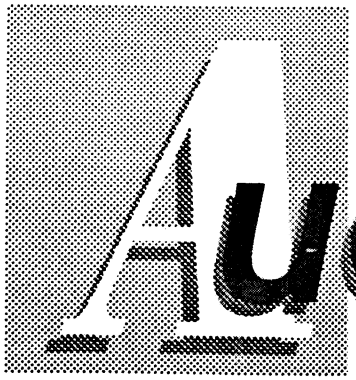

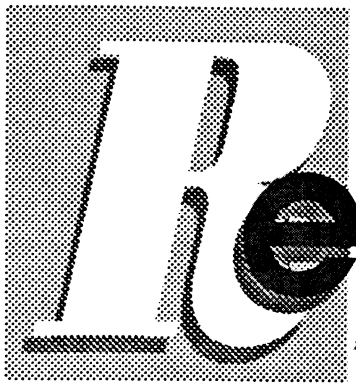

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR THE CONSTRUCTION OF A MULTIPLE PURPOSE FACILITY AT FORT McCOY, WISCONSIN

Report No. 96-119

May 14, 1996

Department of Defense

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Acronyms

BRAC	Base Realignment and Closure
MILCON	Military Construction

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

May 14, 1996

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

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin (Report No. 96-119)

We are providing this audit report for review and comment. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. It discusses a project that was added to the FY 1996 budget too late to be included in previous audit coverage. Comments from the Under Secretary of Defense (Comptroller) on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary benefits be resolved promptly. No written comments were received from the Navy; therefore, the Navy is requested to provide comments on this final report that conform to the requirements of DoD Directive 7650.3. We request that the Navy provide the comments by June 14, 1996.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Terry L. McKinney, Audit Program Director, at (703) 604-9288 (DSN 664-9288) or Mr. Bruce A. Burton, Audit Project Manager, at (703) 604-9282 (DSN 664-9282). See Appendix G for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
For Auditing

Office of the Inspector General, DoD

Report No. 96-119 **May 14, 1996**
(Project No. 6CG-5001.21)

Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin

Executive Summary

Introduction. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. It discusses a project that was added to the FY 1996 budget too late to be included in previous audit coverage. 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 Defense 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 Office of the Inspector General, DoD, is required to review each Defense 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. Our audits include all projects valued at more than $1 million.

Audit 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 for the construction of a multiple purpose facility, valued at $3.5 million, for the closure of Naval Air Station Glenview, Illinois, and realignment of the 25th Reserve Naval Mobile Construction Battalion to Fort McCoy, Wisconsin.

Audit Results. The Navy did not accurately estimate the Defense base realignment and closure military construction requirements and costs for the construction of the multiple purpose facility at Fort McCoy. As a result, the project overstated requirements and costs by $1.5 million.

See Part I for a discussion of the finding. See Appendix D for a summary of invalid and partially valid requirements for the project we reviewed.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place funds on administrative withhold for the multiple purpose facility until a revised DD Form 1391, "FY 1996 Military Construction Project Data," is submitted reflecting valid requirements and costs. In addition, we recommend that the Navy revise and resubmit the DD Form 1391 to reduce the cost of the project by $1.5 million to reflect accurate requirements and costs.

Management Comments. We issued a draft of this report to management on March 25, 1996. No written comments were received from the Navy. We request that the Commander, Third Naval Construction Brigade, provide comments to the final report by June 14, 1996. The Under Secretary of Defense (Comptroller) generally agreed with the recommendations and placed the project on administrative withhold pending resolution. A summary of management comments is in Part I, and the complete text of management comments is in Part III of the report.

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Part I - Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing various audits of the Defense base realignment and closure (BRAC) process. This report is one in a series of reports about FY 1997 BRAC military construction (MILCON) costs. It discusses a project that was added to the FY 1996 budget too late to be included in previous audit coverage. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix C. See Appendix D for a summary of invalid and partially valid requirements for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of 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. Another audit objective was to assess the adequacy of the management control program as it applied to the overall audit objective.

This report provides the results of the audit of project P-701T, "Equipment Maintenance Facility," valued at $3.5 million, resulting from the closure of Naval Air Station Glenview, Illinois, and realignment to Fort McCoy, Wisconsin. See Appendix A for a discussion of the scope and methodology and Appendix B for a summary of prior coverage related to the audit objectives. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Reserve Naval Mobile Construction Battalion Facilities

The Navy did not accurately estimate the BRAC MILCON requirements and costs of project P-701T. The inaccurate estimates occurred because the Navy:

o did not consider more cost-effective designs that the Army already used at Fort McCoy for similar facilities,

o overstated the requirement and unit cost for administrative space, and

o did not adjust costs for relocation of the building site to an area that required fewer supporting facilities.

As a result, the project, valued at $3.5 million, was overstated by approximately $1.5 million.

BRAC Decision

The 1993 Commission on Defense Base Closure and Realignment recommended that the Navy close Naval Air Station Glenview, Illinois. As a result, the 25th Reserve Naval Mobile Construction Battalion relocated to Fort McCoy, Wisconsin. The Navy authorized $3.5 million of BRAC MILCON funds to construct a building for the battalion at Fort McCoy.

The Navy did not accurately estimate the requirements and costs for project P-701T, "Equipment Maintenance Facility," on the DD Form 1391, "FY 1996 Military Construction Project Data," to construct a building consisting of administrative, instructional, operational storage, and vehicle maintenance spaces. The project also included supporting facilities costs for utilities, fencing, and site improvements.

Similar Facilities

The Navy did not consider placing the battalion into several Army-designed facilities at Fort McCoy, even though the Reserve Naval Mobile Construction Battalion was located in several buildings at Naval Air Station Glenview. The Navy proposed meeting the requirement for the entire battalion by constructing one 20,685-square-foot facility. Included in the facility was 5,500 square feet

of operational storage space and 5,000 square feet of vehicle maintenance space. The estimated costs for those portions of the facility were $444,432 and $652,600, respectively. The total cost for those two portions was estimated to be $1,097,032.

The Army recently constructed two facilities, for $220,000 each, at Fort McCoy that were similar in size (6,000 square feet) and use to those the Navy requires for the vehicle maintenance and operational storage requirement. If the Navy used that design for both requirements, Base Closure Account funds of $657,032 ($1,097,032 minus $440,000) could have been put to better use.

Furthermore, the Navy could optimize the excess space in the Army-designed buildings by placing the "A" company headquarters and operations area in the vehicle maintenance facility because "A" company operates that facility. The Navy had expressed interest in using those buildings for the same purposes upon its arrival at Fort McCoy, but did not consider the option during construction design.

Administrative Space

The Navy overstated the requirement and unit cost for administrative space by $123,267 for its battalion headquarters component. In addition, the Navy overstated the unit cost for administrative space for its "A" and "B" companies headquarters components.

Battalion Headquarters Space. The Navy originally proposed that the battalion headquarters occupy 6,240 square feet at a unit cost of $122.75 per square foot, for a total cost of $765,960. Naval Facilities Engineering Command Publication P-80, "Facility Planning Criteria for Navy and Marine Corps Shore Installations," provides facility planning criteria for use in computing quantitative facility requirements for Navy and Marine Corps installations. The publication states that the maximum requirement for battalion headquarters of a Reserve Naval Mobile Construction Battalion is 5,700 square feet. In addition, the unit cost for administrative space in the Fort McCoy area is $113.14 per square foot. Applying that unit cost to 5,700 square feet, the cost would be $644,898. Therefore, the Navy overstated administrative space by 540 square feet (6,240 square feet minus 5,700 square feet) and a total of $121,062 ($765,960 minus $644,898).

"A" and "B" Companies Space. The Navy proposed to occupy 1,760 square feet at a unit cost of $122.75 per square foot for the "A" and "B" companies headquarters at a total cost of $216,040. However, the Navy requires an additional 130 square feet for the "A" company headquarters, which results in 1,890 square feet for both companies. Applying the most current unit cost of $113.14 per square foot to 1,890 square feet totals $213,835. Therefore, the Navy understated administrative space by 130 square feet (1,760 square feet plus 130 square feet) but overstated the cost of the "A" and "B" companies administrative space by $2,205 ($216,040 minus $213,835).

Recommended Space Occupancy. We recommend construction of three separate facilities instead of construction of one multiple purpose facility to accomplish the requirement for project P-701T. See Appendix E for recommended space occupancy.

Supporting Facilities

The Navy did not adjust costs for relocation of the building site to an area that would require fewer supporting facilities. The original site for which the costs were estimated for the DD Form 1391 was in a more remote part of Fort McCoy, which required larger amounts of supporting facilities costs. However, when the site was relocated to the main portion of Fort McCoy, the cost for supporting facilities decreased from $802,000 to $220,000, a difference of $582,000.

Summary

The Navy overstated the cost of project P-701T by approximately $1.5 million because it did not consider using an Army-designed maintenance and storage facility, overstated the requirement and unit cost of administrative space, and did not adjust costs for relocation of the building site to an area that would require fewer supporting facilities.

The table below shows original cost estimates and overstated amounts.

Summary of Original Costs and Overstated Amounts for Project P-701T

Description	Original Costs	Overstated Amounts
Operational storage	$ 444,432	$ 224,432
Vehicle maintenance	652,600	432,600
Administrative		
Battalion Headquarters	765,960	121,062
Company Headquarters	216,040	2,205
Instructional	298,449	0
Supporting facilities	802,000	582,000
Contingency (5 percent)	159,000	68,141
Supervision, inspection and overhead (6 percent)	200,000	85,518
Total	**$3,538,481**	**$1,515,958**

Recommendations and Management Comments

1. We recommend that the Under Secretary of Defense (Comptroller) place funds for project P-701T, "Equipment Maintenance Facility," on administrative withhold until the Navy submits a revised DD Form 1391, "FY 1996 Military Construction Project Data," to accurately reflect requirements and costs.

Management Comments. The Under Secretary of Defense (Comptroller) concurred with the recommendation, stating that the project was placed on administrative withhold pending resolution. In addition, any savings resulting from the audit would be reprogrammed to other BRAC requirements.

2. We recommend that the Commander, Third Naval Construction Brigade,

a. Submit a revised DD Form 1391, "Equipment Maintenance Facility," that reflects valid BRAC requirements and that accurately reflects the revised design of the project, including revised square feet and unit cost, and the reduced supporting facilities cost and

b. Reduce budget estimates by $1,515,958.

Management Comments. The Commander, Third Naval Construction Brigade, did not respond to the draft of this report. We request that the Commander, Third Naval Construction Brigade, provide comments on the final report.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1996 BRAC MILCON budget request, economic analysis, and supporting documentation for space requirements for one realignment project regarding the transfer of the 25th Reserve Naval Mobile Construction Battalion from Naval Air Station Glenview, Illinois, to Fort McCoy, Wisconsin. Project P-701T, "Equipment Maintenance Facility," is estimated to cost $3.5 million.

Audit Period, Standards, and Locations. This economy and efficiency audit was made from January through February 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix F lists the organizations visited or contacted during the audit.

Appendix B. Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This appendix lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Inspector General, DoD

Report No.	Report Title	Date
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Draft of Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
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

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

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. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

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 requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

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. The Cost of Base Realignment Actions computer model 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 a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model 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.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each individual BRAC MILCON

project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON $820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least $1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Appendix D. Projects Identified as Invalid or Partially Valid

Table D-1. Causes of Invalid or Partially Valid Projects

Project Location	Project Number	Causes of Invalid Projects: Overstated	Causes of Invalid Projects: Unsupported	Causes of Partially Valid Projects: Overstated	Causes of Partially Valid Projects: Unsupported
Fort McCoy	P-701T			X	

Table D-2. Recommended Changes in Project Estimates

Project Location	Project Number	Amount of Estimate on DD Form 1391 (thousands)	Recommended Amount of Change: Invalid Projects (thousands)	Recommended Amount of Change: Partially Valid Projects (thousands)
Fort McCoy	P-701T	$3,500		$1,500
Total		**$3,500**		**$1,500**

Total Invalid and Partially Valid Projects **$1,500**

Appendix E. Recommended Space Occupancy

The original Navy proposal was to have one 20,685-square-foot multiple purpose facility, encompassing administrative, instructional, hazardous storage, vehicle maintenance, and operational storage space.

We recommend construction of three separate facilities as an alternative for project P-701T. Two facilities would be based on the Army-designed facility, and the third facility would be an administrative facility.

Facility Designation	Proposed Use of Space	Size of Facility (square feet)
Facility 1	Operational Storage	5,500
	Hazardous Storage	225
		5,725*
Facility 2	Vehicle Maintenance	5,000
	"A" Company Headquarters	630
		5,630*
Facility 3	Battalion Headquarters	5,700
	"B" Company Headquarters	1,260
	Instructional Area	1,960
		8,920
Total Area		**20,275**

*Using the Army design, Facilities 1 and 2 are 6,000 square feet each, for a total of 12,000 square feet. As a result, if the design is used, the Navy will have an extra 645 square feet (5,725 plus 5,630 equals 11,355 subtracted from 12,000).

Appendix F. Organizations Visited or Contacted

Department of the Army

Fort McCoy, Sparta, WI

Department of the Navy

Third Naval Construction Brigade, Pearl Harbor, HI
  25th Reserve Naval Mobile Construction Battalion, Fort McCoy, WI
Naval Air Station, Glenview, IL
Naval Facilities Engineering Command, Alexandria, VA
  Southern Division, Charleston, SC

Appendix G. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
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  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Economic Security)
  Deputy Assistant Secretary of Defense (Installations)
Assistant to the Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Commander, Fort McCoy
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Commander, Third Naval Construction Brigade
Commander, Naval Facilities Engineering Command
Auditor General, Department of the Navy

Department of the Air Force

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

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

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

Non-Defense Federal Organizations and Individuals (cont'd)

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 Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Honorable Russell Feingold, U.S. Senate
Honorable Herbert Kohl, U.S. Senate
Honorable Steven Gunderson, U.S. House of Representative

Part III - Management Comments

Office of the Under Secretary of Defense (Comptroller) Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER
(Program/Budget)

APR 15 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: Quick-Reaction on Defense Base Realignment and Closure Budget Data for the Realignment of the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin (Project No. 6CG-5001.21)

This responds to your March 25, 1996, memorandum requesting our comments on subject report.

The audit recommends that the USD (Comptroller) place project P-701T, "Equipment Maintenance Facility," on administrative withhold until the Navy submits a revised DD 1391 form that accurately reflects requirements and costs for the project.

We generally agree with the audit and recommendations, however, since the Navy has not officially commented on the audit and the amount of the savings has not been resolved, we will place the project on administrative withhold pending resolution. Further, any savings resulting from the audit will be reprogrammed to other BRAC requirements as appropriate.

B. R. PASEUR
DIRECTOR FOR CONSTRUCTION

Audit Team Members

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

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