

June 1996

ENVIRONMENTAL COMPLIANCE

Continued Need for Guidance in Programming Defense Construction Projects





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

National Security and
International Affairs Division

B-271581

June 21, 1996

The Honorable Conrad Burns
Chairman, Subcommittee on Military Construction
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

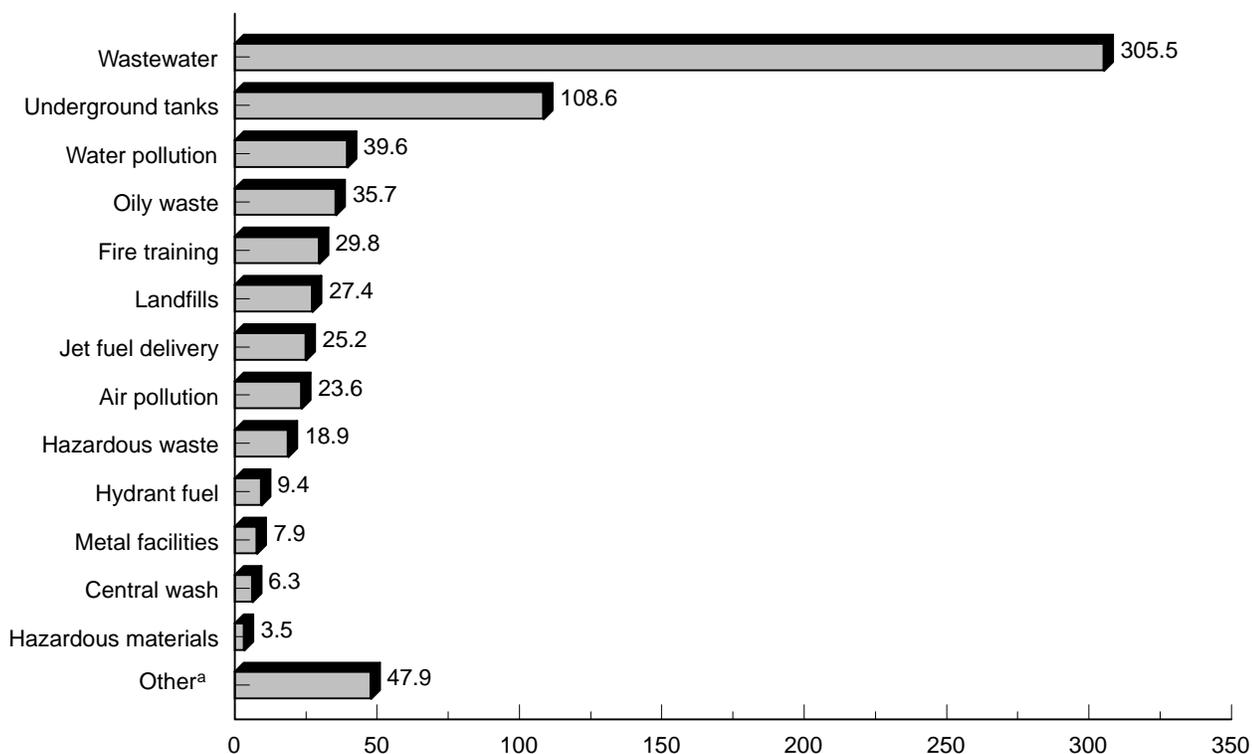
The Senate Report accompanying the 1996 Military Construction Appropriation Bill (S. Rep. 104-116) requires us to review how the Department of Defense (DOD) prioritizes environmental compliance construction projects. As agreed with your office, this report discusses DOD's process to program environmental compliance construction and DOD's cost estimates of future projects.

Background

Projects funded under the military construction appropriation generally cost over \$300,000 and produce complete and usable new facilities or improvements to existing facilities. The Army Corps of Engineers and the Naval Facilities Engineering Command manage the design of all service construction projects; each service verifies that the project designs are at least 35 percent complete when submitted to Congress for funding. Congress appropriates 5-year funds for construction projects.

The Office of the Secretary of Defense issues planning guidance to identify, prioritize, and fund construction projects. The military services and the Defense Logistics Agency (DLA) justify selected construction projects based on the need to comply with environmental laws and regulations. Although environmental military construction projects compete with other military construction projects for funding, DOD gives additional priority to those environmental projects that are to correct problems that do or will soon result in noncompliance with the requirements. Between fiscal years 1994 and 1996, DOD will have funded \$689 million in environmental compliance construction projects. Figure 1 shows the funding and the types of construction projects executed during that time, and appendix I provides details on projects and their costs for the services, including the Air National Guard and the Air Force Reserve.

Figure 1: Environmental Compliance Military Construction Projects, Fiscal Years 1994-96 (Dollars in millions)



Note: Figures for fiscal year 1996 are estimates. Figures for 1994 and 1995 are based on service obligations as of February 1996.

^aThe "other" category represents construction projects such as engine test facilities, fuel containment dikes, and above-ground storage tanks.

In November 1993, we reported that the services' processes for identifying, classifying, and funding environmental compliance projects varied.¹ We stated that more consistent processes would help ensure that needs and costs were identified and ranked so that DOD and Congress could oversee

¹Environmental Compliance: Guidance Needed in Programming Defense Construction Projects (GAO/NSIAD-94-22, Nov. 26, 1993).

trade-offs in funding and minimize inequities among the services' projects. We recommended that DOD guidance specify how the services should report costs related to environmental compliance construction and determine which appropriation would provide funds.

Results in Brief

Since our November 1993 report, the services have initiated actions intended to improve their processes for programming and prioritizing environmental compliance construction projects. However, neither the current nor proposed DOD policy specifies how the services should report costs related to environmental compliance construction projects and how they should determine which appropriation account should provide the funds. Consequently, the services and DLA continue to vary the manner in which they classify and prioritize the projects and determine the source of funds for them. The continuing lack of such guidance and the inconsistencies inhibit congressional oversight and DOD's program management.

DOD-wide estimates for fiscal year 1997 environmental compliance construction requirements fell from \$257 million in February 1995 to \$84 million in April 1996. Due to the lack of a uniform approach to categorizing such projects, we cannot determine whether this drop in funding is a result of a reduction in the need for such projects or simply a reflection of differing procedures for categorization. The reasons for reductions fell into several different categories, for example, lack of documentation, decisions to fund in later years, or decreased project costs.

Service Initiatives Have Been Taken Without Additional DOD Guidance

The services have taken initiatives to improve their programming and oversight of environmental construction projects. The Army is moving toward more centralization in the management of its military construction priorities to promote oversight of construction-related environmental issues on an Army-wide basis. The Air Force now requires its commands to prioritize and consolidate environmental compliance construction projects with other military construction projects, and has instituted an integrated process team at the Air Staff level to review military construction requirements during the budgeting and programming process. The Marine Corps is updating its environmental compliance tracking system to more easily identify environmental compliance and other environmental projects, and the Navy created a single-source headquarters sponsor for construction projects. In addition, the Naval

Audit Service annually reviews the Navy's and the Marine Corps' proposed military construction projects. At the installation level, each of the services has formed working groups and committees to work with Environmental Protection Agency (EPA) and state and local representatives to better identify project requirements.

Despite these actions, DOD still has not issued specific guidance on how the services should program and report costs related to environmental compliance construction projects and how they should determine which appropriations should be used to fund the projects. Consequently, the services continue to inconsistently program and report environmental compliance construction projects.

One inconsistency is the manner in which the services justify projects that are to be funded within the military construction appropriation.

- In fiscal years 1994 and 1995, the Air Force funded about \$10 million for hydrant fuel systems improvements with environmental compliance as justification for priority. Hydrant fuel systems consist of pressurized underground piping used to fuel various-sized aircraft. A 1995 Kelly Air Force Base, Texas, project was funded to comply with a state enforcement order to install leak detection and prevention equipment.² On the other hand, DLA justifies its hydrant fueling systems based on mission-related requirements, but notes that the systems have environmental compliance aspects.³ DLA plans to spend \$48 million in fiscal year 1996 military construction funds for these systems and \$75 million in fiscal year 1997 funds for similar projects. This inconsistency may be minimized in the future because DLA's Defense Fuel Supply Center is now responsible for sponsoring all fuel-related military construction.
- The Navy classified the construction of a Patuxent River, Maryland, hazardous material storehouse as an environmental compliance project and spent \$3 million in fiscal year 1994 for the facility. Such storehouses are generally required for the safe storage and efficient processing of hazardous materials used by base and tenant activities. Under Air Force policy similar projects should not be funded as environmental compliance projects. The Army's hazardous material storage projects, as we discussed in our 1993 report, are managed by its logistics experts rather than by

²According to an official at Kelly Air Force Base, Kelly is the only airport in the state to comply with the enforcement order. The official told us all other major airports are contesting the requirement.

³DLA owns petroleum products in bulk storage. Hydrant systems on Air Force, Navy, and Marine Corps bases, and intermediate storage on Army installations were recently transferred to DLA from the services.

environmental engineers who manage most environmental functions and are not justified or prioritized as compliance projects.

- The services justify as mission-related other projects that must comply with regulatory requirements. For example, the Marine Corps is requesting \$13 million in fiscal year 1997 military construction funds for the construction of a mission-related corrosion control facility at New River, North Carolina. Such facilities are constructed to allow functional and environmentally safe paint stripping and application to control corrosion on various aircraft. The Marine Corps is constructing the facility to reduce air pollution and provide work areas that comply with requirements of the Clean Air Act and Occupational Safety and Health regulations. A Marine Corps official told us the project could be justified as either mission-related or environmental compliance. Another official told us that safety is the driving factor. Supporting documentation for the project shows both safety and environmental compliance requirements.
- The Air Force is funding similar projects as either environmental or mission-related. The Air Force was appropriated military construction funds for a fiscal year 1996 corrosion control facility at Davis-Monthan Air Force Base, Arizona, which it justified as environmental compliance. At Tinker Air Force Base, Oklahoma, a similar project is being requested as mission-related, although supporting documentation indicates the project is also required to comply with regulatory requirements. Tinker officials had proposed the project to be justified as environmental compliance to meet Clean Air Act requirements, but Air Force Materiel Command officials believed the existing facility could be modified to meet emissions requirements, and that the project was justified based on Tinker's large paint workload. In discussing this issue, Air Force officials emphasized that while the project had environmental compliance aspects, the increased stripping and painting requirements drove the need to classify the project as mission-related.

Another inconsistency among the services involves how the projects are designed, which in turn affects whether projects are funded with military construction funds or from the operations and maintenance appropriation. In this regard, while large projects are funded from the military construction appropriation, smaller scope minor construction (less than \$300,000) projects can be funded with operation and maintenance funds or with minor construction funds that are managed by the installation. We found that the services sometimes design seemingly similar projects differently, resulting in different prioritization and funding of the projects.

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- The Air Force obligated over \$47 million in fiscal years 1994 and 1995 military construction funds for 34 underground fuel storage tank projects.⁴ Environmentally safe storage tanks are required to ensure continued operating storage of petroleum products and other environmentally controlled substances used to support the operation of such things as depot and base shops, electric generators, and gas stations. Air Force installations bundled together a number of individual tank projects to create single projects that would meet the \$300,000 minimum for construction funding.⁵ For example, Tinker Air Force Base alone bundled together 78 individual tank upgrades to create a single construction project.
 - During fiscal years 1994 and 1995, the Army obligated \$80 million in operation and maintenance funds to upgrade and construct underground storage tanks similar to those of the Air Force to comply with environmental laws and regulations. For example, Fort Bliss obligated \$1.4 million in fiscal year 1995 operation and maintenance funds to replace a number of underground storage tanks; it plans to spend \$1.2 million in fiscal year 1996 operation and maintenance funds to replace and upgrade additional tanks.⁶ The Army plans to spend an additional \$61 million in fiscal year 1996 operation and maintenance funds and \$47 million in fiscal year 1997 operation and maintenance funds for the construction of tanks.
 - We also found another example of project design and funding flexibility at Tinker Air Force Base. The Air Force eliminated a fiscal year 1996 storm drainage project at Tinker from its environmental compliance construction estimate. Officials determined the project would not receive a high enough priority if funded with military construction funds. Instead, Tinker officials told us they plan to divide the project into smaller units and fund them from the operation and maintenance appropriation.

Services also fund projects in phases using the same appropriation. Officials believe this funding method helps ensure the funding of costlier projects. Such funding methods can minimize the apparent total cost of the project when supporting documentation for each phase does not identify the total project cost.

⁴Figures for 1994 and 1995 are based on obligations as of February 1996.

⁵In discussing this issue, Air Force officials informed us that they also spent \$49 million in fiscal year 1994 and 1995 operation and maintenance funds for separate underground storage tank projects.

⁶Army officials were unable to provide us with the specific numbers of tanks because, until recently, such numbers were not included in the Army's system for managing installation projects. Storage tank replacement and upgrades can generally run from approximately \$5,000 to \$25,000 per tank.

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- The Marine Corps is funding a \$77-million military construction wastewater treatment plant upgrade at Camp LeJeune, North Carolina, in three distinct phases in fiscal years 1994, 1996, and 1997. Officials stated they selected this funding method because they believed the project would more likely receive funding if it was submitted in complete and usable increments, rather than as a total package. The Marine Corps could not afford to fund such a large project in a single year because of fiscal constraints. Supporting budget documentation submitted to Congress identified each phase of the wastewater project but did not include the total cost of all project phases.
 - The Navy is funding a \$24-million military construction oily waste collection system at the Norfolk Naval Station, Virginia, in two distinct phases beginning with fiscal year 1996. The project is being constructed under a consent agreement with the local community. The Navy requires \$12.2 million in fiscal year 1996 funds and is planning to request an additional \$11.5 million in future year funds. Officials at the Naval Facilities Engineering Command, Atlantic Division, told us phase II of the fiscal year 1997 project has been delayed, and is currently being considered for fiscal year 1998. Officials are considering the impact of other related projects, such as the installation of oil/water separators on aircraft carriers. Supporting budget documentation submitted to Congress identified phases but not total project costs for all phases.⁷

These inconsistencies and funding practices have continued to occur because DOD has not clarified its guidance to provide better definitions for the classification and prioritization of compliance projects. Stating the need for more consistency, DOD officials, as part of a 1995 environmental quality initiative, have issued fiscal years 1998-2003 annual programming guidance that is designed to better identify compliance costs. Officials believe the guidance will capture recurring costs associated with managing environmental programs such as manpower, training, and maintenance of environmental equipment. However, the guidance does not specify how the services will program and report compliance costs. Also, the guidance merges into one category projects that address existing noncompliance with projects that address future noncompliance. Such merging of previously distinct compliance categories would result in

⁷Our review of Air Force project data shows that the Air Force has also funded underground storage tank projects in phases. Supporting documentation did not identify the total costs for all phases.

inconsistency with EPA definitions⁸ for compliance projects and would limit DOD's ability to rank projects.

Continued Inconsistencies Preclude Effective DOD and Congressional Oversight

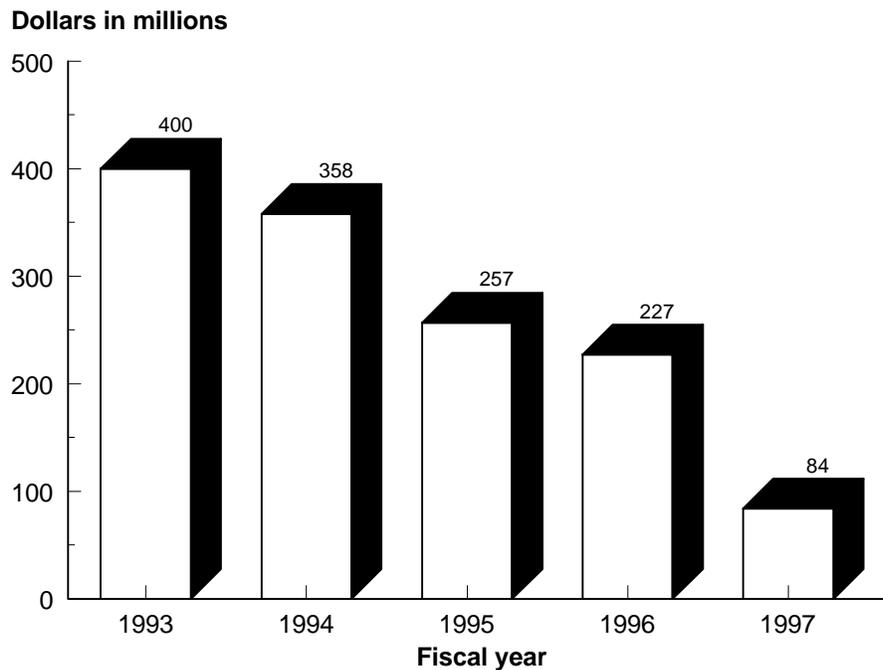
Our 1993 report stemmed in part from congressional concern that the Air Force's fiscal year 1993 budget request for environmental military construction was about twice as large as the other services' requests combined. However, we found, during that review, that the Air Force funds most of its environmental compliance construction projects using military construction appropriations. The Army funds most of its environmental compliance construction projects with operation and maintenance appropriations. The Navy funds these projects using defense business operating funds and the Navy could not identify the source of appropriated funding used to reimburse the fund.⁹ Because of the variances in project definitions and funding sources, neither we nor DOD could compare the individual service programs. DOD's data shows that the Air Force's total environmental compliance cost was actually less than either the Army's or the Navy's.

Figure 2 shows a decrease from 1993 to 1997 in DOD's military construction funding to comply with environmental construction requirements. However, as we found in 1993, the costs are not representative of all environmental construction, since similar construction projects are also funded from other valid appropriations such as operation and maintenance and minor construction.

⁸DOD and other federal agencies use an EPA classification system that sorts compliance status into distinct classes and compliance categories. Placing projects in the correct compliance class is the first step in establishing the relative importance of a project.

⁹In discussing a draft of this report, DOD officials stated that operation and maintenance funds are generally used to reimburse the Defense Business Operating Fund.

Figure 2: DOD Environmental Military Construction Compliance Funding



Note: Fiscal year 1997 estimate as of April 1996.

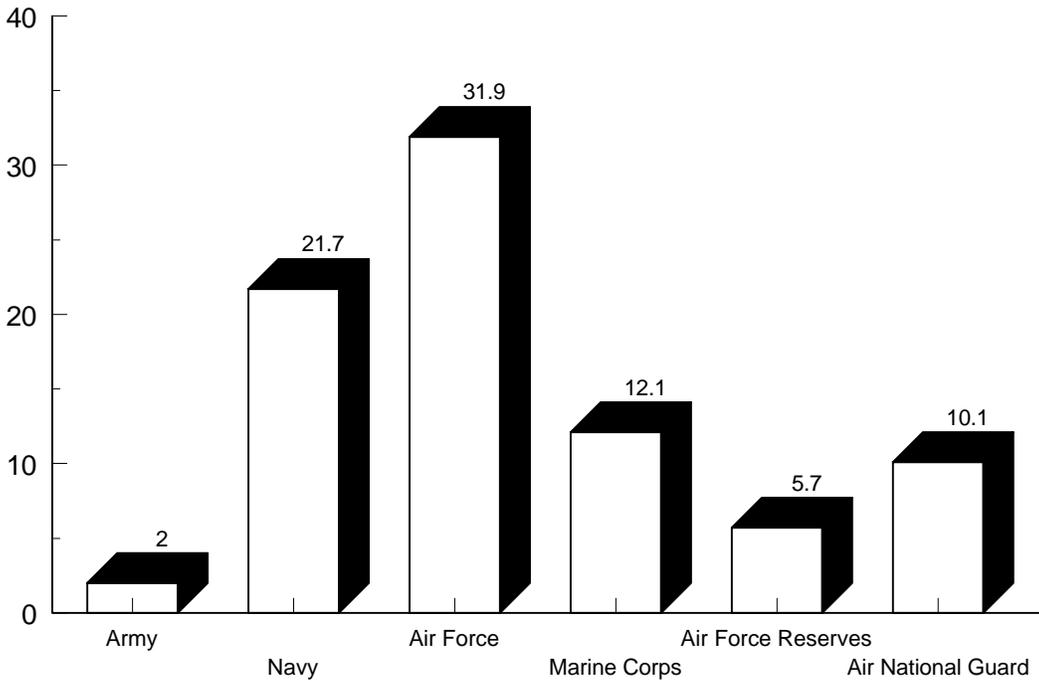
DOD-wide estimates of fiscal year 1997 environmental compliance requirements to be funded under the military construction appropriation fell from \$257 million in February 1995—when they were submitted to Congress as part of the fiscal year 1996/1997 biennial budget estimates—to \$84 million in April 1996. However, neither we nor DOD could determine the extent of the reduction in the program from prior years because of continued inconsistencies in project definition (environmental or mission-related) and design (see pp. 4-8).

Some reductions resulted from a lack of support for projects proposed in 1995 or decisions to fund at a later time. For example, the Air Force eliminated over \$14 million of industrial wastewater pretreatment facilities at various installations because subsequent review at the major command level determined that support for the projects was inadequate. Officials at Langley Air Force Base, Virginia, also told us that they decided to reduce the generation of hazardous waste at the source. Air Force officials deferred two other military construction projects at Beale Air Force Base, California, and Dyess Air Force Base, Texas, to the future fiscal years' environmental compliance program. Air Force data shows that the Air National Guard has removed a fiscal year 1997 underground storage replacement project from its military construction budget estimates, and the project may be funded with operation and maintenance funds.

Other reductions can be attributed to reduced project scope resulting in lower estimates for individual projects. For example, the Navy reduced its \$25.4 million estimate for an oily waste collection facility in San Diego, California, to \$7.2 million based on a November 1994 Naval Audit Service report recommendation. Navy officials told us they are using a more effective, less costly method to treat the oily waste. In January 1996, the Naval Audit Service reported that the revised \$7.2 million estimate was appropriate. However, in reviewing cost data provided by the Navy, we noted that the Navy's current estimate for the project is still \$24 million. Figure 3 shows a breakout of the \$84 million estimate by service as of April 1996.

Figure 3: Fiscal Year 1997 Environmental Construction Estimates

Dollars in millions



Matter for Congressional Consideration

DOD cannot adequately determine its environmental compliance construction needs and project priorities. The continuing lack of guidance and inconsistencies in the way DOD programs and funds projects inhibit DOD's and Congress' ability to provide overall management and effective program oversight. Given DOD's response to our 1993 report that it believed more consistent guidance is unnecessary, the Subcommittee may wish to direct DOD to act now to ensure that projects are consistently funded and reported for the fiscal year 1998 budget submission to Congress or to no longer use environmental compliance to justify higher priority for military construction funding.

Agency Comments and Our Evaluation

In oral comments on a draft of this report, DOD officials generally agreed with our description of project funding and reporting. However, they did not agree with our findings and conclusion that more consistent guidance is needed to ensure that projects are consistently funded and reported, or with our related matter for congressional consideration.

DOD officials stated that the environmental program, like other DOD programs, is integrated into the appropriations process in accordance with applicable law and guidance, and that commanders need the flexibility that the current congressional and DOD guidance provide in determining when it is appropriate to use operation and maintenance funds versus military construction funds for smaller projects. Officials suggested that the location and type of facilities frequently impact how the DOD components fund projects. For example, underground storage tanks collocated in a fuel farm or around an airfield may be more appropriately addressed as an entire area at one time, whereas tanks at a number of different sites could logically and legally be done with smaller projects, under either the military construction or operation and maintenance appropriation. Officials stated that while inappropriate classification of environmental projects is possible, it has not been a problem.

We recognize the flexibility inherent in existing guidance concerning project design and funding. As stated in our 1993 report, however, our position is that DOD's guidance is not comprehensive and does not ensure consistency in implementation. These inconsistencies, which are demonstrated in the examples cited throughout our report, inhibit analyzing DOD-wide data and estimating future requirements.

Also, officials stated that the slight change in EPA category definitions (discussed on pp. 7 and 8) more clearly demonstrates the funding priorities than treating all future requirements in a single category regardless of their immediacy. Officials stated that EPA staff have accepted DOD's changes.

With regard to compliance category definitions, we believe the changes are substantive and not slight as characterized by DOD. EPA's category definitions distinguished among projects to address situations (1) already out of compliance, (2) to be out of compliance by the end of the current year, and (3) to be out of compliance in future years' budgets. We agree that EPA has accepted DOD's definition to include all three in one category for the purposes of DOD's report to Congress. However, it obtained DOD agreement to provide additional supporting information on individual

projects. That information would allow EPA to categorize DOD's projects under EPA definitions. We are monitoring DOD's implementation of its revised definitions for the requester of this report and other requesters. Technical corrections have been incorporated where appropriate.

Scope and Methodology

To obtain information on DOD's and the military services' programming processes, we held discussions and obtained information from officials in EPA and in headquarters and field offices of DOD, the Army, Navy, Air Force, Marine Corps, and DLA. We also reviewed pertinent documents, laws, and regulations. To obtain information on DOD's and the military services' environmental requirements and costs, we reviewed budget reports and submissions for fiscal years 1994 through 1997 and service cost data. We compared the fiscal year 1997 biennial estimates with DOD's estimates as of February 1996, and updated the 1997 estimates as of April 1996. We relied on the accuracy of DOD's data in conducting our analysis and selectively verified data for certain projects. We visited and obtained information at the following military installations and major commands: Fort Sill, Oklahoma; Training and Doctrine Command, Virginia; Naval Facilities Engineering Command, Atlantic Division, Virginia; Norfolk Naval Base, Virginia; Commander in Chief, Atlantic Fleet, Virginia; Commander in Chief, Pacific Fleet, Hawaii; San Diego Naval Station, California; Edwards Air Force Base, California; Air Combat Command and Langley Air Force Base, Virginia; Tinker Air Force Base, Oklahoma; and Marine Corps bases at Camp LeJeune, North Carolina; Quantico, Virginia; and Camp Pendleton, California. We obtained additional information from the Air Force Materiel Command at Wright-Patterson Air Force Base, Dayton, Ohio; Kelly Air Force Base, Texas; and headquarters offices of the Air Force Reserve and the Air National Guard.

We conducted our review between October 1995 and February 1996 in accordance with generally accepted government auditing standards.

We are sending copies of this report to appropriate House and Senate committees; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; and the Director, Defense Logistics Agency.

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

Sincerely yours,

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

David R. Warren
Director, Defense Management Issues

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Abbreviations

DOD	Department of Defense
DLA	Defense Logistics Agency
EPA	Environmental Protection Agency

Service Obligations and Requirements

Table I.1 summarizes the services' estimated funding by project type during fiscal years 1994-96.

Table I.1: Environmental Compliance Construction Project Funding, Fiscal Years 1994-96

Dollars in millions

Project category	Army	Navy	Air Force	Marine Corps	Air National Guard	Air Force Reserve	Total
Wastewater collection and treatment ^a	\$17.5	\$76.0	\$112.4	\$80.9	\$18.2	\$0.5	\$305.5
Underground storage tanks	0	0	54.8	0	52.8	1.0	108.6
Water pollution abatement ^b	0.8	0	1.2	0	37.6	0	39.6
Oily waste treatment	0	34.4	0	1.3	0	0	35.7
Fire training facilities ^c	0	1.5	21.1	0	1.5	5.7	29.8
Sanitary landfills	0	11.5	7.5	8.4	0	0	27.4
Jet fuel delivery system	0	0	0	2.4	22.8	0	25.2
Air pollution abatement ^d	0	4.4	2.8	0	15.6	0.8	23.6
Hazardous waste	0	15.7	3.2	0	0	0	18.9
Hydrant fuel systems	0	0	9.4	0	0	0	9.4
Metal preparation facility improvements	0	7.9	0	0	0	0	7.9
Central wash facility	6.3	0	0	0	0	0	6.3
Hazardous materials storage	0	3.5	0	0	0	0	3.5
Other ^e	11.7	17.9	12.5	0	0	5.8	47.9
Total	\$36.3	\$172.8	\$224.9	\$93.0	\$148.5	\$13.8	\$689.3

Note: Data based on fiscal year 1994 and 1995 obligations and fiscal year 1996 estimates.

^aIncludes upgrades to and construction of wastewater and industrial wastewater facilities and sanitary and storm sewer systems.

^bIncludes de-icing facilities and upgrades to aircraft fuel and vehicle maintenance facilities.

^cExcludes \$3.5 million funded through the Defense Business Operating Fund.

^dIncludes upgrades to heating plants and corrosion control and blast/paint facilities.

^eIncludes the construction or upgrade of such projects as engine test facilities, above-ground fuel storage tanks, tank trail erosion, fuel containment dikes, consolidated fuel facilities, potable water facilities and pipelines, and other projects under \$2 million each.

Table I.2 summarizes projects for fiscal year 1997. Wastewater collection and treatment is estimated to be the most costly effort during this period.

Appendix I
Service Obligations and Requirements

Table I.2: Compliance Construction Estimates for Fiscal Year 1997

Dollars in millions

Project category	Army	Navy	Air Force	Marine Corps	Air National Guard	Air Force Reserve	Total
Wastewater collection and treatment ^a	0	\$1.3	\$14.3	\$3.2	\$0.8	0	\$19.6
Oily waste collection	0	17.2	0	0	0	0	17.2
Landfills	0	0	6.7	8.9	0	0	15.6
Underground storage tanks	0	0	3.9	0	0	0	3.9
Hazardous materials storage	0	3.2	0	0	0	0	3.2
Tank trail erosion mitigation	\$2.0	0	0	0	0	0	2.0
Engine test facility upgrade	0	0	3.8	0	0	0	3.8
Boiler conversion	0	0	3.1	0	0	0	3.1
Air pollution abatement ^b	0	0	0	0	7.6	0	7.6
Water pollution abatement ^c	0	0	0	0	1.2	0	1.2
Drainage system upgrade	0	0	0	0	0.5	0	0.5
Basewide compliance	0	0	0	0	0	\$5.7	5.7
Total	\$2.0	\$21.7	\$31.9	\$12.1	\$10.1	\$5.7	\$83.5

Note: Air Force officials informed us that the February 1996 \$33.1 million estimate was reduced to \$31.9 million due to a change in inflation factors.

^aIncludes upgrades to and construction of wastewater and industrial wastewater facilities and sanitary and storm sewer systems.

^bIncludes upgrades to heating plants and corrosion control and blast/paint facilities.

^cIncludes de-icing facilities and upgrades to aircraft fuel and vehicle maintenance facilities.

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