# Audit Report

OFFICE OF THE INSPECTOR GENERAL

**SPECIAL CONSTRUCTION CONTROLS FOR INSTALLATIONS AFFECTED BY THE 1995 DEFENSE BASE REALIGNMENT AND CLOSURE RECOMMENDATIONS**

Report No. 96-036 December 8, 1995

**Department of Defense**

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**Acronyms**

| | |
|---|---|
| AFB | Air Force Base |
| ASD(ES) | Assistant Secretary of Defense (Economic Security) |
| BRAC | Base Realignment and Closure |
| MILCON | Military Construction |

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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Report No. 96-036 December 8, 1995

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (ECONOMIC SECURITY)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DEPUTY ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of Special Construction Controls for Installations Affected by the 1995 Defense Base Realignment and Closure Recommendations (Project No. 5CG-5029)

## Introduction

We are providing this audit report for your information and use. This report is the second of two reports discussing the implementation of special construction control procedures by the Military Departments and Defense agencies for installations listed in the Secretary of Defense report, "Department of Defense Base Closure and Realignment Report," March 1995, herein referred to as the 1995 Defense base realignment and closure (BRAC) Report. This report focuses on the adequacy and implementation by the Military Departments of special construction control procedures mandated by the Assistant Secretary of Defense (Economic Security) (ASD[ES]) on February 22, 1995. Those procedures were to prohibit and terminate military construction (MILCON) projects that would not be required if the 1995 BRAC Report were approved. The audit was performed during the period that the 1995 Commission on Defense Base Closure and Realignment (the 1995 Commission) reviewed the Secretary of Defense recommendations of installations for realignment or closure. On July 1, 1995, the 1995 Commission provided the final 1995 BRAC recommendations to the President.

## Audit Results

Special construction control procedures implemented by the Military Departments were effective. The Military Departments prohibited new award of FY 1995 and prior year MILCON funds, screened MILCON projects already under contract for possible termination, and reviewed planned MILCON projects to identify projects that would not be required if the 1995 BRAC Report were approved.

## Audit Objectives

The overall objective of this audit was to determine whether the special construction control procedures were effective for installations listed in the

1995 BRAC Report. The specific objective for the audit was to determine whether the Military Departments had taken action to:

- prohibit new award of FY 1995 and prior year MILCON funds,

- screen MILCON projects already under contract for possible termination, and

- review planned MILCON projects to identify projects that would not be required if the 1995 BRAC Report were approved.

Our earlier report, Inspector General, DoD, Report No. 95-245, "Defense Logistics Agency Special Construction Controls for Installations Affected by the 1995 Defense Base Realignment and Closure Recommendations," June 21, 1995, discussed the control procedures implemented by Defense agencies, specifically, by the Defense Logistics Agency.

## Scope and Methodology

**Sample Selection.** To develop a universe, we listed installations recommended for realignment or closure from the 1995 BRAC Report.

We then performed the following.

- We identified MILCON projects at each installation on the 1995 BRAC Report by using the C-1 Construction Programs Budget submission, including both FYs 1994 and 1995 projects to be obligated (awarded) and FYs 1996 and 1997 projects to be proposed.

- We obtained from each Military Department a list of the FY 1996 and prior year construction projects impacted by the 1995 BRAC Report recommendations.

- We compared the Military Department list of MILCON projects with the C-1 Construction Programs Budget list to determine whether any projects were not considered by the Military Departments.

- We obtained a list of the maintenance and repair and nonappropriated projects from the installations that we visited, and we reviewed the status of the projects.

The universe included 403 MILCON projects totaling $3.2 billion. See Enclosure 1 for the universe and audited projects both by number of projects and by monetary value for each Military Department. We judgmentally selected for review 12 installations that contained a large number of projects or that accounted for a large number of the total dollars. The table shows the total number of installations and projects selected for each Military Department and the associated dollar values.

**Bases and Projects Selected**

| Military Department | Number of Installations | Number of Projects | Dollar Value (millions) |
|---|---|---|---|
| Army | 4 | 18 | $ 82 |
| Navy | 4 | 31 | 174.6 |
| Air Force | 4 | 56 | 214.9 |
| **Total** | **12** | **105** | **$471.5** |

We also reviewed 127 Air Force maintenance and repair projects totaling $48.1 million.

The audit did not rely on statistical sampling procedures to review the Military Departments' special construction controls. The audit also did not rely on computer-processed data.

**Audit Period, Standards, and Locations.** This program audit was conducted from April through June 1995 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. See Enclosure 2 for organizations visited or contacted.

## Prior Audit Report

One audit report has been issued on this subject. Inspector General, DoD, Report No. 95-245, "Defense Logistics Agency Special Construction Controls for Installations Affected by the 1995 Defense Base Realignment and Closure Recommendations," June 21, 1995, states that the Defense Logistic Agency special construction controls met the general intent of the ASD(ES) guidance. On April 14, 1995, the Defense Logistics Agency provided the ASD(ES) information on controls and the projects affected by the 1995 BRAC Report. On April 18, 1995, the Defense Logistics Agency suspended the distribution operations center construction project at Defense Distribution Depot Red River, Texas. The suspension of the project resulted in a savings of $18.7 million in construction and $19 million in procurement funds.

## Audit Background

**1995 BRAC Procedures and Recommendations.** The Defense Base Closure and Realignment Act of 1990 (Public Law 101-510, Title XXIX, as amended) and United States Code, title 10, section 2787, established requirements and procedures for BRAC within DoD. The 1995 BRAC Report recommendations were forwarded to the 1995 Commission on February 28, 1995. The 1995 Commission reviewed, analyzed, and revised the recommendations. On July 1, 1995, the 1995 Commission provided the President a report containing its findings and conclusions, along with its recommendations for realignment and closure.

**Policy Guidance.** The ASD(ES) issued a memorandum, "Special Construction Controls for Installations Appearing on BRAC List," February 22, 1995, that provided guidance for implementing special controls to evaluate construction projects for installations listed in the 1995 BRAC Report. Specifically, the memorandum said that the controls were to accomplish the following:

- prohibit new award of FY 95 or prior year MILCON funds, including family housing construction;

- screen projects already under contract for possible suspension or termination as appropriate, prudently conserving resources where possible;

- assess construction investment planned for installations not slated for closure or realignment to determine if the 1995 BRAC Report recommendations may indirectly alter project justification;

- review FY 1996 MILCON budget proposals, including family housing and BRAC MILCON, to identify projects which will not be required if the 1995 BRAC Report is approved; and

- address long-term leases and pertinent off-budget investment areas such as nonappropriated funds.

The Military Departments were to provide a copy of the imposed special construction controls, develop a list of FY 1996 and prior year construction projects no longer required, and make recommendations regarding disposition of the requested funds.

## Discussion

**Compliance With Guidance.** We reviewed the guidance on special construction controls issued by each Military Department to determine whether the controls that were required by the ASD(ES) guidance were included.

**Army Guidance.** The Army special construction controls were effective. The Army generally met the intent of the ASD(ES) guidance. The Army also implemented special controls to review maintenance and repair projects and projects funded by other sources and to set dollar limits on reviews of the advance procurement projects.

The Department of the Army issued a message dated March 10, 1995, listing the controls the major commands were to follow at installations affected by the 1995 BRAC Report recommendations. Summaries of the controls follow.

- Minimize maintenance and repair expenditures at installations recommended for closure. Those installations recommended for realignment should have maintenance and repair performed only on facilities necessary to support long-term needs of the installation.

• Do not award any new construction, long-term leases, Army family housing improvement, or nonappropriated funds projects, unless authorized by Headquarters, Department of the Army.

• Analyze advance procurement fund projects valued at more than $300,000 and nonappropriated funds projects valued at more than $200,000.

• List all construction, including Army family housing projects under design or construction, as well as long-term leases that would no longer be required or should be modified as a result of the 1995 BRAC Report recommendations, Army Force structuring plan, or other concurrent reductions. For projects under construction or long-term leases, recommend whether or not suspension or termination would be cost-effective and practical.

• Review projects funded by the Joint Staff, Defense agencies, or other sources; provide justification of the facilities required; identify the impact to other programs; and forward the information to the funding sponsor with copies to the Department of the Army.

**Naval Guidance.** Navy controls differed from those described in the ASD(ES) guidance. The Navy developed the controls before the ASD(ES) memorandum issuance. The Navy had included controls in addition to those required by the memorandum. The major commands were to revalidate all projects and provide justification on why each project was still required. The Navy requested the major commands to review and revalidate all projects at the affected installations and provide a list of projects that could be suspended or revised based on the 1995 BRAC Report recommendations. The Navy guidance did not include a control on reviewing long-term leases as required by the memorandum. The Navy subsequently recommended canceling projects totaling $974 million.

The Chief of Naval Operations issued a message to its major commands on February 23, 1995, requesting a review and revalidation of all projects at installations affected by the 1995 BRAC Report recommendations. For all projects at installations proposed for realignment or closure, summaries of the controls described in the message follow.

• Revalidate project requirements for FY 1997, prior year MILCON, minor construction and repair, BRAC MILCON, military family housing (new construction), and Energy Conversation Investment Program projects.

• Categorize the affected projects and provide a statement as to whether each project or portion of project is still necessary. Categories include:

- required at original/full scope;

- required at revised scope;

- no longer required; and

- required, but additional research needed to make final scope determination.

The message said the Naval Facilities Engineering Command was responsible for:

- continuing all efforts to a point short of award for project design and construction contracts or options not awarded;

- extending bids and offers as necessary as processes proceed for revalidation and decision by higher authority; and

- continuing design and construction efforts for awarded contracts, until higher authority decision is announced.

The message also stated that Navy activities should not award design and construction contracts or options. A subsequent review of the projects for termination may be required. For all other projects, the Navy activities can proceed with release of design and construction efforts.

**Air Force Guidance.** The Air Force met the general intent of the ASD(ES) construction controls, although the Air Force controls differed from the ASD(ES) guidance in that the Air Force did not plan to consider any projects for suspension or termination until after the 1995 Commission made its recommendations. The Air Force controls continued all MILCON and maintenance and repair projects. The Air Force reviewed the projects for deferral, not termination. However, the projects reviewed for deferral included only unawarded projects.

On February 27, 1995, the Air Force issued guidance to the major commands responsible for conducting a review of the MILCON projects at the installations affected by the 1995 BRAC Report recommendations. We visited Air Force Material Command headquarters at Wright-Patterson Air Force Base (AFB), Ohio, to determine whether additional guidance was provided to the installations and found that no additional guidance had been disseminated.

The Chief of the Engineering Division, Air Force Material Command, disseminated the information to the installations on March 6, 1995. The Air Logistics Centers did not follow the guidance because the centers were scheduled to realign, not close, and the projects would not be affected. However, on May 10, 1995, the 1995 Commission added the five Air Logistics Centers to the list of realignments and closures. Once the centers were added, the Air Logistics Centers reviewed the construction projects to determine whether any projects should be terminated or should be suspended until the final 1995 BRAC Report recommendations were announced on July 1, 1995.

Air Force Material Command headquarters forwarded the initial guidance to the installations and requested the installations' civil engineering divisions to review the projects within their approval authority. The Civil Engineering Division, Air Force Material Command, reviewed the MILCON projects and found that the projects at the Air Logistics Centers should continue because the projects were for functions that would remain if the Air Logistics Centers closed or were needed to meet a regulatory requirement deadline. The review also placed the MILCON projects at Kirtland AFB, New Mexico, on hold pending the final 1995 BRAC Report recommendations to the President.

The Office of the Civil Engineer, Department of the Air Force, issued guidance to the major commands on February 27, 1995. Summaries of the controls follow.

- Continue all work under contract.

- Approve new investments in construction and repair and accomplish the construction if required to satisfy legal, health, safety, and environmental requirements or regulatory compliance deadlines.

- Continue routine maintenance and services as scheduled.

- Defer major construction or repair efforts not under contract, or if in-house, not started, pending the final decision. An exception is those projects required to meet regulatory compliance requirements.

- Defer (not terminate) project designs and studies at the next appropriate phase point. Continue environmental studies concerning restoration or compliance and other requirements that would be required if the base were closed.

The guidance also said that for any projects required before the 1995 BRAC Report decision, a policy waiver was needed to begin the project. The guidance on issuing a policy waiver said the following.

- All requests shall be forwarded to Air Force civil engineering.

- Major command waivers may be granted by the major command's commander for line-item programs funded by the major command.

- For work within approval authority of the base, waivers may be granted by the installation commander.

**Testing of Controls.** During the site visits, we verified the status of the projects (whether the project was in the design or construction phase) and the percentage of completion with the applicable civil engineering activity. We also interviewed personnel and obtained documentation on the projects.

**Army.** We visited four Army installations: Letterkenny Army Depot, Chambersburg, Pennsylvania; Fitzsimons Army Medical Center, Denver, Colorado; Fort McClellan, Alabama; and Charles M. Price Support Center, St. Louis, Missouri, to review and test the Army's construction controls. We reviewed 18 MILCON projects, nonappropriated fund projects, and maintenance and repair projects at those installations. The cost for the projects reviewed totaled $82 million for FYs 1995 and 1994 and prior years. No problems were found with the implementation of the construction controls.

**Navy.** We reviewed the Navy list of proposed suspensions and revised projects and chose to contact four major Navy commands to test the special construction controls. We chose not to perform an extensive test of Navy controls because the Navy had conducted a prior review and made recommendations to suspend or cancel $974 million in projects. We visited Naval Air Station Corpus Christi, Texas, and Naval Air Station Pensacola,

Florida. We contacted the Space and Naval Warfare Systems Command, Crystal City, Virginia, to obtain information on projects at the Naval Command, Control, and Ocean Surveillance Center, San Diego, California. We also contacted Naval Sea Systems Command, Crystal City, Virginia, to obtain information on the Philadelphia Naval Shipyard, Pennsylvania. We did not review the projects at Naval Air Station Fallon, Nevada, because the Inspector General, DoD, previously issued two reports on eight of the nine projects there. We reviewed 31 projects totaling $174.6 million for FYs 1995 and 1994 and some prior years. No problems were found with the Navy review of the projects.

**Air Force.** Our review of Air Force controls was extensive because the Air Force controls said to continue all work on maintenance and repair projects. We visited Warner Robins AFB, Georgia; Kelly AFB, Texas; Tinker AFB, Oklahoma; and Kirtland AFB, New Mexico. We reviewed the controls at each base. We tested 56 MILCON projects, nonappropriated fund projects, and family housing projects, valued at $214.9 million, and 127 maintenance and repair projects, valued at $48.1 million, for FYs 1995 and 1994 and prior years. No problems were found during the review of the projects.

**Conclusion.** The Military Departments developed special construction controls that implemented the ASD(ES) guidance. Even though each Military Department implemented the controls differently, the controls accomplished the objectives established by the ASD(ES) guidance.

## Management Comments

We provided a draft of this report to you on October 13, 1995. Because this report contains no findings or recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. John M. Delaware, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). Enclosure 3 lists the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

# Universe and Audited Projects

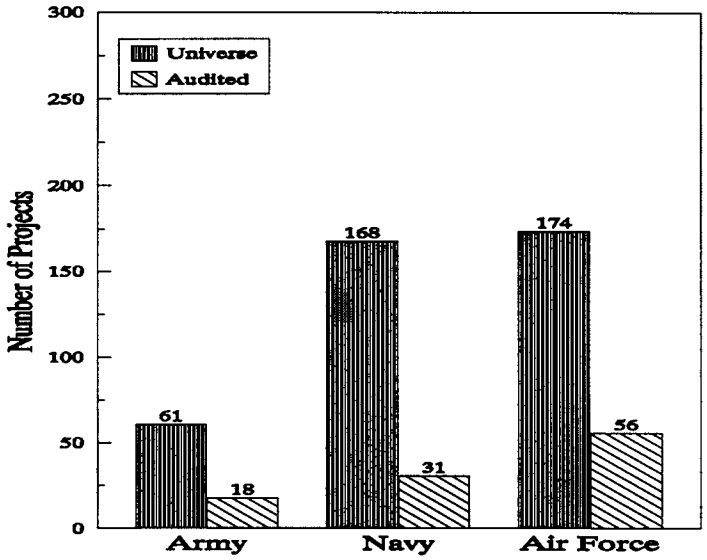


Figure 1. Projects by Military Department

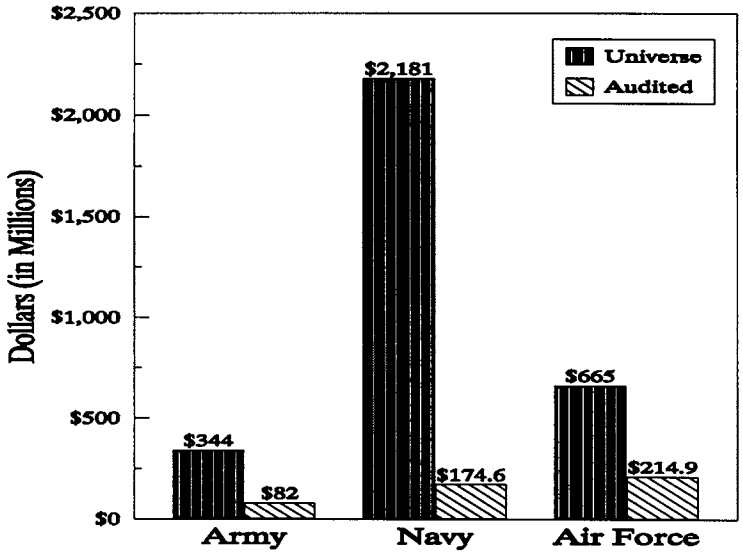


Figure 2. Dollar Value of Projects by Military Department

# Organizations Visited or Contacted

## Office of the Secretary of Defense

Assistant Secretary of Defense (Economic Security), Washington, DC

## Department of the Army

Assistant Chief of Staff for Installation Management, Facilities, and Housing, Washington, DC
Headquarters, U.S. Army Corp of Engineers, Washington, DC
- Albuquerque District, NM
- Resident Office, Kelly Air Force Base, TX
- Resident Office, Tinker Air Force Base, OK
- Resident Office, Warner Robins Air Force Base, GA
- Project Office, Chambersburg, PA
- District Office, Harrisburg, PA
- Project Office, Denver, CO
- District Office, Omaha, NE
- Resident Office, Anniston, AL

Fort McClellan, AL
Fitzsimons Army Medical Center, Denver, CO
Letterkenny Army Depot, Chambersburg, PA
Charles M. Price Support Center, St. Louis, MO

## Department of the Navy

Commander in Chief, U.S. Pacific Fleet, Honolulu, HI
- Naval Air Force, U.S. Pacific Fleet, Honolulu, HI
- Naval Air Station Fallon, NV

Chief of Naval Education and Training, Pensacola, FL
- Chief of Naval Air Training, Corpus Christi, TX

Naval Air Station Pensacola, FL
Naval Air Station Corpus Christi, TX
Space and Naval Warfare Systems Command, Crystal City, VA
- Naval Command, Control, and Ocean Surveillance Center, San Diego, CA

Naval Sea Systems Command, Crystal City, VA
Naval Facilities Engineering Command, Alexandria, VA

## Department of the Air Force

Headquarters, Air Force Material Command, Dayton, OH
- Warner Robins Air Logistic Center, GA
- Kelly Air Force Base, TX
- Tinker Air Force Base, OK
- Kirtland Air Force Base, NM

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Senate Committee on Governmental Affairs
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House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

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