-for-profit groups. As a result of their assessments, agencies must either do an analysis describing the impact of the proposed rules on small entities or certify that their rules will not have "a significant economic impact on a substantial number of small entities." This report reviews (1) the Small Business Administration's (SBA) annual compliance with the act and generalizes from the reports about which agencies have or have not implemented the act effectively and (2) SBA annual reports and related documents on the extent to which SBA has complied with the act's requirements that the agency periodically examine its rules.

Small Business Administration: Inadequate Documentation of Eligibility of Businesses Receiving SSBIC Financing

(Letter Report, 04/26/94, GAO/RCED-94-182).

Specialized small business investment companies (SSBIC) often do not comply with the Small Business Administration's (SBA) guidance for documenting the eligibility of the small businesses they finance. GAO estimates that for more than a third of the small businesses financed, SSBICs did not prepare eligibility profiles documenting that the businesses were owned by socially or economically disadvantaged persons. Even when SSBICs did prepare eligibility profiles, they often cited a single factor as the basis for eligibility—typically minority ownership—although SBA has told SSBICs to base eligibility on a composite of factors, such as owners' minority status, limited education, and low income. One possible reason for the lack of compliance with SBA guidance is that SSBICs do not believe documentation is always needed, particularly when the small business is minority owned. SBA's requirement that examiners accept eligibility determinations on the basis of minority status alone continues to be inconsistent with the agency's instructions to SSBICs to use a composite of factors as a basis for determining eligibility. Consequently, examiners would not be expected to spot cases in which SSBICs are financing businesses owned by ineligible persons.

DOD Contracting: Extent and Impact of Contract Bundling Is Unknown

(Letter Report, 04/14/94, GAO/NSIAD-94-137).

The Department of Defense's (DOD) centralized contracting data do not identify contracts that have been bundled. Bundling occurs when agencies package contract requirements into acquisitions, a practice that can effectively preclude small businesses from competing. The Small Business Administration (SBA) has begun to collect data on the extent of contract bundling where it has assigned resident representatives, but only about half of DOD's contract dollars are obligated at these locations. SBA's data-gathering effort could yield empirical data on the magnitude of the problem. Should such data be deemed insufficient, however, GAO believes that there should be reasonable assurances that any new collection effort will accomplish its objectives without the cost exceeding the expected benefits. DOD officials and others believe that bundling could harm small businesses that want to compete for government contracts but could also benefit government procurement activities by reducing their workload. GAO found no empirical evidence proving the costs or benefits of bundling. Existing guidance in the Federal Acquisition Regulation does not ensure that contracting officers properly identify all bundled contracts. Furthermore, the existence of multiple definitions creates confusion about what constitutes bundling.

Small Business: Information on Participation in SBA's Bonding Activities

(Letter Report, 03/24/94, GAO/RCED-94-134).

The Small Business Administration's (SBA) Preferred Surety Bond Guarantee Program allows approved insurance companies to issue SBA-guaranteed surety bonds without SBA's prior approval of individual bonds. Surety bonds ensure that a contract will be completed, and supplier and workers paid, should the contractor fail to perform the contract. The goal is to encourage large insurance companies to issue SBA-guaranteed bonds and in turn increase the access to the surety bonds by small businesses owned and operated by minorities and disadvantaged individuals. GAO found that the program has boosted large insurance company participation in SBA's bonding activities. The impact on minority firms is unclear, however.

Small Business Administration: Inadequate Oversight of Capital Management Services, Inc.—an SSBIC

(Letter Report, 03/21/94, GAO/OSI-94-23).

Failure of the Small Business Administration (SBA) to recognize signs that Capital Management Services, Inc., a specialized small business investment company in Little Rock, was operated improperly led to the loss to federal taxpayers of $3.4 million. David Hale, then a municipal court judge, ran Capital Management in an improper manner by entering into prohibited transactions, including loans to business associates and loans for real estate purchases. By taking advantage of flexible SBA guidelines for determining socially or economically disadvantaged persons, Hale was able to make loans to persons with questionable claims to program eligibility. GAO was unable to fully analyze transactions with Susan McDougal, Castle Sewer and Water, and Southloop Construction because key participants were unavailable for interview and records were incomplete. Nevertheless, the loan to Susan McDougal, who along with her husband had a reported net worth of $2.2 million, is an example of loans made to someone with questionable eligibility.

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act

(Testimony, 03/10/94, GAO/T-OGC-94-1).

By virtually any measure, the government's system of buying goods and services does not work well. In GAO's view, any reform effort must be guided by three principles: fostering intelligent decisionmaking that takes advantage of commercial ingenuity and expertise, streamlining to maximize the use of declining resources, and managing for results instead of process. This testimony discusses S. 1587, the Federal Acquisition Streamlining Act, which seeks to simplify and streamline the government procurement process. GAO strongly supports this measure. Except for the testing provisions, GAO believes that the bill represents an important reform in the way the government buys its goods and services.

Federal Research: Interim Report on the Pilot Technology Access Program

(Letter Report, 03/07/94, GAO/RCED-94-75).

As part of the federal effort to bolster U.S. industries' competitiveness, the Pilot Technology Access Program provides small businesses with access to (1) computerized data bases containing technical and business information that they typically are unaware of or cannot afford, and (2) experts knowledgeable in a wide range of technical fields. The program is being implemented at several small business development centers, which provide counseling, training, and research assistance to small businesses nationwide. The centers are run by the Small Business Administration. In 1991, six centers in Maryland, Missouri, Oregon, Pennsylvania, and Wisconsin were chosen to implement the program. This report discusses the status, implementation, and evaluation of the program. GAO also includes the views of the participating centers' directors on the program's effect on small businesses' productivity and innovation.

Energy Management: DOE Can Improve Distribution of Dollars Awarded Under SBA's 8(a) Program

(Letter Report, 02/23/94, GAO/RCED-94-28).

Contract dollars awarded by the Department of Energy (DOE) under the Small Business Administration's 8(a) program are concentrated among a small number of firms. Nearly 60 percent of DOE's $1 billion worth of active contracts in April 1992 went to 13 firms. This concentration is due, in part, to the fact that DOE, like other federal agencies, is authorized to direct noncompetitive 8(a) awards to firms that it specifies. In addition, DOE's Oak Ridge office has contributed to the concentration of awards by combining several procurements into a single larger procurement, resulting in the award of only one contract rather than several. Although these practices are not prohibited, DOE is missing an opportunity to have a positive impact on a large number of firms. Agencies are required to award 8(a) contracts competitively if the estimated prices of the contracts exceed certain thresholds. DOE, however, has kept price estimates for contracts artificially low and structured contracts so that their estimated prices fall below the thresholds specified for competition. This practice has further contributed to the concentration of 8(a) contract dollars among a small number of firms.

DOD Minority Contracting

(Correspondence, 02/18/94, GAO/NSIAD-94-117R).

Pursuant to a congressional request, GAO provided data on Department of Defense (DOD) minority contracting and the price premiums paid to small disadvantaged business contractors. GAO noted that (1) DOD obligates a large portion of small disadvantaged business contract dollars to a small number of companies; (2) DOD contracting officers are required to make small disadvantaged business offers more competitive by increasing other offers by 10 percent; (3) DOD reported price premiums of about $32.5 million for fiscal years 1990 through 1992; (4) 13 companies received premiums of at least $100,000 between fiscal years 1990 and 1992, and 7 of these companies received premiums of over $1 million; and (5) the premiums paid to small disadvantaged business contractors are based on orders and deliveries under their contracts.

Defense Contracting: Implementation of the Pilot Mentor-Protege Program

(Letter Report, 02/01/94, GAO/NSIAD-94-101).

To increase the participation of small disadvantaged businesses in military subcontracting, the Congress mandated the Pilot Mentor-Protege Program in 1990. This program encourages mentoring relationships between major prime contractors and subcontractors. Because program implementation has been slow, not enough information is available to determine whether the program's goals can be achieved or whether reauthorization and extension is warranted. Pentagon officials said that all fiscal years 1992 and 1993 appropriated funds for the pilot program have been committed. As of September 1993, however, the Department of Defense (DOD) had neither (1) complied with its own regulation to assess programs and accomplishments realized under any of the agreements nor (2) compiled the required data on the eight measures that it planned to used to evaluate program success. DOD obtained some initial participation on a "credit-only" basis and limited participation through a mix of credit and cost reimbursement through the mentor's overhead cost pool. DOD's direct reimbursement of mentors' cost has exceeded $1 million in support of each protege during a 3-year period. Unless additional nonmonetary incentives are developed to encourage mentor participation, it is unlikely that the program will reach the number of proteges envisioned by the Congress or significantly increase the total number of subcontracts awarded to small disadvantaged businesses.

Export Promotion: Governmentwide Plan Contributes to Improvements

(Testimony, 10/26/93, GAO/T-GGD-94-35).

This testimony discusses the federal strategic plan to promote exports that was issued in September 1993 by the interagency Trade Promotion Coordinating Committee. GAO's initial assessment of the strategic plan, "Toward a National Export Strategy," is that it represents a big step toward implementing the requirements of the Export Enhancement Act of 1993. The report notes some potentially significant changes that have resulted from the Trade Promotion Coordinating Committee's deliberations to date. The plan clearly commits the administration to completing the difficult job of setting governmentwide priorities and creating a unified budget for federal export promotion activities within the fiscal year 1995 budget.

Export Promotion: Initial Assessment of Governmentwide Strategic Plan

(Testimony, 09/29/93, GAO/T-GGD-93-48).

This testimony examines a just-released report by the Trade Promotion Coordinating Committee on the development of an overall government plan for federal trade promotion programs. GAO views this newly issued plan as a status report on progress to date. The report identifies some potentially major changes that have resulted from the committee's deliberations, including the creation of a network of "one-stop shop" trade promotion centers. In addition, the report clearly commits the administration to completing the difficult tasks of setting governmentwide priorities and creating a unified budget for export promotion activities as part of the fiscal year 1995 budget. GAO is also encouraged by the plan's commitment to a more systematic use of measures to evaluate trade promotion programs and by its proposal to better coordinate trade promotion and trade policy agencies.

Small Business: Problems Continue With SBA's Minority Business Development Program

(Letter Report, 09/17/93, GAO/RCED-93-145).

Small Business: The Small Business Administration's Progress in Restructuring Its Business Development Program

(Testimony, 09/22/93, GAO/T-RCED-93-56).

Concerned that gaining access to the 8(a) business development program was a lengthy and burdensome process, that the program's administration was inefficient, and that few firms were able to compete successfully in the open market, the Congress mandated wholesale changes to the program in 1988. Although the Small Business Administration (SBA) has made some changes to the program, which promotes the development of small businesses owned by socially and economically disadvantaged persons, the program still falls short in several areas. SBA's latest estimate for completing the redesign work is late 1995, 5 years later than originally projected. The program lacks a management information system, developed in accordance with federal guidelines, that yields complete and accurate information. As a result, the Congress and program managers are in the dark about what assistance is being provided to 8(a) firms and whether the program is effective. In addition, access to the program still needs improving. Although SBA must provide 8(a) program applicants with timely feedback on their eligibility to participate in the program, it continues to operate without an application-tracking system that provides timely information on where and why application-processing problems are occurring. Finally, SBA needs to periodically review the business plan of each 8(a) firm. Without such a review, SBA cannot be sure that each plan is up-to-date, that the 8(a) firms' business development goals are realistic, and that the firms are making progress toward these goals.

Bank Regulation: Regulatory Impediments to Small Business Lending Should Be Removed

(Letter Report, 09/07/93, GAO/GGD-93-121).

Bank and Thrift Regulation: FDICIA Safety and Soundness Reforms Need to Be Maintained

(Testimony, 09/23/93, GAO/T-AIMD-93-5).

The Congress, the administration, and bank and thrift regulators should be extremely cautious in considering short-term measures to encourage more liberal lending practices by insured institutions. Commercial banks remain the dominant suppliers of credit to small-and medium-sized businesses, which have become the main source of job growth in this country. According to the Census Bureau, most of the net increase in employment during the 1980s occurred in companies with fewer than 100 workers. In GAO's view, however, it would be imprudent to periodically weaken and tighten bank regulation in response to recession and inflation. This report and testimony identify areas in which the regulatory burden on small business lending could be safely reduced.

Surety Bond Waiver Program

(Correspondence, 08/24/93, GAO/NSIAD-93-255R).

Pursuant to a legislative requirement, GAO reviewed the Department of Defense's (DOD) implementation of a test program in which it would award construction contracts to small and disadvantaged businesses exempted from submitting performance and payment surety bonds. GAO found that (1) although the bond exemption test program was to be developed and implemented in 1989, the Small Business Administration (SBA) and DOD have made little use of their exemption authority; (2) between 1992 and 1993, DOD and SBA did not meet the minimum test program requirements of awarding 30 contracts utilizing their bond exemption authority and awarded only 9 contracts; (3) DOD agencies often did not follow regulations or procedures when using bond waiver authority; and (4) DOD and military service officials believe that surety bond requirements do not significantly impede small or disadvantaged firms, and bond exemption authority increases financial risk and affords little benefit to contractors.

Minority Contracting: DOD's Reporting Does Not Address Legislative Goal

(Letter Report, 07/27/93, GAO/NSIAD-93-167).

This report examines the Defense Department's (DOD) implementation of 10 U.S.C. 2323, which recommends the award of 5 percent of DOD contract dollars to minority small businesses, historically black colleges and universities, and minority institutions. These contracts could involve procurement; military construction; operation and maintenance; and research, development, test, and evaluation. GAO discusses DOD's (1) progress toward the 5-percent program goal, (2) use of certain contracting procedures authorized to achieve the section 2323 goal, and (3) progress in boosting participation by minority small business concerns.

Export Promotion Strategic Plan: Will It Be a Vehicle for Change?

(Testimony, 07/26/93, GAO/T-GGD-93-43).

GAO discussed the Trade Promotion Coordinating Committee's (TPCC) role in prioritizing and rationalizing federal export promotion efforts. GAO noted that (1) legislation establishes requirements for developing the strategic plan that guide TPCC efforts to reshape federal export promotion activities; (2) federal export promotion programs reflect no national priorities and are fragmented, poorly designed, and inefficiently implemented; (3) TPCC will need high-level support from the Departments of Commerce and Agriculture, Eximbank, and the Agency for International Development to make its strategic planning process a success; (4) it is important that the strategic plan utilize a well-reasoned analytical methodology for setting federal export promotion priorities; and (5) a cooperative effort to develop the plan could form the basis for more cooperation and integration in program delivery.

Women-Owned Businesses

(Correspondence, 06/07/93, GAO/RCED-93-159R).

Pursuant to a congressional request, GAO provided information on federal agencies' efforts to achieve contracting goals for women-owned businesses, focusing on (1) how many of the 18 major federal procuring agencies have women-in-business specialists; (2) whether agencies with such specialists award a greater percentage of contract dollars to women-owned businesses; and (3) whether procurement procedures to solicit contract bids ensure that women business owners are aware that such contracts are available. GAO found that (1) federal agencies are not required to have women-in-business specialists and the Office of Personnel Management has not established an occupation classification for the position; (2) nine agencies have women-in-business specialists, and the other nine have staff that assist all small businesses; (3) agencies with women-in-business specialists are not more successful in increasing their percentages of contract dollars awarded to women-owned businesses; (4) only Commerce attributed its increase in contract dollars awarded to women-owned business solely to its specialist's efforts; and (5) all agencies, except the Tennessee Valley Authority, generally follow the Federal Acquisition Regulation in soliciting bids and do not provide services beyond the usual small business assistance to women-owned businesses.

DOD Contracting: Techniques to Ensure Timely Payments to Subcontractors

(Chapter Report, 05/28/93, GAO/NSIAD-93-136).

Subcontractors depend on cash flow generated by progress or other periodic payments from prime contractors to meet payrolls and pay other bills. This report focuses on whether federal prime contractors are paying subcontractors promptly, a significant issue given that payments to subcontractors sometimes constitute well over 50 percent of prime contract costs. This report (1) identifies existing statutory and regulatory provisions that provide payment protection for federal subcontractors and (2) evaluates the feasibility and desirability of additional payment protection for subcontractors.

Small Business Participation in MPP

(Correspondence, 05/19/93, GAO/GGD-93-42R).

Pursuant to congressional requests, GAO provided information on the extent of small business participation in the Foreign Agricultural Service's Market Promotion Program (MPP). GAO noted that (1) 11 of the top 50 firms in the program meet the Small Business Administration's (SBA) size standards for small businesses; (2) the 11 firms received 17.6 percent of MPP funding in fiscal year 1992; (3) although the top 50 firms received 64 percent of the allocated funds, they were not representative of the 550 firms that received MPP funds during fiscal year 1992; and (4) the overall MPP participation rate of small businesses is probably higher than estimated, since smaller firms are not likely to have marketing programs large enough to receive significant MPP funds.

Resolution Trust Corporation: Status of Minority and Women Outreach and Contracting Program

(Letter Report, 05/19/93, GAO/GGD-93-106).

Although the Resolution Trust Corporation (RTC) took some steps in 1992 that have increased the number of contracts awarded and the amount of fees paid to minority- and women-owned businesses, RTC recognizes that work remains in key areas to achieve the goals of the Minority and Women Outreach and Contracting Program. Expanding opportunities for minority- and women-owned businesses, achieving agency goals, and ensuring that businesses claiming to be minority-or women-owned actually meet the program's requirements are key areas that require RTC's full attention. RTC intends to address these areas, in part by developing a plan to increase opportunities for businesses and law firms owned by minorities and women.

Small Business: Financial Health of Small Business Investment Companies

(Letter Report, 05/05/93, GAO/RCED-93-51).

Under a program created by the Small Business Investment Act of 1958, small business investment companies provide financing to small businesses through equity investments (stock) and debt (loans). The companies obtain their money primarily from two sources—privately invested capital and long-term-debentures guaranteed by the Small Business Administration (SBA). When a company has losses exceeding half of its private capital or is unable to repay SBA for leverage, the agency may liquidate the company. When this occurs, small businesses lose an important source of financing, and the private investors and the federal government can lose all or part of their investments. Between October 1986 and September 1991, SBA incurred losses of more than $90 million due to such liquidations. This report provides information on (1) reasons for small business investment companies' liquidations between January 1986 and March 1991, (2) a comparison of the financial performance of active and liquidating companies, and (3) the statistical correlation of several key characteristics of the companies and their investments with their liquidations and financial performance.

Export Promotion: Improving Small Businesses' Access to Federal Programs

(Testimony, 04/28/93, GAO/T-GGD-93-22).

This testimony discusses the lack of coherent funding for the federal government's export promotion programs; the need for a governmentwide export promotion strategy; and the Export Enhancement Act of 1992, which created an interagency group to overcome these problems. GAO also examines the status of federal programs to help small businesses export, focusing on the role of the Small Business Administration, and suggests ways in which small companies' access to these programs might be improved.

SBA's Refinancing of Loans in New England

(Correspondence, 03/08/93, GAO/RCED-93-112R).

Pursuant to a congressional request, GAO analyzed the Small Business Administration's (SBA) New England Lending and Recovery Project, focusing on (1) whether SBA had expanded the Project to states beyond New Hampshire; (2) how many employees SBA assigned to the project from other SBA offices and at what cost; (3) how many additional people SBA hired and assigned to the project; and (4) how many loans SBA examined and guaranteed during the project. GAO noted that (1) during 1992, SBA expanded the project to five other New England states; (2) from January through August 1992, SBA assigned 19 employees to work on project loans in other states; (3) salary, overtime, and travel costs for the 19 employees totaled 15 percent of the project's operating costs; (4) from January through September 1992, SBA temporarily hired 33 employees for the project; (5) as of December 1992, SBA had examined 12,701 Federal Deposit Insurance Corporation-held loans in Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island and had approved and guaranteed 277 loans totaling $82.8 million; and (6) in Connecticut, Massachusetts, and Rhode Island, 78 loans totaling $31 million are still pending SBA approval.

GSA Procurement: Public Utilities' Plans for Small and Small Disadvantaged Subcontractors

(Letter Report, 01/29/93, GAO/GGD-93-44).

The law requires that federal contracts exceeding $500,000 include subcontracting plans that maximize opportunities for small businesses, especially those owned and managed by socially and economically disadvantaged individuals. GAO reported in 1989 that several utilities providing services to the federal government declined to sign formal contracts because they objected to the statutory requirements for subcontracting plans. In most instances, federal agencies had no choice but to accept and pay for these utility services without a contract because alternative sources were unavailable. This report provides updated information on the number of utilities that supply service to the General Services Administration (GSA), how many utilities had entered into contracts with GSA, and how many had submitted subcontracting plans.

Disadvantaged Business Enterprise Program

(Correspondence, 01/19/93, GAO/RCED-93-89R).

GAO reviewed the implementation of the Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) Program, focusing on whether (1) certain minority groups that DOT determined were eligible to participate in the state DBE program were eligible under federal laws and regulations and (2) 38 firms certified as DBE firms were fronts for nonminority contractors. GAO noted that (1) minority groups that DOT presumed were eligible to participate in the DBE program met the program's eligibility criteria; (2) two nationality groups that DOT presumed eligible were not listed as participants in the program; (3) the DBE program eligibility guidance has been confusing and has hindered states from consistently applying the program's eligibility criteria; (4) DOT will institute procedures to automatically update its list of eligible groups whenever the Small Business Administration modifies its eligibility list; (5) the status of the 38 minority contractors could not be verified, since none of the 38 firms were currently certified in Pennsylvania for the DBE program; and (6) of the 10 firms certified between 1982 and 1987, 6 did not apply for recertification when their existing certification expired and 4 had their certifications revoked for failing to provide information requested by DOT.

Small Business: Nonprofit Agencies Employing the Disabled Seldom Seek Set-Aside Contracts

(Letter Report, 11/27/92, GAO/RCED-93-44).

Public or private nonprofit organizations for the handicapped—that is, nonprofit agencies employing persons with disabilities—have been authorized to compete for small business set-aside contracts awarded by federal agencies between 1989 and 1993. These nonprofit groups sponsor rehabilitation programs for the disabled or provide them with employment. The latest available data, however, show that these nonprofit groups received less than 1 percent of all such federal contracts set aside during a 2-1/2-year period. Furthermore, the total value of these contracts was lower than the ceilings set by law. The nonprofit agencies claim that they are not bidding more on set-aside contracts because (1) legislation prohibits nonprofit agencies from supplying a good or service on a permanent, noncompetitive basis once the product or service has been awarded under a competitive set-aside contract and (2) they are unaware that they may bid on set-aside contracts or do not know how to do so. Efforts to boost nonprofit agencies' participation in set-aside contracts have been limited. The Congress may want to consider (1) designating a federal agency to counsel nonprofit groups about bidding on set-aside contracts and (2) allowing products and services provided under the set-aside contracts to be added to the list of items that nonprofit agencies provide to federal agencies on a permanent, noncompetitive basis.

One-Stop Shops

(Correspondence, 10/06/92, GAO/GGD-93-1R).

Pursuant to a congressional request, GAO provided information on making federal export financing and export promotion programs more accessible to small businesses. GAO noted that (1) the Trade Promotion Coordinating Committee (TPCC) has not addressed the issue of streamlining the government's export promotion structure; (2) proposed legislation would create a field network of consolidated export promotion offices, which would reduce the amount of effort required for small businesses to seek export promotion or financing assistance; (3) a pilot program to integrate export financing and promotion programs could involve Small Business Administration, Export-Import Bank, and U.S. Foreign and Commercial Service field staff jointly providing export counseling; (4) adequate training and personnel selection would be crucial to such a pilot program's success; and (5) TPCC would be responsible for formally assessing the program's success at each pilot site.

Small Business in Southern Nevada

(Correspondence, 10/06/92, GAO/RCED-93-36R).

Pursuant to a congressional request, GAO provided information on the Small Business Administration's (SBA) performance in southern Nevada, focusing on (1) the Las Vegas district office's staffing requirements; (2) the district office's effectiveness in approving and servicing loans; (3) the extent to which federal installations in Nevada provided procurement contracts to small businesses; and (4) the level of small business outreach and counseling programs in Nevada. GAO noted that (1) the Las Vegas district office is understaffed, resulting in district office personnel performing a large amount of collateral duties; (2) the district office staff successfully perform loan approval and servicing duties; (3) Nevada federal installations that award procurement contracts meet small business contract goals; and (4) SBA has taken steps to improve its small business procurement outreach and counseling programs in Nevada.

Small Business: Federal Agencies' Contracting Goals for Women-Owned Businesses

(Testimony, 09/17/92, GAO/T-RCED-92-95).

As part of the federal effort to provide contracts to women-owned small businesses, the Small Business Administration negotiates with executive branch agencies to set fiscal year contracting goals for such businesses. The goals—expressed as a percentage of the dollar value of each agency's total estimated procurement for the fiscal year—are nonbinding targets. GAO testified that the vast majority of agencies have contracting goals, which should result in 1.2 to 1.4 percent of the value of prime contracts being awarded to women-owned firms. Furthermore, in fiscal year 1990, 14 of the 17 major procurement agencies met or exceeded their goals.

Export Promotion: Problems in the Small Business Administration's Programs

(Letter Report, 09/02/92, GAO/GGD-92-77).

The Small Business Administration (SBA) spent about $3.7 million on export promotion programs in fiscal year 1991. Most of SBA's export promotion assistance is delivered through 21 subcenters of its Small Business Development Center program. These subcenters specialize in providing international trade assistance. GAO found that SBA has neither consistently emphasized export promotion nor fully determined its role in the federal effort to boost exports. SBA's export counseling lacks a strategic focus and, as a result, could be targeting the same clients that the Commerce Department is trying to serve. A 1990 law restricting SBA's ability to impose any new rules or regulations on its Small Business Development Center program makes it hard for SBA to better target its export counseling. Moreover, SBA's main export finance promotion program has been little used, and the agency may be overstating the extent to which its other finance programs help small businesses export. Also, SBA's ability to provide export promotion assistance beyond basic outreach and referral is hindered by the agency's domestic orientation and management structure.

Small Business: Efforts to Provide Federal Procurement Dollars to Women-Owned Businesses

(Letter Report, 07/28/92, GAO/RCED-92-185).

The Small Business Administration (SBA) serves as the government's advocate for promoting and developing women-owned small business. SBA works with executive branch agencies to set fiscal year contracting goals for women-owned businesses and report on procurement assistance provided to them. This report looks at (1) how federal agencies' contracting goals are established for women-owned businesses and whether these goals have been achieved lately and (2) the procedures agencies use to certify that such businesses are, in fact, owned by women. GAO also discusses how the Department of Transportation has tried to address the problem of women-owned and other small businesses having to be certified as "disadvantaged business enterprises" each time they bid on a contract from a different state or local agency.

Small Business: Use of the Surety Bond Waiver Has Been Limited

(Letter Report, 07/07/92, GAO/RCED-92-166).

Under a pilot Surety Bond Waiver Program, the Small Business Administration (SBA) is permitted to waive federal surety bond requirements for socially and economically disadvantaged contractors participating in SBA's 8(a) program. Separate legislation called for the Department of Defense (DOD) to make every effort to award at least 30 contracts that used bond waivers in fiscal years 1990 and 1991. Only 13 contracts awarded in fiscal years 1989 through 1991 used bond waivers, and only 9 of those were awarded by DOD. Reasons for this limited use of bond waivers include the following: (1) 8(a) program legislation does not provide the flexibility the SBA needs to select nonbondable contractors; (2) implementing the Surety Bond Waiver Program required certain regulation revisions that delayed issuance of program guidelines; and (3) the opportunities to use bond waivers were limited by a military construction freeze from January 1990 to May 1991, the military base closure program, and Operation Desert Storm. SBA has begun to address other factors contributing to the waiver's limited use, such as poor staff training and outreach efforts. GAO notes that for the eight bond waiver projects completed as of March 1992, contractor performance was considered satisfactory or better.

Small Business: Analysis of SBA's Preferred Lenders Program

(Letter Report, 05/15/92, GAO/RCED-92-124).

Under its Preferred Lenders Program, the Small Business Administration (SBA) gives its best private lenders the authority to approve and service SBA-guaranteed loans. The goal is to improve service to small businesses without increasing SBA's involvement. Early indicators show that the program has had favorable results in terms of the number of preferred loans made, the efficiency with which these loans are processed, and the rate at which these loans fail. GAO notes, however, that most preferred loans have not reached the stage at which most loans typically fail, and the Office of Inspector General has found that some preferred lenders are not complying with SBA rules and regulations. Because SBA has not identified all loans with temporary lender identification numbers and its loan accounting system data base cannot automatically link temporary and permanent identification numbers, SBA cannot quickly compile data on the amount of lending by and loan failures for individual lenders. SBA officials said that while they can obtain accurate failure rates by manually compiling each preferred and certified lender's guaranteed loan portfolio, they cannot do so for regular loans because of the high volume of regular loans. With the increasing volume of preferred loans, manual compilation will become a major chore.

Small Business: Losses on Individual SBA Loan Programs Are Not Fully Disclosed

(Letter Report, 04/17/92, GAO/RCED-92-90).

The 7(a) general business loan program, the Small Business Administration's (SBA) largest financial assistance program, aids small businesses that cannot obtain credit at reasonable terms from conventional lenders without government assistance. Losses for the program, however, are not fully disclosed in SBA's annual loss study because the actual results from the sale of acquired collateral are omitted. In addition, expenses incurred in managing and selling collateral are not included in collateral sales accounts nor in the annual loss study. While SBA may not consider these unreported losses significant when compared with total cumulative loan program losses or program disbursements, they do amount to millions of dollars and should be disclosed so that individual 7(a) loan program losses are more accurately reported to SBA program managers and the Congress. In formulating protective bids to acquire collateral, SBA does not consistently comply with its standard operating procedures for determining collateral values and sometimes acquires collateral that costs the taxpayers more than it is worth. Furthermore, the assigned collateral values may provide borrowers excessive debt relief and preclude SBA from future collection opportunities.

Small Business: Problems in Restructuring SBA's Minority Business Development Program

(Letter Report, 01/31/92, GAO/RCED-92-68) (Testimony, 03/04/92, GAO/T-RCED-92-35).

The 8(a) program was created to improve the viability of small businesses owned by socially and economically disadvantaged individuals. Under the program, the Small Business Administration (SBA) enters into contracts with other federal agencies and subcontracts the work to firms in the program. Firms in the program are also eligible for financial, technical, and management assistance from SBA to aid their development. Concerned that obtaining access to the program was lengthy and burdensome, program administration was inefficient, and few firms were able to compete upon leaving the program, the Congress passed the Business Opportunity Development Reform Act of 1988. This legislation requires that (1) applications be processed within 90 days, (2) 8(a) firms submit revised business plans so SBA can better monitor the firms' development, and (3) firms compete for certain contracts. SBA has had problems implementing many of these changes, and its lack of valid data on program activities has hindered effective program management.

Small Business: Improving SBA Loan Collateral Liquidations Would Increase Recoveries

(Chapter Report, 12/19/91, GAO/RCED-92-5).

The Small Business Administration (SBA) has the authority to provide assistance to new or existing small businesses through direct (government-funded) loans or guaranteed loans made by private lenders. With almost $11.5 billion in outstanding loans, the general business loan program is SBA's largest financial assistance effort. However, more than $1.2 billion of these loans are in liquidation. SBA is experiencing substantial losses in liquidating loans because (1) collateral is insufficient to cover the losses when loans are liquidated and (2) SBA does not maximize recoveries on existing loan collateral. This report provides an overview of SBA's liquidation of loan collateral for defaulted loans, including losses on liquidated loans; the adequacy and valuation of collateral; and collateral recovery efforts by SBA and private lenders.

Small Business: Financial Condition of SBA's Business Loan Portfolio Is Improving

(Letter Report, 12/03/91, GAO/RCED-92-49).

This report provides information on loans made to small businesses under section 7(a) of the Small Business Act. This program, run by the Small Business Administration, was created to provide financial help to eligible small businesses that cannot borrow at reasonable terms from conventional lenders without government assistance. GAO discusses (1) the number and dollar amounts of direct and guaranteed loans in the portfolio by loan program, as well as demographic information on loan recipients, including their race, gender, and geographic location; (2) the performance of the portfolio as shown by the amount of outstanding principal that is current, in default, or in liquidation; and (3) statistics on overall losses to the direct and guaranteed portions of the portfolio, as well as losses incurred by each loan program.

Special Publications

Status of Open Recommendations: Improving Resources, Community, and Economic Development Programs

(Letter Report, 01/15/93, GAO/OP-93-1B).

This annual report is part of a four-volume set summarizing the findings and open recommendations resulting from GAO audits and other review work in federal agencies for which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO follows up on them. This report contains information on 2,522 GAO recommendations that were open as of September 30, 1992. The report is available from GAO in either a four-volume set totaling more than 1,000 pages or on computer disk.

Housing and Community Development Issues

(Letter Report, 12/92, GAO/OCG-93-22TR).

This report is part of the transition series, a set of 28 reports summarizing GAO's findings on major problems confronting federal agencies, as well as economic and management issues facing the Congress and the incoming administration.[1] One cluster of transition reports, including those on the budget deficit and investment, addresses broad policy issues affecting government as a whole and its relationship to the economy. Another group of reports addresses issues affecting specific federal agencies, such as the Defense Department and the Internal Revenue Service. A third group of reports looks at cross-cutting management issues—everything from financial management to information management. GAO highlighted many of these problems in a similar set of reports issued in 1988. In some instances, progress has been made; all too often, however, the problems have continued to fester and grow worse. In general, the state of management in the federal government is poor. Too many management ideas—and resulting agency structures and processes—that worked well in the past now hinder the government from responding quickly and effectively to a world in tremendous flux. Most agencies have no strategic vision of the future, lack sound systems to collect and apply financial and program information to gauge operational success and accountability, and too often do without people with the skills necessary to accomplish their missions.

[1]This series was summarized in testimony (see "Major Issues Facing a New Congress and a New Administration," GAO/T-OCG-93-1, Jan. 8, 1993).

Housing and Community Development Products 1990-91

(Letter Report, 03/92, GAO/RCED-92-111).

This publication summarizes GAO reports and testimonies on housing and community development issues, such as prevention of homelessness and revitalization of blighted urban areas. Grouped under seven categories—homeownership assistance, rental and public housing, homelessness, community development, small and minority business, disaster assistance, and related topics—these abstracts profile GAO's work in this area during 1991. Order forms are provided to obtain specific reports or testimonies.

Related Products

Government Sponsored Enterprises: Freddie Mac's and Fannie Mae's Accounting for Costs of Foreclosed Property

(Letter Report, 05/27/94, GAO/AIMD-94-75).

This report provides information on the accounting changes made by two government-sponsored enterprises—the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association—in adopting the American Institute of Certified Public Accountants' Statement of Position 92-3, Accounting for Foreclosed Assets. Freddie Mac and Fannie Mae are federally chartered, privately owned, for-profit corporations created by the Congress to ensure the availability of reasonably priced loans to home buyers. GAO (1) assesses whether the accounting changes made by the government-sponsored enterprises in adopting the Statement of Position 92-3 were in accordance with generally accepted accounting principles, (2) estimates the changes' effects on their respective loan loss reserves, and (3) estimates the changes' effects on compliance with minimum capital requirements set by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. GAO also considers the potential effects of accounting guidance issued by the Financial Accounting Standards Board that conflicts with the Statement of Position 92-3 relative to recognizing selling costs.

Impoundment Control: President's Second Special Message for Fiscal Year 1994

(Letter Report, 03/18/94, GAO/OGC-94-23).

This letter reports on the status of budget authority that was proposed for rescission by the President in his second special impoundment message for fiscal year 1994. The Congress passed an emergency supplemental and rescission bill on February 11, 1994, that approves most of the rescissions proposed by the President in his second special impoundment message. The bill also approved most of the rescissions proposed by the President in his fourth special impoundment message. The President signed the bill into law on February 12, 1994. The Office of Management and Budget said that all budget authority withheld pursuant to those proposals was released for obligation on March 1, 1994.

Benefits for Illegal Aliens: Some Program Costs Increasing, but Total Costs Unknown

(Testimony, 09/29/93, GAO/T-HRD-93-33).

The benefits available to illegal aliens and their U.S. citizen children make up a small but rising percentage of costs for some government programs, such as Medicaid, public education, and food stamps. Existing cost estimates, however, provide at best a sketchy picture of the situation. Illegal aliens are not required to reveal their status to receive some benefits; in other cases, officials are prohibited from asking about alien status. National cost data are only available for welfare benefits, which in fiscal year 1992 totaled $479 million for illegal aliens with children who are U.S. citizens. The five states accounting for nearly 80 percent of the illegal immigrant population—California, Texas, New York, Illinois, and Florida—pegged the total cost of federal, state, and local aid to illegal aliens at about $2.9 billion. The costs of providing these benefits appear to be on the upswing. These cost estimates, however, exclude government revenues attributable to illegal aliens.

Toxic Substances: The Extent of Lead Hazards in Child Care Facilities and Schools Is Unknown

(Letter Report, 09/14/93, GAO/RCED-93-197).

Toxic Substances: Information on Lead Hazards in Child Care Facilities and Schools Is Limited

(Testimony, 09/15/93, GAO/T-RCED-93-48).

Millions of children have so much lead in their blood that they may suffer from lifelong intelligence and behavioral problems. Efforts to reduce lead hazards have focused mainly on housing, but concern is mounting over the presence of lead in child care facilities and schools, particularly since children spend so much time there. The combined efforts of federal, state, and local governments to counter lead hazards in child care facilities and schools, however, are limited in scope and do not provide a comprehensive approach for defining and alleviating the problem. Little information is available on either the full extent of the danger that lead poses to the nation's school children or on efforts to address the hazard.

Impoundment Control: Comments on the President's Sixth Special Impoundment Message for Fiscal Year 1993

(Letter Report, 08/18/93, GAO/OGC-93-10).

This letter discusses the status of funds proposed for rescission in the President's sixth special impoundment message. The funds involve programs at the Departments of Housing and Urban Development, Justice, and Transportation. The Office of Management and Budget reports that the funds proposed for rescission were not withheld from obligation. After receiving a rescission proposal, the Congress has a 45-day period of continuous congressional session in which to act on rescission bills. Otherwise, the funds proposed for rescission must be made available for obligation. For the rescission proposal submitted in the sixth special message, the 45-day period ended on July 31, 1993, without the Congress having passed a bill for two of the proposals.

Self-Sufficiency: Opportunities and Disincentives on the Road to Economic Independence

(Letter Report, 08/06/93, GAO/HRD-93-23).

The Family Self-Sufficiency Program, a partnership between the federal government and local public housing authorities, promotes local strategies to help poor families achieve economic independence and self-sufficiency. This report (1) examines how housing and social services policies affect beneficiaries when they land a job and increase their income and (2) analyzes the extent to which the law creates disincentives to upward income mobility. GAO concludes that training and supported work programs have successfully increased the earning of the economically disadvantaged who participate in them, but on average the earnings increases are not enough for a family to break free from all housing and public assistance programs.

Army Housing: Overcharges for On-Base Lodging Have Not Been Repaid

(Letter Report, 08/03/93, GAO/NSIAD-93-188).

In a September 1990 report (GAO/NSIAD-90-241) on Army facilities used to lodge military personnel temporarily assigned for training or other purposes, GAO found that Army bases had overbilled soldiers by $70 million and used the money to subsidize officers' clubs, golf courses, guest houses, and similar activities. GAO found that the Army has yet to repay the overcharges that have accumulated from inflated transient lodging fees. Transient lodging service charges have been reduced somewhat but continue to be inflated.

Impoundment Control: Comments on the President's Sixth Special Impoundment Message for Fiscal Year 1993

(Letter Report, 07/19/93, GAO/OGC-93-8).

On June 4, 1993, the President submitted to the Congress the sixth special impoundment message for fiscal year 1993. This message proposed six rescissions of budget authority affecting the Departments of Housing and Urban Development, Justice, and Transportation. GAO concludes that the President's justifications for each proposed rescission are accurate. GAO has been told informally that the amounts proposed for rescission are being withheld pending congressional action. GAO has been unable to verify this information, however, because neither the agencies involved nor the Office of Management and Budget could provide any documentation showing amounts of budget authority available or amounts being withheld.

Small Pension Plans: Concerns About the IRS Actuarial Audit Program

(Letter Report, 06/30/93, GAO/HRD-93-64).

After discovering that some highly paid professionals were reaping huge tax deductions by making extremely large contributions to their pension plans, the Internal Revenue Service (IRS) began in 1989 a nationwide audit of small defined benefit pension plans—those with one to five participants. IRS concluded that in many cases large tax deductions were being taken on the basis of unreasonably conservative actuarial assumptions used in calculating allowable pension contributions. Many taxpayers and their accountants complained that IRS was merely trying to generate federal revenues at the expense of small businesses. This report analyzes the impact of the IRS audit program on small business sponsors of defined benefit pension plans. GAO examines the validity of the complaints about IRS's reasons for undertaking the audit program, identifies whom the program targeted, and determines whether IRS considered taxpayer facts and circumstances before substituting its own actuarial assumptions.

Farm Finance: Number of New Farmers is Declining

(Letter Report, 05/03/93, GAO/RCED-93-95).

The number of new farmers has declined considerably in recent years, largely because of unfavorable economic conditions in the agricultural sector. Also, people interested in farming often encounter problems in obtaining financing to cover the costs of acquiring and operating a farm. The Farmers Home Administration (FmHA), "lender of last resort" for the nation's farmers, has not targeted loan funds to beginning farmers, but such individuals can get loans if they are able to meet the agency's relatively lenient loan-making standards. FmHA has given beginning farmers priority in leasing or purchasing from its inventory of farm properties, but the suitability of these properties for beginning farmers is often questionable. Additionally, some states sponsor programs that target loan assistance to beginning farmers. Beginning farmers may have difficulty, however, in qualifying for credit through these programs or at FmHA. FmHA has yet to fully implement the beginning farmer provisions of the 1990 Farm Bill, such as establishing innovative programs for financing and for assisting in land transfers between generations of farmers. In October 1992, the Congress mandated that the agency establish programs targeting farm ownership and farm operating loans to beginning farmers.

Political Appointees: 10-Year Staffing Trends at 30 Federal Agencies

(Fact Sheet, 04/30/93, GAO/GGD-93-74FS).

Political appointees at the 30 federal agencies GAO reviewed accounted for 91 percent of the nearly 2,500 appointees governmentwide as of the end of 1991. Except for cyclical drops in the number of appointees during the first year of new administrations (1989 and 1981), there was little change in the total number of appointees at the 30 agencies and governmentwide during the 10-year period. Half of all appointees governmentwide were clustered at the following eight agencies: the Departments of Commerce, Agriculture, Health and Human Services, Energy, Education, State, and Justice and the Office of the Secretary of Defense. Governmentwide, about 29 percent of the political appointees were noncareer senior executive service appointees in 1991, with about half of the 30 agencies exceeding this governmentwide average. At several smaller agencies, all appointees were Schedule C appointees. Smaller agencies also tended to have a higher ratio of political appointees to full-time permanent employees.

Rural Development: Profile of Rural Areas

(Fact Sheet, 04/29/93, GAO/RCED-93-40FS).

This fact sheet presents a demographic and economic profile of rural areas that GAO developed on the basis of existing data sources. GAO discusses (1) trends in the population and age of persons in nonmetropolitan counties; (2) trends in nonmetropolitan per capita income, employment, and economic activities; and (3) the geographic distribution of farm program payments.

Impoundment Control: Comments on the President's Third Special Impoundment Message for Fiscal Year 1993

(Letter Report, 03/30/93, GAO/OGC-93-5).

On February 26, 1993, the President submitted to the Congress his third special impoundment message for fiscal year 1993. GAO reviewed the message's three deferrals of budget authority, which involve funds for international disaster assistance and timber salvage sales, and found them to be in accordance with the Impoundment Control Act. GAO notes that the unreported impoundment of budget authority mentioned in GAO's February 1993 letter (GAO/OGC-93-4) is reported in the President's special message.

Tax Administration: Overstated Real Estate Tax Deductions Need to Be Reduced

(Letter Report, 01/19/93, GAO/GGD-93-43).

The Internal Revenue Service (IRS) needs to reduce overstated real estate tax deductions that lead to millions of dollars in tax losses for federal, state, and local governments. From 1982 to 1990, individuals' federal deductions of real estate taxes increased 81 percent—from $27 billion to $49 billion. IRS audits show that individuals in 1988 overstated their real estate tax deductions by an estimated $1.5 billion nationwide. GAO believes that this level of noncompliance has resulted in nearly $300 million in federal income tax loss for 1988 and has increased to about $400 million for 1992. However, GAO's review of IRS audits of taxpayers who claimed the deduction for 1988 in three locations—Montgomery County, Maryland; New Jersey; and Minnesota—uncovered a much higher level of noncompliance. IRS detected only about $37 million (29 percent) of $127 million in overstated deductions that arose from user fee and rebate errors. Examiners would have caught more noncompliance had they followed IRS audit guidelines on checking source documents to verify taxpayers' support for deductions.

Air Pollution: Actions to Promote Radon Testing

(Letter Report, 12/24/92, GAO/RCED-93-20).

To promote radon testing, the Environmental Protection Agency began a public information campaign and gave states grants to encourage radon testing by home owners. Although this effort appears to have significantly heightened public awareness of the problem, only 9 percent of home owners surveyed have actually tested their residences. As a result, a panel that was convened by the Environmental Protection Agency recommended in May 1992 that the current voluntary approach be continued but with certain programmatic changes. These changes include targeting areas where radon levels are considered high and promoting testing and mitigation at the time of real estate transactions. To support state radon efforts, the Congress authorized a grant program for yearly grants of $10 million for 3 years. Funds for this program were recently extended for a fourth year through fiscal year 1993. Although information to measure states' success in promoting testing by home owners was generally unavailable, GAO did identify some state projects that have increased radon testing by targeting homes in areas with potentially high radon levels. In two states that GAO surveyed, the voluntary use of disclosure statements as part of a real estate sales contract was common; in one state, radon testing often took place during real estate transactions in areas with high radon levels. For the most part, the six housing agencies and federally chartered secondary mortgage institutions that finance or insure much of the nation's housing do not require either testing for radon or the disclosure of radon information for participation in their programs.

Impoundment Control: President's 104th Special Message for Fiscal Year 1992

(Letter Report, 11/03/92, GAO/OGC-93-2).

On August 26, the President submitted to the Congress his 104th special impoundment message for fiscal year 1992. The message reports one deferral of budget authority, which affects the Housing Guarantee subsidy account for the Agency for International Development. The Housing Guarantee program extends guarantees to U.S. private investors that make loans to developing countries to help them formulate and execute sound housing and community development policies that meet the needs of the poor. GAO found the deferral to be in accordance with the Impoundment Control Act.

Foreign Direct Investment

(Correspondence, 07/01/92, GAO/GGD-92-12R).

Pursuant to a congressional request, GAO assessed the Department of Commerce's and the Treasury's responses to two GAO reports on foreign direct investment in the U.S. real estate sector, the Department of Agriculture's (USDA) views on a GAO report on foreign investment in U.S. farmland, and the Department of Housing and Urban Development's (HUD) views on two issues relating to the U.S. residential property market. GAO noted that (1) Commerce agreed that the cost of capital in Japan was lower than in the United States, although by less than the nominal interest rate differential would indicate; (2) Treasury commended the comprehensive and thorough GAO analysis and supported its conclusions; (3) USDA closely monitored foreign purchases of farmland at the state and county levels, and foreign ownership accounted for 1 percent of privately held American farmland in fiscal year 1988; (4) HUD believes that the inflow of foreign capital into the U.S. property market has been beneficial in providing American citizens with greater access to capital for investment in real estate; and (5) the Department of Defense commented on the types of information gathering and analysis performed by the administration in reviewing national security-related foreign investments.

Elderly Americans: Health, Housing, and Nutrition Gaps Between the Poor and Nonpoor

(Testimony, 06/24/92, GAO/T-PEMD-92-10).

GAO discussed issues involving the elderly poor and near-poor population, focusing on the size and characteristics of the population; and the relationship between poverty and various aspects of health care, housing, and nutrition. GAO noted that the elderly poor and near-poor: (1) in 1990, totaled 19 percent of the elderly population, or 5.7 million persons, excluding homeless and borderline poverty level elderly; (2) tend to be elderly women, minorities, and persons over 75 years of age; (3) rely on Social Security benefits as their major source of income; (4) receive 95.7 percent of health insurance coverage through Medicare, but limitations and uncovered costs of the Medicare system account for major expenses to the elderly poor; (5) experience a higher degree of negative health status; (6) benefit from public rental housing, section 8 certificates and vouchers, and section 202 housing; (7) have an inadequate nutritional intake on which data are limited; and (8) have low enrollment in government assistance programs.

Defense Force Management: Housing Allowances for Military Personnel in North Carolina and Virginia

(Letter Report, 06/22/92, GAO/NSIAD-92-159).

Military personnel not living in government quarters are eligible for a monthly subsidy to rent or buy private-sector housing. In 1991, about 48,000 military personnel received housing allowances in North Carolina, and about 80,000 received them in Virginia at a total estimated monthly cost of more than $63 million. In comparing the total housing allowance that military personnel received with fair market rent rates set by the Department of Housing and Urban Development for various housing areas, GAO has discovered several inconsistencies. For example, the total housing allowance rate for some military families exceeds the two-bedroom fair market rate for all housing areas in North Carolina; and in Elizabeth City, North Carolina, the allowance exceeds the three-bedroom-unit rate.

Impoundment Control: Comments on the President's Fifth Through Seventy-Second Special Impoundment Message for Fiscal Year 1992

(Letter Report, 04/29/92, GAO/OGC-92-7).

On March 20, 1992, the President submitted to the Congress his fifth through 72nd special messages for fiscal year 1992, which report 68 proposed rescissions of budget authority affecting the Department of Housing and Urban Development, the Department of the Interior, and the Environmental Protection Agency. GAO reviewed each rescission message and found them to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless the Congress passes a rescission bill within 45 days after receiving the proposal. GAO and the Office of Management and Budget agree that the 45-day period is scheduled to end on May 20, 1992.

Resolution Trust Corporation: Oversight of Certain Loan Servicers Needs Improvement

(Letter Report, 04/24/92, GAO/GGD-92-76).

Under agreements entered into by failed thrifts, the Resolution Trust Corporation (RTC) relies on thousands of commercial banks, thrifts, and mortgage companies to help service its inventory of mortgages and loans. In December 1991, these institutions—known as inherited third-party servicers—serviced more than 300,000 mortgages and loans, which is more than one-third of RTC's total inventory of mortgages and loans held by thrifts in receivership. These servicers are to collect and remit to RTC millions of dollars in principal and interest payments each month. GAO concludes that the lack of oversight of inherited servicers could jeopardize RTC's recovery of asset values by decreasing loan collections and reducing the market value of loan portfolios. Also, without evaluating servicer performance, RTC cannot identify and take action against servicers that are not performing satisfactorily.

Impoundment Control: President's Fourth Special Message for Fiscal Year 1992

(Letter Report, 04/22/92, GAO/OGC-92-6).

On March 10, 1992, the President submitted to the Congress his fourth special impoundment message for fiscal year 1992. This message reports 30 proposed rescissions of budget authority. GAO has reviewed these proposals and found them to be in accordance with the Impoundment Control Act.

Impoundment Control: President's Third Special Message for Fiscal Year 1992

(Letter Report, 04/20/92, GAO/OGC-92-8).

This letter discusses the status of budget authority the President proposed for rescission in his third special impoundment message for fiscal year 1992, but for which the Congress has not yet passed a rescission bill. The funding involves programs at the Department of Housing and Urban Development, the Agency for International Development, and the Forest Service. All the budget authority withheld under this rescission proposal has been released for obligation by the Office of Management and Budget. Funds proposed for rescission must be made available for obligation unless the Congress passes a rescission bill within 45 days after receiving the proposal. The 45-day period ended on April 4, 1992, without the Congress having passed such legislation.

Impoundment Control: President's Third Special Message for Fiscal Year 92

(Letter Report, 03/25/92, GAO/OGC-92-5).

On February 19, 1992, the President submitted to the Congress his third special impoundment message for fiscal year 1992. This message reports one proposed rescission of budget authority and one new deferral. It also revises the amount of one deferral already reported. GAO found the deferrals, which involve international disaster assistance funds at the Agency for International Development and timber salvage funds at the Forest Service, to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless the Congress acts on rescission bills within a 45-day period after receiving the proposal. GAO and the Office of Management and Budget agree that the 45-day period ends on April 4, 1992.

Budget Issues: Compliance Report Required by the Budget Enforcement Act of 1990

(Letter Report, 02/14/92, GAO/AFMD-92-43).

The Budget and Enforcement Act of 1990 requires GAO to certify that each order the President issues and each report the Office of Management and Budget and the Congressional Budget Office issue under section 254 complies with the act's requirements or indicate the respects in which it does not. In GAO's opinion, the Office of Management and Budget and Congressional Budget Office reports substantially complied with the act except for Office of Management and Budget's Within-Session Sequester Report and the President's order implementing it. GAO believes that the within-session sequestration was unnecessary. GAO also found several cases—minor in nature—in which either or both of these offices were not in compliance with the act. GAO also discusses (1) some areas of the act that were interpreted differently by the Office of Management and Budget and the Congressional Budget Office, (2) other implementation issues, and (3) technical corrections the Congress may want to make to the act to clarify certain areas and allow more precise implementation.

Tax Policy: Summary of GAO Work Related to Expiring Tax Provisions

(Testimony, 01/28/92, GAO/T-GGD-92-11).

This testimony summarizes GAO's work on 5 of the 12 expiring tax provisions that were last extended by the Tax Extension Act of 1991. These provisions include the tax exemption for qualified mortgage revenue bonds, tax credit for targeted jobs, tax credit for low-income rental housing, tax credit for qualified research expenditures, and exclusion for employer-provided educational assistance benefits. Of the 12 provisions, these 5 account for about 70 percent of the estimated foregone federal revenues in fiscal years 1992 through 1996.

Drinking Water: Inadequate Regulation of Home Treatment Units Leaves Consumers at Risk

(Chapter Report, 12/27/91, GAO/RCED-92-34).

Concerned about the safety of drinking water, consumers have increasingly turned to home water treatment units. Gross sales of these units grew almost 50 percent during the latter half of the 1980s, totaling nearly $1.8 billion by 1990. Yet, as sales of these units have increased, so have reports of questionable sales practices and false claims of product effectiveness. This report looks at (1) the consumer and health concerns associated with these units, (2) the regulatory controls that protect the public from fraudulent claims or increased health risks, and (3) whether the Environmental Protection Agency or other federal agencies should take additional steps to protect the public.

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