

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE CLOSURE AND
REALIGNMENT BUDGET DATA FOR
WILLIAMS AIR FORCE BASE, ARIZONA**

Report No. 93-108

June 11, 1993

Department of Defense

Acronyms

AFMC
ATC
AFB
AFR
BRAC
COBRA
MILCON

Air Force Materiel Command
Air Training Command
Air Force Base
Air Force Regulation
Base Realignment and Closure
Cost of Base Realignment Actions
Military Construction



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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June 11, 1993

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Defense Base Closure and Realignment Budget Data for
Williams Air Force Base, Arizona (Report No. 93-108)

We are providing this final report for your information and use. Comments on a draft report were considered in preparing this final report. The audit was required by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. The law prescribes that we evaluate significant increases in the cost of military construction projects over the estimated cost provided to the Commission on Base Realignment and Closure. This report is one in a series of reports relating to FYs 1993 and 1994 military construction costs and addresses the realignment of the Armstrong Laboratory Simulator Research Facility, Williams Air Force Base, Chandler, Arizona, to the Central Florida Research Park, Orlando, Florida, and the realignment of the Plastic Media Blast Module, Williams Air Force Base, to Laughlin Air Force Base, Del Rio, Texas.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. The Air Force comments were not fully responsive. In addition, we revised and readdressed recommendations to the Comptroller of the Department of Defense. Therefore, we request the Air Force and the Comptroller of the Department of Defense to provide comments on the unresolved recommendations by August 10, 1993. See the "Response Requirements Per Recommendation" section at the end of each finding for the unresolved recommendations and the specific requirements for your comments.

The courtesies and cooperation extended to the staff are appreciated. If you have any questions on the report, please contact Mr. Wayne Million, Program Director, at (703) 692-2991 (DSN 222-2991) or Mr. Thomas Smith, Project Manager, at (703) 692-2992 (DSN 222-2992). Appendix D lists the planned distribution of the report.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 93-108
Project No. 3CG-0013.03

June 11, 1993

DEFENSE BASE CLOSURE AND REALIGNMENT BUDGET DATA FOR WILLIAMS AIR FORCE BASE, ARIZONA

EXECUTIVE SUMMARY

Introduction. The audit was directed by Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991. The Public Law states that the Secretary of Defense shall ensure that the amount of the authorization requested by DoD for each military construction project associated with base realignment and closure (BRAC) does not exceed the original estimated cost provided to the Base Closure and Realignment Commission (the Commission). The Secretary of Defense is required to explain to Congress the reasons for the differences between the original project cost estimate provided to the Commission and the requested budget amount. The Inspector General, DoD, is required to review each military construction project for which a significant difference exists and to provide the results of the review to the congressional Defense committees. This report is one in a series of reports relating to FYs 1993 and 1994 military construction costs for realigning and closing bases.

Objective. The overall audit objective was to evaluate significant increases in base realignment and closure military construction project costs over the estimated costs provided to the Commission. This report provides the results of the audit of two projects valued at \$6.5 million related to the realignment of the Armstrong Laboratory Simulator Research Facility (the Laboratory), Williams Air Force Base (AFB), Chandler, Arizona, to the Central Florida Research Park, Orlando, Florida, and the realignment of the Plastic Media Blast Module (the Module), Williams AFB, to Laughlin AFB, Del Rio, Texas.

Audit Results. We determined that the Air Force Materiel Command did not adequately plan or properly document the military construction project for relocating the Laboratory nor did they validate the Laboratory's existing facility requirements at Williams AFB. Further, because the Air Force established a \$4.4 million funding ceiling without adequate documentation, the Air Force will not obtain a complete and usable facility that will accommodate all the Laboratory functions to be realigned from Williams AFB (Finding A).

The Air Training Command (ATC) did not submit a valid DD Form 1391, "Military Construction Project Data," for realigning the Module. As a result, the BRAC budget data for the project could be overstated from \$810,000 to \$1,260,000 (Finding B).

Internal Controls. Air Force internal controls either were not followed or were not adequate to validate the accuracy of BRAC military construction budget estimates (Findings A and B). We consider these weaknesses to be material. See Part I for details of the internal controls reviewed and Part II for details of the weaknesses.

Potential Benefits of Audit. Implementation of the recommendations will allow DoD to put to better use \$5.21 million to \$5.66 million of military construction funds. Strengthening Air Force internal controls will help validate the accuracy of budget estimates for military construction projects resulting from BRAC and will result in additional monetary benefits. However, we could not quantify the amount. Appendix B summarizes the potential benefits resulting from the audit.

Summary of Recommendations. We recommended that internal controls be implemented for verification of supporting documentation on the DD Forms 1391; that the Laboratory's realignment project (ORLA930081) be suspended from the FY 1994 BRAC authorization; that the Laboratory's military construction estimates be revised and resubmitted; that the Module project (MXDP933007A) be resubmitted; and that the FY 1993 BRAC budget for the Module project be reduced.

Management Comments. The Air Force disagreed with the recommendation to implement internal control procedures that will validate supporting documentation on DD Forms 1391 for BRAC projects, stating that internal control procedures were in place. The Air Force stated they were temporarily retaining the Laboratory at Williams Air Force Base. The Air Force agreed to reduce the BRAC budget request by \$4.4 million for the Laboratory realignment project, to revise the estimates and resubmit a new DD Form 1391 to move the Module, and to transfer \$550,000 of the FY 1993 BRAC funding allocation to reflect the new estimated costs for moving the Module. The Air Force did not agree to reduce the BRAC budget to move the Module.

Audit Response. We consider the Air Force comments to be only partially responsive to the recommendations. Numerous audit reports have shown that the current internal controls are not working in terms of screening out invalid requirements. To ensure that the overall Air Force BRAC military construction budget and funding are appropriately adjusted, we revised and readdressed recommendations to the Comptroller of the Department of Defense for reducing the BRAC budget by \$4.4 million for project ORLA930081 until a decision is made on moving the Laboratory and by \$810,000 to \$1.26 million for project MXDP933007A. Accordingly, we request comments from the Comptroller of the Department of Defense and additional comments from the Air Force by August 10, 1993. A full discussion of management comments is in Part II and the complete text of management comments is in Part IV.

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This report was prepared by the Contract Management Directorate, Office of the Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate (703) 614-6303 (DSN 224-6303).

Part I - Introduction

Introduction

Background

On May 3, 1988, the Secretary of Defense chartered the Commission on Base Realignment and Closure (BRAC) to recommend military installations for realignment and closure. Using cost estimates provided by the Military Departments, the Commission recommended 59 realignments and 86 base closures. On October 24, 1988, Congress passed, and the President signed, Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," which enacted the Commission's recommendations. Public Law 100-526 also establishes the DoD Base Closure Account to fund any necessary facility renovation or military construction (MILCON) projects related to the realignments and closures.

Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, re-established the Commission. Public Law 101-510 chartered the Commission to meet during calendar years 1991, 1993, and 1995 to ensure that the process for realigning and closing military installations was timely and independent and stipulated that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress. The 1991 Commission recommended that an additional 34 bases be closed and 48 bases be realigned, resulting in an estimated net savings of \$2.3 billion for FYs 1992 through 1997 after a one-time cost of \$4.1 billion.

To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions (COBRA) computer model. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount DoD requests for each MILCON project associated with BRAC does not exceed the original estimated cost provided to the Commission. The Secretary of Defense is required to explain to Congress the reasons for the differences between the original project cost estimate provided to the Commission and the requested budget amount. Also, Public Law 102-190 prescribes that the Inspector General, DoD, must evaluate significant increases in MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Objectives

The overall audit objective was to evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the 1991 Commission. The specific objectives were to determine whether MILCON requirements were adequately supported, to determine whether improvements to real property facilities at closing installations were needed, and to determine whether internal controls over BRAC actions were effective.

Scope

The Military Departments developed cost estimates as a realignment and closure package for a particular realigning or closing base and did not develop estimates by individual MILCON project. Therefore, we were unable to determine the amount of cost increases for each individual MILCON project related to a BRAC. We compared the total COBRA cost estimates for each BRAC package to the Military Departments' FY 1994 BRAC MILCON \$900 million budget submission. Thirteen base closure packages had increases ranging from \$1.9 million to \$80.1 million. For our overall audit, we selected 8 of the 13 packages to review, each of which increased 12 percent or more over the cost estimate provided to the Commission. This report covers the Williams Air Force Base (AFB), Chandler, Arizona, closure package.

We examined two projects in the Williams AFB FYs 1993 and 1994 BRAC MILCON budget requests and related documentation supporting the realignment of the Armstrong Laboratory Simulator Research Facility (the Laboratory), Williams AFB, to the Central Florida Research Park in Orlando, Florida, and the realignment of the Plastic Media Blast Module (the Module), Williams AFB, to Laughlin AFB, Del Rio, Texas. We reviewed supporting documentation for the two BRAC MILCON projects valued at \$6.5 million. We did not rely on computer-generated data to conduct this audit.

This economy and efficiency audit was made from January to April 1993 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of internal controls as were considered necessary. Appendix C lists the activities visited or contacted during the audit.

Internal Controls

We evaluated the internal controls for validating BRAC MILCON requirements for realignment of the Laboratory and the Module. Specifically, we reviewed planning, programming, and budgeting for the two realignment projects.

We identified material internal control weaknesses for the realignment projects as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Internal controls either were not followed or were not adequate to:

- o verify that the realignment analysis for the Laboratory project was based on accurate data,
- o verify that estimated costs for the Module project were properly documented, and

Introduction

o verify that the approved FYs 1993 and 1994 BRAC MILCON budget for Williams AFB was supported with project costs on validated DD Forms 1391, "Military Construction Project Data."

Recommendations A.1., if implemented, will correct the internal control weaknesses. Appendix B describes the monetary and other benefits that can be realized by implementing the recommendations. A copy of this report will be provided to the senior official responsible for internal controls within the Department of the Air Force.

Prior Audits and Other Reviews

Since 1991, 21 audit reports have addressed DoD BRAC issues. Appendix A lists the reports.

Part II - Findings and Recommendations

Finding A. Armstrong Laboratory Simulator Research Facility

The Air Force Materiel Command (AFMC) did not adequately plan or properly document the MILCON project for relocating the Laboratory to Orlando. In addition, the existing Laboratory facility requirement at Williams AFB was not validated. Inadequate planning and documentation occurred because AFMC did not establish effective internal control procedures to require documented support for the BRAC budget data, and the Air Force established a \$4.4 million funding ceiling for moving the Laboratory without determining the actual requirements needed to support the realignment. As a result, approximately \$444,000 was spent for a nonrefundable purchase option and design study, and an acceptable facility to house the Laboratory in Orlando was not obtained.

Background

Project ORLA930081, "Armstrong Laboratory Simulator Research Facility," was initiated to provide space for an electronically secure simulator, to provide contractor support, and to provide administrative functions to accommodate the Laboratory in Orlando. This project will collocate Air Force aircrew training technologies and methods near Navy activities that perform similar functions.

The Military Handbook 1010, "Cost Engineering Policy and Procedures," October 16, 1989, contains information for estimating standard costs for laboratory facilities, but the handbook does not contain unit cost factors for a simulator research facility. Guidance provided in Air Force Regulation (AFR) 86-1, "Programming Civil Engineering Resources Appropriated Fund Resources," prescribes methods for documenting and justifying space requirements and costs.

AFR 86-1, chapter 1-1, states that programming for a project consist of three elements. First, the facility requirements needed to accomplish the mission must be determined. Second, existing assets must be evaluated to determine the most economical means of satisfying the requirement. Third, additional facilities that are needed must be acquired.

Realignment Decision

In FY 1991, Williams AFB was recommended for closure, and the Laboratory was directed to realign to Orlando. The Commission accepted the recommendation because Orlando appeared to be the least expensive of several

Finding A. Armstrong Laboratory Simulator Research Facility

realignment alternatives to realign the Laboratory. The Air Force recommendation was based the assumption that the Laboratory could obtain some existing Government space in Orlando and that a 22,000-square-foot facility could be constructed or leased in Orlando to satisfy the rest of the Laboratory space requirements.

In May 1991, the engineers who planned the Laboratory realignment project determined that Government space was not available for the Laboratory in Orlando. The Air Force would have to construct or lease a larger facility than planned. Air Force officials determined in May 1991 that constructing a facility for the realignment could cost as much as \$8 million.

Laboratory Requirements

The Laboratory was housed in a 98,000-square-foot facility on Williams AFB. Documentation to justify the 98,000-square-foot facility was not available.

AFMC submitted the Laboratory project to purchase a 50,000-square-foot facility in Orlando without detailed supporting documentation to verify the requirement.

Funding Ceiling

The Air Force established an artificial funding ceiling of \$4.4 million for realigning the Laboratory to another facility. As a result of this ceiling, Air Force planners were not able to locate an adequate facility in Orlando. Officials at the Laboratory realized the ceiling was too low to provide an adequate facility.

Realignment Plan

The Air Training Command (ATC) Programming Plan established September 1993 as the closing date for Williams AFB. The AFMC Programming Plan prescribed that all Laboratory operations stop by the closure date of Williams AFB and be realigned to Orlando by December 1993. However, both Programming Plans allowed for the Laboratory to remain at Williams AFB until a facility was ready for occupancy in Orlando.

Finding A. Armstrong Laboratory Simulator Research Facility

Realignment Plan Implementation

The Air Force spent approximately \$444,000 exploring the possibility of purchasing property in Orlando to support the Laboratory realignment. The \$444,000 could have been put to better use had the realignment planning process included steps to determine and validate the Laboratory space requirements before the Air Force contracted for a property appraisal and design study.

Option to Purchase. The Deputy Assistant Secretary of the Air Force (Installations) authorized the payment of \$252,000 for a 1-year option to purchase an unfinished 50,000-square-foot facility in the Central Florida Research Park, in Orlando. In addition, the Army Corps of Engineers charged the Air Force \$22,000 for costs associated with the building appraisal and the purchase option.

Design Study. The Air Force also paid \$170,000 for a design study that showed an adequate facility could not be obtained with the \$4.4 million funding ceiling. In January 1993, Air Force officials informed us that the unfinished 50,000-square-foot building was no longer being considered as an option for the Laboratory realignment.

Contractor Support Cost. Laboratory officials estimated that moving into a facility too small to house the contractor support personnel would cost up to \$250,000 annually because the Air Force would have to pay for office space to house the contractor support personnel elsewhere.

Internal Controls

The Laboratory and the Module (Finding B) budget estimates on the DD Form 1391 were based on incomplete documentation. The budget submission was based on a funding ceiling that was not adequately supported. Budget estimates that are not supported can result in authorizations that are either too large or too small for the project requirements. AFR 86-1 describes the documentation needed to support the MILCON project requirements and the estimated MILCON costs. The regulation requires a detailed cost estimate that should be prepared in conjunction with the DD Form 1391 in sufficient detail to permit cost validation. Air Force internal controls either were not followed or were not adequate to verify that the BRAC budget request was "fully supported" with cost estimates or that the request was accurately documented. Not every DD Form 1391 is subject to audit; consequently, AFMC must verify that internal control procedures are adequate and followed so that the cost estimate used to support a budget request can be validated.

Summary

AFMC did not establish documentation validation or justification procedures for the Laboratory space requirements, and the Air Force imposed an artificial funding ceiling on the realignment project. The ceiling adversely impacted the ability of the planning team to locate an adequate facility for the Laboratory in Orlando. Therefore, the Laboratory will not be realigned to Orlando by December 1993 as planned, and the Air Force will continue to incur support costs at Williams AFB.

Recommendations, Management Comments, and Audit Response

Draft Recommendation A.1.a. was deleted based on managements comments. Draft Recommendation A.1.b. was renumbered A.1.

1. We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) implement internal control procedures that will validate supporting documentation for DD Forms 1391, "Military Construction Project Data."

Management Comments. The Air Force nonconcurrent, stating that Air Force internal control procedures were in place and were used.

Audit Response. Although the Air Force stated that internal controls were in place and were used during the program preparation, we determined that detailed documentation was not available to support the DD Forms 1391 used to formulate the FY 1994 BRAC MILCON budget estimates. We also determined that the budget estimates for the projects to realign the Laboratory and move the Module (Finding B.) were based on incomplete or inadequate documentation. Therefore, we believe that the Air Force internal control procedures that would provide accurate and documented budget information either were not followed or were not adequate. As of the date of this report, the Air Force is responding to a second IG, DoD, report on the realignment of the Joint Communications Support Element and the 71st Air Control Squadron (IG, DoD, Report No. 93-109, June 11, 1993, "Defense Base Closure and Realignment Budget Data for the Joint Communications Support Element and the 71st Air Control Squadron)." The report identified similar problems with internal controls over the accuracy of data on the DD Forms 1391 and contained similar recommendations to improve Air Force internal controls. Numerous other audit reports reflecting the same internal control problem could also be cited (See Appendix A). We do not accept the Air Force position on internal controls. It is not sufficient for internal control procedures to be in place if they are not effective. We request that the Air Force reconsider its position and advise how internal controls over the accuracy of data on the DD Forms 1391 used for BRAC budget request will be improved.

Finding A. Armstrong Laboratory Simulator Research Facility

2. We recommend that the Commander, Air Force Materiel Command:

a. Suspend project ORLA930081, Armstrong Laboratory Simulator Research Facility, from the base realignment and closure military construction budget and reduce the budget by \$4.4 million.

b. Revise and resubmit a DD Form 1391, "Military Construction Project Data," for project ORLA930081, Armstrong Laboratory Simulator Research Facility, as a base realignment and closure project for FY 1994, based on the established military construction procedures.

Management Comments. The Air Force partially concurred and stated that the Air Force Chief of Staff approved the temporary retention of the Laboratory functions in a cantonment area at Williams AFB until a study is conducted of Laboratory requirements. The Air Force agreed to reduce the FY 1993 BRAC MILCON budget by \$4.4 million for the current project and prepare a new DD Form 1391 for realignment of the Laboratory when a decision is made with regards to moving the Laboratory. The Air Force also stated that if a decision is made to leave the Laboratory at Williams AFB or to move the Laboratory to a location other than Orlando, the Air Force would address the decision with the 1995 Commission.

Audit Response. The Air Force comments were only partially responsive to the recommendation. We agree that the Air Force should address with the 1995 Commission any realignment decision that is contrary to the original decision to move the Laboratory to Orlando. However, we believe that project ORLA930081 to move the Laboratory should be suspended from the Air Force BRAC MILCON budget until the realignment decision is made. We request that the Air Force provide additional comments on the final report discussing the Laboratory requirements study the Air Force will perform and provide a date the recommended action will be completed.

3. We recommend that the Comptroller of the Department of Defense reduce the Air Force base realignment and closure military construction funding for Williams Air Force Base by \$4.4 million for project ORLA930081, Armstrong Laboratory Simulator Research Facility, and adjust the budget as appropriate based on revised DD Forms 1391 submitted for the project after the Air Force completes the Laboratory requirements study.

Added Recommendation. We have added Recommendation A.3. to ensure that the overall budget and funding for BRAC MILCON projects at Williams AFB are properly adjusted.

Deleted Recommendation. Based on management comments and other information obtained prior to issuing the final report, we deleted Recommendation A.1.a. to reduce the Williams AFB FY 1994 BRAC MILCON budget by \$1.2 million.

Finding A. Armstrong Laboratory Simulator Research Facility

Response Requirements Per Recommendation

Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

<u>Number</u>	<u>Addressee</u>	<u>Response Should Cover:</u>			
		<u>Concur/ Nonconcur</u>	<u>Proposed Action</u>	<u>Completion Date</u>	<u>Related Issues*</u>
A.1.	Air Force	X	X	X	IC
A.2.b.	Air Force		X	X	
A.3.	Comptroller	X	X	X	M

*IC = material internal control weakness; M = monetary benefits

Finding B. Plastic Media Blast Module

ATC officials did not submit a valid DD Form 1391 for the \$2.1 million project to realign the Module. The DD Form 1391 was invalid because detailed cost estimates were not identified or were not adequately documented to validate the project costs. As a result, the BRAC MILCON budget data for realigning the Module to Laughlin AFB could be overstated by an amount ranging from \$810,000 to \$1,260,000.

Background

Project MXDP933007A consists of a new prefabricated building to house the Module equipment transferred from Williams AFB to Laughlin AFB. This realignment will maintain the ATC regional plastic media aircraft paint stripping program.

Military Handbook 1010 contains unit cost factors for estimating standard costs; however, it does not contain factors for a plastic media blast module facility. Guidance provided in AFR 86-1 describes methods for documenting and justifying requirements and costs and describes procedures for developing resource plans for real property requirements.

Cost Estimate

The \$2.1 million cost estimate for realigning the module to Laughlin AFB could be overstated between \$810,000 and \$1,260,000. ATC officials planned and programmed a new plastic media aircraft paint stripping facility at Laughlin AFB at an estimated cost of \$2.1 million. ATC officials developed the estimate using the FY 1990 construction cost associated with the Module located at Williams AFB (\$1.5 million) and adding \$600,000 for inflation. ATC did not prepare an economic analysis to support the request to fund construction of a new facility and did not adequately document detailed cost estimates to validate the estimate.

The Army Corps of Engineers estimated that a prefabricated building to house the Module could be erected at Laughlin AFB for about \$216,000. ATC officials estimated that disassembling, transporting, and reassembling the Module's equipment would cost from \$625,000 to \$1,075,000. These detailed estimates would have been better and more conservative supporting documentation for the project budget submission.

Defense Management Report Decision 967, "Base Engineering Services," December 30, 1990, prescribes that, in making sound economic decisions, commanders must first have a clear understanding of the economic impact of available alternatives. An economic analysis is required to support the investment decision for all MILCON in excess of \$2 million.

Module Budget Justification

Air Force officials justified the Module requirement at Laughlin AFB as part of the ATC regional concept for plastic media aircraft paint stripping, in compliance with the current policy to discontinue the use of chemicals to strip paint from aircraft.

The ATC DD Form 1391 for realigning the Module to Laughlin AFB did not contain sufficient detail to validate the cost estimate. ATC officials stated that the budget request of \$2.1 million to realign the Module reflected the most expensive alternative, as directed by the Office of Chief of Staff of the Air Force.

Internal Controls

Budget estimates on the DD Form 1391 for the Module were based on incomplete documentation. The budget submission was based on the requirement for new Module equipment and a new building, the least cost-effective method of realigning the function. Budget estimates based on artificial requirements result in authorizations that are either too large or too small for the project requirement. AFR 86-1 describes the documentation needed to support the MILCON project requirements and the estimated MILCON costs. The regulation includes a requirement for a detailed cost estimate that should be prepared on DD Form 1391 in sufficient detail to permit cost validation. Air Force internal controls either were not followed or were not adequate to verify that the BRAC budget request was "fully supported" with cost estimates and proper documentation. Not every DD Form 1391 is subject to audit; therefore, ATC must verify that internal control procedures are adequate and followed so that the cost estimate used to support the budget request can be validated.

Finding B. Plastic Media Blast Module

Summary

ATC officials did not adequately identify or document the cost estimate for moving the Module to Laughlin AFB. Because ATC officials planned and budgeted the realignment without a cost analysis, the most cost-effective realignment decision was not made.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Air Training Command revise and resubmit a DD Form 1391, "Military Construction Project Data," for project MXDP933007A, Plastic Media Blast Module, to reflect the most cost-effective alternative for realignment based on verified and documented requirements.

Management Comments. The Air Force concurred with the recommendation and stated a revised DD Form 1391 was prepared estimating costs of \$1.55 million versus the previous estimate of \$2.1 million. The Air Force developed the cost estimate based on the Army Corps of Engineers' estimates for moving the Module and on current construction contract costs incurred at Sheppard AFB, Texas, for a similar facility.

Audit Response. The Air Force comments were not responsive to our recommendation to prepare and resubmit a new DD Form 1391 based on verified and documented requirements. Although the Air Force stated that the Corps of Engineers' estimates were used as supporting documentation, the DD Form 1391 the Air Force submitted with its comments did not demonstrate that the cost estimates were supported with sufficient detail to verify the reasonableness of the estimate. We request that the Air Force provide additional comments to this recommendation in the final report by describing the detailed support for the cost estimates on the revised DD Form 1391 and state when the action will be completed.

2. We recommend that the Comptroller of the Department of Defense reduce the Williams Air Force Base base realignment and closure military construction budget authorization for project MXDP933007A, Plastic Media Blast Module, by \$810,000 to \$1.26 million and adjust the budget as appropriate based on a revised DD Form 1391 submitted for the project.

Management Comments. The Deputy Assistant Secretary of the Air Force (Installations) partially concurred with the recommendation by agreeing to transfer \$550,000 from the FY 1993 BRAC budget based on the revised DD Form 1391 for the Module project.

Audit Response. The Air Force agreement to transfer \$550,000 from the FY 1993 BRAC budget did not meet the intent of the recommendation to reduce

Finding B. Plastic Media Blast Module

the BRAC MILCON budget. The intent of the recommendation is to reduce the BRAC MILCON budget authority for any funding authorization not supported with adequate detailed documentation and to implement internal control procedures that will verify detailed supporting documentation for the DD Forms 1391. Budgetary transfers are not considered to be adjustments (reductions) in the budget authority.

Readdressed Recommendation. We revised and readdressed Recommendation B.2. to ensure that the overall Air Force BRAC MILCON budget and funding are appropriately adjusted. Accordingly, we request that the Comptroller of the Department of Defense provide comments on the revised recommendation.

Response Requirements Per Recommendation

Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

<u>Number</u>	<u>Addressee</u>	<u>Response Should Cover:</u>			
		<u>Concur/ Nonconcur</u>	<u>Proposed Action</u>	<u>Completion Date</u>	<u>Related Issues*</u>
B.1.	Air Force		X	X	
B.2.	Comptroller	X	X	X	M

* M = monetary benefits

Part III - Additional Information

Appendix A. Summary of Prior Audits and Other Reviews

General Accounting Office

NSIAD 93-173 (OSD Case No. 9374), "Military Bases, Analysis of DoD's Recommendations and Selection Process for Closure and Realignment," April 15, 1993. The report stated that the Secretary of Defense's March 12, 1993, recommendations and selection process were generally sound. However, Military Departments did not resolve problems in the selection process of military installations, DoD did not provide strong oversight of the process, and DoD continued to ignore the Government-wide cost implications of its decisions. GAO recommended improvements to program oversight, cost calculations, and data documentation. GAO also recommended that the Commission take corrective action. Management did not comment on this report.

NSIAD 93-161 (OSD Case No. 9294-B), "Military Bases, Revised Cost and Savings Estimates for 1988 and 1991 Closures and Realignment," March 31, 1993. The report stated that Congress may have to appropriate more money to the BRAC accounts than previously estimated. In addition, the report stated that while the total realignment and closure costs have remained relatively stable, land revenue projections have declined. The report did not contain any recommendations.

NSIAD 91-224S (OSD Case No. 8703S), "Military Bases, Letters and Requests Received on Proposed Closures and Realignment," May 17, 1991. The report consisted of letters from members of Congress, local government officials, and private citizens expressing their concerns to the Defense Base Closure and Realignment Commission. The audit report did not include findings, recommendations, or management comments.

NSIAD 91-224 (OSD Case No. 8703), "Military Bases, Observations on the Analyses Supporting Proposed Closure and Realignment," May 15, 1991. The report states that the DoD BRAC guidance allowed cost estimating and cost factors used by each Military Department to vary. The report recommended that the Military Departments use consistent procedures and practices to estimate costs associated with future base closures and realignments. Management did not comment on the report.

Inspector General, DoD

Report No. 93-101, "Quick-Reaction Report on Base Closure and Realignment Data for the Naval Station Puget Sound (Sand Point)," May 26, 1993. The report stated that for eight MILCON projects with estimated costs of \$30.5 million, the Navy activities overstated and did not adequately support MILCON requirements for seven projects related to realignments of the Naval Station. Also, the Navy activities did not consider the most economical use of existing facilities. The report recommended that the Navy activities revise and resubmit the MILCON estimates for seven projects and reduce the budget requests by \$4.66 million, and that the reviewing activity institute procedures to validate the MILCON requirements. The Navy agreed to reductions of \$3.18 million of the \$4.17 million related to six projects and cited revised estimates or requirements. The Navy did not agree with a reduction of \$490,000 related to one project stating that the project was at the 100-percent design stage and that redesign costs and further delays for redesign would not be cost- or time-effective. Currently, we are waiting for additional Navy comments on the amounts in disagreement.

Report No. 93-100, "Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993," May 25, 1993. This report is a summary of seven prior audit reports on MILCON requirements for seven base closure and realignment actions. The report stated that 17 projects totaling \$98.9 million included requirements of \$69.7 million that were not adequately supported. In addition, four projects valued at \$33.2 million were not adjusted to reflect changes in workload and force structure that could alter the requirements by as much as \$24.1 million. The report also identified six projects valued at \$44.7 million with requirements that were not supported and one project valued at \$23 million that understated requirements by \$3.5 million. The report did not contain recommendations.

Report No. 93-099, "Quick-Reaction Report on Base Closure and Realignment Budget Data for the Collocations of Army and Navy Blood and Dental Research Programs," May 24, 1993. The report stated for three BRAC MILCON projects with estimated costs of \$24.2 million, that the collocating Army and Navy blood research programs could use existing facilities for the blood research facility and the applications laboratory, which could reduce costs \$16.3 million. Collocating dental research programs could also use existing facilities, which could save \$2.4 million. The report also recommended that the Navy extend the lease for the Army blood research program. The Navy did not agree with the report recommendations and stated that the Navy feels that the spacing plans are valid and legitimate requirements that satisfy the intent of BRAC recommendations and Project Reliance initiatives. We disagreed with the Navy comments. Currently, we are waiting for additional Navy comments.

Report No. 93-095, "Quick-Reaction Report on Base Closure and Realignment Budget Data for the Naval Station, Philadelphia, Pennsylvania, and Naval Training Center, Great Lakes, Michigan," May 5, 1993. The report stated that a project to renovate Naval Aviation Supply Office facilities for \$2 million was not supported by documentation and was overstated by \$35,000.

Appendix A. Summary of Prior Audits and Other Reviews

A \$22.2 million project for the Naval Damage Control Training Center was overstated by \$13.7 million. The report recommended adjusting both projects. The Navy agreed with the recommendation for a \$13.7 million reduction in the estimated costs related to relocation of the Training Center but did not agree with the recommended adjustments to the renovation projects for the Naval Aviation Supply Office facilities.

Report No. 93-094, "Quick-Reaction Report on Base Closure and Realignment Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania," April 29, 1993. The report stated that the Navy did not adequately plan and document the utility reconfiguration project to provide complete and usable utilities within a justified cost. As a result, the estimated cost of \$11.8 million for the utility reconfiguration contained \$5.2 million of overstated and unsupported requirements. The remainder of the estimate is questionable. No comments were received.

Report No. 93-092, "Report on Base Closure and Realignment Budget Data for the Naval Surface Warfare Center," April 28, 1993. The report stated that, for two MILCON projects with budget costs of \$36.5 million, one project was overstated \$4.7 million and the other was overstated \$193,000 and had \$9.8 million of project costs that was questionable. The report recommended developing and submitting new MILCON project costs based on documented data. The Navy agreed with the recommendation.

Report No. 93-052, "Defense Base Closure and Realignment Budget Data for the Naval Surface Warfare Center," February 10, 1993. The report stated that the Navy overstated costs by \$18.4 million on one project and understated the cost of a second project by \$3.5 million at the Naval Surface Warfare Center, Carderock Division. The report recommended that the Navy reduce the estimate on one project after accounting for duplicate requirements and increase the size of another project estimate to meet requirements. The Navy agreed to revise the costs of the projects and resubmit the BRAC budget request.

Report No. 93-036, "DoD Base Realignment and Closures II for Lowry Air Force Base," December 18, 1992. The report stated that at least five projects could be either canceled or downsized because the BRAC requirements changed. The report made no recommendations because the Air Force canceled and downsized the projects during the audit.

Report No. 93-027, "Quick-Reaction Report on the Review of Defense Base Closure and Realignment Budget Data for Carswell, Barksdale, Dyess, Minot, and Tinker Air Force Bases," November 27, 1992. The report stated that 10 MILCON projects valued at \$18.3 million did not have adequate documentation to support the project requirements. Also, the Air Force could reduce BRAC MILCON costs of \$11.9 million by deleting unnecessary and canceled requirements from the projects. The report recommended that the Air Force eliminate invalid project requirements and maximize the use of existing equipment. The Air Force agreed with the recommendations.

Report No. 92-087, "Quick-Reaction Report on the Review of Defense Base Closure and Realignment Budget Data for Fort Knox and Fort Meade,"

Appendix A. Summary of Prior Audits and Other Reviews

May 7, 1992. The report stated that four MILCON projects valued at \$34.1 million were supported; however, the Army could reduce MILCON costs by \$500,000 by deleting unnecessary requirements from projects. The report recommended that the Army review the MILCON project at Fort Knox to determine whether costs associated with state-of-the-art design were warranted, and suspend the visual information school project at Fort Meade pending the outcome of the consolidation study. The Comptroller of the Army agreed with the recommendation and will determine the monetary benefits when final decisions are made on the projects.

Report No. 92-086, "Quick-Reaction Report on the Review of Defense Base Closure and Realignment Budget Data for MacDill Air Force Base, Luke Air Force Base, and Seymour Johnson Air Force Base," May 7, 1992. The report stated that four MILCON projects valued at \$9.6 million were supported. However, the Air Force could reduce MILCON costs by \$702,000 to \$1.95 million by using existing facilities and deleting unnecessary requirements. The Air Force generally agreed to use existing facilities when cost effective.

Report No. 92-085, "Quick-Reaction Report on the Review of Defense Base Closure and Realignment Budget Data for Naval Aviation Engineering Service Unit," May 7, 1992. The Navy proposed to renovate a facility at the Naval Air Warfare Center while a decision was being reevaluated as to where the Naval Aviation Engineering Service Unit would actually be located. The report recommended that the project be suspended until the Navy decides on a location. The Assistant Secretary of the Navy agreed and stated that no funds would be authorized or expended for the project until a decision is made after completion of an expense operating study.

Report No. 92-078, "DoD Base Realignment and Closures," April 17, 1992. The report states that the Navy and the Air Force developed MILCON requirements for 33 projects with \$127.1 million of estimated costs. Of the \$127.1 million, \$72 million was either not supported or should not be funded from the Base Closure Account. The report recommended issuing additional guidance for realignment actions and canceling or reducing the scope for selected projects. The Office of the Secretary of Defense stated that additional guidance on realignment actions was issued since the audit started and agreed to reduce the BRAC funds related to the MILCON projects.

Army Audit Agency

SR 92-702, "Base Realignment and Closure Construction Requirements," August 12, 1992. The report stated that BRAC funding was not appropriate for four projects totaling \$38.2 million because either the projects were not valid BRAC requirements or because alternatives to new construction were not considered. The report recommended that the Army establish guidance for determining BRAC construction requirements. The Army agreed with the intent of the recommendation.

Air Force Audit Agency

Project 1255312, "Air Force Administration of the Department of Defense (DoD) Base Closure Account," September 10, 1991. The report stated that Air Force internal controls were adequate to administer the Base Closure Account. The report made no recommendations.

Project 0185210, "Base Closure Facility Management," June 19, 1991. The report stated that Air Force planned projects costing \$2.8 million at closing bases may not be needed. The report recommended that the Air Force issue specific facility selection criteria (quality-of-life, mission accomplishment, personnel health and safety, etc.) to be used at closing bases. The Air Force agreed to develop detailed facility management criteria.

Project 1175213, "Base Closure Environmental Planning," June 18, 1991. The report stated that the Air Force had adequate guidance for installation planners for use in developing environmental plans and actions necessary for bases to close and meet disposal dates. The report made no recommendations.

Appendix B. Summary of Potential Benefits Resulting from Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.	Internal Controls. Implements procedures to validate support for DD Forms 1391.	Undeterminable. Monetary benefits cannot be quantified. ¹
A.2.a.	Economy and Efficiency. Suspends project ORLA930081 from BRAC MILCON budget.	Undeterminable. ¹
A.2.b., B.1.	Economy and Efficiency. Revises construction estimates to reflect most current requirements and costs.	Undeterminable. ¹
A.3., B.2.	Economy and Efficiency. Revises funding for projects to reflect actual requirements.	Funds in the amount of \$5.21 million to \$5.66 million put to better use in the Base Closure Account. ²

¹The benefits are included with Recommendations A.3. and B.2.

²Actual monetary benefits will be determined based on submission of revised DD Forms 1391. The difference between the improved supportable estimate and the previously submitted estimates will be the monetary benefits of implementing the recommendations.

Appendix C. Activities Visited or Contacted

Office of the Secretary of Defense

Comptroller of the Department of Defense, Washington, DC
Deputy Assistant Secretary of Defense (Installations), Office of the Assistant Secretary of Defense (Production and Logistics), Washington, DC

Department of the Army

Headquarters, Army Corps of Engineers, Washington, DC
Army Corps of Engineers, South Atlantic Division, Jacksonville District, FL
Army Corps of Engineers, South Atlantic Division, Mobile District, AL
Simulation Training and Instrumentation Command, Army Materiel Command, Orlando, FL

Department of the Navy

Naval Training Center, Orlando, Chief of Naval Education and Training, FL
Naval Training Systems Center, Naval Air Warfare Command, Orlando, FL

Department of the Air Force

Deputy Assistant Secretary of the Air Force (Installations), Washington, DC
Office of the Civil Engineer, Washington, DC
Civil Engineering Support Activity, Tyndall Air Force Base, FL
Deputy Chief of Staff, Plans and Operations, Washington, DC
Headquarters, Air Force Materiel Command, Wright-Patterson Air Force Base, OH
648th Support Group, Brooks Air Force Base, TX
Armstrong Laboratory, Brooks Air Force Base, TX
Armstrong Laboratory Simulator Research Facility, Williams Air Force Base, AZ
Headquarters, Air Training Command, Randolph Air Force Base, TX
47th Flying Training Wing, Laughlin Air Force Base, TX
82nd Flying Training Wing, Williams Air Force Base, AZ

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisitions
Assistant Secretary of Defense (Production and Logistics)
Comptroller of the Department of Defense

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Assistant Secretary of the Air Force (Installations)
Deputy Chief of Staff
Commander, Air Force Materiel Command
Commander, Air Training Command
Auditor General, Air Force Audit Agency

Non-Defense Activities

Office of Management and Budget
U.S. General Accounting Office, National Security and International Affairs Division,
Technical Information Center

Chairman and Ranking Minority Member of Each of the Following Congressional
Committees and Subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
Government Operations

Senator Dennis DeConcini, U.S. Senate
Senator Bob Graham, U.S. Senate
Senator Phil Gramm, U.S. Senate
Senator Bob Krueger, U.S. Senate
Senator Connie Mack, U.S. Senate
Senator John McCain, U.S. Senate

Appendix D. Report Distribution

Non-Defense Activities (cont'd)

Congressman Henry Bonilla, U.S House of Representatives
Congresswoman Karen English, U.S. House of Representatives
Congressman Bill McCollum, U.S. House of Representatives

Part IV - Management Comments

Department of the Air Force Comments

Final Report
Reference



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC



17 MAY 1993

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

SUBJECT: Draft Quick-Reaction Report on Defense Base Closure and Realignment Budget
Data for Williams Air Force Base, Project Number 3CG-0013.03, April 8,
1993 - INFORMATION MEMORANDUM

This is in reply to your memorandum to the Assistant Secretary of the Air Force
(Financial Management and Comptroller) requesting Air Force comments on subject report.

The first DoD(IG) recommendation on the Simulator Research Facility calls for
reducing the FY 1994 Base Realignment and Closure (BRAC) military construction budget
for Williams Air Force Base by \$1.2 million.

DoD(IG) COMMENTS: 1. We recommend that the Assistant Secretary of the Air
Force (Financial Management and Comptroller):

a. Reduce the FY 1994 Base Realignment and Closure military construction
budget for Williams Air Force Base by \$1.2 million.

b. Implement internal control procedures that will validate supporting
documentation for DD Forms 1391, "Military Construction Project Data."

AIR FORCE COMMENTS: Non-concur. There was no 1994 MILCON budget
request. There have been no official budget requests submitted containing a total of \$7.7
million in MILCON for the Williams AFB closure. Furthermore, the project was
subsequently moved to FY 1994. Thus, the only reduction in budget requests should be the
\$4.4 million in the FY 1993 program as indicated under recommendation 2. Internal control
procedures are in place and were used by the MAJCOM during the program preparation..

The second DoD(IG) recommendation calls for suspending the Orlando, Florida,
project and submitting a revised DD Form 1391 as a FY 1994 MILCON line item.

DoD(IG) COMMENTS: We recommend that the Commander, Air Force Materiel
Command:

Deleted 1.a.

Renumbered
1.

Revised
page 3

a. Suspend project ORLA 930081, Armstrong Laboratory Simulator Research Facility from the FY 1993 Base Realignment and Closure military construction budget and reduce the budget by \$4.4 million.

b. Revise and resubmit a DD Form 1391, "Military Construction Project Data," for project ORLA 930081, Armstrong Laboratory Simulator Research Facility, as a Base Realignment and Closure project for FY 1994, based on the established military construction procedures.

AIR FORCE COMMENTS: Partially concur. The Secretary of the Air Force and the Air Force Chief of Staff have approved the temporary retention of the Armstrong Laboratory Simulator Research functions (Aircrew Training Research Center) at Williams AFB, Arizona, in existing facilities as a stand-alone activity. The Air Force is now conducting a thorough study of requirements and similar activities' ability to absorb the mission. If a decision is made to leave the unit at Williams or to move it to a location other than Orlando, Florida, as directed by the 1991 Commission, we will address it with the 1995 Commission. A new DD Form 1391 will be prepared when needed. We do concur in reducing the BRAC FY 1993 MILCON budget by \$4.4 million for the current project.

The first DoD(IG) recommendation on the Plastic Media Blast Module calls for resubmission of a DD Form 1391 to reflect a more cost effective alternative.

DoD(IG) COMMENTS: We recommend that the Air Training Command revise and resubmit a DD Form 1391, "Military Construction Project Data," for the Plastic Media Blasting Module project to reflect the most cost effective alternative for realignment based on verified and documented requirements.

AIR FORCE COMMENTS: Concur. A revised DD Form 1391 has been submitted by Air Training Command for a new FY 1993 MILCON programmed amount of \$1.55 million vice the original line item of \$2.1 million.

The second DoD(IG) recommendation calls for a reduction in the FY 1993 MILCON budget to reflect reduced requirements.

DoD(IG) COMMENTS: We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) reduce the FY 1993 Base Realignment and Closure budget for the Plastic Media Blast Module project by \$810,000 to \$1.6 million for any funding not supported and implement procedures that will verify supporting documentation for DD Forms 1391.

Revised and
Readdressed

Department of the Air Force Comments

AIR FORCE COMMENTS: Partially concur. \$550K will be transferred from the FY 1993 BRAC budget based on the new line item as indicated above. The command used the Army Corps of Engineers estimates and current contract costs at Sheppard AFB as supporting data for the new DD Form 1391.


JAMES F. BOATRIGHT
Deputy Assistant Secretary of the Air Force
(Installations)

Audit Team Members

David K. Steensma	Director, Contract Management Directorate
Wayne K. Million	Audit Program Director
Thomas W. Smith	Audit Project Manager
Roy Tokeshi	Senior Auditor
John Delaware	Senior Auditor
Cynthia Williams	Auditor
Ron Blake	Auditor
Amy Weaver	Auditor
Sara Sims	Auditor
Frank Ponti	Statistician
Doris Reese	Administrative Support