U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, August 4, 1999.

Hon. FRANK H. MURKOWSKI,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1330, a bill to give the city of Mesquite, Nevada, the right to purchase at fair market value certain parcels of public land in the city.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Victoria Heid Hall (for federal costs), who can be reached at 226–2860, and Marjorie Miller (for the state and local impact), who can be reached at 225–3220.

Sincerely,

BARRY B. ANDERSON
(For Dan L. Crippen, Director).

Enclosure.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

S. 1330—A bill to give the city of Mesquite, Nevada, the right to purchase at fair market value certain parcels of public land in the city

S. 1330 provides for the conveyance of up to about 8,000 acres of federal land to the city of Mesquite, Nevada. Because S. 1330 would affect direct spending, pay-as-you-go procedures would apply to the bill. CBO estimates that enacting this bill would increase direct spending by about $500,000 over the 2000–2004 period. S. 1330 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would have no significant impact on the budgets of state, local, or tribal governments, other than the city of Mesquite, Nevada, which would benefit from its enactment.

S. 1330 would give the city of Mesquite, Nevada, the exclusive right to purchase specified parcels of federal land over the next 12 years. According to the Bureau of Land Management (BLM) and the city of Mesquite, these parcels comprise roughly 5,300 acres, depending on the outcome of final surveys. The city would pay fair market value for the acreage. Proceeds from the sale would be deposited in the special account established under the Southern Nevada Public Land Management Act of 1998 (SNPLM), out of which the Secretary of the Interior may expend funds for land acquisitions and other projects in the state of Nevada. Under current law, BLM has no plans to sell the property. Based on information from BLM and the city of Mesquite, we estimate that these sales would result in additional federal receipts of roughly $6 million over the 2000–2004 period and subsequent spending of the same amount. Payments by the city could be in one lump sum or over several years, which could affect the total receipts from the sales. The funds deposited in the SNPLM special account earn interest, which the Secretary can spend. Because a lag between the deposit and spending of sale proceeds is likely, we expect that enacting S. 1350 would result in a net increase in direct spending from the interest. Assuming all the acreage is sold to the city in 2001, we estimate a net increase in direct spending totaling about $500,000 over the 2000–2004 period. Estimated annual budgetary effects are shown in the following table.

	By fiscal years in millions of dollars—					
	1999	2000	2001	2002	2003	2004
CHANGES IN DIRECT SPENDING (including offsetting receipts)						
Estimated Budget Authority	0	−4	2	2	1	0
Estimated Outlays	0	−4	2	2	1	0

In addition, S. 1330 provides that within one year of enactment the Secretary of the Interior shall convey to the city of Mesquite up to 2,560 acres of federal land to be selected by the city from parcels described in the bill. The land would be used to develop a new commercial airport. The bill requires that the conveyance be in accordance with 49 U.S.C. 47125, which permits the Secretary of Transportation to request that a federal agency convey land or airspace to a public agency sponsoring a project such as a new airport. The statute specifies that such conveyances be made only on the condition that the federal government retain a reversionary interest if the land is not used for an airport. Since BLM has no plans to sell the property under current law, conveying the property at no cost to the city would have no net impact on receipts relative to current law.

S. 1330 contains no intergovernmental mandates as defined in UMRA. The city of Mesquite would benefit from enactment of this legislation, which would allow it to obtain needed parcels of land BLM would convey some of this land at no cost. The conveyances would be voluntary on the part of the city, as would any amounts spent by the city to purchase or develop the land. The bill would have no significant impact on the budgets of other local governments, or on state or tribal governments.

The CBO staff contacts are Victoria Heid Hall (for federal costs), who can be reached at 226–2860, and Marjorie Miller (for the state and local impact), who can be reached at 225–3220. This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

CHEMICAL DEMILITARIZATION FUNDING

Mr. BINGAMAN. Mr. President, I rise to highlight an issue of growing concern, namely funding for the U.S. chemical demilitarization program. My concern is that the Congress has been cutting the funding required to eliminate our stockpile of chemical weapons and agents, despite the fact that we have a treaty commitment under the Chemical Weapons Convention to destroy that stockpile by April 24, 2007.

Simply put, if we in Congress do not provide the funds needed to meet that treaty commitment in time, we will be forcing the United States to violate an arms control treaty that we in the Senate approved with our vote of advise and consent to ratification.

Mr. President, this is a trend we should not be continuing. In fact, we should be providing the funds needed to ensure that the United States can and does meet its treaty obligations for all treaties to which we are an adherent, including the Chemical Weapons Convention.

Given the Senate's unique constitutional role in providing advice and consent to the ratification of treaties, I would hope this proposition would be self-evident to all our colleagues. Nonetheless, Mr. President, the Conference Report on the Military Construction Appropriations Bill, H.R. 2465, contains significant reductions from the funding requested for military construction of chemical demilitarization facilities needed to meet our treaty obligations.

The program is cut by $93 million dollars in fiscal year 2000 funds, including a reduction of $15 million dollars for planning and design work. This appears to be a technical mistake, Mr. President, since the budget request did not contain any funds for planning and design in the military construction projects for chemical demilitarization. This is deeply disappointing since neither appropriations subcommittee had reduced the military construction funding in their respective bills. On the contrary, each subcommittee had provided full funding of the budget request for military construction for the chemical demilitarization program. The conference, however, chose to ignore that and cut funding.

If, as I suspect, those funding reductions would jeopardize our ability to meet our CWC treaty obligations, I hope the Defense Department will take some remedial action, such as a reprogramming or a supplemental request to ensure that the necessary funds are available to do the work needed to ensure that we remain compliant with the treaty. I also hope that the Defense Appropriations Conference will provide the necessary funding for this program since there are reductions made by both House and Senate subcommittees that I believe are not warranted, and are based on incomplete information.

Mr. President, there was a preliminary assessment conducted by the Defense Department's Comptroller office earlier this year that looked at the rate of obligations and disbursements for the chemical demilitarization program. Unfortunately, before that assessment was completed, an internal DoD memorandum was leaked with preliminary and incomplete information. That internal memo was the basis for much concern among various congressional committees. The problem is that some of the Committees acted on the basis of that incomplete information, and it is now clear that the preliminary information was incorrect. Consequently, Congress cut funds for the chemical demilitarization program based on faulty information.

Since that internal memo was leaked, Congress has been looking into the financial management of the chemical demilitarization program, and we have been provided with more complete and accurate information. This information makes it clear that we should not be cutting the program funding based on the earlier information.

The Armed Services Committee, on which I serve as the Ranking Member of the Emerging Threats subcommittee that has responsibility for this program, asked the General Accounting Office to conduct a preliminary review of the financial management of the program. Their conclusion was that the funds requested are all needed and that there are plans for spending them at a reasonable rate. In other words, Mr. President, the worries about slow obligation or expenditure rates are not justified, and there is a good explanation for why the funds are obligated and expended at their current pace. In my view, this means that Congress should not be cutting the funds based on the incorrect information, but should provide the needed funding.

The General Accounting Office sent the results of their preliminary review to the Armed Services Committee in a letter dated July 29, 1999, and I will ask unanimous consent that the letter be included in the RECORD at the conclusion of my remarks. In addition, Mr. President, the Office of the Comptroller of the Department of Defense conducted a thorough review of the funding status of the chemical demilitarization program to review unobligated and unexpended balances. The results of that review have recently been submitted to Congress. That review indicates that about $88 million dollars could conceivably be deferred until next fiscal year, but that such a deferral would entail risks to our ability to meet the CWC deadline, and ''should only be made after serious consideration.''

In other words, Mr. President, the Defense Department Comptroller's office did not find the kinds of problems that had been suggested by the earlier preliminary internal review, and did not find excess funds suggested by that partial review. The review noted that ''without exception, the budgeted funds are needed to satisfy valid chemical demilitarization requirements. Should any funds be removed from FY 2000, the funds will need to be added back in the future budget.''

The Deputy Secretary of Defense, John Hamre, sent a letter to the congressional defense committees dated August 3, 1999, in which he explains the review and includes the executive summary of the Comptroller report. I will ask unanimous consent at the conclusion of my remarks that Secretary Hamre's letter and the enclosure be included in the RECORD.

Mr. President, the only conclusion I can draw from this is that Congress should not cut the funding for chemical demilitarization to the extent the Appropriations Committees did on the basis of the preliminary and partial information contained in the leaked internal memo. Instead, the Congress should work with the Defense Department to determine the correct level of funding needed to comply with the treaty and provide it.

Furthermore, since the completion of the Comptroller's review, the Defense Department has agreed to conduct an evaluation of three additional alternative technologies for chemical demilitarization, as sought in the Senate Military Construction Appropriations bill. This evaluation alone will cost some $40 million in FY 2000 funds, so that means that there is even less money that can be considered for deferral.

Mr. President, I addressed the Senate on the issue of the chemical demilitarization program when the Military Construction Appropriations bill, S. 1205, was before the Senate in June. At that time, I expressed my concern that the Senate bill had restrictions that could jeopardize our ability to meet the CWC deadline. I am glad to say that since then, the Defense Department has reached an understanding with the Appropriations Committee on a plan to evaluate the three additional alternative technologies without blocking or delaying construction activity. I am pleased to see this agreement and I commend all those who helped to achieve it, particularly the senior Senator from Kentucky, Senator MCCONNELL.

Mr. President, I know we take our treaty responsibilities very seriously here whenever a treaty is sent to the Senate for advice and consent to ratification. I know that was the case when the Chemical Weapons Convention was approved by more than three-quarters of the Senate. I hope we will take as seriously our obligation to provide the funds necessary to meet our treaty obligations. In this case, that means providing necessary funds for the chemical demilitarization program.

Mr. President, I now ask unanimous consent that the documents I referred to previously, be included in the RECORD at the conclusion of my remarks and I yield the floor.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DEPUTY SECRETARY OF DEFENSE,
Washington, DC, August 3, 1999.

Hon. JOHN W. WARNER,
Chairman, Committee on Armed Services, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: You are aware, I am sure, of the extensive efforts we have been taking to destroy all of our chemical weapons by April 29, 2007, the date that ensures compliance with the Chemical Weapons Convention (CWC). Our Chemical Demilitarization program, however, has suffered from a lack of programmatic and technical stability.

One result of this instability has been that funds were not used at the rate anticipated at the time budgets were prepared, causing an unexpended balance to accrue. A preliminary review of the current status of this balance was made earlier this year. This assessment indicated the need for a more detailed review, and as a result, the Office of the Under Secretary of Defense (Comptroller) recently conducted a thorough analysis of the unexpended balances.

Enclosed is the Executive Summary of the resulting report, the full details of which have been provided to your staff. At the bottom line, the report indicates that about $88 million could be deferred from the FY 2000 budget to the FY 2001 budget. This action, however, would eliminate some of the program manager's ability to make necessary program adjustments without jeopardizing CWC compliance.

Since the completion of the report, we have agreed to conduct evaluations of the remaining alternative technologies for destruction of chemical weapons. This effort will require an additional $40 million in FY 2000, reducing to about $48 million the amount that could be deferred to FY 2001.

I am sure you share my concern about meeting the deadline for completing destruction of our chemical weapons stockpile, and ask that you carefully consider this report as you complete action on the FY 2000 budget.

A similar letter is being sent to the Chairman and Ranking Member of the other Defense Oversight Committees.

Sincerely,

JOHN J. HAMRE.

Enclosure.

EXECUTIVE SUMMARY

The Chemical Demilitarization (Chem Demil) program includes both an acquisition and an operational component with the goal of destroying a variety of chemical warfare agents residing in weapons (all-up-rounds), storage containers, and at production and storage facilities.

The program's schedule and funding has been driven by the requirement to eliminate the existing stockpile and associated components within the framework of the Chemical Weapons Convention (CWC) treaty. The treaty stipulates that all stockpiled agents must be destroyed by April 29, 2007.

The Chem Demil program has suffered from a lack of programmatic and technical stability, in part due to continuing concern and skepticism about the safety of the incineration process used by the Army to destroy the chemical agents.

As a result, the program office has regularly requested schedule and funding realignments.

Two of the nine planned destruction facilities are operational. Fourteen percent of the stockpiled chemical agents have been destroyed as of June 23, 1999. At this time, no firm plan or decision regarding nonstockpiled buried chemical agents has been made. Furthermore, the final disposition of the destruction facilities has yet to be approved by the Environmental Protection Agency.

There is considerable schedule and cost risk with the Assembled Chemical Weapons Assessment Program at both the Pueblo, Colorado and Blue Grass, Kentucky facilities. The technology to be used to dispose of the chemical agents has not been determined. Three technical proposals for alternative disposal methods have been demonstrated to the program office. Evaluation of the technologies by the government is currently ongoing.

Information provided by the Department of the Army and the Defense Finance and Accounting Service (DFAS) indicated that as of February 1999, approximately $1 billion of current and prior year Operation and Maintenance (O&M), Procurement, and Research Development, Testing & Evaluation (RDT&E) funds were unexpended. A preliminary review of the cause of the large unexpended balances was conducted in February 1999, which suggested a need for a more detailed review.

The current review is based on more complete program execution data (through May 30th) and provides a more accurate assessment of the reasons for the large unexpended balances. Out of the $3.2 billion appropriated between FY 1993 and FY 1999, $845.6 million (26 percent) remain unexpended. However, a detailed evaluation of the program execution history indicates that the low expenditure rates for the most part have been beyond the influence and control of the program office.

Neither review uncovered an instance involving inadequate program management controls, or gross violation of departmental financial regulations.

In this review, the cause of the under execution of the prior and current year program has been categorized into seven causes:

[Dollars in millions]

		Percentage of amount unexpended
Forward Financing	$5.8	1

[Dollars in millions]

		Percentage of amount unexpended
Accounting Recording Lag	120	....
Administrative/In Progress	224.7	44
FEMA/State Processing	26.8	....
Awaiting Permit Issuance	331.7	....
Technical Restructure Delay	41.1	55
Contracting Delays	95.5	....

The majority of the unexpended balance was budgeted to meet schedules that seemed reasonable when the budget was built. Fully 44 percent of the balance is associated with work that either has occurred for which the payment has not been recorded or work that is yet to occur but is on its planned schedule. None of these funds should be considered for deferral.

Only 1 percent is associated with classical forward financing and should be considered for deferral.

The balance of unexpended funds reflect contracting regulatory or technical delays that were largely beyond the control of the program manager. The paper carefully reviews each of these by site. It accepts the contractor's estimate of the cost of work to be performed during FY 2000, because the contractor is in the best position to judge what can be accomplished in FY 2000 and he must be encouraged to accomplish as much as possible if the Department is to achieve the treaty compliance date. The paper then evaluates remaining unexpended balances using a standard established in prior execution reviews.

As one reviews this program, the overriding concern is that the Department do everything in its power to achieve the legislated target date of April 29, 2007, for completion of chemical agent destruction. While this analysis indicates that $87.9 million may be deferrable into FY 2001, such a deferral should only be made after serious consideration because it will take away some of the program manager's ability to take additional steps to meet the treaty compliance date.

It should also be noted that without exception the budgeted funds are needed to satisfy valid chemical demilitarization requirements. Should any funds be removed from FY 2000, the funds will need to be added back in a future budget.

EVENTS SINCE COMPLETION OF THE REPORT

The Department has agreed to conduct evaluations of the three additional alternative technologies (Assembled Chemical Weapons Assessment Program). This will require an additional $40.0 million in FY 2000 and could be financed with funds considered for deferral in this report, which would reduce the total to be considered for deferral from $87.9 million to $47.9 million.

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GAO

Washington, DC, July 29, 1999.

Subject: Chemical Demilitarization: Funding Status of the Chemical Demilitarization Program.

Hon. JOHN W. WARNER,
Chairman.

Hon. CARL LEVIN,
Ranking Minority Member,
Committee on Armed Services, U.S. Senate.

Since the late 1980's, the Department of Defense (DOD) has been actively pursuing a program to destroy the U.S. stockpile of obsolete chemical agents and munitions. DOD has reported that this program, known as the Chemical Demilitarization Program, is estimated to cost $15 billion through 2007; approximately $6.2 billion has been appropriated for the program from fiscal year 1988 through fiscal year 1999. Because of the lethality of chemical weapons and environmental concerns associated with proposed disposal methods, the program has been controversial from the beginning and has experienced delays, cost increases, and management weaknesses.

The Chemical Demilitarization Program is funded through operation and maintenance (O&M), procurement, research and development (R&D), and military construction appropriations, with each being available for use for varying periods of time.[1] Concerns were recently raised within DOD that the program had built up significant levels of funding in excess of spending plans. This led to concerns that the program's fiscal year 2000 budget request might be overstating funding requirements. As requested, we reviewed the extent to which the program retains significant levels of prior years' appropriations in excess of spending plans. Accordingly, this report summarizes the results of a briefing we provided to your office on July 23, 1999, in which we reported our preliminary findings concerning (1) amounts of reported unallocated appropriations and unliquidated obligations from prior years' appropriations, (2) the extent to which more obligations have been liquidated than previously reported, (3) primary reasons for the reported unliquidated obligations, and (4) actions that have affected or will affect unliquidated obligations.[2] We except to analyze the program more extensively in a more detailed review. As part of that review, we will examine program costs, spending plans, schedules, and other management issues.

RESULTS IN BRIEF

For the selected Chemical Demilitarization Program appropriation accounts reviewed, we did not find sizable amounts of unallocated appropriations and unliquidated obligations from prior years that appear to be available for other uses. There were sizable unliquidated obligations reported from prior years. However, based on our review of $382.1 million (62.6 percent) of the reported $610.5 million in unliquidated obligations from the Chemical Demilitarization Program for fiscal years 1992–98, we found that $150.6 million (39.4 percent of the sample) had already been liquidated but not recorded in Defense Finance and Accounting Service (DFAS) budget execution reports. Further, the remaining $231.5 million in unliquidated obligations in our sample was scheduled to be liquidated by November 2000. Reported unliquidated obligations were caused by a number of factors such as delays in obtaining environmental permits and technical delays. At the same time, we identified a number of factors that have affected or will have the effect of reducing previously identified unliquidated obligations. The program has a reported $155.7 million in appropriations not yet allocated or obligated to specific program areas. However, nearly this entire amount ($145.2 million) involves current year appropriations that can obligated and liquidated over several years.

BACKGROUND

In 1985, the Congress passed Public Law 99–145 directing the Army to destroy the U.S. stockpile of obsolete chemical agents and munitions. On April 25, 1997, the United States ratified the Chemical Weapons Convention, an international treaty banning the development, production, stockpiling, and use of chemical weapons. The Convention commits member nations to dispose of (1) unitary chemical weapons stockpile, binary chemical weapons, recovered chemical weapons, and former chemical weapon production facilities by April 29, 2007, and (2) miscellaneous chemical warfare materiel by April 29, 2002.[3]

To comply with congressional direction and meet the mandate of the Chemical Weapons Convention, the Army established the Chemical Demilitarization Program and developed a plan to incinerate the agents and munitions on site in specially designed facilities. The Program Manager for Chemical Demilitarization in the Edgewood area of Aberdeen Proving Ground, Maryland, manages the daily operations of the program. The Army currently projects this program will cost $15 billion to implement through 2007; approximately $6.2 billion had been appropriated from 1988 through fiscal year 1999.[4]

Since its beginning, the Chemical Demilitarization Program has been beset by controversy over disposal methods; delays in obtaining needed federal, state, and local environmental permits and other approvals; and increasing costs. We have previously reported on these problems as well as problems with management weaknesses in the program and disagreements over the respective roles and responsibilities among federal, state, and local entities associated with the program. For example, in 1995, we reported that program officials lacked accurate financial information to identify how funds were spent and ensure that program goals were achieved.[5] A list of related GAO products is included at the end of this report.

Concerns over chemical demilitarization financial management issues surfaced again in February 1999, following a quick program review summarized in internal memorandums prepared by an official in the Office of the DOD Comptroller. The memorandums suggested that significant portions of prior years' O&M, procurement, and R&D appropriations obligated by specific Military Inter-departmental Purchase Requests (MIPR)[6] remained unliquidated, and could be deobligated and reprogrammed for other uses.

FUNDING BALANCES FOR THE CHEMICAL DEMILITARIZATION PROGRAM

The Chemical Demilitarization Program budget reports showed $155.7 million in current and prior years' appropriations not yet allocated ($107.1 million) or obligated ($48.6 million) to specific program areas. Nearly this entire amount ($145.2 million) is in current year appropriations. Also, the program currently has approximately $1 billion in unliquidated obligations, of which about 61 percent or $610.5 million are associated with prior years' appropriations for fiscal years 1992–98.

To identify the amounts of unallocated appropriations and unliquidated obligations from prior years, we collected official DFAS budget execution data for the Chemical Demilitarization Program. DFAS is responsible for providing the program office and other DOD organizations' financial and accounting services and information. Table 1 lists the reported budget authority and the unallocated unobligated, and obligated appropriations, along with unliquidated balances for selected appropriations for the Chemical Demilitarization Programs as of May 31, 1999. Budget authority allows agencies to enter into financial obligations that will result in immediate or future outlays of funds.

TABLE 1.—REPORTED BUDGET AUTHORITY AND UNALLOCATED, UNOBLIGATED, OBLIGATED, AND UNLIQUIDATED BALANCES FOR SELECTED APPROPRIATIONS FOR THE CHEMICAL DEMILITARIZATION PROGRAM (AS OF MAY 31, 1999)

[Dollars in millions]

Fiscal year and funding category	Budget authority	Unallocated	Unobligated	Obligated	Unliquidated obligations
1992–98	$3,170.2	$10.3	$0.2	$3159.5	$610.5
Operation and Maintenance	1,821.8	8.9	0	1,812.5	135.8
Procurement	1,119.6	1.3	0.2	1,118.3	444.7
Research and Development	228.8	0.1	0	228.7	30.0
1999	$666.8	$96.8	$48.4	$521.6	$393.0
Operation and Maintenance	428.3	17.2	23.5	387.6	263.1
Procurement	100.3	57.5	2.8	40.0	39.9
Research and Development	138.2	22.1	22.1	94.0	90.0
Total	$3,837.0	$107.1	$48.6	$3,681.1	$1,003.5

Note 1.—The Chemical Demilitarization Program had a reported $3.2 billion in budget authority for fiscal years 1992–98 and $666.8 million in budget authority in fiscal year 1999. The budget authority for fiscal years 1992 and 1993 O&M funds and fiscal year 1992 R&D funds are not included in the table because these funds have been canceled. In addition, the table does not include military construction funds because these funds were not included in this review.

Note 2.—Unless otherwise specifically provided by law, a fixed appropriation account is generally available for adjusting and liquidating obligations properly chargeable to the account for 5 years following its period of availability for obligation. At the end of this 5-year period, the account is closed, and all balances are permanently canceled. O&M appropriations are available for obligation for 1 year, R&D appropriations are available for obligation for 2 years, and procurement appropriations are available for obligation for 3 years.

Note 3.—Numbers not intended to total horizontally.

Note 4.—The program office refers to unallocated funds as unissued funds.

Source: DFAS data provided by the program office.

As shown in table 1, the program office had a reported $10.3 million unallocated balance for fiscal years 1992–98. This balance consisted of funds that were never allocated to a specific project or were returned to this category after allocation. Returned funds include those amounts that were returned to the program office from projects that were terminated or completed for less than the obligated amount. Most of the unallocated funds are no longer available for obligation because their periods of availability for obligation have lapsed. In addition, the program office's unobligated balance for fiscal years 1992–98 was reported to be approximately $200,000. At the same time, the program reported $610.5 million in unliquidated obligations from fiscal years 1992–98.

In addition, as shown in table 1, the program office had a reported $96.8 million in unallocated and $48.4 million unobligated appropriations, and $393 million in unliquidated obligations in fiscal year 1999 funds. However, it is important to note that the R&D and procurement, but not O&M funds, will still be available for obligation for the remainder of this year and 1 or 2 more future years; and the obligations of all three appropriations may be liquidated for several more years beyond that.

MORE FISCAL YEARS 1992–98 OBLIGATIONS HAVE BEEN LIQUIDATED THAN REPORTED

For our preliminary review, we focused our analysis on the status of the unliquidated obligations for fiscal years 1992–98. Based on our review of 28 MIPRs with $382.1 million in unliquidated obligations (or 62.6 percent of the total reported unliquidated obligations), we found that $150.6 million (39.4 percent) had been liquidated.[7] The remaining $231.5 million (60.6 percent) of the reported $382.1 million in unliquidated obligations is scheduled to be liquidated between August 1999 and February 2000 (see table 2).

TABLE 2.—ADJUSTED UNLIQUIDATED OBLIGATIONS FOR 28 MIPRS (AS OF JULY 7 THROUGH JULY 14, 1999)

[Dollars in millions]

Category of funds	Number of MIPRs GAO reviewed	Reported unliquidated obligations [1]	Liquidated funds		Adjusted unliquidated obligations	
			Amount	Percent	Amount	Percent
Operation and Maintenance	8	$79.3	$66.9	84.4	$12.4	15.6
Procurement	16	283.2	74.1	26.2	209.1	73.8
Research and Development	4	19.6	9.6	49.0	10.0	51.0
Total	28	$382.1	$150.6	39.4	$231.5	60.6

[1] Reported as of May 31, 1999, by DFAS.

Note 1.—The MIPRs were for fiscal years 1992-98 funds.

Note 2.—Unless otherwise specifically provided by law, a fixed appropriation account is generally available for adjusting and liquidating obligations properly chargeable to the account for 5 years following its period of availability for obligation. At the end of this 5-year period, the account is closed and all balances are permanently canceled. O&M appropriations are available for obligation for 1 year, R&D appropriations are available for obligation for 2 years, and procurement appropriations are available for obligation for 3 years.

Source: DFAS data provided by the program office.

As shown in table 2, we reviewed eight MIPRs that included a reported $79.3 million in unliquidated O&M obligations. Of this amount, $55.2 million was allocated to the FEMA for the Chemical Stockpile Emergency Preparedness Program (CSEPP). According to FEMA officials and supporting documentation, the total amount has been liquidated but was not timely reported to the program office for input to the finance service records. In addition, another $11.7 million of the reported $79.3 million in unliquidated O&M obligations has been liquidated by the program office and its contractors. The remaining $12.4 million of the $79.3 million amount is scheduled to be liquidated between now and February 2000.

In addition,, as shown in table 2, we reviewed 16 MIPRs that included a reported $283.2 million in unliquidated procurement obligations. Of this amount, $54.2 million was allocated to FEMA for CSEPP projects. According to FEMA officials and supporting documentation, $40.5 million of the $54.2 million in CSEPP obligations has been liquidated but not reported to the program office in time for input to the finance service records. The remaining $13.7 million is still unliquidated but allocated to Alabama for its CSEPP projects. In addition, another $33.6 million of the reported $283.2 million in unliquidated procurement obligations has been liquidated by the program office and its contractors by May 31, 1999, and the remaining $209.1 million is scheduled to be liquidated between now and November 2000.

We also reviewed four MIPRs that included a reported $19.6 million in unliquidated R&D obligations. Of this amount, the program office and its contractors have liquidated $9.6 million. The remaining $10 million is scheduled to be liquidated between now and September 2000. Our preliminary review of the budget execution reports and MIPRs shows no indication that the program office obligated the same funds to separate projects and contracts in order to reduce its unobligated balances. We plan to complete a more extensive analysis of the potential for such double obligations as part of our future review discussed previously.

PRIMARY REASONS FOR THE UNLIQUIDATED OBLIGATIONS

We identified a variety of reasons for the reported unliquidated obligation balances. Most included procedural delays associated with reporting financial transactions to the finance service. More specifically, they included:

Accounting and procedural delays: According to DOD and Army officials, it can take from 90 to 120 days to process and report liquidation data before liquidations are included in the finance service budget execution data and reports. For example, the program office's projects are large enough to include a primary contractor and several subcontractors. Primary contractors may take several weeks to validate, process, and report liquidation actions by their subcontractors to the program office, which also has its own processes and procedures before reporting to the finance service. Furthermore, the finance service requires time to input and report its liquidation data to responsible DOD and Army officials.

Army and FEMA accounting and procedural delays for CSEPP funds: On the basis of our MIPR sample, CSEPP liquidations were included in the finance service data because FEMA had not reported liquidation actions in a timely manner to the program office.

Environmental permit delays: Program officials found that estimating the time required to obtain environmental permit approvals was much more difficult than expected. For example, permits to construct the Umatilla, Anniston, and Pine Bluff chemical demilitarization facilities took 2 to 3 years more than the program office anticipated. Although funds were obligated for these projects, the program office could not liquidate the obligations until after the respective state approved the construction permit and the demilitarization facilities were constructed.

Technical delays: According to program officials, lessons learned from ongoing demilitarization operations at Johnston Atoll in the Pacific Ocean and Tooele, Utah, resulted in technical and design changes for future facilities that required additional time and resources. While these changes were being incorporated, liquidation of obligated funds proved to be slower than program officials expected.

ACTIONS THAT HAVE AFFECTED OR WILL AFFECT UNLIQUIDATED OBLIGATIONS

Several factors have affected or will affect the program office's unliquidated obligations. First, in fiscal year 1999, the Congress reduced the administration's budget request for the Chemical Demilitarization Program by $75.1 million. Consequently, there were fewer funds to obligate during fiscal year 1999 than planned for the program. A factor that should reduce unliquidated obligations is the 1997 approval of environmental permits for the construction of the Umatilla, Oregon, and Anniston, Alabama, chemical demilitarization facilities. The construction of these facilities should allow the program office to liquidate unliquidated procurement obligations for these locations. In addition, the environmental permits were approved in 1999 for the construction of Pine Bluff, Arkansas, and Aberdeen, Maryland, chemical demilitarization facilities, which should allow the program office to liquidate unliquidated procurement obligations for these locations. At the same time, program officials expect additional procurement costs at the Umatilla and Anniston disposal sites due to design and technical changes to previously purchased equipment.

AGENCY COMMENTS AND OUR EVALUATION

We provided a draft copy of this report to DOD and the Army for comment. Responsible officials stated that they did not have sufficient time to formally review and comment on the report. However, we were provided with various technical comments which were used in finalizing the report.

SCOPE AND METHODOLOGY

To assess the unobligated appropriations and unliquidated obligations for the Chemical Demilitarization Program, we interviewed and obtained data from DOD, Army, and FEMA officials, including officials from the Program Manager for Chemical Demilitarization Program in the Edgewood area of Aberdeen Proving Ground, Maryland; Office of the United Secretary of Defense (Comptroller); Deputy Assistant Secretary of the Army, Chemical Demilitarization; Assistant Secretary of the Army for Financial Management; Army Audit Agency; and Office of Management and Budget. We reviewed DFAS reported budget execution data for selected appropriations for chemical demilitarization program budget authority, unallocated, unobligated, and unliquidated balances for fiscal years 1992–99. We did not attempt to reconcile budget execution data with DOD's financial statements.[8] In addition, we interviewed DOD and Army officials to discuss the (1) requirements for these funds, (2) primary causes for the unliquidated obligations, and (3) actions that have affected or will affect unliquidated obligations.

Because most unallocated appropriations are no longer available for obligations, unobligated balances are relatively small compared to the budget authority and fiscal year 1999 funds are still available for obligation and liquidation for several years, we focused our analysis on the status of the unliquidated obligations for fiscal years 1992–98. We judgmentally selected and reviewed 28 of the program's 63 MIPRs with reported unliquidated obligations of more than $1 million to (1) verify the reported unliquidated obligation, and (2) identify specific requirements and time frames for liquidating the obligations. To verify the reported unliquidated obligations, we interviewed responsible program officials and reviewed supporting documentation from the Army and its contractors and compared these data with the unliquidated obligations reported in DFAS budget execution reports. On the basis of this comparison, we determined the extent to which more obligations have been liquidated than previously reported by the finance service. These liquidated obligations were deducted from the reported unliquidated obligations to determine the revised unliquidated amount. In addition, we interviewed responsible program officials and reviewed supporting documentation from the Army and its contractors to determine the schedules for liquidating the remaining unliquidated obligations.

We conducted our review from July 6 to July 26, 1999, in accordance with generally accepted government auditing standards. We are continuing our review of the Chemical Demilitarization Program. This report represents the preliminary results of our work.

We are sending copies of this report to Senator Pete V. Domenici, Senator Daniel K. Inouye, Senator Ted Stevens, Senator Robert Byrd, Senator Frank R. Lautenberg, Senator Joseph I. Lieberman, and Senator Fred Thompson and to Representative John R. Kasich, Representative Jerry Lewis, Representative C.W. (Bill) Young, Representative David R. Obey, Representative John P. Murtha, Representative Ike Skelton, Representative Floyd D. Spence, and Representative John M. Spratt, Jr., in their capacities as Chair or Ranking Minority Member of cognizant Senate and House Committees and Subcommittees. We are also sending copies of this report to: the Honorable William S. Cohen, Secretary of Defense; the Honorable William J. Lynn, Under Secretary of Defense (Comptroller); the Honorable Louis Caldera, Secretary of the Army; and the Honorable Jacob Lew, Director, Office of Management and Budget.

If you have any questions regarding this letter, please contact Barry Holman or me on (202) 512–8412. Key contributors to this assignment are Don Snyder, Claudia Dickey, and Mark Little.

DAVID R. WARREN,
Director,
Defense Management Issues.

FOOTNOTES

[1] We did not include military construction appropriations in our review.

[2] Unallocated appropriations refer to funds not yet committed to specific projects—the program office refers to unallocated funds as unissued funds. Unobligated balances represents funds committed or allocated to specific programs but pending contract award. Obligations are the amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that require payments. Unliquidated obligations consist of those obligations for which disbursements have not yet occurred.

[3] If a country is unable to maintain the Convention's disposal schedule, the Convention's Organization for the Prohibition of Chemical Weapons may grant a one-time extension of up to 5 years.

[4] This estimated cost excludes funding for the Assembled Chemical Weapons Assessment Program, whose goal is to study the feasibility of disposal efforts for assembled chemical weapons without use of incineration. Separation funding is devoted to this effort.

[5] See *Chemical Weapons Stockpile: Changes Needed in the Management of the Emergency Preparedness Program* (GAO/NSIAD–97–91, June 11, 1997) and *Chemical Weapons: Army's Emergency Preparedness Program Has Financial Management Weaknesses* (GAO/NSIAD–95–94, Mar. 15, 1995).

[6] An MIPR is a DOD financial form that is used by the program office to transfer funds to other government agencies, such as the Federal Emergency Management Agency (FEMA) and the U.S. Army Corps of Engineers, for work or services identified for the Chemical Demilitarization Program. As required by DOD regulations, the program office records these transfers as obligations.

[7] The $150.6 million represents 24.7 percent of the total reported $610.5 million in unliquidated obligations for fiscal years 1992–98, as identified in table 1.

[8] For information on DOD's overall financial status see *Financial Audit: 1998 Financial Report of the United States Government* (GAO/AIMD–99–130, Mar. 31, 1999).

COMMENDING THE "FIGHT FOR YOUR RIGHTS: TAKE A STAND AGAINST VIOLENCE" PROGRAM

Mr. MCCAIN. Mr. President, I would like to take a moment to draw my colleagues' attention to a program that, I think, deserves to be commended. It is called "Fight for Your Rights: Take a Stand Against Violence." The purpose of the program is to give our nation's youth information and advice on how to cope with the epidemic of violence that is taking so many of their own.

The Departments of Justice, and Education are participants in the campaign, but what I would like to draw my colleagues' attention to is the role of MTV music television and the Recording Industry Association of America.

The most basic and profound responsibility that our culture—any culture—has, is raising its children. We are failing that responsibility, and the extent of our failure is being measured in the deaths, and injuries of our kids in the school yard and on the streets of our neighborhoods and communities.

Our children are killing each other, and they are killing themselves.

Primary responsibility lies with the family. As a country, we are not parenting our children. We are not adequately involving ourselves in our children's lives, the friends they hang out with, what they do with their time, the problems they are struggling with. This is our job, our paramount responsibility, and most unfortunately, we are failing. We must get our priorities straight, and that means putting our kids first. But, parents need help.

This is an extraordinarily complex problem. However, at its core, is a collapse of the value shaping institutions of our society. Our public schools are restricted from teaching basic morals and values. Stresses on families, the most basic value building institution in our society, the demands of two income households, and the breakdown of the traditional family structure are undermining our ability to raise decent and moral children. The marginalizing of the critical role of religion, of