# Audit Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR NAVAL AIR STATIONS DALLAS, TEXAS, AND MEMPHIS, TENNESSEE, REALIGNING TO CARSWELL AIR RESERVE BASE, TEXAS**

Report No. 94-141 June 17, 1994

**Department of Defense**

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**Acronyms**

| | |
|---|---|
| BRAC | Base Realignment and Closure |
| COBRA | Cost of Base Realignment Actions |
| MILCON | Military Construction |
| NAS | Naval Air Station |
| NAVFAC | Naval Facilities Engineering Command |

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

June 17, 1994

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

SUBJECT: Defense Base Realignment and Closure Budget Data for Naval Air Stations Dallas, Texas, and Memphis, Tennessee, Realigning to Carswell Air Reserve Base, Texas (Report No. 94-141)

We are providing this report for your review and comments. This is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs. The report addresses the realignment of Naval Air Stations Dallas, Texas, and Memphis, Tennessee, to Carswell Air Reserve Base, Texas.

DoD Directive 7650.3 requires that all recommendations and monetary benefits be resolved promptly. The Navy did not provide comments to a draft of this report. Therefore, we redirected the recommendation to reduce and reprogram funding to the Comptroller of the Department of Defense. We request that the Navy and the Comptroller of the Department of Defense provide comments on the recommendations and the potential monetary benefits by July 18, 1994.

The courtesies extended to the audit staff are appreciated. If you have questions on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Thomas W. Smith, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). Appendix D lists the distribution of this report. The audit team members are listed inside the back cover.

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Deputy Assistant Inspector General
for Auditing

## Office of the Inspector General, DoD

**Report No. 94-141** **June 17, 1994**
(Project No. 4CG-5008.03)

# DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR NAVAL AIR STATIONS DALLAS, TEXAS, AND MEMPHIS, TENNESSEE, REALIGNING TO CARSWELL AIR RESERVE BASE, TEXAS

## EXECUTIVE SUMMARY


**Introduction.** 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 DoD requested for each military construction project associated with base realignment and closure does not exceed the original estimated cost provided to the Defense Base Closure and Realignment Commission (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 Inspector General, DoD, is required to review each 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 report is one in a series of reports about FYs 1994 and 1995 base realignment and closure military construction costs.

**Objectives.** The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data for the proposed projects. This report provides the results of the audit of 16 projects, valued at $122 million, for the realignment of the Naval Air Stations Memphis, Tennessee, and Dallas, Texas, to Carswell Air Reserve Base, Texas. The audit also reviewed the adequacy of management's implementation of the DoD Internal Management Control Program and applicable internal controls.

**Audit Results.** The Navy did not adequately support and document the facility requirements for the 16 FYs 1994 and 1995 military construction projects for the realignment of Naval Air Stations Dallas and Memphis to Carswell Air Reserve Base. As a result, the military construction cost estimate was not supported with valid base realignment and closure requirements and is questionable (Finding A).

The Fleet Logistics Support Squadron (VR) 59 requirement for a new maintenance hangar is no longer valid, because renovation of an existing hangar is possible. As a result, the base realignment and closure budget data for the Naval Air Station Dallas is overstated by at least $2.1 million (Finding B).

**Internal Controls.** Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in planning and programming requirements for base realignment and closure military construction projects. During the audit, the Commander, Naval Facilities Engineering Command, issued guidance establishing a requirement at all Naval Facilities Engineering Command field activities to validate Defense base realignment and closure military construction requirements and improve the budget estimating process. This policy, when fully implemented, should enhance controls over base realignment and closure project estimates and correct the

material internal control weaknesses at all Naval Facilities Engineering Command field activities. The Naval Reserve Force had not identified the material weaknesses related to base realignment and closure military construction requirements and had not effectively implemented the DoD Internal Management Control Program. See Part I for the internal controls reviewed and Finding A in Part II for details on the material internal control weaknesses identified.

**Potential Benefits of Audit.** Implementation of the recommendations will allow DoD to put to better use as much as $122 million of base realignment and closure military construction funds. Strengthening Navy internal controls will ensure the accuracy of budget estimates for military construction projects resulting from base realignments and closures and could result in additional monetary benefits. However, we could not quantify the additional amount. Appendix B summarizes the potential benefits resulting from audit.

**Summary of Recommendations.** We recommend that the Commander, Naval Reserve Force, implement internal control practices and revise and resubmit DD Forms 1391, "Military Construction Project Data," for the 16 projects to reflect the most cost-effective alternative for the realignment according to verified and documented requirements. We also recommend that the Comptroller of the Department of Defense suspend funding for 16 base realignment and closure military construction projects until all requirements are completed and validated. Further, we recommend that the Comptroller of the Department of Defense cancel funding of $2.1 million for project P-110T, "Maintenance Hangar," and suspend the remaining $2 million funding until the requirements have been determined and validated.

**Management Comments.** The Navy did not provide comments on a draft of this report. Therefore, we redirected to the Comptroller of the Department of Defense the recommendation to reduce and reprogram funding for the base closure and realignment projects. We request comments from the Comptroller of the Department of Defense and the Navy by July 18, 1994.

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

# Part I - Introduction

# Background

**Initial Recommendations of the 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. Using cost estimates provided by the Military Departments, the Commission recommended 59 base realignments and 86 base closures. On October 24, 1988, Congress passed, and the President signed, Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," which enacted the Commission's recommendations. Public Law 100-526 also establishes the DoD Base Closure Account to fund any necessary facility renovation or military construction (MILCON) projects associated with base realignments and closures (BRAC).

**Subsequent Commission Requirements and Recommendations.** Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. Public Law 101-510 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. The law also stipulated that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

The 1991 Commission recommended that 34 bases be closed and 48 bases be realigned, resulting in an estimated net savings of $2.3 billion during FYs 1992 through 1997, after a one-time cost of $4.1 billion. The 1993 Commission recommended closing 130 bases and realigning 45 bases, resulting in an estimated net savings of $3.8 billion during FYs 1994 through 1999, after a one-time cost of $7.4 billion.

**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 (COBRA). COBRA 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 DD Forms 1391, "FY 1994 Military Construction Project Data," for individual construction projects required to accomplish the realigning actions. COBRA 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.

**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 requests for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to 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. Also, Public Law 102-190 prescribes that the Inspector General, DoD, must evaluate significant increases in MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

**Commission Recommendation to Rename Carswell Air Reserve Base.** Based on the 1993 Commission recommendation, Naval Air Station (NAS) Dallas, Texas, is closing and realigning its functions to Carswell Air Reserve Base, Texas. In October 1994, the Navy is scheduled to assume host responsibilities at Carswell Air Reserve Base, and the base will be renamed the NAS Fort Worth Joint Reserve Base, combining assets from NAS Dallas; NAS Memphis, Tennessee; NAS Glenview, Illinois; and Carswell Air Reserve Base.

## Objectives

The overall audit objective was to determine the accuracy of Defense BRAC MILCON budget data. The specific objectives were to determine whether the proposed projects were valid BRAC requirements, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. The audit also evaluated the implementation of the DoD Internal Management Control Program and assessed the adequacy of applicable internal controls. This report provides the audit results of the review of 16 BRAC MILCON projects to support the realignment of NAS Dallas and NAS Memphis to Carswell Air Reserve Base.

## Scope and Methodology

**Limitations to Overall Audit Scope.** COBRA develops cost estimates as a BRAC package for a particular realigning or closing base and does not develop estimates by individual BRAC MILCON project. Therefore, we were unable to determine the amount of cost increases for each individual BRAC MILCON project.

**Overall Audit Selection Process.** We compared the total COBRA cost estimates for each BRAC package with the Military Departments' and the Defense Logistics Agency's FYs 1994 through 1999 BRAC MILCON $2.6 billion budget submission. We selected BRAC packages for which:

o the package had an increase of more than 10 percent from the total COBRA cost estimates to the current total package budget estimates or

o the submitted FYs 1994 and 1995 budget estimates were more than $21 million.

**Specific Audit Limitations for This Audit.** The closure of NAS Dallas resulted in the realignment of aircraft and dedicated personnel, equipment, and support services to Carswell Air Reserve Base. In addition, the closure of NAS Memphis resulted in the termination of the NAS Memphis flying mission and the relocation of its reserve squadrons to Carswell Air Reserve Base. Fifteen FYs 1994 and 1995 BRAC MILCON projects, valued at $118.3 million, are planned at Carswell Air Reserve Base for the NAS Dallas relocation. One FY 1995 BRAC MILCON project, valued at $3.7 million, is planned at Carswell Air Reserve Base for the NAS Memphis relocation. No additional BRAC MILCON projects are scheduled for implementation after FY 1995.

**Audit Standards and Locations.** This economy and efficiency audit was made from January through March 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of internal controls considered necessary. The audit did not rely on computer-processed data or statistical sampling procedures. Appendix C lists the organizations visited or contacted during the audit.

## Internal Controls

**Internal Controls Reviewed.** The audit reviewed internal controls over validating BRAC MILCON requirements for the 16 projects associated with the closure of NAS Dallas and the realignment of the flying mission from NAS Memphis to Carswell Air Reserve Base. Specifically, we reviewed Navy procedures for planning, programming, budgeting, and documenting the BRAC MILCON requirements for the realignment projects. We also reviewed management's Internal Management Control Program as it applies to the audit objectives.

**Internal Controls Weaknesses Identified.** The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Navy internal controls and the implementation of the DoD Internal Management Control Program were not effective because they did not prevent or identify material internal control weaknesses in the accuracy of the BRAC requirement for the 16 MILCON projects. We also examined the portion of the DoD Internal Management Control Program applicable to validating the accuracy of BRAC MILCON budget requirements. The program failed to prevent or detect the internal control weaknesses because BRAC funding was not an assessable unit. See Part II for a discussion of the 16 BRAC MILCON projects.

**Command Efforts to Improve Internal Controls.** In December 1993, the Commander, Naval Facilities Engineering Command (NAVFAC), issued guidance establishing a requirement at all NAVFAC field activities to validate BRAC MILCON requirements and improve the budget estimating process. NAVFAC field activities full implementation of the policy should enhance controls over BRAC project estimates because the policy provides for applying

the existing criteria to validate regular MILCON project requirements. Implementation of the DoD Internal Management Control Program will also be strengthened by including the validation of BRAC MILCON project requirements as an assessable unit. Because of the Commander, NAVFAC, efforts, we made no recommendations concerning internal controls to NAVFAC.

**Internal Controls Requiring Implementation.** The Commander, Naval Reserve Force, failed to identify the internal control weaknesses and has not effectively implemented the DoD Internal Management Control Program. Recommendations A.1.a. and A.1.b., if implemented, will correct the internal control weaknesses. We could not determine the monetary benefits that could be realized by implementing the recommendations concerning internal controls because the benefits will result from future decisions and future budget estimates. See Appendix B for the potential benefits resulting from the audit. A copy of the report will be provided to the senior official responsible for internal controls in the Department of the Navy.

## Prior Audits and Other Reviews

Since 1991, 45 audit reports have addressed DoD BRAC issues. Appendix A lists selected prior reports.

# Part II - Findings and Recommendations

# Finding A. Project Requirements Documentation

Navy planning officials did not adequately document the requirements for the 16 BRAC MILCON projects associated with the NAS Dallas and NAS Memphis realignment to Carswell Air Reserve Base. Requirements were not documented because the Navy planning officials did not comply with established Navy MILCON procedures for estimating and documenting facility requirements. As a result, 16 projects, valued at $122 million, were not supported by valid BRAC MILCON requirements and are questionable.

## Background

**Guidance for Planning and Documenting Requirements.** NAVFAC Instruction 11010.44E, "Shore Facilities Planning Manual," October 1990, describes the development of valid facility requirements as the foundation for the remaining phases of the planning process. The NAVFAC Instruction 11010.44E defines a requirement as what is needed according to an analysis of the organization's mission, workload, assigned tasks, and base loading. The instruction also provides that the "major claimant . . . ensure completeness and currency of project documentation throughout the planning and programming cycle."

**Guidance for Preparing an Economic Analysis.** In addition, the NAVFAC Instruction 11010.44E requires the military component preparing the DD Form 1391 to include an economic analysis with the preliminary project documentation when alternatives exist. The Comptroller of the Department of Defense issued an August 2, 1991, memorandum directing the Military Departments to prepare an economic analysis for all MILCON, major repairs, or renovation projects estimated to cost more than $2 million.

## Requirements Support and Documentation

To make a valid project estimate, BRAC MILCON planning officials must consider the functions to be accommodated, the space needed for each function, the number and organizational status of personnel, and the space requirement for equipment. The NAVFAC and NAS Dallas realignment planning officials did not adequately document the standard requirement factors and the methodology used to estimate the costs of the facility requirements for the realignment. Therefore, the facility requirements for the realignment and the proposed project cost could not be validated.

**Initial Projects Budget Submission.** The planning officials prepared and submitted the DD Forms 1391, "Military Construction Project Data," November 3, 1993, for FYs 1994 and 1995 to the Comptroller of the Navy for review by the Comptroller of the Department of Defense. The project requirements on the initial DD Forms 1391 were not documented or validated based on existing space requirements, personnel billets, and workload for the functions realigning to Carswell Air Reserve Base. The Comptroller of the Navy relied on the undocumented project requirements to support the budget submission.

**Preliminary Project Revisions.** After the initial DD Forms 1391 were included in the BRAC budget submission, NAVFAC awarded four architect and engineering contracts to develop the facility requirements. From December 1993 through March 1994, the DD Forms 1391 were revised for 13 of the 16 BRAC MILCON projects. Although the 13 revised DD Forms 1391 were prepared by the architect and engineering contractor, Navy planning officials have not approved the new requirements.

The 13 revised DD Forms 1391 contain extensive changes in the project requirements and estimated costs compared with the initial DD Forms 1391. Of the 13 revised BRAC MILCON projects, 9 had increases and 4 had decreases in project requirements and estimated costs; the remaining 3 projects of the total 16 were not completely reviewed by the architect and engineering contractor or revised as of April 1, 1994. Due to the extensive changes and the lack of supporting documentation on the initial DD Forms 1391, we could not compare the initial DD Forms 1391 project requirements to the revised DD Forms 1391.

**Example of a Revised DD Form 1391.** The initial DD Form 1391 for project P-105, "Community Facilities," was to renovate and repair existing buildings at a total cost of $385,000. The project did not identify the space requirement or the unit cost for the renovation. The revised DD Form 1391 listed the buildings to be renovated at a total cost of $3.56 million, but the revised DD Form 1391 also did not identify the space requirements or unit cost. We could not determine that the revisions consisted of any organization's mission, workload, assigned tasks, or base loading of funding to be assigned to the buildings.

Navy planning officials explained that the revised project estimates were not a concern, as long as the overall cost estimate did not exceed the initial approved budget estimate of $122 million for the realignment. However, when we compiled the results of revisions listed in Table 1, the overall cost estimate increased by $12.89 million.

Table 1 compares the 16 BRAC MILCON projects approved budget estimates and preliminary revised estimates.

**Table 1. Project Cost Estimates Have Increased for NAS Dallas and NAS Memphis**

| Closing NAS | Project | Project Name | Approved Budget Estimate (millions) | Preliminary Revised Estimate (millions) |
|---|---|---|---|---|
| Dallas | P-101T | Building Alterations and Additions | $ 11.70 | $ 8.90 |
| Dallas | P-102T | Aircraft Support Facility | 16.50 | 21.60 |
| Dallas | P-103T | Medical/Dental Clinic | 4.50 | 4.50[1] |
| Dallas | P-104T | Jet Engine Test Cell | 19.35 | 19.35[1] |
| Dallas | P-105T | Community Facilities | 0.39 | 3.56 |
| Dallas | P-106T | Administration/Supply Building Alterations | 4.35 | 4.50 |
| Dallas | P-107T | Aviation Facilities | 6.35 | 8.60 |
| Dallas | P-108T | Reserve Training Building | 25.50 | 19.90 |
| Dallas | P-109T | Base Upgrades | 5.35 | 13.60 |
| Dallas | P-110T | Maintenance Hangar | 4.10 | 2.00[2] |
| Dallas | P-120T | Community Support Building Alterations | 1.40 | 2.67 |
| Dallas | P-121T | Child Development Center | 2.05 | 2.01 |
| Dallas | P-122T | F-14 and F/A-18 Hangar | 12.05 | 15.50 |
| Dallas | P-123T | Training and Administrative Facilities Alterations | 3.40 | 3.55 |
| Memphis | P-131T | Support Hangar Renovations | 3.70 | 3.85 |
| Dallas | P-140T | Administrative and Supply Buildings | 1.30 | .79 |
| Total | | | $121.99 | $134.88 |

[1]New project requirements not revised as of March 1994. Approved budget estimate used.
[2]Project not revised by the architect and engineering contractor. Project was changed from new MILCON project to a renovation project. Estimate made by audit. See Finding B for details and recommendation.

## Adequacy of Internal Controls

**Requirement to Document Budget Estimates.** NAVFAC Instruction 11010.44E requires that major claimants (approving authorities) review MILCON project documentation to ensure that the projects forwarded by the requestor (user) are for valid requirements and that the documentation will justify and support the budget cost estimate. Justification should include documentation of the step-by-step process by which the project requirement and budget estimate were developed, and the justification should stand alone when reviewed by others.

**Project Requirements Reviewed.** We examined NAS Dallas and NAVFAC estimating procedures for the 16 BRAC MILCON projects. We determined that the planning officials did not prepare or retain documentation required by NAVFAC Instruction 11010.44E to justify the $122 million estimated project costs. The documentation reviewed did not adequately support the requirements or the rationale supporting the assumptions used in preparing the estimates. Because of the lack of supporting documentation, the $122 million could not be validated. Consequently, the FYs 1994 and 1995 budget submission may not accurately represent the cost of the projects.

**Internal Controls Being Implemented.** On December 14, 1993, The Commander, NAVFAC, issued a memorandum instructing all NAVFAC field activities to:

> identify BRAC Funding as a separate assessable unit for the current five-year Management Control Program. The vulnerability [risk] assessment should be a 'high' risk rating due to the nature of the program and the continuous processes evolving within the program.

This memorandum was issued after the planning officials submitted the BRAC projects for budget. Full implementation of this policy should improve the NAVFAC field activities' internal controls over validating and documenting BRAC project requirements.

**Needed Implementation of Internal Controls.** Neither the Commander, Naval Reserve Force (major claimant), nor the Commander, NAS Dallas (requestor), identified validation of BRAC MILCON as an assessable unit for the DoD Internal Management Control Program. Accordingly, the Commander, Naval Reserve Force, and the Commander, NAS Dallas, need to implement an Internal Management Control Program establishing BRAC MILCON as an assessable unit. Additionally, the Commander, Naval Reserve Force, and the Commander, NAS Dallas, need to implement procedures to ensure that BRAC MILCON projects are accurate and reliable and are derived from reliable and verifiable data and that cost estimates for BRAC MILCON projects are properly documented and auditable.

## Recommendations for Corrective Action

**Redirected Recommendation.** We redirected draft Recommendation 2. to the Comptroller of the Department of Defense to ensure that funds are properly suspended and reprogramed.

1. We recommend that the Commander, Naval Reserve Force:

a. Identify Naval reserve base realignment and closure military construction programs as an assessable unit in the Naval Reserve Internal Management Control Program.

b. Establish procedures to validate that DD Forms 1391, "Military Construction Project Data," are accurate and reliable and are derived from verifiable data and that cost estimates for base realignment and closure military construction projects are properly documented and auditable.

c. Revise and resubmit the FYs 1994 and 1995 DD Forms 1391, "Military Construction Project Data," for all projects to reflect the most cost-effective alternative for realignment according to verified and documented requirements, to include base loading.

2. We recommend that the Comptroller of the Department of Defense suspend and reprogram the funding for projects P-101T, P-102T, P-103T, P-104T, P-105T, P-106T, P-107T, P-108T, P-109T, P-110T, P-120T, P-121T, P-122T, P-123T, P-131T, and P-140T until requirements have been fully determined and validated.

## Management Comments

The Navy did not provide comments on a draft of this report. We request the Comptroller of the Department of Defense and the Navy provide comments on this final report.

# Finding B. C-9 Aircraft Hangar Project

Navy planning officials did not adjust the funding for BRAC MILCON project P-110T, "Maintenance Hangar," when the requirements changed from new construction to renovation. The funding was not adjusted because NAVFAC and NAS Dallas officials planned to use the funds to support other realignment projects at Carswell Air Reserve Base. As a result, the base realignment and closure budget data for NAS Dallas is overstated by at least $2.1 million on a project valued at $4.1 million.

## Change in Requirements

**Documentation Required When the Scope of a Project Changes.** NAVFAC Instruction 11010.44E requires that when the scope of the project changes and is greater than what is supported by the basic facilities requirement document, a partial facilities requirement plan and a revised project data sheet must be forwarded to NAVFAC.

**Initial Project Requirements.** Project P-110T was developed to construct a new maintenance hangar to support the realignment of the Fleet Logistics Support Squadron (VR) 59 from NAS Dallas. The squadron will relocate four Navy C-9B transport aircraft and associated support personnel to Carswell Air Reserve Base.

**Consideration of Existing Facilities.** An existing facility was not available at Carswell Air Reserve Base when the initial DD Form 1391 was prepared. However, after submitting the initial DD Form 1391, the city of Fort Worth gave up rights to a 188,000-square-foot aircraft hangar that was being transferred to the city by the Air Force.

## Adjustments in Funding

**Project Revisions.** When the hangar space became available, Navy officials agreed that renovation of the newly available hangar would provide a suitable facility for the Fleet Logistics Support Squadron (VR) 59. However, the funding for project P-110 to construct a hangar was not decreased to reflect the lower costs associated with a hangar renovation because Navy officials planned to use the funds to support other realignment projects at Carswell Air Reserve Base

**Revisions Resulting in Decreased Costs.** As shown in Table 2, the cost associated with renovating 36,340 square feet in the 188,000-square-foot hangar would be approximately $2 million. We calculated the cost by applying the estimates used by the contractor working with NAVFAC and NAS Dallas

personnel to develop the estimated cost to renovate 127,000 square feet of hangar space. The initial $4.1 million project cost estimate to construct a 36,000-square-foot hangar facility can be reduced $2.1 million, leaving sufficient funding for a hangar renovation project.

**Table 2. Hangar Renovation Costs Are Less Than Construction Costs**

| Description | Unit Cost | Quantity (square feet) | Total Cost |
|---|---|---|---|
| Hangar Bay Space | $ 5[1] | 16,968 | $ 84,840 |
| Crew and Equipment Space | 14[1] | 9,686 | 135,604 |
| Administrative Space | 16[1] | 9,686 | 154,976 |
| | Space Allocation (percent) | Contractor Cost Estimate | |
| Mechanical Costs | .28[2] | $ 359,700 | 100,716 |
| Plumbing Costs | .28[2] | 136,400 | 38,192 |
| Electrical Room Costs | .28[2] | 193,600 | 54,208 |
| Fire Protection Costs | .28[2] | 4,136,000 | 1,158,080 |
| Subtotal | | | $1,726,616 |
| Contingency Costs | .15[1] | 1,726,616 | 258,992 |
| Total Estimated Cost | | | $1,985,608 |

[1]Estimates used by the architecture and engineering contractor for overall renovation of the available hangar.
[2]Calculated by dividing the 36,340-square-foot requirement in the initial project P-110T DD Form 1391 by the 127,000 square feet total space to be renovated in the available hangar.

## Recommendation for Corrective Action

The Navy did not provide comments on a draft of this report. Therefore, we redirected to the Comptroller of the Department of Defense the draft recommendation to cancel and reprogram $2.1 million funding for project P-110T.

We recommend that the Comptroller of the Department of Defense cancel $2.1 million of funding for project P-110T and reprogram the $2.1 million to other supported and unfunded base realignment and closure projects.

## Management Comments

We request the Comptroller of the Department of Defense to provide comments on the final report.

# Part III - Additional Information

# Appendix A. Summary of Prior Audits and Other Reviews

## Inspector General, DoD

| Report No. | Report Title | Date |
|---|---|---|
| 94-127 | Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Compound in North Philadelphia, Pennsylvania | June 10, 1994 |
| 94-126 | Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Glenview, Illinois, and Realignment Projects at Fort McCoy, Wisconsin, and Carswell Air Reserve Base, Texas | June 10, 1994 |
| 94-125 | Defense Base Realignment and Closure Budget Data for the Naval Medical Center Portsmouth, Virginia | June 8, 1994 |
| 94-121 | Defense Base Realignment and Closure Budget Data for Naval Air Technical Training Center, Naval Air Station Pensacola, Florida | June 7, 1994 |
| 94-109 | Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for the Naval Training Center Great Lakes, Illinois | May 19, 1994 |
| 94-108 | Quick-Reaction Report on the Audit of Defense Base Realignment and Closure Budget Data for Naval Station Treasure Island, California | May 19, 1994 |
| 94-107 | Griffiss Air Force Base, New York, Defense Base Realignment and Closure Budget Data for Military Construction at Other Sites | May 19, 1994 |
| 94-105 | Defense Base Realignment and Closure Budget Data for a Tactical Support Center at Naval Air Station Whidbey Island, Washington | May 18, 1994 |

## Inspector General, DoD (cont'd)

| | | |
|---|---|---|
| 94-104 | Defense Base Realignment and Closure Budget Data for the Defense Contract Management District-West | May 18, 1994 |
| 94-103 | Air Force Reserve 301st Fighter Wing Covered Aircraft Washrack Project, Carswell Air Reserve Base, Texas | May 18, 1994 |
| 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 |

## Naval Audit Service

| | | |
|---|---|---|
| 023-S-94 | Military Construction Projects Budgeted and Programmed for Bases Identified for Closure or Realignment | January 14, 1994 |
| 023-C-93 | Implementation of the 1993 Base Closure and Realignment Process | March 15, 1993 |

# Appendix B. Summary of Potential Benefits Resulting From Audit

| Recommendation Reference | Description of Benefit | Amount and/or Type of Benefit |
|---|---|---|
| A.1.a. and A.1.b. | Internal Controls. Establishes BRAC MILCON projects as assessable units and establishes procedures to validate BRAC MILCON projects. | Undeterminable.[1] |
| A.1.c. | Economy and Efficiency. Revises and resubmits MILCON estimates based on established criteria. | Undeterminable.[1] |
| A.2. | Economy and Efficiency. Suspends funding for BRAC MILCON projects until requirements are completed and validated. | FYs 1994 and 1995 Base Closure Account funds of about $122 million put to better use.[2] |
| B. | Economy and Efficiency. Reduces FY 1994 BRAC MILCON budget. | Funds put to better use. Monetary benefits included in Recommendation A.2.[2] |

[1]Additional monetary benefits may occur if the Air Force Reserve determines that excess space is available.
[2]The actual monetary benefits will be determined after the Navy determines the actual requirements and revises and documents the DD Forms 1391.

# Appendix C. Organizations Visited or Contacted

## Office of the Secretary of Defense

Office of the Under Secretary of Defense for Acquisition and Technology, Washington, DC
Comptroller of the Department of Defense, Washington, DC

## Department of the Army

Army Reserve Command, Atlanta, GA
  90th Army Reserve Aviation Support Facility, Dallas, TX
Texas Army National Guard, Dallas, TX

## Department of the Navy

Chief of Naval Operations, Washington, DC
  Deputy Chief of Naval Operations (Logistics), Washington, DC
    Director of Naval Reserve, Washington, DC
      Naval Reserve Force, New Orleans, LA
      Naval Air Reserve Force, New Orleans, LA
      Naval Surface Reserve Force, New Orleans, LA
      Marine Reserve Force, New Orleans, LA
Comptroller of the Navy, Washington, DC
Naval Air Station Dallas, TX
Naval Air Station Memphis, TN
Naval Facilities Engineering Command, Alexandria, VA
  Southern Division, Charleston, SC
Naval Audit Service, Arlington, VA
Marine Air Group 41, Memphis, TN, and Dallas, TX

## Department of the Air Force

Air National Guard Readiness Center, Andrew AFB, MD
Texas Air National Guard, Dallas, TX
Air Force Reserve 301st Fighter Wing, Carswell Air Reserve Base, TX

## Other Government Organizations

General Accounting Office, Washington, DC
Adjutant General of Texas, Austin, TX

# Appendix D. Report Distribution

## Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense for Personnel and Readiness
Comptroller of the Department of Defense
Assistant Secretary of Defense (Economic Security)
  Deputy Assistant Secretary of Defense (Economic Reinvestment and Base Realignment and Closure)
Assistant Secretary of Defense (Reserve Affairs)
Assistant to the Secretary of Defense (Public Affairs)

## Department of the Army

Secretary of the Army
Commander, Army Reserve Command
Inspector General, Department of the Army
Auditor General, Army Audit Agency

## Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Comptroller of the Navy
Deputy Chief of Naval Operations (Logistics)
Director of Naval Reserve
Commander, Naval Reserve Force
Commander, Naval Air Station Dallas
Commander, Naval Air Station Memphis
Commander, Naval Facilities Engineering Command
Auditor General, Naval Audit Service

## Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Chief of Staff of the Air Force
  Deputy Chief of Staff (Plans and Operations)
Commander, Air Force Center for Environmental Excellence
Chief of Air Force Reserve
  Commander, 301st Fighter Wing
    The Civil Engineer, Office of the Civil Engineer
Auditor General, Air Force Audit Agency

## Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

## 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 Committee on Armed Services
- Senate Committee on Governmental Affairs
- House Committee on Appropriations
- House Subcommittee on Defense, Committee on Appropriations
- House Committee on Armed Services
- House Committee on Government Operations
- House Subcommittee on Legislation and National Security, Committee on Government Operations

Senator Phil Gramm, U.S. Senate
Senator Kay Bailey Hutchison, U.S. Senate
Congressman Joe Barton, U.S. House of Representatives
Congressman John Bryant, U.S. House of Representatives
Congressman Martin Frost, U.S. House of Representatives
Congressman Pete Geren, U.S. House of Representatives
Congresswoman Eddie Bernice Johnson, U.S. House of Representatives
Congressman Sam Johnson, U.S. House of Representatives

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