Audit Report

OFFICE OF THE INSPECTOR GENERAL

NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA

Report Number 92-070

April 6, 1992

Department of Defense

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

April 6, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)

SUBJECT: Audit Report on the Construction of the Naval and Marine Corps Reserve Center at March Air Force Base, California (Report No. 92-070)

This is the final report on our audit of the project to construct a Naval and Marine Corps Reserve Center at March Air Force Base. It provides the results of our audit of the documentation supporting the planned construction of the new Center. The audit was performed as part of our ongoing Audit of Construction Projects for Training Facililties, Project No. 1RB-0029.

The comments provided by the Department of the Navy on December 24, 1991, in response to a draft of this report dated November 20, 1991, concurred with the finding and recommendations. However, the reply did not concur with the full amount of the potential monetary benefit resulting from the audit. The Navy stated that some of the funds generated from cancellation of the project for a new Center should be used for alterations to the existing Reserve Center at Pomona, California. Of the $5.3 million appropriated, the Navy estimated that $2.1 million was required for renovation and construction of an addition to the Pomona Center.

We agree with the basic premise presented in the Navy reply. However, as explained in the Recommendations, Management Comments, and Audit Response section in Part II of this report, we believe the cost estimate for the work at the Pomona Center is overstated. Therefore, the potential monetary benefits and the estimated completion date related to Recommendation 1. in this final report are considered unresolved. Appendix B has been revised to reflect this unresolved matter.

Despite this unresolved matter, the responsive and aggressive action taken in response to our audit findings by the Facilities Directorate at the Naval Reserve Force is commendable. The ongoing efforts to establish a process for managing the Naval Reserve facilities construction program, when implemented, will provide the oversight necessary to preclude the construction of uneconomical training facilities.

DoD Directive 7650.3 requires that audit reports be resolved promptly. Potential monetary benefits are subject to resolution in the event of nonconcurrence or failure to comment. Your comments on this final report should be provided by May 8, 1992.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Ms. Mary Lu Ugone on (703) 693-0317 (DSN 223-0317) or Mr. Timothy J. Tonkovic on (804) 766-3319. Copies of this report will be provided to the activities listed in Appendix D.

Robert J. Lieberman
Assistant Inspector General
for Auditing

cc:
Secretary of the Navy

Office of the Inspector General

AUDIT REPORT NO. 92-070 April 6, **1992**
(Project No. 1RB-0029.01)

NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA

EXECUTIVE SUMMARY

Introduction. During our ongoing audit of Construction Projects for Training Facilities, we found that the Navy proposed constructing a consolidated Naval and Marine Corps Reserve Center at March Air Force Base, California. Congress appropriated $5.3 million for this FY 1990 construction project to consolidate the San Bernardino and Pomona Reserve centers. The project is planned for March Air Force Base, since the original proposed site, Norton Air Force Base, San Bernardino, California, was scheduled for closure.

Objective. The objective of the audit was to evaluate the data on which the Navy based construction requirements and to determine if alternatives to new construction were fully considered. Also, we evaluated the adequacy of internal controls as they related to the construction of training facilities.

Audit Results. Project documentation supporting the new construction of a consolidated Naval and Marine Corps Reserve Center was not accurate or current and did not include consideration of alternatives. As a result, the proposed construction of a new Reserve Center was not necessary to accomplish training objectives and achieve mission readiness.

Internal Controls. Procedural weaknesses in the construction and approval process within DoD will be addressed in the report on the overall Audit of Construction Projects for Training Facilities.

Potential Benefits of Audit. At least $3.2 million can be saved if the planned construction project at March Air Force Base is canceled. The exact amount of monetary savings can be determined after the actual cost of the alternative project at the Pomona Center is known. Other benefits are also discussed in Appendix B.

Summary of Recommendations. We recommended that the proposed construction project be canceled, that engineering evaluations be performed for the existing San Bernardino and Pomona Reserve centers, and that an economic analysis be performed to evaluate the cost-effectiveness of consolidating at the San Bernardino Reserve Center or the Pomona Reserve Center. We also recommended that facility requirements for consolidated Naval and Marine Corps Reserve centers be predicated on a drill schedule that makes use of the centers three weekends a month.

Management Comments. The Navy concurred in principle with Recommendation 1. and concurred with Recommendations 2., 3., and 4. The Navy nonconcurred with the potential monetary benefits of $5.3 million. Details on management's comments are provided in Part II of this report, and the text of management's comments is in Part IV. The Navy is requested to provide comments on the unresolved issues by May 8, 1992.

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This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Audit Planning and Technical Support Directorate at (703) 614-6303.

PART I - INTRODUCTION

Background

Training facilities are the third most frequent type of facility built by DoD and account for about 14.5 percent of the dollar value of the nonfamily housing facility construction program. In FYs 1988 through 1991, DoD received $2.3 billion in appropriations for construction of training facilities. Of the $2.3 billion, the active Navy received $500 million, and the Naval Reserve received $100 million. Construction projects for training facilities included firing ranges, armories, Reserve centers, training support centers, and classroom buildings.

The Military Departments renovate or construct training facilities to meet essential training requirements and are required to expeditiously complete the facilities so that the training missions and readiness capabilities are not impaired. Training facility requirements must be sufficiently defined, validated, and periodically revalidated before construction begins.

During our Audit of Construction Projects for Training Facilities, Project No. 1RB-0029, we found that the Naval Reserve Force planned to build a 50,000-square-foot, joint Naval and Marine Corps Reserve Center at Norton Air Force Base, San Bernardino, California. Since Norton Air Force Base was selected for closure, the project was changed to March Air Force Base, Riverside, California. Congress appropriated $5.3 million for this FY 1990 construction project that would consolidate the San Bernardino and nearby Pomona Reserve centers.

Built in 1948, the Naval and Marine Corps Reserve Center at San Bernardino is a semipermanent structure located on leased land. Built in 1959, the Naval Reserve Center at Pomona is a permanent structure on Government-owned land. The Navy did not classify either facility as inadequate for use by Reservists.

Objectives

The objective of the audit was to determine whether the Navy based construction requirements on valid data; fully considered using existing facilities; and consolidated building requirements, where possible. Also, we evaluated the adequacy of internal controls as they related to the proposed construction of this training facility.

Scope

The audit focused on the proposed construction of a joint Naval and Marine Corps Reserve Center. At a programmed cost of $5.3 million, the approved construction project was for a new,

steel frame, 50,000-square-foot training building. We visited the existing Reserve centers at San Bernardino and Pomona. We also visited the proposed construction site at March Air Force Base and various Naval offices responsible for the construction approval and execution process.

At those locations, we reviewed procedures for developing facility requirements and obtained available project documentation dated from 1984 to 1991 on project initiation, validation, and approval. Site visits were made in June and July 1991.

This economy and efficiency audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. The activities we visited or contacted are listed in Appendix C.

Internal Controls

Procedural weaknesses in the construction and approval process within DoD will be addressed in the audit report on the overall audit of Construction Projects for Training Facilities.

Prior Audits and Other Reviews

In the past 5 years, no audits have specifically addressed the construction of training facilities. However, the Naval Audit Service has issued two reports on military construction and is in the process of issuing another report.

The Naval Audit Service issued Report No. 126-W-88, "Military Construction Program at Marine Corps Base, Camp Pendleton, California," on July 12, 1988. The report states that the Marine Corps generally managed its Military Construction Program effectively at Camp Pendleton, but improvements were needed to ensure that facility requirements were properly determined, documented, and programmed in the most efficient manner. Internal controls were not adequate to prevent and detect material deficiencies in operations or to ensure compliance with laws and regulations. Management did not indicate in its response that any of the report recommendations would be implemented.

Naval Audit Service Report No. 041-S-89, "Budgeting for Selected Military Construction Projects at Naval Submarine Bases, Kings Bay, Georgia, and Bangor, Washington," March 24, 1989, addresses a wide range of military construction projects within the Department of the Navy. The report states that construction projects were not fully supported, that the Naval Facilities Engineering Command circumvented the normal planning and

certification process, and that requirements were overstated. Management generally nonconcurred with the findings and recommendations. Our current audit also disclosed that the proposed construction for a training building was not fully supported and that requirements were overstated.

In March 1989, the Naval Audit Service initiated Project No. 89-0182, "Audit on Validation of Military Construction Projects." The objectives were to determine the validity of selected Navy and Marine Corps military construction projects and whether systemic problems existed within the Shore Facilities Planning and Programming System. The research included a review of 99 of 551 projects proposed for FYs 1992 and 1993. As of March 6, 1991, the final report on this project had not been issued.

PART II - FINDING AND RECOMMENDATIONS

CONSTRUCTION OF A NAVAL AND MARINE CORPS RESERVE CENTER

The Naval Reserve Force planned construction of a new consolidated Naval and Marine Corps Reserve Center that was not needed to accomplish training objectives and to achieve mission readiness. This condition occurred because the Naval Reserve Force overstated personnel projections and did not perform a required economic analysis, which would have allowed planners to consider alternatives to new construction. As a result, at least $3.2 million will be spent unnecessarily if the Navy proceeds with the proposed new construction.

DISCUSSION OF DETAILS

Background

Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," (the Manual), October 1, 1990, states that facility requirements must be accurate and justified and that new construction should not be proposed when existing assets equal or exceed the requirement. The Manual also states that projects affected by reduced personnel strengths or mission changes should be reduced in scope.

The Manual defines an adequate facility as one capable of supporting its current use. A substandard facility is capable of supporting its current use, but requires modification or repairs to make it adequate. As required in the Manual, a substandard facility should not be replaced unless supported by an economic analysis that evaluates other alternatives.

The existing Reserve center, a semipermanent building constructed about 1948 at San Bernardino, California, has 22,574 square feet of substandard space and 7,632 square feet of adequate space. The facility is located on leased land. The Naval Reserve Center at nearby Pomona has 23,788 square feet of adequate space on Government-owned land. It was built in 1959 and is of permanent brick/block construction. Neither of the facilities at the two locations was classified as inadequate.

The project documentation showed that new construction of a consolidated Naval and Marine Corps Reserve Center was approved because the existing San Bernardino facility did not conform to training requirements and that this deficiency reduced the effectiveness of training and, in the long term, would affect readiness. Project documentation also showed that the facility was not constructed or insulated for energy conservation.

Construction of the consolidated Reserve center was originally scheduled for Norton Air Force Base, before the base was selected for closure. The Reserve center project was relocated to March Air Force Base, which is about 20 miles from Norton Air Force Base. Construction is scheduled to begin in FY 1992. A chronology of events relevant to the project is in Appendix A.

DoD Directive 1225.7, "Reserve Component Facilities Programs," July 6, 1990, states that facilities should be based on the authorized strength of assigned units. This project was based on a projection of assigned strength of about 1,000 Naval Reservists, which was about 3 times greater than authorized strength.

The Naval Reserve Force initiated a military construction project to replace the San Bernardino Reserve center without validating the accuracy of requirements, performing an economic analysis that evaluated alternatives, and performing engineering evaluations of existing facilities.

Proposed Reserve Center

Overstated personnel projections. The proposed Reserve center construction project was based on a projected personnel strength of about 1,000 Naval Reservists and a small Marine Corps organization of about 95 members. The projection, used to justify construction of a new 50,000-square-foot Reserve center, substantially exceeded the needs of already assigned personnel.

In February 1986, the commanding officer of the existing San Bernardino Reserve center projected that the number of assigned Reservists would exceed 1,000 by FY 1990. In May 1986, the Navy revised the projection downward to 550 Reservists based on a demographics study made by the National Defense University and the University of Charleston. The study projected that the 1991 end strength at San Bernardino would be 547 Reservists. Our analysis of personnel data indicated that the projections were too high. Additionally, the number of Reservists at San Bernardino has decreased since 1986.

We obtained weekend drill attendance rosters for the San Bernardino Reserve center for the 12-month period ended May 1991 to determine the utilization of the Reserve center by assigned Reservists. We also obtained weekend drill attendance rosters from the Pomona Reserve center for the same 12-month period, since it was scheduled to be consolidated with the San Bernardino Reserve center. Drill attendance data are shown in the table below.

Drill Attendance

	Authorized	Assigned	Drill Attendance High	Low	Average
Navy					
San Bernardino	141	365	237	169	172
Pomona	123	238	109	77	88
Total	264	603	346	246	260
Marines					
San Bernardino	90	95	78	60	71

Assigned strengths are significantly higher than authorized strengths because the numbers reflect Reservists who are in a cross-assigned out 1/ or In-Assignment Processing status. 2/

The San Bernardino and Pomona Reserve Centers held weekend drills once a month. Our review of drill attendance records at each center showed that a combined average of only 260 (41 percent) of 603 assigned Naval Reservists drilled each month at the centers. The remaining 59 percent drilled elsewhere.

On an average drill weekend, 47 percent of the Naval Reservists assigned to San Bernardino and 37 percent of the Reservists assigned to Pomona drilled at the centers.

During the 12-month period ended May 1991, the highest combined attendance shown for a weekend drill, 346 Naval Reservists, included Reservists who would have attended drill, but were deployed during Operation Desert Storm. Even if 346 Reservists were required to drill at the same Reserve center, this could be done on two separate weekends without disrupting unit integrity.

Using authorized strength to determine facility requirements, as required by DoD Directive 1225.7 and the Naval Facilities

1/ Personnel in a cross-assigned out status do not have suitable billets in the units located at the San Bernardino and Pomona Reserve centers, and are therefore assigned to other mobilization units. However, cross-assigned personnel may train at the Reserve centers.

2/ Personnel in In-Assignment Processing status are awaiting assignment to mobilization billets either locally or on a cross-assigned basis. In-assignment processing personnel report to the centers and should be listed on drill attendance records if they are being paid.

Engineering Command P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations" (P-80), we concluded the 264 Naval Reservists authorized for San Bernardino and Pomona would justify a 200-member center. A 200-member center will support up to 299 Reservists under existing P-80 criteria. Actual attendance figures support the same size facility. Sufficient space would be available for the 95-member Marine Corps organization on an alternate weekend of the month.

Space requirements. Standardized space criteria for Naval and Marine Corps Reserve Centers are set forth in the P-80. The P-80 gives specific Navy space allowances in increments of 100 Reservists. Marine Corps space allowances are shown for small, medium, or large organizations based on the number of Reservists. The P-80 criteria were established as a guide and are considered the maximum space allowances. An activity is not automatically "entitled" to the maximum amount of space allowed. Actual space requirements should be supported by utilization or need.

The P-80 space criteria for Reserve centers do not address the number of times per month the centers are used for weekend drills, which can result in overstated square footage requirements. Increasing the number of drill weekends held each month lowers actual space requirements. For example, space requirements for the assembly area and classrooms were computed at 3,500 square feet and 5,000 square feet, respectively. Applying the P-80 criteria to reflect the use of a Reserve center three weekends a month instead of one would reduce square footage requirements. Using three drill weekends a month for this project, we determined that 2,000 square feet for the assembly area and 2,000 square feet for classrooms would be adequate to satisfy training requirements. Although there is no published DoD policy on the number of weekend drills that should be held each month, representatives from the Office of the Assistant Secretary of Defense (Reserve Affairs) stated that Reserve Center facility space requirements should be based on an efficient utilization of three drill weekends per month.

Allocating the P-80 space criteria to a Reserve center that is used three times a month would support a consolidated San Bernardino and Pomona project and would reduce the square footage requirement from the proposed 50,000 square feet to about 24,000 square feet.

Special requirements. Project documentation did not support the need for a 2,000-square-foot office for a Security Group unit. The Program Manager for the Naval Reserve Force Security Group confirmed to us that there was no requirement for the office. Also, the project design includes a separate building to house a 993-square-foot Marine Corps vehicle maintenance facility; a 539-square-foot Navy garage; and a 1,664-square-foot

Navy vehicle maintainence shop. Conference minutes relating to project design state that the only maintenance to be performed in the Marine maintenance facility is "changing oil." Our review disclosed that maintenance, including changing oil on six Marine military vehicles, can be performed at nearby training sites, military installations, or commercial facilities. The proposed Navy garage would be used for parking vehicles. The Naval Reserve Force could not furnish a specific need for the shop. Eliminating the Security Group unit office and the separate maintenance/garage building would reduce project requirements by more than 5,000 square feet.

Alternatives to new construction. One of the primary precepts of the Navy Shore Facilities Planning System (the System) is to reduce facility deficiencies and surplus facilities by the most efficient means available. The System encourages facility planners to explore various alternatives without resorting to new construction. An economic analysis of various alternatives is required by the Manual to assist in the decision-making process.

New construction must be supported by a detailed, valid, and comprehensive economic analysis, and existing facilities should be considered as alternatives. Engineering evaluations of existing facilities are also required by the Manual.

San Bernardino Reserve center. The existing San Bernardino facility was classified as substandard, which meant it was capable of supporting current use but required modification or repairs to make it adequate. Although the Manual states that substandard facilities should not be considered for total replacement, the San Bernardino center was scheduled for replacement. The Manual states that susbstandard facilities can be replaced under unusual circumstances and only when supported by an economic analysis. However, a comprehensive economic analysis and an engineering evaluation were not performed.

A quick savings to investment ratio (SIR) analysis, performed in 1987, showed that only $98,000 was needed to refurbish the San Bernardino center to make it adequate. Annual recurring costs for an existing facility were estimated at $38,000 more than for a new facility. The SIR analysis showed that a new Reserve center would result in benefits of $220,000 because of annual productivity improvements, operational efficiencies, personnel savings, increased readiness, and quality-of-life improvements. The activities visited provided no documentation to support the stated $220,000 in annual improvements. Even if the estimated $220,000 in savings was possible, the net value of life-cycle benefits to be gained with a new facility was only 43 percent of

the cost of the new construction. Therefore, since investment exceeded savings, the SIR calculation did not justify new construction.

Pomona Reserve center. The Naval Reserve Force did not consider using the existing Pomona Reserve center to meet the consolidated San Bernardino and Pomona requirements. Although no formal engineering evaluations had been performed, the commanding officer of the Pomona Reserve center determined that the facility was well maintained and in excellent condition during the most recent inspection done in July 1990. Only two deficiencies were noted, with an estimated repair cost of about $9,000.

Based on P-80 space criteria, we concluded that a 200-member center and the small Marine Corps organization need about 24,000 square feet of space. The existing facility at Pomona satisfies the requirements for a consolidated San Bernardino and Pomona Reserve center. The existing center has 23,788 square feet of adequate space and is underused. We identified more than 2,800 square feet of unused space, as well as additional space that is infrequently used.

Although the Pomona center meets square footage requirements, we recognize it might require some alterations. There is no armory for weapons storage, and modifications might be needed to meet specific room and function requirements.

Available parking consisting of 124 spaces may also be inadequate. Additional parking spaces for military and privately-owned vehicles might be constructed on nearby Government-owned land. Commercial land adjacent to the Pomona center is also available for future expansion, if required.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

We recommend that the Director of Naval Reserve:

1. Cancel Reserve training building construction Project P-054.

Management comments. The Commander, Naval Reserve Force, concurred in principle to cancel construction Project P-054 at March Air Force Base. Management stated that the project should be rescoped and that funding should be used to execute a project that meets the requirements supported by an economic analysis and by the current and future needs of the Naval Reserve.

Headquarters, United States Marine Corps, also commented on the recommendation. The Marine Corps nonconcurred with the recommendation, stating that cancellation of an approved $5.3 million project would be unwise before an alternative was

identified. However, the Marine Corps also stated that it would remain flexible in considering adequate alternative locations at or nearby Ponoma or March Air Force Base.

Audit response. We consider management's comments to rescope construction Project P-054 to be partially responsive. Since the issuance of the draft report, actions taken by the Commander, Naval Reserve Force, further support implementation of the recommendation. On January 29, 1992, the Southwestern Division, Naval Facilities Engineering Command, completed the economic analysis requested by the Commander, Naval Reserve Force. We reviewed the economic analysis, which recommended consolidation of operations at the Pomona Reserve Center. Discussions with officials from the Naval Reserve Force disclosed that they concurred with the alternative and will consolidate operations at the existing Pomona Reserve Center.

We recognized in the finding that the Pomona center would require some alterations. We stated that there was no armory for weapons storage and that modifications may be needed to meet specific room and functional requirements. The January 29, 1992, economic analysis concluded that $2.1 million was required for repair and renovation of the existing center and for construction of a new addition. However, based on our review of the facility requirements and inspection reports, we believe that the cost for repair and renovation and an addition at Pomona should be about $630,000 rather than $2.1 million.

In response to the final report, we request that the Commander, Naval Reserve Force, provide estimated completion dates for planned actions and reconsider the estimated amount of funds that would be saved as a result of using the Pomona facility and canceling construction Project P-054. The exact savings can be determined for followup reporting purposes when the actual cost of the alternative project at the Pomona Center is known.

2. Direct that facility requirements for consolidated Naval and Marine Corps Reserve centers be predicated on a drill schedule that makes use of the centers three weekends a month.

Management comments. The Commander, Naval Reserve Force, concurred with the recommendation to base facility requirements on a minimum of two drill weekends per month for the Navy and one drill weekend per month for the Marine Corps. Management stated that maximum utilization of the centers is the Naval Reserve goal. Additionally, management stated that it will evaluate all facility requirements and establish utilization criteria that will align with current policy and future requirements. By July 1992, management plans to have in place a program that will meet the facility needs of the Naval Reserve and designate facilities for closure and functional consolidation. The Marine Corps had no objection to the recommendation.

3. Perform engineering evaluations of existing facilities at the San Bernardino and Pomona Reserve centers in accordance with Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990.

Management comments. The Commander, Naval Reserve Force, concurred with the recommendation, stating that the engineering evaluations were being prepared as part of a complete engineering study/economic analysis by the Southwestern Division, Naval Facilities Engineering Command. The estimated date of completion was December 16, 1991. The Marine Corps had no objection to the recommendation.

4. Perform an economic analysis that considers the use of alternatives such as the existing San Bernardino and Pomona Reserve centers to meet consolidation requirements, in conformity with Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990.

Management comments. The Commander, Naval Reserve Force concurred with the recommendation. An economic analysis requested by the Naval Reserve Force from the Southwestern Division, Naval Facilities Engineering Command, was completed on January 29, 1992. The Marine Corps had no objection to the recommendation.

STATUS OF RECOMMENDATIONS

		Response to Final Report Should Include [1]			
Number	Addressee	Reconsideration of Position	Proposed Action	Completion Date	Related Issues
1.	Cdr. NRF [2]	N/R	N/R	X	M
2.	Cdr, NRF	N/R	N/R	N/R	N/A
3.	Cdr, NRF	N/R	N/R	N/R	N/A
4.	Cdr, NRF	N/R	N/R	N/R	N/A

*$5.3 million in funds put to better use as a result of canceling construction Project P-054.

1/ N/R = Additional comments not required; M = Monetary benefits
2/ Commander, Naval Reserve Force

PART III -ADDITIONAL INFORMATION

Appendix A - Chronology of Events

Appendix B - Summary of Potential Benefits Resulting From Audit

Appendix C - Activities Visited or Contacted

Appendix D - Report Distribution

APPENDIX A: CHRONOLOGY OF EVENTS

The following chronology shows the major events that have affected the joint Navy and Marine Corps Reserve center construction project.

Before 1984	Construction project initiated for approximately 34,140 square feet at Norton Air Force Base to replace the San Bernardino Reserve center. *
February 1986	The commanding officer of the San Bernardino Reserve center estimated that the assigned strength would increase from 490 to more than 1,000 personnel by FY 1990.
October 1986	Project documentation submission modified to include the consolidation of the San Bernardino and Pomona Reserve centers.
April 1987	Design authorized for a 48,540-square-foot, 1,000-member Reserve center with an estimated cost of $5.6 million ($5.35 million programmed).
September 1987	Quick savings to investment ratio economic analysis supported refurbishing the San Bernardino Reserve center instead of building a new facility.
December 1988	Norton Air Force Base selected for closure.
November 1989	Final site design for the project at Norton Air Force Base completed.
March 1990	All planning and design efforts terminated due to planned closure of Norton Air Force Base.
April 1990	Air Force approved relocating project to March Air Force Base.
November 1990	New estimated project cost of $6.3 million because of relocation to March Air Force Base.
April 1991	New site at March Air Force Base approved after two other sites were disapproved.
May 1991	Redesign started for March Air Force Base with estimated final design due in November 1991, and construction contract solicitation scheduled for February 1992.

* Specific documentation not available.

APPENDIX B: SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description Of Benefit	Amount and/or Type of Benefit
1.	Economy and Efficiency. Cancellation of the construction project will result in funds put to better use.	At least $3.2 million in FY 1990 MILCON funds not required.
2.	Economy and Efficiency. Facility requirements for consolidated Naval and Marine Corps Reserve centers that are predicated on a drill schedule that makes use of the centers three weekends a month maximizes utilization of Reserve centers.	Nonmonetary
3.	Economy and Efficiency. Requires performing engineering evaluations of the existing San Bernardino and Pomona Reserve centers.	Nonmonetary
4.	Economy and Efficiency. Requires performing an economic analysis that considers the existing San Bernardino and Pomona Reserve centers in meeting consolidation requirements.	Nonmonetary

APPENDIX C: ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Assistant Secretary of Defense (Reserve Affairs), Washington, DC

Department of the Army

Army Corps of Engineers, Sacramento District, Sacramento, CA

Department of the Navy

Director of Naval Reserve, Washington, DC
Naval Facilities Engineering Command, Alexandria, VA
Naval Facilities Engineering Command, Western Division, San Bruno, CA
Commander, Naval Reserve Force, New Orleans, LA
Commander, Naval Reserve Readiness Command, Region Twenty, San Francisco, CA
Commander, Naval Reserve Readiness Command, Region Nineteen, San Diego, CA
Commanding Officer, San Bernardino Naval and Marine Corps Reserve Center, San Bernardino, CA
Commanding Officer, Pomona Naval Reserve Center, Pomona, CA

Department of the Air Force

Norton Air Force Base, San Bernardino, CA
March Air Force Base, Riverside, CA

U.S. Marine Corps

4th Marine Division (Rein), New Orleans, LA

APPENDIX D: REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel)
Assistant Secretary of Defense (Production and Logistics)
Assistant Secretary of Defense (Public Affairs)
Assistant Secretary of Defense (Reserve Affairs)
Comptroller of the Department of Defense
Deputy Assistant Secretary of Defense (Installations)
Director, Joint Staff

Department of the Army

Assistant Secretary of the Army (Financial Management)
Auditor General of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Auditor General of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General of the Air Force

Other Defense Activities

Defense Base Closure Commission
Defense Logistics Studies Information Exchange
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency

Non-DoD Federal Organizations

Office of Management and Budget
U.S. General Accounting Office, NSIAD Technical Information Center

Congressional Committees

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services

APPENDIX D: REPORT DISTRIBUTION (cont'd)

Congressional Committees (cont'd)

Senate Subcommittee on Manpower and Personnel, Committee on Armed Services
Senate Subcommittee on Readiness, Sustainability, and Support, Committee on Armed Services
Senate Committee on Budget
Senate Committee on Governmental Affairs
Senate Subcommittee on Oversight of Government Management, Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Committee on Armed Services
House Subcommittee on Military Installations and Facililties, Committee on Armed Services
House Subcommittee on Military Personnel and Compensation, Committee on Armed Services
House Subcommittee on Readiness, Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations

PART IV - MANAGEMENT COMMENTS

Department of the Navy

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(MANPOWER AND RESERVE AFFAIRS)
WASHINGTON D C 20350 1000

24 DEC 1991

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DRAFT AUDIT REPORT ON THE NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA (PROJECT NO. 1RB-0029.01) - INFORMATION MEMORANDUM

The Department of the Navy concurs with the recommendations contained in the Draft Audit Report on the Naval and Marine Corps Reserve Center construction project at March Air Force Base, California. Attached as TABs (A) and (B) are the respective Navy and Marine Corps responses to each recommendation, as well as planned corrective actions.

DONALD C. MORENCY
Deputy Assistant Secretary of the Navy
(Reserve Affairs)

TAB A - Commander, Naval Reserve Force response to DODIG recommendations concerning Project No. 1RB-0029.01

TAB B - Headquarters, U. S. Marine Corps response to DODIG recommendations concerning Project No. 1RB-0029.01

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(MANPOWER AND RESERVE AFFAIRS)
WASHINGTON D C 20350 1000

24 DEC 1991

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DRAFT AUDIT REPORT ON THE NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA (PROJECT NO. 1RB-0029.01) - INFORMATION MEMORANDUM

The Department of the Navy concurs with the recommendations contained in the Draft Audit Report on the Naval and Marine Corps Reserve Center construction project at March Air Force Base, California. Attached as TABs (A) and (B) are the respective Navy and Marine Corps responses to each recommendation, as well as planned corrective actions.

DONALD C. MORENCY
Deputy Assistant Secretary of the Navy
(Reserve Affairs)

TAB A - Commander, Naval Reserve Force response to DODIG recommendations concerning Project No. 1RB-0029.01

TAB B - Headquarters, U. S. Marine Corps response to DODIG recommendations concerning Project No. 1RB-0029.01

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)

Final Report Reference

DEPARTMENT OF THE NAVY
COMMANDER NAVAL RESERVE FORCE
NEW ORLEANS, LOUISIANA 70146-5000

11000
Ser 08/195C
13 DEC 1991

From: Commander, Naval Reserve Force
To: Chief of Naval Operations (OP-095)

Subj: DRAFT AUDIT REPORT ON THE NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA (DOD INSPECTOR GENERAL PROJECT NO. 1RB-0029.01)

Ref: (a) DoD IG memorandum for ASN (Financial Management) of 20 Nov 91

1. Reference (a) has forwarded the subject draft report to ASN for review and comments.

2. The following are COMNAVRESFOR comments on the report recommendations contained on page 18 of the report.

Recommendation 1.

a. Recommendation: Cancel Reserve training building construction Project P-054.

Comment: Concur in principle. Project P-054 should be rescoped and funding used to execute a project that meets the requirements supported by an in process economic analysis and by the current and future needs of the Naval Reserve. These needs are currently being examined by a recently established planning board.

Recommendation 2.

b. Recommendation: Direct that facility requirements for consolidated Naval and Marine Corps Reserve centers be predicated on a drill schedule that makes use of the centers three weekends a month.

Comment: Concur inasmuch as our existing criteria for centers with 200 or more reservists is based on a minimum of two weekends for the Navy and one weekend for the Marine Corps. Maximum utilization of the centers is our goal.

Recommendation 3.

c. Recommendation: Perform engineering evaluations of existing facilities at the San Bernardino and Pomona Reserve centers in accordance with Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990.

Comment: Concur. An engineering evaluation of the existing facilities is being performed by Southwestern Division, Naval Facilities Engineering Command, as a part of a request for a complete engineering study/economic analysis.

TAB A

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Recommendation 4.

Subj: DRAFT AUDIT REPORT ON THE NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA (DOD) INSPECTOR GENERAL PROJECT NO. 1RB-0029.01)

d. Recommendation: Perform an economic analysis that considers the use of alternatives such as the existing San Bernardino and Pomona Reserve centers to meet consolidation requirements, in conformity with Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual, October 1, 1990.

Comment: As indicated in paragraph 2.c., above, an economic analysis was requested on 7 October 1991 and is under preparation by Southwestern Division, Naval Facilities Engineering Command. Estimated completion date is 16 December 91.

3. Following are COMNAVRESFOR comments on the Summary of Potential Monetary and Other Benefits Resulting from the Audit contained on page 23 of the report:

a. Concur that monetary savings will be realized if project P-054 is not constructed, but do not concur with the amount of savings reflected. $5.3 million is the estimated value of the planned project P-054, but it is misleading to say that this amount will be saved without also stating that costs will be incurred if the new consolidated facility is not built. Continued expenditure of O&MNR funds will be required to maintain either or both of the existing aged facilities and additional funds will be required to plan, design and execute any alternative project that will satisfy the final revised facilities requirements. The current trend in establishing criteria for the active and Reserve forces in light of the worldwide political situation is extensively more dynamic than the shore facilities system. A system with a historic lead time of 5-10 years does not allow for the incorporation of timely, cost effective decisions and is easily subjected to hindsight interpretations. The MCNA/MILCON system must change to allow for the timely redirection of authorized funding rather than an all or nothing at all approach. Good business decisions cannot/will not be made without this change.

b. Our concurrence is based solely on monetary value. There are intangibles for which a dollar cost cannot be determined and therefore are unacceptable to audit guidelines, such as security, availability of government quarters, accessibility of gaining commands, demographic location and our capability to operate and maintain an effective manpower pool. Although not subject to this audit, we recommend that operational and quality of life issues be addressed in any and all future audits.

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Subj: DRAFT AUDIT REPORT ON THE NAVAL AND MARINE CORPS RESERVE CENTER CONSTRUCTION PROJECT AT MARCH AIR FORCE BASE, CALIFORNIA (DOD) INSPECTOR GENERAL PROJECT NO. 1RB-0020 C1)

4. We have taken the initiative to implement evaluation of all of our facility requirements and establish utilization criteria which will align with current policy and future requirements. We believe that by July 1992 we will have in place a program which will meet our needs and designate facilities for closure and functional consolidation. Our intent is to streamline our facility justification system, fully utilize our facilities, cut short and long term costs, but most of all be able to meet total force requirements and support our personnel. To be successful with this initiative we must be allowed to redirect all of the funding for this project to pay for the alternative solution as well as construction of other justified, backlogged projects.

M. BRESNAHAN, JR
Deputy

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Audit of Naval and Marine Corps Reserve Center
Construction Project at March Air Force Base, California
Project No. 1RB-0029.01

Summary of Findings

The draft audit claims that the Naval Reserve Force approved new construction of a consolidated Naval and Marine Corps Reserve Center which exceeds requirements and is not needed to achieve mission readiness. Reportedly, the Naval Reserve Force overstated its square footage requirements, did not perform an economic analysis that considered other alternatives, and failed to perform required engineering evaluations of existing facilities. Also, it is alleged that the Navy does not have adequate documentation to justify the construction project.

Marine Corps Position

Project #P-054 is for the constuction of a Joint Reserve Center Training Building, 23 percent Marine Corps and 77 percent Navy. The building currently being used by the Marines has, as noted on page 8 of the report, 22,574 square feet of substandard space and 7,632 square feet of adequate space. This current Navy and Marine Corps Training Center is a semipermanent stucture built in 1948 and situated on leased land. The Marine Corps space requires high maintenance costs, and would require high renovation costs to raise the standard to adequate work and training spaces.

In the original request for P-054, the Marine Corps projected the strength of the unit to be approximately 95. Actual drill attendance records show the Marine Corps within 20 of this projected strength.

The Marine Corps objective remains to provide the Marines with adequate work and training spaces at economical maintenance costs. Recognizing that the Navy has the lead, as well as the majority of the requirements for the new building, the Marine Corps continues to support the project, while remaining flexible in considering adequate work and training spaces in any of the possible alternative locations at or near Pomona or March Air Force Base.

Recommendation 1: "We recommend that the Director of Naval Reserve cancel reserve training building construction Project P-054."

Marine Corps Position: Nonconcur. Cancellation of the project should not occur unless and until a suitable alternative is adopted. Cancellation of an approved $5.3 million construction project prior to identification of an alternative would be unwise.

Recommendation 2: "We recommend that the Director of Naval Reserve direct that facility requirements for consolidated Naval and Marine Corps reserve centers be predicated on a drill schedule

TAB B

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