

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE CLOSURE OF DEFENSE
ELECTRONICS SUPPLY CENTER DAYTON, OHIO, AND
REALIGNMENT TO DEFENSE SUPPLY CENTER
COLUMBUS, OHIO**

Report No. 96-209

August 13, 1996

Department of Defense

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Acronyms

BRAC
MILCON

Base Realignment and Closure
Military Construction



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



August 13, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment to Defense Supply Center Columbus, Ohio (Report No. 96-209)

We are providing this report for review and comment. This report is one in a series of reports about FY 1997 Defense base realignment and closure military construction costs. Management comments on a draft of this report were considered in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, the Defense Logistics Agency is requested to provide comments by October 15, 1996, on the unresolved recommendation on eliminating the renovation of section 5 of building 12 from project 93-114.1.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Garold E. Stephenson, Audit Program Director, at (703) 604-9332 (DSN 664-9332) or Mr. Eugene E. Kissner, Audit Project Manager, at (703) 604-9323 (DSN 664-9323). See Appendix F for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. 96-209
(Project No. 6CG-5001.49)

August 13, 1996

Defense Base Realignment and Closure Budget Data for the Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment to Defense Supply Center Columbus, Ohio

Executive Summary

Introduction. This report is one in a series about FY 1997 Defense base realignment and closure military construction costs. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each military construction project associated with Defense base realignment and closure does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Office of the Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees. Our audits cover all projects valued at more than \$1 million.

Audit Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of one project for renovation of buildings 11 and 12, valued at \$7 million, for the closure of the Defense Electronics Supply Center Dayton, Ohio, and realignment to the Defense Supply Center Columbus, Ohio.

Audit Results. The renovation cost estimate for building 11 was valid. The Defense Logistics Agency could not support the need for renovated space or increases in estimated unit costs for building 12 at the Defense Supply Center Columbus. Consequently, the Defense Logistics Agency overstated the estimated costs for the renovation project by \$2 million. Also, we could not validate the estimated unit costs of \$5.6 million to renovate building 12.

See Part I for a discussion of the audit results. See Appendix D for a summary of the partially valid requirements for the project we reviewed.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place the funds for project 93-114.1 on administrative withhold, except for the \$1 million (\$1.4 million estimated) already awarded to renovate building 11, until the Defense Logistics Agency submits accurate requirements and cost estimates to renovate building 12. We also recommend that the Defense Logistics Agency revise budget estimates, prepare an economic analysis, and submit a revised DD Form 1391, "FY 1996 Military Construction Project Data," that reflects valid renovation requirements and estimated costs. The revised DD Form 1391 should not include the requirement and the \$2 million estimated to renovate section 5 of building 12.

Management Comments. The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and will place the funds associated with the project on administrative withhold pending audit resolution. The Defense Logistics Agency agreed to revise DD Form 1391, "FY 1996 Military Construction Project Data," to reflect current working estimates for the renovation of building 12, but did not concur with eliminating the renovation of section 5 of building 12. The Defense Logistics Agency stated that it recently validated that it was more cost effective to renovate section 5 than to remain in commercially leased space. The Defense Logistics Agency also stated that the potential cost benefit of not renovating section 5 is \$2 million, not \$2.8 million as stated in the draft report, and that deletion of section 5 would require an additional \$106,500 in design costs. See Part I for a full discussion of management comments and Part III for the complete text of the comments.

Audit Response. As a result of management comments, we changed the cost estimate to renovate section 5 of building 12 from \$2.8 million to \$2 million. We do not agree that renovating section 5 of building 12 is more cost effective than remaining in leased space until space is available in the new operations building. Using the Defense Logistics Agency's new estimate that the cost to renovate section 5 of building 12 is \$2 million and that the additional design cost is \$106,500, the monetary benefit of not renovating section 5 would be about \$600,000 if the Civilian Personnel Support Office is unable to move into the new operations center until January 2001. The monetary benefits will increase if the move is made earlier and would be at least \$2 million if the move takes place by July 1997. We request that the Defense Logistics Agency reconsider its position and provide final comments on the report by October 15, 1996.

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Part I - Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing various audits of the Defense base realignment and closure (BRAC) process. This report is one in a series of reports about BRAC military construction (MILCON) costs. It discusses a project that was added to the FY 1996 budget too late to be included in previous audit coverage. For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix C. See Appendix D for a summary of partially valid requirements for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective.

This report provides the results of the audit of Defense Logistics Agency project 93-114.1, "Renovate Operations Space," valued at \$7 million, resulting from the closure of the Defense Electronics Supply Center (Electronics Supply), Dayton, Ohio, and realignment to the Defense Supply Center Columbus (Columbus Supply), Ohio. See Appendix A for a discussion of the scope and methodology and Appendix B for a summary of prior coverage related to the audit objectives. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Renovation of Operations Space

The Defense Logistics Agency could not support the total requirement for renovated space for project 93-114.1, "Renovate Operations Space," valued at \$7 million. Additionally, the Defense Logistics Agency could not support increases of \$0.2 million in the estimated unit costs for the part of the project pertaining to renovation work in building 12. The Defense Logistics Agency could not support the need for renovated space because the agency did not accurately evaluate the impact on space availability caused by the recommendations of the 1995 Commission on Defense Base Closure and Realignment (the Commission). The Defense Logistics Agency could not support the increases in estimated unit costs because it did not use a verifiable source or document the methodology followed. As a result, the Defense Logistics Agency overstated the estimated costs for the project by \$2 million. Additionally, we could not validate the estimated costs of \$5.6 million to renovate building 12.

Project History

In October 1993, the Defense Logistics Agency initiated project 93-114.1 to renovate 261,577 square feet of space in building 12 at Columbus Supply in response to a recommendation of the 1993 Commission to realign Electronics Supply to Columbus Supply. In October 1994, the Defense Logistics Agency proposed to renovate 193,442 square feet in buildings 11 and 12 because two organizations at Electronics Supply decided to realign to Wright-Patterson Air Force Base instead of Columbus Supply. In September 1995, the Defense Logistics Agency reduced the renovation requirements to 107,282 square feet in buildings 11 and 12 in response to recommendations from the 1995 Commission.

Other MILCON Projects

In addition to BRAC project 93-114.1, Columbus Supply has two other MILCON projects for administrative space. One project is for the construction of a new operations center for the supply center. The 7-story building will house approximately 3,820 personnel and is scheduled for completion in October 1996. The other MILCON project is for a new operations building for the Defense Finance and Accounting Service. Construction of this 7-story operations building is scheduled to begin in July 1996 with completion scheduled for January 1999.

Changes to Project Resulting From Recommendations of the 1995 Commission

The Commission Recommendations. The 1995 Commission recommended that Columbus Supply reduce the number of its employees by 358 in 1999 and that 144 tenant personnel at Electronics Supply realign to organizations other than Columbus Supply. In response to the Commission recommendations, the Defense Logistics Agency, in September 1995, submitted a revised DD Form 1391, "FY 1996 Military Construction Project Data," for project 93-114.1 that reduced the space requiring renovation from 193,442 square feet to 107,282 square feet and reduced the estimated cost of the renovations from \$10.7 million to \$6.95 million. The Defense Logistics Agency also awarded a separate contract for the planned renovations to building 11.

Building 11 Space Renovation. As a result of the 1995 Commission recommendations, the Defense Logistics Agency awarded a separate contract for the portion of the project for renovating 21,122 square feet of space in section 7 of building 11. The renovated space is for the electronics quality test laboratory realigning from Electronics Supply to Columbus Supply. The Defense Logistics Agency awarded the separate contract for the renovation of building 11 to ensure that space meeting the technical requirements of the test laboratory would be available before Electronics Supply closes at the end of calendar year 1996. The \$1,064,900 contract is within the cost estimate prepared by the Defense Logistics Agency for the renovation of building 11, and the 21,122 square feet of space being renovated is similar to the amount of space that the laboratory occupies at Electronics Supply.

Revised Building 12 Space Renovation. Additionally, as a result of the 1995 Commission recommendations, the Defense Logistics Agency reduced the amount of space requiring renovation in building 12 from 172,320 square feet to 86,160 square feet by eliminating the renovation of building 12 sections 3 and 4 from the project. The Defense Logistics Agency also reduced the estimated cost to renovate building 12 from \$9.6 million to \$5.6 million and assigned the 609 personnel scheduled to occupy sections 3 and 4 of building 12 to space in the new operations center. For the revised project 93-114.1, the Defense Logistics Agency plans to renovate:

- o 43,080 square feet in section 5 of building 12 for the Defense Information Systems Agency Columbus Regional Control Center, the Defense Logistics Agency Civilian Personnel Support Office, and the Columbus Supply Office of Health and Safety, and

- o 43,080 square feet in section 6 of building 12 for the Defense Reutilization and Marketing Service-East, the combined Columbus Supply and Electronics Supply Technical Data Group, and the Defense Logistics Agency Systems Design Center.

Evaluation of Revised Building 12 Renovation Plans

Justification for Planned Renovations to Building 12. The Defense Logistics Agency appropriately justified the requirements to renovate section 6 of building 12. However, section 5 was not justified because Columbus Supply will have ample alternate space available at Columbus Supply for the occupants proposed for section 5.

Effects of the 1995 Commission Recommendations on Planned Renovations. The 1995 Commission recommendations affected the Defense Logistics Agency construction plans and requirements, and the Defense Logistics Agency did not adequately evaluate those effects. First, a portion of the people (609) who were going into sections 3 and 4 of building 12 were reassigned space in the new operations center scheduled to be completed in October 1996. Our analysis of the personnel assigned to the new operations center showed that only 19 of the 609 personnel will eventually move there. As a result, alternate space is available in the new operations center for the people scheduled to move into section 5 of building 12 and the section 5 renovation is not required.

Additionally, the Defense Logistics Agency decided to renovate section 5 of building 12 without determining whether alternate space was available for the 218 employees of the 3 organizations that the Defense Logistics Agency plans to move into section 5. Our analysis showed this space is available in the almost completed new operations center.

Personnel Assigned to the New Operations Center. The Defense Logistics Agency assigned space in the new operations center for 609 personnel without determining whether the personnel still required the space. The 609 personnel were initially scheduled to move into renovated space in sections 3 and 4 of building 12. The newly assigned space in the new operations center will become available after Columbus Supply reduces the number of its employees as recommended by the Commission. Our analysis of the personnel assigned to the new operations center showed that only 19 of the 609 personnel will move there. Of the remaining 590 personnel,

- o 380 (350 Defense Finance and Accounting Service employees and 30 Inspector General, DoD, employees) were to move into the new Defense Finance and Accounting Service operations building that is scheduled to be completed in January 1999 (the Columbus Office of the Inspector General, DoD, has since been reduced to 23 employees),

- o 182 (employees of various organizations) are already in adequate space at Columbus Supply and are unlikely to move, and

- o 28 (Defense Information Systems Agency Columbus Regional Control Center employees) already have space assigned in the new operations center.

Renovation of Operations Space

Therefore, the space in the new operations center that will not be occupied by the 590 personnel will be available for the occupants proposed for section 5 of building 12.

We discussed with Defense Logistics Agency officials the option of not renovating section 5 of building 12. The officials stated that the occupants proposed for section 5 will need to move before the Columbus Supply staff reduction is completed and before space is available for them in the new operations center. The officials stated that the staff reduction may not be completed until 2001. The Defense Logistics Agency officials also stated that many Federal offices in leased spaces in the Columbus area are interested in moving to Columbus Supply, and that the renovated space in section 5 could be used by those offices after the original occupants move to the new operations center. We believe that occupants proposed for section 5 remaining in their present locations until space becomes available in the new operations center would be more economical than renovating section 5. Additionally, renovating section 5 of building 12 so that other Federal offices can relocate to Columbus Supply cannot be funded with BRAC money. Section 2905 of Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, states that military construction funds from the Defense Base Closure Account should be used only for facility construction or renovation actions that may be necessary to close or realign a military installation.

Present Locations of Occupants Proposed for Section 5. The occupants proposed for section 5 of building 12 are occupying space that is not affected by the realignment of Electronics Supply to Columbus Supply. The Defense Information Systems Agency Columbus Regional Control Center (100 employees) is in Columbus Supply buildings 23 and 27. The Columbus Supply Office of Health and Safety (11 employees) is in Columbus Supply building 48, and the Defense Logistics Agency Civilian Personnel Support Office (107 employees) is in leased commercial space. The Defense Logistics Agency plans to reclassify building 27 as an "industrial zone" after it is vacated. Buildings 23 and 48 will continue to be used as administrative space.

Remain in Present Locations. The present locations contain enough space for the occupants proposed for section 5 of building 12 to remain in until space becomes available for them in the new operations center. Of the three occupants proposed for section 5, two are in Columbus Supply buildings and the third proposed occupant, the Defense Logistics Agency Civilian Personnel Support Office, is in leased commercial space. The Defense Logistics Agency projected that the Civilian Personnel Support Office would move into section 5 of building 12 during April through June 1997. As of May 14, 1996, the annual rental rate for the leased space occupied by the Civilian Personnel Support Office was \$354,000. Even if the Civilian Personnel Support Office is required to remain in leased space until 2001, the year that Columbus Supply estimates that its employee reductions will be completed and space will be available in the new operations center, the additional lease expense from

July 1997 to January 2001 will be approximately \$1.3 million. The \$1.3 million is about \$700,000 less than the \$2 million cost the Defense Logistics Agency estimated for renovating section 5 of building 12.

Estimated Unit Costs

The Defense Logistics Agency based the original unit cost estimates for project 93-114.1 on 1993 cost data. For the DD Form 1391 submitted in September 1995, the Defense Logistics Agency increased the estimated unit costs for the renovation of building 12 by an unsupported amount, even though the cost estimates were already adjusted for inflation and included a 10-percent contingency factor. The unsupported increases total \$247,279.

A Defense Logistics Agency engineer at Columbus Supply stated that he increased the unit cost estimates for renovating building 12 to be assured of having enough money budgeted in case actual costs were higher than anticipated. The engineer stated that he was aware that a 10-percent contingency factor was already included in the cost estimates. However, he wanted additional assurance of staying within budget because the estimating process is difficult. We agree that the cost estimating process is difficult. However, because the Defense Logistics Agency engineer did not use a verifiable source or document the methodology followed to support the increases he made to the cost estimates, we were unable to validate the estimates.

The Defense Logistics Agency should submit a revised DD Form 1391 for project 93-114.1 that includes valid renovation requirements and supportable cost estimates for building 12. The revised DD Form 1391 should not include the requirement and estimated costs of \$2 million to renovate section 5 of building 12. Because of the unsupported space requirement and unsupported cost estimates for the project, the Under Secretary of Defense (Comptroller) should place the funds for project 93-114.1, except for the \$1,064,900 already awarded to renovate building 11, on administrative withhold until the Defense Logistics Agency submits a revised DD Form 1391 that accurately reflects requirements and estimated costs to renovate building 12.

Recommendations, Management Comments, and Audit Response

Revised Recommendation. As a result of management comments, we revised Recommendation 2. to change the cost estimate to renovate section 5 of building 12 from \$2.8 million to \$2 million.

1. We recommend that the Under Secretary of Defense (Comptroller) place the funds for project 93-114.1, "Renovate Operations Space," on administrative withhold, except for the \$1,064,900 already awarded to renovate building 11, until the Defense Logistics Agency submits a revised DD Form 1391, "FY 1996 Military Construction Project Data," that accurately reflects requirements and estimated costs to renovate building 12.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) generally agreed with the recommendation and will place the funding for the project on administrative withhold pending audit resolution. Further, the Under Secretary will reprogram any monetary benefits resulting from the audit to other BRAC requirements as appropriate.

2. We recommend that the Director, Defense Logistics Agency, revise budget estimates, prepare an economic analysis, and submit a revised DD Form 1391, "FY 1996 Military Construction Project Data," that reflects valid renovation requirements and estimated costs. The revised DD Form 1391 should not include the requirement and estimated costs of \$2 million to renovate section 5 of building 12.

Defense Logistics Agency Comments. The Defense Logistics Agency partially concurred, stating that it would revise the DD Form 1391 to reflect current working estimates to renovate building 12. The Defense Logistics Agency did not agree to eliminate the renovation of section 5 from the project. The Defense Logistics Agency stated it performed an economic analysis when it initiated the project that showed that renovating building 12 was cost effective. Also, the Defense Logistics Agency recently validated that the proposed renovation of section 5 of building 12 was more cost effective than remaining in leased space. The Defense Logistics Agency stated that the cost benefit for not renovating section 5 would be \$2 million, not \$2.8 million as stated in the draft report, and that it would cost \$106,500 to redesign the renovations to section 6 if the renovation of section 5 is eliminated from the project. Additionally, the Defense Logistics Agency stated that our cost estimate is not wholly accurate because we did not consider additional support costs to continue to use leased space and additional repairs to existing space for the tenants in building 27. Further, our estimate did not consider which alternative provided the greatest net benefit to the Government.

Audit Response. As a result of the Defense Logistics Agency comments, we revised the recommendation to state that the estimated cost to renovate section 5 of building 12 is \$2 million. We do not agree that renovating section 5 of building 12 is more cost effective than remaining in leased space. The economic analysis that the Defense Logistics Agency prepared when it initiated the project has little relevance to the current project. The economic analysis was based on the recommendations of the 1993 Commission and included the renovation of sections 1 through 7 of building 12. A subsequent economic analysis included sections 3 through 7. The current project is based on the recommendations of the 1995 Commission and includes only the renovation of sections 5 and 6. The Defense Logistics Agency did not perform an economic analysis to determine whether renovating sections 5 and 6 was the most cost-effective alternative before submitting the revised DD Form 1391 for the project in September 1995. Additionally, we do not know the methodology the Defense Logistics Agency used in determining that renovating section 5 is more cost effective than remaining in commercial leased space. Even with the Defense Logistics Agency new estimate that the cost to renovate section 5 is \$2 million and that the additional design cost is \$106,500, the net monetary benefit of not renovating section 5 would be about \$600,000 if the Civilian Personnel Support Office is unable to move into the new operations center until January 2001. The monetary benefits would be at least \$2 million if the move took place by July 1997.

The Defense Logistics Agency is correct that we did not include support and repair costs in our cost estimates. We are not aware of any support costs to remain in leased space that would not also be incurred in Government-owned space or of any repairs that are needed in building 27 to allow tenants to remain there until they can move into the new operations center. The Defense Logistics Agency did not mention those costs during the audit or identify the costs in its comments on the draft audit report.

We request that the Defense Logistics Agency reconsider its position on renovating section 5 of building 12 and provide additional comments in response to the final report.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request, economic analysis, and supporting documentation for space requirements for one realignment project regarding the closure of the Defense Electronics Supply Center (Electronics Supply), Dayton, Ohio and realignment to the Defense Supply Center Columbus, Ohio (Columbus Supply). Project 93-114.1, "Renovate Operations Space." The project is estimated to cost \$7 million.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from February through April 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix E lists the organizations visited or contacted during the audit.

Appendix B. Summary of Prior Audits and Other Reviews

Since 1991, numerous audit reports have addressed DoD BRAC issues. This appendix lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Inspector General, DoD

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-199	Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Distribution Depot Columbus, Ohio	July 25, 1996
96-191	Defense Base Realignment and Closure Budget Data for the Relocation of the Carrier Air Wings From Naval Air Station Miramar, California, to Naval Air Station Lemoore, California	July 3, 1996
96-171	Defense Base Realignment and Closure Budget Data for Realigning the Office of the Judge Advocate General and the Naval Facilities Engineering Command to the Washington Navy Yard	June 21, 1996
96-170	Defense Base Realignment and Closure Budget Data for the Realignment of Five Navy Activities From Leased Space in Arlington, Virginia, to the Naval Security Station, Washington, D.C.	June 19, 1996
96-166	Defense Base Realignment and Closure Budget Data for the Closure of Lowry Air Force Base, Colorado, and Realignment to Sheppard Air Force Base, Texas	June 18, 1996
96-165	Defense Base Realignment and Closure Budget Data for the Construction of the Hazardous Material Storage Addition to Warehouse 28 at Defense Distribution Region West Tracy, California	June 17, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-158	Defense Base Realignment and Closure Budget Data for the Redirect of the 726th Air Control Squadron From Shaw Air Force Base, South Carolina, to Mountain Home Air Force Base, Idaho	June 11, 1996
96-154	Defense Base Realignment and Closure Budget Data for the Realignment of the National Airborne Operations Center to Wright-Patterson Air Force Base, Ohio	June 10, 1996
96-147	Defense Base Realignment and Closure Budget Data for the Closure of Naval Training Center Orlando, Florida, and Realignment of Maintenance and Storage Facilities to Taft U.S. Army Reserve Center, Orlando, Florida	June 6, 1996
96-144	Defense Base Realignment and Closure Budget Data for the Realignment of Grissom Air Reserve Base, Indiana	June 6, 1996
96-142	Defense Base Realignment and Closure Budget Data for the Closure of Bergstrom Air Reserve Base, Texas, and Realignment of the 10th Air Force Headquarters to Naval Air Station Fort Worth, Joint Reserve Base, Texas	June 5, 1996
96-139	Defense Base Realignment and Closure Budget Data for the Closure of Griffiss Air Force Base and Realignment of Rome Laboratory and Northeast Air Defense Sector, Rome, New York	June 3, 1996
96-137	Defense Base Realignment and Closure Budget Data for the Realignment of March Air Force Base, Riverside, California	May 31, 1996
96-136	Defense Base Realignment and Closure Budget Data for the Closure of Gentile Air Force Station, Dayton, Ohio, and Realignment of Defense Logistics Agency Components to Wright-Patterson Air Force Base, Ohio	May 31, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-135	Defense Base Realignment and Closure Budget Data for the Fleet Anti-Submarine Warfare Training Center Pacific, San Diego, California	May 30, 1996
96-131	Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard	May 28, 1996
96-128	Defense Base Realignment and Closure Budget Data for the Naval Training Center Great Lakes, Illinois	May 24, 1996
96-127	Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignments to Stewart Air National Guard Base, New York	May 23, 1996
96-126	Defense Base Realignment and Closure Budget Data for the Realignment of Rickenbacker Air National Guard Base, Ohio	May 21, 1996
96-122	Defense Base Realignment and Closure Budget Data for the Realignment of the Air Education and Training Command at Vandenberg Air Force Base, California	May 17, 1996
96-119	Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin	May 14, 1996
96-118	Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina	May 13, 1996
96-116	Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah	May 10, 1996

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD (cont'd)

<u>Report No.</u>	<u>Report Title</u>	<u>Date</u>
96-112	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida	May 7, 1996
96-110	Defense Base Realignment and Closure Budget Data for the Realignment of the 301st Rescue Squadron, Air Force Reserve, From Homestead Air Force Base, Florida, to Patrick Air Force Base, Florida	May 7, 1996
96-108	Defense Base Realignment and Closure Budget Data for the Naval Shipyard, Philadelphia, Pennsylvania	May 6, 1996
96-104	Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island	April 26, 1996
96-101	Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington	April 26, 1996
96-093	Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996	April 3, 1996
94-040	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for FYs 1993 and 1994	February 14, 1994
93-100	Summary Report on the Audit of Defense Base Closure and Realignment Budget Data for Fiscal Years 1992 and 1993	May 25, 1993

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each BRAC MILCON project. Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. Also, we reviewed those FYs 1995 and 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Appendix D. Project Identified as Partially Valid

Table D-1. Causes of Invalid Projects

<u>Project Location</u>	<u>Project Number</u>	<u>Causes of Partially Valid Project</u>	
		<u>Overstated</u>	<u>Unsupported</u>
Defense Supply Center Columbus, Ohio	93-114.1		X

Table D-2. Recommended Changes in Project Estimates

<u>Project Location</u>	<u>Project Number</u>	<u>Amount of Estimate on DD Form 1391 (thousands)</u>	<u>Recommended Amount of Change</u>
			<u>Partially Valid Project (thousands)</u>
Defense Supply Center Columbus, Ohio	93-114.1	<u>\$6,950</u>	<u>\$2,000</u>
Total		\$6,950	\$2,000
Total Partially Valid Project			\$2,000

Appendix E. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC

Department of the Army

U.S Army Engineer District, Louisville, KY

Other Defense Organizations

Defense Logistics Agency, Fort Belvoir, VA
Defense Electronics Supply Center Dayton, OH
Defense Supply Center Columbus, OH

Appendix F. Report Distribution

Office of the Secretary of Defense

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

Department of the Army

Commander, U.S. Army Corps of Engineers
 Commander, U.S. Army Engineer District, Louisville
Auditor General, Department of the Army

Department of the Navy

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

Department of the Air Force

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

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
 Commander, Defense Electronics Supply Center
 Commander, Defense Supply Center Columbus
Director, National Security Agency
 Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Appendix F. Report Distribution

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

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

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER
(Program/Budget)

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



July 30, 1996

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Audit Report Defense Base Realignment and Closure Budget Data for Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment to Defense Supply Center Columbus, Ohio (Project No. 6CG-5001.49)

This responds to your June 18, 1996, memorandum requesting our comments on the subject report.

The audit states that the Defense Logistics Agency (DLA) may have overstated requirements and costs for project, 93-114.1, "Renovate Operations Space Building 12" associated with the realignment of Defense Electronics Supply Center Dayton, Ohio, to Defense Supply Center, Columbus, Ohio. The audit contends this occurred because DLA could not support unit cost estimates or document the methodology used to determine the estimates and did not consider existing space to satisfy the requirement.

The audit recommends that the USD(Comptroller) place the funds for project 93-114.1 on administrative withhold until DLA submits a revised DD 1391 form to accurately reflect project requirement and cost.

We generally agree with the audit findings and recommendations; however, since DLA has not officially commented on the report and the amount of the savings is in dispute, we will place the funding for the project on administrative withhold pending audit resolution. Also, we will reprogram any savings resulting from the audit to other BRAC requirements as appropriate.

B. R. Paseur
Director for Construction

Defense Logistics Agency Comments



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

IN REPLY
REFER TO

DDAI

18 July 1996

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

SUBJECT: DoDIG Draft Report on Defense Base Realignment and Closure Budget Data for
the Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment
To Defense Supply Center Columbus, Ohio (Project No. 6CG-5011.49)

This is in response to subject draft report dated June 18, 1996. If you have any questions,
please contact Emilia Snider at (703) 767-6268.


JACQUELINE G. BRYANT
Chief, Internal Review Office

Encl

Defense Logistics Agency Comments

Final Report Reference

SUBJECT: OIG Draft Audit Report, Defense Base Realignment and Closure Budget Data for the Closure of Defense Electronics Supply Center Dayton, Ohio, and Realignment to Defense Supply Center Columbus, Ohio (Project No. 6CG-5001.49)

RECOMMENDATION 2: We recommend that the Director, Defense Logistics Agency, revise budget estimates and submit a revised DD Form 1391, "FY 1996 Military Construction Project Data," that reflects valid renovation requirements and estimated costs. The revised DD Form 1391 should not include the requirement and estimated costs of \$2.8 million to renovate section 5 of building 12.

DLA COMMENTS:

Partially concur. DLA will revise the DD Form 1391 to reflect the current working estimates for Building 12. DLA does not, however, agree with the audit recommendation to eliminate the renovation of Building 12, Bay 5.

The initial decision to renovate space in Building 12 was supported by an economic analysis indicating it was the most cost effective. Based simply on the cost associated with the lease of commercial space and leaving tenants where they are, as proposed by the audit, it appears there is a cost savings. However, two issues were not considered in the audit results and could influence the audit recommendation:

- additional support costs to continue to use commercially leased space;
- additional repairs to existing administrative space for the tenants in Building 27.

The cost estimate in the audit is not wholly accurate. It considers only the cost to maintain the commercial lease and not additional recurring costs. It also does not consider which alternative provides the greatest net benefit to the Government.

DLA recently validated the economic analysis on retaining commercial leased space vs renovating Bay 5. We used a cost avoidance estimate of \$2.035 million (the cost of Bay 5 renovation; not \$2.8 million) and included \$106,500 for the redesign of Bay 6 only. Using the OMB Circular A-94 discount rate of 2.7%, it is more cost effective to renovate Bay 5 than remain in commercial leased space. Even using the nominal discount rate of 5.5%, renovation clearly remains the preferred alternative.

DISPOSITION:

- (x) Action is ongoing. ECD: July 31, 1996 for revised DD Form 1391
() Action is considered complete.

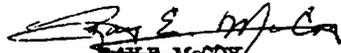
ACTION OFFICER: Thomas Karst, MMBIP, (703)767-3554

REVIEW: Colonel Richard L. Freeman, MMBI, (703)767-3549, July 10, 1996

APPROVAL: Frederick N. Baillie, Executive Director, Business Management (MMB), (703) 767-3600, July 16, 1996

COORDINATION: *John D. DAI, 17 July 96*

DLA APPROVAL:


RAY E. MCCOY
Major General, USA
Principal Deputy Director

Revised

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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