

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE CLOSURE ACCOUNT FUNDS OTHER  
THAN MILITARY CONSTRUCTION FUNDS

Report No. 96-163

June 14, 1996

Department of Defense

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### **Acronyms**

BCA	Base Closure Account
BRAC	Base Realignment and Closure
DLA	Defense Logistics Agency
O&M	Operation and Maintenance
VSIP	Voluntary Separation Incentive Payment



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



June 14, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Defense Base Closure Account Funds Other Than Military  
Construction Funds (Report No. 96-163)

We are providing this audit report for review and comment. This report is one in a series of reports relating to the administration of Defense base realignment and closure funds, other than Defense base realignment and closure military construction funds. We considered comments from the Under Secretary of Defense (Comptroller), the Air Force, and the Defense Logistics Agency on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Army and the Navy did not provide comments to a draft of this report. Therefore, we request that the Army and the Navy provide comments on the final report by July 15, 1996.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Michael Perkins, Audit Project Manager, at (703) 604-9273 (DSN 664-9273). The distribution of this report is listed in Appendix D. The audit team members are listed inside the back cover.

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 96-163  
(Project No. 5CG-5033.01)

June 14, 1996

### Defense Base Closure Account Funds Other Than Military Construction Funds

#### Executive Summary

**Introduction.** The 1993 Commission on Defense Base Closure and Realignment estimated the one-time cost of Defense base realignment and closure as \$7.43 billion for FYs 1994 through 1999. Of that amount, \$3.33 billion was for Defense base realignment and closure operation and maintenance, permanent change of station for affected military personnel, and other non-military construction costs.

**Audit Objectives.** The primary audit objective was to evaluate the administration of the Defense Base Closure Account funds, other than military construction funds. We further limited our review to the operation and maintenance subaccount. The specific objectives were to determine whether the Defense Base Closure Account funds were obligated for authorized Defense base realignment and closure requirements and whether those obligations were valid. We also reviewed the adequacy of the management control program as it applied to the other audit objectives.

**Audit Results.** The Military Departments and the Defense Logistics Agency used Defense Base Closure Account operation and maintenance funds inconsistently during FYs 1994 and 1995. The inconsistent use of funds may result in inaccurate reporting of Defense Base Closure Account costs. Furthermore, there is insufficient assurance that Defense Base Closure Account operation and maintenance funds are being spent correctly on Defense base realignment and closure costs. See the finding in Part I for details.

The lack of consistent guidance at the Under Secretary of Defense (Comptroller), Military Department, and the Defense Logistics Agency levels constituted a material management control weakness.

**Summary of Recommendations.** We recommend that the Military Departments and the Defense Logistics Agency coordinate with the Office of the Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification, in order to properly record Defense Base Closure Account expenses in the appropriate subaccount. We also recommend that the Military Departments and the Defense Logistics Agency include Defense Base Closure Account accounting as part of their management self-evaluations.

**Management Comments.** The Under Secretary of Defense (Comptroller), the Assistant Secretary of the Air Force (Financial Management and Comptroller), and the Principal Deputy Director for the Defense Logistics Agency commented on the draft report. The Under Secretary of Defense (Comptroller) agreed with the issues in the report and stated that DoD Components should request clarification on BRAC financial guidance that is not absolutely clear to ensure that BRAC costs are accounted for properly. The Assistant Secretary of the Air Force agreed with the intent of issues in the report and stated that Air Force BRAC program managers will seek guidance as

needed on issues regarding the use of BRAC funds. The Defense Logistics Agency agreed with the issues in the report and stated that new BRAC FY 1995 implementation guidance has been issued to all BRAC activities.

**Audit Response** We commend the Defense Logistics Agency for the prompt response to the draft recommendation. The Agency's FY 1995 implementation guidance will establish tighter controls over the Defense Base Closure Account. Although some inconsistencies may still result between the Defense Logistics Agency and other DoD Components in accounting, the FY 1995 implementing guidance will provide accuracy on how to account for and report on base realignment and closure costs. The Under Secretary of Defense (Comptroller) and Air Force comments were also responsive to the draft recommendation.

**Management Comments Required.** The Army and the Navy have not responded to the draft report; therefore, the Army and the Navy should provide comments on the final report. Because we added a recommendation to the Military Departments and the Defense Logistics Agency, we request that the Air Force and the Defense Logistics Agency also comment on the final report. Comments should be received by July 15, 1996.

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## **Part I - Audit Results**

### Audit Background

In February 1995, the Commission on Defense Base Closure and Realignment estimated the one-time cost of Defense base realignment and closure (BRAC) to be approximately \$7.43 billion for FYs 1994 through 1999. Of that amount, \$3.33 billion was for BRAC operation and maintenance (O&M), permanent change of station for affected military personnel, and other non-military construction costs.

### Audit Objectives

The primary audit objective was to evaluate the administration of Defense Base Closure Account (BCA) funds, other than BRAC military construction funds. The specific objectives were to determine whether BCA funds were obligated for authorized BRAC requirements and whether obligations were valid. We also reviewed the management control program as it applied to the other audit objectives.

We further limited our review to the BCA O&M subaccount because we are currently conducting independent audits for family housing requirements and other non-military construction costs. Further, permanent change of station for affected military personnel was not reviewed because it is not part of the BCA or the non-BRAC O&M account.

See Appendix A for a discussion of the audit scope and methodology and details of the management control program review. See Appendix B for a summary of prior coverage related to the audit objectives.

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## **Use of Defense Base Closure Account Funds by DoD Components**

The Military Departments and the Defense Logistics Agency used FYs 1994 and 1995 Defense Base Closure Account operation and maintenance funds inconsistently. That condition occurred because the Military Departments and the Defense Logistics Agency did not establish and implement uniform guidance on how to account for and report on base realignment and closure costs. As a result, there is insufficient assurance that Defense Base Closure Account operation and maintenance funds are being spent correctly on base realignment and closure costs. Further, Defense Base Closure Account costs will not be accurately reported, as required by Public Law 101-510, "Provisions of Law Relating to Base Closures and Realignment."

### **Public Law Establishing the Defense Base Closure Account**

**Public Law 101-510 Guidance.** Public Law 101-510, as amended, established the Base Closure and Realignment Commission to meet during calendar years 1991, 1993, and 1995. The purpose of the Commission was to make recommendations that would ensure a timely, independent, and fair process for closing and realigning U.S. military installations. Further, Public Law 101-510 requires that the Secretary of Defense provide a report to the congressional Defense committees showing the obligations and expenditures from the Defense Base Closure Account (BCA) during the fiscal year for each DoD Component.

**Public Law 100-526 Guidance.** Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, established the BCA to fund any actions necessary to implement BRAC actions and provide economic adjustment assistance, community planning assistance, and environmental restoration.

### **Under Secretary of Defense (Comptroller) Guidance**

The Office of Under Secretary of Defense (Comptroller) (the DoD Comptroller) issued guidance that provided a framework for reporting BRAC costs to the Defense Base Closure Account.

The DoD Comptroller issued guidance for BRAC 1993 via DoD regulations and memorandums to the DoD Components. Among the DoD Comptroller guidance are the following.

- DoD Comptroller memorandum, "DoD Base Closure Account," January 3, 1990, states that "the general criterion to apply when deciding whether to charge specific costs to BCA is that the cost in question is a one-time implementation cost associated with the overall base closure."

## Use of Defense Base Closure Account Funds by DoD Components

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- DoD Comptroller memorandum, "Financial Management Policy and Procedures for BRAC," December 21, 1993, provided financial management policy and accounting procedures guidance for BRAC. The memorandum provides that the DoD Components are responsible for implementing BRAC actions and administering the allocation of BRAC funds. The memorandum also states that the BCA may be used to "carry out actions as may be necessary to close or realign any military installation."

The December 1993 memorandum also stated that to account for and report on Defense Base Closure Account funds, each DoD Component is required to establish BCA subaccounts and applicable sub-subaccounts, including those listed here.

- Military Construction
- Family Housing
- Operation and Maintenance
  - Civilian Severance Pay
  - Civilian Permanent Change of Station
  - Transportation of Things
  - Real Property Maintenance
  - Program Management, including civilian work years, temporary duty travel, and other related implementation efforts
- Environmental
- Community Programs
- Federal Agency Reimbursement
- Military Personnel
  - Permanent Change of Station
  - Temporary Duty Travel
- Procurement-type Items
- Other BRAC

The DoD Comptroller issued additional guidance for BRAC 1995, "FY 1996/1997 Defense Budget Review," July 8, 1994, and "FY 1997 Defense Budget Review," July 10, 1995. Those memorandums specifically state that "reductions-in-force, separation incentives, plant closures, plant layaway or custody costs, closure planning, environmental restoration and mitigation, and other BRAC related expenses should be funded through the BRAC account."

## Implementing BRAC Guidance

The Military Departments and the Defense Logistics Agency (DLA) inconsistently charged BRAC O&M costs to the BCA during FYs 1994 and 1995. Those inconsistencies occurred because uniform guidance had not been established by all DoD Components affected by BRAC. Each of the Military Departments and DLA headquarters issued its own guidance.

Table 1 shows how each DoD Component addressed different types of costs and the use of BRAC or O&M funds in its respective guidance.

**Table 1. BRAC O&M Funding Guidance<sup>1</sup>**

<u>Type of Costs</u>	<u>Organizations Issuing Guidance</u>				
	<u>DoD(C)<sup>2</sup></u>	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>DLA<sup>3</sup></u>
Costs identified in previous or current DoD guidance:					
Severance Pay	BRAC <sup>4</sup>	BRAC	--	BRAC	
Permanent Change of Station	BRAC <sup>4</sup>	BRAC	BRAC	BRAC	BRAC
Transportation of Things	BRAC <sup>4</sup>	BRAC	BRAC	--	--
Real Property Maintenance	BRAC <sup>4</sup>	BRAC	BRAC	--	--
Temporary Duty Travel	BRAC <sup>4</sup>	BRAC	BRAC	--	--
Voluntary Separation Incentive Pay	BRAC <sup>5</sup>	O&M	BRAC <sup>6</sup>	O&M	BRAC
Plant Closures	BRAC <sup>5</sup>	--	--	--	--
Plant layaway/custody costs	BRAC <sup>5</sup>	--	--	--	--
BRAC Planning	BRAC <sup>5</sup>	--	BRAC	--	--
Costs not specifically identified in DoD guidance:					
Training/Travel	--	BRAC	--	--	--
Employee Allowed Time	--	--	BRAC	--	--
Lump Sum Leave	--	BRAC	--	BRAC	BRAC
Unemployment Compensation	--	--	--	BRAC	--
Shutdown Costs	--	--	BRAC	--	--
Leased Space Requirement	--	--	BRAC	--	--
Redistribution Orders	--	--	--	--	BRAC

<sup>1</sup>--" indicates that the specific cost item was not addressed in the guidance for that organization.

<sup>2</sup>DoD Comptroller.

<sup>3</sup>DLA Guidance is for BRAC 95.

<sup>4</sup>DoD Comptroller guidance dated December 21, 1993.

<sup>5</sup>DoD Comptroller guidance dated July, 8 1994.

<sup>6</sup>Guidance states that in FY 1994 Voluntary Separation Incentive Payments should be funded with O&M. After FY 1995, Voluntary Separation Incentive Payments should be funded with BRAC.

## Use of Defense Base Closure Account Funds by DoD Components

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Table 2 shows the amount of funds reported by the four DoD organizations we visited by sub-subaccount.

**Table 2. BRAC Funds Reported by Type of Cost and Organization for FYs 1994 and 1995<sup>1</sup>**  
(\$ in thousands)

<u>Type of Sub-Subaccount</u>	<u>Letterkenny Army Depot</u>	<u>NADAP<sup>2</sup> Pensacola</u>	<u>Griffis Air Force Base</u>	<u>DCF DPSC<sup>3</sup></u>
Severance Pay	--	\$ 152	--	\$3,967
Permanent Change of Station	\$2,892	28,725	\$6,706	234
Transportation of Things	4,068	4,380	892	--
Real Property Maintenance	1,232	--	6	--
Temporary Duty Travel	--	665	--	--
Voluntary Separation Incentive Pay	--	11,611	--	4,058
Plant Closures	--	--	--	--
Plant layaway/custody costs	--	--	--	--
BRAC Planning	--	4,595	--	--
Training/Travel	--	--	--	185
Employee Allowed Time	--	2,094	--	--
Lump Sum Leave	--	--	731	1,415
Unemployment Compensation	--	--	--	--
Shutdown Costs	--	--	--	--
Leased Space Requirement	--	--	--	--
Redistribution Orders	--	--	--	--
Employee Assistance Program	--	811	--	--
Relocation of Inventories	--	119	--	--
Closeout Orders	--	--	--	2,000
Purchased Services	--	--	642	--
Packing and Crating	--	--	183	--
Caretaker Costs	--	--	--	405
Supplies & Items < 15k	9,925	--	--	--
Procurement-Type Items	2,423	--	--	--
Other	--	--	--	308

<sup>1</sup>"--" indicates that the cost item was not reported by the activity.

<sup>2</sup>Naval Aviation Depot, Pensacola, Florida.

<sup>3</sup>DLA Defense Clothing Factory/Defense Personnel Support Center, Philadelphia, Pennsylvania.

<sup>4</sup>All costs were charged to the regular O&M account.

## Reporting BRAC Costs

Public Law 101-510 requires the Secretary of Defense to report to congressional Defense committees the amount and nature of expenditures from the BCA at the end of each fiscal year. However, the lack of consistent guidance will result in inaccurate reporting of BRAC costs.

**Inconsistent Guidance.** As can be seen from Table 1, the guidance for each Military Department and DLA varied in costs it addressed. Table 2 shows that, as a result, each organization affected by BRAC identified different types of sub-subaccounts.

**Guidance on Voluntary Separation Incentive Payments.** Funding for voluntary separation incentive payments (VSIPs) was not identified or accomplished the same way by all DoD Components. The implementing guidance for Letterkenny Army Depot, Chambersburg, Pennsylvania, and Griffiss Air Force Base, Rome, New York, required funding for VSIPs from a regular O&M account, while the Naval Aviation Depot and the Defense Clothing Factory required funding for VSIPs and severance pay from the BCA.

**DoD Guidance.** The DoD Comptroller memorandum of December 21, 1993, addressed civilian reduction-in-force actions and specifically identified severance pay, but did not specifically identify VSIPs. However, the DoD Comptroller memorandum of July 8, 1994, stated that reduction-in-force and VSIPs should be funded from the BCA.

**Army Guidance.** In response to a request from the Army Assistant Chief of Staff for Installations, the Office of the Judge Advocate General, Department of the Army, issued an opinion, "Use of Base Closure Account Funds to Pay for Voluntary Separation Pay for Department of the Army Civilian Employees," dated May 10, 1995. That opinion said that the BCA should not be used for VSIPs. Therefore, the Army is not using the BCA to fund VSIPs.

**Navy Guidance.** The Navy issued a memorandum, "Base Closure Policies For Defense Business Operations Fund activities," July 19, 1994, which stated that BRAC funds should be used for all BRAC-related VSIPs. However, the Naval Air Systems Command issued policy that VSIPs in FY 1994 should be funded from the regular O&M account, and in FY 1995 and the outyears, VSIPs should be funded from the BCA.

**Air Force Guidance.** Air Force Instruction 65-601, section D.23.12.3., "Separation Pay and Reduction in Force," states, "The appropriation and organization that pays for the individual's salary pays for separation or RIF [reduction-in-force] costs." Based on that instruction, VSIPs would be paid with non-BRAC funds.

**DLA Guidance.** DLA headquarters developed BRAC 1995 implementation guidance that states that VSIPs may be funded from the BCA.

## Use of Defense Base Closure Account Funds by DoD Components

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**Host/Tenant Conflicting Guidance.** The differences among DoD Components' BRAC guidance has resulted in confusion as to who is to fund certain BRAC costs. For example, if a DLA activity is a tenant activity on a host military installation affected by BRAC, the host Military Department is responsible for funding the applicable BRAC costs. If the host Military Department is the Army or the Air Force, the host does not pay costs such as VSIPs. DLA, which includes VSIPs as a BRAC cost, must then obtain its own BRAC funds to pay those costs.

During the outyears of BRAC 1993, FYs 1996 through 1999, DLA has estimated that tenants will incur approximately \$1.3 million in unemployment and lump-sum leave costs. DLA officials have stated that neither DLA nor the host activities have included those costs in their budgets. Currently, DLA does not have the BRAC O&M funds to finance the costs. Because of the inconsistencies in guidance implementation, that type of confusion will continue to exist, and some BRAC expenses will remain unfunded and not properly reported.

**Employee Allowed Time.** In addition, the BRAC O&M subaccounts varied among each of the sites visited. For example, Naval Aviation Depot, Pensacola, Florida, had an Employee Allowed Time sub-subaccount, which meant that Naval Aviation Depot employees were granted 40 hours of unearned annual leave funded from the BCA. The other three sites visited did not have a sub-subaccount for Employee Allowed Time.

**Repeat Finding from Prior Audit Report.** A repeat finding related to lump-sum leave payments. The finding was first reported in the DLA Internal Review Office report on Project No. DDAI-001-94, "Audit of Base Realignment and Closure 1993 Implementation Costs, Defense Personnel Support Center, Defense Clothing Factory, Defense Contract Management District Mid-Atlantic," January 26, 1995. The report states that DLA primary-level field activities need guidance regarding annual lump-sum leave costs. The report recommended that Office of the Comptroller, DLA headquarters, issue guidance requiring primary-level field activities to record total annual lump-sum leave payments as a BRAC cost. Management stated that it is in the process of updating BRAC guidance to the field activities. Due to disagreements with several of the Military Departments regarding payment of annual lump-sum leave with BRAC, DLA requested a policy decision from the DoD Comptroller and will issue guidance after receipt of a policy decision. See Appendix B for a summary of that and other prior audit reports related to BRAC funding.

## Summary

Each Department or agency has interpreted the DoD Comptroller guidance differently, which has resulted in inconsistencies within DoD on how to account for and report on BRAC costs. The Military Departments and the DLA coordination with the Under Secretary of Defense (Comptroller) to obtain decisions of any BRAC funding issue will ensure consistency in identifying BCA expenses.

## Recommendations, Management Comments, and Audit Response

**Added Recommendation.** As a result of further analysis, we have added Recommendation 2.

**We recommend that the Military Departments and the Defense Logistics Agency:**

1. **Coordinate with the Office of the Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification, in order to properly record Defense Base Closure Account expenses in the appropriate subaccounts.**

2. **Review Defense Base Closure Account funding as part of their self-evaluations.**

**Office Of the Under Secretary of Defense (Comptroller) Comments.** The Under Secretary of Defense (Comptroller) agreed with the issues in the report and stated that DoD Components should request clarification on BRAC financial guidance that is not absolutely clear to ensure that BRAC costs are accounted for properly.

**Air Force Comments.** The Assistant Secretary of the Air Force (Financial Management and Comptroller) agreed with the intent of issues stated in the report and stated that Air Force BRAC program managers will seek guidance as needed on issues regarding the use of BRAC funds.

**Defense Logistics Agency Comments.** The Principal Deputy Director for the Defense Logistics Agency agreed with the issues in the report and stated that new FY 1995 BRAC implementation guidance has been issued to all BRAC activities.

**Audit Response.** We commend the Defense Logistics Agency for the exceptional response to the recommendation. The FY 1995 implementation guidance will establish tighter controls over the Defense Base Closure Account. It identifies the subaccounts that should be used to properly account for Base Closure expenses. Although some inconsistencies may still result between the Defense Logistics Agency and other DoD Components in accounting, the FY 1995 implementing guidance should help attain better accuracy in reporting base realignment and closure costs.

**Management Comments Required.** The Army and the Navy have not responded to the draft report; therefore, the Army and the Navy should provide comments on the final report. Because we added a recommendation to the Military Departments and the Defense Logistics Agency, we request that the Air Force and the Defense Logistics Agency also comment on the final report. Comments should be received by July 15, 1996.

## **Part II - Additional Information**

## Appendix A. Scope and Methodology

### Scope

**BRAC Obligations.** We selected FYs 1994 and 1995 BRAC operation and maintenance obligations reported by the Military Departments and Defense agencies. Universe data were obtained from the FYs 1996 and 1997 Biennial Budget Estimates reported by the Military Departments and Defense agencies. Based on universe data, the Quantitative Methods Division of the Analysis, Planning, and Technical Support Directorate selected 30 military sites to be visited.

We visited 4 of the 30 sites selected by the Quantitative Methods Division. We limited our review to four sites because of the difficulties encountered during the survey. For example, much of the supporting BRAC documentation was not available for review at the closing bases. Further, in some instances, we could not interview key personnel responsible for managing BRAC funds. The individuals had either been reassigned to other Defense agencies or had lost their positions as a result of the DoD downsizing. We visited Letterkenny Army Depot; Naval Aviation Depot, Florida; Griffiss Air Force Base; and the DLA Defense Personnel Support Center/Defense Clothing Factory, Pennsylvania.

Table A-1 shows data on the universe and data for the sample.

<u>Organization</u>	<u>Universe Data</u>		<u>Sample Data</u>	
	<u>Value</u>	<u>Number of Sites</u>	<u>Value</u>	<u>Number of Sites</u>
Army	\$ 52,715	7	\$20,540	1
Navy	1,058,514	41	53,152	1
Air Force	159,660	9	9,160	1
DISA*	218,570	53	0	0
DLA	53,971	5	12,572	1
<b>Total</b>	<b>\$1,543,430</b>	<b>115</b>	<b>\$95,424</b>	<b>4</b>

\*Defense Information Systems Agency

We reviewed \$18.3 million of the \$95.4 million for the site locations visited. The period of the review took into consideration FYs 1994 and 1995 obligations for BRAC O&M.

Table A-2 provides information on each site we visited.

<u>Activity</u>	<u>Universe</u>	<u>Reviewed</u>
Letterkenny Army Depot	\$20,540	\$ 8,097
Naval Aviation Depot	53,152	4,231
Griffiss Air Force Base	9,160	905
Defense Personnel Support Center/Defense Clothing Factory	<u>12,572</u>	<u>5,080</u>
<b>Totals</b>	<b>\$95,424</b>	<b>\$18,313</b>

**Audit Period, Standards, and Locations.** This economy and efficiency audit was performed from April through December 1995 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 the management controls considered necessary. Appendix C lists organizations visited or contacted during the audit.

## Methodology

We evaluated the validity of BRAC O&M obligations used for Defense base realignments and closures. We also reviewed management controls over BRAC O&M obligations.

**BRAC Obligations Selected.** To select the BRAC O&M obligations, we judgmentally sampled low and high dollar values within various sub-subaccounts. The selection of sampled items took into consideration actual BRAC O&M obligations during FYs 1994 and 1995.

**Use of Computer-Processed Data.** We relied on manual techniques to acquire universe data for two of the four activities visited because computer-processed data could not always be obtained. However, we obtained hard copies of computer-processed data from Letterkenny Army Depot and Griffiss Air Force Base personnel.

Those data were used to select a judgmental sample of BRAC obligations. In all instances, nothing came to our attention that indicated that the computer-processed data were unreliable.

## Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of Review of Management Control Program.** We reviewed management control procedures regarding the allocation of FY 1993 BRAC funds for non-military construction uses. Specifically, we evaluated compliance with DoD procedures within the Military Departments and DLA. We reviewed management's self-evaluation applicable to those controls.

**Adequacy of Management Controls.** We identified a material management control weakness. Military Departments' and DLA management controls were not adequate to ensure that BRAC guidance was applied consistently when recording BCA costs. The recommendations, if implemented, will ensure that BCA costs are properly recorded in the appropriate subaccounts.

**Adequacy of Management's Self-Evaluation.** Officials within the Military Departments and DLA did not identify BRAC fund accounting as an assessable unit and, therefore, did not identify or report the material control weakness identified by the audit.

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## **Appendix B. Summary of Prior Audits and Other Reviews**

During the last 5 years, the Army Audit Agency issued two reports on the use of Defense Base Closure Account funds. The Air Force Audit Agency issued one report concerning the use of Defense Base Closure Account funds. Additionally, DLA issued two reports that addressed costs to implement the 1993 BRAC.

### **Army Audit Agency**

**Report NR 94-209, "Management of Facilities at Bases Being Closed or Realigned," April 18, 1994.** The subject report states that cost estimates for Base Closure I were reasonable, but estimates for Base Closure 1991 were substantially understated. The report recommended establishing procedures to update and report budget estimates when changes occur between annual budget submissions that significantly affect the financial position of base closure programs. The report also recommended making sure that the origin of savings reported in budget estimates is fully identified. Officials at the Office of the Assistant Chief of Staff for Installation Management agreed in principle and stated that they update and report to DoD significant changes to base closure estimates. However, DoD uses only the budget cycle as the vehicle to identify budget estimates to Congress. Consequently, if significant changes to Army estimates occur between cycles, Congress is not informed of the change.

The report further states that the management of Defense Base Closure Account funds needs improvement. The Army is behind in the execution of its base closure programs, and some base closure funds were improperly obligated. The report recommended emphasizing to DoD that the Army Base Closure I requirements for FYs 1990 through 1992 are valid, that it should not withhold funds required for FYs 1994 and 1995, and that late release of Base Closure I funds is delaying program execution. The report also recommended ensuring that Defense Base Closure Account funds are requested in the year they can be obligated. Management concurred with the recommendations.

**Report NR 93-202, "Management of Facilities at Bases Being Closed or Realigned, Fort Devens, Massachusetts," May 4, 1993.** The subject report states that Fort Devens effectively used and managed base closure funds. Fort Devens used base closure funds for valid base closure expenses, performed periodic reviews of unliquidated obligations, and returned about \$49,000 of unused funds.

## Air Force Audit Agency

**Project No. 93052017, "Review of the Base Closure Accounts, Obligations, and Outlays," January 31, 1994.** The subject report states that the Air Force overstated BCA O&M funding needs. Additionally, installation personnel used BCA funds for only 20 of 43 closure events reviewed, while they used normal O&M funds for the remaining 23. Additionally, the major commands reserved about \$25 million of BCA O&M funds for two closed installations. The amount of funds reserved was more than needed. The report further states that in 1988 and 1990, the Air Force used its own funds to start Defense base realignment and closure actions rather than wait for Congress to appropriate funds. As a result, the Air Force was not able to use Defense Base Closure Account funds for some base closure and realignment events. The Office of the Secretary of Defense allocated \$114.2 million to the Air Force in FYs 1990 and 1991 that could not be used until after 1993.

The report recommended that the Principal Deputy Assistant Secretary (Manpower, Reserve Affairs, Installations and Environment) and the Principal Deputy Assistant Secretary (Financial Management and Comptroller) align program and financial management under a single office. That office should manage installation closure activities from installation selection until installation disposal. The Principal Deputy Assistant Secretary (Manpower, Reserve Affairs, Installations and Environment) agreed that the Defense Base Closure Account required improved oversight, management, and execution.

## Defense Logistics Agency

**Project No. DDAI-001-94, "Audit of Base Realignment and Closure 1993 Implementation Costs, Defense Personnel Support Center, Defense Clothing Factory, Defense Contract Management District Mid-Atlantic," January 26, 1995.** The subject report states that errors in the Defense Contract Management District Mid-Atlantic and Defense Personnel Support Center VSIP calculations caused overpayments and underpayments. The report further states that DLA primary-level field activities need guidance regarding annual lump-sum leave costs. The report recommended that the Defense Personnel Support Center Office of Personnel review VSIP calculations, audit the results, and provide a copy to the DLA Office of Internal Review. Management agreed with the recommendation. The report also recommended that the Office of the Comptroller, DLA headquarters, issue guidance requiring primary-level field activities to record total annual lump-sum leave payments as a BRAC cost. Management stated that it is in the process of updating BRAC guidance to the field activities. Due to disagreements with several of the Military Departments regarding payment of annual lump-sum leave with BRAC funds, DLA requested a policy decision from the Office of Secretary Defense and agreed to issue guidance after receipt of that policy decision.

## Appendix B. Summary of Prior Audits and Other Reviews

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**Project No. DDAI-001-94, "Audit of Base Realignment and Closure 1993 Implementation Costs, Defense Contract Management District North Central," January 26, 1995.** The report states that some VSIP calculations were incorrect. The report also states that primary-level field activities need guidance on establishing an outplacement center. Additionally, adjusting accounting entries must be reviewed for accuracy once Defense Contract Management District North Central is disestablished on June 30, 1994. The report further states that a difference existed between the VSIP listings maintained by the Budget Office and the Personnel Office. The report recommended a review of all VSIP calculations. Management concurred and completed the review.

The report also recommended that the Office of Executive Director, Human Resources, issue guidance for outplacement services to future BRAC activities scheduled for closure. Management concurred and stated that the DLA Civilian Personnel Support Office is developing an agency outplacement guide.

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## **Appendix C. Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller), Washington, DC  
Deputy Comptroller (Program/Budget), Washington, DC  
Deputy Assistant Secretary of Defense (Installations), Washington, DC\*  
Base Realignment and Closure Office, Washington, DC

### **Department of the Army**

Letterkenny Army Depot, Chambersburg, PA

### **Department of the Navy**

Deputy Assistant Secretary of the Navy (Civilian Personnel Policy/Equal Employment Opportunity) Arlington, VA  
Naval Air Systems Command, Arlington, VA  
Naval Aviation Depot, Pensacola, FL

### **Department of the Air Force**

Langley Air Force Base, Hampton, VA  
Griffiss Air Force Base, Rome, NY

### **Other Defense Organizations**

Defense Finance and Accounting Service, Columbus, OH  
Defense Information Systems Agency, Arlington, VA  
Defense Logistics Agency, Ft. Belvoir, VA  
Defense Personnel Support Center, Philadelphia, PA  
Defense Clothing Factory, Philadelphia, PA

\*Now, Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations), Washington, DC.

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Deputy Under Secretary of Defense (Industrial Affairs and Installations)  
Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations)  
Assistant to the Secretary of Defense (Public Affairs)  
Director, Defense Logistics Studies Information Exchange

### **Department of the Army**

Auditor General, Department of the Army  
Commander, Letterkenny Army Depot

### **Department of the Navy**

Assistant Secretary of the Navy (Financial Management and Comptroller)  
Auditor General, Department of the Navy  
Commander, Naval Air Systems Command

### **Department of the Air Force**

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

## **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, Defense Logistics Studies Information Exchange  
Director, National Security Agency  
Inspector General, National Security Agency  
Inspector General, Defense Intelligence Agency  
Commander, Defense Personnel Supply Center

## **Non-Defense Federal Organizations**

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 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

## **Part III - Management Comments**

# Office of the Under Secretary of Defense (Comptroller) Comments



COMPTROLLER  
(Program/Budget)

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



May 20, 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Audit Report on Defense Base Closure Account Funds Other Than Military Construction Funds (Project No. 5CG-50033.01)

This responds to your March 20, 1996, memorandum requesting our comments on the subject report.

The audit report states that the Military Departments and Defense Logistics Agency used fiscal year 1994 and fiscal year 1995 Base Realignment and Closure (BRAC) operation and maintenance funds inconsistently because uniform guidance had not been established by all DoD Components affected by BRAC. Although the DoD Comptroller has issued guidance for BRAC via DoD regulations and memoranda to the DoD Components, each Department or Agency has interpreted the guidance differently which has resulted in inconsistencies within the DoD. As a consequence, the auditors recommend that the Military Departments and Defense Logistics Agency coordinate with the Office of Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification.

We concur with the audit findings and recommendations in principle. The Office of Under Secretary of Defense (Comptroller) has issued guidance to the DoD Components consistent with BRAC Public Law 101-510, as amended, which allows BRAC funds to be charged for costs directly related to implementing an approved base closure or realignment. The DoD Components should request written Under Secretary of Defense (Comptroller) clarification on BRAC financial guidance that is not absolutely clear to ensure BRAC costs are accounted for properly.

B. R. Paseur  
Director for Construction

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# Department of the Air Force Comments



Office of the Assistant Secretary

DEPARTMENT OF THE AIR FORCE  
WASHINGTON, DC

MAY 22 1996

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

**FROM: SAF/MII**

**SUBJECT: DoDIG Draft Report, Defense Base Closure Account Funds Other Than  
Military Construction Funds, (Project No. SCG-5033.01)**

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) to provide Air Force comments on subject report. SAF/FMP requested SAF/MII respond for them.

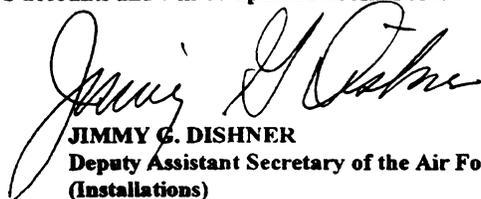
**FINDING:** The Military Departments and the Defense Logistics Agency used FYs 1994 and 1995 Defense Base Closure Account operation and maintenance funds inconsistently. That condition occurred because the Military Departments and the Defense Logistics Agency did not establish and implement uniform guidance on how to account for and report on base realignment and closure costs. As a result, no assurance exists that Defense Base Closure Account operation and maintenance funds are being spent correctly on base realignment and closure costs. Further, Defense Base Closure Account costs will not be accurately reported, as required by Public Law 101-510, "Provisions of Law Relating to Base Closures and Realignment."

**NONCONCUR:** The 18 January 1990 ASD Memorandum, **SUBJ: Department of Defense (DoD) Base Closure Account**, clearly states that the Assistant Secretary of Defense for Production and Logistics (ASD (P&L)) will provide policy and guidance on base closure issues, and will determine the Military Departments allocation of the Base Closure Account. In that same memorandum, the DoD Comptroller is tasked with the responsibility to establish fiscal policy, procedures, and reporting instructions.

**RECOMMENDATION:** We recommend that the Military Departments and the Defense Logistics Agency coordinate with the Office of the Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification in order to consistently identify Defense Base Closure Account expenses.

**CONCUR:** It is the policy of the Air Force BRAC program managers to seek guidance from the Office of the Under Secretary of Defense (Comptroller) on any issues that require clarification regarding the use of BRAC funds.

As an example, the Air Force had concerns that revised policy was inconsistent with P. L. 102-484 Section 4436, which stipulates that separation pay for fiscal years after 1993 shall be paid for by an agency out of any funds or appropriations available for salaries and expenses of that agency. In a 30 August 1994 memorandum to the Principal Deputy Comptroller of the Department of Defense, SAF/FMBIC requested clarification on OSD's guidance on Voluntary Separation Incentive Payments (VSIP). OSD's 26 Sep 1994 memorandum indicated that OSD BRAC policy requires that all BRAC costs that are in direct support of base closure recommendations be separately identified and funded with BRAC appropriations. However, the Air Force still believed that BRAC funds should not be used for incentives since BRAC funding policies are based on the premise that Congress created the BRAC accounts to fund all tasks necessary or required for the closing of installations. As an example, severance pay is an appropriate charge against the BRAC account because severance must be paid to all personnel who lose their position as a result of base closure. On the other hand, separation incentives as a separate process are offered to induce a voluntary action by an employee. In the case of a voluntary action, use of BRAC funds is inappropriate. A 27 July 1995 ASD (ES) memorandum requested clarification from OSD General Counsel on whether it is appropriate to use BRAC funds to pay civilian separation incentives at bases that have been selected for closure. In anticipation of a legal opinion on this matter, AF/RTT requested MAJCOMS to include estimates for separation incentives as part of the 1995 Summer Review. OSD General Counsel subsequently provided guidance that BRAC accounts are available for paying Voluntary Separation Incentive Pay (VSIP) and Voluntary Early Retirement Authority (VERA) payments. As a result, SAF/FMB immediately informed all MAJCOMs that the BRAC account would be the funding source for VSIP and related VERA costs to the extent payments are made in order to carry out BRAC closures or realignments. The policy was effective beginning in FY 1996 for all BRAC accounts and will be updated in Air Force Instruction 65-601.

  
JIMMY G. DISHNER  
Deputy Assistant Secretary of the Air Force  
(Installations)

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# Defense Logistics Agency Comments



**DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FT. BELVOIR, VIRGINIA 22060-6221**

IN REPLY  
REFER TO

DDAI

6 May 1996

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

SUBJECT: DoDIG Draft Report on Defense Base Closure Account Funds Other Than  
Military Construction Funds (Project No. 5CG-5033.01)

This is in response to subject draft report dated March 20, 1996. If you have any  
questions, please contact Emilia Snider at (703) 767-6268.

  
JACQUELINE G. BRYANT  
Chief, Internal Review Office

Encl

## Defense Logistics Agency Comments

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**SUBJECT:** OIG Draft Audit Report on Defense Base Closure Account Funds Other Than Military Construction Funds (Project No. SCG-5033.01)

**FINDING:** The Military Departments and the Defense Logistics Agency used FYs 1994 and 1995 Defense Base Closure Account operation and maintenance funds inconsistently. That condition occurred because the Military Departments and the Defense Logistics Agency did not establish and implement uniform guidance on how to account for and report on base realignment and closure costs. As a result, no assurance exists that Defense Base Closure Account operation and maintenance funds are being spent correctly on base realignment and closure costs. Further, Defense Base Closure Account costs will not be accurately reported, as required by Public Law 101-510, "Provisions of Law Relating to Base Closures and Realignment."

**DLA COMMENTS:** Concur. Consistent with USD(C) guidance, the Defense Logistics Agency (DLA) issued Base Realignment and Closure (BRAC) 1995 Implementation Guidance to all affected BRAC activities in April 1995. Guidance addressed all known one-time costs associated with a BRAC action chargeable to the Defense Base Closure Account.

**INTERNAL MANAGEMENT CONTROL WEAKNESSES**

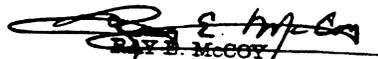
- Nonconcur.
- Concur; however weakness is not considered material.
- Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

**ACTION OFFICER:** Noel Lacey, FOBD, (703)767-7279

**REVIEW/APPROVAL:** Mr. Michael F. Miller, Chief, FOB, April 29, 1996

**COORDINATION:** *JSA, DDAT, 1 May 96*

**DLA APPROVAL:**

  
Ray E. McCoy  
Major General/USA  
Principal Deputy Director

MAY - 6 1996

**SUBJECT:** OIG Draft Audit Report on Defense Base Closure Account Funds Other Than Military Construction Funds (Project No. 5CG-5033.01)

**RECOMMENDATION:** The Military Departments and the Defense Logistics Agency coordinate with the Office of the Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification in order to consistently identify Defense Base Closure Account expenses.

**DLA COMMENTS:** Concur. DLA has and will continue to go to USD(C) for clarification of BRAC funding issues.

**DISPOSITION:**

( ) Action is ongoing. Estimated Completion Date:  
(X) Action is considered complete.

**ACTION OFFICER:** Noel Lacey, FOBD, 767-7279

**REVIEW/APPROVAL:** Mr. Michael F. Miller, Chief, FOB, April 29, 1996

**COORDINATION:** *JA, DDAI, 1 May 96*

**DLA APPROVAL:**

  
RAY E. MCCOY  
Major General, USA  
Principal Deputy Director

MAY - 6 1996

## **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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