Audit Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR CLOSING MARE ISLAND NAVAL SHIPYARD, CALIFORNIA, AND REALIGNING PROJECTS TO VARIOUS SITES

Report No. 95-051 December 9, 1994

Department of Defense

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Acronyms

BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
MILCON	Military Construction
NAVFAC	Naval Facilities Engineering Command
NSWC	Naval Surface Warfare Center
NSY	Naval Shipyard
SBU	Special Boat Unit

INSPECTOR GENERAL
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December 9, 1994

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)

SUBJECT: Audit Report on the Audit of Defense Base Realignment and Closure Budget Data for Closing Mare Island Naval Shipyard, California, and Realigning Projects to Various Sites (Report No. 95-051)

We are providing this final audit report for your review and comments. This report is one in a series of reports relating to FYs 1994 and 1995 base realignment and closure military construction costs.

DoD Directive 7650.3 requires that all recommendations and monetary benefits be resolved promptly. The Navy did not provide comments on a draft of this report. Therefore, we redirected the recommendations to reduce, reprogram, and suspend funding to the Under Secretary of Defense (Comptroller). We request that the Navy and the Comptroller of the Department of Defense provide written comments on the recommendations and the potential monetary benefits by January 9, 1995.

The courtesies and cooperation extended to the audit staff are appreciated. If you have any questions on this report, please contact Mr. Joseph P. Doyle, Audit Program Director, at (703) 604-9348 (DSN 664-9348) or Ms. Linda A. Pierce, Audit Project Manager, at (703) 604-9346 (DSN 664-9346). The distribution of the report is listed in Appendix G. The audit team members are listed inside the back cover.

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Report No. 95-051 **December 9, 1994**
(Project No. 4CG-5008.21)

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR CLOSING MARE ISLAND NAVAL SHIPYARD, CALIFORNIA, AND REALIGNING PROJECTS TO VARIOUS SITES

EXECUTIVE SUMMARY

Introduction. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Inspector General, DoD, is required to review each base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. This report is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs.

Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of seven projects, valued at $48.7 million, associated with the closure of Mare Island Naval Shipyard, California, and the realignment of personnel, equipment, and support services to Naval Surface Warfare Center Crane Division, Crane, Indiana; Naval Amphibious Base Coronado, California; Fleet Combat Training Center, Atlantic, Dam Neck, Virginia (two projects); Naval Communications Station Stockton, California; Naval Submarine Base Bangor, Silverdale, Washington; and Naval Station Everett, Washington. The audit also reviewed the adequacy of applicable internal controls.

Audit Results. The Navy overestimated the base realignment and closure military construction requirements for projects P-283T, "Rechargeable Battery Evaluation Facility," P-221T, "Waterfront Operations Facility," P-995T, "Bachelor Enlisted Quarters," and P-996T, "Training Building Modifications." As a result, the four projects, valued at $27.9 million, are overstated by about $7 million (Finding A).

In addition, the requirement for project P-083T, "Special Boat Maintenance Building," valued at $6.7 million, is questionable because the Navy has not decided the tenant relocation site for Special Boat Unit Eleven (Finding B).

Projects P-195T, "Underwater Equipment Laboratory," and P-088T, "Construction Battalion Unit Facility," valued at $14.1 million, were well documented and fully supported.

Internal Controls. The Commander, Naval Facilities Engineering Command, issued guidance establishing a requirement at all Naval Facilities Engineering Command field activities to validate Defense base realignment and closure military construction requirements and improve the budget estimating process. This policy, when fully implemented, should enhance controls over base realignment and closure project estimates and correct the material internal control weaknesses at Naval Facilities Engineering Command activities. See Part I for the internal controls reviewed.

Potential Benefits of Audit. Implementation of the recommendations will allow the Navy to put to better use up to $13.7 million of base realignment and closure military construction funds. Strengthening Navy internal controls will ensure the accuracy of budget estimates for military construction projects resulting from base realignments and closures and could result in additional monetary benefits. However, we could not quantify the additional amounts. Appendix E summarizes the potential benefits resulting from audit.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) reduce four projects by about $7 million and suspend funding on one project valued at $6.7 million. We recommend that the Commander, Naval Facilities Engineering Command, revise and resubmit DD Forms 1391, "Military Construction Project Data," to reflect the appropriate requirements and costs.

Management Comments. The Navy did not provide written comments on a draft of this report. Therefore, we redirected to the Under Secretary of Defense (Comptroller) the recommendations to withhold funding for the base closure and realignment projects. We request comments from the Under Secretary of Defense (Comptroller) and the Navy by January 9, 1995.

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This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Part I - Introduction

Background

Initial Recommendations of the Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Using cost estimates provided by the Military Departments, the Commission recommended 59 base 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 associated with base realignment and closure (BRAC).

Subsequent Commission Requirements and Recommendations. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. Public Law 101-510 chartered the Commission to meet during 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. The law also 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 34 bases be closed and 48 bases be realigned, resulting in an estimated net savings of $2.3 billion during FYs 1992 through 1997, after a one-time cost of $4.1 billion. The 1993 Commission recommended closing 130 bases and realigning 45 bases, resulting in an estimated net savings of $3.8 billion during FYs 1994 through 1999, after a one-time cost of $7.4 billion.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model (COBRA). COBRA uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare DD Forms 1391, "FY 1994 Military Construction Project Data," for individual construction projects required to accomplish the realigning actions. COBRA provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Required Defense Reviews of BRAC Estimates. 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 that DoD requests for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to

explain to Congress the reasons for the differences. 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 determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. The audit also evaluated the adequacy of management's implementation of the DoD Internal Management Control Program and assessed the adequacy of applicable internal controls.

This report provides results of the audit of seven BRAC MILCON projects to support the closure of the Mare Island Naval Shipyard (NSY), California, and the realignment of personnel, equipment, and support services to the Naval Surface Warfare Center Crane Division, Crane, Indiana; Naval Amphibious Base Coronado, California; Fleet Combat Training Center, Atlantic, Dam Neck, Virginia (two projects); Naval Communications Station Stockton, California; Naval Submarine Base Bangor, Silverdale, Washington; and Naval Station Everett, Washington.

Scope and Methodology

Limitations to Overall Audit Scope. COBRA develops cost estimates as a BRAC package for a particular realigning or closing base and does not develop estimates by individual BRAC MILCON project. Therefore, we were unable to determine the amount of cost increases for each individual BRAC MILCON project.

Overall Audit Selection Process. We compared the total COBRA cost estimates for each BRAC package with the Military Departments' and the Defense Logistics Agency's FYs 1994 through 1999 BRAC MILCON $2.6 billion budget submission. We selected BRAC packages for which:

o the package had an increase of more than 10 percent from the total COBRA cost estimates to the current total package budget estimates or

o the submitted FYs 1994 and 1995 budget estimates were more than $21 million.

Scope of Audit. We reviewed seven construction and renovation projects, valued at $48.7 million, required for the realignment of organizations and missions from the Mare Island NSY to other locations. See Appendix A for a list of the BRAC MILCON projects we reviewed. No other MILCON projects were in the FY 1995 BRAC budget to support the closure of Mare Island NSY.

Audit Standards and Locations. This economy and efficiency audit was made from June through August 1994 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 considered necessary. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix F lists the organizations visited or contacted during the audit.

Internal Controls

Internal Controls Reviewed. The audit reviewed internal controls over validating BRAC MILCON requirements for the seven BRAC MILCON projects associated with the closure and realignment of Mare Island NSY to various locations. Specifically, we reviewed Navy procedures for planning, programming, budgeting, and documenting BRAC MILCON requirements for the realignment projects. We also reviewed management's implementation of the DoD Internal Management Control Program as it applies to the audit objectives.

Adequacy of Internal Controls. The audit identified a material internal control weakness as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. We examined the portion of the DoD Internal Management Control Program applicable to validating the accuracy of BRAC MILCON budget requirements. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not identify BRAC MILCON as an assessable unit.

Command Efforts to Improve Internal Controls. In December 1993, the Commander, Naval Facilities Engineering Command (NAVFAC), issued guidance establishing a requirement at all NAVFAC field activities to validate BRAC MILCON requirements and improve the budget estimating process. NAVFAC field activities full implementation of this policy should enhance controls over BRAC project estimates because the policy provides for applying existing criteria to validate regular MILCON requirements. Implementation of the DoD Internal Management Control Program will also be strengthened by including the validation of BRAC MILCON project requirements as an assessable unit. Because of the Commander, NAVFAC, efforts, we made no recommendations to NAVFAC concerning internal controls.

Prior Audits and Other Reviews

Since 1991, numerous audit reports have been issued. Appendix B lists selected DoD and Navy BRAC reports.

Other Matters of Interest

Of the six realignment projects reviewed, two were well documented and fully supported: project P-195T, "Underwater Equipment Laboratory," valued at $11.9 million, which includes the extension and upgrade of the service pier and construction of a shore detachment support building for the USS *Parche* and Submarine Development Group One Detachment at Naval Submarine Base Bangor; and project P-088T, "Construction Battalion Unit Facility," valued at $2.2 million, for Construction Battalion Unit 421 at Naval Station Everett.

Part II - Findings and Recommendations

Finding A. Estimating Project Costs

The Navy incorrectly estimated the costs of four projects to support the realignment of organizations and missions from Mare Island NSY to other locations. This condition occurred because Navy officials included non-BRAC requirements, used improper criteria, used incorrect unit cost data, and overestimated project cost. As a result, BRAC funding requirements, totaling $27.9 million, were overstated by $7 million.

Background

Criteria Used to Develop Facility Requirements. NAVFAC Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990, describes the MILCON planning process as determining what facilities are needed by an organization based on an analysis of the mission, workload, assigned tasks, and base loading.

The criteria contained in NAVFAC Publication P-80, "Facilities Planning Criteria for Navy and Marine Corps Shore Installations," October 1982 (NAVFAC P-80), in conjunction with the guidance in NAVFAC Instruction 11010.44E, are used to determine the scope of MILCON projects (facility requirements). However, BRAC MILCON requirements are limited to the lessor of an organization's requirement or facility occupied at losing installation.

Appropriate Use of BRAC MILCON Funds. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, states that BRAC MILCON funds are to be used for facility construction or renovation to accommodate realignment actions. BRAC MILCON funds are not to be used to fund an activity's current deficiencies if the deficiencies are not a result of BRAC actions.

Determining Economical Realignment from Mare Island

The Navy did not determine the most economical way to support the realignment of organizations and missions from Mare Island NSY to other locations. Specifically, the Navy:

o overstated project P-283T, "Rechargeable Battery Evaluation Facility," space requirements by $870,000;

o overstated project P-221T, "Waterfront Operations Facility," renovation requirements by $330,000;

o overstated project P-995T, "Bachelor Enlisted Quarters," space requirements by $3.2 million; and

o overfunded project P-996T, "Training Building Modifications," by $2.6 million more than was needed to satisfy project requirements.

As a result of these conditions, BRAC funding requirements were overstated by $7 million of the total $27.9 million. The following paragraphs provide details for each project.

Project P-283T, "Rechargeable Battery Evaluation Facility"

The Navy planned a battery evaluation facility approximately one-quarter larger than the existing Mare Island NSY basic requirement for the realignment of the submarine battery test and evaluation mission to Naval Surface Warfare Center Crane Division (NSWC Crane). This condition occurred because planning officials incorrectly included the NSWC Crane current rechargeable power systems mission requirements into the BRAC project. As a result, funding for this project should be reduced by $870,000.

Requirements for the Realignment of the Mare Island NSY Submarine Battery Test and Evaluation Program. Project P-283T, "Rechargeable Battery Evaluation Facility," included 6,500 square feet of space that was not BRAC-related. The Navy planned a 26,500-square-foot building, valued at $4.2 million, to accommodate the incoming submarine battery test and evaluation mission and the existing NSWC Crane rechargeable power systems mission. The size and configuration of the submarine batteries and the requirement for associated special test and evaluation equipment was sufficient to justify 18,000 square feet. In addition, we agreed with the Navy's estimate of 2,000 square feet for a conference room and a waste treatment requirement, for a total BRAC requirement of 20,000 square feet. The additional proposed space of 6,500 square feet was not required for the submarine battery test and evaluation mission but represented an existing NSWC Crane rechargeable power systems test and evaluation mission requirement, and therefore was not BRAC-related.

Battery Test and Evaluation Personnel. The proposed battery evaluation facility at NSWC Crane overstated the requirement for office space by 3,100 square feet because it included office space for 21 NSWC Crane personnel assigned to the rechargeable power systems test and evaluation program. Those 21 people were not affected by the BRAC action to move the Mare Island NSY submarine battery test and evaluation mission to NSWC Crane. The Mare Island NSY submarine battery test and evaluation program had four personnel and only three billets transferred to NSWC Crane. Because BRAC MILCON rules do not allow funding for non-BRAC requirements, the 3,100 square feet for the 21 NSWC Crane personnel cannot be funded with BRAC monies.

Battery Test and Evaluation Missions. The proposed battery evaluation facility at NSWC Crane overstated the operational area requirements by 3,400 square feet because the proposal included space for the NSWC Crane rechargeable power systems test and evaluation mission. The submarine battery test and evaluation facility at Mare Island NSY had 24 submarine battery test stands and tested an average of 60 submarine batteries each year. In contrast, NSWC Crane tested about 1,400 rechargeable power systems each year.

A submarine battery is approximately 5 feet high, whereas the rechargeable power systems tested and evaluated at NSWC Crane varied in size from a small flash light battery to about the size of a car battery. Although the size of the submarine batteries and the test equipment requires most of the proposed operation space, the 3,400 square feet for the rechargeable power systems test and evaluation mission was not part of the BRAC action and should not be paid for with BRAC funds.

Consolidation of Battery Test and Evaluation Missions. The Navy proposed to consolidate the NSWC Crane and the Mare Island NSY battery evaluation missions using the new battery evaluation facility proposed in project P-283T to maximize the efficiency of operations. Although consolidation may benefit the overall operation and efficiency of NSWC Crane, Public Law 101-510 prohibits the use of BRAC MILCON funds for anything other than BRAC actions. Non-BRAC requirements must be funded with non-BRAC money. Only the portion of the project representing the Mare Island NSY submarine battery test and evaluation program can be funded with BRAC monies. We concluded that 6,500 square feet represented the NSWC Crane rechargeable power systems mission and cannot be funded with BRAC monies. Therefore, BRAC funding for project P-283T should be reduced by a total of $870,000, which includes the primary facility costs; support facility costs; contingency costs; and supervision, inspection, and overhead costs (Appendix C).

Project P-221T, "Waterfront Operations Facility"

The Navy overstated project P-221T renovation requirements by 16,046 square feet and did not apply the appropriate criteria to determine supporting facilities costs for the realignment of the Explosive Ordnance Disposal Mobile Unit Nine to Naval Amphibious Base Coronado. As a result, BRAC funding for project P-221T, valued at $2.7 million, should be reduced by approximately $330,000.

Renovation Requirements at the Naval Amphibious Base Coronado. Renovations proposed in project P-221T included non-BRAC requirements. Project P-221T displaced tenants from facilities that had to be demolished to clear the site for construction at the Naval Amphibious Base Coronado. The displaced tenants required 10,304 square feet of office space to accommodate their needs. The Navy planned project P-221T to renovate a 26,350-square-foot building, which was 16,046 square feet more than the

BRAC space required as a result of the realignment. The difference between the total building area and the BRAC requirement may not be funded with BRAC monies according to Public Law 101-510. Therefore, BRAC funding for the facilities renovation should be reduced by $213,000 (16,046 square feet times $13.30 per square foot).

Supporting Facilities Costs. NAVFAC Instruction 11010.44E and NAVFAC P-80 were not followed in calculating the supporting facility costs for project P-221T. Supporting facility costs included site improvements, building demolition, and mechanical and electrical utilities. The engineers did not use an actual standard estimate as required by Navy guidance. As a result, the supporting facilities costs included in project P-221T should be reduced by $117,000.

Project P-995T, "Bachelor Enlisted Quarters"

The Navy overstated the bachelor enlisted quarters requirements and costs to relocate students and staff from Mare Island NSY to the Fleet Combat Training Center, Atlantic (Training Center) at Dam Neck. The requirements and costs were overstated because:

o an incorrect student and staff population was used to calculate space requirements;

o project requirements included building space that exceeded the April 1994 NAVFAC P-80 guidance for bachelor enlisted quarters; and

o incorrect unit cost factors were applied in calculating construction costs.

As a result, BRAC funding for project P-995T, valued at $14.3 million, should be reduced by $3.2 million.

Student and Staff Population Data. The Navy did not use representative student and staff population data to calculate bachelor enlisted quarters requirements for project P-995T. The number of bachelor enlisted quarters units required for billeting is determined by the number and grade level of enlisted personnel. Table 1 shows the unit occupancy and number of units authorized for billeting each grade level of enlisted personnel.

Table 1. Occupancy and Bachelor Enlisted Quarters Units Authorized by Grade

Grade	Occupancy	Units Authorized*
E-1 to E-4	Double	1
E-5 to E-6	Single	1
E-7 to E-9	Single	2

*Each unit equals 490 square feet.

The Navy used 2 months of historical student and staff population data from December 1993 through January 1994, stating that more recent data were not available at the time the requirements were calculated. We used 9 months of historical data from FY 1994 to determine the student and staff population data and to calculate bachelor enlisted quarters requirements. Table 2 shows that, by not using a broader sample of student and staff population to calculate unit requirements, the Navy overstated the total unit requirements.

Table 2. Bachelor Enlisted Quarters Units Required

Grades	Navy Student and Staff Population	Navy Unit Requirements	Audit Student and Staff Population	Audit Unit Requirements	Difference
E-3 to E-4	205[1]	103	287[1]	144	41
E-5 to E-6	68	68	40	40	(28)
E-7 to E-9	18[2]	36	8[2]	16	(20)
Total	291	207	335	200	(7)

[1]Divide by 2 for double occupancy per unit.
[2]Multiply by 2 for single occupancy per 2 units.

Although the total student and staff population increased from 291 to 335 as a result of the realignment from Mare Island NSY to the Training Center at Dam Neck, the grade level of individuals in the population decreased the total unit requirements from 207 to 200 units. The Navy agreed with our calculations and reduced the number of units to 200 in the design.

Space Requirements for Bachelor Enlisted Quarters. The Navy calculated building space requirements that were not supported by the April 1994 NAVFAC P-80 guidance. NAVFAC confirmed that the April 1994 NAVFAC P-80 guidance was the correct criteria to apply to the project. We calculated the square foot requirements using the NAVFAC P-80 guidance and the 9-month student and staff population data and determined that the total square-foot requirements for the bachelor enlisted quarters should be 105,252 square feet, instead of the proposed 113,500 square feet. See Appendix D for details of our calculations.

Construction Unit Cost Factors. In addition to using outdated population data and miscalculating space requirements, the Navy used an incorrect unit construction cost factor of $89.95 per square foot, instead of the correct factor of $75 per square foot for the bachelor enlisted quarters at Dam Neck. At our request, NAVFAC determined that $75 per square foot was the correct factor.

The combination of incorrect student and staff population data; overstated space requirements; overstated costs per square foot; overstated contingency costs; and overstated supervision, inspection, and overhead costs caused project P-995T to be overstated by $3.2 million.

Project P-996T, "Training Building Modifications"

The Navy overfunded project P-996T to modify and renovate a training building at Dam Neck, by about $2.6 million. To meet the Training Center milestones, the project was reprogrammed from FY 1995 to FY 1994 funding. The proposed cost for this project was $6.7 million, but the contract award was less than expected, and the total amount required for the project was $4.1 million. We do not take exception to the proposed requirements for this project; however, we informed the Navy that the BRAC funding authorization should be reduced to reflect the contract award amount and to allow the excess BRAC funds of $2.6 million to be put to other uses.

Conclusion

We identified overstated requirements, non-BRAC requirements, and overstated funding in four of the seven projects reviewed. As a result, $7 million out of $27.9 million could be put to better use. See Appendix A for a listing of each BRAC project and the audit funding adjustments and Appendix E for a summary of the potential benefits resulting from the audit.

Recommendations for Corrective Action

1. We recommend that the Under Secretary of Defense (Comptroller) reduce the Navy FYs 1994 and 1995 base realignment and closure military construction authorizations for the following projects and reprogram the funds to other base realignment and closure military construction projects:

a. Reduce project P-283T, "Rechargeable Battery Evaluation Facility" by $870,000 for FY 1995.

b. Reduce project P-221T, "Waterfront Operations Facility" by $330,000 for FY 1995.

c. Reduce project P-995T, "Bachelor Enlisted Quarters" by $3.2 million for FY 1995.

d. Reduce project P-996T, "Training Building Modifications" by $2.6 million for FY 1994.

2. We recommend that the Commander, Naval Facilities Engineering Command, revise and resubmit DD Forms 1391, "Military Construction Project Data," for the following projects:

a. P-283T, "Rechargeable Battery Evaluation Facility."

b. P-221T, "Waterfront Operations Facility."

c. P-995T, "Bachelor Enlisted Quarters."

d. P-996T, "Training Building Modifications."

Management Comments

The Navy did not provide comments on a draft of this report. Therefore, we request the Under Secretary of Defense (Comptroller) and the Navy to provide comments in response to the final report by January 9, 1995.

Finding B. Realignment of Special Boat Unit Eleven

The Navy planned to fund project P-083T, "Special Boat Maintenance Building," a BRAC MILCON project that may not be necessary. Project P-083T may not be necessary because the Naval Communications Station Stockton, the initial proposed location for Special Boat Unit Eleven (SBU-11), was unsuitable and was a potential candidate for future base closure action. The Navy had not decided on an alternate site to realign SBU-11 after Mare Island NSY closed. As a result, about $6.7 million of FY 1995 BRAC MILCON funds that were allocated to the project to realign SBU-11 could be put to better use.

Plans for Relocating SBU-11

SBU-11 is an activity under the Naval Special Warfare Command and was scheduled to relocate to Naval Communications Station Stockton (Stockton) when Mare Island NSY closed. In support of the relocation of SBU-11, the Navy scheduled project P-083T for FY 1995. After project P-083T was planned, the Commander, Naval Computer and Telecommunications Command, identified Stockton to the BRAC Commission as a potential candidate for future base closure action.

Decision on the Relocation Site

The physical aspects of Stockton and the questionable status of Stockton's future caused the Navy to reevaluate its decision to move SBU-11 to Stockton. Because the terrain at Mare Island NSY is ideal for the SBU-11 exercises and drills, the Navy was in favor of the unit remaining at Mare Island NSY.

Suitability of Stockton. The Navy determined that Stockton was unsuitable as a site for SBU-11. The proposal to realign SBU-11 to Stockton involved the following problems:

o The Naval Computer and Telecommunications Command, the major command at Stockton, had obtained permission from the Chief of Naval Operations to close Stockton.

o Stockton offered the installation to Naval Special Warfare Command. However, the charter of the Naval Special Warfare Command does not allow Naval Special Warfare Command to own real estate.

o Stockton is 4 hours from the Mare Island NSY site, where SBU-11 will perform its drills.

o The only building available for renovation at Stockton was found to be contaminated with toxic waste.

o The toxic waste problems with the original building created the requirement for a new building and raised the estimated cost to realign SBU-11 from Mare Island NSY to Stockton from $2.6 million to $6.7 million.

o Most of SBU-11 was composed of reservists from the San Francisco-Vallejo area who would leave the unit rather than relocate to the Stockton area. Because the Naval Special Warfare Command personnel possess highly specialized skills, losing these personnel would severely degrade the mission of SBU-11.

Mare Island. The Navy was working on a plan to allow SBU-11 to remain at Mare Island NSY as a tenant of the United States Coast Guard and had received tentative approval from the Vallejo Reuse Committee. Discussions continued during the audit on exactly which building would be made available for SBU-11 use. The Navy proposed renovating building 117 at an estimated cost of $277,000. If the details for SBU-11 to stay at Mare Island NSY can be worked out, the new building at Stockton, estimated to cost $6.7 million, will not be necessary. Until a decision is reached, the $6.7 million should be withheld from use at Stockton.

Recommendation for Corrective Action

We recommend that the Under Secretary of Defense (Comptroller) suspend $6.7 million for project P-083T, "Special Boat Maintenance Building," in the Navy FY 1995 base realignment and closure funding for Mare Island Naval Shipyard, California, until a decision is made on the relocation of Special Boat Unit Eleven.

Management Comments

The Navy did not provide comments on a draft of this report. Therefore, we request the Under Secretary of Defense (Comptroller) to provide comments in response to the final report by January 9, 1995.

Part III - Additional Information

Appendix A. Base Realignment and Closure Military Construction Project Funding

Gaining Location	Project/Title	Navy Proposal DD Form 1391 (millions)	Audit Calculation (millions)	BRAC Funding Reductions Needed (millions)
Naval Surface Warfare Center Crane Division	Project P-283T Rechargeable Battery Evaluation Facility	$ 4.2	$ 3.3	$ 0.9[1]
Naval Amphibious Base Coronado	Project P-221T Waterfront Operations Facility	2.7	2.4	0.3[1]
Fleet Combat Training Center, Atlantic, Dam Neck	Project P-995T Bachelor Enlisted Quarters	14.3	11.1	3.2[1]
Fleet Combat Training Center, Atlantic, Dam Neck	Project P-996T Training Building Modifications	6.7	4.1	2.6[1]
Naval Communications Station Stockton	Project P-083T Special Boat Maintenance Building	6.7	0	6.7[2]
Naval Submarine Base Bangor	Project P-195T Underwater Equipment Laboratory	11.9	11.9	0
Naval Station Everett	Project P-088T Construction Battalion Unit Facility	2.2	2.2	0
Total		**$48.7**	**$35.0**	**$13.7**

[1]Finding A. Reduce BRAC funding.
[2]Finding B. Suspend BRAC funding.

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD

Report No.	Report Title	Date
95-041	Defense Base Realignment and Closure Budget Data for the Closure of Marine Corps Air Stations El Toro and Tustin, California and the Realignment to Naval Air Station Miramar, California	November 25, 1994
95-039	Defense Base Realignment and Closure Budget Data for Naval Air Station Miramar, California, Realigning to Naval Air Station Fallon, Nevada	November 25, 1994
95-037	Realignment of the Fleet and Mine Warfare Training Center from Naval Station Charleston, South Carolina, to Naval Station Ingleside, Texas	November 23, 1994
95-029	Defense Base Realignment and Closure Budget Data for Naval Air Station Miramar, California, and Realigning Projects to Various Sites	November 15, 1994
95-010	Defense Base Realignment and Closure Budget Data for Marine Corps Air Station Tustin, California, and Realignment to Marine Corps Air Station Camp Pendleton, California	October 17, 1994
94-179	Defense Base Realignment and Closure Budget Data for McGuire Air Force Base, New Jersey; Barksdale Air Force Base, Louisiana; and Fairchild Air Force Base, Washington	August 31, 1994
94-146	Defense Base Realignment and Closure Budget Data for Closing Naval Air Station Cecil Field, Florida, and Realigning Projects to Various Sites	June 21, 1994

Inspector General, DoD (cont'd)

Report No.	Report Title	Date
94-141	Defense Base Realignment and Closure Budget Data for Naval Air Station Dallas, Texas, and Memphis, Tennessee, Realigning to Carswell Air Reserve Base, Texas	June 17, 1994
94-127	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Office Compound in North Philadelphia, Pennsylvania	June 10, 1994
94-126	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Glenview, Illinois, and Realignment Projects at Fort McCoy, Wisconsin, and Carswell Air Reserve Base, Texas	June 10, 1994
94-125	Defense Base Realignment and Closure Budget Data for the Naval Medical Center Portsmouth, Virginia	June 8, 1994
94-121	Defense Base Realignment and Closure Budget Data for Naval Air Technical Training Center, Naval Air Station Pensacola, Florida	June 7, 1994
94-109	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Training Center Great Lakes, Illinois	May 19, 1994
94-108	Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Station Treasure Island, California	May 19, 1994
94-107	Griffiss Air Force Base, New York, Defense Base Realignment and Closure Budget Data for Military Construction at Other Sites	May 19, 1994
94-105	Defense Base Realignment and Closure Budget Data for a Tactical Support Center at Naval Air Station Whidbey Island, Washington	May 18, 1994

Inspector General, DoD (cont'd)

Report No.	Report Title	Date
94-104	Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West	May 18, 1994
94-103	Air Force Reserve 301st Fighter Wing Covered Aircraft Washrack Project, Carswell Air Reserve Base, Texas	May 18, 1994
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Naval Audit Service

041-S-94	FY 1995 Military Construction Projects From Decisions of 1993 Base Closure and Realignment Commission	April 15, 1994
023-S-94	Military Construction Projects Budgeted and Programmed for Bases Identified for Closure or Realignment	January 14, 1994
023-C-93	Implementation of the 1993 Base Closure and Realignment Process	March 15, 1993

Appendix C. Requirements for Project P-283T, "Rechargeable Battery Evaluation Facility"

The Navy proposed a facility of 26,500 square feet, which included non-BRAC requirements. The audit identified 20,000 square feet as the total BRAC requirement. The difference between the Navy's proposal and the audit determination was 6,500 square feet. BRAC funding should be reduced by $870,000, the cost of the 6,500 square feet of non-BRAC space.

	Navy Proposal (26,500 square feet)		Audit Calculation (20,000 square feet)		Difference (6,500 square feet)	
Primary facility						
Building (square feet times $98.58)	$2,612,000		$1,972,000		$640,000	
Built-in equipment	610,000		595,000		15,000	
Subtotal		**$3,222,000**		**$2,567,000**		**$655,000**
Support facility						
Utilities	99,000		75,000*		24,000	
Roads/railroads, sidewalks, parking	328,000		247,000*		81,000	
Site improvements	87,000		65,000*		22,000	
Subtotal		**514,000**		**387,000**		**127,000**
Total Primary and Support Facilities	**3,736,000**		**2,954,000**		**782,000**	
Contingency (5 percent)	187,000		148,000		39,000	
Total construction cost	**3,923,000**		**3,102,000**		**821,000**	
Overhead (6 percent)	235,000		186,000		49,000	
Total	**$4,158,000**		**$3,288,000**		**$870,000**	

*Values were calculated using a factor of 0.7547. The auditors derived the 0.7547 factor by comparing the space requirements with the space proposed by the Navy. The 20,000-square-foot space requirement divided by the 26,500 square feet proposed by the Navy equals 0.7547.

Appendix D. Calculations for Project P-995T, "Bachelor Enlisted Quarters"

NAVFAC P-80 guidance of April 1994 specified 490 square feet per unit for planning bachelor enlisted quarters space requirements. We determined that 200 units were needed to billet students and staff for the Training Center at Dam Neck. The 200 units constituted the primary facility. NAVFAC determined the unit construction cost at $75 per square foot. The features and support costs; contingency costs; and supervision, inspection, and overhead costs decreased because the primary facility cost was reduced. The following shows that project P-995T costs should be $11.1 million, a reduction of $3.2 million from the Navy $14.3 million proposal.

Primary Facility	Audit Calculations
Unit size	490 square feet
Units required	x 200
Total	**98,000 square feet**
Core area	5,282 square feet
Two elevators	1,020
Optional square feet	950
Total	**105,252 square feet**
Multiply bachelor enlisted quarters area required by:	
Unit cost factor	x $75
Primary cost	$ 7,893,900
Add to primary cost:	
Features and supporting cost	2,080,000
Subtotal	**$ 9,973,900**
Add to subtotal	
Contingency at 5 percent	498,695
Total contract cost	**$10,472,595**
Add to total contract cost	
Supervision, inspection, and overhead at 6 percent	628,356
Total	**$11,100,951**

Appendix E. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.a.	Economy and Efficiency. Reduces funding for project P-283T to reflect justifiable requirements.	$870,000 of funds put to better use in the Navy FY 1995 Base Closure Account.
A.1.b.	Economy and Efficiency. Reduces funding for project P-221T to reflect justifiable requirements.	$330,000 of funds put to better use in the Navy FY 1995 Base Closure Account.
A.1.c.	Economy and Efficiency. Reduces funding for project P-995T to reflect justifiable requirements.	$3.2 million of funds put to better use in the Navy FY 1995 Base Closure Account.
A.1.d.	Economy and Efficiency. Reduces funding for project P-996T to reflect justifiable requirements.	$2.6 million of funds put to better use in the Navy FY 1994 Base Closure Account.
A.2.	Economy and Efficiency. Revises and resubmits DD Forms 1391 for projects P-283T, P-221T, P-995T, and P-996T.	Nonmonetary.
B.	Economy and Efficiency. Suspends funding for BRAC MILCON project P-083T until realignment location is determined.	$6.7 million funds put to better use in the Navy FY 1995 Base Closure Account.

Appendix F. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology, Washington, DC
Under Secretary of Defense (Comptroller), Washington, DC
Under Secretary of Defense for Personnel and Readiness, Washington, DC
Assistant Secretary of Defense (Economic Security), Washington, DC
  Deputy Assistant Secretary of Defense (Economic Reinvestment and BRAC), Washington, DC

Department of the Navy

Office of the Chief of Naval Operations, Base Closure Implementation Branch, Washington, DC
Assistant Secretary of the Navy (Financial Management), Washington, DC
Office of the Comptroller of the Navy, Washington, DC
Naval Sea Systems Command, Washington, DC
  Mare Island Naval Shipyard, Vallejo, CA
  Naval Surface Warfare Center Crane Division, Crane, IN
U.S. Pacific Fleet, Pearl Harbor, HI
  Submarine Pacific, Pearl Harbor, HI
    Submarine Development Group One, San Diego, CA
    Naval Submarine Base Bangor, Silverdale, WA
  Naval Surface Force, U.S. Pacific Fleet, San Diego, CA
    Naval Amphibious Base Coronado, CA
    Explosive Ordnance Disposal Mobile Unit Three, Naval Amphibious Base Coronado, CA
    Naval Station Everett, WA
Training Command, U.S. Atlantic Fleet, Norfolk, VA
  Fleet Combat Training Center, Atlantic, Dam Neck, VA
Computer and Telecommunications Command, Washington, DC
  Communications Station Stockton, CA
Naval Facilities Engineering Command, Alexandria, VA
  Atlantic Division, Norfolk, VA
  Southern Division, North Charleston, SC
  Southwestern Division, San Diego, CA
    Engineering Field Activity Northwest, Silverdale, WA
    Engineering Field Activity Northwest, Poulsbo, WA
  Western Division, San Bruno, CA
Naval Audit Service, Arlington, VA

Unified Commands

U.S. Special Operations Command, MacDill Air Force Base, FL
Naval Special Warfare Command, Coronado, CA
Special Boat Unit Eleven, Mare Island Naval Shipyard, Vallejo, CA

Other Government Organization

General Accounting Office, Washington, DC

Appendix G. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)
Under Secretary of Defense for Personnel and Readiness
Assistant Secretary of Defense (Economic Security)
  Deputy Assistant Secretary of Defense (Economic Reinvestment and BRAC)
Assistant Secretary of Defense (Reserve Affairs)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Comptroller of the Navy
Deputy Chief of Naval Operations (Logistics)
Commander in Chief, U.S. Pacific Fleet
  Commander, Submarine Force
    Commander, Naval Submarine Base Bangor
    Commander, Submarine Development Group One
Commander, Naval Surface Force, U.S. Pacific Fleet
  Commander, Naval Amphibious Base Coronado
    Commanding Officer, Explosives Ordnance Disposal Mobile Unit Three
  Commander, Naval Station Everett
Commander, Training Command U.S. Atlantic Fleet
  Commanding Officer, Fleet Combat Training Center, Atlantic, Dam Neck
Commander, Naval Sea Systems Command
  Commander, Mare Island Naval Shipyard
    Commander, Base Realignment and Closure Office
  Commander, Naval Surface Warfare Center Crane Division
Commander, Naval Facilities Engineering Command
Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations and Individuals

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

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

Honorable Barbara Boxer, U.S. Senate
Honorable Dan Coats, U.S. Senate
Honorable Dianne Feinstein, U.S. Senate
Honorable Slade Gorton, U.S. Senate
Honorable Richard Lugar, U.S. Senate
Honorable Patty Murray, U.S. Senate
Honorable Charles Robb, U.S. Senate
Honorable John Warner, U.S. Senate
Honorable Maria Cantwell, U.S. House of Representatives
Honorable Frank McCloskey, U.S. House of Representatives
Honorable Owen Pickett, U.S. House of Representatives
Honorable Richard Pombo, U.S. House of Representatives
Honorable Lynn Schenk, U.S. House of Representatives

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