

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND
CLOSURE BUDGET DATA FOR THE CLOSURE
OF THE STRATFORD ARMY ENGINE PLANT,
STRATFORD, CONNECTICUT**

Report No. 97-221

September 30, 1997

Department of Defense

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Acronyms

AMC	U.S. Army Materiel Command
ATCOM	U.S. Army Aviation and Troop Command
BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
SAEP	Stratford Army Engine Plant
TACOM	U.S. Army Tank-automotive and Armaments Command



INSPECTOR GENERAL
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September 30, 1997

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Closure of the Stratford Army Engine Plant, Stratford, Connecticut (Report No. 97-221)

We are providing this audit report for information and use. We performed the audit as requested by Senators Dodd and Lieberman and Representative DeLauro.

In a draft of this report, we requested the Army to respond to question 6 of the Congressional request. We included the Army response to question 6. No other comments were required and none were received.

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). See Appendix D for the report distribution. 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. 97-221

September 30, 1997

Project No. 7CG-5002.19

Defense Base Realignment and Closure Budget Data for the Closure of the Stratford Army Engine Plant, Stratford, Connecticut

Executive Summary

Introduction. The audit was requested by Senators Christopher J. Dodd and Joseph I. Lieberman, and Representative Rosa L. DeLauro. This report discusses Congressional concerns that AlliedSignal Aerospace Corporation (AlliedSignal), the contractor that operated the Stratford Army Engine Plant (SAEP), may have initiated discussions with the Army about relocating the contractor operations to Phoenix, Arizona; thereby influencing the decision that SAEP be placed on the Defense base realignment and closure (BRAC) list. The Congressional members requested that we determine whether the Defense base realignment and closure process was improperly used to pay AlliedSignal for relocation of business operations. The requestors also asked that we determine whether estimates for closure costs were developed in accordance with the procedures set forth in Base Closure and Realignment Commission legislation, and applicable Army directives. Appendix B provides details on the mission of SAEP.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure data. The originally announced objectives to review the Defense base realignment and closure budget data were expanded to respond to concerns raised by the Congressional request, which were received after we started the overall audit. The revised objectives for this specific audit subproject were to determine how SAEP ended up on the BRAC list, whether estimates for closure of SAEP were developed in accordance with procedures established by base closure and realignment legislation and Army directives, and the specific role that the Army, the 1995 Commission on Defense Base Closure and Realignment (the Commission), and AlliedSignal played in developing estimates for closure of SAEP.

Audit Results. The Army did not develop or use adequate cost estimates in its analysis of whether to recommend closure of SAEP. The Army recommended SAEP for closure because requirements for spare parts produced at the plant were decreasing. Also, the Army concluded that the missions performed at the plant could be performed at Army depots or obtained from other available sources. The estimates to close SAEP were developed using the Cost of Base Realignment Analysis computer model (COBRA). However, the Army did not consider relocation costs for sole-source requirements when developing cost estimates for input to COBRA.

AlliedSignal met with the Commission and provided more detailed cost estimates. As a result, the Commission increased the initial Army estimate of \$2.0 million for closure costs to \$6.6 million. The increase was to cover Government equipment and personnel relocation costs. AlliedSignal developed an estimate of \$20 million and provided the estimate to the Commission analyst before the Commission sent its Defense Base Closure and Realignment report to the President. The report included a recommendation to close SAEP.

The Commission analyst noted that missions performed at SAEP could be performed at Army depots. Therefore, the Commission analyst added only \$2.03 million to the Commission closure estimate for relocation of equipment. That \$2.03 million estimate was taken from the Army draft implementation plan for the closure of SAEP, rather than the relocation cost estimate developed by AlliedSignal. The Army disagreed with the \$20 million cost estimate from AlliedSignal. Of the \$20 million, \$7 million was for the AGT-1500 engine and \$13 million was for the T-53 and T-55 engines. On September 30, 1996, TACOM executed a \$9.63 million cost plus fixed-fee contract with AlliedSignal for relocation of manufacturing, testing, and production support for the AGT-1500 engine and recuperator. AlliedSignal estimated that an additional \$6.6 million will be required to relocate manufacturing and support for the T-53 and T-55 engines. However, TACOM and AlliedSignal stated that these costs would be paid by AlliedSignal and recovered through overhead charges on T-53 and T-55 production and support contracts.

Management Comments. In a draft of this report, we requested that the Army respond to question 6 of the Congressional request. The Office of the Assistant Chief of Staff for Installation Management, U. S. Army, stated that the Commission did not ask Army witnesses any questions concerning relocation costs for SAEP during the March 7, 1995 BRAC hearing.

Audit Response. We included the Army response to Congressional question 6 in the final audit report. No other other comments were required and none were received.

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Part I - Audit Results

Audit Background

This audit is a follow-up to Inspector General, DoD Report No. 96-226, September 18, 1996, "Audit of Defense Base Realignment and Closure Budget Data for the Closure of the Stratford Army Engine Plant." On November 8, 1996, Senators Christopher J. Dodd and Joseph I. Lieberman, and Representative Rosa DeLauro jointly requested that the Office of the Inspector General, DoD, investigate actions related to the closure of the Stratford Army Engine Plant (SAEP). The Congressional members stated that the audit report raised additional questions about the process by which the closure estimates were developed. Also, the Congressional members stated that since the audit report, new documents had come to their attention that may merit further inquiry. The Congressional members also asked that we conduct an examination to answer 17 specific questions.

Audit Objectives

The overall audit objective was to determine the accuracy of Defense base realignment and closure data. The original announced audit objectives to review the Defense base realignment and closure budget data were revised to respond to concerns raised by the Congressional request. The revised specific objectives were to determine how SAEP ended up on the BRAC list, whether estimates for closure of SAEP were developed in accordance with procedures established by base closure and realignment legislation and Army directives, and the specific role that the Army, the 1995 Commission on Defense Base Closure and Realignment (the Commission), and AlliedSignal Aerospace Corporation (AlliedSignal) played in developing estimates for closure of SAEP.

We reviewed the management control plan for the Total Army Basing Study Office, the organization responsible for recommending bases for closure and developing cost estimates. However, we did not evaluate the adequacy of the management control plan because the charter for the Total Army Basing Study Office expired on July 31, 1995, and the office is no longer in existence. See Appendix A for a discussion of the scope and methodology.

Part II - Congressional Concerns and Audit Results

Relocation Costs for Business Operations

Question 1: Before or during the BRAC process, did AlliedSignal discuss with the Army or receive assurances from the Army that the Army would bear costs related to the relocation of business operations at Stratford?

Audit Results. In our audit of available documentation and interviews with Army Materiel Command (AMC), Alexandria, Virginia; the U.S. Army Aviation and Troop Command (ATCOM), St. Louis, Missouri; U.S. Army Tank-automotive and Armaments Command (TACOM), Warren, Michigan; and AlliedSignal, we did not find any information to indicate that the Army discussed or otherwise provided any assurances that the Army would pay for relocation costs. However, both ATCOM, and TACOM stated that any costs incurred by AlliedSignal to relocate Government production and support is an authorized contract cost, and should be paid for by the Army.

Discussion of Possible Closure

Question 2: Did the Army discuss with AlliedSignal, prior to the release of the BRAC list, the possibility that the Stratford Army Engine Plant would be included on the BRAC list of military installations to be closed? If so, were such discussions permitted by the BRAC legislation?

Audit Results. During our discussions and review of documentation at AMC, ATCOM, TACOM, and AlliedSignal, we did not find any evidence that the Army discussed with AlliedSignal the possibility that SAEP would be included on the BRAC list of military installations to be closed prior to the list being released to the public.

Procedures for Cost Estimating

Question 3: What was the exact procedure the Army was supposed to follow in calculating cost estimates? Was the Army required to obtain cost estimates from the contractor, AlliedSignal? Did the Army ever request data directly from the contractor? If so, was that request oral or in writing?

Audit Results. OSD implementation guidance for BRAC 95 states that DoD components must use the Cost of Base Realignment Actions computer model (COBRA) to calculate the costs, savings, and return on investment for proposed closures and realignments. AMC collected certified cost data for proposed base closures and provided the data to the Total Army Basing Study Office for input to COBRA. Using both standard factors and site specific data, COBRA calculates estimates for one-time costs and savings for:

- Administrative planning and support,

- Personnel actions,
- Moving,
- Construction,
- Procurement, and
- Other one-time costs and cost avoidances.

The COBRA also estimates recurring costs such as housing for military personnel, salary savings, and changes in overhead.

The Army (AMC, ATCOM and TACOM) stated that because costs to operate SAEP were paid for on contracts, relocation and construction and other operating costs for SAEP were considered to be contract related costs, rather than BRAC costs. Therefore, no relocation, construction costs or other operating costs were input to COBRA.

The BRAC implementation procedures did not require the Army to request cost data from AlliedSignal. An analyst with the Total Army Basing Study Office stated that the charter requires that information on base closings be protected to prevent premature disclosure. Therefore, the major commands developed cost estimates, instead of requesting the data from subordinate agencies or AlliedSignal. AlliedSignal stated that the Army did not request any information for closure costs prior to the announcement that SAEP was being considered for closure.

Relocation Cost Estimates

Question 4: A September 20, 1994, COBRA (Cost of Base Realignment Actions computer program) Report showed a total closing cost estimate of \$2.6 million. This estimate did not include any costs for relocating equipment or military construction at gaining depots. How and why did analysts compiling the COBRA report decide not to include any relocation costs or military construction costs at the gaining depots?

Audit Results. An analyst with the Total Army Basing Study Office stated that relocation and military construction costs were not considered because the program operating memorandum, and the President's budget did not show any requirements for the type of engines produced by AlliedSignal. The Total Army Basing Study Office concluded that spare parts produced at SAEP could be produced by contractors other than AlliedSignal. Also, engines overhauled at SAEP could be overhauled at Anniston Army Depot, Alabama, and Corpus Christi Army Depot, Texas, with existing capacity. Therefore, military construction would not be required. Both ATCOM and TACOM stated that AlliedSignal is entitled to reimbursement for costs incurred to relocate any production and support required by the Government. However, these costs were considered to be contract costs and were not considered to be relevant BRAC costs.

Certified Cost Data

Question 5: A March 1, 1995, Army Materiel Command memorandum, "Certification of Base Operations Data Concerning Industrial Facilities and Depots," provided certified costs in response to a data call from the Total Army Basing Study Office. What were these cost estimates, and what were these estimates for? How were they developed? How and why did the Army Materiel Command decide not to include relocation costs in this memo?

Audit Results. The cost estimate of \$4.92 million was for repairs and maintenance at SAEP. This estimate, developed by the Base Closure Office at ATCOM, was a summary of outstanding repair and maintenance work orders. This summary included repairs that would be required even if the base closed. AMC stated that relocation costs were not considered in the request for certified costs because these costs were considered to be contract costs, and not relevant BRAC costs.

Testimony Before the Commission

Question 6: Why didn't the Secretary of the Army discuss relocation costs in the March 7, 1995 testimony at a BRAC hearing on the Army recommendation to close Stratford?

Audit Results. The Office of the Assistant Chief of Staff for Installation Management, U. S. Army, stated that the Commission did not ask Army witnesses any questions concerning relocation costs for SAEP during the March 7, 1995 BRAC hearing.

Allied Briefing to Commission

Question 7: On April 14, 1995, AlliedSignal briefed a BRAC analyst on the costs for Stratford closure and/or relocation. How did the Army process these estimates received on April 14, 1995? Did the Army take them into consideration? If not, why not? When did Allied's estimates, conveyed in this briefing, first appear in any Army document?

Audit Results. AMC, ATCOM, and TACOM stated that AlliedSignal did not inform the Army of the closure and relocation costs that were presented in a briefing to the Commission analyst on April 14, 1995. AlliedSignal stated that the briefing was an informal, preliminary meeting to introduce information that was to be discussed in the formal briefing to the Commission on May 5, 1994. AlliedSignal requested the meeting with the Commission analyst after learning that SAEP was on the BRAC list. The reason for the briefing was to give the Commission analyst background information on SAEP, to highlight the importance of SAEP's mission, and to promote plant retention, rather than to refine estimates of closure costs.

Aviation and Troop Command Implementation Plan

Question 8: On June 19, 1995, AlliedSignal wrote to the BRAC analyst, in a letter entitled, "Issues Related to SAEP Closure Derived from the Army Response to AlliedSignal Questions and From Aviation and Troop Command Implementation Planning for SAEP Closure," that the COBRA input should be further increased by a total of \$15.5 million, including \$9 million to relocate the recuperator production capability and \$6.5 million to retain engineering and testing support.

What AlliedSignal questions was the Army responding to, and what was the Army response to these questions? When did AlliedSignal ask these questions, and when did the Army respond? Did the Army respond in writing?

How did the Army process AlliedSignal's letter? When it was received, was it immediately brought to the attention of the BRAC so it could be considered in the BRAC's final deliberations on June 22-24, 1995? If not, why not?

Audit Results. The Army was responding to questions from AlliedSignal to the Commission analyst concerning the accuracy of cost estimates for the closure of SAEP. These questions to the Commission analyst are documented in a May 3, 1995, AlliedSignal letter. In this letter, AlliedSignal questioned the \$2 million cost estimate to mothball SAEP, asked why the Army had ignored \$17.5 million of environmental stabilization costs, asked why the Army had not provided cost estimates for relocation of the AGT-1500 recuperator production, and requested an estimate of costs for the Army to acquire machines developed and owned by AlliedSignal.

We could not determine when the Army responded to these questions, or what the Army stated in its response. An AlliedSignal letter dated June 19, 1995, references an Army response to an AlliedSignal letter to the BRAC analyst dated May 3, 1995. However, documentation for the Army response could not be located by AMC, ATCOM, TACOM, or AlliedSignal. Therefore, we could not determine if, or when, the Army responded to the AlliedSignal May 3, 1995, letter, and if so, whether the Army response was in writing.

We could not determine how the Army processed the June 19, 1995, letter from AlliedSignal. Managers at AMC, ATCOM, and TACOM stated that they did not receive copies of the letter. AlliedSignal stated that the letter was personally delivered to the BRAC analyst and the analyst had this information available before the BRAC final deliberations on June 22-25, 1995.

Commission Final Review and Analysis

Question 9: During the BRAC's final review and analysis of issues at Stratford on June 22-24, 1995, did the BRAC discuss relocation costs at all? Did the BRAC know of AlliedSignal's June 19, 1995 letter?

Congressional Concerns and Audit Results

Audit Results. In the June 23, 1995 open meeting minutes of the Commission, the Commission analyst stated that the implementation plan for the closure of SAEP showed an estimate of \$2 million to relocate equipment to another AlliedSignal plant. The BRAC analyst stated that this \$2 million was not included in the Army COBRA, but was added to the Commission COBRA.

AlliedSignal stated that the June 19, 1995 letter was hand carried to the Commission analyst; therefore, the Commission should have known. We could not determine to what extent the letter was considered.

Aviation And Troop Command Relocation Cost Estimate

Question 10: The Aviation and Troop Command implementation plan of June 29, 1995 shows construction costs of \$3.79 million for relocation of the AGT-1500 recuperator production capability.

When and how did the Aviation and Troop Command develop the \$3.79 million estimate for relocation of the AGT-1500 recuperator? Is there any evidence of the development of this figure before June 29, 1995? If not, why is there no evidence of this figure before June 29, 1995, after the BRAC made its final deliberations, two days before the BRAC report was sent to the President, and 10 days after AlliedSignal's letter to the BRAC saying that relocation of the recuperator would cost \$9 million?

Why did the Aviation and Troop Command raise the issue of relocation costs at this time, when they said all along that relocation costs weren't going to be considered?

Audit Results. TACOM stated that the \$3.75 million estimate for relocation of the AGT-1500 recuperator shown in the June 29, 1995 implementation plan was incomplete. TACOM stated that the contractor that prepared the implementation plan had excluded several elements of the total \$8.17 million estimate provided by TACOM. TACOM stated that the \$8.17 million estimate was developed prior to the June 29, 1995 implementation plan, but could not determine the exact date. The error was corrected in the July 30, 1995 update to the implementation plan, which showed a total estimate of \$8.17 million to relocate the AGT-1500 recuperator.

The Total Army Basing Study Office, AMC, ATCOM, and TACOM stated that relocation costs were identified in June 1995, but were considered to be contract costs, rather than BRAC costs. Therefore, ATCOM did not consider the \$8.17 million when developing the COBRA estimate for the closure of SAEP.

TACOM Relocation Cost Estimate

Question 11: The Aviation and Troop Command implementation plan of July 20, 1995, shows a U.S. Army Tank-automotive and Armaments Command (TACOM) estimate of \$3.75 million for relocation of the recuperator production capability.

When did TACOM develop this \$3.75 million estimate? Again, why did TACOM develop the issue of relocation costs at this time, when they had said all along that relocation costs weren't going to be considered?

Audit Results. TACOM stated that the \$3.75 million estimate only includes the cost to restore the AGT-1500 production facility at an alternate site. Additional costs of \$4.42 million (rounded) were provided in the July 20, 1995 update to the implementation plan. This additional \$4.42 million includes equipment transportation costs of \$1.25 million, personnel transition costs of \$1.29 million, project management costs of \$0.55 million and general and administrative costs of \$1.33 million. The total relocation cost estimate was \$8.17 million. As stated in question 10 above, the Army considered these costs to be contract costs rather than BRAC costs.

Relocation of Tank Production Support

Question 12: A July 28, 1995, AlliedSignal letter, "SAEP Capabilities Recommended for Relocation at Government Expense," estimates that the relocation costs for the AGT-1500 production total \$11.85 million.

Who developed the \$11.85 million estimate for these costs, and how was it developed? Over what time period was it developed?

Was there any discussion prior to July 28, 1995, and prior to the BRAC's submission of its report to the President of the Government paying for the costs associated with moving AGT production to Phoenix? If not, why? Who was supposed to pay for these costs before it was suggested that the Government pay for them?

Audit Results. AlliedSignal developed the \$11.85 million estimate based on input from a team of TACOM technical personnel. TACOM stated that this team included specialists from the Production Management Division, the Program Executive Office, the Program Manager for the Abrams tanks, and the BRAC Office. This \$11.85 million estimate included costs of \$7.75 million for reestablishing AGT-1500 production, \$2.75 million for relocation of engine assembly and testing capabilities, and \$1.35 million for reestablishing component test and evaluation capabilities. TACOM stated that the \$11.85 million estimate was developed from March through June 1995, and was disclosed to AMC in June 1995. AlliedSignal stated that this \$11.85 million estimate is an element of the \$14.9 million costs presented to the Commission in AlliedSignal's April 14, 1995, briefing to the Commission analyst.

AMC, ATCOM, TACOM, and AlliedSignal stated that prior to AlliedSignal's July 28, 1995 letter, the Army did not discuss with AlliedSignal or otherwise give any assurances that the Army would pay for relocation costs. As stated in the audit results for previous questions, the Army considered any relocation costs to be contract costs, rather than BRAC costs.

Relocation of Aviation Production Support

Question 13: An August 3, 1995 AlliedSignal letter, "SAEP Capabilities Recommended for Relocation at Government Expense as a Result of the BRAC Closure Process," estimates that the relocation costs for essential capabilities for T-53, T-55, and T-55-L-714 is \$11.5 million.

Who developed the \$11.5 million estimate for these costs, and how was it developed? Over what time period was it developed?

Was there any discussion prior to August 3, 1995, and prior to the BRAC's submission of its report to the President of the Government paying for the costs associated with relocating essential capabilities for the T-53, T-55, and T-55-L-714? If not, Why? Who was supposed to pay for these costs before it was suggested that the Government pay for them?

Audit Results. AlliedSignal stated that they developed the \$11.5 million estimate based on discussions of requirements with ATCOM. AlliedSignal stated that this estimate of ATCOM closure costs was developed in July 1995.

AMC, ATCOM, TACOM, and AlliedSignal stated that prior to July 28, 1995, the Army did not discuss or otherwise give AlliedSignal any assurances that the Army would pay for any relocation costs. As stated in the audit results for previous questions, the Army considered any relocation costs to be contract costs, rather than BRAC costs.

Allied Signal Cost Estimate

Question 14: An October 30, 1995, TACOM memorandum entitled "Transition of SAEP Management Responsibility" states AlliedSignal estimated that it would cost \$20 million for relocation of the AGT-1500 and T-53 and T-55 (\$7 million for the AGT-1500 and \$13 million for the T-53 and T-55).

Why did TACOM not identify the \$7 million estimate for relocation of the AGT-1500, and the \$13 million estimate for the relocation of the T-53 and T-55, until October 30, 1995? The title of the memorandum states that AlliedSignal developed this estimate, but how and when was this figure developed, given the earlier, different estimates for these items?

Audit Results. TACOM stated that several cost estimates for relocation costs had been developed prior to the October 30, 1995 memorandum. TACOM stated that they requested assistance from AlliedSignal to define requirements and refine cost estimates several times in July 1995. AlliedSignal provided estimates of \$11.85 million for relocation of the AGT-1500 requirements in a July 28, 1995 letter, and \$11.5 million for relocation of T-53 and T-55 requirements in a letter dated August 3, 1995. Both TACOM and AlliedSignal stated that the cost estimate of \$20 million (\$7 million for the AGT-1500 and \$13 million for the T-53 and T-55) refined prior cost estimates. TACOM did not know how and when AlliedSignal developed the \$20 million estimate.

AlliedSignal also stated that the \$20 million estimate documented in the TACOM letter of October 30, 1995 was a refinement of prior estimates developed by the Army and AlliedSignal. AlliedSignal stated that negotiations are in process to determine the requirements to be retained by the Army and the related costs for ATCOM and TACOM.

Propriety of Reimbursement for Relocation Costs

Question 15: Do current statutes or regulations forbid the Army from reimbursing a defense contractor to relocate business operations? If not, has AlliedSignal or the Army breached ethical standards by allocating Army funds to pay for AlliedSignal's move?

Audit Results. ATCOM, TACOM, and AlliedSignal stated that operations being considered for relocation at Government (contract) expense, were unique, sole-source items produced only by AlliedSignal, exclusively for the U.S. Government. ATCOM and TACOM stated that in accordance with Government cost accounting standards, costs incurred by the contractor for relocation of these production capabilities are authorized contract costs. Therefore, the Government may reimburse the contractor for these costs. ATCOM and TACOM stated that the Army does not violate any ethical standards by paying for costs to relocate these unique military production capabilities. Costs for relocation of commercial production are not authorized costs, and may not be charged to Government contracts.

Maintenance Costs for Idle Facilities

Question 16: Has the Army paid fees to AlliedSignal for maintenance of idle facilities at the Stratford Army Engine Plant? If so, what fees were paid and how were the amounts of these fees determined?

Audit Results. TACOM stated that the Army has entered an interim contract with AlliedSignal to maintain the Stratford Army Engine Plant until the plant transitions to caretaker status. TACOM stated that AlliedSignal was awarded the interim maintenance contract because they are currently operating the plant. TACOM stated that the contract is a cost-type contract with no fee.

Congressional Concerns and Audit Results

Our review showed that in August 1996, TACOM awarded modification P00086 to the existing facility contract with AlliedSignal (contract no. DAAJ09-91-E-0004) for maintenance of idle facilities. This modification was awarded for \$2.37 million, for the period January 1, 1996, through December 31, 1996.

On December 30, 1996, TACOM awarded a second modification, P00096 for care and maintenance of idle facilities. This was an undefinitized modification with a ceiling price of \$2.72 million. The modification covers the period January 1, 1997, through June 12, 1997. TACOM stated that the costs for maintaining idle facilities will increase in 1997, because more plant space will become vacant as SAEP phases out production.

Compensation for Property Disposal

Question 17: In its disposal of tooling equipment at the Stratford Army Engine Plant, did the Army seek and receive compensation for this equipment? If so, how much were they paid and how was the amount they were paid determined?

Audit Results. TACOM stated that several cost estimates for relocation costs had been developed prior to the October 30, 1995 letter from AlliedSignal. TACOM stated that they requested assistance from AlliedSignal to help define requirements and refine cost estimates. AlliedSignal provided estimates of \$11.5 million for relocation of the AGT-1500 requirements in a July 28, 1995 letter, and \$11.5 million for relocation of T-53 and T-55 requirements in a letter dated August 3, 1995. The cost estimate of \$20 million (\$7 million for the AGT-1500 and \$13 million for the T-53 and T-55) was a refinement of prior cost estimates. TACOM did not know how and when AlliedSignal developed the \$20 million estimate.

Defense Contract Management Command personnel at SAEP stated that property at SAEP had been disposed of using the standard Government property reutilization and BRAC procedures. The Defense Contract Management Command stated that as of March 1997, equipment sales totaled \$190,035. Additional disposal is planned as the plant production is phased out.

Audit Summary

We did not find any evidence to show that the Army had discussed with AlliedSignal the possibility of moving AlliedSignal operations from Stratford to Phoenix, AZ, thereby influencing the Army decision to include Stratford on the BRAC list.

The estimates to close SAEP were developed using COBRA. However, the Army did not consider relocation costs for sole-source requirements when developing cost estimates for input to COBRA.

AlliedSignal met with the 1995 Commission on Defense Base Closure and Realignment and provided more detailed cost estimates. The Commission analyst noted that missions performed at SAEP could be performed at Army depots. Therefore, the Commission analyst added only \$2.03 million to the closure estimate for relocation of equipment. This \$2.03 million estimate was taken from the Army draft implementation plan for the closure of SAEP, rather than the relocation cost estimate developed by AlliedSignal.

In October 1995, AlliedSignal developed an estimate of \$20 million to relocate sole source production to alternate sites. Of this \$20 million, \$7 million was for the AGT-1500 engine and \$13 million was for the T-53 and T-55 engines. On September 30, 1996, TACOM executed a \$9.63 million cost plus fixed-fee contract with AlliedSignal for relocation of manufacturing, testing, and production support for the AGT-1500 engine and recuperator. AlliedSignal estimated that an additional \$6.6 million will be required to relocate manufacturing and support for the T-53 and T-55 engines. However, TACOM and AlliedSignal stated that these costs would be paid by AlliedSignal and recovered through overhead charges on T-53 and T-55 production and support contracts.

Part III - Additional Information

Appendix A. Audit Process

Scope

Limitations of Audit Scope. The scope of the review was limited to addressing the 17 questions from Senators Christopher J. Dodd and Joseph I. Lieberman and Representative Rosa DeLauro, concerning the propriety of the Army recommendation to close SAEP. We did not review the management control program because no future BRAC round is currently approved and such a review was not germane to the request.

Methodology

We interviewed personnel and examined documentation supporting the Army and Commission recommendations to close SAEP. We reviewed computer-processed data from COBRA. The Army and the Commission used COBRA to project costs, savings, and return on investment for all DoD BRAC candidates. We reviewed Army procedures for recommending DoD organizations for closure and examined data input to COBRA. We did not test the COBRA automated system to determine the accuracy of the computer-processed data because COBRA was examined in separate audit coverage. No statistical sampling procedures were used to conduct this audit.

Audit Type, Dates, and Standards. This economy and efficiency audit was conducted from February through March 1997, 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 or contacted individuals and organizations within DoD, and the Stratford Army Engine Plant, Stratford, CT. Further details are available on request.

Summary of Prior Coverage

Inspector General Audit Report No. 96-226, "Defense Base Realignment and Closure Budget Data for the Closure of Stratford Army Engine Plant, Stratford, Connecticut," September 18, 1996, addressed the propriety of the closure of SAEP. The audit found that the Army did not adequately identify critical sole-source requirements or develop accurate cost estimates to relocate production and essential support for the AGT-1500 tank engine or the T-53 or T-55 helicopter engines. The Army Stationing Strategy, the basis for developing BRAC recommendations, states that facilities that produce unique products should be retained, or be mothballed for future use if the products are not readily available in the private sector. Therefore, Army management should have identified those unique requirements to be retained and should have

considered alternatives such as relocation to Army depots or alternate facilities owned by AlliedSignal. The Army should have developed cost estimates for those alternatives and considered the cost estimates when developing BRAC recommendations.

The Inspector General, DoD has issued three summary reports 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.

Appendix B. Audit Background

Mission of Stratford Army Engine Plant. SAEP is a Government-owned facility that is operated by AlliedSignal. The mission of the plant is to manufacture and support Army turbine engines for helicopters and tanks, including the T-53 (for the AH-1 Cobra and the UH-1 Huey helicopters), the T-55 (for the CH-47 Chinook helicopter), and the AGT-1500 (for the M1A1 and M1A2 Abrams tanks) engines. The SAEP also manufactures and provides support for the Navy TF400B turbine engine. Additional work performed at SAEP includes developing the new LV100 tank or common platform engine for the Army and the universal jet air start unit for the Navy. They also supply spare components and engines for commercial applications.

Department of Defense Base Closure and Realignment Report. The "Department of Defense Base Closure and Realignment Report," March 1995, included the Army recommendation to close SAEP. The reasons that the Army cited for not needing SAEP were reduced production requirements and the increased capability to repair and rebuild engines at Anniston Army Depot, Alabama, and Corpus Christi Army Depot, Texas. The Army estimated that after a one-time cost of \$2.0 million to close SAEP, the funds put to better use annually would be about \$6 million, with an immediate return on investment.

Commission Report to the President. The Commission recommended to the President that SAEP should be closed in July 1995. The Commission found that the Army could sustain the tank and helicopter turbine engine base through Army depots. The Commission report states that with the decreased need for new engines, as well as new technological capabilities available in the private industrial sector, SAEP is not necessary. However, the Commission found that the Army underestimated costs for movement of equipment necessary for future production of spare parts, which will be needed to rebuild engines.

Management of SAEP. The U.S. Army Aviation and Troop Command, St. Louis, Missouri, was responsible for management and oversight of SAEP until September 1, 1995. The responsibility was transferred to TACOM because the 1995 Commission recommended disestablishing the U.S. Army Aviation and Troop Command.

Chronology of Events. Appendix C provides a chronology of events from August 1993 through February 1996, applicable to the closure and realignment of SAEP.

Appendix C. Chronology of Events

The following is a chronology of significant events applicable to the closure and realignment of SAEP.

- August 1, 1993** The Total Army Basing Study Office was chartered to:
- conduct a comprehensive, detailed military value assessment of Army installations;
 - serve as the single point of contact for the Army staff for BRAC 1995;
 - review current and planned Army and Office of the Secretary of Defense initiatives that may affect basing requirements;
 - conduct site visits to installations as needed to update and verify data elements for using the BRAC 1995 analytical process; and
 - update all standard factors used in the analysis for BRAC study candidates.
- January 7, 1994** The Deputy Secretary of Defense memorandum, "BRAC 95," establishes policy, procedures, and responsibilities for selecting bases for submission to the Commission for consideration for closure.
- March 14, 1994** The Total Army Basing Study Office establishes a plan to ensure accuracy, completeness, and integration of all information on which the Secretary of the Army recommendations for BRAC are based.
- April 21, 1994** The Assistant Secretary of the Army (Research, Development, and Acquisition) memorandum, "Tank Engine Industrial Base," states that the Army has no requirement for new engines or remanufactured engines, or any firm prospects for foreign military sales of Abrams tanks that might generate a requirement for new engines. The memorandum also states that the Army development plans for future heavy tracked vehicles are not dependent on the viability of SAEP.
- April 28, 1994** The letter from Senators Christopher J. Dodd and Joseph I. Lieberman and Representative Rosa L. DeLauro to the Secretary of the Army expresses concern about the Army role in preserving the tank industrial base. The letter also requests a copy of the report of the Defense Science Board's Blue Ribbon Panel, and an update on the status of \$17 million authorized in the FY 1994 Defense Authorization Conference Report for funding long-lead items to prevent the break in tank-engine production.

Appendix C. Chronology of Events

- May 5, 1994** The Defense Science Board Task Force on Tracked Vehicle Industrial Base (the Task Force) concludes in its "Final Report of the Defense Sciences Board Task Force on Tracked Vehicle Industrial Base" that the Army must maintain capability for support engineering and for critical sole-source spare parts and logistics and company-owned proprietary processes. The Task Force recommends that the Army retain and downsize SAEP, increase engineering support, provide current funding streams, transfer some work from Anniston Army Depot to SAEP, share in the cost of downsizing, and provide engineering funding for an evolutionary engine upgrade program.
- May 20, 1994** The Under Secretary of Defense for Acquisition and Technology advises Senator Lieberman in a letter that the Blue Ribbon Panel has completed deliberations on the tank industrial base. The letter states that the Army generally supports the conclusions of the panel and particularly agrees that the purchase of new engines in the near term is not justified on the basis of operational or cost considerations. The Under Secretary states that improvement of the overhaul procedure appears to be the most reasonable approach.
- June 17, 1994** "Army Program Objective Memorandum 96-01," does not show any funded procurement requirements for the Cobra (AH-1), the Huey (UH-1), or the Chinook (CH-47). Funding is provided for the Abrams tank (M1A1/M1A2) for the foreign military sales program. The memorandum provides minimal funding for the correction of safety errors for the CH-47.
- July 12, 1994** The Army Stationing Strategy states that only those industrial production lines that have requirements in the Army Program Objective Memorandum 96-01 should be retained. Facilities that produce unique products, not readily available in the private sector, should be retained or, if not currently funded, should be mothballed for future use.
- September 1994** The "Total Army Basing Study Analytical Procedures for Developing BRAC 95 Recommendations," establishes procedures for developing BRAC recommendations. The procedures require the major command analyst to provide information on any special facility, equipment, and planning considerations to the Total Army Basing Study Office engineering analyst so that the analyst can determine the military construction requirements for each alternative. Based on major command input, the Total Army Basing Study Office engineering analyst will assess construction requirements. The procedure also requires that when evaluating operational considerations, the analyst shall carefully consider the Army Stationing Strategy and determine the operational rationale for each BRAC alternative.

- September 20, 1994** The Total Army Basing Study Office COBRA report shows a total closing cost of \$2.06 million, \$2.05 million to shut down facilities and \$0.01 million to eliminate and relocate personnel. The COBRA report included in the analysis does not show any costs for relocating equipment or military construction at the gaining depots.
- November 10, 1994** Senators Christopher Dodd and Joseph I. Lieberman and Representative Rosa DeLauro, in a letter to the Secretary of the Army, support providing funding to downsize SAEP and keeping the plant open to maintain the industrial base for the AGT-1500. The letter also requests information on the Army's budget request for engine work.
- December 1994** The BRAC analyst responsible for evaluating depots recommends that to close SAEP, the Army should cancel the contract or let it expire, eliminate all personnel positions, and transfer all ground systems equipment to Anniston Army Depot and all aviation systems equipment to Corpus Christi Army Depot.
- The analyst mentioned several key issues noted during the review of depots.
- Facility capability for production is not duplicated at depots.
 - Army maintenance depots are capable of rebuilding engines.
 - The Army has no projected procurement for new AGT-1500 engines.
- The analyst concludes that equipment located at Anniston and Corpus Christi Army Depots is adequate to accomplish the Army's mission requirements. Therefore, no costs to transfer equipment between the losing and gaining facilities are identified.
- February 14, 1995** In response to a letter from Senator Lieberman and Representative DeLauro to the Secretary of the Army, the Assistant Secretary of the Army (Research, Development, and Acquisition) summarizes the Army Plan to spend the \$47.5 million approved by Congress for the AGT-1500 3-year upgrade. The plan includes:
- \$6 million to downsize SAEP and reduce overhead,
 - \$9 million to improve component design and reduce out-year operation and support costs, and
 - \$32.5 million to initiate a service life extension program for the AGT-1500.
- The response letter states that the Army will monitor the plan to ensure that downsizing is efficient and that parts and services can be provided at a fair price. Otherwise, the Army will begin

Appendix C. Chronology of Events

advanced purchases of spare parts and relocate parts production to a more cost-effective location.

February 1995

The "Office of Management and Budget, Executive Office of the President, Budget of the United States, Fiscal Year 1995," shows no funded procurement requirements for the Abrams (M1A1/M1A2) tank; the Cobra (AH-1), Huey (UH-1), or Chinook (CH-47) helicopters. Also, the budget does not include any funded requirement for engines for those systems (the AGT-1500 tank engine and the T-53 and T-55 helicopter engines).

March 1, 1995

The Army Materiel Command memorandum, "Certification of Base Operations Data Concerning Industrial Facilities and Depots," provides certified costs in response to a data call from the Total Army Basing Study Office. However, the Army Materiel Command memorandum does not include any costs for relocating production equipment from SAEP.

March 7, 1995

In hearings before the Commission, the Secretary of the Army discusses the Army recommendation to close SAEP. In response to questions from the Commission, the Secretary of the Army states that the closure of SAEP would not limit the Army ability to design and produce critical items. Relocation costs are not discussed.

April 4, 1995

In a letter to Brigadier General Shane, Director of Research Management, Office of the Chief of Staff, U.S. Army, AlliedSignal requests clarification of the Army plans to relocate the tank industrial base to Anniston and Corpus Christi Army depots. AlliedSignal states that many pieces of equipment are used for both tank and aviation engines. AlliedSignal states they own a large amount of this equipment and they are the sole or proprietary source for some of the engine components.

April 14, 1995

In a briefing to the BRAC analyst, managers from AlliedSignal state that it would be more cost-effective to preserve SAEP as a dual use (military and commercial) production facility than to close the facility. AlliedSignal gives an estimated cost of \$2.03 million to relocate Government machines, assuming that Army would close the plant. AlliedSignal estimates a cost of \$14.9 million to move Government machinery and testing capabilities, assuming the production is moved to the contractor's facility in Phoenix, Arizona. Of that amount, moving the recuperator production capability would cost \$6.1 million, including \$4.3 million for construction at the Phoenix, Arizona, facility. The remaining \$8.8 million of the \$14.9 million is for the relocation of test equipment and support.

May 1, 1995

The Commission makes a site visit to SAEP. AlliedSignal gives the Commission a briefing that highlights the military value of the facility and emphasizes downsizing and dual use (shared military and commercial operations) rather than closure or

relocation. In its discussion of cost alternatives, AlliedSignal states that the Army cost estimates do not include the cost to move the industrial base for the AGT-1500 tank engine. AlliedSignal identifies the recuperator for the AGT-1500 as a critical sole-source spare part and states that an additional 73 sole-source parts are produced at SAEP. AlliedSignal's estimate for AGT-1500 specific costs is \$6.7 million. The estimate includes personnel expenses and write-offs of assets, but does not include any costs to relocate production or support for the AGT-1500.

- June 12, 1995** In BRAC Commission hearings, Senators Dodd and Lieberman discuss closure of SAEP. The Senators question the decision to close SAEP and state that the Army can not replicate the capabilities of SAEP without paying a significant price, which was not considered in the estimated cost of closing. The discussion does not specify the costs to relocate.
- June 19, 1995** The Commission adds \$2.03 million to the Army COBRA estimate for equipment relocation and disposal, based on its analysis of costs to close SAEP. The increased cost is to move production equipment and personnel for recuperator production to the AlliedSignal's production facility in Phoenix. The Commission estimates a one-time moving cost of \$6.6 million.
- June 19, 1995** An AlliedSignal letter to the BRAC analyst, "Issues Related to SAEP Closure Derived From the Army Response to AlliedSignal Questions and From Aviation and Troop Command Implementation Planning for SAEP Closure," states that based on a review of the Aviation and Troop Command Implementation Plan for Closure of SAEP, the Army needs and intends to retain production capability for the recuperator, and engineering and testing support. AlliedSignal informs the BRAC analyst that the COBRA input should be further increased by a total of \$15.5 million, \$9 million to relocate recuperator production capability and \$6.5 to retain the engineering and testing support.
- June 22-24, 1995** The Commission performs a final review and analysis of issues at SAEP, to include industrial workload and equipment movement. The review and analysis team's findings support the DoD recommendation to close SAEP. The team concludes that engine sustainment is possible without retaining SAEP. The team confirms costs added to the COBRA estimate required for production of sole-source engine items: \$2 million for movement of equipment and \$2.5 million primarily for the movement of personnel. The added cost increases the DoD estimate to close SAEP to \$6.6 million. The Commission unanimously adopts the recommendation to close SAEP.
- June 29, 1995** ATCOM implementation plan shows construction costs of \$3.79 million for relocation of the AGT-1500 recuperator production capability as a result of the closure of SAEP.

Appendix C. Chronology of Events

- July 20, 1995** ATCOM implementation plan shows a TACOM estimate of \$3.75 million for the relocation of recuperator production capability. The plan assumes that AlliedSignal will be responsible for any construction associated with the relocation of the AGT-1500 recuperator production capability. The plan states that all real property construction necessary for recuperator relocation will be planned and funded by AlliedSignal.
- July 28, 1995** An AlliedSignal Letter, "SAEP Capabilities Recommended for Relocation at Government Expense," recommends plant, property and equipment required to reestablish AGT-1500 production in an AlliedSignal facility in Phoenix, Arizona. AlliedSignal recommends field and technical support capabilities for those AGT-1500 engines in the current Abrams tank fleet as well as those required to fulfill foreign military sales requirements. The relocation costs to reestablish AGT-1500 production in Phoenix total \$11.85 million, including \$7.75 million for relocating production capability of the recuperator.
- August 3, 1995** An AlliedSignal letter, "SAEP Capabilities Recommended for Relocation at Government Expense as a Result of the BRAC Closure Process," recommends capabilities required by the Government, field and technical support for the T-53 and T-55, and production capability for the T-55-L-714 be reestablished in Phoenix at Government expense. AlliedSignal's cost estimate for relocation of essential capabilities, which includes engine testing and assembly, component testing, and technical and support personnel, is \$11.5 million (excluding personnel relocation costs).
- August 18, 1995** An AlliedSignal letter, "Proposed Meetings to Discuss SAEP Closure Issues," invites the Commanding General of ATCOM to visit SAEP to discuss AlliedSignal's recommendation to the Government to relocate support for the T-53 and T-55 engines and production capability for the T-55-L-714 engine to Phoenix. Costs are not discussed in the letter.
- October 12, 1995** The Executive Director, Aviation Research, Development, and Engineering Center, ATCOM, states in a letter to the Site Manager, AlliedSignal Corporation, that the Army Materiel Command has assigned the closure responsibility for SAEP to TACOM. The letter also discusses property accountability issues. Relocation costs are not discussed.
- October 30, 1995** A TACOM memorandum, "Transition of SAEP Management Responsibility," states that responsibility for management of SAEP was transferred from ATCOM to TACOM on September 1, 1995. The memorandum states that AlliedSignal has estimated that it will cost \$7 million to relocate engineering and component test capabilities for the Abrams AGT-1500 tank and \$13 million for the T-53 and T-55 engines. TACOM states that normally those costs would be submitted as BRAC costs, However, the costs were not identified until after the BRAC

Appendix C. Chronology of Events

- submittal, and the Total Army Basing Study Office has advised that no supplemental submittal will be accepted. The memorandum states that AlliedSignal is the sole source for those engine and component test capabilities.
- November 1, 1995** AlliedSignal provides a cost estimate of \$12.5 million, at Government expense, to relocate field technical support and production capability for aviation systems to Phoenix, at a ATCOM transition briefing.
- December 21, 1995** AlliedSignal issues a statement of work, "Cost Estimate for the Proposed Statement of Work for the Transfer and Retention of Aviation-Related Government Programs Capability From Stratford to Phoenix". The statement of work gives ATCOM a cost estimate of \$9.7 million to relocate Government production from SAEP to the AlliedSignal facility in Phoenix.
- January 5, 1996** AlliedSignal recommends that the ownership of all special tooling and special test equipment for the T-53 and T-55 be transferred to AlliedSignal before closure of SAEP. AlliedSignal would identify the special tooling and special test equipment required to relocate T-53 and T-55 production capability to Phoenix and would package, preserve, and ship those items to Phoenix at AlliedSignal's expense. Items not required for the T-53 and T-55 production capability would be scrapped by AlliedSignal, and funds recouped from the scrap sale would be credited to an overhead account, benefiting the U.S. Government.
- January 9, 1996** ATCOM develops a preliminary statement of work for the retention of aviation equipment required to support Government production capabilities. The ATCOM estimate to relocate the equipment from SAEP to AlliedSignal's facility in Phoenix is \$8.47 million.
- February 1996** TACOM updates the implementation plan for the closure of SAEP. The plan includes relocation costs as follows:
- Recuperator: \$7.11 million,
 - AGT-1500 engine: \$4.6 million, and
 - T-53 and T-55 engines: \$8.47 million.

Appendix C. Chronology of Events

**September 30,
1996**

TACOM awarded contract number DAAEQ7-96-T381 to AlliedSignal for relocation of production, testing and technical support for the AGT-1500 engine and the recuperator. The cost plus fixed-fee contract was awarded for \$9.64 million, \$3.21 for the AGT-1500 and \$6.43 million for the recuperator.

January 17, 1997

In a letter to Congressmen Dodd and Lieberman and Representative DeLauro, AlliedSignal states that they were never asked for cost data before the Commission decided to recommend closure of SAEP. AlliedSignal states that they provided detailed closing cost estimates to the Commission on a number of occasions, but apparently the data did not influence the Commission. Allied also states that in September 1995, the company concluded that the alternatives to closing SAEP were not economically feasible, and that closing SAEP will save AlliedSignal more than \$30 million annually.

Appendix D. Report Distribution

Office of the Secretary of Defense

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

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Commander, Headquarters U.S. Army Materiel Command
Commander, Headquarters U.S. Army Aviation and Troop Command
Commander, Headquarters U.S. Army Tank-automotive and Armaments Command
Auditor General, Department of the Army
Chief, U.S. Army Base Realignment and Transition Office

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

Appendix D. Report Distribution

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 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
Honorable Christopher J. Dodd, U.S. Senate
Honorable Joseph I. Lieberman, U.S. Senate
Honorable Rosa L. DeLauro, U.S. House of Representatives

Part IV - Management Comments

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
800 ARMY PENTAGON
WASHINGTON DC 20310-0800



22 JUL 1997

DAIM-BO

MEMORANDUM THRU

~~DIRECTOR OF THE ARMY STAFF~~

J. W. Johnson

Paul W. Johnson
Deputy Assistant Secretary of the Army
(Installation and Housing)
OAS/I&H

~~ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS, LOGISTICS AND ENVIRONMENT)~~

25 JUL 1997

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING),
400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Budget Data for the Closure of the Stratford Army Engine Plant (Project No. 7CG-5002.19)

1. This is in response to USAAA memorandum of 15 July 1997 (Enclosure 1) which asked OACSIM to answer the following question on page six of the subject audit report:

a. Question 6. "Why didn't the Secretary of the Army discuss relocation costs in the March 7, 1995 testimony at a BRAC hearing on the Army recommendation to close Stratford?"

b. Army Response. At the hearing, the Commission posed no questions to the Army witnesses concerning Stratford relocation costs.

2. Point of contact for this action in BRACO is Brenda Mendoza, 703-695-8030.

Encl

for DA Whaley
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Major General, GS
Assistant Chief of Staff
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CF:
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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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