

Audit



Report

**COSTS AND SAVINGS FOR 1993 DEFENSE BASE
REALIGNMENTS AND CLOSURES**

Report No. 98-130

May 6, 1998

**Office of the Inspector General
Department of Defense**

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Acronyms

| | |
|--------|--|
| BRAC | Base Realignment and Closure |
| DISA | Defense Information Systems Agency |
| DPC | Data Processing Center |
| DFAS | Defense Finance and Accounting Service |
| FISC | Fleet and Industrial Supply Center |
| GAO | General Accounting Office |
| MILCON | Military Construction |
| NAS | Naval Air Station |
| O&M | Operations and Maintenance |



INSPECTOR GENERAL
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May 6, 1998

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND TECHNOLOGY
UNDER SECRETARY OF DEFENSE (COMPTROLLER)

SUBJECT: Audit Report on Costs and Savings for 1993 Defense Base Realignments and
Closures (Report No. 98-130)

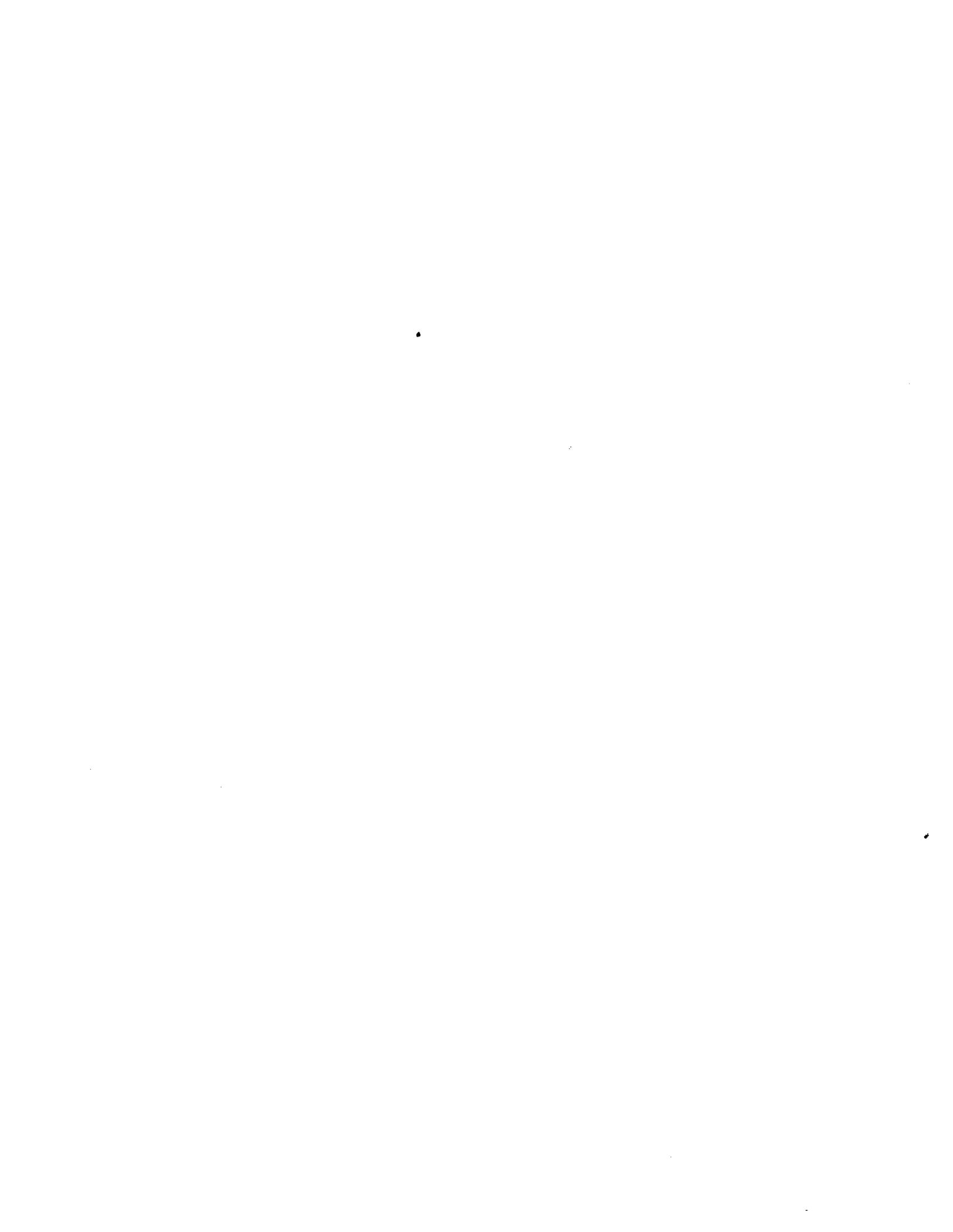
We are providing this report for information and use. We conducted this audit to compare Defense base realignment and closure costs and savings in the 1993 Defense base realignment and closure budget with actual experience in response to a request from the Under Secretary of Defense for Acquisition and Technology. We considered management comments on a draft of this report in preparing the final report.

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

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. Nicholas E. Como, Audit Project Manager, at (703) 604-9215 (DSN 664-9215). See Appendix M for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing



Office of the Inspector General, DoD

Report No. 98-130
Project No. 7CG-5033

May 6, 1998

Costs and Savings for 1993 Defense Base Realignments and Closures

Executive Summary

Introduction. This audit was requested by the Under Secretary of Defense for Acquisition and Technology. The Department of Defense is projecting that, during the Defense base realignment and closure (BRAC) implementation period ending in 2001, the four BRAC rounds will cumulatively incur one-time implementation costs of \$22.9 billion, while achieving total savings of \$36.5 billion and anticipated land sales revenue of \$214 million. The Under Secretary requested assistance in obtaining a better understanding of actual experience to date, and in determining how estimating and budgeting processes could be improved.

Audit Objectives. The overall audit objective was to compare the estimated BRAC costs and savings reported in the "DoD Base Realignment and Closure, Executive Summary and Budget Justification, FY 1998/1999 Biennial Budget Estimates," February 1997, with actual experience. Specifically, we used the 1993 round of Defense base realignments and closures as an auditable case study to evaluate the 6-year estimated implementation costs and savings; the methodology for tracking costs and savings over the BRAC implementation period; and whether management controls were adequate for reliably determining BRAC implementation costs and savings. The findings in this report relate only to the 1993 BRAC round. Each BRAC round has been unique in terms of the mix of the involved installations.

Audit Results. The DoD initial budget estimates of the positive fiscal impact of BRAC 1993 were understated by as much as \$3.2 billion.

The DoD has a reasonably effective process for updating cost estimates for BRAC. As of the FY 1998 BRAC budget, the DoD had reduced the original BRAC 1993 budgeted cost estimates of \$8.3 billion by \$791.1 million to \$7.5 billion. However, the FY 1998 BRAC budget estimates could be reduced up to an additional \$724.1 million, for a total potential cost reduction of up to \$1.5 billion from the original estimate. At the time of our review, obligations for BRAC 1993 costs were about \$294 million less than the FY 1998 BRAC budget estimates. This variation is significant but not excessive. Additionally, recorded disbursements for BRAC 1993 costs were up to \$430.1 million less than recorded obligations. Accounting procedures are in place to eliminate invalid obligations; however, that process could be improved to enable a more current and accurate estimate of the actual costs. The more recent unliquidated obligations are likely valid, while most of the older unliquidated obligations are likely invalid. An aggressive review of outstanding obligations should result in additional reductions in the total estimated costs for BRAC 1993.

In the FY 1998/1999 BRAC budget, the DoD had increased the original BRAC 1993 implementation savings estimates of \$7.4 billion to \$7.5 billion. However, budget

estimates for savings were still understated by as much as \$1.7 billion because various types of savings data were unnecessarily excluded when the estimates were formulated, or were not subsequently updated. This variation is excessive, and procedures for estimating and tracking savings need improvement. However, the fact that savings were greater than previously estimated is good news for the Department.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) re-emphasize established accounting and budgeting procedures to the Services and Defense agencies to ensure that BRAC costs are accurately and promptly adjusted in the fiscal budget estimates. Specifically, the Services and Defense agencies should coordinate with the Defense Finance and Accounting Service to promptly reconcile and deobligate excess obligations when final costs are known. Further, we recommend that the Under Secretary of Defense (Comptroller) direct the Services and Defense agencies to retain documentation supporting cost avoidances and canceled military construction projects; reconcile the costs of any workload increases and the number and cost of military and civilian personnel authorization eliminations at gaining activities; and report to the Under Secretary of Defense (Comptroller) the revised actual savings data. Finally, we recommend that the Under Secretary of Defense (Comptroller) revise the DoD Regulation 7000.14-R, "Department of Defense Financial Management Regulation," July 1996, and update the fiscal budget estimates for savings resulting from BRAC decisions by replacing prior year estimated savings with actual savings as reported by the Services and Defense agencies.

Management Comments. The Deputy Under Secretary (Industrial Affairs and Installations) concurred with the recommendations and will work with the Military Departments and the Office of the Under Secretary of Defense (Comptroller) to improve performance in reporting base realignment and closure costs and savings.

The Office of the Under Secretary of Defense (Comptroller) concurred with the recommendations and will issue specific guidance emphasizing the requirement to reconcile reported obligations and disbursements with source documents and promptly deobligate excess obligations when final costs are known. The Office of the Comptroller will also issue guidance to the Services and Defense agencies requiring them to retain, for a minimum of 5 years, all pertinent historical records documenting adjustments to operating budgets resulting from base realignments and closures; reconcile the number and cost of military and civilian personnel eliminations; document both full and partial cancellations of programmed military construction projects; and report revised actual savings data. See Part I for a discussion of management comments and Part III for the complete text of management comments.

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Part I - Audit Results

Audit Background

This audit was requested by the Under Secretary of Defense for Acquisition and Technology. The Under Secretary stated that the Defense base realignment and closure (BRAC) program was an important source of future savings for DoD. The Department developed estimates of costs and savings resulting from BRAC 1993 but had not tracked the actual costs and savings over the BRAC period. The Under Secretary requested an audit of past budgets to determine actual BRAC costs and savings, as well as providing recommendations regarding the Department's processes for estimating and budgeting these figures. The "DoD Base Realignment and Closure, Executive Summary and Budget Justification, FY 1998/1999 Biennial Budget Estimates," (Biennial Budget), February 1997, reported \$7.5 billion in one-time implementation costs and \$7.5 billion in estimated savings resulting from BRAC 1993 during its 6-year implementation period.

In June 1997, we briefed the Deputy Under Secretary of Defense (Industrial Affairs and Installations) on the results of our initial audit survey. Those results corroborated the DoD position that BRAC was cost-effective. As a result of this briefing, we continued our audit efforts. Additionally, the Secretary of Defense included our initial survey results with a request to Congress for additional BRAC authority, which Congress denied.

In November 1997, the Secretary of Defense announced his intention to reopen the issue and seek congressional authorization for two additional BRAC rounds in 2001 and 2005. Also, the National Defense Authorization Act for Fiscal Year 1998 included a requirement in Section 2824 for DoD to prepare and submit to the congressional defense committees a report on the costs and savings resulting from all rounds of BRAC. This audit was primarily completed before the Section 2824 requirements were enacted. However, the results of this audit were used by DoD in the formulation of its overall response to Congress, "The Report of the Department of Defense on Base Realignment and Closure," April 1998, to meet the Section 2824 requirements.

Audit Objectives

The overall audit objective was to compare the estimated BRAC costs and savings reported in previous DoD budgets with actual experience. Specifically, we used the 1993 round of BRAC as an auditable case study to evaluate the 6-year estimated implementation costs and savings; the methodology for tracking costs and savings over the BRAC implementation period; and whether management controls were adequate for developing BRAC costs and savings. We chose the 1993 BRAC round because the data supporting costs and savings was relatively recent and the majority of the realignment and closure actions was complete. The findings in this report, addressing the accuracy of costs and savings estimates, relate only to the 1993 BRAC round. Each BRAC round has been unique in terms of the mix of involved installations and the extent to which actions are completed varies greatly. See Appendix A for a discussion of the audit scope and methodology, and Appendix B for a summary of prior coverage related to the audit objectives.

Finding A. Costs for 1993 Defense Base Realignments and Closures

BRAC 1993 implementation costs have proven to be lower than initially estimated. The Under Secretary of Defense (Comptroller), in coordination with the Military Departments and Defense agencies, has reduced the initially estimated one-time implementation costs for BRAC 1993 by \$791.1 million. However, the FY 1998/1999 Biennial Budget estimates could be reduced up to an additional \$724.1 million, for a total potential cost reduction of up to \$1.5 billion from the initial estimate of \$8.3 billion. At the time of our review, obligations for BRAC 1993 costs for the Military Departments and the Defense Information Systems Agency (DISA) were \$294 million less than the budget estimates. In addition, recorded disbursements for BRAC 1993 costs for the Navy, the Air Force, and DISA were about \$430.1 million less than recorded obligations.

Accounting Policy Guidance for BRAC Costs

BRAC Costs and DoD Accounting Policy for Tracking Obligations. The DoD Regulation 7000.14-R, "Financial Management Regulation," July 1996, identifies BRAC costs as "one-time implementation costs" to include transportation of people and material goods, military construction (MILCON) at the gaining base, and environmental costs. Those cost estimates are directly identified with the closed or realigned military installations. In addition, the regulation requires the liquidation of obligations within 5 years.

DoD Accounting Policy for BRAC. The Under Secretary of Defense (Comptroller) memorandum, "Financial Management Policy and Procedures for Base Closure and Realignment," December 21, 1993, reinforces DoD accounting policy and procedures for handling BRAC costs. This memorandum outlines the appropriation level accounting procedures to be followed by the Military Departments, and lists reports that can be prepared by the Defense Finance and Accounting Service (DFAS). DFAS status reports summarizing obligations and disbursements can assist the Military Departments and Defense agencies in prompt adjustment of obligations resulting from BRAC costs.

The Biennial Budget. The Biennial Budget is the only official document that records the financial effect of BRAC decisions. Specifically, the Biennial Budgets report programmed costs and estimated reductions in operating budgets (cost avoidances or savings). The DoD Financial Management Regulation addresses the reconciliation of increases and decreases in the Biennial Budget by the Military Departments and Defense agencies for one-time implementation costs. The regulation states:

... for each program increase or decrease, quantitative and qualitative information relative to the proposed change should be provided ... and should address specific adjustments in the program.

Finding A. Costs for 1993 Defense Base Realignments and Closures

BRAC 1993 Costs. In the FY 1995 BRAC Budget Estimate, the one-time implementation costs were estimated to be \$8.3 billion. The fiscal year BRAC budget estimates are revised annually, based on actual expenditures and updated estimates of the remaining costs to implement BRAC 1993. The FY 1998/1999 Biennial Budget for BRAC 1993 estimated one-time implementation costs to be \$7.5 billion, a reduction of \$791.1 million. To obtain an extensive audit case study, we reviewed \$5.4 billion, or 73 percent, of the FY 1998/1999 Biennial Budget estimated one-time implementation costs for BRAC 1993.

Army One-Time Implementation Costs

Biennial Budget Reported Costs. The seven Army installations included in the FY 1998/1999 Biennial Budget reported one-time implementation costs of \$288.8 million. We verified 100 percent of the Army one-time implementation costs to DFAS records and source documentation. Actual Army obligations for one-time implementation costs totaled \$242.8 million as of October 1997. Table 1 compares estimated one-time implementation costs reported in the FY 1998/1999 Biennial Budget with incurred Army obligations and revised outyear estimates. Costs for program management, which also includes architect-engineer services and environmental restoration, were centrally accounted for by the Army.

| Cost Category | Estimated Costs Reported in the Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
|---------------------------------|--|---|-------------------|
| Letterkenny Army Depot | \$ 37.9 | \$ 37.2 | \$ 0.7 |
| Tooele Army Depot | 48.1 | 30.1 | 18.0 |
| Fort Monmouth | 64.2 | 44.6 | 19.6 |
| Vint Hill Farms Station | 76.9 | 51.5 | 25.4 |
| Fort Belvoir R&D Center | 16.6 | 14.6 | 2.0 |
| Presidio of San Francisco | 1.6 | 1.6 | 0.0 |
| Military Intelligence Battalion | 3.7 | 3.7 | 0.0 |
| Program Management | 39.8 | 10.3 | 29.5 |
| Environmental | 0.0 | 19.6 | (19.6) |
| Revised Outyear Estimates | 0.0 | 29.6* | (29.6) |
| Total | \$288.8 | \$242.8 | \$46.0 |

*Obligations of \$29.6 million to fund the remaining permanent change of station costs for BRAC 1993 during FYs 1998 and 1999.

The FY 1998/1999 Biennial Budget reported one-time implementation costs that were \$75.6 million greater than actual incurred obligations for the Army. In December 1996, the Army reprogrammed \$46 million of the \$75.6 million in

Finding A. Costs for 1993 Base Realignments and Closures

excess budgeted one-time implementation costs. However, the Army did not revise the fiscal budget estimates for the \$46 million reprogramming action. A revised fiscal budget would reflect a more accurate estimate of one-time implementation costs for BRAC 1993.

Army Obligations and Disbursements. The Army properly reconciled obligations for one-time implementation costs with actual disbursements (expenditures). We reviewed \$139.7 million of incurred obligations of \$213.2 million (66 percent) established by the Army for BRAC 1993. We verified actual disbursements to source documentation. The Army reported disbursements that approximated established obligations and had no significant unliquidated (unexpended) obligation balance for incurred costs for BRAC 1993.

Naval One-Time Implementation Costs

Biennial Budget Reported Costs. We reviewed 16 of the 43 Naval installations that were closed or realigned as a result of BRAC 1993. The FY 1998/1999 Biennial Budget for the 16 installations reported one-time implementation costs of \$4.1 billion. The estimate for one-time implementation costs represented 79 percent of the total Navy BRAC 1993 costs of \$5.2 billion for the 43 installations. We verified \$1.6 billion (39 percent) of the FYs 1994 through 1996 obligations to source documentation. Table 2 compares FYs 1994 through 1999 estimated one-time implementation costs reported in the FY 1998/1999 Biennial Budget to incurred obligations and revised outyear estimates. The incurred Naval obligations included actual obligations established for FYs 1994 through 1996 and revised outyear estimates for FYs 1997 through 1999. See Appendix C for a comparison of the FY 1998/1999 Biennial Budget cost estimates to incurred obligations and revised outyear estimates for the 16 Naval installations.

Table 2. Comparison of Naval Reported FY 1998/1999 Biennial Budget Estimated Costs to Incurred Obligations and Revised Outyear Estimates by Cost Category FYs 1994 through 1999 (millions)

| Cost Category | Estimated Costs Reported in the Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
|----------------------------|---|--|----------------|
| MILCON | \$1,510.3 | 1,523.9 | \$ (13.6) |
| Environmental | 723.6 | 690.6 | 33.0 |
| Operations and Maintenance | 1,817.2 | 1,647.9 | 169.3 |
| Military - PCS* | 53.6 | 68.5 | (14.9) |
| Total | \$4,104.7 | \$3,930.9 | \$173.8 |

*Permanent Change of Station

Finding A. Costs for 1993 Defense Base Realignments and Closures

As of October 1997, one-time implementation costs estimated in the FY 1998/1999 Biennial Budget were overstated by up to \$173.8 million. A revised fiscal budget would reflect a more accurate estimate of one-time implementation costs for BRAC 1993.

Naval Unliquidated Obligations. For the 16 Naval installations reviewed, the Navy maintained an unliquidated obligation balance of up to \$178.1 million in environmental and operations and maintenance (O&M) costs for FYs 1994 through 1996. Table 3 identifies total unliquidated obligations by cost category for FYs 1994 through 1996.

| Cost Category | FY 1994 | FY 1995 | FY 1996 | Total |
|----------------------|----------------|----------------|----------------|----------------|
| Environmental | \$14.0 | \$27.8 | \$32.7 | \$ 74.5 |
| O&M | 5.6 | 32.8 | 65.2 | 103.6 |
| Total | \$19.6 | \$60.6 | \$97.9 | \$178.1 |

An unliquidated obligation is the difference between obligations established for incurred costs and actual disbursements. While the FY 1996 unliquidated obligations will most likely be required to satisfy valid outstanding incurred costs, it is likely that most of the unliquidated obligations in the earlier years are now invalid. Delays, errors in posting transactions, and other factors have contributed to the current balance. Therefore, it cannot be reasonably concluded that all of the unliquidated obligations are invalid. However, if an unliquidated obligation balance exists after final disbursements have been made, the Navy should coordinate with DFAS to expeditiously deobligate any excess obligations. See Appendix D for a summary of unliquidated obligations by cost category for the 16 Naval installations that we reviewed.

Air Force One-Time Implementation Costs

Biennial Budget Reported Costs. Eight Air Force installations included in the FY 1998/1999 Biennial Budget reported one-time implementation costs of \$1.2 billion. Of the \$1.2 billion, \$683.7 million included incurred obligations for FYs 1994 through 1996. We reviewed the \$683.7 million in obligations and verified \$609.5 million in obligations to available source documentation. As of April 1997, one-time implementation costs estimated in the FY 1998/1999 Biennial Budget exceeded obligations by up to \$74.2 million. A revised fiscal budget would reflect a more accurate estimate of one-time implementation costs for BRAC 1993. Costs for program management were centrally accounted for by the Air Force. Table 4 shows the FYs 1994 through 1996 reported FY 1998/1999 Biennial Budget estimated costs and reported obligations for the eight Air Force installations.

Finding A. Costs for 1993 Base Realignments and Closures

Table 4. Comparison of Air Force Reported FY 1998/1999 Biennial Budget Estimated Costs to Incurred Obligations for FYs 1994 through 1996 (millions)

| Installation/Account | Estimated Costs Reported in the Biennial Budget | Incurred Obligations Through FY 1996 | Difference |
|----------------------------|---|--------------------------------------|---------------|
| March Air Force Base | \$209.1 | \$197.0 | \$12.1 |
| Newark Air Force Base | 58.6 | 42.6 | 16.0 |
| K.I. Sawyer Air Force Base | 190.9 | 186.9 | 4.0 |
| Plattsburgh Air Force Base | 38.2 | 39.9 | (1.7) |
| Griffiss Air Force Base | 93.5 | 87.2 | 6.3 |
| Homestead Air Force Base | 39.6 | 28.0 | 11.6 |
| Gentile Air Force Station | 2.6 | 4.0 | (1.4) |
| O'Hare Air Reserve Station | 0.0 | 0.0 | 0.0 |
| Program Management | 51.2 | 23.9 | 27.3 |
| Total | \$683.7 | \$609.5 | \$74.2 |

Air Force Unliquidated Obligations. The Air Force maintained an unliquidated obligation balance of up to \$146.8 million for the eight Air Force installations for FYs 1994 through 1996. Table 5 identifies the unliquidated obligations for the eight Air Force installations.

Table 5. Air Force Unliquidated Obligations by Installation for FYs 1994 through 1996 (millions)

| Installation/Account | FY 1994 | FY 1995 | FY 1996 | Total |
|----------------------------|---------------|---------------|---------------|----------------|
| March Air Force Base | \$11.8 | \$16.6 | \$ 9.0 | \$ 37.4 |
| Newark Air Force Base | 0.9 | 0.8 | 5.0 | 6.7 |
| K.I. Sawyer Air Force Base | 1.7 | 21.8 | 12.1 | 35.6 |
| Plattsburgh Air Force Base | 2.2 | 2.7 | 4.9 | 9.8 |
| Griffiss Air Force Base | 7.7 | 21.6 | 11.3 | 40.6 |
| Homestead Air Force Base | 3.2 | 0.4 | 5.9 | 9.5 |
| Gentile Air Force Station | 0.0 | 0.0 | 2.4 | 2.4 |
| O'Hare Air Reserve Station | 0.0 | 0.0 | 0.0 | 0.0 |
| Program Management | 0.5 | 1.8 | 2.5 | 4.8 |
| Total | \$28.0 | \$65.7 | \$53.1 | \$146.8 |

The Air Force and DFAS have begun to determine the finality of one-time implementation costs and should continue to coordinate to deobligate the excess obligations. As was previously discussed regarding the Navy, it is likely that many, but not all of the unliquidated obligations are invalid.

DISA One-Time Implementation Costs

Biennial Budget Reported Costs. The FY 1998/1999 Biennial Budget reported estimated one-time implementation costs of \$382.4 million for the closure of 43 DISA Data Processing Centers (DPCs). DISA budgeted \$339.7 million in one-time implementation costs for FYs 1994 through 1996. We reviewed the \$339.7 million and verified \$331.7 million in obligations to available source documentation. The difference between DISA budgeted costs and obligations (\$8 million) was reasonable.

DISA Unliquidated Obligations. Although budget estimates reasonably approximated obligations established for one-time implementation costs, DISA maintained an unliquidated obligation balance of up to \$10.8 million for FY 1994; \$14.2 million for FY 1995; and \$80.2 million for FY 1996, totaling \$105.2 million. DISA personnel are actively reviewing outstanding obligations with DFAS to determine whether remaining funding is necessary or whether obligations can be deobligated. DISA and DFAS should continue coordination to expeditiously deobligate excess obligations for one-time implementation costs.

Summary

We reviewed \$5.4 billion of the FY 1998/1999 Biennial Budget estimated one-time implementation costs for BRAC 1993. The Military Departments and DISA only obligated \$5.1 billion of the available budget, a difference of \$294 million. We regard the difference as significant but not excessive. The variances in obligations are reviewed by the DoD Components and the DoD Comptroller when revising each updated fiscal budget for BRAC. However, we consider unliquidated obligations of \$430.1 million to be excessive. Although management controls are in place to clear unliquidated obligations after 5 years, the Army's success in reconciling BRAC 1993 obligations and expenditures has demonstrated that this can be done in a more timely fashion. To capture actual BRAC costs and update BRAC cost estimates, it is highly advisable to accelerate the reconciliation process, as the Army did. Because some of the unliquidated obligations that we identified date back to FY 1994, it is likely that most of those older unliquidated obligations are invalid.

Combining the potential reductions identified by the audit with those already recognized could result in a total potential reduction of up to \$1.5 billion from the originally estimated BRAC 1993 costs. The fact that costs were less than originally estimated, and even less than reported in updated budgets, is good news for the DoD.

Recommendations and Management Comments

To develop a uniform and consistent application of estimated costs resulting from Defense base realignment and closure, we recommend that the Under Secretary of Defense (Comptroller):

1. Re-emphasize to the Services and Defense agencies to:

a. Coordinate with the Defense Finance and Accounting Service to reconcile reported obligations and disbursements with source documents.

b. Periodically review outstanding obligations and promptly deobligate excess obligations when final costs are known.

Management Comments. The Deputy Under Secretary (Industrial Affairs and Installations) concurred with the recommendation to improve accounting and budgeting procedures for recording BRAC costs. Specifically, the Office of the Deputy Under Secretary will work with the Military Departments and the Office of the Under Secretary of Defense (Comptroller) to improve the Department's performance in reconciling and deobligating excess obligations when final costs are known.

The Office of the Under Secretary of Defense (Comptroller) concurred with the report recommendations and stated that, within 60 days, specific guidance will be issued to the Services and Defense agencies emphasizing the requirement to reconcile reported obligations and disbursements with source documents in coordination with the Defense Finance and Accounting Service. The Office of the Comptroller will also emphasize the requirement to periodically review obligations and properly deobligate excess obligations when final costs are known. The Office of the Comptroller will ensure that the next Financial Management Regulation update contains the recommended guidance. However, the Office of the Comptroller questioned the reduction of BRAC costs and stated that the majority of the unliquidated obligations represented valid obligations that will be reconciled and disbursed. The Military Components have coordinated with the Defense Finance and Accounting Service to reconcile all obligations to source documents to ensure timely disbursements.

Finding B. Savings for 1993 Defense Base Realignments and Closures

The FY 1998/1999 Biennial Budget savings estimates for the Navy, the Air Force, and DISA were understated because various types of savings data were inappropriately excluded when the estimates were formulated or were not subsequently updated.

- Savings estimates for 5 Naval industrially-funded installations were based on an assumption that only 60 percent of the indirect cost reductions would materialize from the closures. The Navy assumed that 40 percent of the indirect costs would be offset by increased costs to other Naval installations absorbing the additional workload.
- Three Naval industrially-funded installations did not revise savings estimates with actual costs avoided at the time of closure.
- Savings estimates for 11 Naval installations did not agree with actual reductions in operating budgets.
- The Navy did not include the savings from all military construction projects that were canceled as a result of BRAC 1993 at 21 closed or realigned Naval installations.
- The Air Force reported savings in the FY 1998/1999 Biennial Budget that were less than operating budget reductions.
- The DISA understated savings for 43 DPCs because personnel reduction estimates and non-labor cost avoidances were not supported by personnel authorizations and operating budgets.

For the \$5.9 billion in savings reviewed for BRAC 1993, reported savings were understated by approximately \$1.7 billion. This understatement indicates a need for better estimating and tracking methodologies.

BRAC Budget Process

Regulatory Guidance. The DoD Regulation 7000.14-R, "Financial Management Regulation," July 1996, outlines the budget procedures for estimating BRAC savings. Each Military Department is required to prepare a savings exhibit for each installation to be closed or realigned. BRAC savings estimates are specifically identified and must be based on the best projection of what savings will actually accrue from the approved closure or realignment.

BRAC Savings Defined. In their Base Closure Policy Memorandum Two, December 4, 1992, the Assistant Secretary of Defense for Production and Logistics defines BRAC savings as follows: "savings associated with base closings should be founded on the elimination of base operating support, infrastructure, and related costs." DoD Regulation 7000.14-R defines BRAC

Finding B. Savings for 1993 Defense Base Realignments and Closures

savings as a cost avoidance "that will accrue from the partial or complete closure of the base." The regulation further defines the following DoD cost categories where savings are to be realized:

- Civilian and military personnel reductions;
- Base operations cost reductions; and
- MILCON and family housing cancellations.

In the FY 1998/1999 Biennial Budget, the BRAC 1993 savings (other than MILCON) were computed on a recurring basis and were displayed for a 6-year period commencing in FY 1994. BRAC savings were offset by one-time implementation costs in the Biennial Budget and were used to determine in what year BRAC savings exceeded BRAC costs (pay back period).

BRAC 1993 Savings. The Military Departments and Defense agencies estimated \$7.5 billion in savings in the FY 1998/1999 Biennial Budget for BRAC 1993. We reviewed \$5.9 billion, or 79 percent of the BRAC 1993 estimated savings. See Appendix E for the civilian and military personnel authorization eliminations for the Military Departments and DISA.

Army Validation of BRAC Savings Estimates

The Army estimated savings reported in the FY 1998/1999 Biennial Budget for BRAC 1993 reasonably represented the actual Army savings. The Army reported estimated savings of \$206.8 million in the FY 1998/1999 Biennial Budget for six of the seven closed or realigned Army installations. The savings estimate for the 6 installations included \$194.1 million in O&M savings and \$12.7 million in MILCON savings. The savings estimate for the 6 installations was based on the elimination of 1,066 civilian personnel authorizations and the termination of Government leased facilities. We reviewed \$186.3 million of the O&M estimated savings and the \$12.7 million in MILCON estimated savings.

Review of O&M Savings. We reviewed reduced operating budgets for the Army Tank-Automotive and Armaments Command, the Communications-Electronics Command, and the Army Working Capital Fund. These major commands and the Army Working Capital Fund are associated with the closure or realignment of the Army installations. We verified the elimination of 1,525 civilian personnel authorizations and an overall reduction of Army operating budgets of \$168.8 million. Army operating budget reductions could not be identified to elimination of base-operations-support-related personnel positions. The \$17.5 million difference between the results of our review of the O&M savings estimate, and the reduced operating budget was attributable to the delayed relocation of employees from the leased Communications-Electronics Command Headquarters to Government owned facilities, and the application of an efficiency factor for combining Vint Hill Farms Station functions. However, anticipated savings should be realized once the lease for the headquarters building is terminated in FY 1999.

Finding B. Savings for 1993 Defense Base Realignments and Closures

Review of MILCON Savings. We reviewed the Army savings estimate of \$12.7 million resulting from the cancellation of three MILCON projects. The Army canceled the three MILCON projects and appropriately reduced funding by \$12.7 million as shown in the FY 1998/1999 Biennial Budget.

Naval Validation of BRAC Savings Estimates

The Navy reported estimated savings of \$4.6 billion in the FY 1998/1999 Biennial Budget for BRAC 1993 including \$4.4 billion in O&M, military personnel, and family housing savings; and \$216.7 million in MILCON savings. The Navy estimated savings for 43 closed or realigned Naval installations. We selected 20 of the 43 Naval installations and reviewed \$3.4 billion, or 77 percent of the total savings, other than MILCON. For MILCON, we reviewed \$204.9 million, or 94 percent of the total Navy estimated savings resulting from canceled MILCON projects. Appendix F shows a comparison of Naval savings, other than MILCON savings, to audit results by Naval installation. Appendix G shows a comparison of Navy reported canceled MILCON savings to audit-determined canceled MILCON savings, by Naval installation. Table 6 summarizes differences in reported savings with our audit results by major Naval command.

Table 6. Summary of Audit Results - Naval Savings Other Than MILCON (millions)

| Major Naval Commands | Savings Reported in Biennial Budget (millions) | Savings per Audit Results (millions) | Understated/ (Overstated) Savings (millions) |
|--|--|--------------------------------------|--|
| Naval Sea Systems Command (Industrially Funded) | \$1,102.6 | \$1,676.0 | \$573.4 |
| Naval Air Systems Command (Industrially Funded) | 684.5 | 959.9 | 275.4 |
| Naval Supply Systems Command (Industrially Funded) | 117.6 | 166.1 | 48.5 |
| Naval Facilities Engineering Command (Industrially Funded) | 18.2 | 25.6 | 7.4 |
| Naval Sea Systems Command | 38.5 | 41.1 | 2.6 |
| Naval Air Systems Command | 27.8 | 19.9 | (7.9) |
| Commander-in-Chief, U.S. Atlantic Fleet | 590.5 | 796.1 | 205.6 |
| Commander-in-Chief, U.S. Pacific Fleet | 316.4 | 267.5 | (48.9) |
| Chief of Naval Education and Training | 334.9 | 284.7 | (50.2) |
| Naval Reserve Force | 145.6 | 158.0 | 12.4 |
| Space and Naval Warfare Systems Command | 59.9 | * | 0.0 |
| Total | \$3,436.5 | \$4,394.9 | \$1,018.3 |

*Undeterminable

Review of Naval Industrially-Funded Installation Closures. Eight of the 20 Naval installations we reviewed were industrially-funded (reimbursable-funded) installations. The closed Naval installations included the Charleston and Mare Island Naval Shipyards; the Alameda, Norfolk and Pensacola Naval

Finding B. Savings for 1993 Defense Base Realignments and Closures

Aviation Depots; the Charleston and Pensacola Fleet and Industrial Supply Centers (FISC); and the Naval Civil Engineering Laboratory Port Hueneme. The Navy established specific assumptions involving the estimation of savings resulting from the closure of industrially-funded installations.

Force Structure Savings. The Navy defined direct labor personnel reductions as force structure savings as opposed to savings resulting from base closure. The FY 1998/1999 Biennial Budget did not identify force structure savings for direct labor costs.

BRAC Savings. The Navy defined indirect labor personnel reductions as BRAC savings. The Navy also calculated that only 60 percent of the indirect costs of closing industrially-funded installations would be realized as BRAC savings. The Navy estimated that the remaining 40 percent of the indirect costs would transfer, along with the remaining workload, to other Naval installations as increased costs.

Verification of Estimated BRAC Savings. For the Charleston and Mare Island Naval Shipyards, the savings estimate in the FY 1998/1999 Biennial Budget was understated by as much as \$573.4 million. The assumption of including only 60 percent of the indirect costs for the shipyards was conservative. The workload transfer from Charleston and Mare Island to the gaining shipyards did not affect the existing indirect costs at the gaining shipyards. For the Alameda, Norfolk, and Pensacola Naval Aviation Depots, the FY 1998/1999 Biennial Budget was understated by as much as \$275.4 million. The assumption of including only 60 percent of the indirect costs for the depots was also conservative. Indirect cost reductions at the gaining and closing depots were measured and adjusted to exclude cost reductions attributable to decreasing depot workload. The decreasing workload was unrelated to BRAC. For the Charleston and Pensacola FISCs, the Navy did not compute savings based on all actual operating costs. We computed actual operating cost reductions, based on the final year of operation for the FISCs, which resulted in a net understatement of \$48.5 million. For the Naval Civil Engineering Laboratory, the Navy understated civilian personnel savings by as much as \$7.4 million. See Appendix H for a detailed description of the Navy estimate of savings for the eight Naval industrially-funded installations and our analysis of the understatement of savings.

Review of Naval Appropriation-Funded Installation Closures. Twelve of the 20 closed or realigned Naval installations we reviewed were funded with Naval appropriations. The 12 closed or realigned Naval installations were subordinate installations of 7 major Naval commands. The Navy computed savings estimates in the FY 1998/1999 Biennial Budget resulting from civilian and military personnel authorization reductions, and base operations cost reductions.

Verification of Estimated Savings. For the 12 Naval appropriation-funded installations that we reviewed, the Navy underestimated savings for five installations and overestimated savings for six installations in the FY 1998/1999 Biennial Budget. We could not evaluate the accuracy of the savings estimate for one realigned Naval installation because of changes in the organization's funding. Operating budget reductions varied from the Navy estimates in the FY 1998/1999 Biennial Budget. The net understatement of

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savings for 11 appropriation-funded installations was \$113.6 million. See Appendix I for a detailed description of estimated savings for 12 Naval appropriation-funded installations and our analysis of understated savings.

Naval MILCON

Canceled Naval MILCON Projects. The Navy did not include all canceled MILCON projects in the estimated BRAC 1993 savings computation. We reviewed all MILCON project cancellations for 43 Naval installations that were closed or realigned as a result of BRAC 1993. The FY 1998/1999 Biennial Budget reported \$216.7 million in savings for canceled MILCON projects.

Additional Savings From Canceled Naval MILCON Projects. As a result of BRAC 1993, MILCON projects were canceled at 21 of the 43 Naval closed or realigned installations. However, the Navy only reported \$204.9 million in savings resulting from canceled MILCON projects. The Navy did not include 25 MILCON projects, valued at \$131.4 million, that were canceled or terminated for convenience as a result of BRAC 1993. See Appendix G for additional savings resulting from canceled or terminated projects.

Air Force Validation of BRAC Savings Estimates

As a result of BRAC 1993, the Air Force closed or realigned eight installations. The FY 1998/1999 Biennial Budget reported savings of \$1.1 billion resulting from 1,030 civilian and 3,934 military personnel authorization eliminations.

Verification of Estimated Savings. The Air Force was not able to provide documentation supporting the estimated savings reported in the FY 1998/1999 Biennial Budget. We were able to reconstruct the Air Force savings estimate by using data from the operating budget. We verified that Air Force operating budgets were reduced by \$1.2 billion and that 1,076 civilian and 3,888 military personnel authorizations were eliminated. The savings estimate reported in the FY 1998/1999 Biennial Budget was \$123.5 million lower than the FYs 1994 through 1999 operating budgets. The reported savings were limited to canceled MILCON projects and military and civilian base operating personnel reductions. Table 7 is a comparison of the FY 1998/1999 Biennial Budget to the operating budgets.

| Savings Category | Operating Budgets | Biennial Budget | Understated Savings |
|-------------------------|--------------------------|------------------------|----------------------------|
| MILCON | \$ 101.4 | \$ 89.0 | \$ 12.4 |
| Military Personnel | 649.1 | 608.3 | 40.8 |
| O&M | 476.1 | 405.8 | 70.3 |
| Total | \$1,226.6 | \$1,103.1 | \$123.5 |

DISA Savings

DISA reported BRAC savings of \$1.1 billion in the FY 1998/1999 Biennial Budget. The \$1.1 billion savings estimate represents \$557.9 million in labor savings resulting from eliminating 2,284 civilian and 386 military personnel authorizations, and a \$515.4 million reduction in non-labor costs.

Verification of Labor Savings. DISA estimated \$557.9 million in labor savings for 43 DPCs and 16 megacenters in the FY 1998/1999 Biennial Budget. Of the \$557.9 million, \$492.1 million in labor savings was estimated for closing the 43 DPCs. DISA was unable to explain the computation for estimating labor savings. We reviewed labor savings for 37 of the 43 DPCs. We computed labor savings and compared our estimate to the DISA estimate in the FY 1998/1999 Biennial Budget. To document the number of civilian and military personnel authorizations that transferred from the Service-level data processing function to DISA and were subsequently eliminated, we used the official transfer of operational control document (tripartite agreement, if available), or the site implementation plan. We computed labor savings for each DPC using civilian and military personnel authorizations, the average salary provided by DISA, and the years remaining from the date of DPC closure to FY 1999. We computed additional labor savings of at least \$248.4 million, which included 2,955 civilian and 637 military personnel authorization eliminations. This computation is conservative because we did not include personnel reductions prior to the complete DPC closure. See Appendix J for the computation of DISA labor savings.

Verification of Non-Labor Savings. DISA estimated \$515.4 million in non-labor savings for 43 DPCs and 16 megacenters. Of the \$515.4 million, \$441.7 million in non-labor savings was associated with closing the 43 DPCs. DISA was not able to explain the computation for estimating non-labor savings. We reviewed non-labor savings for 30 of the 43 DPCs. We computed non-labor savings and compared our estimate to the DISA estimate in the FY 1998/1999 Biennial Budget. We used the FY 1993 operating budget to estimate non-labor savings from the date of the DPC closure to FY 1999. We computed additional non-labor savings of at least \$212.2 million. This computation is conservative because we did not include any non-labor savings prior to the complete closure of the DPC. See Appendix K for the computation of DISA non-labor savings.

DISA and the DoD Budget Reduction. The DoD Budget was reduced by \$4.5 billion for a reduction entitled, "Defense Information Infrastructure - Undistributed," March 27, 1993, for reductions occurring from FYs 1995 through 1999. However, the DoD Comptroller could not correlate the \$4.5 billion reduction to the Military Department DPCs or to DISA closures. DISA estimated \$1.1 billion in savings resulting from the BRAC 1993 closure of the 43 DPCs. We computed additional labor savings of \$248.4 million and additional non-labor savings of \$212.2 million over the \$1.1 billion. The difference between the DoD budget reduction and the DISA BRAC savings estimate could not be identified. See Appendix L for a description of the Defense information infrastructure reduction and the 1993 Commission on Defense Base Closure and Realignment (the Commission) decision.

Summary

The \$1.7 billion variation between estimated and actual savings indicates that better estimating guidance and controls are needed. Also, better tracking and reporting mechanisms for savings are necessary. However, the fact that implementation period savings were greater than previously reported is good news for DoD. Taken together, the findings in this report indicate that the net positive fiscal impact of BRAC 1993, during its implementation period so far, has been understated by up to \$3.2 billion.

Recommendations, Management Comments, and Audit Response

To develop a uniform and consistent application of estimated savings resulting from Defense base realignment and closure, we recommend that the Under Secretary of Defense (Comptroller):

1. Direct the Services and Defense agencies to:

a. Retain all pertinent and historical records documenting adjustments to operating budgets resulting from Defense base realignment and closure. The documentation should be retained for a minimum of five years following the expiration of the BRAC account.

b. Reconcile the costs of actual workload increases at gaining activities used to offset reduced Defense base realignment and closure budget savings estimates, especially for closed industrially-funded installations.

c. Reconcile the number and cost of military and civilian personnel authorization eliminations contained in the DoD Base Realignment and Closure, Executive Summary and Budget Justification, Biennial Budget Estimates.

d. Retain documentation on both full and partial cancellations of programmed military construction projects resulting from Defense base realignment and closure decisions.

e. Report to the Under Secretary of Defense (Comptroller) revised actual savings data outlined in Recommendations a. through d.

2. Revise the DoD Regulation 7000.14-R, "Financial Management Regulation," July 1996, to require that the DoD Base Realignment and Closure, Executive Summary and Budget Justification, Biennial Budget Estimates be updated for savings, and replace prior year estimated savings with actual savings as reported by the Services and Defense agencies.

Management Comments. The Deputy Under Secretary (Industrial Affairs and Installations) concurred with the report recommendations to improve the

Finding B. Savings for 1993 Defense Base Realignment and Closures

accounting and budgeting procedures for BRAC savings. Specifically, the Office of the Deputy Under Secretary will work with the Military Departments and the Office of the Under Secretary of Defense (Comptroller) to require that the Executive Summary and Budget Justification, Biennial Budget Estimates, be updated for savings and that prior year savings estimates be replaced with actual savings.

The Office of the Under Secretary of Defense (Comptroller) concurred with the recommendations and stated that guidance will be issued to the Services and Defense agencies requiring them to retain, for a minimum of 5 years, all pertinent historical records documenting adjustments to operating budgets resulting from base realignments and closures. The guidance will also address reconciliation procedures for the number and cost of military and civilian personnel eliminations; document both full and partial cancellations of programmed military construction projects; and report revised actual savings data. The Office of the Comptroller will ensure that the next Financial Management Regulation update contains this guidance. However, the Office of the Comptroller stated that the precise estimate of savings reported did not fully distinguish BRAC savings from force structure savings.

Audit Response. The Office of the Comptroller is correct in noting that the audit could not fully distinguish BRAC savings from force structure savings. The Army savings estimate was developed from a review of operating budget reductions and those budgets did not distinguish BRAC savings from force structure savings. The Army did not identify BRAC related personnel position eliminations. Thus, Army operating budget reductions, relating to base operations or BRAC position eliminations, could not be segregated into operating budget reductions unrelated to base operations and BRAC reductions.

The Air Force, the Defense Information Systems Agency, and 15 of the 20 Naval installations we reviewed distinguished BRAC savings from force structure savings. BRAC savings were based on operating budget reductions associated with either the elimination of base operations support personnel, related base operations support costs, or the indirect portion of industrially-funded operating budget reductions.

Part II - Additional Information

Appendix A. Audit Process

Scope

Work Performed. We verified BRAC 1993 budget estimates as reported in the "DoD Base Realignment and Closure, Executive Summary and Budget Justification, FY 1998/99 Biennial Budget Estimates," February 1997. Table A-1 provides the FYs 1994 through 1999 BRAC 1993 costs and savings reported in the FY 1998/1999 Biennial Budget. Included in Table A-1 is the number of closed or realigned DoD organizations resulting from BRAC 1993.

Table A-1. Total BRAC 1993 Costs and Savings Reported in the FY 1998/1999 Biennial Budget

| | Number of Closed or Realigned DoD Organizations | Costs (millions) | Savings (millions) |
|--------------------------|--|---------------------|-----------------------|
| Army | 7 | \$ 289 | \$ 207 |
| Navy | 43 | 5,384 | 4,555 |
| Air Force | 8 | 1,227 | 1,103 |
| Defense Logistics Agency | 6 | 181 | 538 |
| DISA | 43 | 382 | 1,073 |
| Total | 107 | \$7,463 | \$7,476 |

Limitations to Audit Scope. Our initial audit survey covered a limited sample of DoD installations. We briefed the Deputy Under Secretary of Defense (Industrial Affairs and Installations) in June 1997, on the results of our initial audit survey. After that briefing, we expanded our efforts to include an extensive case study of the BRAC 1993 costs and savings budget data, which we considered the most readily auditable of previous BRAC rounds. This case study focused on the installations containing the largest estimated costs and savings. Our audit determined that it was not the individual DoD Components' procedures but the overall mechanisms for defining, tracking, and reporting actual BRAC costs and savings experience that required improvement. Also, management requested during the June 1997 briefing that we audit a greater than normal sample to add extra creditability to the results. Therefore, we reviewed 73 percent of reported one-time implementation costs and 79 percent of the reported savings. Table A-2 provides a summary of reviewed FYs 1994 through 1999 BRAC 1993 reported costs and savings.

| Table A-2. Summary of Reviewed Military and DoD Installation BRAC 1993 Reported Costs and Savings | | | |
|--|---|--|---|
| FY 1998/1999 Biennial Budget One-Time Implementation Costs Reviewed (millions) | | | |
| | Number of Installations Reviewed | One-Time Implementation Costs Selected for Review | Percentage of Reported Biennial Budget One-Time Implementation Costs |
| Army | 7 | \$ 288.8 | 100 |
| Navy | 16 | 4,104.7 | 76 |
| Air Force | 8 | 683.7 | 56 |
| DISA | 43 | 339.7 | 89 |
| Total | 74 | \$5,416.9 | 73 |
| FY 1998/1999 Biennial Budget Savings Reviewed (millions) | | | |
| | Number of Installations Reviewed | Savings Reviewed | Percentage of Reported Biennial Budget Savings |
| Army | 6 | \$ 199.0 | 96 |
| Navy | 20 | 3,653.2 | 79 |
| Air Force | 8 | 1,103.1 | 100 |
| DISA | 43 | 933.8 | 87 |
| Total | 77 | \$5,889.1 | 79 |

Methodology

Computer-Processed Data. We relied on computer-processed data without performing tests of the data to confirm its reliability. We did not establish the reliability of the data because audit time frames did not permit such an evaluation. However, we concluded that the computer-processed data was sufficiently reliable for use in meeting the audit objectives.

Cost Verification. For verification of obligations established for reported one-time implementation costs, we compared DFAS recorded obligations to selected Military Department documents supporting the obligation. For verification of reported disbursements to obligations established for one-time implementation costs, we compared DFAS reported disbursements with selected Military Department disbursement records.

Savings Verification. For verification of savings resulting from the closure of installations that were industrially funded (reimbursable based funding), we compared reported savings with the indirect operating costs of the industrially-funded installations at the time of closure. We also tested the assumptions (Navy) established for the workload transfer to industrially-funded installations by measuring increased workload and non-BRAC costs at the installations receiving the closing installations' workload.

Appendix A. Audit Process

For verification of savings resulting from the closure or realignment of military installations that were appropriation funded, we compared reported savings with appropriation reductions for the closing or realigning installation. We did not look for increased operating (non-BRAC) costs that may have been incurred at appropriation-funded installations which absorbed the closed or realigned installations' workload for the following reasons.

- We found no increased operating (non-BRAC) costs at industrially-funded gaining installations. This was consistent with one of the purposes of BRAC, which was to reduce existing excess capacity through facility consolidation.
- We foresaw difficulties in determining the reason for changes (increases or decreases) in gaining installation operating costs because:
 - operating costs were affected by non-BRAC related realignments such as the phasedown of our European forces, peacekeeping missions in Bosnia, and the normal and abnormal rotation of troops and ships to the Gulf,
 - operating costs could be affected by weather and temperature variations from one year to the next,
 - operating cost fluctuations were relatively insignificant compared to the total operations of any given base, and to the cost of BRAC.

Because we found no increased non-BRAC costs at industrially-funded gaining installations, we did not review any increased non-BRAC costs that may have been incurred at appropriation-funded installations which absorbed the closed or realigned installations' workload.

The Navy provided us with "budget marks" that detailed identification of recommended savings for closed or realigned Naval installations. We used FY 1993 as the final year of full funding for closing installations. We also compared civilian and military personnel authorization reductions to official manpower documents, when available. For savings resulting from MILCON cancellations, we obtained documentation identifying the programmed MILCON projects that were scheduled for construction at the closing installation.

DISA did not have documentation to support the savings claimed for the closure of the 43 DPCs. To verify labor savings reported by DISA in the FY 1998/1999 Biennial Budget, we used the official transfer of operational control document (tripartite agreement, if available), or site implementation plan, to determine personnel authorizations at the DPC prior to closure. Using average civilian and military salaries provided by DISA, we computed labor savings from the year that the DPC closed to FY 1999. To verify non-labor savings reported by DISA in the FY 1998/1999 Biennial Budget for the closure of the DPCs, we reduced the annual labor savings from the total FY 1993 operating costs of the DPC and extended the non-labor savings to FY 1999.

Audit Type, Dates, and Standards. This economy and efficiency audit was performed from February 1997 through November 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. Further details are available upon request.

Management Control Program

The audit indicated a material management control weakness in estimating savings for BRAC. In the case of BRAC 1993, the savings estimates were low; however, the variances in the other direction are possible without improved guidance and procedures. Controls for tracking and reporting both costs and savings also need improvement. The recommendations in the report, if implemented, will help correct those deficiencies and comply with the sense of Congress concerning the need to improve a system to accurately quantify BRAC costs and savings. It is anticipated that further efforts to ensure good controls over all aspects of future BRAC processes would be made by the Department if future BRAC rounds are approved. The IG, DoD, is prepared to assist in such efforts.

We did not review the self evaluation aspect of the management control program as it relates to the principal audit objectives because it was outside the scope of the request.

Appendix B. Summary of Prior Coverage

General Accounting Office (GAO) Report No. GAO/NSIAD-97-170 (OSD Case No. 1378), Report to Congressional Committees, "Military Base Closures: Detailed Budget Requests Could Improve Visibility," July 1997. This report states that less visibility of planned expenditures and changes to savings estimates will result if data supporting continued funding for the 1988 and 1991 base closure rounds is identified in the aggregate rather than for individual bases. The report also states the requested \$139 million for 1988 and 1991 round costs to be funded by BRAC III (1993 round) caused the net savings to be understated by 12.3 percent for 1998 and 3.6 percent for the 6-year period. DoD officials responded to the report by stating that budget data provided to Congress provided sufficient visibility, and any additional data could be obtained from the Military Departments.

GAO Report No. GAO/NSIAD-96-149, (OSD Case No. 1138), "Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993," August 1996. The report states that the Government may incur the loss of land sales revenue because of the long leadtimes required for community reuse plans. The GAO recommended that the Secretary of Defense establish reasonable time frames for concluding negotiated sales of surplus real property and when practical, rent unoccupied surplus housing and other facilities as a means of preserving property pending final disposition. In comments to the report, the Under Secretary of Defense for Acquisition and Technology, partially concurred with the recommendation to establish time frames for concluding negotiated sales of surplus property, stating that while time frames were probably not practical, it would look at establishing time frames where circumstances permit. The Under Secretary of Defense for Acquisition and Technology, nonconcurred with the recommendation to rent unoccupied housing, pointing out that the report inferred a ready market for Government housing and did not take into account the effects on the local housing market. GAO acknowledged that the recommendations may not be useful at every closing installation, but past lessons learned should be considered.

GAO Report No. GAO/NSIAD-96-67, (OSD Case No. 1073), "Military Bases - Closure and Realignment Savings are Significant, but not Easily Quantified," April 1996. The report states that savings from Defense base realignment and closure should be significant, but actual savings are uncertain because DoD systems do not provide information on actual savings. The GAO analyzed operations and maintenance costs at nine closing installations and concluded that actual base support costs have been reduced, which should result in substantial savings. However, DoD and Service accounting systems are not configured to provide information concerning actual savings. The report recommended that the Secretary of Defense explain the methodology used to estimate savings in future BRAC budget submissions and note in the submissions that all BRAC-related costs are not included. In comments to the report, DoD stated that inconsistencies in budget savings estimates were the result of allowing the Services to have reporting flexibility. The DoD also states that cost estimates in BRAC budget submissions did not include costs paid from other DoD accounts or non-DoD appropriations, and acknowledged that BRAC budget submissions

should include an advisory statement that economic assistance and non-DoD costs are not included. The DoD also said it would consider including a statement that the BRAC budget submissions are based on initial cost and savings estimates.

GAO Report No. GAO/T-NSIAD-95-107, (OSD Case No. 9872), "Military Bases: Challenges in Identifying and Implementing Closure Recommendations," February 23, 1995. The report contains testimony to the Subcommittee on Military Installations and Facilities, Committee on National Security, House of Representatives, regarding the status of GAO's assessment of BRAC 1995. The report states that, while most BRAC decisions were adequately supported, problems exist in documentation of decisions and some recommendations by DoD Components. Also, the report mentioned the 1993 GAO review of BRAC, which found that the Office of the Secretary of Defense did not exercise strong leadership in overseeing the Military Departments and DoD agencies in the BRAC process. The report contained no recommendations.

GAO Report No. GAO-NSIAD-95-60 (OSD Case No. 9333-F), "Aerospace Guidance and Metrology Center, Cost Growth and Other Factors Affect Closure and Privatization," December 1994. The GAO found that the projected cost of closing the Aerospace Guidance and Metrology Center has doubled and may continue to increase. The \$3.8 million annual savings projected to result from the closure is not likely to be realized because of potentially higher costs related to the privatization of a depot maintenance facility and other factors, and the payback period could be extended to over 100 years. The report recommended that the Secretaries of the Air Force and Defense reevaluate, as a part of the ongoing BRAC 1995 process, both the 1993 DoD recommendation to close Newark Air Force Base and the Air Force approach to implementing the closure decision through privatization-in-place.

Inspector General, DoD, Report No. 96-163, "Defense Base Closure Account Funds Other Than Military Construction Funds," June 14, 1996. The report states that the Military Departments and the Defense Logistics Agency used BRAC O&M funds inconsistently during FYs 1994 and 1995, which may result in inaccurate reporting of BRAC costs. Also, the report states that there is insufficient assurance that BRAC O&M funds are being spent correctly on BRAC costs. The report recommended that the Military Departments and the Defense Logistics Agency coordinate with the Department of Defense (Comptroller) to obtain decisions on any BRAC funding issues that need clarification, in order to properly record BRAC expenses in the appropriate subaccount. The Comptroller, the Assistant Secretary of the Air Force (Financial Management and Comptroller), and the Principal Deputy Director for the Defense Logistics Agency concurred with the recommendations.

Appendix C. Comparison of Naval Reported Estimated Costs in the FY 1998/1999 Biennial Budget to Incurred Obligations and Revised Outyear Estimates

Table C-1. MILCON Costs
(thousands)

| | FYs 1994 through 1999 | | |
|----------------------------------|---|--|-------------------|
| | One-Time Implementation Costs Reported in Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
| Marine Corps Air Station El Toro | \$ 375,405 | \$ 369,805 | \$ 5,600 |
| National Capital Region | 168,467 | 184,040 | (15,573) |
| Naval Air Station Alameda | 23,590 | 23,655 | (65) |
| Naval Air Station Barbers Point | 155,684 | 150,203 | 5,481 |
| Naval Air Station Dallas | 109,789 | 115,421 | (5,632) |
| Naval Air Station Memphis | 349,112 | 337,729 | 11,383 |
| Naval Air Warfare Center Trenton | 79,155 | 79,040 | 115 |
| Naval Aviation Depot Alameda | 1,700 | 1,338 | 362 |
| Naval Aviation Depot Norfolk | 17,674 | 22,623 | (4,949) |
| Naval Aviation Depot Pensacola | 21,500 | 23,582 | (2,082) |
| Naval Shipyard Charleston | 7,390 | 8,509 | (1,119) |
| Naval Shipyard Mare Island | 35,596 | 44,469 | (8,873) |
| Naval Station Charleston | 25,903 | 26,380 | (477) |
| Naval Station Staten Island | 6,160 | 6,842 | (682) |
| Naval Station Treasure Island | 36,750 | 38,566 | (1,816) |
| Naval Training Center Orlando | 96,386 | 91,653 | 4,733 |
| Total MILCON | \$1,510,261 | \$1,523,855 | \$(13,594) |

**Appendix C. Comparison of Naval Reported Estimated Costs in the FY 1998/1999
Biennial Budget to Incurred Obligations and Revised Outyear Estimates**

Table C-2. Environmental Costs
(thousands)

| | FYs 1994 through 1999 | | |
|----------------------------------|--|---|-----------------|
| | One-Time Implementation Costs Reported in Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
| Marine Corps Air Station El Toro | \$166,014 | \$130,778 | \$35,236 |
| National Capital Region | 150 | 0 | 150 |
| Naval Air Station Alameda | 97,659 | 109,524 | (11,865) |
| Naval Air Station Barbers Point | 31,321 | 30,590 | 731 |
| Naval Air Station Dallas | 33,023 | 32,076 | 947 |
| Naval Air Station Memphis | 20,403 | 19,962 | 441 |
| Naval Air Warfare Center Trenton | 20,443 | 21,650 | (1,207) |
| Naval Aviation Depot Alameda | 32,844 | 26,948 | 5,896 |
| Naval Aviation Depot Norfolk | 5,778 | 13,829 | (8,051) |
| Naval Aviation Depot Pensacola | 2,170 | 2,586 | (416) |
| Naval Shipyard Charleston | 47,952 | 51,054 | (3,102) |
| Naval Shipyard Mare Island | 174,261 | 163,488 | 10,773 |
| Naval Station Charleston | 33,815 | 33,366 | 449 |
| Naval Station Staten Island | 3,973 | 4,839 | (866) |
| Naval Station Treasure Island | 26,852 | 25,154 | 1,698 |
| Naval Training Center Orlando | 26,962 | 24,786 | 2,176 |
| Total Environmental | \$723,620 | \$690,630 | \$32,990 |

Appendix C. Comparison of Naval Reported Estimated Costs in the FY 1998/1999 Biennial Budget to Incurred Obligations and Revised Outyear Estimates

Table C-3. O&M Costs
(thousands)

| | FYs 1994 through 1999 | | |
|----------------------------------|--|---|------------------|
| | One-Time Implementation Costs Reported in Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
| Marine Corps Air Station El Toro | \$ 86,849 | \$ 76,806 | \$ 10,043 |
| National Capital Region | 105,774 | 84,939 | 20,835 |
| Naval Air Station Alameda | 61,530 | 49,402 | 12,128 |
| Naval Air Station Barbers Point | 25,096 | 32,698 | (7,602) |
| Naval Air Station Dallas | 26,313 | 22,019 | 4,294 |
| Naval Air Station Memphis | 56,077 | 52,054 | 4,023 |
| Naval Air Warfare Center Trenton | 65,421 | 56,423 | 8,998 |
| Naval Aviation Depot Alameda | 146,293 | 145,805 | 488 |
| Naval Aviation Depot Norfolk | 161,449 | 152,468 | 8,981 |
| Naval Aviation Depot Pensacola | 104,795 | 98,620 | 6,175 |
| Naval Shipyard Charleston | 335,968 | 345,838 | (9,870) |
| Naval Shipyard Mare Island | 425,878 | 440,656 | (14,778) |
| Naval Station Charleston | 36,651 | 29,438 | 7,213 |
| Naval Station Staten Island | 126,819 | 12,642 | 114,177 |
| Naval Station Treasure Island | 32,523 | 25,149 | 7,374 |
| Naval Training Center Orlando | 19,807 | 22,893 | (3,086) |
| Total O&M | \$1,817,243 | \$1,647,850 | \$169,393 |

**Appendix C. Comparison of Naval Reported Estimated Costs in the FY 1998/1999
Biennial Budget to Incurred Obligations and Revised Outyear Estimates**

Table C-4. Military - Permanent Change of Station Costs
(thousands)

| | FYs 1994 through 1999 | | |
|---|--|---|-------------------|
| | One-Time Implementation Costs Reported in Biennial Budget | Incurred Obligations and Revised Outyear Estimates | Difference |
| Marine Corps Air Station El Toro | \$14,310 | \$15,917 | (1,607) |
| National Capital Region | 1,688 | 2,949 | (1,261) |
| Naval Air Station Alameda | 14,673 | 12,420 | 2,253 |
| Naval Air Station Barbers Point | 2,227 | 2,906 | (679) |
| Naval Air Station Dallas | 1,555 | 1,073 | 482 |
| Naval Air Station Memphis | 4,228 | 1,482 | 2,746 |
| Naval Air Warfare Center Trenton | 0 | 7 | (7) |
| Naval Aviation Depot Alameda | 115 | 109 | 6 |
| Naval Aviation Depot Norfolk | 37 | 61 | (24) |
| Naval Aviation Depot Pensacola | 49 | 66 | (17) |
| Naval Shipyard Charleston | 2,094 | 1,313 | 781 |
| Naval Shipyard Mare Island | 929 | 929 | 0 |
| Naval Station Charleston | 6,923 | 18,190 | (11,267) |
| Naval Station Staten Island | 730 | 1,298 | (568) |
| Naval Station Treasure Island | 903 | 2,520 | (1,617) |
| Naval Training Center Orlando | 3,126 | 7,269 | (4,143) |
| Total Military - Permanent Change of Station | \$53,587 | \$68,509 | \$(14,922) |

Table D-1. Environmental Costs
(thousands)

| <u>Installation</u> | <u>FY 1994</u> | | | <u>FY 1995</u> | | | <u>FY 1996</u> | | |
|----------------------------------|--------------------|----------------------|-------------------|--------------------|----------------------|-------------------|--------------------|----------------------|-------------------|
| | <u>Obligations</u> | <u>Disbursements</u> | <u>Difference</u> | <u>Obligations</u> | <u>Disbursements</u> | <u>Difference</u> | <u>Obligations</u> | <u>Disbursements</u> | <u>Difference</u> |
| Marine Corps Air Station El Toro | \$ 26,014 | \$23,238 | \$ 2,776 | \$ 18,630 | \$ 14,995 | \$ 3,635 | \$ 19,027 | \$10,354 | \$ 8,673 |
| National Capital Region | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Naval Air Station Alameda | 19,888 | 17,697 | 2,191 | 18,149 | 7,194 | 10,955 | 13,559 | 5,517 | 8,042 |
| Naval Air Station Barbers Point | 6,861 | 6,537 | 324 | 6,499 | 4,415 | 2,084 | 507 | 103 | 404 |
| Naval Air Station Dallas | 3,177 | 3,082 | 95 | 5,929 | 5,866 | 63 | 2,020 | 1,414 | 606 |
| Naval Air Station Memphis | 1,441 | 1,439 | 2 | 3,292 | 3,207 | 85 | 1,545 | 997 | 548 |
| Naval Air Warfare Center Trenton | 2,836 | 2,374 | 462 | 2,075 | 1,727 | 348 | 2,899 | 1,679 | 1,220 |
| Naval Aviation Depot Alameda | 202 | 202 | 0 | 8,565 | 8,821 | (256) | 18,181 | 18,412 | (231) |
| Naval Aviation Depot Norfolk | 407 | 249 | 158 | 430 | 122 | 308 | 7,946 | 7,949 | (3) |
| Naval Aviation Depot Pensacola | 950 | 881 | 69 | 1,636 | 1,452 | 184 | 0 | 0 | 0 |
| Naval Shipyard Charleston | 9,426 | 8,746 | 680 | 26,215 | 21,511 | 4,704 | 6,172 | 4,215 | 1,957 |
| Naval Shipyard Mare Island | 30,523 | 23,412 | 7,111 | 30,341 | 25,807 | 4,534 | 15,105 | 7,773 | 7,332 |
| Naval Station Charleston | 238 | 232 | 6 | 4 | 4 | 0 | 6,700 | 6,700 | 0 |
| Naval Station Staten Island | 140 | 125 | 15 | 562 | 550 | 12 | 1,159 | 1,100 | 59 |
| Naval Station Treasure Island | 2,314 | 2,208 | 106 | 3,029 | 2,316 | 713 | 2,506 | 574 | 1,932 |
| Naval Training Center Orlando | 2,885 | 2,843 | 42 | 7,053 | 6,590 | 463 | 3,104 | 913 | 2,191 |
| Total | \$107,302 | \$93,265 | \$14,037 | \$132,409 | \$104,577 | \$27,832 | \$100,430 | \$67,700 | \$32,730 |

Table D-2. O&M Costs
(thousands)

| Installation | FY 1994 | | | FY 1995 | | | FY 1996 | | |
|----------------------------------|------------------|------------------|----------------|------------------|------------------|-----------------|------------------|------------------|-----------------|
| | Obligations | Disbursements | Difference | Obligations | Disbursements | Difference | Obligations | Disbursements | Difference |
| Marine Corps Air Station El Toro | \$ 905 | \$ 521 | \$ 384 | \$ 5,970 | \$ 2,223 | \$ 3,747 | \$ 7,391 | \$ 2,673 | \$ 4,718 |
| National Capital Region | 402 | 395 | 7 | 4,942 | 4,156 | 786 | 27,387 | 15,219 | 12,168 |
| Naval Air Station Alameda | 4,217 | 3,061 | 1,156 | 8,910 | 1,528 | 7,382 | 7,226 | *3,984 | 3,242 |
| Naval Air Station Barbers Point | 0 | 0 | 0 | 4,865 | 3,869 | 996 | 1,513 | 384 | 1,129 |
| Naval Air Station Dallas | 2,422 | 2,040 | 382 | 1,787 | 1,613 | 174 | 9,450 | 3,341 | 6,109 |
| Naval Air Station Memphis | 5,215 | 5,001 | 214 | 8,169 | 7,781 | 388 | 35,731 | 32,180 | 3,551 |
| Naval Air Warfare Center Trenton | 2,199 | 2,195 | 4 | 14,939 | 14,770 | 169 | 10,322 | 9,541 | 781 |
| Naval Aviation Depot Alameda | 14,021 | 14,017 | 4 | 56,714 | 56,581 | 133 | 63,789 | 61,700 | 2,089 |
| Naval Aviation Depot Norfolk | 12,270 | 12,056 | 214 | 46,817 | 46,456 | 361 | 81,232 | 79,975 | 1,257 |
| Naval Aviation Depot Pensacola | 32,653 | 32,446 | 207 | 46,370 | 44,396 | 1,974 | 14,642 | 12,296 | 2,346 |
| Naval Shipyard Charleston | 71,701 | 72,060 | (359) | 104,731 | 104,129 | 602 | 103,619 | 91,582 | 12,037 |
| Naval Shipyard Mare Island | 80,359 | 79,940 | 419 | 169,279 | 157,836 | 11,443 | 128,214 | 117,282 | 10,932 |
| Naval Station Staten Island | 8,793 | 7,733 | 1,060 | 3,456 | 2,780 | 676 | 327 | 209 | 118 |
| Naval Station Charleston | 5,550 | 4,129 | 1,421 | 11,380 | 8,792 | 2,588 | 7,062 | 6,076 | 986 |
| Naval Station Treasure Island | 3,284 | 3,159 | 125 | 1,315 | 1,060 | 255 | 5,664 | 4,171 | 1,493 |
| Naval Training Center Orlando | 3,166 | 2,847 | 319 | 5,248 | 4,151 | 1,097 | 7,009 | 4,782 | 2,227 |
| Total | \$247,157 | \$241,600 | \$5,557 | \$494,892 | \$462,121 | \$32,771 | \$510,578 | \$445,395 | \$65,183 |

Appendix E. Civilian and Military Personnel Authorization Eliminations

| Service/Installation | Biennial Budget | | Audit Results | |
|--|-----------------|--------------|--------------------|--------------------|
| | Civilian | Military | Civilian | Military |
| Army | 1,066 | 0 | 1,525 ¹ | 0 |
| Navy | | | | |
| Naval Sea Systems Command (Industrially Fuhded) | | | | |
| Naval Shipyard Charleston | 5,564 | 54 | 4,684 | 15 |
| Naval Shipyard Mare Island | 6,002 | 144 | 6,628 | 49 |
| Naval Air Systems Command (Industrially Funded) | | | | |
| Naval Aviation Depot Alameda | 1,709 | 28 | 1,709 ¹ | 28 ² |
| Naval Aviation Depot Norfolk | 2,116 | 26 | 2,116 ¹ | 26 ² |
| Naval Aviation Depot Pensacola | 1,136 | 36 | 1,136 ¹ | 36 ² |
| Naval Supply Systems Command (Industrially Funded) | | | | |
| Fleet and Industrial Supply Center Charleston | 239 | 5 | 239 | 5 |
| Fleet and Industrial Supply Center Pensacola | 85 | 17 | 85 | 17 |
| Naval Facilities Engineering Command (Industrially Funded) | | | | |
| Naval Civil Engineering Laboratory Port Hueneme | 64 | 10 | 64 | 10 ² |
| Naval Sea Systems Command | | | | |
| Naval Undersea Warfare Center Norfolk | 95 | 0 | 95 | 0 |
| Naval Surface Warfare Center White Oak | 55 | 20 | 54 | 22 |
| Naval Air Systems Command | | | | |
| Naval Air Warfare Center Trenton | 269 | 1 | 198 | 0 |
| Commander-in-Chief, U.S. Atlantic Fleet | | | | |
| Naval Air Station Cecil Field | 352 | 676 | 469 | 0 |
| Naval Station Charleston | 569 | 1,132 | 572 | 6,939 ¹ |
| Naval Station Staten Island | 363 | 387 | 400 | 646 |
| Commander-in-Chief, U.S. Pacific Fleet | | | | |
| Naval Air Station Alameda | 358 | 537 | 390 | 576 |
| Naval Air Station Miramar | 333 | 894 | 506 | 444 |
| Chief of Naval Education and Training | | | | |
| Naval Air Station Memphis | 295 | 514 | 223 | 407 |
| Naval Training Center San Diego | 182 | 407 | 150 | 360 |
| Naval Reserve Force | | | | |
| Naval Air Station Glenview | 176 | 375 | 177 | 375 ² |
| Space and Naval Warfare Systems Command | | | | |
| Naval Command, Control, and Surveillance Center | 23 | 10 | 6 ¹ | 1 |
| Air Force | 1,030 | 3,934 | 1,076 | 3,888 |
| DISA | 2,284 | 386 | 2,955 | 637 |
| Total | 24,365 | 9,593 | 25,457 | 14,481 |

¹We could not segregate between force structure and BRAC savings.

²Verification of savings based on funding. Authorization eliminations were assumed.

Appendix F. Naval Savings, Other Than MILCON

| | Savings ¹ Reported in Biennial Budget (millions) | Savings per Audit Results (millions) | Understated/ (Overstated) Savings (millions) |
|--|--|---|---|
| Naval Sea Systems Command (Industrially Funded) | | | |
| Naval Shipyard Charleston | \$ 412.5 | \$ 560.0 | \$147.5 |
| Naval Shipyard Mare Island | 690.1 | 1,116.0 | 425.9 |
| Naval Air Systems Command (Industrially Funded) | | | |
| Naval Aviation Depot Alameda | 220.5 | } 959.9 } | } 275.4 } |
| Naval Aviation Depot Norfolk | 161.6 | | |
| Naval Aviation Depot Pensacola | 302.4 | | |
| Naval Supply Systems Command (Industrially Funded) | | | |
| Fleet and Industrial Supply Center Charleston | 64.5 | 127.8 | 63.3 |
| Fleet and Industrial Supply Center Pensacola | 53.1 | 38.3 | (14.8) |
| Naval Facilities Engineering Command (Industrially Funded) | | | |
| Naval Civil Engineering Laboratory Port Hueneme | 18.2 | 25.6 | 7.4 |
| Naval Sea Systems Command | | | |
| Naval Undersea Warfare Center Norfolk | 26.6 | 28.8 | 2.2 |
| Naval Surface Warfare Center White Oak | 11.9 | 12.3 | 0.4 |
| Naval Air Systems Command | | | |
| Naval Air Warfare Center Trenton | 27.8 | 19.9 | (7.9) |
| Commander-in-Chief, U.S. Atlantic Fleet | | | |
| Naval Air Station Cecil Field | 122.3 | 67.8 | (54.5) |
| Naval Station Charleston | 247.8 | 455.9 | 208.1 |
| Naval Station Staten Island | 220.4 | 272.4 | 52.0 |
| Commander-in-Chief, U.S. Pacific Fleet | | | |
| Naval Air Station Alameda | 147.0 | 137.0 | (10.0) |
| Naval Air Station Miramar | 169.4 | 130.5 | (38.9) |
| Chief of Naval Education and Training | | | |
| Naval Air Station Memphis | 183.6 | 145.2 | (38.4) |
| Naval Training Center San Diego | 151.3 | 139.5 | (11.8) |
| Naval Reserve Force | | | |
| Naval Air Station Glenview | 145.6 | 158.0 | 12.4 |
| Space and Naval Warfare Systems Command | | | |
| Naval Command, Control, and Surveillance Center | 59.9 | 0.0 ² | 0.0 ² |
| Total | \$3,436.5 | \$4,394.9 | \$1,018.3 |

¹Savings reported net of savings estimated for MILCON.

²We could not determine the accuracy of estimated savings because of changes in the organization's funding.

Appendix G. Additional Naval MILCON Savings

| Closed or Realigned Naval Installations | Canceled Projects Per Biennial Budget (millions) | Canceled Projects Per Audit Results (millions) | Additional Savings (millions) |
|---|--|--|-------------------------------------|
| Marine Corps Air Station El Toro | 19.9 | 19.6 | (0.3) |
| Naval Air Station Agana, Guam | 8.5 | 8.7 | 0.2 |
| Naval Air Station Alameda | 9.3 | 9.6 | 0.3 |
| Naval Air Station Barbers Point | 19.8 | 34.4 | 14.6* |
| Naval Air Station Cecil Field | 16.5 | 21.6 | 5.1 |
| Naval Air Station Glenview | 7.5 | 14.0 | 6.5 |
| Naval Air Station Memphis | 16.7 | 30.8 | 14.1 |
| Naval Air Station Miramar | 6.2 | 15.9 | 9.7 |
| Naval Aviation Depot Alameda | 2.2 | 2.4 | 0.2 |
| Naval Aviation Depot Norfolk | 17.8 | 17.8 | 0.0 |
| Naval Aviation Depot Pensacola | 1.5 | 1.6 | 0.1 |
| Naval Reserve Training Facility Annapolis | 0.0 | 5.2 | 5.2 |
| Naval Reserve Training Facility Virginia | 0.0 | 5.2 | 5.2 |
| Naval Shipyard Charleston | 2.8 | 5.1 | 2.3 |
| Naval Shipyard Mare Island | 20.1 | 28.1 | 8.0 |
| Naval Station Charleston | 3.4 | 7.6 | 4.2 |
| Naval Station Staten Island | 13.9 | 30.5 | 16.6 |
| Naval Station Treasure Island | 4.8 | 5.1 | 0.3 |
| Naval Training Center Orlando | 8.1 | 18.1 | 10.0 |
| Naval Training Center San Diego | 22.1 | 23.8 | 1.7 |
| Naval Weapon Station Seal Beach | 3.8 | 31.2 | 27.4 |
| Total | \$204.9 | \$336.3 | 131.4 |

*Includes the savings for family housing canceled as a result of BRAC 1993.

Appendix H. Naval Industrially-Funded Installation Closures

Naval Sea Systems Command

Shipyard Closures. For the closure of Charleston and Mare Island Naval Shipyards, the Navy reported BRAC savings of \$1.1 billion associated with the elimination of 11,566 civilian personnel authorizations. The elimination of 11,566 civilian personnel authorizations included both direct and indirect labor costs.

Verification of Estimated Savings. The savings estimate in the FY 1998/1999 Biennial Budget was understated by as much as \$573.4 million. Although the Navy eliminated 11,566 civilian personnel authorizations, the assumption of including only 60 percent of the indirect costs for the shipyards was conservative. We reviewed the actual indirect costs compiled for three gaining shipyards that absorbed the Charleston and Mare Island workload. Table H-1 lists indirect costs for FY 1993 (before the transfer of the shipyards workload), actual indirect costs for FYs 1994 through 1996, and projected indirect costs for FYs 1997 through 1999.

Table H-1. Indirect Costs at Naval Shipyards Receiving Charleston's and Mare Island's Workload

(millions)

| Shipyard | FY 1993 | FY 1994 | FY 1995 | FY 1996 | FY 1997 | FY 1998 | FY 1999 |
|-------------|---------|----------|----------|---------|---------|---------|---------|
| Puget Sound | \$306.6 | \$312.3* | \$345.2* | \$319.9 | \$287.9 | \$301.9 | \$311.4 |
| Norfolk | 320.2 | 302.3 | 295.3 | 264.8 | 288.2 | 284.5 | 292.8 |
| Portsmouth | 212.5 | 193.0 | 164.4 | 153.1 | 152.5 | 146.3 | 149.7 |

* Non-labor procurement costs included as part of the indirect costs listed for FYs 1994 and 1995 for Puget Sound were incorrectly shown as costs for both Mare Island and Puget Sound Naval Shipyards.

The indirect costs listed in Table H-1 indicate that the workload transferring from the shipyards would not significantly affect the existing indirect costs at the gaining shipyards. The workload transfer from Charleston and Mare Island to the gaining shipyards did not increase the overall indirect costs to the Navy. The Navy took advantage of excess capacity at the gaining shipyards. Therefore, the Navy assumption that the remaining shipyard workload would increase indirect costs at the gaining shipyards by as much as \$573.4 million did not materialize.

Naval Air Systems Command

Depot Closures. For the closures of the Naval Aviation Depots at Alameda, Norfolk, and Pensacola, the Navy reported BRAC savings of \$684.5 million associated with the elimination of 4,961 civilian personnel authorizations. The elimination of 4,961 civilian personnel authorizations included both direct and indirect labor costs.

Verification of Estimated Savings. The savings estimate in the FY 1998/1999 Biennial Budget was understated by as much as \$275.4 million. Although the Navy eliminated 4,961 civilian personnel authorizations, the assumption of including 60 percent of the indirect costs for the depots was conservative. We reviewed the actual indirect costs for the gaining and closing depots to determine the decrease in indirect costs for FYs 1994 through 1996. We projected indirect costs for FYs 1997 through 1999. The total amount of work performed at Naval Air Systems Command depots, measured in direct labor hours, had been decreasing since FY 1993. The decreasing depot workload was unrelated to BRAC 1993 and accounted for \$410.4 million of indirect cost reductions. Table H-2 shows the changes in indirect costs and our adjustments based on the reduced workload.

| Fiscal Year | Reduction of Depot Indirect Costs | Less Reduction Based on Decreased Depot Workload | BRAC Reductions |
|--|--|---|------------------------|
| 1994 | \$ 56.7 | \$ 7.4 | \$ 49.3 |
| 1995 | 156.4 | 32.8 | 123.6 |
| 1996 | 289.3 | 57.9 | 231.4 |
| 1997 | 289.3 | 104.1 | 185.2 |
| 1998 | 289.3 | 104.1 | 185.2 |
| 1999 | 289.3 | 104.1 | 185.2 |
| Total | \$1,370.3 | \$410.4 | \$959.9 |
| Less: Savings per Biennial Budget (O&M and Other Savings) | | | 684.5 |
| Net Understatement of Reported Savings | | | \$275.4 |

Naval Supply Systems Command

FISC Closures. For the closure of the Charleston and Pensacola FISCs, the Navy reported BRAC savings in the FY 1998/1999 Biennial Budget of \$64.5 million and \$53.1 million, respectively. The \$64.5 million in BRAC savings reported for the Charleston FISC was associated with the elimination of 239 civilian and 5 military personnel authorizations. The \$53.1 million in BRAC savings reported for the Pensacola FISC was associated with the elimination of 85 civilian and 17 military personnel authorizations.

Appendix H. Naval Industrially-Funded Installation Closures

Verification of Estimated Savings. The Naval Supply Systems Command provided FYs 1993 through 1996 actual base operating costs for the Charleston FISC and FYs 1993 through 1995 for the Pensacola FISC. When FISC operations were terminated, base operating costs were avoided and reflected in reduced operating budgets. These actual operating costs, including civilian and military salaries, represent total costs for the final years of operation for the Charleston and Pensacola FISCs. The savings estimate in the FY 1998/1999 Biennial Budget was understated by as much as \$63.3 million for the Charleston FISC and overstated by as much as \$14.8 million for the Pensacola FISC. The Pensacola FISC did incur offsetting costs of \$16.6 million.

Computation of Savings Estimates. While the Navy based the savings estimate on civilian and military personnel reductions, we computed the savings estimate based on all actual operating costs beginning with FY 1993 (the last full year of operation). To determine savings, we documented reduced FISC actual operating costs for FYs 1994 through 1999. Operating costs for the Charleston FISC were reduced \$127.8 million. Operating costs for the Pensacola FISC were reduced \$54.9 million. Table H-3 identifies the Charleston FISC estimated savings understatement of \$63.3 million.

| <u>Fiscal Year</u> | <u>Actual Operating Costs</u> | <u>Computed Savings</u> | <u>Reported Savings</u> | <u>Understated Savings</u> |
|--------------------|-------------------------------|-------------------------|-------------------------|----------------------------|
| 1993 | \$28.3 | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| 1994 | 24.4 | 3.9 | 0.5 | 3.4 |
| 1995 | 13.2 | 15.1 | 5.4 | 9.7 |
| 1996 | 4.4 | 23.9 | 13.9 | 10.0 |
| 1997 | 0.0 | 28.3 | 15.5 | 12.8 |
| 1998 | 0.0 | 28.3 | 14.8 | 13.5 |
| 1999 | 0.0 | 28.3 | 14.4 | 13.9 |
| Total | \$70.3 | \$127.8 | \$64.5 | \$63.3 |

Appendix H. Naval Industrially-Funded Installation Closures

Table H-4 identifies the estimated savings overstatement of \$14.8 million for the Pensacola FISC.

| Fiscal Year | Actual Operating Costs | Computed Savings | Reported Savings | Understated/ (Overstated) Savings |
|---|-------------------------------|-------------------------|-------------------------|--|
| 1993 | \$12.4 | \$ 0.0 | \$ 0.0 | \$ 0.0 |
| 1994 | 12.2 | 0.2 | 0.0 | 0.2 |
| 1995 | 7.3 | 5.1 | 1.8 | 3.3 |
| 1996 | 0.0 | 12.4 | 7.4 | 5.0 |
| 1997 | 0.0 | 12.4 | 14.4 | (2.0) |
| 1998 | 0.0 | 12.4 | 14.7 | (2.3) |
| 1999 | 0.0 | 12.4 | 14.8 | (2.4) |
| Subtotal | \$31.9 | \$54.9 | \$53.1 | \$1.8 |
| Less: Offsetting Costs at Gaining Activities | | | | (16.6) |
| Net Overstatement in Estimated Savings | | | | \$(14.8) |

Naval Facilities Engineering Command

Naval Civil Engineering Laboratory Closure. The Naval Civil Engineering Laboratory combined functions with several other laboratories at the Naval Facilities Engineering Service Center Port Hueneme in 1993. The Navy estimated BRAC savings in the FY 1998/1999 Biennial Budget of \$18.2 million based on the elimination of 64 civilian and 10 military personnel authorizations and reduced base operating costs.

Verification of Estimated Savings. The FY 1998/1999 Biennial Budget included \$8.2 million for civilian personnel reductions and \$10 million for savings categorized as "other." We could not verify the savings estimate of \$10 million that was categorized as "other." The Business Operations Office at the Engineering Service Center could not segregate base operating costs for the former Naval Civil Engineering Laboratory operations at the Engineering Service Center. Therefore, we limited our analysis to civilian personnel savings. We verified the number of civilian personnel authorizations that were eliminated and computed \$15.6 million for the elimination of 64 civilian personnel authorizations. The \$8.2 million savings estimate for civilian reductions was understated by as much as \$7.4 million.

Appendix I. Naval Appropriation-Funded Installation Closures

Naval Sea Systems Command

Warfare Center Closures. The savings estimate in the FY 1998/1999 Biennial Budget for the Naval Undersea Warfare Center Norfolk and the Naval Surface Warfare Center White Oak was \$26.6 million and \$11.9 million, respectively. The estimated savings resulted from eliminating 95 civilian personnel authorizations at the Naval Undersea Warfare Center and 75 civilian and military personnel authorizations at the Naval Surface Warfare Center. In addition, the Naval Undersea Warfare Center would need to maintain an annual lease of \$2.5 million until the end of FY 1999.

Verification of Estimated Savings. The Naval Sea Systems Command budgets had been reduced to eliminate 95 Naval Undersea Warfare Center civilian personnel authorizations and 76 Naval Surface Warfare Center civilian and military personnel authorizations. The Naval Undersea Warfare Center lease cost was also eliminated. The total Naval Warfare Center operating budget was reduced by \$41.1 million. Therefore, the savings estimate of \$38.5 million in the FY 1998/1999 Biennial Budget was understated by as much as \$2.6 million for both warfare centers.

Naval Air Systems Command

Naval Air Warfare Center Closure. For the closure of the Naval Air Warfare Center Trenton, the Navy reported BRAC savings of \$27.8 million. The savings were based on eliminating 269 civilian personnel authorizations and transitioning the workload from Naval Air Warfare Center Trenton to Naval Air Warfare Center Patuxent River.

Verification of Estimated Savings. Naval Air Warfare Center Trenton was impacted by BRACs 1991 and 1993. The Naval Air Warfare Center Patuxent River eliminated 198 civilian personnel authorizations as a result of BRAC 1993. Based on average labor costs for Naval Air Warfare Center Trenton, eliminating civilian personnel authorizations will result in savings of \$19.9 million. The FY 1998/1999 Biennial Budget was overstated by as much as \$7.9 million.

Commander-in-Chief, U.S. Atlantic Fleet

Naval Closures. For the closure or realignment of Naval Air Station (NAS) Cecil Field and Naval Stations Charleston and Staten Island, the Navy reported BRAC savings of \$590.5 million. Eliminating civilian and military personnel authorizations and reducing base operating costs were the basis for the savings.

Appendix I. Naval Appropriation-Funded Installation Closures

The savings reported in the FY 1998/1999 Biennial Budget resulted from eliminating 352 civilian and 676 military personnel authorizations for NAS Cecil Field, 569 civilian and 1,132 military personnel authorizations for Naval Station Charleston and 363 civilian and 387 military personnel authorizations for Naval Station Staten Island. Our review disclosed that the savings were understated by as much as \$205.6 million for the three Naval installations. The following table compares the estimated savings in the FY 1998/1999 Biennial Budget to the audit results.

| Summary of Audit Results Commander-in-Chief, U.S. Atlantic Fleet (millions) | | | |
|--|--|------------------------------|---|
| Installation | Savings Reported in Biennial Budget | Savings per Audit Results | Understated or (Overstated) Savings |
| NAS Cecil Field | \$122.3 | \$ 67.8 | \$ (54.5) |
| Naval Station Charleston | 247.8 | 455.9 | 208.1 |
| Naval Station Staten Island | 220.4 | 272.4 | 52.0 |
| Total | \$590.5 | \$796.1 | \$205.6 |

Verification of Estimated Savings - NAS Cecil Field. The savings for NAS Cecil Field reported in the FY 1998/1999 Biennial Budget were overstated by as much as \$54.5 million. Past operating budgets and official manpower documents indicated that the O&M savings estimate reported in the FY 1998/1999 Biennial Budget was understated by as much as \$5.0 million. However, military personnel savings were overstated by as much as \$59.5 million. Manpower data indicates that there will be 469 civilian but no military personnel authorizations eliminated by FY 1999.

Verification of Estimated Savings - Naval Station Charleston. The savings for Naval Station Charleston reported in the FY 1998/1999 Biennial Budget were understated by as much as \$208.1 million. Past operating budgets and official manpower documents indicate that the O&M savings estimate was understated by as much as \$23.7 million. Official manpower data indicates that military personnel savings were understated by as much as \$184.4 million. Manpower data indicates that when Naval Station Charleston closes in FY 1999, there will be 572 civilian and 6,939 military personnel authorizations eliminated.

Verification of Estimated Savings - Naval Station Staten Island. The savings for Naval Station Staten Island reported in the FY 1998/1999 Biennial Budget were understated by as much as \$52.0 million. Past operating budgets and official manpower documents indicated that the O&M savings estimate reported in the FY 1998/1999 Biennial Budget was understated by as much as \$13.1 million. Based on official manpower data, military personnel savings reported in the FY 1998/1999 Biennial Budget were also understated by as much as \$38.9 million. The official manpower data showed that when Naval Station Staten Island closed in FY 1994, there were 400 civilian and 646 military personnel authorizations eliminated.

Commander-in-Chief, U.S. Pacific Fleet

NAS Closures. For the closures of NAS Alameda and NAS Miramar, the Navy reported BRAC savings of \$147 million and \$169.4 million, respectively. The savings were caused by eliminating civilian and military personnel authorizations. For NAS Alameda, the FY 1998/1999 Biennial Budget reported eliminating 358 civilian and 537 military personnel authorizations. For NAS Miramar, the FY 1998/1999 Biennial Budget reported eliminating 333 civilian and 894 military personnel authorizations. Our review disclosed that the reported savings in the FY 1998/1999 Biennial Budget were overstated by as much as \$10.0 million for NAS Alameda and \$38.9 million for NAS Miramar.

Verification of Estimated Savings - NAS Alameda. We obtained the past operating budgets and official manpower documents for NAS Alameda from the U.S. Pacific Fleet budget office for FYs 1993 through 1999. Funding for NAS Alameda civilian and military personnel authorizations was reduced by \$137.0 million. The reduced budgets were caused by eliminating 390 civilian and 576 military personnel authorizations. The savings estimate of \$147 million reported in the FY 1998/1999 Biennial Budget was overstated by as much as \$10.0 million.

Verification of Estimated Savings - NAS Miramar. We also obtained the past operating budgets and official manpower documents for NAS Miramar from the U.S. Pacific Fleet budget office for FYs 1993 through 1999. Funding for NAS Miramar civilian and military personnel authorizations was reduced by \$130.5 million. The reduced budgets were caused by eliminating 506 civilian and 444 military personnel authorizations. The savings estimate of \$169.4 million reported in the FY 1998/1999 Biennial Budget was overstated by as much as \$38.9 million.

Chief of Naval Education and Training

NAS and Naval Training Center Closures. For the realignment of NAS Memphis and the closure of Naval Training Center San Diego, the Navy reported BRAC savings of \$183.6 million and \$151.3 million, respectively. The savings were caused by reducing family housing requirements, eliminating civilian and military personnel authorizations, and reducing base operations costs. For NAS Memphis, the FY 1998/1999 Biennial Budget reported eliminating 295 civilian and 514 military personnel authorizations. For Naval Training Center San Diego, the FY 1998/1999 Biennial Budget reported eliminating 182 civilian and 407 military personnel authorizations. The savings reported in the FY 1998/1999 Biennial Budget were overstated for NAS Memphis by as much as \$38.4 million and for the Naval Training Center San Diego by as much as \$11.8 million.

Verification of Estimated Savings - NAS Memphis. We calculated civilian personnel savings caused by eliminating 223 civilian personnel authorizations and obtained official documentation supporting operating budget reductions for the

Appendix I. Naval Appropriation-Funded Installation Closures

Chief of Naval Education and Training O&M budget. The O&M savings reported in the FY 1998/1999 Biennial Budget were overstated by as much as \$21.6 million. We calculated military personnel savings caused by eliminating 407 military personnel authorizations and determined that savings in the FY 1998/1999 Biennial Budget were overstated by as much as \$5.5 million. We verified that plans for family housing deactivations did not occur, causing the FY 1998/1999 Biennial Budget estimated savings to be overstated by \$11.3 million. In total, the estimated savings in the FY 1998/1999 Biennial Budget for NAS Memphis were overstated by as much as \$38.4 million.

Verification of Estimated Savings - Naval Training Center San Diego. We calculated civilian personnel savings caused by eliminating 150 civilian personnel authorizations and obtained official documentation supporting operating budget reductions for the Chief of Naval Education and Training O&M budget. The O&M savings in the FY 1998/1999 Biennial Budget were understated by as much as \$2.5 million. We calculated military personnel savings based on eliminating 360 military personnel authorizations and determined that savings in the FY 1998/1999 Biennial Budget were overstated by \$15.7 million. The Navy reported \$0.7 million in family housing operations improperly as savings reductions. Thus, the estimate for family housing operations savings in the FY 1998/1999 Biennial Budget was understated by as much as \$1.4 million. In total, the estimate of savings in the FY 1998/1999 Biennial Budget for Naval Training Center San Diego was overstated by as much as \$11.8 million.

Naval Reserve Force

Naval Air Station Closure. For the closure of NAS Glenview, the Navy reported BRAC savings of \$145.6 million. The estimate included \$73.3 million caused by eliminating civilian personnel authorizations and reducing base operations; \$71.3 million for eliminating military personnel authorizations; and \$1 million for reducing family housing. The personnel savings were based on eliminating 176 civilian and 375 military personnel authorizations.

Verification of Estimated Savings. We obtained documentation of reductions in Naval Reserve Force operating budgets supporting the savings reported in the FY 1998/1999 Biennial Budget, but we also obtained cost data to compute actual O&M savings. Based on current Naval Reserve Force budget information, the Navy reduced costs by \$29.9 million, including eliminating 177 civilian personnel authorizations. In addition, base operating costs for the Naval Reserve Force were reduced by \$55.8 million with the closure of NAS Glenview. The O&M savings estimate in the FY 1998/1999 Biennial Budget was understated by as much as \$12.4 million. We could not determine actual military personnel savings.

Space and Naval Warfare Systems Command

Naval Command, Control, and Surveillance Center Consolidation.

BRAC 1993 directed the consolidation of four East Coast In-Service Engineering organizations of the Naval Command, Control, and Surveillance Center. In January 1994, Naval Command, Control, and Surveillance Center In-Service Engineering East Coast Division Charleston was created for the consolidation. The Navy estimated BRAC savings of \$59.9 million, including the reduction of general and administrative costs and the elimination of 23 civilian personnel authorizations.

Verification of Estimated Savings. We could not determine the accuracy of the Navy savings estimates in the FY 1998/1999 Biennial Budget. The four engineering organizations were appropriation funded before consolidation, but they were funded on a reimbursable basis in January 1994. The Comptroller, Space and Naval Warfare Systems Command stated that it was not possible to compare operating costs before and after the consolidation because of differences in funding methods. We could not determine the accuracy of or support for the Navy savings estimates for the Naval Command, Control, and Surveillance Center consolidation.

Appendix J. DISA Labor Savings

| Current Name of Data Processing Center | Closure Date | Biennial Budget Reported Labor Savings (millions) | Cumulative Labor Savings (millions) | Difference Increase/ (Decrease) in Savings (millions) |
|--|----------------|---|-------------------------------------|---|
| Data Information Processing Center Alexandria | October 1994 | \$26.4 | \$36.9 | \$ 10.5 |
| Data Information Processing Center Arlington | August 1994 | 1.7 | 1.9 | 0.2 |
| Data Information Processing Center Arlington Annex | March 1995 | 9.2 | 43.0 | 33.8 |
| Data Information Processing Center Bangor | May 1997 | 1.4 | 2.1 | 0.7 |
| Data Information Processing Center Battle Creek | June 1996 | 12.5 | 21.3 | 8.8 |
| Data Information Processing Center Camp Lejeune | May 1995 | 3.4 | 6.2 | 2.8 |
| Data Information Processing Center Camp Pendleton | July 1995 | 4.4 | 3.7 | (0.7) |
| Data Information Processing Center Charleston | September 1994 | 13.7 | 21.8 | 8.1 |
| Data Information Processing Center Cherry Point | June 1996 | 5.0 | 4.8 | (0.2) |
| Data Information Processing Center Cleveland ¹ | August 1995 | 32.1 | | |
| Data Information Processing Center Corpus Christi ² | | | | |
| Data Information Processing Center Dayton | July 1994 | 15.3 | 33.3 | 18.0 |
| Data Information Processing Center Defense Personnel Support Center Philadelphia | March 1995 | 7.9 | 42.1 | 34.2 |
| Data Information Processing Center El Toro | June 1994 | 2.8 | 3.7 | 0.9 |
| Data Information Processing Center Enlisted Personnel Management Center New Orleans | April 1995 | 6.5 | 6.7 | 0.2 |
| Data Information Processing Center Hampton Roads | December 1994 | 21.7 | 31.2 | 9.5 |
| Data Information Processing Center Honolulu | July 1995 | 4.3 | 5.6 | 1.3 |
| Data Information Processing Center Indianapolis ¹ | January 1995 | 27.1 | | |
| Data Information Processing Center Kansas City ¹ | February 1995 | 19.7 | | |
| Data Information Processing Center Naval Computer and Telecommunications Station New Orleans | July 1995 | 14.2 | 8.5 | (5.7) |
| Data Information Processing Center Norfolk | January 1997 | 19.4 | 21.4 | 2.0 |

Appendix J. DISA Labor Savings

| Current Name of Data Processing Center | Closure Date | Biennial Budget Reported Labor Savings (millions) | Cumulative Labor Savings (millions) | Difference Increase/ (Decrease) in Savings (millions) |
|--|----------------|---|-------------------------------------|---|
| Data Information Processing Center Ogden | January 1995 | \$35.2 | \$37.7 | \$ 2.5 |
| Data Information Processing Center Pearl Harbor | March 1996 | 2.6 | 6.5 | 3.9 |
| Data Information Processing Center Pensacola | November 1995 | 24.2 | 26.7 | 2.5 |
| Data Information Processing Center Philadelphia | September 1994 | 28.2 | 32.1 | 3.9 |
| Data Information Processing Center Puget Sound | May 1995 | 7.5 | 15.4 | 7.9 |
| Data Information Processing Center San Diego | November 1994 | 12.4 | 19.4 | 7.0 |
| Data Information Processing Center San Francisco | May 1995 | 17.7 | 18.3 | 0.6 |
| Data Information Processing Center Randolph Air Force Base | July 1995 | 9.7 | 74.2 | 64.5 |
| Data Information Processing Center Richmond | October 1995 | 24.1 | 28.3 | 4.2 |
| Data Information Processing Center San Antonio | August 1995 | 8.1 | 7.1 | (1.0) |
| Data Information Processing Center Washington | August 1995 | 51.1 | 76.8 | 25.7 |
| Facilities Systems Office Port Hueneme | March 1997 | 6.1 | 5.4 | (0.7) |
| Naval Air Station Brunswick ³ | | | | |
| Naval Air Station Key West ³ | | | | |
| Naval Air Station Mayport ³ | | | | |
| Naval Air Station Oceana ³ | | | | |
| Naval Air Station Whidbey Island | January 1997 | 0.6 | 4.2 | 3.6 |
| Naval Air Warfare Center China Lake | May 1996 | 3.9 | 3.3 | (0.6) |
| Naval Air Warfare Center Patuxent River ¹ | September 1994 | 2.6 | | |
| Naval Air Warfare Center Point Mugu ⁴ | October 1993 | 6.4 | | |
| Naval Communications, Control, and Ocean Surveillance Command San Diego ¹ | September 1993 | 2.0 | | |
| Trident Refit Facility Kings Bay ¹ | May 1997 | 1.0 | | |
| Total - Additional Savings | | | | \$248.4 |

¹We were unable to obtain information needed to compute labor savings for these installations.

²Reported labor savings estimates with Data Information Processing Center Pensacola.

³Naval Air Station did not report estimated labor savings in the FY 1998/1999 Biennial Budget.

⁴Reported labor savings estimates with Naval Air Warfare Center China Lake.

Appendix K. DISA Non-Labor Savings

| Current Name of Data Processing Center | Closure Date | Biennial Budget Non- Labor Savings (millions) | Cumulative Non-Labor Savings (millions) | Difference Increase/ (Decrease) in Savings (millions) |
|--|----------------|--|--|---|
| Data Information Processing Center Alexandria | October 1994 | \$ 1.6 | \$87.5 | \$ 85.9 |
| Data Information Processing Center Arlington | August 1994 | 1.8 | 0.5 | (1.3) |
| Data Information Processing Center Arlington Annex | March 1995 | 37.9 | 7.6 | (30.3) |
| Data Information Processing Center Bangor ¹ | May 1997 | 0.5 | | |
| Data Information Processing Center Battle Creek | June 1996 | 11.2 | 11.5 | 0.3 |
| Data Information Processing Center Camp Lejeune ¹ | May 1995 | 3.6 | | |
| Data Information Processing Center Camp Pendleton | July 1995 | 3.7 | 0.4 | (3.3) |
| Data Information Processing Center Charleston | September 1994 | 4.3 | 5.1 | 0.8 |
| Data Information Processing Center Cherry Point ¹ | June 1996 | 2.3 | | |
| Data Information Processing Center Cleveland ¹ | August 1995 | 22.5 | | |
| Data Information Processing Center Corpus Christi ² | | | | |
| Data Information Processing Center Dayton ¹ | July 1994 | 10.6 | | |
| Data Information Processing Center Defense Personnel Support Center Philadelphia | March 1995 | 14.4 | 23.4 | 9.0 |
| Data Information Processing Center Enlisted Personnel Management Center New Orleans | April 1995 | 2.1 | 0.7 | (1.4) |
| Data Information Processing Center Hampton Roads | December 1994 | 9.6 | 53.1 | 43.5 |
| Data Information Processing Center Honolulu | July 1995 | 2.5 | 5.9 | 3.4 |
| Data Information Processing Center Indianapolis ¹ | January 1995 | 47.6 | | |
| Data Information Processing Center Kansas City ¹ | February 1995 | 12.5 | | |
| Data Information Processing Center Naval Computer and Telecommunications Station New Orleans | July 1995 | 9.6 | 17.6 | 8.0 |
| Data Information Processing Center Norfolk ¹ | January 1997 | 0.5 | | |
| Data Information Processing Center Ogden | January 1995 | 14.9 | 14.0 | (0.9) |

Appendix K. DISA Non-Labor Savings

| Current Name of Data Processing Center | Closure Date | Biennial Budget Non- Labor Savings (millions) | Cumulative Non-Labor Savings (millions) | Difference Increase/ (Decrease) in Savings (millions) |
|---|----------------|--|--|---|
| Data Information Processing Center Pearl Harbor | March 1996 | \$ 0.1 | \$ 2.7 | \$ 2.6 |
| Data Information Processing Center Pensacola | November 1995 | 32.0 | 7.7 | (24.3) |
| Data Information Processing Center Puget Sound | May 1995 | | 1.8 | 1.8 |
| Data Information Processing Center Randolph Air Force Base ¹ | July 1995 | 15.9 | | |
| Data Information Processing Center Richmond | October 1995 | 20.4 | 16.8 | (3.6) |
| Data Information Processing Center San Antonio | August 1995 | 34.2 | 66.7 | 32.5 |
| Data Information Processing Center San Diego | November 1994 | 0.7 | 2.7 | 2.0 |
| Data Information Processing Center San Francisco | May 1995 | 12.6 | 15.5 | 2.9 |
| Data Information Processing Center Washington | August 1995 | 68.5 | 105.4 | 36.9 |
| Data Information Processing Center El Toro | June 1994 | 0.2 | 2.3 | 2.0 |
| Data Information Processing Center Philadelphia | September 1994 | 23.9 | 31.8 | 7.9 |
| Facilities Systems Office Port Hueneme | March 1997 | 1.8 | 35.1 | 33.3 |
| Naval Air Station Brunswick ³ | | | | |
| Naval Air Station Key West ³ | | | | |
| Naval Air Station Mayport ³ | | | | |
| Naval Air Station Oceana ³ | | | | |
| Naval Air Station Whidbey Island ¹ | January 1997 | 0.5 | | |
| Naval Air Warfare Center China Lake | May 1996 | 0.9 | 5.4 | 4.5 |
| Naval Air Warfare Center Patuxent River ¹ | September 1994 | 7.5 | | |
| Naval Air Warfare Center Point Mugu ⁴ | October 1993 | 3.4 | | |
| Naval Communications Control, and Ocean Surveillance Command San Diego ¹ | September 1993 | 3.2 | | |
| Trident Refit Facility Kings Bay ¹ | May 1997 | 2.2 | | |
| Total - Additional Savings | | | | \$212.2 |

¹We were unable to obtain information needed to compute non-labor savings for these installations.

²Reported non-labor savings estimates with Data Information Processing Center Pensacola.

³Naval Air Station did not report estimated non-labor savings in the FY 1998/1999 Biennial Budget.

⁴Reported non-labor savings estimates with Naval Air Warfare Center China Lake.

Appendix L. Relationship Between Defense Management Review Decision 918 and the 1993 Commission Decision

Establishment of DISA. The Deputy Secretary of Defense approved the establishment of DISA as the central manager of the Defense information infrastructure. Defense Management Review Decision 918, "Defense Information Infrastructure," September 15, 1992, sanctioned the establishment of DISA and outlined that the workload of 43 Military Department DPCs would be absorbed by DISA. The 43 Military Department DPCs included the costs of automated data processing functions for the Navy, the Air Force, and the Defense Logistics Agency. The Under Secretary of Defense (Comptroller) cited Defense Management Review Decision 918, Change 1, December 10, 1992, for the arbitrary reduction of \$4.5 billion in the FY 1993 DoD budget. The reduction was entitled "Defense Information Infrastructure - Undistributed" and was considered a "top line" reduction in the DoD budget estimate. The Comptroller could not correlate the "top line" reduction to any specific Military Department or DPC closure.

Defense Management Review Decision 918 and the 1993 Commission Decision. Defense Management Review Decision 918 was incorporated into BRAC 1993 and the 43 DPCs were scheduled for closure and realignment to the 16 megacenters. Rapid consolidation of these 43 Navy, Air Force, and Defense Logistics Agency DPCs was necessary to accommodate a significant portion of the Defense Management Review Decision 918 budget savings of \$4.5 billion. DISA "capitalized" (assumed legal and operational control) the 43 DPCs, estimated the labor and non-labor savings that would result from their closure, and included those estimates in the FY 1998/1999 Biennial Budget. The capitalization of the 43 DPCs occurred when the Service-level automated data processing functions were assigned to DISA. Because the DPCs had previously been either Navy, Air Force, or Defense agency organizations, DISA experienced difficulty in obtaining official source documentation supporting labor and non-labor costs that would result in future savings when the DPCs closed.

Appendix M. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Director, Base Transition Office
Director, Defense Logistics Studies Information Exchange
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)
Office of the Assistant Chief of Staff for Installation Management
Chief, Base Realignment and Closure Office
Commander, U.S. Army Materiel Command
Commander, Industrial Operations Command
Commander, Communications-Electronics Command
Commander, Tank-Automotive and Armaments Command
Auditor General, Department of the Army

Department of the Navy

Commandant of the Marine Corps
Assistant Secretary of the Navy (Financial Management and Comptroller)
Director, Office of Budget and Fiscal Management
Deputy Chief of Naval Operations (Logistics)
Head, Base Closure Implementation Branch
Chief of Naval Education and Training
Commander, Bureau of Naval Personnel
Commander, Naval Air Systems Command
Commander, Naval Facilities Engineering Command
Commander, Naval Reserve Force
Commander, Naval Sea Systems Command
Commander, Space and Naval Warfare Systems Command
Commander, Naval Supply Systems Command
Auditor General, Department of the Navy

Appendix M. Report Distribution

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Deputy Assistant Secretary of the Air Force for Installations
 Chief, Base Transition Division
Deputy Assistant Secretary of the Air Force (Budget)
 Chief, Operations and Personnel Directorate
Commander, Air Combat Command
Commander, Air Force Materiel Command
Commander, Air Force Reserve Command
Auditor General, Department of the Air Force

Unified Commands

Commander-in-Chief, U.S. Atlantic Fleet
Commander-in-Chief, U.S. Pacific Fleet

Other Defense Agencies

Director, Defense Contract Audit Agency
Director, Defense Finance and Accounting Service
Director, Defense Information Systems Agency
 Director, Defense Information Systems Agency Western Hemisphere
Director, Defense Logistics Agency
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Non-Defense Federal Organizations and Individuals

Office of Management and Budget
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Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on 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 for Acquisition and Technology Comments



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000



April 10, 1998

MEMORANDUM FOR THE INSPECTOR GENERAL

SUBJECT: DoD IG Audit Report on Costs and Savings for 1993 Defense Base Realignments and Closures (BRAC) (Project No. 7CG-5033)

This responds to your memorandum of January 23, 1998, requesting our comments on the subject report.

I appreciate the work your staff has done in reviewing this issue. I agree with the report's finding that BRAC 93 costs are lower than originally estimated. I also agree with the finding that savings may be greater than originally estimated.

Finally, I concur with the report's recommendations to improve our accounting and budgeting procedures for recording the costs and savings from BRAC. Specifically, my office will work with the Military Departments and the Office of the Comptroller to improve the Department's performance in:

1. Reconciling and deobligating excess obligations when final costs are known.
2. Retaining documentation supporting cost avoidances and cancelled military construction projects.
3. Reconciling the costs of actual workload increases at gaining activities used to offset budget savings estimates.
4. Requiring the Executive Summary and Budget Justification, Biennial Budget Estimates, be updated for savings and replacing prior year estimated savings with actual savings, to the maximum extent possible. I expect the Comptroller to revise DoD Regulation 7000.14-R, "Financial Management Regulation," July 1996, to accomplish this.

We appreciate this opportunity to comment on the draft of this audit.

A handwritten signature in black ink that reads "John B. Goodman".

John B. Goodman
Deputy Under Secretary
(Industrial Affairs & Installations)



Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

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



APR 9 1998

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT
OF DEFENSE

SUBJECT: DoD IG Audit Report on Costs and Savings for 1993 Defense Base Realignments and
Closures (BRAC) (Project No. 7CG-5033)

This responds to your memorandum of January 23, 1998, requesting our comments on the
subject report.

We generally agree with the findings and recommendations in the audit. With regard to the
cost finding, we agree that current cost estimates are lower than the initial estimates. However, we
have some questions about lowering the costs due to the existence of unobligated balances. We
have valid requirements for some of these unobligated funds. We also generally agree with the
finding that savings will exceed the \$5.9 billion estimate for BRAC 1993. However, we could not
verify the precise estimate because the IG report could not fully distinguish BRAC savings from
force structure and other savings. Finally, we agree to the audit recommendations and will issue
additional guidance within 60 days to assist the Services and Defense Agencies in tracking and
recording actual cost and savings from BRAC.

Detailed comments on the audit findings and recommendations are attached. Thank you
for this opportunity to comment on the draft of this audit.

Alice C. Maroni
Principal Deputy Under
Secretary of Defense (Comptroller)

Attachment

OUSD(C) COMMENTS ON

**DoD IG Audit Report on Costs and Savings for 1993
Defense Base Realignments and Closures (BRAC) (Project No. 7CG-5033)**

FINDING A: Costs for 1993 Defense Base Realignment and Closures. The DoD IG reported that the BRAC 1993 implementation costs have proven to be lower than initially estimated. The report states that the USD(C), in coordination with the Military Departments and Defense Agencies, has reduced the initially estimated one-time implementation costs for BRAC 1993 by \$791.1 million. The IG report contends that the estimates reported in the February 1997 budget submission could be reduced by an additional \$724.1 million. This would be a total potential reduction of up to \$1.5 billion from the initial estimate of \$8.3 billion that was reflected in the FY 1995 budget request submitted to Congress in February 1994. This statement was based on budget execution data current at the time of the audit showing obligations to be \$294 million less than the budget estimates. In addition, the audit contends that approximately \$430.1 million of unliquidated obligations can be written off since the recorded obligations date back as far as 1994. They consider this to be the point where most of those unliquidated obligations are likely to be invalid.

COMPTROLLER COMMENTS FOR FINDING A: We agree that BRAC 1993 implementation costs have proven to be lower than initially estimated and that reductions totaling \$791.1 million have been made from the initial estimates reflected in the FY 1995 BRAC Budget Estimates submitted. However, we have some questions about lowering the cost due to existence of unobligated and unliquidated balances.

The Components have valid requirements for the unobligated funds, and the majority of the unliquidated obligations represent valid obligations that will be reconciled and disbursed. The majority of the unobligated funds are for environmental and construction requirements that have been slow to obligate because technical requirements had to be met before contracts could be awarded. Additionally, the Components have begun intensive efforts with the Defense Finance Accounting Service (DFAS) to reconcile all obligations to source documents to ensure timely disbursements in the future.

DOD IG RECOMMENDATIONS: To develop a uniform and consistent application of estimated costs resulting from Defense base realignments and closures, the DoD IG recommends that the USD(C) reemphasize to the Services and Defense Agencies to:

- a. Reconcile reported obligations and disbursements with source documents in coordination with DFAS.
- b. Periodically review outstanding obligations and promptly deobligate excess obligations when final costs are known.

COMPTROLLER COMMENTS:

Concur. The OUSD(C) will issue specific guidance within 60 days to the Services and Defense Agencies emphasizing the requirement to reconcile reported obligations and disbursements with source documents in coordination with DFAS. We will also emphasize the requirement to periodically review outstanding obligations and promptly deobligate excess obligations when final costs are known, and will ensure that the next update to the FMR contains this guidance.

FINDING B: Savings for 1993 Defense Realignment and Closures. The DoD IG found that the \$5.9 billion reported savings from BRAC 1993 were understated by approximately \$1.7 billion. This understatement indicates a need for better estimating and tracking methodologies. The DoD IG stated that the Biennial Budget savings estimates for the Navy, the Air Force, and Defense Information Systems Agency (DISA) were understated because various types of savings data were inappropriately excluded when the estimates were formulated, or were not subsequently updated. Specifically, the DoD IG found that:

- a. Savings estimates for 5 Navy industrially-funded installations were based on an assumption that only 60 percent of the indirect cost reductions would materialize from the closures. The Navy assumed that 40 percent of the indirect costs would be offset by increased costs to other Navy installations absorbing the additional workload.
- b. The Navy did not include the savings from all military construction reductions in operating budgets.
- c. Savings estimates for 11 Navy installations did not agree.
- d. Three Naval industrially-funded installations did not revise savings estimates with actual costs avoided at the time of closure.
- e. The Air Force reported savings in the Biennial Budget that were less than operating budget reductions.
- f. The DISA understated savings for 43 DPCs because personnel reduction estimates and nonlabor cost avoidance were not supported by personnel authorizations and operating budgets.

COMPTROLLER COMMENTS FOR FINDING B: The DoD IG found that the reported savings of \$5.9 billion were understated by \$1.7 billion. We generally agree with the finding that savings will exceed the \$5.9 billion estimate for BRAC 1993. However, we could not verify the precise estimate of the understated savings because the IG report could not fully distinguish BRAC savings from force structure and other savings. In fact, in the report, the IG states that this estimate was developed reviewing Service operating budgets and that those budgets did not distinguish BRAC savings from force structure and other savings.

Under Secretary of Defense (Comptroller) Comments

We defer to the Navy, Air Force, and DISA with respect to the Service and Agency specific comments.

DOD IG RECOMMENDATIONS: To develop a uniform and consistent application of estimated savings resulting from Defense base realignment and closure, the DoD IG recommended that the USD(C):

1. Direct the Services and Defense Agencies to:
 - a. Retain all pertinent and historical records documenting adjustments to operating budgets resulting from Defense base realignment and closure. The documentation should be retained for a minimum of 5 years following the expiration of the BRAC account.
 - b. Reconcile the costs of actual work load increases at gaining activities used to offset reduced Defense base realignment and closure budget savings estimates, especially for closed industrially-funded installations.
 - c. Reconcile the number and cost of military and civilian personnel authorization eliminations contained in the DoD Base Realignment and Closure, Executive Summary and Budget Justification, and Biennial Budget Estimates.
 - d. Retain documentation on both full and partial cancellations of programmed military construction projects resulting from Defense base realignment and closure decisions.
 - e. Report to the USD (C) revised actual savings data outlined in Recommendations (a) through (d).
2. Revise the DoD Regulation 7000.14-R, "Financial Management Regulation," July 1996, to require that the DoD Base Realignment and Closure, Executive Summary and Budget Justification, Biennial Budget Estimates be updated for savings and replace prior year estimated savings with actual savings as reported by the Services and Defense Agencies.

COMPTROLLER COMMENTS:

1. We concur with recommendations 1a.-e. and will issue specific guidance within the next 60 days to the Services and Defense Agencies requiring them to retain for a minimum of 5 years all pertinent and historical records documenting adjustments to operating budgets resulting from base realignment and closures; to reconcile costs of actual work load increases at gaining activities used to offset reduced defense base realignment and closure budget saving estimates; to reconcile the number and cost of military and civilian personnel authorization eliminations contained in the DoD Base Realignment and Closure Executive Summary Budget Justification Book; to retain documentation on both full and partial cancellations of programmed military construction projects resulting from Defense base realignment and closure decisions; and to report to the USD(C) revised actual savings data outlined in recommendations (a) through (d) above.

2. We concur with the recommendation for the USD(C) to revise the "DoD Financial Management Regulation" (DoD FMR 7000.14R) to require the Services and Defense Agencies to update prior year savings estimates with actual savings to the extent possible. However, since the Department currently has no mechanism to track actual savings, some of the savings will still need to be based on estimates.

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, produced this report.

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