

**A**udit



**R**eport

DEFENSE LOGISTICS AGENCY  
FAMILY HOUSING REQUIREMENTS

Report No. 99-198

July 2, 1999

Office of the Inspector General  
Department of Defense

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### **Acronyms**

DDJC	Defense Distribution Depot San Joaquin, California
DDSP	Defense Distribution Depot Susquehanna, Pennsylvania
DLA	Defense Logistics Agency
DSCC	Defense Supply Center Columbus
DSCR	Defense Supply Center Richmond



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

July 2, 1999

**MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY**

**SUBJECT: Audit Report on Defense Logistics Agency Family Housing Requirements  
(Report No. 99-198)**

We are providing this final report for information and use. We performed the audit in response to a request from the Director, Defense Logistics Agency (Installation Support Group). We considered management comments on a draft of this report when preparing the final report.

The Defense Logistics Agency comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312) (wmillion@dodig.osd.mil) or Mr. Gary R. Padgett at (703) 604-9243 (DSN 664-9243) (gpadgett@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. 99-198  
(Project No. 9CG-5036)

July 2, 1999

### Defense Logistics Agency Family Housing Requirements

#### Executive Summary

**Introduction.** The Director, Defense Logistics Agency (Installation Support Group) requested the audit to review the process the Defense Logistics Agency installations use to determine family housing requirements. Specifically, the Director was concerned whether requirements developed by Defense Logistics Agency installations with family housing were prepared and supported in accordance with DoD housing program guidance.

The DoD housing program was established to provide family housing for military families when the private sector is unable to provide adequate, affordable family housing; or when personnel must be housed on base to ensure military readiness. The DoD policy designates the local housing market as the primary source of family housing. Funds are not programmed for military -owned or -leased family housing if the local market has the capacity to provide sustained housing.

The Defense Logistics Agency has four installations with a total of 213 housing units that provide military family housing to military members serving Defense Logistics Agency or Defense Logistics Agency tenants.

- The Defense Distribution Depot San Joaquin has 30 housing units.
- The Defense Supply Center Columbus has 11 housing units.
- The Defense Supply Center Richmond has 31 housing units.
- The Defense Distribution Depot Susquehanna has 141 housing units.

**Objectives.** Our overall objective was to evaluate the process the Defense Logistics Agency uses to determine family housing requirements. Specifically, we determined whether family housing requirements identified by the Defense Logistics Agency were accurate and properly supported.

**Results.** The Defense Logistics Agency did not have accurate data on family housing requirements. Specifically, the Defense Logistics Agency did not accurately identify the number of personnel requiring family housing or the family housing assets available to satisfy those housing requirements. As a result, the Defense Logistics Agency lacked the basis for effective family housing management decisions.

**Summary of Recommendations.** We recommend that the Director, Defense Logistics Agency revise guidance for identifying Defense Logistics Agency family housing requirements. Specifically, the guidance should: provide steps for accurately identifying military personnel eligible for housing at Defense Logistics Agency

installations and establish a process for accurate assessment of both military and private housing assets. We also recommend that the Director, Defense Logistics Agency compute family housing requirements for the four installations having family housing and report the results on a new DD Form 1523. In addition, we recommend that the Director, Defense Logistics Agency determine whether using another process to determine family housing requirements would increase the accuracy and reliability of family housing requirements data.

**Management Comments.** The Defense Logistics Agency partially concurred with the finding and recommendations. The Defense Logistics Agency will revise its guidance and compute new family housing requirements after DoD issues its revised guidance. A discussion of management comments is in the Findings section of the report and the complete text is in the Management Comments section.

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## Background

The Director, Defense Logistics Agency (Installation Support Group) requested the audit to review the family housing requirements determination process. Specifically, the Director was concerned whether requirements developed by Defense Logistics Agency installations with family housing were prepared and supported in accordance with DoD housing program guidance.

The DoD housing program was established to provide family housing for military families when the private sector is unable to provide adequate, affordable family housing; or when personnel must be housed on base to ensure military readiness. The DoD policy designates the local housing market as the primary source of family housing. Funds are not programmed for military-owned or -leased family housing if the local market has the capacity to provide sustained housing.

The Defense Logistics Agency (DLA) has 1,150 military personnel stationed at 205 headquarters and field installations. Also, DLA has seven installations where DLA is the host and provides support services to tenant activities. Four of the seven DLA installations provide military family housing.

The Services (the Army, the Navy, the Air Force and the Marine Corps) provide family housing to military personnel assigned to DLA when the DLA installation is collocated on a Service installation having available family housing, or if the housing is within a 1-hour commute to the installation. The local housing market is the source of housing for military personnel assigned to DLA when the installation is collocated on a Service installation where military family housing is not available. Also, private sector housing is used by military personnel assigned to DLA when the DLA installation is located farther than a 1-hour commute to a Service installation with available family housing.

In 1963, two Army Quartermaster Corps inventory control points with military family housing became DLA installations. In 1991 the Defense Management Report Decision 902 consolidated supply depots and transferred the depots to DLA. Two of the consolidated supply depots transferred to DLA had family housing units. With the transfers, DLA acquired 213 housing units at four installations. Table 1 shows DLA installations with family housing and the number of housing units located at each installation.

**Table 1. DLA Installations With Family Housing**

Location	Number of Family Housing Units
Defense Supply Center Columbus (DSCC)	11
Defense Supply Center Richmond (DSCR)	31
Defense Distribution Depot San Joaquin, California (DDJC)	30
Defense Distribution Depot Susquehanna, Pennsylvania (DDSP)	<u>141</u>
<b>Total</b>	<b>213</b>

The DLA FY 1999 budget submission for family housing was \$1.375 million for operation and maintenance of the 213 housing units. DLA, like other agencies and the Services, is responsible for determining individual family housing needs. The process involves determining supply and demand of family housing at each installation, identifying locations with family housing deficits, and determining the size and composition of the deficit.

## **Objectives**

The overall objective was to evaluate the DLA family housing requirements determination process. Specifically, we determined whether family housing requirements identified by DLA were accurate and properly supported. See Appendix A for a discussion of the scope, methodology, and a summary of prior audit coverage.

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## DLA Family Housing Requirements

DLA did not have accurate data to support family housing requirements. Specifically, DLA did not accurately identify the number of personnel requiring family housing or the family housing assets available to satisfy those housing requirements. This condition occurred because DLA management did not provide adequate supplemental guidance to the DoD Housing Manual for installations to follow when collecting data and computing family housing requirements. As a result, Defense Logistics Agency management lacked the basis for effective family housing management decisions.

### Policy Guidance

**DoD Housing Management Manual.** DoD Manual 4165.63-M, “DoD Housing Management Manual,” September 1993, (the Housing Manual) specifies that the requirement for family housing at each installation or installation complex will be determined on the basis of projected long-range family housing requirements and local housing market conditions. The projected and long-range family housing requirements are determined through an analysis of anticipated long-range strength levels (number of personnel). The local housing market conditions are determined by consulting with Government agencies and other organizations knowledgeable of local housing market conditions, and by the results of a housing market analysis. A housing market analysis should be accomplished at any location where new military housing is planned. Further, the Housing Manual states that a DD Form 1523, “Military Family Housing Justification,” must be used to justify family housing construction and acquisition programs to DoD and Congress. (See Appendix B for an example of the DD Form 1523 and related definitions.) The DD Form 1523 provides a tabular analysis of current family housing requirements and family housing requirements projected 5 years into the future.

**DLA Guidance.** DLA memorandum “Guidance for Military Family Housing” provides supplemental guidance for uniformly determining family housing requirements in accordance with the Housing Manual. The memorandum states that the first step is to “conduct a market survey, using DD Form 1523, found in the DoD 4165.63-M, . . .” or to hire an independent contractor to complete the survey. The memorandum also states that in a plan of action for family housing, each installation should: include the cost of housing versus the housing allowances forfeited by the service members; a list of housing repair, renovation, and replacement projects; and an economic analysis comparing repair or renovation against replacement.

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## Family Housing Requirement Process

The Housing Manual requires the Services and Defense agencies to consider the current and projected numbers of military personnel and a housing market analysis when determining housing requirements. The information from these sources is used to complete a DD Form 1523. The DD Form 1523 provides a step-by-step analysis of current and projected family housing requirements, Government and local family housing assets, and the resulting housing deficit or surplus. Table 2 includes host and tenant personnel numbers and shows the effective (net result) housing requirements, housing assets, and the effective housing surplus or deficit that was reported on the DD Form 1523 developed by the four DLA installations with family housing.

<u>Installation</u>	<u>Effective Housing Requirements</u>	<u>Housing Assets</u>	<u>Effective Housing Surplus/(Deficit)</u>
DSCC	552	575	23
DSCR	1,396	1,585	189
DDJC	695	708	13
DDSP	922	1,046	124

We verified host and tenant personnel strength data used in the DLA family housing requirements determination process with current and projected manpower documentation to ensure that the data was correct. Also, we evaluated data used in the requirements determination process, including occupied and vacant housing under military control and in the private sector, to ensure that the data accurately reflected total housing assets. As a result, we determined that the data reported on the DD Form 1523 did not accurately reflect either the number of military personnel requiring family housing or the number of housing assets available to satisfy their needs.

**Personnel Strength Data.** Personnel strength data from approved personnel planning documentation is used to determine the effective housing requirements. Current and projected personnel data is obtained and adjusted for various items, such as military personnel married to military personnel, personnel unacceptably housed in the community, and married personnel who are voluntarily separated. Total projected personnel strength levels are the total personnel strength levels anticipated 5 years into the future, regardless of temporary increases or decreases from that level.

**DLA Military Personnel.** Military personnel are assigned to DLA on a rotational basis from each Service. Military personnel assignments to DLA are reviewed annually. DLA negotiates with each Service to determine the total number of military personnel that will be provided the following year. DLA assigns the military personnel provided throughout 205 headquarters and field installations. Therefore, the number of military personnel assigned to a DLA

- 
- The housing available by number of bedrooms and cost.
  - A demographic analysis of the housing market area to include household formation trends and inward and/or outward migration of populations.
  - An economic analysis of the housing market area to include makeup of market area and current and projected economic trends.
  - A supply and demand summary.

Additionally, the rental market should be determined separately from the ownership market. The projected available private housing should reflect adjustments for economic factors of pay, rental rates, and housing price trends.

We attempted to verify the number of housing assets identified by the four DLA installations to ensure that the number was correct. All four installations properly identified the number of housing assets under military control. However, all four installations failed to adequately identify the number of available local housing assets.

- DDJC's housing analysis included only calls to various rental complexes to obtain their occupancy rate and price range.
- DSCC obtained an apartment market summary for only the first quarter of 1997 showing the number of apartment units in the Columbus metropolitan area and the number of vacancies. Additionally, a housing cost comparison was done on an average basis instead of by number of bedrooms, costs, and affordability.
- DSCR contacted numerous rental complexes. However, DSCR obtained information for only 3 and 4 bedroom units.
- DDSP contracted with Pennsylvania State University to obtain data concerning gross rent, number of bedrooms, and average family income. But there was no information on how DDSP used this housing data, or any documentation on what Pennsylvania State University included in the data. We could not determine if the data included all apartments, those currently rented and those not rented, or if the identified apartments met DoD standards for adequate rental housing.

The housing market analysis for a given housing market area should identify, as a minimum, the supply of private sector housing by bedroom count, cost, and affordability by each pay grade. This type of housing market analysis permits the proper matching of housing requirements by bedroom count and cost, with available private sector housing meeting that criteria.

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## Summary

DLA does not have accurate data to support family housing requirements reported by DLA installations. The data was inaccurate because the process used to identify the number of military personnel requiring family housing and the number of family housing assets available to satisfy their needs was flawed. Better information is available.

Proper identification of military personnel requiring family housing, and of housing assets available to satisfy their requirements, would ensure that future DLA family housing decisions are based on accurately identified housing requirements. We believe that the process DLA uses for accurate identification of family housing requirements can be improved if DLA installations are given detailed guidance for completing the DD Form 1523. The guidance should address the source and documentation requirements for each reporting element on the DD Form 1523. Because of the small number of locations and number of family housing units in the total inventory, DLA should also consider other methods to accomplish the family housing requirements determination process. For example, DLA could coordinate with another DoD Component to compute housing needs for DLA installations. Also, a qualified private contractor could be used to compute family housing requirements.

## Management Comments on the Finding

DLA partially concurred with the finding. DLA stated that there is no single source planning document, as the instructions for DD Form 1523 state, to obtain the total military personnel strength for potential occupants of DLA housing. In addition, DLA provided clarification to their housing managers as questions arose. DLA has learned that OSD is in the process of revising the family housing guidance and how to conduct the market survey.

## Recommendations, Management Comments, and Audit Response

1. We recommend that the Director, Defense Logistics Agency:
  - a. Revise guidance for determining family housing requirements contained in Defense Logistics Agency memorandum "Guidance for Military Family Housing." Specifically, the guidance should address procedures and support for the following:

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**(1) Identification of all tenant activities requiring family housing.**

**(2) Documentation used to verify current and future personnel strength data for tenant activities.**

**(3) Adjustment to current personnel strength data for military personnel married to military personnel, personnel unacceptably housed in the community, and married personnel who are voluntarily separated.**

**(4) A housing market analysis that identifies the supply of private sector housing by bedroom count, cost, and affordability by each pay grade for a given housing market area.**

**Defense Logistics Agency Comments.** Defense Logistics Agency partially concurred. Defense Logistics Agency will review the revised DoD housing guidance and initiate market surveys that include recommendations 1.a.(2) through (4). Unless a new process is developed to identify tenant activities, Defense Logistics Agency will use their previous process with explicit clarifying questions.

**Audit Response.** Although Defense Logistics Agency only partially concurred, their comments are responsive to the intent of the recommendation.

**b. Compute the family housing requirements for the four installations having family housing and report the results on a new DD Form 1523.**

**Defense Logistics Agency Comments.** Defense Logistics Agency concurred. Defense Logistics Agency will defer any decisions on how to accomplish the new market surveys until they review the new DoD guidance.

**c. Coordinate with another DoD Component, or contract with a private contractor, to compute the Defense Logistics Agency family housing requirements.**

**Defense Logistics Agency Comments.** Defense Logistics Agency partially concurred. Defense Logistics Agency stated that the Army uses a contractor to conduct its surveys. Defense Logistics Agency will consider the economics of hiring a private contractor to conduct future surveys on an individual business case analysis.

**Audit Response.** Although Defense Logistics Agency only partially concurred, their comments are responsive to the intent of the recommendation.

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## Appendix A. Audit Process

### Scope

**Work Performed and Limitations to Overall Audit Scope.** We reviewed DoD guidance, made on-site visits to assess the implementation of the guidance, and reviewed the methods used to prepare the DD Form 1523 and determining family housing requirements. We reviewed the DD Form 1523s dated December 1995, and July, August, and December 1998. The scope of the audit was limited in that we did not review the management control because DLA management requested the audit and a review of the management control program was not requested.

**DoD-wide Corporate Level Government Performance and Results Act (GPRA) Goals.** In response to the GPRA, the Department of Defense has established 6 DoD-wide corporate level performance objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objectives and goals:

- **Objective:** Fundamentally reengineer DoD and achieve a 21st century infrastructure.
- **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. (DoD-6)

**General Accounting Office High Risk Area.** The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Infrastructure high risk area.

### Methodology

**Audit Type, Dates, and Standards.** This economy and efficiency audit was performed December 1998 through March 1999 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use computer-processed data to perform this audit.

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

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## **Summary of Prior Coverage**

No prior coverage has been conducted on DLA family housing requirements during the last 5 years.

# Appendix B. DD Form 1523, Military Family Housing Justification

MILITARY FAMILY HOUSING JUSTIFICATION				1. DATE OF REPORT <small>(FY/MDD)</small>	2. FISCAL YEAR	REPORT CONTROL SYMBOL			
3. DOD COMPONENT		4. REPORTING INSTALLATION							
5. DATA AS OF		a. NAME		b. LOCATION					
ANALYSIS OF REQUIREMENTS AND ASSETS		CURRENT				PROJECTED			
		OFFICER <small>(a)</small>	E9 - E4 <small>(b)</small>	E3 - E1 <small>(c)</small>	TOTAL <small>(c)</small>	OFFICER <small>(a)</small>	E9 - E4 <small>(b)</small>	E3 - E1 <small>(c)</small>	TOTAL <small>(c)</small>
6. TOTAL PERSONNEL STRENGTH									
7. PERMANENT PARTY PERSONNEL									
8. GROSS FAMILY HOUSING REQUIREMENTS									
9. TOTAL UNACCEPTABLY HOUSED <small>(a+b+c)</small>									
a. INVOLUNTARILY SEPARATED									
b. IN MILITARY HOUSING TO BE DISPOSED/REPLACED									
c. UNACCEPTABLY HOUSED - IN COMMUNITY									
10. VOLUNTARY SEPARATIONS									
11. EFFECTIVE HOUSING REQUIREMENTS									
12. HOUSING ASSETS <small>(a+b)</small>									
a. UNDER MILITARY CONTROL									
(1) Housed In Existing DoD Owned/Controlled									
(2) Under Contract/Approved									
(3) Vacant									
(4) Inactive									
b. PRIVATE HOUSING									
(1) Acceptably Housed									
(2) Acceptable Vacant Rental									
13. EFFECTIVE HOUSING DEFICIT									
14. PROPOSED PROJECT									
15. REMARKS <small>(Specify item number)</small>									

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**Line 6 – Total Personnel Strength.** The total number of military and key civilian personnel assigned to an installation, as well as transients (such as students assigned for less than 20 weeks.)

**Line 7 – Permanent Party Personnel.** Total personnel strength less transient personnel.

**Line 8 – Gross Family Housing Requirements.** This includes all accompanied, voluntarily separated, and involuntarily separated Service members permanently assigned (20 weeks or more) to an installation. The gross family housing requirements include adjustments for military members married to military members and families retaining military family housing while their sponsors are on tours where dependents are not allowed.

**Line 9 – Total Unacceptably Housed.** This is the sum of lines 9.a. through 9.c.

**Line 9.a. – Involuntarily Separated.** Personnel who are not accompanied by their dependents because of lack of acceptable family housing at the permanent duty station.

**Line 9.b. – In Military Housing to be Disposed/Replaced.** Personnel living in military family housing scheduled for demolition or replacement.

**Line 9.c. – Unacceptably Housed in Community.** Personnel living in private family housing that does not meet DoD or Service suitability criteria or exceeds the military member's affordable monthly cost.

**Line 10 – Voluntarily Separated.** Personnel who elect to be unaccompanied by their dependents for reasons other than unavailability of family housing at the permanent duty location.

**Line 11 – Effective Housing Requirements.** Equals gross family housing requirements less voluntarily separated personnel.

**Line 12 – Housing Assets.** The sum of lines 12.a. and 12.b.

**Line 12.a.1. – Housed in Existing DoD Owned/Controlled.** Personnel occupying family housing that is owned or controlled by the DoD.

**Line 12.a.2. – Under Contract/Approved.** Family housing units under construction, or private family housing that the Government is under contract to guarantee rent payments to the owner.

**Line 12.a.3. – Vacant.** Vacant military family housing, other than those identified to be replaced by a new construction project.

**Line 12.a.4. – Inactive.** Military family housing units not available for family occupancy for reasons other than routine maintenance or cleanup. Units identified for replacement by new construction are not included.

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**Line 12.b.1 – Acceptably Housed.** Military personnel occupying private family housing that meets DoD and Service suitability criteria.

**Line 12.b.2. – Acceptable Vacant Rental.** Vacant private family housing units that can be occupied by military personnel.

**Line 13 – Effective Housing Deficient.** The number of military families that remain unacceptably housed after family housing assets are distributed against the effective family housing requirements.

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## **Appendix C. Report Distribution**

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House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Management, Information, and Technology,  
Committee on Government Reform  
House Subcommittee on National Security, Veterans Affairs, and International  
Relations, Committee on Government Reform

# Defense Logistics Agency Comments



IN REPLY  
REFER TO

DDAI

May 27, 1999

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

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING  
DEPARTMENT OF DEFENSE

SUBJECT: Defense Logistics Agency Family Housing Requirements,  
Project No. 9CG-5036

This is in response to your April 22, 1999 request for comments on the above DoD-IG draft audit report. If you have any questions, please contact Ms. Annell W. Williams, 703-767-6274.

Encl

  
JEFFREY GOLDSTEIN  
Chief, Internal Review Office

MAY 26 1999

**Subject:** Defense Logistics Agency Family Housing Requirements  
(Project No. 9CG-5036)

**Finding:** DLA does not have accurate data to support family housing requirements. Specifically, DLA did not accurately identify the number of personnel requiring family housing or the family housing assets available to satisfy those housing requirements. This condition occurred because DLA management did not provide adequate supplemental guidance to the DoD Housing Manual for installations to follow when collecting data and computing family housing requirements. As a result, Defense Logistics Agency management does not have accurate housing data on which to base effective family housing management decisions.

**DLA Comments:** Partially concur. The processes used to identify the number of personnel requiring family housing and to identify assets available were as prescribed in DoD 4165.63-M. There is no single source planning document, as the instructions to the DD Form 1523 state, from which to obtain the "Total Military Personnel Strength" for potential occupants of DLA housing. DLA housing managers contacted each tenant activity within a 30-mile radius of the installation requesting military personnel information. The information provided by the tenant activities, while responsive, proved incompatible with the complexity of the survey requirements.

DLA did not provide comprehensive supplemental guidance to the DoD guidance, in effect since September 1993. As questions arose from the housing managers, clarification was provided, with further clarification sought at the OSD level. DLA subsequently learned from OSD that their market survey process is being revised.

The auditor's paraphrasing of the instructions to the DD Form 1523 does not convey the inherent complexity of the actual wording in the current guidance.

Actual wording:

The DoD Housing Manual's Item 12.b. (2) states, "Acceptable Vacant Rental From total rental housing, find out the percentage of market penetration by military personnel. Get vacancy information from local officials, real estate organizations, planning commissions or other reliable sources. Multiply the market penetration rate (percentage) by the vacancies. Surplus vacancies may be omitted from this item and reported in item 15. Surplus vacancies are those that are not suitable to reduce any of the remaining subcategory deficits (e.g., a deficit of three-bedroom units for E-4s)." (Copy of excerpt from DoD 4165.63-M attached).

Paraphrased wording:

The audit report paraphrases: "Line 12.b (2) - Acceptable Vacant Rental. Vacant private family housing units that can be occupied by military personnel."

DLA will work with DoD to consider the paraphrased wording for inclusion in the revised DoD guidance.

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**Recommendation No. 1:** The DoD-IG recommends that the Director, Defense Logistics Agency:

a. Revise guidance for determining family housing requirements contained in Defense Logistics Agency memorandum "Guidance for Military Family Housing." Specifically, the guidance should address procedures and support for the following:

- (1) Identification of all tenant activities requiring family housing.
- (2) Documentation used to verify current and future personnel strength data for tenant activities.
- (3) Adjustment to current personnel strength data for military personnel married to military personnel, personnel unacceptably housed in the community, and married personnel who are voluntarily separated.
- (4) A housing market analysis that identifies the supply of private sector housing by bedroom count, cost, and affordability by each pay grade for a given housing area.

**DLA Comments:** Partially concur. We will review the revised DoD guidance when it is completed (Dec 99) and initiate market surveys including recommendations 1.a.(2) through (4). Unless another methodology can be developed, the previous process to identify all tenant activities {recommendation 1.a.(1)} will be replicated with explicit clarifying questions. A proposal to use private contractors to conduct the surveys will be explored predicated on cost effectiveness given the small inventory size of each site.

**Disposition:** Action is ongoing. ECD: June 2000

b. Compute the family housing requirements for the four installations having family housing and report the results on a new DD Form 1523.

**DLA Comments:** Concur. Since the DoD guidance for conducting housing market surveys is being totally revised, we will defer any decisions on how to accomplish the new market surveys until we review the new DoD guidance (after Dec 99).

**Disposition:** Action is ongoing. ECD: June 2000

- c. Coordinate with another DoD Component, or contract with a private contractor, to compute the Defense Logistics Agency family housing requirements.

**DLA Comments:** Partially concur. For the market survey at our largest housing inventory site, DLA obtained the assistance of the Army Materiel Command (AMC) to validate the survey using the Army's Econometric Model. Recent inquiries to the Army Housing Policy office for assistance using this model revealed that Army no longer uses the Econometric Model. With the advent of privatization initiatives over two years ago, when or if the Army conducts a survey, it is done through a private contractor, usually as a part of the privatization contract.

Survey discussions with an Army installation overlapping the DLA site's geographical area were partially successful; while the Army installation did not conduct a market survey for their new units under construction, military housing and personnel information from the base was obtained and included in the DLA market survey.

Since DoD is revising their guidance, DLA will review the final product, and will consider the economics of hiring a private contractor to conduct future surveys on an individual business case analysis.

**Disposition:** Action is ongoing. ECD: June 2000

Action Officer: Vicki Turney, DLSC-BIS  
Reviewed by: David Van Pernis, DLSC-BI  
Approved by: Frederick N. Baillie, DLSC-B  
Coordination: Annel W. Williams, DDAI

**DLA Approval:**



E.R. CHAMBERLIN  
Rear Admiral, SC, USN  
Deputy Director

should grade and bedroom requirements and assets, before they are combined in this section. The proportion of private housing projected to be available should reflect adjustments for economic factors of pay, rental rate, and housing price trends.

(a) Current. Items 12b(1) + 12b(2).

1 Item 12b(1), Acceptably Housed. Families occupying private housing acceptable per paragraph D3, Chapter 2 of this Manual. Equal to item 8 minus item 9 minus item 10 minus item 12a(l).

2 Item 12b(2), Acceptable Vacant Rental. From total rental housing, find out the percentage of market penetration by military personnel. Get vacancy information from local officials, real estate organizations, planning commissions or other reliable sources. Multiply the market penetration rate (percentage) by the vacancies. Surplus vacancies may be omitted from this item and reported in item 15. Surplus vacancies are those that are not suitable to reduce any of the remaining subcategory deficits (e.g., a deficit of three-bedroom units for E-4s).

(b) Projected. Optimum number of families, from item 11, projected to occupy acceptable private housing.

n. Item 13, Effective Housing Deficit. Number of families unacceptably housed after optimum distribution of housing assets against effective housing requirements.

o. Item 14, Proposed Project. The number of units proposed for the fiscal year shown in item 2. Shall not exceed 90 percent of the deficit projected on item 13.

p. Item 15, Remarks. Comments on specified items. Identify each comment by the item number of the data to which it applies. Explain briefly the need for the project; include (1) the planned project composition by grade groups (010-06, 05-04, 03-W1, E9-E7, E6-E4, E3-E1) and by bedroom composition within grade groups, and (2) the corresponding (grade/bedroom) composition of the deficits supporting the project. If a proposed new construction project will replace existing family housing units, state the total to be replaced; the total includes occupied units reported in item 9b, plus vacant units to be replaced. Cite any concurrence in the need by local chambers of commerce, realtors, FHA field office director, etc. Installation criteria that are major deviations from the standard should be explained (e.g., designating a community within a one-hour commute unacceptable because of a drawbridge that would routinely cause the commute time to extend to two hours). Provide information on adjustments in gross family housing requirements.

C-15

[Attachment]

## **Audit Team Members**

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

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