DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF, NAVY REGULATION

DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR THE REALIGNMENT OF THE
DEFENSE PERSONNEL SUPPORT CENTER AND ITS
TENANTS TO THE NAVAL AVIATION SUPPLY OFFICE
COMPOUND, PHILADELPHIA, PENNSYLVANIA

Report No. 97-048
December 13, 1996

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Department of Defense

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Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASO</td>
<td>Aviation Supply Office</td>
</tr>
<tr>
<td>BRAC</td>
<td>Base Realignment and Closure</td>
</tr>
<tr>
<td>DLA</td>
<td>Defense Logistics Agency</td>
</tr>
<tr>
<td>DPSC</td>
<td>Defense Personnel Support Center</td>
</tr>
<tr>
<td>GSF</td>
<td>Gross Square Feet</td>
</tr>
<tr>
<td>MILCON</td>
<td>Military Construction</td>
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</table>
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DEPUTY UNDER SECRETARY OF DEFENSE
(INDUSTRIAL AFFAIRS AND INSTALLATIONS)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for
the Realignment of the Defense Personnel Support Center and Its Tenants
to the Naval Aviation Supply Office Compound, Philadelphia,
Pennsylvania (Report No. 97-048)

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. Management comments on the draft of this report were considered
in preparing the final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary
benefits be resolved promptly. As a result of management comments, we revised
Recommendation 2.c. to the Defense Logistics Agency. We also added
Recommendation 3. to the Deputy Under Secretary of Defense (Industrial Affairs and
Installations). We request both the Deputy Under Secretary of Defense (Industrial
Affairs and Installations) and the Defense Logistics Agency respond to the

Questions on the audit should be directed to Mr. Joseph P. Doyle, Audit
Program Director, at (703) 604-9348 (DSN 664-9348) or Ms. Deborah L. Culp, Audit
Project Manager, at (703) 604-9335 (DSN 664-9335). See Appendix D for the report
distribution. The audit team members are listed inside the back cover.

David K. Steensma
Deputy Assistant Inspector General
for Auditing
Executive Summary

Introduction. This report is one in a series about FY 1997 Defense base realignment and closure military construction costs. This particular report discusses two FY 1997 projects and one project submitted as an FY 1996 item. After our audit field work, the Defense Logistics Agency combined the three projects into two projects, one for FY 1995 and one for FY 1997. 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 address all projects valued at more than $1 million.

Audit Objective. 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 three projects, valued at $33.95 million, for the closure of the Defense Personnel Support Center compound, Philadelphia, Pennsylvania, and the relocation of the Defense Personnel Support Center and its tenants to the Naval Aviation Supply Office compound, Philadelphia, Pennsylvania. The report addresses the two projects that combined the original three. Concurrent with the closure and relocation of the Defense Personnel Support Center compound, the Defense Personnel Support Center is being realigned as the Defense Supply Center Philadelphia. The Defense Personnel Support Center and tenant activities have to be relocated by July 2, 1999. The total number of personnel effected by the relocation and realignment is 3,664.

Audit Results. The Defense Logistics Agency overstated requirements for a fitness center and decided to build a cafeteria for $1.2 million before determining if the private sector could provide food service at less cost. As a result the projects are overstated by at least $628,000 for the fitness center and an undeterminable amount for the cafeteria. See Part I for a discussion of the audit results. See Appendix C for a summary of invalid and partially valid requirements for the projects we reviewed.

The Defense Logistics Agency did not perform adequate economic analyses prior to designing facilities and issuing requests for proposals to perform construction. No recommendations are being made because the design is complete, contracts are ready
for award and any delays will adversely effect the legislative requirement to close the Defense Personnel Support Center in 1999 and relocate and realign 3,664 people.

**Summary of Recommendations.** We recommend that the Under Secretary of Defense (Comptroller) place the FY 1997 project related to the relocation and realignment of the Defense Personnel Support Center and its tenants to the Naval Aviation Supply Office compound on administrative withhold until management submits a revised DD Form 1391 that eliminates the construction requirement to expand the existing Naval Aviation Supply Office compound fitness center.

We also recommend that the Defense Logistics Agency revise the budget estimate and submit a revised DD Form 1391 to eliminate the construction requirement to expand the existing Naval Aviation Supply Office compound fitness center. In addition, we recommend that the Deputy Under Secretary of Defense (Industrial Affairs and Installations) make the decision on whether to allow construction of a $1.2 million cafeteria or to require privatization of cafeteria operations on the Naval Aviation Supply Office compound. If the Deputy Under Secretary of Defense (Industrial Affairs and Installations) decides cafeteria privatization efforts should be instituted, the Defense Logistics Agency should reduce the budget estimates by as much as $1.2 million, and submit a revised DD Form 1391.

**Management Comments.** The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and placed the funds on administrative withhold pending audit resolution. The Defense Logistics Agency agreed to cancel the fitness center and submitted a revised DD Form 1391 that reduced the budget estimate by $0.830 million. The Defense Logistics Agency disagreed with reviewing outsourcing or privatization of cafeteria operations. The commander of the Naval Aviation Supply Office compound notified the Defense Logistics Agency that a food service contract was recently awarded through 1999. The contractor will not consider changing terms and conditions of the contract, therefore, the Navy is not interested in considering changing food service providers or methods. See Part I for a discussion of the management comments and Part III for the complete text of the management comments.

**Audit Response.** As a result of management comments, we revised the recommendation to have the Deputy Under Secretary of Defense (Industrial Affairs and Installations) make the decision to allow construction of a $1.2 million cafeteria or to require privatization of cafeteria operations on the Naval Aviation Supply Office compound. We believe the decision to change cafeteria operations must come from a level higher than either the Defense Logistics Agency or the Navy. The Deputy Under Secretary of Defense (Industrial Affairs and Installations) is responsible for oversight of military construction at installations and was named by the Deputy Secretary of Defense in 1996 to be chairman of the Outsourcing and Privatization Integrated Policy Team in the DoD. Because of this dual role, we believe this office is in the best position to make the decision on whether the DoD should build another cafeteria at a DoD installation or review total outsourcing and privatization of the cafeteria function at the Naval Aviation Supply Office compound. Accordingly, we added a recommendation to the Deputy Under Secretary of Defense and revised the recommendation to the Defense Logistics Agency on outsourcing and privatization of cafeteria operations and request their comments by January 28, 1997.
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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 about FY 1997 BRAC military construction (MILCON) costs.

For additional information on the BRAC process and the overall scope of the audit of BRAC MILCON costs, see Appendix B. For a summary of recommended changes in project estimates, see Appendix C.

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 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. 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 three BRAC MILCON projects for the closure and relocation of the Defense Personnel Support Center (DPSC) and its tenants at the DPSC compound in Philadelphia, Pennsylvania, to the Naval Aviation Supply Office (ASO) compound in Philadelphia, Pennsylvania, and the concurrent realignment of DPSC as the Defense Supply Center Philadelphia. The 1993 Commission on Defense Base Closure and Realignment (the 1993 Commission) directed the relocation of DPSC to the ASO compound, and the 1995 Commission realigned and reorganized DPSC as the Defense Supply Center Philadelphia. Inspector General, DoD, Report No. 94-127, "Defense Base Realignment and Closure Budget Data for the Realignment of the Defense Personnel Support Center to the Naval Aviation Supply Office Compound in North Philadelphia, Pennsylvania," June 10, 1994, reviewed BRAC MILCON projects required to carry out BRAC 1993 recommendations for the realignment of DPSC to ASO. The report states that the two projects, valued at $44.3 million, were valid. Because of the realignment of DPSC as the Defense Supply Center Philadelphia and because of the availability of additional administrative space at the ASO compound, the results of our prior audit are no longer applicable.
The following table describes the projects reviewed and their budget amounts.

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Location</th>
<th>Project Year</th>
<th>Description</th>
<th>DD Form 1391 Amount (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convert/Reconfigure Facilities for DPSC</td>
<td>ASO</td>
<td>FY 1997</td>
<td>Relocate DPSC to ASO</td>
<td>$19.50</td>
</tr>
<tr>
<td>Convert Facilities for DPSC Tenants</td>
<td>ASO</td>
<td>FY 1996</td>
<td>Relocate DPSC Tenants to ASO</td>
<td>13.00</td>
</tr>
<tr>
<td>Convert Facilities for DPSC Adjacent Tenants</td>
<td>ASO</td>
<td>FY 1997</td>
<td>Relocate DPSC Adjacent Tenants to ASO</td>
<td>1.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$33.95</strong>*</td>
</tr>
</tbody>
</table>

*In the final FY 1997 budget submission dated March 1996, the three projects were consolidated into two projects.

See Appendix A for a discussion of the scope and methodology. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.
Fitness Center and Cafeteria Projects

The Defense Logistics Agency overestimated nonadministrative facility costs for BRAC MILCON projects related to the relocation and realignment of DPSC and its tenants to the ASO compound. The Defense Logistics Agency did not support the requirement to construct an expansion of the existing ASO compound fitness center. In addition, DLA did not review the option to privatize ASO compound cafeteria operations. As a result, the Defense Logistics Agency may spend at least $628,000 more than necessary to relocate and realign DPSC and its tenants. An additional $1.2 million more than necessary may be spent if it is decided that cafeteria privatization efforts should be instituted on the Naval Aviation Supply Office compound.

Defense Personnel Support Center Realignment Projects

Original DD Forms 1391. The 1993 Commission directed the relocation of DPSC to the ASO compound, and the 1995 Commission realigned and reorganized DPSC as the Defense Supply Center Philadelphia. The relocation of DPSC also involves relocating tenants and adjacent tenants currently at the DPSC compound to the ASO compound. Adjacent tenants are organizations that logically should be located together with DPSC. Tenants are considered to be organizations that do not need to be located with DPSC. The Defense Logistics Agency (DLA), the major command for DPSC, prepared:

- DD Form 1391, "FY 1997 Military Construction Project Data," for project "Convert/Reconfigure Facilities for DPSC," $19.5 million, for the renovation of existing administrative space, the conversion of warehouse space to administrative space, and the construction of nonadministrative facilities including an auditorium and expansion of the existing fitness center;

- DD Form 1391, "FY 1996 Military Construction Project Data," for project "Convert Facilities for DPSC Tenants," $13 million, for the conversion of warehouse space to administrative space and the construction of a laboratory facility and cafeteria annex; and

- DD Form 1391, "FY 1997 Military Construction Project Data," for project "Convert Facilities for DPSC Adjacent Tenants," $1.45 million, for the conversion of warehouse space to administrative space and the construction of nonadministrative facilities.

Revised DD Forms 1391. After the completion of our audit field work, DLA revised the three DD Forms 1391 reviewed, consolidating them into two new DD Forms 1391 for FY 1995 and FY 1997 military construction project data. The total cost of the projects for the closure and relocation of DPSC and its tenants did not change. Because we performed our audit of the original three DD Forms 1391 and the total cost did not change, our report addresses the costs
and quantities from the original DD Forms 1391. The FY 1995 DD Form 1391 is for $2 million and the FY 1997 DD Form 1391 is for $31.95 million. In addition, the FY 1997 DD Form 1391 includes an expenditure of $12.45 million for equipment.

Time Constraint Considerations

The 1995 Commission recommendations directed toward DPSC changed the nature of the original 1993 Commission recommendations from only a relocation to a relocation and reorganization. However, the 1995 Commission did not change the original BRAC 1993 implementation deadline.

Defense Base Realignment and Closure Deadlines. The Deputy Director, DLA, stated that the move of the DPSC to the ASO compound was the centerpiece of the DLA efforts to consolidate and make its operations more efficient. The Deputy Director stated that he could not meet his deadlines as set by the 1993 Commission and further reduce the Defense Business Operations Fund operating costs unless the projects were constructed as designed. DLA argued that the building designs were already 90 percent complete and that the contract award process should begin as soon as FY 1997 funds were available. The request for proposals for the repair and maintenance portion of the work was issued in July 1996 with a scheduled contract award date of September 1996. The construction portion of the work was scheduled for a request for proposal in November 1996 and a contract award date in December 1996. DLA stated that any further delay or redesign would cause DLA to miss its BRAC-imposed deadline of closing DPSC by 1999 and unnecessarily delay needed improvements in operational efficiency, which would reduce Defense Business Operations Fund operating costs. As a result of the time constraints, we are making no recommendations for projects "Convert and Reconfigure Facilities for Defense Personnel Support Center," except for deleting the addition to the fitness center and reviewing the option to privatize the cafeteria operations.

DLA agreed to delete the addition to the fitness center and explore, with the Navy, the potential of turning the complete cafeteria operation, including the cost of furnishings, over to a private contractor. We are making no recommendations beyond those two recommendations.

Nonadministrative Facilities

DLA did not support its proposal to construct nonadministrative facilities (that is, a fitness center, and cafeteria) on the ASO compound. DLA proposed to construct:
Fitness Center and Cafeteria Projects

- a 4,524 GSF expansion of the existing ASO fitness center for $564,233, and

- a 5,600 GSF cafeteria annex for $1,263,416.

DLA did not document any inadequacies in the existing facilities at the ASO compound.

**Fitness Center.** DLA did not support its proposal to increase the existing ASO compound fitness center by 4,524 GSF. DLA calculated the space for the fitness center expansion by using U.S. Army Corps of Engineers Instruction, "Architectural and Engineering Instruction Design Criteria," July 3, 1994. The instruction allows for a physical fitness center of 17,800 GSF, based on the final ASO compound population. The existing ASO compound physical fitness center totals 13,276 GSF. The "DLA Facilities Project Manual," 4270.1, states that for "DLA Tenanted Activities ... [all] maintenance, repair, and construction shall be accomplished by or through the host activity in accordance with the interservice support agreement." Because the Navy is the host activity on the ASO compound, DLA should follow Navy construction regulations. The projected ASO compound population of 190 military and 6,212 civilian personnel, when applied to the criteria in the Navy publication P-80, equates to a fitness center of 4,150 GSF. Therefore, the existing 13,276 GSF ASO compound fitness center has ample space to accommodate the future projected ASO compound population.

**Cafeteria Annex.** DLA did not support the construction of a 5,600 GSF cafeteria annex in building 6. DLA stated that it needed the new cafeteria because the main cafeteria in building 1 was too far away for people to walk to it. The Navy publication P-80 does not allow for the construction of a cafeteria solely to limit the distance that civilian employees have to walk to a cafeteria or restaurant. The Navy publication P-80 allows the establishment of a restaurant for civilian employees if "adequate food services are not available." The ASO compound is located in a large metropolitan area, and several alternatives to eating on the compound are available. In addition, a cafeteria annex is currently located in building 3, which is located closer to building 6 than is building 1. Further, we were informed that the cafeteria annex in building 3 is poorly patronized. DLA did not perform an economic analysis, required by Navy publication P-80, to substantiate the financial stability of a third compound dining facility.

Until the audit, DLA had not considered the option to privatize cafeteria operations on the ASO compound. Instead of constructing both the space and installing Government furnished cafeteria kitchen equipment an analysis is needed on whether it is more efficient to provide the space and allow a contractor to install the kitchen equipment. The DoD will benefit by eliminating some of the subsidized cost of constructing a cafeteria for government employees. Patronage could also increase with the introduction of food service contractors popular with the end-users.
Project Cost Estimates. The construction of the fitness center expansion is not necessary and the cafeteria annex construction requires further review. The ASO compound already has a fitness center with adequate capacity to handle DPSC and its tenants. Therefore, DLA should reduce the BRAC MILCON budget request by $0.628 million.

Conclusion

As previously stated, DLA combined the three DD Forms 1391 reviewed during audit field work into two DD Forms 1391. The two new DD Forms 1391 combine the original three by listing the total requirements on an FY 1995 and FY 1997 DD Form 1391, "Military Construction Project Data," consolidating the three previous projects into two projects, both named "Convert and Reconfigure Facilities for Defense Personnel Support Center." The FY 1995 DD Form 1391 includes those requirements that can be completed in FY 1996. The FY 1997 DD Form 1391 will cover all other requirements. Therefore, the recommendations section of this report will address the two new DD Forms 1391 that supersede the previous three.

FY 1997 Convert and Reconfigure Facilities for Defense Personnel Support Center. DLA should reduce the project "Convert and Reconfigure Facilities for Defense Personnel Support Center (DPSC)," by $628,000. DLA should submit a revised DD Form 1391 that eliminates the requirement to construct a fitness center expansion. In addition, we believe the Deputy Under Secretary of Defense (Industrial Affairs and Installations) is in a better position than either the DLA or the Navy to evaluate whether privatization efforts should be instituted or construction of another Department of Defense installation cafeteria is necessary. As a result of the Deputy Under Secretary of Defense (Industrial Affairs and Installations) review of Naval Aviation Supply Office Compound cafeteria operations, the Defense Logistics agency may have to further reduce budget estimates by as much as $1.2 million and submit a revised DD Form 1391.
Recommendations, Management Comments, and Audit Response

Revised and Added Recommendations. Based on management comments to the draft report, we revised Recommendation 2.c. and added Recommendation 3., so that the decision on whether to construct a cafeteria or review privatization and outsourcing alternatives will be made at a level higher than the Defense Logistics Agency and the Navy.

1. We recommend that the Under Secretary of Defense (Comptroller) place project "Convert and Reconfigure Facilities for Defense Personnel Support Center (DPSC)" on administrative withhold until management submits a revised DD Form 1391, "FY 1997 Military Construction Project Data," to accurately reflect requirements and costs.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) generally agreed with the audit finding and recommendations and placed the funds on administrative withhold pending audit resolution and reprogram funds to other Defense base realignment and closure requirements.

2. We recommend that the Director, Defense Logistics Agency:

   a. Submit a revised DD Form 1391, "FY 1997 Military Construction Project Data," for project "Convert and Reconfigure Facilities for Defense Personnel Support Center (DPSC)," that eliminates expansion of the Naval Aviation Supply Office compound fitness center, and

Defense Logistics Agency Comments. The Defense Logistics Agency partially concurred with this recommendation. The Defense Logistics Agency submitted a revised DD Form 1391 that eliminated the requirement to expand the Naval Aviation Supply Office compound fitness center.

   b. Correspondingly reduce budget estimates by $0.628 million for project "Convert and Reconfigure Facilities for Defense Personnel Support Center," for the expansion of the Naval Aviation Supply Office compound fitness center.

Defense Logistics Agency Comments. The Defense Logistics Agency partially concurred with this recommendation. The Defense Logistics Agency submitted a revised DD Form 1391 that eliminated the requirement to expand the Naval Aviation Supply Office compound fitness center. By eliminating the requirement to expand the fitness center, the Defense Logistics Agency was able to reduce the budget estimate in the revised DD Form 1391 by $0.830 million.

Audit Response. The action proposed by Defense Logistics Agency to reduce the budget estimate by $0.830 million is responsive, and we have revised the recommendation accordingly. No additional comments are required.
c. Correspondingly reduce budget estimates by as much as $1.2 million and submit a revised DD Form 1391 for project "Convert and Reconfigure Facilities for Defense Personnel Support Center," if the Deputy Under Secretary of Defense (Industrial Affairs and Installations) decides cafeteria privatization efforts should be instituted on the Naval Aviation Supply Office Compound.

Audit Response. We request the Defense Logistics Agency respond to Recommendation 2.c. in its comments on the final report.

3. We recommend the Deputy Under Secretary of Defense (Industrial Affairs and Installations) make the final decision on whether to allow expenditure of $1.2 million for the construction of a cafeteria or review total outsourcing and privatization of the cafeteria function at the Naval Aviation Supply Office compound.

Audit Response. We request the Deputy Under Secretary of Defense (Industrial Affairs and Installations) respond to Recommendation 3. in its comments on the final report. This recommendation is redirected because we believe the Deputy Under Secretary of Defense (Industrial Affairs and Installations), the office responsible for reviewing military construction at installations and chairman of the Outsourcing and Privatization Integrated Policy Team in the DoD, is in a better position to evaluate whether privatization efforts should be instituted or construction of another Department of Defense installation cafeteria is necessary. In addition, we believe the final decision should be made at a level higher than the Defense Logistics Agency or the Navy.
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Part II - Additional Information
Appendix A. Scope and Methodology


After our fieldwork, DLA revised its original BRAC MILCON project submission by combining the original three projects into two. One project is submitted as an FY 1995 project, "Convert and Reconfigure Facilities for Defense Personnel Support Center," valued at $2 million, and the other project is an FY 1997 project, "Convert and Reconfigure Facilities for Defense Personnel Support Center (DPSC)," valued at $31.95 million. The total requirements and costs did not change; therefore, we have revised our recommendations to address the two new DLA BRAC MILCON projects.

Audit Period and Standards. This economy and efficiency audit was performed from January through August 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.

Organizations and Individuals Visited or Contacted. We visited or contacted individuals and organizations within the DoD and the American Federation of Government Employees, Small Business Administration, U.S. Department of Agriculture, and Carson-Wagonlit Travel.

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

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. 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. Recommended Changes in Project Estimates

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

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Project</th>
<th>Causes of Invalid Projects</th>
<th>Causes of Partially Valid Projects</th>
</tr>
</thead>
</table>

Table C-2. Recommended Changes in Project Estimates

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Project</th>
<th>Amount of Estimate on DD Form 1391 (thousands)</th>
<th>Recommended Amount of Change Invalid Projects (thousands)</th>
<th>Partially Valid Projects (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>$31,950</td>
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<td>$2.03</td>
</tr>
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Total Invalid and Partially Valid Projects $2.03
Appendix D. 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)
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   Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations)
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Non-Defense Federal Organizations

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General Accounting Office

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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
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Part III - Management Comments
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Audit Report on Defense Base Realignment and Closure Budget
Data for the Realignment of the Defense Personnel Support Center and Its Tenants
to the Naval Aviation Supply Office Compound, Philadelphia, Pennsylvania
(Project No. 6CG-5001.34)

This responds to your September 6, 1996, memorandum requesting our comments on the
subject report.

The audit states that the Defense Logistics Agency (DLA) overestimated the
nonadministrative facility cost for a Base Realignment and Closure (BRAC) construction project
to cover facilities to relocate and realign the Defense Personnel Support Center and its tenants to
the Aviation Supply Office Compound, Philadelphia, PA. The audit contends that this occurred
because the requirement to increase an existing ASO fitness center was not valid. The audit states
that the existing ASO fitness center has ample space to accommodate the future projected ASO
compound population.

The audit recommends that the USD(Comptroller) place the funds for the project on
administrative withhold until the DLA submits a revised DD 1391 form that accurately reflects
space requirements and costs.

We generally agree with the audit findings and recommendations and will place the funds
associated with the project at issue on administrative withhold pending audit resolution. Further,
any savings resulting from the audit will be programmed to other valid BRAC requirements as
appropriate.

B. R. Paleur
Director for Construction
MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE

SUBJECT: Defense Base Realignment and Closure Budget Data for the Realignment of the DESC and Its Tenants to the Naval Aviation Supply Office Compound, Philadelphia, Pennsylvania, 6CG-5001.34

The Defense Logistics Agency cannot, when taken in its aggregate, concur with the subject report. Although we partially concur with Recommendation 2.a and b, we nonconcur with Recommendation 2.c. The appendices contain numerous errors and statements which require further discussion and clarification.

We would like to request that your staff provide a formal briefing on the audit results. We request your attendance at the briefing.

OLIVER E. COLEMAN
Acting Chief
Internal Review Office

cc:
MM
MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Defense Base Realignment and Closure Budget Data for the Realignment of the
DPSC and Its Tenants to the Naval Aviation Supply Office Compound,
Philadelphia, Pennsylvania, 6CG-5001.34

In response to your recommendation, we have revised the DD Form 1391 (enclosed). We
request that you facilitate the release of FY 1997 funding. If you have any questions please call
me at (703) 767-6464.

Encl

OLIVER E. COLEMAN
Acting Chief
Internal Review Office
3. INSTALLATION AND LOCATION
AVIATION SUPPLY OFFICE (ASO)
PHILADELPHIA, PA

4. PROJECT TITLE
CONVERT AND RECONFIGURE FACILITIES FOR
DEFENSE PERSONNEL SUPPORT CENTER (DPSC)

5. PROGRAM ELEMENT
610

B. CATEGORY CODE
610

7. PROJECT NUMBER
31,120

8. PROJECT COST ($000)

<table>
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<tr>
<th>ITEM</th>
<th>UM</th>
<th>QUANTITY</th>
<th>UNIT COST</th>
<th>COST ($000)</th>
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<tr>
<td>PRIMARY FACILITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renovate/Reconfigure Facilities</td>
<td>SF</td>
<td>323,247</td>
<td>10.86</td>
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<td>Convert Facilities for Administrative Use</td>
<td>SF</td>
<td>200,401</td>
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<td>(15,443)</td>
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<td>Provide Non-Administrative Facilities</td>
<td>SF</td>
<td>26,610</td>
<td>79.12</td>
<td>(2,055)</td>
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<tr>
<td>Provide Laboratory Facility</td>
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<td>27,182</td>
<td>123.44</td>
<td>(3,355)</td>
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<tr>
<td>Cafeteria Annex</td>
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<td>225.61</td>
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<tr>
<td>Seismic Upgrades</td>
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<td>--</td>
<td>(1,100)</td>
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<tr>
<td>Asbestos Abatement</td>
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<td>--</td>
<td>--</td>
<td>(405)</td>
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<tr>
<td>Relocate Warehouse</td>
<td>LS</td>
<td>--</td>
<td>--</td>
<td>(86)</td>
</tr>
<tr>
<td>SUPPORTING FACILITIES</td>
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<td></td>
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<tr>
<td>Substation</td>
<td>LS</td>
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<td>--</td>
<td>(609)</td>
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<tr>
<td>Water and Sewer</td>
<td>LS</td>
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<td>--</td>
<td>(79)</td>
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<tr>
<td>Landscaping</td>
<td>LS</td>
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<td>(74)</td>
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<tr>
<td>Subtotal</td>
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<tr>
<td>Contingency (5%)</td>
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<td>Total Contract Cost</td>
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<td>SIOH (6%)</td>
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<td>--</td>
<td>29,354</td>
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<tr>
<td>Total Request</td>
<td></td>
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<td></td>
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<tr>
<td>TOTAL REQUEST ROUNDED</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Equipment Provided From Other BRAC Sources (Non-Add)</td>
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<td></td>
<td></td>
<td>(12,448)</td>
</tr>
</tbody>
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10. DESCRIPTION OF PROPOSED CONSTRUCTION: Renovate and reconfigure administrative facilities, convert existing warehouse space to administrative facilities and to provide other non-administrative space (flag production, Command and Control Center, Auditorium, and test facility) and provide supporting facilities to accommodate DPSC and tenant personnel relocating as directed by BRAC. This project relocates 3457 DPSC and tenant personnel. The combined DPSC and tenant population after the relocation will be 3664 personnel. The project provides administrative space, auditorium, and cafeteria. Supporting facilities include landscaping, water and sewer connections for the building. Asbestos and lead-based paint abatement will be performed. Accessibility for the handicapped will be provided and seismic zone 2 criteria will be applied within existing regulations.

11. REQUIREMENT: 582,723 SF ADEQUATE: 0 SF SUBSTANDARD: 582,723 SF

PROJECT: Reconfigures existing administrative space, converts warehouse space to administrative offices, laboratories, and non-administrative facilities to support the relocation of DPSC and its tenants within the Navy Inventory Control Point (formerly Aviation Supply Office) Compound as a result of BRAC 93, and modified by BRAC 95.

REQUIREMENT: DPSC operations are being relocated to the Navy Inventory Control Point in Northeast Philadelphia, PA from its current location in South Philadelphia as a result of BRAC 93. The Defense Industrial Supply Center (DISC) is being disestablished as a result of BRAC 95. Existing DISC administrative facilities will be reconfigured and reused for the relocating DPSC and tenants.

CURRENT SITUATION: BRAC 93 requires DPSC and its tenants to vacate current facilities by 2 July 1999. BRAC 95 does not affect this date. Buildings at Navy Inventory Control Point are currently configured for warehouse operations or other administrative functions. The building contains asbestos and lead paint.

IMPACT IF NOT PROVIDED: Failure to vacate current DPSC facilities in South Philadelphia by 2 July 1999 will place DLA in violation of the law.
ADDITIONAL: An economic analysis considering conversion versus new construction and leasing has been performed. The results of the analysis show that the NPV and EUAC for the conversion project is less than the alternatives. Space has been calculated IAW NAVFAC P-80 where applicable.

12. SUPPLEMENTAL DATA:

a. Design Status:
   
   Date Design Started .................................................. 10/95
   Percent Complete as of 15 Sep 95 .................................. 0
   Date Design Completed .................................................. 10/96
   Percent Design Utilizing Standard Design ......................... 0
   Estimated Design Cost ($000) ......................................... 3,280

b. Equipment associated with this project which will be provided from other BRAC sources:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Appropriation</th>
<th>Fiscal Year Required</th>
<th>Cost ($000)</th>
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</thead>
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<tr>
<td>Systems Furniture</td>
<td>BRAC</td>
<td>FY 97</td>
<td>10,931</td>
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<td>Fiber Optic Hub</td>
<td>BRAC</td>
<td>FY 97</td>
<td>1,186</td>
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<tr>
<td>Fiber Optic Cable</td>
<td>BRAC</td>
<td>FY 97</td>
<td>331</td>
</tr>
</tbody>
</table>

The point of contact for this project is DLA MMBIM Project Manager, John Davis, (703)767-3342.
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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Robin A. Hysmith
INTERNET DOCUMENT INFORMATION FORM


B. DATE Report Downloaded From the Internet: 11/01/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions) Inspector General, Department of Defense 400 Army Navy Drive (Room 801) Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by: DTIC-OCA, Initials: __VM__ Preparation Date 11/01/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.