Audit Report

OFFICE OF THE INSPECTOR GENERAL

COMPLETED DEFENSE BASE REALIGNMENT AND CLOSURE CONSTRUCTION PROJECTS

Report No. 97-072 January 15, 1997

Department of Defense

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit of the Analysis, Planning, and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch of the Analysis, Planning, and Technical Support Directorate at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: APTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing to the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

BRAC	Base Realignment and Closure
MILCON	Military Construction

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

Report No. 97-072 January 15, 1997

MEMORANDUM FOR 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 of Completed Defense Base Realignment and Closure Construction Projects (Project No. 6CF-0065)

Introduction

We are providing this audit report for your information and use. This audit reviewed completed Base Realignment and Closure (BRAC) Military Construction (MILCON) projects for which DoD organizations received BRAC funding as a result of base realignment and closure actions. As of June 1996, $2.16 billion had been expended on BRAC MILCON projects.

Audit Results

The Army, Navy, Air Force, and Defense Logistics Agency used BRAC funds to construct projects as presented and approved on the DD Forms 1391, "Military Construction Project Data," in the 35 completed BRAC MILCON projects reviewed. The management controls were adequate as they applied to the design, funding, and construction of approved BRAC MILCON projects.

Audit Objectives

The objective of our audit was to determine whether organizations receiving BRAC funds used the funds to construct the projects as approved on the DD Forms 1391. A specific objective was to determine whether completed BRAC MILCON projects were constructed within the scope of the DD Forms 1391 approved by Congress. The audit also assessed the adequacy of the management control program as it applied to the overall audit objective.

Scope and Methodology

Scope of This Audit. We judgmentally selected and reviewed 35 completed BRAC MILCON projects from a universe of 402. The 35 projects were collectively valued at $282.2 million. During the review, we visited DoD organizations with cognizance over the projects. We inspected the facilities built or renovated as BRAC MILCON projects at eight DoD sites. For each

project selected, we compared project requirements and costs to the approved DD Forms 1391. We reviewed the architecture and engineering project design documents and cost estimates as well as the contracts and modification documents as applicable to the audit objectives. We did not use computer-processed data or statistical sampling procedures to conduct this audit.

Validation of BRAC MILCON DD Form 1391 Estimates. The scope of our review did not include validation of BRAC facility requirements because this type of review was performed in prior audits and covered 20 of the 35 projects we reviewed. The audit scope was limited to reviewing actual completion of the BRAC MILCON projects, using the final DD Forms 1391 as a benchmark for the review.

Audit Period and Standards. This economy and efficiency audit was conducted from June through September 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited eight DoD sites where either construction or renovation of BRAC projects was taking place. In addition, we contacted or visited the Army and Navy engineering activities responsible for the DD Form 1391, the design and contracting of projects, and the oversight of contractor performance.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and requires them to evaluate the adequacy of their controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of management controls relating to the completion of BRAC MILCON projects to ensure that BRAC funds are expended only on approved BRAC requirements. Specifically, we reviewed management controls that prevent expenditure of BRAC funds for non-BRAC requirements in relation to contract performance and modification.

Adequacy of Management Controls. Management controls relating to the completion of approved BRAC MILCON projects were adequate. We identified no material management control weaknesses.

Prior Audits and Other Reviews

Since 1991, numerous reports have addressed DoD BRAC issues. However, no audits or other reviews have specifically focused on completed BRAC MILCON projects.

Audit Background

When need for a BRAC MILCON project is identified, the organization with the project requirement prepares a DD Form 1391, "Military Construction Project Data." The DD Form 1391 describes the scope and cost estimates for the project. The Army Corps of Engineers or Naval Facilities Engineering Command has cognizance over the project, and is responsible for ensuring that all project elements in the DD Form 1391 are accurately reflected in the architectural and engineering design. The architectural and engineering design becomes the blueprint for the project. Although the scope of a MILCON project remains unchanged, the actual cost of the construction may vary from the original cost estimates based on the lowest contract bid.

Discussion

We found no instances where actual costs or a project's scope of completed work differed, in any material respects, from the approved DD Forms 1391 in the 35 completed BRAC MILCON projects reviewed.

The following table summarizes the completed BRAC MILCON projects reviewed at each audit location:

Summary of Completed BRAC Projects Reviewed

Location	Number of Projects Reviewed	Approved DD 1391	Completed Cost
Pease Air National Guard	6	$ 8,526,000	$ 8,600,050
Fort Jackson	5	55,015,000	51,455,426
Nellis Air Force Base	2	2,800,000	2,544,290
NAVSUBASE	3	11,300,000	11,143,683
Whidbey Island Naval Air Station	1	5,220,000	4,423,482
Navy and Marine Corps Reserve, Seattle, WA	2	10,100,000	8,348,718
Fort Belvior	5	140,800,000	115,300,000
Great Lakes Naval Training Center	11	48,450,000	43,878,619
TOTAL	**35**	**$282,211,000**	**$245,694,268**

Architecture and Engineering Estimates. The BRAC MILCON process includes the use of engineer cost estimates before project execution. The architecture and engineering firms prepared project designs and cost estimates for the BRAC MILCON projects based on each project's scope as presented on the approved DD Form 1391. When time and resources permitted, Government engineers from the Army Corps of Engineers or the Naval Facilities Engineering Command prepared project designs and cost estimates. Project designs and cost estimates were refined as they progressed. In the final design and cost estimates, legitimate variations from the approved DD Forms 1391 occurred because of reconfigurations due to design efficiencies, which often resulted in a lower cost than was projected on the DD Form 1391. Our review of the 35 completed BRAC MILCON projects concluded that the engineers' cost estimates for the projects were within the parameters described in DD Forms 1391.

Construction Contracts. The Army Corps of Engineers or Naval Facilities Engineering Command awarded the BRAC MILCON contracts using the project designs and cost estimates as the bases for contract awards. Thus, the contract scope was the same as the scope shown on the project design documents prepared by the engineers. The contract award costs for the 35 BRAC projects were not necessarily the same as the engineer design cost estimates because construction contracts were almost always awarded to the lowest bidder. Nevertheless, except for one location, the actual cost of the BRAC MILCON projects did not exceed the total amounts approved on the DD Forms 1391.

Contract Modifications. Contracting officers at the Army Corps of Engineers and the Naval Facilities Engineering Command issued either unilateral or bilateral contract modifications to meet the needs of the projects. They issued a total of 1,729 contract modifications for the 35 BRAC MILCON projects reviewed. Modifications were issued for a variety of reasons (for example, no-cost administrative changes, design omissions, Government-caused delays, value engineering, and unforeseen conditions). Each modification was either a "cost" or "no cost" modification. We reviewed the contract modification documents for each of the 35 BRAC MILCON projects. Our review focused on modifications that changed contract costs and contract statements of work or scopes. No contracts were inappropriately modified outside the scope of work defined by the applicable DD Form 1391. Contract modifications that altered the contract costs were justifiable. For example, the Naval Facilities Engineering Command issued a contract modification totaling $95,178 for project P-588 built at the Naval Training Center, Great Lakes, Illinois. The modification, considered an "unforeseen condition," was issued for the contractor to perform extensive asbestos removal. The magnitude of the asbestos problem was revealed during construction and therefore was never anticipated during the project design study or included in the project design and cost estimate. Miscellaneous design changes and unforeseen conditions also necessitated a modification of a BRAC MILCON contract totaling $84,881 for project P-604T built at the Naval Air Station, Whidbey Island, Washington. The contracting officer issued the contract modification to resolve a site drainage problem that was not anticipated during the project design study. The modification redirected storm water away from the adjacent wetlands and into an existing storm water system in the airfield area. The work was necessary because of the high water table and adjoining wetlands that prevented operation of a sanitary sewer lift station. The drainage problem proved to be more serious than originally designed for.

Physical Observation. Our review included visits to the 35 completed BRAC MILCON projects. Based on our visits, we concluded that the projects did not deviate in any material respects from the scope of work described in the DD Forms 1391. For example, at Pease Air National Guard Base, we visited a site for a completed project involving an alteration of a fuel dispensing system. The DD Form 1391 for the project showed a requirement for an alteration of the existing JP-7 fuel tank to include installations of environmental controls, new transfer piping, hydrant system connection, truck fill stand, pump house, and fences. During our tour, we observed an altered JP-7 fuel tank with newly installed environmental controls, new transfer piping, hydrant connection, truck fill stand, pump house, and fences. At the Naval Training Center, Great Lakes,

Illinois, project P-585T was completed to upgrade several facilities (such as the bachelor enlisted quarters, recruit processing center, and uniform issue building) to accommodate the training of female recruits. The facilities upgrade mainly added female restrooms in those facilities because Naval Training Center, Great Lakes, had never trained female recruits before. The facilities upgrade also included the sand blasting of windows of barracks assigned to female recruits to provide privacy. During our visit to the facilities, we witnessed the presence of female training recruits, the newly constructed female restrooms, and the sandblasted female barracks windows. There were no improvements outside the scope of the project. At Nellis Air Force Base, Las Vegas, Nevada, a conventional munition shop totaling 4,500 square feet and a ready explosives shop totaling 900 square feet were built under project RKMF913007. The facilities were built to provide adequate conventional munitions spaces to support Air Warrior exercises. The dimensions of both facilities agreed with the requirements presented on the DD Form 1391.

At each of the sample locations, we determined that the built or renovated facilities were being used as intended and for the purpose that the DD Forms 1391 were approved for.

Management Comments

We provided a draft of this report on November 20, 1996. Because this report contains no findings or recommendations, comments were not required, and no comments were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Terry L. McKinney, Audit Program Director, at (703) 604-9288 (DSN 664-9288) or Ms. Bobbie Sau Wan, Audit Project Manager, at (703) 604-9259 (DSN 664-9259). Enclosure lists 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

Enclosure

Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense Acquisition and Technology
  Director, Defense Logistics Studies Information Exchange
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)

Department of the Army

Auditor General, Department of the Army
Commander, Army Corps of Engineers

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy
Commander, Naval Facilities Engineering Command
  Commander, Southern Division
  Commander, Southwest Division
Commandant of the Marine Corps

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

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

Audit Team Members

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

Paul J. Granetto
Terry L. McKinney
Bobbie Sau Wan
Arsenio Sebastian
Marc E. Avers
Monica S. Rice
Ana M. Myrie