

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

**QUICK-REACTION REPORT ON THE REPLACEMENT  
COMMISSARY CONSTRUCTION PROJECT AT  
FORT BRAGG, NORTH CAROLINA**

Report No. 94-172

August 1, 1994

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**Acronyms**

AFB  
DeCA

Air Force Base  
Defense Commissary Agency



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

August 1, 1994

**MEMORANDUM FOR DIRECTOR, DEFENSE COMMISSARY AGENCY**

**SUBJECT: Quick-Reaction Report on the Replacement Commissary Construction  
Project at Fort Bragg, North Carolina (Report No. 94-172)**

We are providing this report for your review and comments. The report discusses the need for building a \$14.4 million replacement commissary at Fort Bragg, North Carolina. The Defense Commissary Agency's June 30, 1994, comments on the draft report were considered in preparing the final report.

DoD Directive 7650.3, requires that all recommendations be promptly resolved. Your comments indicated that you plan to complete a review of the Fort Bragg commissary sales and demographic projections, the economic analysis, and the engineering evaluation of the main commissary by September 30, 1994. After the analysis is completed, we request that you provide detailed comments in response to the recommendations and the potential monetary benefits by October 30, 1994. We also request that you continue to defer the construction project pending our review of the studies and the resolution of any outstanding issues.

The courtesies and cooperation extended to the audit staff are appreciated. If you have any questions on this audit please contact Mr. Robert J. Ryan, Audit Program Director, at (703) 604-9418 (DSN 664-9418), or Mr. Timothy J. Tonkovic, Audit Project Manager, at (804) 766-3319. Copies of the final report will be distributed to the activities in Appendix D. The list of audit team members is on the inside back cover of this report.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

Robert J. Lieberman  
Assistant Inspector General  
for Auditing

**Office of the Inspector General, DoD**

**Report No. 94-172**  
(Project No. 3LA-0069.03)

**August 1, 1994**

**QUICK REACTION REPORT ON THE  
REPLACEMENT COMMISSARY CONSTRUCTION PROJECT  
AT FORT BRAGG, NORTH CAROLINA**

**EXECUTIVE SUMMARY**

**Introduction.** Two commissaries at Fort Bragg, North Carolina, and one at nearby Pope Air Force Base, North Carolina, are located within 5 miles of each other. A 91,000-square foot main commissary and a 22,000-square foot Mallonee Village commissary are located at Fort Bragg. A 7,000-square foot commissary is located at Pope Air Force Base. We reviewed the planned FY 1994 construction of a \$14.4 million (100,000-square foot) facility slated to replace the Mallonee Village commissary that was built in 1942. The Army Audit Agency challenged the replacement commissary project in November 1990 and concluded that plans to build a replacement facility were not justified. Normally commissary replacement construction projects are based on actual and projected monthly sales data. The Defense Commissary Agency (DeCA) significantly departed from established criteria to justify the project on recapture of local commercial grocery store sales. We are issuing this as a quick-reaction report because DeCA plans to award the contract for construction in FY 1994.

**Objective.** The overall objective of the audit was to determine whether new construction of DoD commissaries was justified and cost-effective. This quick-reaction report addresses the requirement for the replacement commissary at Fort Bragg, North Carolina.

**Audit Results.** The planned 100,000-square foot commissary at Fort Bragg is not required to satisfy customer requirements. As a result, up to \$14.4 million may be spent unnecessarily if DeCA proceeds with the proposed construction.

**Internal Controls.** We did not include a review of internal controls as related to the objective because of the time sensitivity of the data reviewed. Procedural weaknesses in the construction approval process within DeCA will be addressed in a planned audit report on the overall management of commissary construction projects.

**Potential Benefits.** The exact amount of monetary benefits will be determined when DeCA validates the need for the project, based on accurate sales projections, and completes a comprehensive economic analysis that considers alternatives to new construction. Appendix B summarizes the potential benefits resulting from the audit.

**Summary of Recommendations.** We recommend that DeCA place the Mallonee Village replacement commissary construction project on hold until requirements have been fully determined and validated. We also recommend that DeCA evaluate consolidation of the Mallonee Village facility with the Fort Bragg main commissary, to include renovation as an alternative to new construction, and that the evaluation include completion of an economic analysis and an up-to-date market research and analysis and

patron survey to support renovation or new construction. We also recommend that DeCA base the size of any commissary project on reasonable and up-to-date sales projections.

**Management Comments.** The Director, DeCA, agreed to defer the new commissary project pending a review of sales and demographic projections. The Director stated that an economic analysis, to include expansion of the existing main commissary and an on-site engineer evaluation of the main commissary, would be conducted. The Director stated that the target date for completing those actions is September 30, 1994. A discussion of the DeCA comments is in Part II and the complete text of the comments is in Part IV.

**Audit Response.** We consider DeCA's comments to place the construction project at Fort Bragg on hold, to be responsive to the recommendation. After DeCA has completed its analysis of the Fort Bragg commissary issues, we request detailed comments in response to the recommendations and the potential monetary benefits by October 30, 1994. We also request that DeCA defer any contractual actions on the project pending our review of the sales and demographic projections, the economic analysis, and the on-site engineer evaluation of the main commissary.

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This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

## **Part I - Introduction**

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## Background

Two commissaries are located at Fort Bragg, North Carolina. The main 91,000-square foot Fort Bragg commissary was built in 1974 and renovated in 1987. The second commissary, located at the Mallonee Village housing area on Fort Bragg, contains 22,000 square feet and was built in 1942. The commissary at nearby Pope Air Force Base (AFB) was also built in 1942 and contains 7,000 square feet. The three commissaries are within 5 miles of each other.

The Defense Commissary Agency (DeCA) plans to build a 100,000-square foot facility to replace the 22,000-square foot commissary at Mallonee Village. The project, programmed in FY 1994 at \$14.4 million, is sized to recapture sales of up to \$6 million per month that DeCA claims are being lost to local commercial grocery stores.

DeCA has established 10 standard commissary layouts of varying sizes, based on average monthly sales, as adjusted to 1982 dollars. The sizes of the standard commissary layouts range from 12,000 to 100,000 square feet. FY 1993 sales, as adjusted to 1982 dollars, average \$4.1 million per month at the Fort Bragg main commissary. Monthly sales for the commissary at Mallonee Village, as adjusted to 1982 dollars, averaged \$537,500 per month.

Commissary construction and renovation costs are paid by the Commissary Surcharge Collections Fund, a revolving fund maintained by charging commissary patrons a 5-percent surcharge on their purchases. Approval by the Morale, Welfare and Recreation Panel of the House Committee on Armed Services to obligate funds is pending for all FY 1994 projects. Personnel costs for commissary stores staffing are paid from appropriated Operations and Maintenance funds.

## Objective

The overall objective of the audit was to determine whether new construction of DoD commissaries was justified and cost-effective. This quick-reaction report addresses the requirement for the replacement commissary at Fort Bragg, North Carolina.

## Scope and Methodology

The audit focused on the proposed FY 1994 construction of a 100,000-square foot commissary at Fort Bragg. The project was selected for audit because of its significant dollar value in relation to the other FY 1994 programmed construction projects. We visited DeCA Headquarters at Fort Lee, Virginia, the DeCA Central Region at Little Creek, Virginia, the main and Mallonee Village commissaries at Fort Bragg and the Pope AFB commissary in North Carolina, and other DeCA offices responsible for the construction approval and execution process. At those locations, we obtained actual and projected sales information, commissary maintenance and repair costs, proposed site plans, and other information for the replacement commissary project. We did not use computer-processed data and statistical sampling procedures to conduct this audit.

This economy and efficiency audit was made from February to April 1994. We did not review internal controls related to our objective because of the time sensitivity of the data reviewed. Procedural weaknesses in DeCA's construction requirements and approval process will be addressed in a separate audit report on the overall management of commissary construction projects and related internal controls.

Except as noted, the review was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Appendix C lists the organizations visited or contacted during the audit.

## Prior Audits and Other Reviews

The Army Audit Agency issued a report on the Mallonee Village replacement commissary, while the Inspector General, DoD, has issued two reports questioning the validity of data used to justify replacement commissary projects.

Army Audit Agency Report No. SO 91-2, "Audit of Requirement for Replacement Commissary, Fort Bragg, North Carolina," November 28, 1990, stated that the Army planned to build a \$14.4 million Mallonee Village replacement commissary that was not justified. The auditors reported that the projected substantial increase in sales used to justify building the commissary could not be validated. Additionally, assumptions made concerning expected patronage were not valid and were not supported by a market research and analysis, patron survey, and supporting studies. The report recommended that Fort Bragg rejustify the size of the replacement Mallonee Village commissary project based on a market research and analysis. The Army Office of the Deputy Chief of Staff agreed with the auditors and stated that the plan to build a \$14.4 million commissary was not justified. The reply also stated that the

## Introduction

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recommendation to require Fort Bragg to rejustify the size of the replacement commissary would be implemented. Fort Bragg later provided a purported revalidation of patronage and demographics for the 100,000-square foot project.

Inspector General, DoD, Report No. 94-100, "Quick-Reaction Report on the Commissary Construction Project at the Fitzsimons Army Medical Center, Denver, Colorado," May 16, 1994, showed that DeCA planned to construct a replacement commissary at the medical center that exceeded customer requirements. The report recommended that DeCA defer the replacement commissary construction project until decisions on the replacement hospital construction project are finalized. We also recommended that, if a decision is made to proceed with the hospital project, the replacement commissary not exceed 70,000 square feet and that an economic analysis be completed. DeCA agreed to downsize the replacement commissary project to 70,000 square feet. DeCA did not concur with deferring the project. DeCA stated that extensive coordination had been conducted with the Department of the Army, DoD, Congressional offices, and Fitzsimons Army Medical Center to ensure that the hospital was a viable installation for long-term retention.

In February 1994, DoD notified Congress of its decision to downsize the replacement hospital. On June 14, 1994, the Senate Armed Services Committee recommended a provision in the National Defense Authorization Act for FY 1995 that would terminate the construction authorization for the replacement hospital. On June 22, 1994, the Committee also deferred approval for construction of the commissary project and requested additional data on the project.

Inspector General, DoD, Report No. 94-031, "Quick-Reaction Report on the Commissary Construction Project at the Naval Station, Guam," January 18, 1994, showed that DeCA planned to build a 60,000-square foot replacement commissary that exceeded customer requirements. The report recommended that the replacement commissary project be placed on hold until the Navy provided accurate, complete and up-to-date planned force realignment and personnel reduction information, until DeCA revalidated the need for the project, and until an economic analysis was completed. The Director, DeCA, partially concurred with the report and agreed to downsize the commissary to 50,000 square feet. Additionally, the Director, DeCA, now requires that a formal economic analysis be completed for every new construction project. Further, he has established a construction review committee with the Military Departments to validate each construction project.

## **Part II - Finding and Recommendations**

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## Construction of a Replacement Commissary

DeCA planned to construct a 100,000-square foot commissary at Fort Bragg that was not needed. The condition occurred because DeCA did not consider renovation of the existing Fort Bragg main commissary as an alternative to new construction; DeCA significantly departed from established criteria and procedures used to determine commissary sizes; and DeCA used unreasonable sales projections. As a result, as much as \$14.4 million could be spent unnecessarily if DeCA proceeds with the proposed construction.

### Background

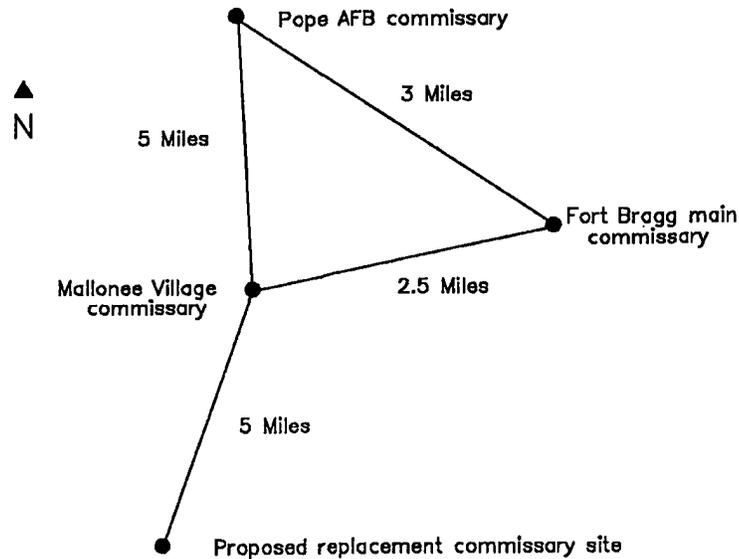
**Fort Bragg Main Commissary.** The Fort Bragg main commissary structure houses the commissary, the commissary warehouse, and a Class VI packaged alcoholic beverage store. The structure, built in 1974, and renovated in 1987, has over 91,000 square feet of commissary space and an attached 72,000-square foot warehouse. The Fort Bragg main commissary operates 74 hours each week and is open 7 days a week.

**Mallonee Village Commissary.** The Mallonee Village commissary was built in 1942, and contains 22,000 square feet of which 11,500 square feet is the patron sales area. The Mallonee Village commissary is located about 2.5 miles from the Fort Bragg main commissary, and is located in the Fort Bragg family housing area. Construction project documentation stated that the Mallonee Village location is poor in its support of excess patrons from the Fort Bragg main commissary. The Mallonee Village commissary operates 45 hours each week and is open 5 days a week.

**Pope AFB Commissary.** The Pope AFB commissary was also built in 1942, and contains 7,000 square feet, of which 5,800 square feet is the patron sales area. The Pope AFB commissary is located about 3 miles from the Fort Bragg main commissary. The Pope AFB commissary operates 40 hours each week and is open 5 days a week.

**Existing and Replacement Commissaries.** The approximate locations of the existing commissaries in the Fort Bragg and Pope AFB area and the proposed site of the replacement commissary are shown in the figure.

## Construction of a Replacement Commissary



**Figure. Locations of Existing Commissaries and the Proposed Replacement Commissary**

In late 1986, the Army programmed a new 24,000-square foot commissary that would serve southern Fort Bragg and the off post commissary patron populations. In 1987, the project scope was increased to 33,000 square feet, and by 1989 the scope had increased to 107,000 square feet. Construction project documentation showed that the replacement commissary would be located in the southern portion of the main cantonment area of Fort Bragg; and it would be convenient to on post and off post family housing and troop billeting.

In March 1993, the project scope was reduced to 100,000 square feet. Construction project documentation states that without the replacement 100,000-square foot commissary, loss of revenues will continue and unsatisfactory service to the customers will continue.

**Construction Plans.** DeCA Project CE91MP03 includes a new 100,000-square foot commissary to replace the Mallonee Village commissary. In addition to the commissary patron sales area, the 100,000 square feet includes an administrative area; receiving area; loading dock; produce, meat, and dairy departments; and a refrigeration support system. The project also includes 620 patron and employee parking spaces and other site improvements such as walks, curbs, gutters, and landscaping. The total project costs are estimated at \$14.4 million.

## Criteria

DoD Instruction 7041.3, "Economic Analysis and Program Evaluation for Resource Management," October 18, 1972, states that an economic analysis is required for proposals involving a choice between two or more options, even when one option is to maintain the status quo. Additionally, an economic analysis should be updated reflecting significant developments that invalidate or alter the cost-benefit relationships upon which previous decisions were made.

DeCA Directive 20-1, "Planning and Programming for Major Commissary Construction," February 24, 1994, states that commissary sizing requirements are based on average monthly sales projections, corrected for inflation to a 1982 base year. Average monthly commissary sales are compared to DeCA's Standard Commissary Definitive Floor Plans to determine authorized square footages. The Directive also states that there are numerous locations where the Military Departments have established commissaries in close proximity to one another. As those commissaries reach the end of their useful life, DeCA Headquarters determines whether or not to consolidate the commissaries. If consolidation is chosen, DeCA either provides a new store or upgrades one of the existing commissaries.

## Alternatives to New Construction

DeCA planned to construct a 100,000-square foot commissary at Fort Bragg that was not needed, in part, because DeCA did not consider renovating the existing Fort Bragg main commissary as an alternative to new construction. DeCA Directive 20-1 states that an economic analysis should be developed in accordance with DoD Instruction 7041.3 when two or more options for a project are being considered.

**Economic Analysis.** The Army completed an economic analysis of the commissary project in April 1987, which DeCA revised in March 1993. The economic analysis for the replacement commissary showed that DeCA considered four alternatives to new construction. The four alternatives were:

- o lease an existing facility off post,
- o lease a commercially built new facility on post,
- o lease a commercially built new facility off post, and
- o construct a new facility

Because DeCA justified the replacement commissary project on the premise of capturing lost sales, it did not consider consolidation of the Mallonee Village commissary into the Fort Bragg main commissary.

## Construction of a Replacement Commissary

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In November 1993, DeCA announced that by January 1995 all continental United States commissaries would receive grocery and consumable supply items by commercial frequent delivery services. DeCA's initiative will significantly reduce warehouse space requirements at continental United States commissaries. As a result, the 72,000-square foot warehouse attached to the Fort Bragg main commissary will be only partially needed and will be available for expansion of the main commissary.

Maintaining the status quo and renovating or altering the existing Fort Bragg main commissary to a 100,000-square foot commissary were two alternatives to new construction that DeCA should have considered. Without considering those alternatives, a complete analysis of all alternatives and resources required to achieve DeCA's objectives could not be made. With the partial closure of the 72,000-square foot warehouse, expansion of the existing main commissary is even more economically feasible.

**Support Documentation for the Economic Analysis.** A comprehensive economic analysis, in accordance with DoD Instruction 7041.3, should include an on-site inspection of existing facilities that identifies any required repairs or renovations to existing facilities. DeCA personnel did not have documentation, such as engineering evaluations or inspection reports for the Fort Bragg main commissary. As a result, a comparison of the costs for additions to the existing facility with costs for new construction were not available.

### Criteria and Procedures Used to Determine Commissary Size

**Army Analysis.** The planned 100,000-square foot replacement commissary is not justified because DeCA significantly departed from established criteria and procedures that it used to determine commissary sizes. Instead of using actual average monthly sales as required by DeCA Directive 20-1, DeCA used a 1989 Army analysis of estimated potential lost sales, based on the maximum number of active duty, retired, and other authorized customers in the Fort Bragg area. Based on the Army's analysis, which used FY 1989 sales as adjusted to 1982 dollars (see Appendix A), the DeCA claimed that the commissary system at Fort Bragg was losing about \$6 million of potential sales per month. According to DeCA, many customers were not utilizing their commissary benefit, but were patronizing local commercial grocery stores.

DeCA based its 10 standard commissary layouts on average monthly sales, as adjusted to 1982 dollars, and a 45-hour operating week. The 10 standard commissary layouts with the required range of average monthly sales, as adjusted to 1982 dollars, are shown in Table 1.

**Table 1. DeCA Standard Commissary Layouts**

<u>Average Monthly Sales</u>	<u>Sales Area</u> (SF)	<u>Nominal Design Range Size</u> (SF)
\$ 4,050,000 - \$ 5,000,000	58,586	100,000
3,300,000 - 4,000,000	52,939	90,000
2,550,000 - 3,250,000	47,449	80,000
2,050,000 - 2,500,000	40,153	70,000
1,550,000 - 2,000,000	33,541	60,000
1,050,000 - 1,500,000	28,113	50,000
550,000 - 1,000,000	23,226	40,000
350,000 - 500,000	16,877	30,000
150,000 - 300,000	11,112	20,000
50,000 - 150,000	6,004	12,000

\*SF = Square feet

Average monthly sales, in 1982 dollars, for the main commissary at Fort Bragg were \$4.1 million for FY 1993 and \$3.9 million for FY 1992. Combined average monthly sales for the Fort Bragg main commissary and the Mallonee Village commissary were \$4.6 million for FY 1993 and FY 1992. The combined sales satisfy the DeCA design range for a 100,000-square foot commissary; not for both a 91,000-square foot and a 100,000-square foot commissary.

**Lost Sales.** Using lost sales as justification, DeCA contended that a new 100,000-square foot commissary, in addition to the main 91,000-square foot commissary, would recoup up to \$6 million a month in sales that were lost to local commercial supermarkets. We were unable to verify DeCA's contention that average monthly sales for both commissaries, as adjusted to 1982 dollars, would increase from the then combined store level of \$4.2 million to about \$10.2 million.

DeCA Directive 20-1 requires commissary sizing requirements to be based on average monthly sales. The directive also requires that population increases or decreases affecting sales trends be manually calculated and used to adjust sales projections. DeCA's assumption that 100 percent of the authorized patrons would shop all the time and spend 100 percent of their grocery dollars at Fort Bragg commissaries was unrealistic. Up-to-date market research and analysis, supporting studies, and patron surveys were not available to support DeCA's contention that a replacement commissary would recapture the lost commissary sales. Additionally, we are unaware of any base realignment and closure impact or future population increases or decreases planned for the Fort Bragg area.

## Sales Projections

**Justification for Replacement Commissary.** DeCA used unreasonable sales projections to justify the replacement commissary project. The projected sales for the Mallonee Village commissary that will not materialize, include sales to active duty personnel, retirees and dependents, as well as other authorized user personnel.

**Mallonee Village Commissary Sales.** At the Mallonee Village commissary, DeCA used an average 13.5-percent annual increase projection factor to forecast average monthly sales increases from FY 1992 through FY 1997, while actual experience, generally showed a downward trend. From FY 1983 to FY 1991, actual sales decreased an average of 7 percent. The 13.5-percent increase projection factor and the actual sales decrease of 7 percent were determined by averaging the percentage change in average monthly sales. Details of the actual and projected sales that DeCA computed in December 1992 are in Table 2.

Table 2. Mallonee Village Commissary Sales

<u>Fiscal Year</u>	<u>Average Monthly Sales</u> (adjusted to 1982 dollars)	<u>Percent Change</u>
1983	\$ 1,414,058	
1984	979,399	- 30.47
1985	884,110	- 9.73
1986	740,944	- 16.19
1987	747,506	.89
1988	517,608	- 30.75
1989	675,756	30.55
1990	647,231	- 4.22
1991	630,734	- 2.55
1992	704,172 *	11.64
1993	786,161 *	11.64
1994	965,465 *	22.80
1995	1,077,876 *	11.64
1996	1,203,376 *	11.64
1997	1,343,489 *	11.64

\* Projected by DeCA

Recent sales indicated a significant downward trend instead of the 13.5-percent average monthly increase in sales as DeCA projected. Actual sales data for FYs 1992 and 1993 showed that average monthly sales, as adjusted to 1982 dollars, were \$696,000 and \$537,500, respectively. Based on the past 10 years of sales data, it is unlikely that increased sales, as DeCA projected, will materialize.

## **Recommendations, Management Comments, and Audit Response**

**We recommend that the Director, Defense Commissary Agency:**

**1. Place the Mallonee Village replacement commissary construction project on hold until requirements have been fully determined and validated.**

**2. Evaluate consolidation of the Mallonee Village commissary with the Fort Bragg main commissary, to include renovation of the main commissary as an alternative to new construction. As part of the evaluation, complete an economic analysis that includes an engineering evaluation and inspection of the existing Fort Bragg main commissary and an up-to-date market research and analysis and patron survey to support renovation or new construction.**

**3. Base the size of any commissary renovation or replacement project on reasonable and up-to-date sales projections.**

**Management Comments.** The Director, DeCA, agreed to defer the new commissary project pending a review of sales and demographic projections. The Director also stated that an economic analysis to include expansion of the existing main commissary and an on-site engineer evaluation of the main commissary would be conducted. The Director stated that the target date for completing those actions is September 30, 1994.

**Audit Response.** We consider DeCA's comments to place the construction project at Fort Bragg on hold, to be responsive to the recommendation. We request that DeCA defer any contractual actions on the project pending our review of the sales and demographic projections, the economic analysis, and the on-site engineer evaluation of the main commissary.

## **Part III - Additional Information**

## Appendix A. DeCA Projection of Lost Sales

	<u>Patron Sponsors</u>	<u>Patron Sponsor Totals</u>
<u>Married Personnel</u>		
Active duty		
Officers	2,966	
Warrant officers	997	
Enlisted personnel	<u>19,877</u>	
Subtotal active duty		23,840
Retirees		13,149
 <u>Single Personnel</u>		
Active duty		
Officers	1,501	
Warrant officers	129	
Less: Officers and warrant officers living on post in quarters without kitchenettes	( 62)	1,568
Enlisted Personnel	20,771	
Less: Single enlisted personnel living on post in quarters without kitchenettes	<u>(17,400)</u>	3,371
Retirees		<u>839</u>
Total		<u>42,767</u>

The Army analysis used the U.S. average cost of food at home estimates from the U.S. Department of Agriculture for families and individuals to project monthly grocery purchases. The Army's estimates of monthly food purchases, by patron category, are shown below.

Active duty family	\$ 317.80
Single individual	40.09
Retiree family	181.00

## Appendix A. DeCA Projection of Lost Sales

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The following information from the 1989 Army analysis shows total potential sales volume based on the maximum number of active duty, retired, and other authorized patrons anticipated at Fort Bragg within the next 5 years.

- o 23,840 active duty families spending an average of \$317.80 per month, would total \$7,576,352.

- o 13,149 retiree families spending an average of \$181.00 per month, would total \$2,379,969.

- o 1,568 single officers spending an average of \$40.09 per month, would total \$62,861.

- o 3,371 single enlisted spending an average of \$40.09 per month, would total \$135,143.

- o 839 single retirees spending an average of \$40.09 per month, would total \$33,636.

The potential sales volume, as adjusted to 1982 dollars, of \$10,187,961 less combined Fort Bragg main and Mallonee Village commissary sales of \$4,216,586 equals \$5,971,375 in DeCA claimed lost sales.

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## Appendix B. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1.	Economy and Efficiency. Cancellation of the construction project.	Funds put to better use. As much as \$14.4 million in FY 1993 Surcharge Collection funds (97X8164.6400). The exact amount is undeterminable pending completion of the evaluation of consolidating the two Fort Bragg commissaries and consideration of the alternative to new construction.
2.	Economy and Efficiency. Ensure that DeCA Surcharge Collections Funds are used efficiently and effectively.	Monetary benefit is shown under Recommendation 1.
3.	Economy and Efficiency. Determine valid requirements.	Nonmonetary

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## **Appendix C. Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Office of the Assistant Secretary of Defense (Personnel and Readiness), Defense  
Manpower Data Center, Arlington, VA, and Monterey, CA

### **Defense Organizations**

Defense Commissary Agency, Headquarters, Ft. Lee, Petersburg, VA  
Defense Commissary Agency, East Service Center, Ft. Lee, Petersburg, VA  
Defense Commissary Central Region, Little Creek Naval Amphibious Base, Little  
Creek, VA  
Defense Commissary Agency, Design and Construction Division, Lackland Air Force  
Base, San Antonio, Texas  
Fort Bragg, Commissary Resale Store, Fayetteville, NC  
Mallonee Village Commissary Resale Store, Fort Bragg, Fayetteville, NC  
Pope Air Force Base, Commissary Resale Store, Fayetteville, NC

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Personnel and Readiness)  
Assistant to the Secretary of Defense (Public Affairs)  
Comptroller of the Department of Defense

### **Department of the Army**

Secretary of the Army  
Auditor General, Department of the Army

### **Department of the Navy**

Naval Facilities Engineering Command  
Auditor General, Department of the Navy

### **Department of the Air Force**

Auditor General, Department of the Air Force

### **Defense Organizations**

Director, Defense Commissary Agency  
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**

Office of Management and Budget  
U.S. General Accounting Office  
National Security and International Affairs Division, Technical Information Center  
National Security and International Affairs Division, Defense and National  
Aeronautics and Space Administration Management Issues

**Non-Defense Federal Organizations (Cont'd)**

National Security and International Affairs Division, Military Operations and Capabilities Issues

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 Subcommittee on Military Construction, Committee on Appropriations  
House Committee on Armed Services  
House Panel on Morale, Welfare and Recreation, Committee on Armed Services  
House Committee on Government Operations  
House Subcommittee on Legislation and National Security, Committee on Government Operations  
House Subcommittee on Military Construction, Committee on Appropriations  
House Subcommittee on Military Installations and Facilities, Committee on Armed Services

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## **Part IV - Management Comments**

# Defense Commissary Agency Comments



REPLY TO  
ATTENTION OF

IR

JUN 3 0 1994

DEFENSE COMMISSARY AGENCY  
HEADQUARTERS  
FORT LEE, VIRGINIA 23801-6300

MEMORANDUM FOR INSPECTOR GENERAL, LOGISTICS SUPPORT DIRECTORATE,  
400 ARMY NAVY DRIVE, ARLINGTON, VA 22202-2884

SUBJECT: Quick-Reaction Report on the Commissary Construction  
Project at Fort Bragg, North Carolina (Project No. 3LA-  
0069.03)

Reference: DoDIG Memorandum, dtd June 6, 1994, SAB.

Attached is the DeCA reply to the recommendations provided in  
subject report. At this time, we cannot comment on monetary  
benefits from your report until a final decision is made after our  
evaluation of the construction project. If you have any questions,  
please contact Mr. Ben Mikell at (804) 734-8103.

*fw* / *Charles M. Beale, Jr.*  
RICHARD E. BEALE, JR.  
Major General, USA  
Director

Attachments:  
As Stated

DEFENSE COMMISSARY AGENCY REPLY

SUBJECT: Quick-Reaction Report on the Commissary Construction Project at Fort Bragg, North Carolina (Project No. 3LA-0069.03)

Recommendation We recommend that the Director, Defense Commissary Agency:

1. Place the Mallonee Village replacement commissary construction project on hold until requirements have been fully determined and validated.

2. Evaluate consolidation of the Mallonee Village Commissary with the Fort Bragg Main Commissary, to include renovation of the main commissary as an alternative to new construction. As a part of the evaluation, complete an economic analysis that includes an engineering evaluation and inspection of the existing Fort Bragg Main Commissary and an up-to-date market research and analysis and patron survey to support renovation or new construction.

3. Base the size of any commissary renovation or replacement project on reasonable and up-to-date sales projections.

Action Taken. Concur. Execution of the new commissary project will be delayed pending another review of sales and demographic projections, which are currently underway. An Economic Analysis will be conducted to include expansion of the existing main store if deemed appropriate. DeCA will also conduct an onsite engineer evaluation of the main commissary. Target date for completion of these actions is September 30, 1994.

## **Audit Team Members**

Shelton R. Young  
Robert J. Ryan  
Timothy J. Tonkovic  
Suzanne Hutcherson  
Shari D. Patrick  
Elmer J. Smith

## INTERNET DOCUMENT INFORMATION FORM

**A . Report Title: Quick-Reaction Report on the Replacement Commissary Construction Project at Fort Bragg, North Carolina**

**B. DATE Report Downloaded From the Internet: 03/1799**

**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 03/17/99

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.