

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE REALIGNMENT OF THE
SYSTEM PROGRAM OFFICE FROM McCLELLAN
AIR FORCE BASE, CALIFORNIA, TO
WRIGHT-PATTERSON AIR FORCE BASE, OHIO**

Report No. 97-164

June 18, 1997

Department of Defense

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Acronyms

AFB
BRAC
MILCON
QLA

Air Force Base
Base Realignment and Closure
Military Construction
System Program Office



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
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June 18, 1997

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

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Realignment of the System Program Office from McClellan Air Force Base, California, to Wright-Patterson Air Force Base, Ohio (Report No. 97-164)

We are providing this audit report for your information and use. We considered management comments on a draft of this report when preparing the final report. This report is one in a series about FY 1998 Defense base realignment and closure military construction costs.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are necessary.

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. Henry P. Hoffman, Audit Project Manager, at (703) 604-9269 (DSN 664-9269). See Appendix D 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. 97-164

(Project No. 7CG-5002.17)

June 18, 1997

Defense Base Realignment and Closure Budget Data for the Realignment of the System Program Office from McClellan Air Force Base, California, to Wright-Patterson Air Force Base, Ohio

Executive Summary

Introduction. This report is one in a series about FY 1998 Defense base realignment and closure military construction costs. 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.

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 of project PRJY921012R1, "Renovate QLA (System Program Office) Support Facility," valued at \$2.5 million, for the renovation of Building 16 at Wright-Patterson Air Force Base, Ohio, to support missions transferred because of the closure of McClellan Air Force Base, California. The management control program objective will be discussed in a summary report on FYs 1997 and 1998 Defense base realignment and closure military construction budget data.

Audit Results. The Air Force did not develop the required documentation, including an economic analysis to support the project scope, cost estimate, and the decision for the Defense base realignment and closure military construction project. As a result, the Air Force plan to renovate the System Program Office Support Facility, Building 16 is unsupported. See Part I for a discussion of the audit results.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place the funding for project PRJY921012R1 on administrative withhold until the Air Force resubmits the revised DD Form 1391, "FY 1998 Military Construction Project Data," with the required supporting documentation. We also recommend that the Commander, Air Force Materiel Command submit a revised DD Form 1391 for project PRJY921012R1 supported by the required documentation including an economic analysis as required by Air Force Instruction 32-1021, "Planning and Programming of Facility Construction Projects," May 12, 1994, and Air Force Handbook 32-1084, "Facility Requirements," September 1, 1996.

Management Comments. We received comments on a draft of this report from the Under Secretary of Defense (Comptroller) and the Air Force. The Under Secretary of Defense (Comptroller) stated that the funding of \$2.5 million for project PRJY921012R1 has not been appropriated. If the funds are appropriated and the issue is not resolved by the start of FY 1998, the funds for the project will be placed on administrative withhold. The Air Force concurred with the recommendation. The \$2.5 million for project PRJY921012R1 will be canceled during the next military construction report to Congress. A summary of management comments is in Part I, and the complete text of management comments is in Part III of this report.

Audit Response. The Under Secretary of Defense (Comptroller) and the Air Force comments are responsive to the recommendations and no additional comments are required.

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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 about FY 1998 BRAC military construction (MILCON) costs. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix B.

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 project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another 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 PRJY921012R1, "Renovate QLA (System Program Office) Support Facility," valued at \$2.5 million, for the renovation of Building 16 at Wright-Patterson Air Force Base (AFB), Ohio, to support missions transferred because of the closure of McClellan AFB, California. See Appendix A for a discussion of the scope and methodology. The management control program objective will be discussed in a summary report on FYs 1997 and 1998 BRAC MILCON budget data.

Prior Audits and Other Reviews

Three summary reports have been issued for the audits of BRAC budget data for FYs 1992 through 1996. These reports list individual projects. Since April 1996, numerous additional audit reports have been issued that address DoD BRAC budget data for FYs 1997 and 1998. Details on these reports are available upon request.

Realignment Project at Wright-Patterson Air Force Base

The Air Force did not support project PRJY921012R1, "Renovate QLA Support Facility," at Wright-Patterson AFB, valued at \$2.5 million, resulting from the closure of McClellan AFB. The project is unsupported because the Air Force did not develop the required documentation, including an economic analysis to support the decision for BRAC MILCON. The Air Force has not determined which QLA functions would be transferred to Wright-Patterson AFB because it is considering privatization of some functions. Therefore, the accuracy of the Air Force BRAC MILCON project budget data could not be validated. As a result, the Air Force plans to spend \$2.5 million to renovate Building 16 which may not be required.

Project Background

The 1995 Commission on Defense Base Closure and Realignment recommended closing McClellan AFB, including the Air Logistics Center, Sacramento, California. The remaining functions would be consolidated at other DoD depots or privatized by commercial activities, as determined by the Defense Depot Maintenance Council.

Proposed Project

Air Force Instruction 32-1021, "Planning and Programming of Facility Construction Projects," May 12, 1994, requires major commands to prepare strong and accurate justification data for MILCON projects. The instruction also requires project validation and accurate cost estimates. Project validation includes verification of the requirements and confirmation that the proposed project is the most cost effective means of satisfying the requirement, and that the DD Form 1391 data is accurate and complete. Project estimates are to be based on completed requirements and a management plan. However, the requirements that created the need for the proposed BRAC MILCON project were not complete because management is still in the process of determining whether to privatize the QLA workloads. Therefore, the Air Force could not provide backup documentation to support the \$2.5 million required to renovate building 16.

Air Force Handbook 32-1084, "Facility Requirements," September 1, 1996, provides guidance for developing facility requirements. The instruction states the basic factors to be used to express requirements. These basic factors include projected personnel strength and units of equipment. However, to apply any of

Realignment Project

the factors, the Air Force (facility planners) must determine the number of authorized personnel (billets) who will occupy the facility and the amount of equipment that will be installed in the facility.

Conclusion

The Air Force proposed BRAC MILCON project PRJY921012R1 to renovate Building 16 (QLA Support Facility) at Wright-Patterson AFB. The facility will be required to support the QLA functions currently located in existing facilities at McClellan AFB. The Air Force did not develop the required documentation, including an economic analysis, to support the scope and cost estimate of the project. The Air Force has not determined the number of personnel who will occupy the facility, or the units of equipment, because the Air Force is still deciding which functions will be privatized. The Air Force will not need the proposed BRAC MILCON project if the QLA functions are privatized.

Recommendations and Management Comments

1. We recommend that the Under Secretary of Defense (Comptroller) place the funds for project PRJY921012R1, "Renovate QLA Support Facility," on administrative withhold until the Air Force submits a revised DD Form 1391, "FY 1998 Military Construction Project Data," with the required documentation, including an economic analysis, should the Air Force decide to retain the QLA workload.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) generally concurred with the audit and stated that funding for project PRJY921012R1, "Renovate QLA Support Facility," has not been appropriated. If the funds are appropriated and the issue is not resolved by the start of FY 98, the funds for the project will be placed on administrative withhold. Further, any savings resulting from the audit will be reprogrammed to other valid BRAC requirements as appropriate.

2. We recommend that the Commander, Air Force Material Command, submit a revised DD Form 1391, "FY 1998 Military Construction Project Data," for project PRJY921012R1, "Renovate QLA Support Facility," with the required documentation, including an economic analysis supporting the BRAC MILCON decision, after the decision has been made to transfer the QLA functions to Wright-Patterson AFB.

Department of Air Force Comments. The Air Force concurred with the recommendation and stated that after further review of the requirements, the work can be accomplished with BRAC operation and maintenance funds. Further, the Air Force does not intend to implement project PRJY921012R1, "Renovate QLA Support Facility." The BRAC MILCON line item will be canceled during the next MILCON report to Congress.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1998 BRAC MILCON budget request and interviewed Air Force personnel responsible for planning, programming and developing the space requirements for the BRAC MILCON project to consolidate the QLA workload at Wright-Patterson AFB, Ohio. Project PRJY921012R1, "Renovate QLA Support Facility," is estimated at \$2.5 million. However, we were not able to determine the accuracy of the budget estimate and the validity of the Air Force decision for BRAC MILCON, because the Air Force did not provide us with the required supporting documentation including economic analysis for our review.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from March 3, 1997 through March 5, 1997 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.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Appendix B. Background of Defense Base Realignment and Closure

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 1998 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.

Appendix B. Background of Defense Base Realignment and Closure

Overall Audit Selection Process. We reviewed the FY 1998 BRAC MILCON \$354.3 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 all projects in the budget. We also reviewed those FY 1997 BRAC MILCON projects that were not included in the previous FY 1997 budget submission, but were added as part of the FY 1998 BRAC MILCON budget package.

Appendix C. Projects Identified as Invalid or Partially Valid

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

<u>Project Location</u>	<u>Project Number</u>	<u>Causes of Invalid Projects</u>		<u>Causes of Partially Valid Projects</u>	
		<u>Overstated</u>	<u>Unsupported</u>	<u>Overstated</u>	<u>Unsupported</u>
Wright-Patterson AFB, OH	PRJY921012R1		X		

Table C-2. Recommended Changes in Project Estimates

<u>Project Location</u>	<u>Project Number</u>	<u>Amount of Estimate on DD Form 1391 (thousands)</u>	<u>Recommended Amount of Change</u>	
			<u>Invalid Projects (thousands)</u>	<u>Partially Valid Projects (thousands)</u>
Wright-Patterson AFB, OH	PRJY921012R1	\$2,500	\$2,500	
Total		\$2,500	\$2,500	
Total Invalid and Partially Valid Projects		\$2,500		

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 Secretary of Defense (Public Affairs)
Director, Defense Logistics Studies Information Exchange

Department of the Army

Auditor General, Department of the Army

Department of the Navy

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

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Assistant Secretary of the Air Force (Installations), Base Transition Division
Commander, Air Force Material Command
Commander, Aeronautical Systems Command
Auditor General, Department of the Air Force

Other Defense Organizations

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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 Government Management Information and Technology,
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

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, 1997

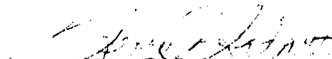
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Audit Report on the Defense Base Realignment and Closure (BRAC)
Budget Data for the Realignment of the System Program Office from McClellan Air
Force Base, California, to Wright-Patterson Air Force Base, Ohio
(Project No. 7CG-5002.17)

This responds to your memorandum of May 9, 1997, requesting our comments on the
subject report.

The audit recommends that the USD (Comptroller) place the funding for project
PRJY921012R1, "Renovate QLA (System Program Office) Support Facility," at Wright-Patterson
AFB, Ohio, on administrative withhold until a revised DD Form 1391 is submitted supporting the
requirement.

The funding (\$2.5 million) associated with project PRJY921012R1 is included in the
FY 1998 BRAC budget request and has not been appropriated. While we generally agree with the
audit and recommendations, the Air Force has not commented on the report. As a consequence the
item is still at issue. If the funds are appropriated and the issue is not resolved by the start of FY
1998, we will place the funds for the project on administrative withhold. Further, any savings
resulting from the audit will be reprogrammed to other valid BRAC requirements as appropriate.


Henry R. Sodano
Director for Construction

Department of the Air Force Comments



Office of the Assistant Secretary

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

28 May 1997

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

FROM: SAF/MIIT
1660 Air Force Pentagon
Washington, DC 20330-1660

SUBJECT: Draft Audit Report No. 7CG-5002.17 on Defense Base Realignment and Closure
Budget Data for the Realignment of the System Program Office from McClellan
Air Force Base, California, to Wright-Patterson Air Force Base, Ohio, May 9, 1997

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

The report states the Air Force did not support project PRJY 921012R1, "Renovate QLA Support Facility," at Wright-Patterson AFB, valued at \$2.5 million, resulting from the closure of McClellan AFB. The project is unsupported because the AF did not develop the required documentation, including an economic analysis. You recommend DOD (comptroller) place funds for the project on administrative withhold until the AF prepares a revised DD Form 1391 and completes on economic analysis.

AF COMMENTS: WE CONCUR. After further detailed review of our requirements and the condition of building 16, we can accomplish the work with BRAC O&M funds and do not intend to implement project PRJY921012R1. We will cancel this BRAC MILCON line item, during the next MILCON report to Congress.

Our point of contact is Mr. Lester R. Schauer, DSN 227-6559.


RAYMOND A. NEALL, Lt Col USAF
Chief, Base Transition Division

cc:
AFMC/XPP/CEC

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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