DEFENSE BASE REALIGNMENT AND CLOSURE
BUDGET DATA FOR REALIGNING ELEMENTS OF
HEADQUARTERS, DEPARTMENT OF THE NAVY,
TO THE WASHINGTON NAVY YARD

Report No. 96-131

May 28, 1996

19991202 152

Department of Defense

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Acronyms

BRAC     Base Realignment and Closure  
MILCON   Military Construction
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for
Realigning Elements of Headquarters, Department of the Navy, to the
Washington Navy Yard (Report No. 96-131)

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

Management comments on the draft report conformed to the requirements of
DoD Directive 7650.3. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the
audit should be directed to Ms. Kimberley A. Caprio, Audit Program Director, at
(703) 604-9248 (DSN 664-9248) or Mr. Kent E. Shaw, Audit Project Manager, at
(703) 604-9228 (DSN 664-9228). See Appendix G for the report distribution. The
audit team members are listed inside the back cover.

David K. Steensma
Deputy Assistant Inspector General
for Auditing
Office of the Inspector General, DoD

Report No. 96-131  May 28, 1996
(Project No. 6CG-5001.41)

Defense Base Realignment and Closure Budget Data for
Realigning Elements of Headquarters, Department of the
Navy, to the Washington Navy Yard

Executive Summary

Introduction. This report is one in a series of reports about FY 1997 Defense base
realignment and closure military construction costs. Public Law 102-190, "National
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 include all projects
valued at more than $1 million.

Audit Objectives. The overall audit objective was to determine the accuracy of
Defense base realignment and closure military construction budget data. This report
provides the results of the audit of one project, valued at $2 million, for the relocation
of functional areas of the Assistant Secretaries of the Navy and the Under Secretary of
the Navy from leased space in the National Capital Region to Government-owned space
within the Washington Navy Yard, Washington, D.C.

Audit Results. The Engineering Field Activity-Chesapeake, located at the Washington
Navy Yard, overestimated its space requirements for building renovation and did not
substantiate the cost per square meter for personnel transfer and building renovation on
the submitted DD Form 1391, "FY 1997 Military Construction Project Data." As a
result, the Navy overstated cost estimates for project P-001T, "Headquarters Building
Renovation."

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

Summary of Recommendations. We recommend that the Under Secretary of Defense
(Comptroller) place project P-001T on administrative withhold. We also recommend
that the Navy submit a revised DD Form 1391, "FY 1997 Military Construction
Project Data," that accurately reflects required size and contains a supportable
estimated cost per square meter for the project.
Management Comments. The Under Secretary of Defense (Comptroller) concurred with the report and stated that funds will be placed on administrative withhold if the issue is not resolved by the start of the fiscal year. The Navy concurred with the draft audit recommendations, and will resubmit a DD Form 1391 that accurately reflects the Defense base realignment and closure requirements for accommodating transferring personnel. See Part I for a summary of management comments, and see Part III for the complete text of management comments.
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- Department of the Navy Comments
Part I - Audit Results
Audit Results

Audit Background

The Office of the Inspector General, DoD, is performing various audits of the Defense base realignment and closure (BRAC) process. This report is one in a series of reports about 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 C. See Appendix E for a summary of invalid and partially valid requirements for the project we reviewed.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities. Another objective was to assess the adequacy of the management control program as it applied to the overall audit objective. The management control program objective will be discussed in a summary report on FY 1997 Defense base realignment and closure military construction budget data.

This report provides the results of the audit of project P-001T, "Headquarters Building Renovation," valued at $2 million, resulting from the relocation of various Navy organizations from leased office space to Government-owned office space at the Washington Navy Yard.

The Engineering Field Activity-Chesapeake, located at the Washington Navy Yard, developed the requirements for project P-001. Those organizations that were to be moved included:

- Office of Financial Management Operations, Assistant Secretary of the Navy (Financial Management and Comptroller);
- Office of Safety and Survivability, Assistant Secretary of the Navy (Installations and Environment);
- Office of Acquisition and Business Management, Assistant Secretary of the Navy (Research, Development, and Acquisition);
- Directorate of Acquisition Career Management, Assistant Secretary of the Navy (Research, Development, and Acquisition);
- Naval Council of Personnel Boards;
Audit Results

- Office of General Counsel (Litigation);
- Office of General Counsel (Management);
- Office of Small and Disadvantaged Business Utilization, Under Secretary of the Navy; and
- Office of Total Quality Leadership, Under Secretary of the Navy.

See Appendix A for a discussion of the scope and methodology, Appendix B for a summary of prior coverage related to the audit objectives, and Appendix D for discussion of an economic analysis.
Headquarters Building Renovation

The Engineering Field Activity-Chesapeake overestimated space requirements and did not substantiate the costs per square meter submitted on the DD Form 1391, "FY 1997 Military Construction Project Data," for project, P-001T, "Headquarters Building Renovation." That happened because the Engineering Field Activity-Chesapeake did not follow Navy instructions for space allocation to determine space required for accommodating personnel transferred to the Washington Navy Yard. The Engineering Field Activity-Chesapeake officials stated that they could not develop an accurate estimate of personnel transferring because other BRAC MILCON projects that moved personnel within the National Capital Region impacted the project. As a result, the Navy overstated cost estimates for the project.

Proposed Project for Headquarters Building Renovation

In the DD Form 1391 for project P-001T submitted to Congress, the Engineering Field Activity-Chesapeake, located at the Washington Navy Yard, proposed the renovation of existing administrative spaces to accommodate various Navy organizations that are currently located in leased space. The Navy submitted a DD Form 1391 for renovation of 8,826 square meters (about 95,000 square feet) of space in a building at the Washington Navy Yard, estimated to cost $2 million.

Space Requirements

The Engineering Field Activity-Chesapeake overestimated space requirements for project P-001T. The overestimate resulted because the Engineering Field Activity-Chesapeake did not follow the Secretary of the Navy Instruction 5910.7A (Instruction 5910.7A), "Space and Facilities Management Procedures, National Capital Region (NCR)," April 22, 1993, when determining its space requirements. Instruction 5910.7A space allocation criteria apply to all Navy organizations that occupy Government-owned or commercial space in the National Capital Region. The instruction contains criteria for estimating office space requirements based on the number of personnel and their grades, ranks, or positions.

When preparing the DD Form 1391, the Engineering Field Activity-Chesapeake officials did not have documentation to substantiate the number of personnel transferring to the Washington Navy Yard. Nevertheless, they submitted the DD Form 1391, without the necessary information. The Engineering Field Activity-Chesapeake officials stated that they could not develop an accurate estimate of personnel transferring because other BRAC MILCON projects that
moved personnel within the National Capital Region impacted the project. The Engineering Field Activity-Chesapeake should obtain necessary documentation to support the number of personnel to be accommodated for project P-001T. Once the data are obtained, the Engineering Field Activity-Chesapeake should revise its estimates to accurately reflect the number of personnel transferring, in accordance with Instruction 5910.7A.

Cost Requirements

The Engineering Field Activity-Chesapeake was not able to support its estimated cost per square meter ($205) for the MILCON project. The Engineering Field Activity-Chesapeake stated that $205 per square meter was an educated guess of the cost of the project. The estimated cost needs to be supported by historical costs of prior similar projects, architectural estimates, or by using cost estimating procedures provided by the Military Handbook 1010A, "Cost Engineering: Policy and Procedures," August 1, 1992. Engineering Field Activity-Chesapeake needs to obtain historical data and establish supportable cost estimates.

Reducing Project Scope and Cost

As a result of not adhering to Instruction 5910.7A, the Engineering Field Activity-Chesapeake overstated cost estimates for the personnel transferring to the Washington Navy Yard. Therefore, the headquarters building renovation project for $2 million should be placed on administrative withhold until the Navy submits a revised DD Form 1391 that accurately reflects required size and contains a supportable estimated cost per square meter for the project.
Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense (Comptroller) place project P-001T, "Headquarters Building Renovation," on administrative hold until the Engineering Field Activity-Chesapeake submits a revised DD Form 1391, "FY 1997 Military Construction Program," that accurately reflects requirements and costs.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) concurred with the recommendation. As a result, the Under Secretary of Defense (Comptroller) agreed to place FY 1997 funds on administrative hold if the issue is not resolved at the start of the fiscal year, and reprogram the savings to support other valid Defense base realignment and closure requirements.


Navy Comments. The Assistant Secretary of the Navy (Installations and Environment) concurred with the recommendation. A revised DD Form 1391 will be submitted and will accurately reflect Defense base realignment and closure requirements for accommodating transferring personnel.
Part II - Additional Information
Appendix A. Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request and supporting documentation for space requirements for one realignment project resulting from the relocation of various elements of Headquarters, Department of the Navy, from leased office space to office space in the Washington Navy Yard. Project P-001T, "Headquarters Building Renovation," is valued at $2 million.

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

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

**Inspector General, DoD**

<table>
<thead>
<tr>
<th>Report No.</th>
<th>Report Title</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>96-119</td>
<td>Defense Base Realignment and Closure Budget Data for the Construction of a Multiple Purpose Facility at Fort McCoy, Wisconsin</td>
<td>May 14, 1996</td>
</tr>
<tr>
<td>96-118</td>
<td>Defense Base Realignment and Closure Budget Data for the Medical and Dental Clinic Expansion Project at Naval Weapons Station Charleston, South Carolina</td>
<td>May 13, 1996</td>
</tr>
<tr>
<td>96-116</td>
<td>Defense Base Realignment and Closure Budget Data for the Relocation of Deployable Medical Systems to Hill Air Force Base, Ogden, Utah</td>
<td>May 10, 1996</td>
</tr>
<tr>
<td>96-112</td>
<td>Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Cecil Field, Florida, and Realignment of the Aviation Physiology Training Unit to Naval Air Station Jacksonville, Florida</td>
<td>May 7, 1996</td>
</tr>
<tr>
<td>96-104</td>
<td>Defense Base Realignment and Closure Budget Data for the Construction of the Overwater Antenna Test Range Facility at Newport, Rhode Island</td>
<td>April 26, 1996</td>
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### Inspector General, DoD (cont'd)

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<tr>
<td>96-101</td>
<td>Defense Base Realignment and Closure Budget Data for the Closure of Naval Air Station Barbers Point, Hawaii, and Realignment of P-3 Aircraft Squadrons to Naval Air Station Whidbey Island, Washington</td>
<td>April 26, 1996</td>
</tr>
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Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

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

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

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

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

**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 D. Other Matters of Interest

Economic Analysis for Expansion. The Under Secretary of Defense (Comptroller) issued a memorandum on August 2, 1991, that requires the Military Departments to prepare an economic analysis for all military construction, major repairs, or renovation projects estimated to cost more than $2 million. In addition, Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," December 15, 1987, requires organizations to prepare an economic analysis and include the analysis with the preliminary construction project documentation when alternatives to new construction exist.

Project P-001T Economic Analysis. An economic analysis for project P-001T was not required because the Commission directed the Navy to be realigned from leased space to existing Government space within the National Capital Region to include the Washington Navy Yard, Washington, D.C.
Appendix E. Projects Identified as Invalid or Partially Valid

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

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Project Number</th>
<th>Causes of Invalid Projects</th>
<th>Causes of Partially Valid Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters Building Renovation</td>
<td>P-001T</td>
<td>Overstated</td>
<td>Unsupported</td>
</tr>
<tr>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

Table E-2. Recommended Changes in Project Estimates

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Project Number</th>
<th>Amount of Estimate on DD Form 1391 (thousands)</th>
<th>Recommended Amount of Change Invalid Projects (thousands)</th>
<th>Recommended Amount of Change Partially Valid Projects (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters Building Renovation</td>
<td>P-001T</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$2,000</td>
<td></td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Total Invalid and Partially Valid Projects $2,000
Appendix F. Organizations Visited or Contacted

Office of the Secretary of Defense
Under Secretary of Defense (Comptroller), Washington, DC

Department of the Navy
Chief of Naval Operations, Washington, DC
Naval Facilities Engineering Command, Alexandria, VA
   Engineering Field Activity-Chesapeake, Washington, DC
Appendix G. 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)
Assistant Secretary of Defense (Industrial Affairs and Installations)
  Principal Assistant Deputy Secretary of Defense (Industrial Affairs and Installations)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
  Commander, Naval Facilities Engineering Command
    Commander, Engineering Field Activity-Chesapeake
Auditor General, Department of the Navy

Department of the Air Force

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

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Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
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Technical Information Center, National Security and International Affairs Division,
General Accounting Office

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

Honorable Eleanor Holmes Norton, U.S. House of Representatives
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Part III - Management Comments
MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Quick-Response Report on Defense Base Realignment and Closure for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard (Project No. SGO-5001.41)

This responds to your April 19, 1996, memorandum requesting our comments on the subject report.

The audit states that the Navy overstated the space requirements and costs for project P-001T, "Headquarters Building Renovation." The audit contends that this occurred because the Navy did not follow established Secretary of the Navy space allocation and cost guidance.

This audit recommends that the USD(Comptroller) place the funds for project P-001T on administrative withhold until the Navy submits a revised DD Form 1391 that accurately reflects requirements and costs.

The funding for project P-001T is included in the fiscal year 1997 Base Realignment and Closure (BRAC) budget request. We generally agree with the audit findings and recommendation; however, since the Navy has yet to comment on the audit and the amount of the savings has not been resolved, it is premature to take action at this time. However, if the issue is not resolved by the start of the fiscal year, we will place the funds associated with the project on administrative withhold pending resolution. Further, any savings resulting from the audit will be reprogrammed to other BRAC requirements as appropriate.

[Signature]
B. R. Hubert
Director for Construction
MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DoDIG Draft Quick-Response Report on Defense Base Realignment and Closure Budget Data for the Realigning Elements of the Headquarters, Department of the Navy to the Washington Navy Yard (Project No. 6CG-5001.41)

I am responding to the draft quick-response audit report forwarded by Attachment 1, concerning base realignment and closure budget data for the realignment of elements of the Department of the Navy Headquarters to the Washington Navy Yard. Our response is provided at Attachment 2. We concur with draft audit recommendations.

ROBERT B. PIRIE, JR.

Attachments:
1. DoDIG memo of 19 Apr 96
2. DON Response to DoDIG Quick Reaction Report of 19 Apr 96

Copy to:
ASN(PMB)
ASN(FMO-31)
NAVINSGEN (02)
COMMNAVFACEKGCOM (00G2)
Department of the Navy Comments

DEPARTMENT OF THE NAVY RESPONSE

TO

DODIG DRAFT QUICK REACTION REPORT OF 19 APRIL 1996
ON
DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR REALIGNING
ELEMENTS OF THE HEADQUARTERS, DEPARTMENT OF THE NAVY, TO THE
WASHINGTON NAVY YARD
(PROJECT 6CG-5001.41)

Project: P-001T
Description: Headquarters Building Renovation
Location: Washington Navy Yard, Washington, D.C.

Recommendation 1: We recommend that Under Secretary of Defense (Comptroller) place project P-001T, "Headquarters Building Renovation," on administrative withheld until the Engineering Field Activity-Chesapeake submits a revised DD Form 1391, "FY 1997 Military Construction Program," that accurately reflects requirements and costs.

Department of the Navy Response: Concur. The actual building loading/occupancy was not positively identified until December 1995. The Engineering Field Activity-Chesapeake is currently reviewing the specific loading data, requirements calculations, and cost estimates to develop a revised DD Form 1391. A revised DD Form 1391 will be submitted by 14 June 1996.


Department of the Navy Response: Concur. As stated in recommendation 1, the actual loading/occupancy was not positively identified until December 1995. A revised DD Form 1391 will be submitted by 14 June 1996, and will accurately reflect Base Realignment and Closure requirements for accommodating transferring personnel.
Audit Team Members

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

Paul J. Granetto
Kimberley A. Caprio
Kent E. Shaw
Awanda A. Grimes
William C. Coker
Tara L. Queen
INTERNET DOCUMENT INFORMATION FORM

A. Report Title:  Defense Base Realignment and Closure Budget Data for Realigning Elements of Headquarters, Department of the Navy, to the Washington Navy Yard

B. DATE Report Downloaded From the Internet:  12/01/99

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

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