

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE REALIGNMENT OF
FOUR NAVY ACTIVITIES FROM LEASED
SPACE IN ARLINGTON, VIRGINIA, TO THE
NAVAL SECURITY STATION, WASHINGTON, DC**

Report No. 97-115

March 28, 1997

Department of Defense

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Acronyms

| | |
|------------|-----------------------------------|
| BRAC | Base Realignment and Closure |
| MILCON | Military Construction |
| SECNAVINST | Secretary of the Navy Instruction |



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



March 28, 1997

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for
the Realignment of Four Navy Activities From Leased Space in Arlington,
Virginia, to the Naval Security Station, Washington, D.C.
(Report No. 97-115)

We are providing this audit report for your review and comment. This report is
one in a series about FY 1997 Defense base realignment and closure military
construction costs.

DoD Directive 7650.3 requires that all recommendations and potential monetary
benefits be resolved promptly. The Navy comments on the recommendation did not
provide the needed information, and we request that the Navy provide additional
comments as described at the end of the finding. Comments on the final report should
be received by April 28, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the
audit should be directed to Ms. Kimberley A. Caprio, Audit Program Director, at
(703) 604-9210 (DSN 664-9210) (KCaprio@DODIG.OSD.MIL) or Mr. Kent E. Shaw,
Audit Project Manager, at (703) 604-9228 (DSN 664-9228)
(KShaw@DODIG.OSD.MIL). See Appendix E for the report distribution. The audit
team members are listed inside the back cover.

David Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-115

March 28, 1997

Project No. 7CG-5002.12

Defense Base Realignment and Closure Budget Data for the Realignment of Four Navy Activities From Leased Space in Arlington, Virginia, to the Naval Security Station, Washington, D.C.

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. This is a followup audit of project P-003T based on availability of new documentation. Report No. 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 gives the details of the prior audit.

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, valued at \$14.58 million, for the realignment of four Navy activities from leased space in Arlington, Virginia, to an existing facility at the Naval Security Station, Washington, D.C. Those activities are the Strategic Systems Programs Office, the International Programs Office, the Office of Civilian Personnel Management, and the Naval Center for Cost Analysis. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective. The management control program objective will be discussed in a summary report on FY 1997 Defense base realignment and closure military construction budget data.

Audit Results. The Navy's Strategic Systems Programs Office overstated the base realignment and closure military construction requirement for project P-003T, "Security Facility Upgrade," at the Naval Security Station, Washington, D.C. The project is scheduled to use FY 1997 funds and was in the FY 1997 budget submission. As a result, the Navy had an unsupported base realignment and closure requirement of \$622,955.

See Part I for a discussion of the audit results. See Appendix C for a summary of invalid and partially valid requirements for the project we reviewed and Appendix D for a summary of the potential benefits resulting from the audit.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) reduce the funding for project P-003T by \$622,955.

Management Comments. The Navy nonconcurred with the report recommendation. The Navy stated that the Strategic Systems Program Office mission dictates higher grade employees than average commands, resulting in increased area requirements. Thus, the Navy can use a detailed analysis of the mission requirements for space requirements. See Part I for a summary of management comments and Part III for the complete text of management comments.

Audit Response. We reviewed the Navy analysis and determined that it did not have the proper detail required by Secretary of the Navy Instruction 5910.7A. Consequently, we believe that our method of calculation for mission requirement is still valid. We request the Assistant Secretary of the Navy (Installations and Environment) provide additional comments by April 28, 1997.

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Part I - Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing audits of the Defense base realignment and closure (BRAC) process. This report is one in a series about FY 1997 BRAC military construction (MILCON) costs. We performed a prior audit of project P-003T, "Security Facility Upgrades." For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix B. See Appendix C for a summary of invalid and 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 project P-003T, valued at \$14.58 million, for the relocation of four Navy activities from leased space in the National Capital Region to government-owned space at the Naval Security Station, Washington, D.C. See Appendix A for a discussion of the scope and methodology. The management control program will be discussed in a summary report on FYs 1997 and 1998 BRAC MILCON budget data.

Security Facility Upgrades

The Strategic Systems Programs Office overstated the BRAC MILCON requirements for project P-003T, at Naval Security Station, Washington D.C. The overstatement occurred because the Strategic Systems Programs Office did not follow the Secretary of the Navy Instruction (SECNAVINST) 5910.7A, "Space and Facilities Management Procedures, National Capital Region (NCR)," April 22, 1993, when preparing their estimated costs. As a result, the Navy overstated costs for project P-003T by about \$622,955.

Project Background

In November 1993, the Strategic Systems Programs Office assumed host responsibilities for the Naval Security Station at 3801 Nebraska Avenue, N.W., Washington, D.C. Subsequently, the Strategic Systems Programs Office initiated project P-003T, valued at \$14.58 million, for the realignment of the four Navy activities, to the Naval Security Station. The Strategic Systems Programs Office, as host activity, is responsible for developing and documenting facility requirements for project P-003T. The Naval Facilities Engineering Command is responsible for reviewing the DD Form 1391, "FY 1997 Military Construction Project Data," May 20, 1996 to ensure that project planning documents are complete, accurate, and sufficient to allow for facility design to proceed.

We conducted a prior audit on project P-003T¹, which concluded that the Navy planning officials did not adequately document the project. We recommended that the Commander, Naval Facilities Engineering Command, suspend facility design until documents for the space requirements for project P-003T are complete, accurate, and sufficient, and that the Under Secretary of Defense (Comptroller) place project P-003T on administrative withhold until the Navy accurately documents the space requirements. We also recommended that the Director, Strategic Systems Program Office, document space requirements and submit a revised DD Form 1391 reflecting valid BRAC requirements and costs for the project. The Assistant Secretary of the Navy (Installations and Environment) and the Under Secretary of Defense (Comptroller) concurred with the report's recommendations.

Subsequently, the Strategic Systems Programs Office revised DD Form 1391 and supporting documentation. The Assistant Secretary of the Navy (Installations and Environment) decided that the Naval Audit Service would not relocate to the Naval Security Station as initially planned. Now, only four activities will relocate to the Naval Security Station.

¹ Report No. 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.

Navy Space Requirement Criteria

SECNAVINST 5910.7A prescribes space allocation criteria for all Navy organizations that occupy government-owned or commercial space in the National Capital Region. The instruction contains criteria for estimating office space requirements based on the number of personnel and their grades, ranks, or positions.

The instruction prescribes a maximum average of 125 square feet per government employee of all job descriptions. The instruction also limits office support space to 22 percent of the primary office space requirements. Therefore, using this criteria, space requirements for project P-003T are limited to 153 square feet per employee (125 square feet times 122 percent).

Determination of Net Space Requirement

The Strategic Systems Programs Office identified 819 employees that were to be moved to the new building. However, the Strategic Systems Programs Office estimated its space requirements to be 165 square feet per employee. Therefore, the Strategic Systems Programs Office requested net area of 135,496 square feet. The Strategic Systems Programs Office did not follow the SECNAVINST 5910.7A, when allocating maximum net square feet to the transferring activities because additional office space was mistakenly added.

Using 153 square feet per billet for the net office space, we determined that the maximum net office space allowed is 125,307 square feet. Thus, the Strategic Systems Programs Office exceeded net office space by 10,189 square feet. Using the Navy cost estimate of \$61.14 per square foot, we determined that the Navy overstated the cost estimate by \$622,955. The table illustrates overstatement of space and cost requirements for project P-003T.

| Overstatement of Space and Cost Requirements | | | |
|---|-----------------------------|-----------------------------|---------------------------------------|
| | Navy Calculation | Space Authorized | Overstatement Requirements |
| Number of employees | 819 | 819 | 819 |
| Times square-feet per employee | <u>165.44</u> | <u>153.0</u> | <u>12.44</u> |
| Total office space | 135,496 | 125,307 | 10,189 |
| Times cost per square foot | <u>\$61.14</u> | <u>\$61.14</u> | <u>\$61.14</u> |
| Total net cost | \$8,284,225 | \$7,661,270 | \$622,955 |

Conclusion

The Strategic Systems Programs Office did not follow the SECNAVINST 5910.7A and overstated the space requirement for project P-003T. The Under Secretary of Defense (Comptroller) should reduce funding for project P-003T by \$622,955.

Recommendations for Corrective Action

1. We recommend that the Under Secretary of Defense (Comptroller) reduce FY 1997 military construction authorization for project P-003T by \$622,955.

Navy Comments. The Assistant Secretary of the Navy (Installations and Environment) nonconcurrent stating that the Secretary of the Navy Instruction 5910.7A recognizes that some organizations may be able to demonstrate a valid requirement for a greater overall area and recommends that space requirements be documented in detail. The Strategic Systems Program Office mission dictates higher grade employees than average commands, resulting in increased area requirements. Thus, the Navy used a detailed analysis of the mission requirements for space requirements, instead of maximum area allowed per the instruction.

Security Facility Upgrades

Audit Response. We agree that the SECNAVINST 5910.7A states that some organizations may be able to demonstrate a valid requirement for a greater overall area if space requirements are documented in detail. However, the Navy did not document the unit equipment space requirement in detail because the Navy analysis does not list the type and size of unit equipment being allocated. In addition, the Navy analysis includes some unauthorized spaces, for example employee coffee messes, a projection room, and a museum. We believe that our estimate is still valid because the Navy documentation does not provide sufficient support for the additional space and includes requirements not authorized by SECNAVINST 5910.7A. We request that the Navy reconsider its position and provide comments on 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 and supporting documentation for space requirements for one project regarding the realignment of the Strategic Systems Program Office, the International Programs Office, the Office of Civilian Personnel Management, the Naval Audit Service, and the Naval Center for Cost Analysis to an existing facility at the Naval Security Station, Washington, D.C. Project P-003T, "Security Facility Upgrades," is estimated to cost \$14.58 million.

Prior Audit and Other Reviews. Three summary reports have been issued for the audits of BRAC budget data for FYs 1992 through 1996. These reports list individual projects. Since April 1996, numerous additional audit reports have been issued that address DoD BRAC budget data for FYs 1997 and 1998. Details on these reports are available upon request.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from October through December 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.

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

Appendix B. Background of Defense Base Realignment and Closure

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 also 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 individual 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.

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 individual 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.

Appendix B. Background of Defense Base Realignment and Closure

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. We also reviewed those FY 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 C. Projects Identified as Invalid or Partially Valid

Table C-1. Causes of Invalid or Partially Valid Projects

| <u>Project Location</u> | <u>Project Number</u> | <u>Causes of Invalid Projects</u> | | <u>Causes of Partially Valid Projects</u> | |
|-------------------------|-----------------------|-----------------------------------|--------------------|---|--------------------|
| | | <u>Overstated</u> | <u>Unsupported</u> | <u>Overstated</u> | <u>Unsupported</u> |
| Naval Security Station | P-003T | | | | X |

Table C-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>Invalid Projects (thousands)</u> | <u>Partially Valid Projects (thousands)</u> |
| Naval Security Station | P-003T | <u>\$14,580</u> | | <u>\$622.95</u> |
| Total | | \$14,580 | | \$622.95 |

Total Invalid and Partially Valid Projects

\$622.95

Appendix D. Summary of Potential Benefits Resulting From Audit

| Recommendation Reference | Description of Benefit | Amount of Benefit |
|--------------------------|---|--|
| 1. | Economy and Efficiency. Avoids inappropriate expenditures of BRAC MILCON funds. | FY 1997 Base Closure Account funds of \$622,955 put to better use. |

Appendix E. Report Distribution

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 Director, Defense Logistics Studies Information Exchange
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Assistant Secretary of the Navy (Financial Management and Comptroller)
Deputy Chief of Naval Operations (Logistics)
Director, Strategic Systems Program Office
Commander, Naval Facilities Engineering Command
 Commander, Engineering Field Activity-Chesapeake
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Appendix E. Report Distribution

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Technical Information Center, National Security and International Affairs Division,
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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

Honorable Pete Sessions, U.S. House of Representatives

Part III - Additional Information

Department of the Navy Comments



DEPARTMENT OF THE NAVY
THE ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

18 FEB 1997

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR
GENERAL FOR AUDITING

SUBJECT: DODIG Draft of a Proposed Audit Report on Defense Base
Realignment and Closure Budget Data for the Realignment
of Four Navy Activities From Leased Space in Arlington,
Virginia, to the Naval Security Station, Washington,
D.C. (Project 7CG-5002.12)

I am responding to the draft audit report concerning base realignment and closure budget data for the realignment of four Navy activities from leased space in Arlington, Virginia to the Naval Security Station, Washington, D.C. The Department of the Navy response is provided at Attachment 1. We do not concur with draft audit recommendations for the reasons stated within.

A handwritten signature in black ink, appearing to read "Duncan Holaday".

Duncan Holaday
Deputy Assistant Secretary
(Installation and Facilities)

Attachments:

1. DON Response to DODIG Draft Audit Report

Copy to:

ASN(FMB)
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NAVINGEN (02)
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DEPARTMENT OF NAVY RESPONSE
TO
DODIG DRAFT OF A PROPOSED AUDIT REPORT
ON
DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR THE
REALIGNMENT OF FOUR NAVY ACTIVITIES FROM LEASED SPACE IN
ARLINGTON, VIRGINIA TO THE NAVAL SECURITY STATION, WASHINGTON, D.C.
(Project 7CG-5002.12)

Recommendation 1: We recommend that the Under Secretary of Defense (Comptroller) reduce FY 1997 military construction authorization for project P-003T by \$622,995.

Department of the Navy Response: Do not concur.

Both Navy and DODIG agree that the future budget supports 819 personnel for the four commands relocating to Nebraska Avenue. We disagree on the net square feet (NSF) of office space required to support the personnel and functions of these commands.

DODIG Interpretation:

DODIG derives its determination of net office space requirement from application of an average space criteria contained in SECNAVINST 5910.7A. DODIG interpretation of the instruction allows a maximum of 153 NSF per person. This is based on an allowance of 125 NSF per person under paragraph 6.a, and an additional allowance of 22 percent (28 NSF) under paragraph 6.b for support areas. Multiplying the NSF per person (153) by the number of people (819) results in a total requirement of **125,307 NSF**.

Navy Analysis:

The instruction recognizes that "some organizations may be able to demonstrate a valid requirement for a greater overall area," paragraph 6.b and recommends that space requirements be documented in detail. The Engineering Field Activity (EFA) Chesapeake performed a detailed review of the basic facility requirement for this facility. The detailed analysis of space requirements, based on number of personnel, grade, and functions, resulted in a requirement of **151,231 NSF**. The Strategic Systems Program Office's (SSP) mission dictates higher grade employees than average commands, resulting in increased area requirements.

SSP and EFA Chesapeake are incorporating the functions of the four commands into existing facilities. The current design incorporates the most efficient adaptation of an existing facility resulting in a figure of **135,496 NSF**. This design is within standards and is adequate for the four commands to carry out their respective missions.

Audit Team Members

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

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