Audit Report

OFFICE OF THE INSPECTOR GENERAL

DEVELOPMENT OF FORD ISLAND, PEARL HARBOR, HAWAII

Report No. 95-013

October 19, 1994

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Department of Defense

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Acronyms

HOMES	Housing Operations Management System
OCFH	Oahu Consolidated Family Housing Office

October 19, 1994

MEMORANDUM FOR COMPTROLLER OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
COMMANDER IN CHIEF, U.S. PACIFIC COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Development of Ford Island, Pearl Harbor, Hawaii (Report No. 95-013)

We are providing this audit report for your review and comment. The audit was made in response to a DoD Hotline complaint concerning the development plan for Ford Island, Pearl Harbor, Hawaii. Comments on a draft report were considered in preparing this final report.

DoD Directive 7650.3 requires that all recommendations and potential monetary benefits be resolved promptly. The Comptroller of the Department of Defense comments were fully responsive. The U.S. Pacific Command did not comment on a draft of this report. The Navy comments were only partially responsive. As a result of the July 12, 1994, Deputy Secretary of Defense decision to deconsolidate military family housing management on Oahu and management comments, we adjusted recommendations to the Army, the Air Force, and the U.S. Pacific Command. Therefore, we request that the Army, the Navy, the Air Force, and the U.S. Pacific Command provide comments on the unresolved recommendations, as specified in the tables at the end of each finding, and the potential monetary benefits related to actions discussed in this report by December 19, 1994.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Wayne Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Thomas Smith, Audit Project Manager, at (703) 604-9301 (DSN 664-9301). Appendix K lists the distribution of the report. The audit team members are listed inside the back cover.

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Assistant Inspector General
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Office of the Inspector General, DoD

Report No. 95-013 **October 19, 1994**
(Project No. 3CG-8015)

DEVELOPMENT OF FORD ISLAND, PEARL HARBOR, HAWAII

EXECUTIVE SUMMARY

Introduction. The audit was in response to a DoD Hotline complaint regarding the Navy plan to sell 122 acres of Government land located in Pearl City, Hawaii, to finance the construction of a causeway from Pearl Harbor Naval Base to Ford Island, Hawaii. Upon completion of the causeway, the Navy plans to develop Ford Island as a military family housing area. The DoD Hotline complaint alleged that the Navy was not receiving the fair market value for the land, the Navy was understating the estimated cost to construct the causeway and to develop Ford Island, and the plan to develop Ford Island was not justified. After the draft report was issued, the Deputy Secretary of Defense deconsolidated military family housing management on Oahu.

Objectives. The primary objectives of the audit were to determine whether the Navy was receiving the fair market value for the property being sold and whether the development of Ford Island as a military family housing area was justified and cost-effective. We evaluated the requirements for military family housing on Oahu, the justification for community support projects, and the requirements for upgrading the infrastructure on Ford Island. The audit also included an evaluation of the internal controls over the requirement validation and justification process for military construction projects planned for Ford Island and management's implementation of the DoD Internal Management Control Program.

Audit Results. The audit showed that the Navy was receiving the fair market value of $109 million for the land being sold. The agreement for the design and construction of the causeway contained language that would protect the Navy interest if the causeway could not be constructed within the limits of the proceeds from the sale of the property. Part II of the report provides additional results of audit as follows:

- The Army, the Navy, the Air Force, and the Marine Corps on Oahu were duplicating the responsibility of the Oahu Consolidated Family Housing Office, U.S. Army Pacific (Finding A). Although the July 1994 deconsolidation rendered that issue moot, the internal controls over the determination of military family housing requirements still require improvement. Accordingly, the recommendations are now directed to all of the Services on Oahu.

- The Navy plan to build 780 military family housing units, estimated to cost $175.5 million, on Ford Island was not supported. More generally, the U.S. Pacific Command's "Strategy 8000 Family Housing Acquisition Plan," a $2.4 billion plan to construct 8,000 additional military family housing units on Oahu, was not based on a valid requirement. Based on the observations made during the audit on the condition of some housing units, their replacement should be pursued expeditiously, but with sound planning (Finding B).

- The overall cost to develop Ford Island was understated by $252 million, and nine Navy military construction projects for Ford Island, estimated to cost $120.2 million, were not supported with valid requirements (Finding C).

Internal Controls. Internal controls and management's implementation of the DoD Internal Management Control Program were not effective and did not identify material internal control weaknesses regarding Army, Navy, Air Force, and Marine Corps planning and programming for military family housing and community support projects on Oahu. The Oahu Consolidated Family Housing Office was not able to adequately determine whether or not the requirement to construct military family housing and community support facilities on Ford Island was valid. See Part I for the internal controls assessed and Part II for details of the material internal control weaknesses identified.

Potential Benefits of Audit. Implementation of the recommendations will establish internal controls over the accuracy of information regarding military family housing operations, will provide housing managers with valid information for planning and programming for the construction of military family housing, and will provide valid support for military construction projects. Implementation of the recommendations will result in $336.5 million of programmed funds put to better use and cancellation of $120.2 million of unnecessary projects that are unprogrammed (Appendix I).

Summary of Recommendations. We recommend that Military Departments on Oahu develop internal controls to require military members to in-process and out-process through their respective military family housing office when arriving or departing Oahu and that the servicing Family Housing Office maintain accurate and current information in the Housing Operations Management System. In addition, we recommend that the Ford Island and the Oahu housing acquisition plans be canceled. We also recommend that funding for Navy new military construction projects for Ford Island be canceled or put on hold until the requirement has been adequately justified and validated. We further recommend that the Comptroller of the Department of Defense and the Comptroller of the Navy suspend all funding for military family housing construction projects on, and other improvements to, Ford Island until the requirements have been adequately justified and validated.

Management Comments. The Comptroller of the Department of Defense agreed to suspend all funding for military family housing construction and other improvements on Ford Island until the project requirements are adequately justified and validated. The Army concurred with Findings A. and B. However, the Army did not comment on the recommendations directed to the Army. The Navy agreed with 11 of the 16 recommendations; however, we did not consider the comments to be fully responsive. The Navy did not agree with the recommendation to suspend the funding but agreed that no new housing should be constructed on Ford Island until the housing requirement on Oahu was better defined. The Navy agreed to suspend or cancel the projects for community support facilities on Ford Island. The U.S. Pacific Command did not comment.

Audit Response. Because of the Deputy Secretary of Defense decision to deconsolidate military family housing operations on Oahu, we deleted the two draft recommendations to the Oahu Consolidated Family Housing Office and redirected the three draft recommendations concerning the functions and internal controls over the military family housing operations on Oahu to each Service on Oahu.

The Comptroller of the Department of Defense response to suspend any additional funding of military family housing or other military construction for Ford Island until the projects are justified is considered responsive. For all remaining recommendations, either the responses were not received, were incomplete, or the recommendations have been redirected. Accordingly, we request comments from the Military Departments and the U.S. Pacific Command by December 19, 1994.

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

Part I - Introduction

Background

Ford Island, Hawaii, Real Estate Development. The Commander, Pacific Division, Naval Facilities Engineering Command, determined in a real estate utilization study completed in 1978 that the Navy could release property at Pearl City, Hawaii. Public Law 101-148, "Military Construction Appropriations Act 1990," section 127, "Availability of Appropriations," November 10, 1989, authorized the Secretary of the Navy to sell 122 acres of land and improvements located in Pearl City to the state of Hawaii for the fair market value of the property. The law also specified that the proceeds received from the land sale were to be used to construct a causeway to Ford Island from the Pearl Harbor Naval Base and to replace the existing warehouses currently located on the Pearl City property.

Land Sale Agreement. The 1989 land sale agreement between the Navy and the state of Hawaii established a sale price of $109 million for the 122 acres of land. The agreement stipulated that the land transaction was to be accomplished in two phases. In the first phase, the Navy received $15 million for 14 acres of land referred to as Pearl City Junction (title for the 14 acres was transferred to an escrow account in November 1993). The $15 million is to be used to finance a design study for the causeway from the Pearl Harbor Naval Base to Ford Island. After completion of the design study, and if the Navy decides to proceed with the construction of the causeway, the Navy will receive $94 million for the remaining 108 acres of land, referred to as the Manana Storage Area, to complete the second phase of the land sale agreement. Public Law 101-148 provides that the $94 million is to be used for constructing the causeway, estimated to cost between $65 million and $85 million. The remaining funds are to be used to offset the replacement of the existing storage facilities located on the Manana Storage Area.

Pearl Harbor Naval Complex Master Plan. Pearl Harbor Naval Base personnel developed the Pearl Harbor Naval Complex Master Plan (the Master Plan) to improve the quality of life for Navy personnel stationed on Oahu. The Master Plan included a proposal to construct a causeway from the Pearl Harbor Naval Base to Ford Island and to develop Ford Island as a military family housing area.

Justification for the Causeway. The justification to construct the causeway was based on the cost-effectiveness of a causeway versus the continued use of ferries as the primary method of access to Ford Island.

Justification for the Military Family Housing. The Navy based its justification for the construction of military family housing units on Ford Island on three points: the density of military family housing in the general area of the Pearl Harbor Naval Base, an unvalidated military family housing shortage on Oahu, Hawaii, and the operational requirements at the Pearl Harbor Naval Base resulting from homeporting a battleship in Hawaii.

Consolidating Military Family Housing Management. On the island of Oahu, which is only about 50 miles wide across its widest point, six military

family housing area offices (Appendix A) supported a total of 20 or more military activities. A 1981 study showed that military family housing could be more effectively and efficiently managed under a single manager. Accordingly, in December 1982, the Army was appointed executive agent of consolidated military family housing management in Hawaii.

Operational Control of Military Family Housing Management. To implement the decision to consolidate military family housing management, the Commanding General, U.S. Army Pacific, established the Oahu Consolidated Family Housing Office (OCFH). Under the single manager concept, Oahu military installation commanders were directed to transfer operational control of personnel working in the six existing military family housing area offices to the Army. The consolidation gave the Commander, OCFH, the responsibility to house about 30,000 military families in Hawaii and to manage about 20,000 military housing units.

Deconsolidation of Military Family Housing Management. After the draft of the report was issued, the Deputy Secretary of Defense deconsolidated the military family housing operation on Oahu effective September 1, 1994. The individual Secretaries of the Military Departments were notified by memorandum on July 12, 1994, of the decision to deconsolidate the family housing operation.

Future Military Family Housing Acquisition Plan. The Commander In Chief, U.S. Pacific Command, established the "Strategy 8000 Family Housing Acquisition Plan" in 1992. With inputs from the Army, the Navy, the Air Force, and the Marine Corps (Military Components) in Hawaii and the Pacific Division, U.S. Army Engineers, the intent of the Commander In Chief, U.S. Pacific Command, plan was to address master planning issues concerning elimination of the current and future military housing deficit. To achieve the goal would require building 8,142 housing units at an estimated cost of $2.4 billion.

Ford Island Development Plan. To provide for additional community support facilities to meet the demands of an urban population on Ford Island and to improve the traffic infrastructure to support a military family housing area, the Navy prepared the Ford Island Development Plan. This plan includes a requirement for a state-funded elementary school, if the population reaches a level of 1,000 families, as well as community support projects such as a youth center, chapel, gas station, retail shops, theater, bank, post office, car wash, and additional recreation areas.

Developing Ford Island will also require removing a 4,000-foot auxiliary landing field used by civilian light aircraft, upgrading the electrical power service and the electrical power distribution system, and upgrading the potable water and sewage service. Additionally, a sanitary landfill site operated from 1930 until 1960 on the western shore will have to be assessed to determine the environmental threat. Finding C discusses specific community support and infrastructure projects identified and reviewed concerning the development of Ford Island.

Objectives

The primary audit objectives were to determine:

- whether the Navy was receiving the fair market value for the property being sold to the state of Hawaii to finance the construction of a causeway from the Pearl Harbor Naval Base to Ford Island and

- whether the development of Ford Island as a military family housing area was justified and cost-effective.

We evaluated the requirements for military family housing in Oahu, Hawaii, the justification for community support projects, and the requirements for upgrading the infrastructure on Ford Island. The audit also included an evaluation of the internal controls over the requirement validation and justification process for military construction projects planned for Ford Island. See the Other Matters of Interest section for the results of our review of specific DoD Hotline allegations.

Scope and Methodology

Review of Land Exchange Agreement and Causeway Project. We examined the 1991 land sale agreement between the Navy and the state of Hawaii and the legislation authorizing the exchange of the two parcels of Government property, Pearl City Junction and the Manana Storage Area, to finance the construction of a causeway from Pearl Harbor Naval Base to Ford Island. We compared the $109 million offer made by the state of Hawaii with the estimated fair market value of the property. We examined the Navy-contracted Coopers & Lybrand, "Ford Island Study," May 27, 1988, that analyzed the cost associated with continued use of ferries to provide access to Ford Island. We did not evaluate the justification or validate the requirements for the causeway construction project.

Review of Housing Management Consolidation. We examined the correspondence that directed the Military Components in Hawaii to consolidate military family housing management. This examination included an evaluation of the December 27, 1982, memorandum of understanding between the Commander, OCFH, and the commanders of Military Components in Hawaii and the 1987 interservice agreements.

Review of Housing Requirements. We reviewed the Navy justification supporting the requirements for Navy military family housing on Ford Island and the justification for the long-range "Strategy 8000 Family Housing Acquisition Plan," October 15, 1992. To evaluate the requirement to construct military family housing on Ford Island or Oahu, we calculated the demand for military housing in Oahu using the current and projected troop strength as of June 1993. The Quantitative Methods Division, Inspector General, DoD,

provided technical assistance in developing the sampling plan for our review. Appendix B provides a discussion of the sample design, confidence level, and methods used to analyze the population housing requirement.

Review of Ford Island Facility Construction Plans. We reviewed the January 1992 Ford Island Development Plan and reviewed related projects in the Master Plan. We reviewed the requirements and justification used to support the DD Forms 1391, "Military Construction Data," prepared for 14 Navy military construction projects, estimated to cost $189 million, that were part of the development of Ford Island.

Audit Standards, Computer-Processed Data, and Locations. This economy and efficiency audit was made from March 1993 through March 1994 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of internal controls considered necessary to accomplish the audit objectives. We tested for and were satisfied with the accuracy and completeness of the computer-processed data we used to develop the audit findings. Appendix J lists the organizations visited or contacted during the audit.

Internal Controls

Internal Controls Reviewed. The audit evaluated the Oahu Military Components internal controls for validating requirements for the construction of military family housing units and construction of community support facilities. Specifically, we evaluated policy and guidance concerning implementation of internal controls for the accumulation of information to support requirements for military family housing and community support projects.

Accuracy of Internal Controls. The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Internal controls were not effective to ensure that military family housing and community support projects were supported with valid requirements. We also reviewed the portion of the DoD Internal Management Control Program applicable to validating the requirements for the construction of military family housing and community support projects. The program failed to prevent or detect the internal control weakness because OCFH lacked adequate procedures to analyze the migration and demographics of the military community and to determine the requirement for military housing. Further, the Navy had not adequately reviewed and updated its 5-year development plan for the Pearl Harbor Naval Complex. Recommendations A.1., A.2., C.1.a., and C.1.c., if implemented, will assist in correcting the weaknesses. Potential monetary benefits to be realized from implementing the recommendations are undeterminable because the potential monetary benefits will depend on future decisions. See Appendix I and the findings in Part II for further details. A copy of the report will be provided to the senior officials responsible for internal controls in the Departments of the Army, the Navy, and the Air Force and the U.S. Pacific Command.

Prior Audits and Other Reviews

Since May 1989, the General Accounting Office, the Inspector General, DoD, and the Army Audit Agency issued five reports that addressed issues concerning our audit objectives.

General Accounting Office NSIAD-90-239BR (OSD Case No. 8411), "Navy Ships, Costs Of Homeporting the U.S.S. *Missouri* In Pearl Harbor Versus Long Beach," September 28, 1990. The report compares the costs of homeporting the U.S.S. *Missouri* in Pearl Harbor, Hawaii, with Long Beach, California. As a separate matter, the report examines the Navy plan to exchange 122 acres of land with the State of Hawaii for the costs of constructing a causeway from the Pearl Harbor Naval Base to Ford Island. The report made no recommendations.

Inspector General, DoD, Report No. 91-073, "Quick-Reaction Report on the Audit of DoD Base Realignment and Closures," April 30, 1991. The report states that base realignment projects estimated to cost about $53 million at Pearl Harbor Naval Base were not needed. The projects included construction of pier and shore improvements for homeporting of the U.S.S. *Missouri*. The report recommended:

- reducing base realignment and closure funds by $53.13 million for homeporting the U.S.S. *Missouri* at Pearl Harbor,

- providing funding for termination of the contract awarded for construction of pier and shore improvements at Pearl Harbor Naval Base, and

- adjusting the Base Closure Account as appropriate to reduce Navy base realignment and closure funds and to provide funds for the contract termination costs.

The Comptroller of the Department of Defense concurred with the report findings, while the Assistant Secretary of the Navy (Installations and Environment) generally nonconcurred with the findings and recommendations. Work continued on contracts awarded for new facilities at Pearl Harbor to homeport the battleship U.S.S. *Missouri* because termination costs had become too high by early 1991 to warrant stopping construction.

Army Audit Agency WR 93-752, "Management of DoD Family Housing, Oahu, Hawaii," January 5, 1993. The report states that the Army was unable to adequately implement the single-manager concept for DoD military family housing on Oahu. As a result, opportunities for achieving economies of scale and improved efficiency of the housing operations were not achieved. The report recommended that the Army reevaluate the current consolidated military family housing operations on Oahu. The Deputy Assistant Secretary of the Army (Installations and Housing) did not comment on the Army Audit Agency report. However, the Commanding General, U.S. Army Pacific, stated that the consolidation, as recommended, would not enable the Services to mold their installations in the way they felt was best. The consolidation would build a large organization and probably gain nothing on economies of scale.

Army Audit Agency WR 92-757, "Family Housing Requirements, Oahu, Hawaii," June 12, 1992. The report states that the housing office did not accurately compute the military family housing deficit for Oahu. The report recommended that the Army reduce planned construction of military family housing on Oahu, recompute the Oahu military family housing requirements, and develop procedures for computing military family housing requirements. Management agreed with most recommendations, but strongly disagreed with the recommendation to recompute the requirements. However, after audit resolution, the Army stated that OCFH was in the process of updating the housing requirements and that the Army recognized a housing deficit range of 3,557 to 5,088 units.

Army Audit Agency WE 89-12, "Construction Program Hawaii Army National Guard, Honolulu, Hawaii," May 23, 1989. The report states that material internal control weaknesses existed in the justifications for military construction projects. The report recommended that the Army improve the process of reviewing project justification and supporting documentation. Also, the report recommended that four projects, valued at $3.3 million, be canceled and that the requirements for four projects, valued at $1.6 million, be revalidated. Management agreed to improve the procedures and to review project justification but did not agree to cancel or delete the projects that were not supported. We could not determine how the Army resolved the audit recommendations because the audit files were retired.

Other Matters of Interest

A December 1992 DoD Hotline complaint to the Inspector General, DoD, expressed concerns about the Navy plan to use the proceeds from the sale of two parcels of land to the state of Hawaii to fund the construction of a causeway from Pearl Harbor Naval Base to Ford Island. The complainant was also concerned about the development of Ford Island after the completion of the causeway. The following summarizes each of the concerns and the results of our review.

Allegation 1. The Navy was not getting the current market value for the land that was being exchanged for the construction of a causeway to Ford Island.

Audit Results. The allegation was unsubstantiated. The $109 million estimated exchange price established in the memorandum of understanding between the Navy and the state of Hawaii is comparable to recent sale prices for like properties in the area. The terms of the agreement provides that the title for the land did not pass to the state until the causeway design phase is complete, the Navy determines whether the facilities on the property to be given up can be replaced, and the Navy determines that the causeway can be built for $109 million. The Background section of Part I of the report provides additional discussion of this area.

Allegation 2. The Ford Island Development Plan understated the cost for developing Ford Island as a Navy housing area.

Audit Results. The allegation was substantiated. The Ford Island Development Plan did not include the costs associated with building 780 additional military family housing units totaling $175.5 million, five identified projects associated with the development totaling $76.5 million, and various community support facility projects for which cost estimates were not identified. See Finding C.

Allegation 3. The overall development of Ford Island, as described in the Ford Island Development Plan, was not justified or necessary.

Audit Results. The allegation was substantiated. We determined that 9 military construction projects, estimated to cost $120.2 million, and the 780 military family housing units, estimated to cost $175.5 million, for Ford Island were not supported with valid requirements. See Findings B and C.

Part II - Findings and Recommendations

Finding A. Military Family Housing Management

Military family housing management functions were duplicated on Oahu, and internal control procedures over the accuracy of information used to support military family housing requirements were not effective. This situation occurred because the Military Components in Hawaii did not adequately implement the 1982 DoD decision to consolidate the military family housing management functions in Hawaii, and because the memorandum of understanding that implemented the consolidation did not give the Commander, OCFH, adequate authority. As a result, effective housing management policy regarding the accumulation and management of accurate information for making housing acquisition decisions could not be established, and inappropriate management decisions to construct unneeded military family housing were made as discussed in Finding B.

The July 1994 Deputy Secretary of Defense deconsolidation decision rendered the issue of duplication of Oahu Consolidated Family Housing Office responsibilities moot. However, the internal controls over the identification of military family housing requirements still require improvement. Because of the deconsolidation, the internal controls over and the accuracy of military family housing data are now the responsibilities of the individual Military Departments on Oahu.

DoD Military Family Housing Management Criteria

DoD Manual 4165.63M, "DoD Housing Management," June 1988, lists the responsibilities of a military family housing office. The responsibilities include requirements to:

- perform an analysis of the military family housing market;
- prepare military family housing surveys;
- plan and program for the acquisition and improvement of military family housing; and
- plan, program, and budget for operation, maintenance, and repair of military family housing, including housing assignments and terminations.

DoD Decision to Consolidate Military Family Housing Management

Consolidation Study Conclusions. A 1981 Defense retail interservice support study concluded that the consolidation of the military family housing management functions in Hawaii under a single manager would save DoD about $1 million annually. As a result of the study, the Deputy Secretary of Defense directed the Military Components in Hawaii to consolidate the military housing management function and identified the Army as the executive agent for housing management.

Local Resistance to DoD Consolidation Decision. The Military Components in Hawaii presented strong arguments against consolidated housing management to the Deputy Secretary of Defense. The Military Components stated that the concept lacked support and could seriously impact morale, retention, the chain of command, and unit readiness. The Deputy Secretary of Defense stated that similar arguments have been presented against other functions that had been consolidated; however, the other consolidations had been successful. Accordingly, the Deputy Secretary of Defense directed the Military Components to proceed with the consolidation and to transfer housing management personnel and the housing operations located at the six area housing management offices to the U.S. Army Pacific.

Army Consolidation Efforts. To implement the decision, the U.S. Army Pacific established OCFH to find adequate housing for approximately 30,000 military families in Hawaii and to manage, operate, and maintain approximately 20,000 military family housing units. The Commanding General, U.S. Army Pacific, used a memorandum of understanding as the vehicle to initiate the consolidation. The memorandum of understanding outlined the terms of the consolidation and was signed by representatives of each Military Component in Hawaii.

The memorandum of understanding provided that the Commander, OCFH, would not have the authority to change housing management policy without the approval of a Joint Family Housing Policy Board. The board was composed of the general or flag officers from each military command in Hawaii. The memorandum of understanding further provided for an Interservice Housing Working Group, composed of senior officers from each command, to assist in developing military family housing policy (Appendix C). The established organizational structure and the physical location of OCFH operations have allowed the installation commanders to remain extensively involved unofficially in managing the six area housing offices (Appendix D).

Policy Establishment Efforts. After 10 years, the Commander, OCFH, had not effectively implemented the housing management guidance established in DoD Manual 4165.63M. Military Components could not agree on how to divide housing management authority and responsibility between the Commander, OCFH, and the installation commanders in a manner that was acceptable to all the parties.

The Interservice Housing Working Group had attempted to resolve the matter. The minutes from each of its monthly meetings beginning in February 1992 contained a discussion of the draft OCFH housing regulation. At the encouragement of the current Commander In Chief, U.S. Pacific Command, the working group agreed on a housing regulation to supplement the DoD guidance in DoD Manual 4165.63M and issued the Oahu Consolidated Family Housing Regulation in October 1993.

Duplication of Military Family Housing Management Functions

Navy Duplication. During the audit, the Commander, Pearl Harbor Naval Base, prepared a statement of work for a segmented housing market analysis and issued a solicitation for bids from contractors interested in performing the housing market analysis. Contracting for an analysis of the housing market by the Navy duplicates the executive agent responsibility and is an example of the very type of inefficiency the Deputy Secretary of Defense was attempting to eliminate by directing the consolidation of military family housing management in Hawaii.

The Commander, Pearl Harbor Naval Base, agreed in July 1993 to fund a Navy housing market analysis, estimated to cost $80,000. We believe an analysis of the local housing market is required; however, it is not the responsibility of the Commander, Pearl Harbor Naval Base, to contract for the service. To avoid duplication, the housing market analysis can most effectively be accomplished if OCFH coordinates the analysis and if the analysis is for a complete review of all off-base housing supply on Oahu (not just the Navy share). In January 1994, we were informed that the Navy had expanded the contract to include all Military Components on Oahu, partially meeting our concerns.

Air Force Duplication. Air Force officials also periodically analyze the housing market to determine the local market's ability to meet the long-term housing needs of Air Force personnel. However, we did not identify a current Air Force contract for a housing market survey. In 1990, the Commander, Pacific Air Forces, requested to withdraw from OCFH. The Commander In Chief, U.S. Pacific Command, directed a review that concluded that decentralization would not be in the best interest of DoD.

OCFH Responsibilities. Because of the limited size of Oahu, multiple military installations share the same local housing market, making it impractical for the installation commanders to determine the rental market for each base. The Commander, OCFH, is the only one in a position to determine the military share of the overall rental market by looking at Oahu as a single rental market. An overall market analysis that avoids duplication, such as the market analysis for which the Navy contracted, provides a more accurate result for future planning and programming for all military housing construction projects.

Military Family Housing Information Management

Automated Housing Management Information System. OCFH maintains the Housing Operations Management System (HOMES), an automated system to manage military family housing information. The primary purpose of HOMES is to support the management of military family housing assets. Additionally, the housing manager uses HOMES data to support the DD Form 1523, "Military Housing Justification Report." The DD Form 1523 and the results of a military family housing survey are required to determine whether construction projects for new military family housing are needed.

HOMES Data Integrity. Our review of the information in HOMES regarding the demographics of military families in Oahu and the military family housing requirements showed that more than 50 percent of the information did not reflect current military housing requirements. The Commander, OCFH, has not taken sufficient action, or has not received the necessary support and leadership from the installation commanders, to implement adequate internal control procedures to validate the military family housing requirement in Hawaii.

Allowance Authorization Procedures. The local instructions regarding the authorization of temporary lodging allowance, basic allowance for quarters, and variable housing allowance do not require the military members to in-process and out-process through OCFH when arriving or departing a military command in Hawaii or to notify OCFH when the member's housing status changes. Requiring the allowance authorization procedures at each finance office to review evidence that the member has processed through the OCFH housing office before starting, adjusting, or stopping the allowances for housing would provide an internal control to ensure continued accuracy of the HOMES data.

Validity of Military Family Housing Requirements. As a result of the lack of accurate, up-to-date data, OCFH had not provided the Military Components on Oahu a valid military housing requirement that could be used to program future military family housing construction. During our review in FY 1993, military family housing construction was supported by housing requirements developed by the Army Audit Agency using 1989 data. Our analysis of military family housing requirements is discussed in Finding B.

Conclusion

Lack of support by the Military Components adversely affected the effectiveness and efficiency of OCFH. In addition, the housing board and working group that were formalized in the consolidating agreement have not provided the leadership required to meet the objectives of the consolidation. The lack of support and leadership limited DoD's ability to realize the benefits that were expected as a result of the consolidation and has adversely impacted the accuracy of information used to justify housing requirements. As a result, the Military Components on Oahu could not plan and program for the construction of military family housing based on a valid, supportable overall military family housing requirement.

DoD Decision to Deconsolidate Military Family Housing Management

DoD Decision. On July 12, 1994, the Deputy Secretary of Defense issued a memorandum returning the responsibility for housing on Oahu back to the individual Military Departments effective September 1, 1994. As a result, the Comptroller of the Department of Defense will realign the FY 1995 funding for military family housing operations to reflect the redistribution of responsibility. The Army will continue to provide the community home-finding, relocation, and referral service to military members and has agreed to provide automated housing management support for all housing offices until each Military Components on Oahu elects to field a housing management system. The requirements will continue for installation commanders to provide current and accurate status of family housing to the Commander In Chief, U.S. Pacific Command, for the semiannual budget review and to address housing concerns at the Installation Commanders' Working Group meetings.

Transition Procedures. During the transition to decentralized family housing management, the Military Components should develop procedures that require military members to process through the family housing office responsible for providing housing support when arriving or departing Oahu. To adequately support military family housing acquisition plans on Oahu, housing office managers should ensure that information on the number and demographics of military families under their jurisdiction is accurate and current.

Recommendations, Management Comments, and Audit Response

Deleted, Renumbered, Revised, and Redirected Recommendations. As a result of the Deputy Secretary of Defense decision to deconsolidate military family housing management operations on Oahu and management comments, we deleted draft Recommendations A.1. and A.3. We also renumbered draft Recommendations A.2.b. as A.1. and A.2.a as A.2. in this final report. We revised and redirected the remaining two recommendations to reflect the deconsolidation. Accordingly, comments are no longer requested from the U.S. Pacific Command.

We recommend that the Commanding General, U.S. Army Pacific; the Commander, Pearl Harbor Naval Base; the Commander, 15th Air Base Wing; and the Commandant, Marine Forces Pacific:

1. Develop and implement internal control procedures that require military members to process through the military family housing office responsible for providing housing support when arriving or departing Oahu and each time the military members' housing status changes.

2. Require housing office managers at each military housing office on Oahu to develop and implement internal control procedures that ensure the information on the number and demographics of military families under their jurisdiction is provided to the Housing Operations Management System on a timely basis.

Management Comments. The U.S. Pacific Command did not comment on a draft of this report. Although not required to comment, the Navy concurred with the recommendations, stating that military members should be required to check in and out with their military family housing office when arriving, departing, and when their status changes. Further, the Navy stated that current data should be maintained and used to develop family housing requirements. However, the Navy also stated that, after deconsolidation, each individual Military Departments, including the Army, who will maintain a consolidated housing referral system, would be responsible for requiring military members to check in and out with their housing office. Because the draft recommendations were not addressed to the other Military Departments, no other Military Department comments were received.

Audit Response. Because of the deconsolidation, comments are no longer required of the U.S. Pacific Command. The Navy response did not state specifically what internal controls would be developed or by when. Therefore, we request that the Navy provide additional comments to the final report. Because the recommendations now apply to all Military Components on Oahu, we also request that the Army, the Air Force, and the Marine Corps provide comments in response to the final report.

Response Requirements per Recommendation

Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

		Response Should Cover:			
Number	Addressee	Concur/ Nonconcur	Proposed Action	Completion Date	Related Issues*
A.1.	Army	X	X	X	IC
	Navy	X	X	X	IC
	Air Force	X	X	X	IC
	Marine Corps	X	X	X	IC
A.2.	Army	X	X	X	IC
	Navy	X	X	X	IC
	Air Force	X	X	X	IC
	Marine Corps	X	X	X	IC

*Material internal control weakness.

Finding B. Military Family Housing Requirements

The construction of 780 military family housing units, estimated to cost $175.5 million, that the Navy planned for Ford Island is unsupported. Additionally, a "Strategy 8000 Family Housing Acquisition Plan" for future military family housing in Hawaii costing $2.4 billion is unsupported. These conditions occurred because OCFH did not obtain information to prepare an accurate FY 1993 Oahu military family housing requirement estimate and did not limit the military family housing requirement to a 90-percent programming limit. As a result, $175.5 million for the construction of 780 military family housing units on Ford Island could be put to better use and $161 million programmed for FYs 1996 through 1999 applicable to the "Strategy 8000 Family Housing Acquisition Plan" could be programmed for other requirements. The July 1994 decision by the Deputy Secretary of Defense to deconsolidate military family housing on Oahu shifted management responsibilities for military family housing to the Military Departments on Oahu. Although the responsibilities have shifted, the conditions identified still require management attention.

Military Family Housing Requirement Estimate

Justifying Military Family Housing Construction Projects. Justification for the construction of military family housing results from comparing current and projected staffing strengths with the result of a military family housing market analysis. DoD Manual 4165.63M states that a valid military family housing requirement exists when there is a housing deficit, the result of subtracting the suitable housing assets from the housing required. Suitable housing assets include military controlled units and those affordable units in the local market that meet the criteria established by DoD and the installation commander. A housing requirement supports those military members drawing basic allowance for quarters with dependent rate, adjusted for those military members that are voluntarily separated.

Computing Military Family Housing Deficit. OCFH did not obtain information to prepare an accurate FY 1993 Oahu military family housing requirement estimate. Army Audit Agency WR 92-757 also states that OCFH did not accurately compute the military family housing deficit on Oahu. Using FY 1989 data, Army Audit Agency calculated a housing shortage of 3,557 military family housing units in Hawaii. The Commanding General, U.S. Army Pacific, agreed that a shortage existed but stated that other factors should be considered in determining the deficit. The Army agreed during the audit resolution process that the deficit could range from 3,557 to 5,088 units. Accordingly, the Military Components in Hawaii used the highest figure in the range as the deficit. Although the calculations were made using 1989 data, the Military Components continued to use the figures through 1993 without

adjustments for any changes that may have occurred. To support the requirement to construct 780 military family housing units on Ford Island, Navy officials determined that the Navy share of the 5,088 military family housing shortage was 1,677 units.

Preparing an Accurate Military Family Housing Requirement Estimate

OCFH did not did not perform the required surveys of military family housing requirements to prepare an accurate FY 1993 Oahu military family housing requirement estimate. DoD Manual 4165.63M requires that new construction of military family housing be supported by result of surveys of current military family housing requirements. The objective of the surveys is to determine whether military members have suitable housing for their dependents. When the military family housing surveys are completed, construction of new military family housing can only be built to satisfy up to 90 percent of the identified shortage.

Analysis of Demand for Military Family Housing. Before construction of new military family housing is programmed, the demand for military family housing must be analyzed. The current troop strength, the current household trends, the current local housing market analysis, and any new military family housing construction must be evaluated.

Troop Strength. In 1990, when the Army Audit Agency calculated the housing deficit, the 1989 troop strength for all Military Components in Hawaii was 58,459. By June 1993, the troop strength had dropped to 53,614 and is expected to continue to decline. During this same 1989 through 1993 period, Navy personnel strength declined from about 21,000 to 17,000. A significant change in troop strength creates a corresponding change in housing requirements.

Household Trends. Household trends and military family migration factors that impact the demand for housing must be included in the analysis. At a minimum, an adequate analysis will provide the housing manager accurate information regarding military family size and dependent age and sex. The Commander, OCFH, attempted to survey the demand for military family housing in 1992; however, the response rate to the questionnaire was so low that the results were not usable.

Local Housing Market Analysis. DoD Manual 4165.63M describes Government housing as suitable and identifies local community housing as being a principal source of housing for military families. To determine the housing assets available, existing housing assets, including those in the local rental market, must be identified. The determination must consider factors such as the affordability of housing in the local community.

The military establishment in Hawaii has discounted the availability of adequate affordable military family housing units in the local community in an attempt to

provide military family housing for all military families. As a result of our discussion of the local rental market with housing office officials and our audit observations, the OCFH housing referral office was able to locate suitable affordable housing in the local community for members, at times within an hour of the member asking for a referral unit. The quick, successful search for suitable affordable housing options could be accomplished because 1,274 acceptable unfurnished affordable housing units were listed with OCFH by realtors who wanted to provide housing for military members (Appendix E).

In an article in the "Hawaii Real Estate Indicators," during the third quarter 1993, the rental market on Oahu was described as soft. The article states that, based on the classified section of the local papers, the vacancy rate for rentals was rising, the highest since 1985, and that rents were relatively flat.

New Construction Analysis. The objective of a military family housing construction program is to build housing facilities where the requirements exceed the available adequate on- and off-base housing. During FY 1993, 498 military family housing units were constructed in Hawaii and contracts were awarded to construct an additional 958 units. At the same time, private developers were increasing the local economy supply of housing units on Oahu.

Program Limits. Army Regulation 210-50, "Housing Management," April 24, 1990, states that requirements may be programmed to satisfy up to 90 percent of the long-range effective housing requirement. On August 17, 1990, the Assistant Secretary of Defense (Production and Logistics) issued a memorandum to the Secretaries of the Military Departments requiring the use of the 90-percent program limit and outlining implementation procedures to follow when calculating the net housing requirement. In May 1985, the U.S. Army Pacific (at that time, the U.S. Army Western Command) requested and received approval from the Office of the Assistant Secretary of the Army to program for 100 percent of the military family housing requirement. Programming to 100 percent of the requirement has been the policy in Hawaii since 1985. We believe that the future of the Military Components in Hawaii is not clear; therefore, long-term capital investment in the construction of military family housing should not exceed 90 percent of the justified and validated requirement until the 1995 base realignment and closure decisions are made.

Audit Military Family Housing Requirement Estimate

Because a survey of military family housing has not been completed nor a deficit determined since 1992, we performed our own survey. We calculated the deficit for military family housing in Hawaii as of June 1993 to be only about 1,596 units* (Appendix F). We further estimate the current Navy demand for military family housing to be only 461 units. These estimates do not consider 498 units that were constructed during FY 1993, 958 units that were

*At a 95-percent confidence interval, the range of this estimate is from 1,200 to 1,992 units (see Table B-3, Appendix B).

contracted during FY 1993, or 1,274 units identified in the local rental market as available rentals to military personnel (Appendix E). Relocating the families of all geographical bachelors (unaccompanied military members) to Hawaii would not impact the availability of affordable housing enough to justify construction of additional military family housing.

Existing Military Family Housing Assets

The inventory of military family housing assets in Hawaii shows that 12,411 housing units (62 percent of the inventory), most of which are located in existing Navy housing areas, were built between 1907 and 1969. The Commander, OCFH, calculated a simple average of the annual maintenance costs and determined that the older housing units' annual maintenance costs are about $2,000 more than the newer units' annual maintenance costs. The OCFH analysis also shows that the annual maintenance costs generally increase with the age of the units. In addition, the older housing units did not meet the OCFH goal to create neighborhoods of excellence in which the mental, physical, and spiritual well-being of the military member and dependent families can be met.

OCFH housing managers explained that the poor condition of some of the units was the result of design flaws, termite damage, and foundation damage caused by a poor choice of landscaping items. The housing managers gave examples of units with lead paint problems that were occupied by military members with young dependents. In addition, because some of the housing areas were built when military families did not own cars, streets are now overused and parking problems exist. We also observed military family housing collocated with a fuel storage facility, which represents an unnecessary exposure to danger in the event of an emergency. Installation commanders must target housing units that represent environmental, health, and safety hazards for replacement in future plans to construct military family housing.

Justification for Future Military Family Housing

At the request of the Commander In Chief, U.S. Pacific Command, the Commander, OCFH, developed the "Strategy 8000 Family Housing Acquisition Plan" in 1992 to address a future military family housing deficit in Hawaii supported by the FY 1989 deficit of 5,088 units. The objective of the plan was to eliminate the proposed current housing shortage (5,088 units) by FY 2001 and to build a house for every military family in Hawaii (an additional 3,054 units) by the year 2005. To achieve the goal would require building 8,142 housing units at an estimated cost of $2.4 billion. The plan to build 8,142 housing units was developed without determining whether additional military family housing was required (Appendix G).

Examination of the DoD Defense Budget for FYs 1992 through 1994 and information provided by the Assistant Secretary of the Army (Financial

Management) shows that $233.5 million has already been spent and another $161 million is proposed for FYs 1995 through 1999. The remainder of "Strategy 8000 Family Housing Acquisition Plan" is unprogrammed. The Navy should cancel the plan after the FY 1994 increment is complete.

Military Family Housing Construction Projects Approved and Programmed for FYs 1992 through 1999

Fiscal Year	Funding for Additional Military Family Housing Units (millions)
1992	$ 41.5
1993	140.0
1994	52.0
Subtotal	$233.5
1995 - 1999 (Funding Proposed)	161.0
Total	$394.5

Conclusion

According to our June 1993 military family housing survey, we estimate a housing requirement from 1,200 to 1,992 units (best estimate is 1,596 units). Considering that 498 units were under construction, 958 units were under contract for construction, and more than 1,274 units were available on the local rental market, we cannot identify a deficit. Accordingly, the 780 units that the Navy planned for construction on Ford Island, as well as all units planned under the "Strategy 8000 Family Housing Acquisition Plan," are not supported with a valid requirement. However, the Navy and the other Military Components on Oahu could support the Ford Island housing units, as well as other additional housing units, under a replacement concept. The fact that older housing areas have a negative impact on the mental and physical well-being of the military members and dependents could be used to justify military family housing construction projects.

Recommendations, Management Comments, and Audit Response

Revised and Redirected Recommendations. As a result of management comments, we revised draft Recommendation B.1. to recommend suspending funds for only new military family housing construction on Oahu. Further, because of the decision to deconsolidate military family housing operations on Oahu, we redirected Recommendation B.4. to the Commanding General, U.S. Army Pacific; the Commander, Pearl Harbor Naval Base; the Commander, 15th Air Base Wing; and the Commandant, Marine Forces Pacific in this final report.

1. We recommend that the Comptroller of the Department of Defense suspend funding for new military family housing construction on Oahu until the requirements have been justified and validated.

Management Comments. The Comptroller of the Department of Defense concurred. Although not required to comment, the Navy nonconcurred, stating that the recommendation could be interpreted as a suspension of funding for family housing operations and maintenance, adding that funding for the operations and maintenance of existing housing units is an ongoing requirement.

Audit Response. The Comptroller of the Department of Defense comments are responsive. Because of the Navy comments, we revised the recommendation to suspend construction of only new military family housing units.

2. We recommend that the Commander In Chief, U.S. Pacific Command, cancel the "Strategy 8000 Family Housing Acquisition Plan" after the FY 1994 increment is complete.

Management Comments. The U.S. Pacific Command did not comment on a draft of this report. Although not required to comment, the Navy concurred with the recommendation, stating that the Navy has taken appropriate action.

Audit Response. The Navy did not state specifically what actions it has taken or whether the "Strategy 8000 Family Housing Acquisition Plan" is, in fact, canceled. We request the Commander In Chief, U.S. Pacific Command, to comment on the recommendation in his response to the final report.

3. We recommend that the Commander, Pearl Harbor Naval Base, suspend all plans to construct military family housing on Ford Island until the requirements have been justified and validated.

Management Comments. The Navy nonconcurred, stating that Ford Island may prove to be a desirable site for replacement housing. However, the Navy agreed that new military family housing should not be constructed on Ford Island until the Navy justifies and validates the requirements.

Audit Response. Although the Navy nonconcurred, the Navy actions to justify and validate a military family housing requirement before considering new military family housing construction on Ford Island meets the intent of the recommendation.

4. We recommend that the Commanding General, U.S. Army Pacific; the Commander, Pearl Harbor Naval Base; the Commander, 15th Air Base Wing; and the Commandant, Marine Force Pacific:

a. Factor the current troop strength, current military family trends, and the current housing assets available in the local rental market into all requirements for military family housing acquisition plans.

Management Comments. The Army did not respond to the draft recommendation. Although not requested to comment on the draft

recommendation, the Navy concurred, stating that each of the Military Departments will be responsible for its own housing acquisition plan as a result of the deconsolidation.

Audit Response. Because of the deconsolidation, we redirected the recommendation; accordingly, we request comments from all the Military Departments listed in the recommendation in response to the final report.

b. Limit the military family housing construction projects to 90 percent of the long-range effective housing requirement until FY 1996.

Management Comments. The Army did not respond to the draft recommendation. Although not required to comment, the Navy nonconcurred with the recommendation, stating that DoD guidance allows the Services to program construction for up to 90 percent of the housing deficit.

Audit Response. Because of the deconsolidation, we have redirected the recommendation; accordingly, we request comments from all the Military Departments listed in the recommendation in response to the final report.

Response Requirements per Recommendation

Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

		Response Should Cover:			
Number	Addressee	Concur/ Nonconcur	Proposed Action	Completion Date	Related Issues
B.2.	U.S. Pacific Command	X	X	X	
B.4.a.	Army	X	X	X	IC*
	Navy	X	X	X	IC
	Air Force	X	X	X	IC
	Marine Corps	X	X	X	IC
B.4.b.	Army	X	X	X	IC
	Navy	X	X	X	IC
	Air Force	X	X	X	IC
	Marine Corps	X	X	X	IC

*Material internal control weakness.

Finding C. Planned Development of Ford Island

The Ford Island Development Plan did not include all the costs to develop Ford Island because Navy internal control procedures were not adequate to verify that the plan was complete and economically viable. The planning process did not reflect decreases in the troop strength in Hawaii or reflect a change in the mix of ships homeported at Pearl Harbor. Also, the requirement for nine military construction projects, valued at $120.2 million, that was included in the development plan was not justified and internal control procedures were not effective to validate project requirements. As a result, the overall cost to develop Ford Island as a military family housing area was understated by at least $252 million. Furthermore, nine projects, valued at $120.2 million, in the Ford Island Development Plan or Pearl Harbor Master Plan were not supported with valid requirements.

Background

Shore Facilities Planning Criteria. Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual," October 1, 1990, provides that the dynamics of mission changes, base loading, and operations dictate the frequency of facilities requirement plan updates. The update is to be included as part of the capital improvement portion of the activity Master Plan and should be accomplished at least annually. Naval Facilities Engineering Command Instruction 11010.44E also requires facility requirement plans to be complete and proposals to be executable and economically viable.

Ford Island Development Plan. The Ford Island Development Plan contained facilities requirement planning data to supplement the capital improvement portion of the Master Plan. The Ford Island Development Plan was prepared by the Pacific Division, Naval Facilities Engineering Command, to serve as a guide for land use and to identify construction projects for Ford Island (Appendix H).

Steering Committee Assumptions About Ford Island Development Plan. The process of formulating the Ford Island Development Plan included input from a steering committee chaired by the Commander In Chief, Pacific Fleet, that was convened to recommend projects for the proposed plan. The planning team and the steering committee developed the plan based on the following assumptions.

- A bridge [or causeway] to Ford Island will be constructed.

- The existing facility requirements for operational activities on Ford Island will remain valid.

- Military family housing on Ford Island should encompass 100 acres.

Ford Island Development Costs

The estimated funding requirement to implement the Ford Island Development Plan was $189 million. This estimate was based on requirements for 14 military construction projects to upgrade utilities and infrastructure and for facilities to support a military family housing area on Ford Island. The development plan did not include $175.5 million for construction of 780 housing units. In addition, the Master Plan contained five projects, valued at $76.5 million, directly associated with developing Ford Island that were not included in the Ford Island Development Plan. The current identified total cost of developing Ford Island, including constructing 780 housing units, is $441 million. In addition, the Ford Island Development Plan does not include estimates for various community support service facilities such as a youth center, shopping area, theater, gas station, etc. The additional facilities could significantly increase the overall costs. A well-organized planning process requires that reasonable costs should be identified in advance as accurately as possible.

Development Plan Assumptions

The Navy's Ford Island preplanning process centered around the construction of a Navy military family housing area and the community support facilities. The Navy's planning document did not indicate that the planning teams considered whether the underlying requirements for the projects were valid. Also, the planning document did not have evidence that the planning teams considered the decreasing troop strength in Hawaii or the decommissioning of the battleship U.S.S. *Missouri*, both of which affect the individual project justifications.

Decreasing Troop Strength. As discussed in Finding B, the troop strength has been decreasing over the past 3 years. During the period of our audit, the 1993 Commission on Defense Base Closure and Realignment announced that Naval Air Station Barbers Point, Hawaii, would be closing and that most of its personnel would be relocated to various activities in the continental United States. The actual requirement for military family housing in Hawaii showed that no additional military family housing on Ford Island was needed (Finding B).

Homeporting Plans Change. In addition to constructing 780 military family housing units on Ford Island, the Ford Island Development Plan was based on homeporting the battleship U.S.S. *Missouri*, an amphibious assault ship, and an amphibious transport ship at Ford Island. However, the U.S.S. *Missouri* was decommissioned and was not replaced in the force at Pearl Harbor Naval Base. As a result, requirements for support facilities and shore housing for a crew of about 1,520 are no longer necessary. In addition, the amphibious units are no longer scheduled to be homeported at Pearl Harbor, resulting in the cancellation of plans for their support facilities and crew shore housing.

Ford Island Project Justifications

Nine projects, valued at $120.2 million, were not supported with valid requirements. Six of these projects, valued at $110.1 million, were included in the Ford Island Development Plan and three other projects, valued at $10.1 million, were not included in the plan.

Projects Not Justified Because of Decrease in Family Housing Requirements on Ford Island. As a result of our analysis of the military family housing requirement and the housing assets, sufficient justification does not exist to develop Ford Island as a military housing area. Accordingly, we question the need to expend funds for the following projects.

- Project P-220, "Chapel with Religious Education Wing," April 20, 1984. The requirement for this project is to provide a facility for a chapel on Ford Island. The estimated cost of this project is $2.4 million.

- Project P-317, "Construct Racquetball Court, Building 37, Ford Island," June 1, 1981. The requirements for this project results from the need to provide recreational facilities for personnel stationed on Ford Island. The estimated cost of this project is $83,000.

- Project P-437, "Child Development Center," February 10, 1989. The project is for a child care facility to support additional military housing being built on Ford Island. The estimated cost for this project is $530,000.

- Project P-440, "Dependent Activities Center," January 1989. This project is for a dependent activity facility to serve the morale, welfare, and recreational needs of military personnel and their dependents residing on Ford Island. The estimated cost is $1.1 million.

Projects Not Justified Because of Change in Homeporting Plans. Because of the decommissioning of the battleship U.S.S. *Missouri* and the change in homeporting plans for two amphibious ships, the following projects are not justified and should be canceled.

- Project P-331, "Pier and Shore Improvements, F12/13," September 28, 1984. The requirements for this pier improvement project were in support of the projected homeporting of an amphibious assault ship and an amphibious transport ship. The requirement included the construction of a landing ship dock and two landing ship tanks. The estimated cost of this project is $72 million.

- Project P-333, "Pier and Shore Improvements, F1 and F1-1/2," October 18, 1984. The requirements for this project were based on the need to provide additional support facilities for a battleship and amphibious squadron units. The estimated cost of this project is $11 million.

- Project P-400, "Construct Transient Personnel Unit," February 8, 1989. The requirement for this project is to support additional quarters for

transient enlisted personnel to meet the demands caused by the homeporting of the battleship and additional cruisers in Hawaii. The estimated cost of this project is $7.6 million.

Projects Not Justified Because of Decrease in Family Housing Requirements and the Change in Homeporting Plans. Because the requirements for military family housing are not justified and because the requirements resulting in the homeporting plans have dissolved, the following projects are not justified and should be canceled.

- Project P-330, "Utilities Improvements, Ford Island," August 10, 1990. The requirements for this utilities upgrade project were based on the need to support a battleship at Berth F-5 and for the overall development of Ford Island to include 780 new military family housing units. The estimated cost of this project is $13.7 million.

- Project P-462, "Utilities Improvements II, Ford Island," August 10, 1990. The requirement for this project is also based on the need to support a battleship in Hawaii and the increased development plans after construction of the causeway from the Pearl Harbor Naval Base to Ford Island and the construction of military family housing units on Ford Island. The estimated cost of this project is $11.8 million.

Conclusion

The Ford Island Development Plan did not include all the costs to develop Ford Island because internal control procedures were not adequate to verify that the plan was complete and economically viable. To avoid programming and budgeting for invalid requirements, the future personnel strength in Hawaii must be factored into any plan to develop Ford Island. Naval Facilities Engineering Command Instruction 11010.44E requires that budget requests for military construction projects be justified with rational requirements. Not every military construction project is subject to audit; therefore, to prevent the waste of funds, the Navy must incorporate internal control procedures into the military construction planning process to verify and update facility requirements.

Recommendations, Management Comments, and Audit Response

Revised Recommendations. As a result of the Navy comments, we have revised draft Recommendations C.1.a and C.2.a. to clarify the intent of the recommendations.

1. We recommend that the Commander, Pearl Harbor Naval Base:

a. Develop and implement internal control procedures to update facility requirement plans annually or according to the dynamics of mission changes, base loading, and operations.

Management Comments. The Navy nonconcurred with the draft recommendation, stating that the annual facility plan is updated based on mission changes and, furthermore, a requirement to update the plan annually would be cost prohibitive and provide little useful information.

Audit Response. The Navy response to the recommendation was only partially responsive. Because we revised the wording of the recommendation, we request additional comments from the Navy in it response to the final report.

b. Revise and update the Ford Island Development Plan to reflect complete and accurate facility costs based on actual requirements.

Management Comments. The Navy concurred with the recommendation, stating that the Navy will take action to update the plan.

Audit Response. The Navy response met the intent of the recommendation. However, we request that the Navy provide details about its actions to update the Ford Island Development Plan in its comments on the final report.

c. Develop and implement internal control procedures to review and adjust current project requirements to reflect changes in the force structure in all projects planned for Ford Island.

Management Comments. The Navy concurred with the recommendation, stating that the Navy had determined that the project requirements were not fully supported, and that the projects had not been proposed for programming and funding.

Audit Response. The Navy comments were not responsive because the Navy comments did not address the development and implementation of any internal control procedures. We request additional comments from the Navy regarding the internal control procedures in its response to the final report.

d. Suspend projects P-220, P-317, P-437, and P-440 until the projects are adequately supported with valid housing requirements.

Management Comments. The Navy concurred with the recommendation, stating the projects had not been proposed for programming and funding because requirements were not fully supported.

Audit Response. The Navy comments were partially responsive. However, we request information regarding the final disposition of projects P-220, P-317, P-437, and P-440 in its response to the final report.

e. Cancel projects P-330, P-331, P-333, P-400, and P-462.

Management Comments. The Navy concurred with the recommendation, stating that the projects had not been proposed for programming and funding because requirements were not fully supported.

Audit Response. The Navy was partially responsive. However, we request information regarding the final disposition of projects P-330, P-331, P-333, P-400, and P-462. We also request the date that the projects will be removed from the facility plan.

2. We recommend that the Comptroller of the Navy:

a. Withhold funding for the four projects on Ford Island identified in Recommendation C.1.d. until the projects are justified with valid requirements.

b. Cancel funding for the five projects on Ford Island identified in Recommendation C.1.e.

Management Comments. The Navy concurred, stating that the Navy had determined the requirements for the projects were not fully supported.

Audit Response. Although incomplete, we accept the Navy comments as being responsive to the intent of the recommendation.

Response Requirements per Recommendation

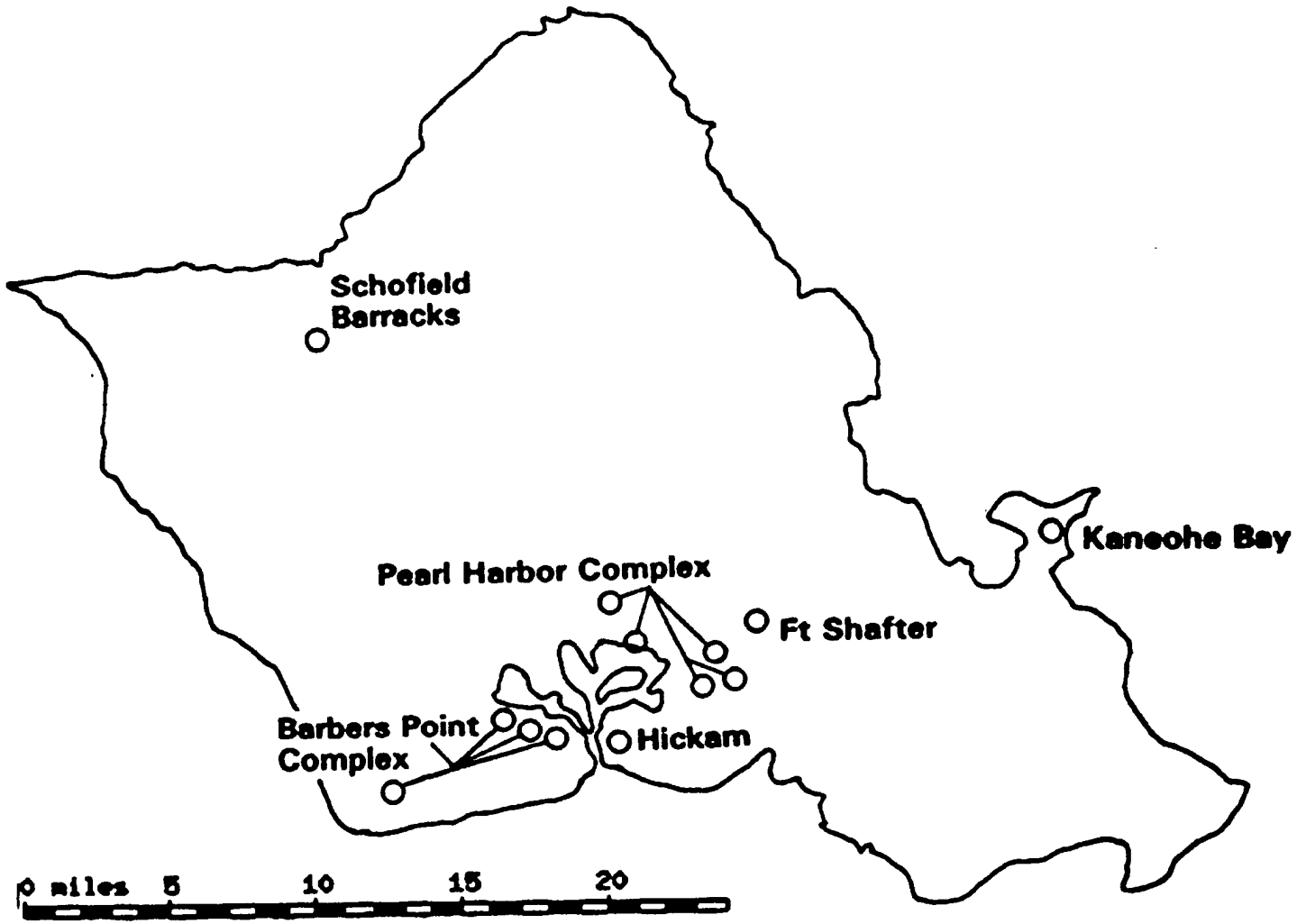
Responses to the final report are required from the addressees shown for the items indicated with an "X" in the chart below.

		Response Should Cover:			
Number	Addressee	Concur/ Nonconcur	Proposed Action	Completion Date	Related Issues*
C.1.a.	Navy		X	X	IC
C.1.b.	Navy		X	X	IC
C.1.c.	Navy		X	X	M
C.1.d.	Navy		X	X	M
C.1.e.	Navy		X	X	M

*IC = material internal control weakness; M = monetary benefits

Part III - Additional Information

Appendix A. Locations of Oahu Military Family Housing Area Offices Before Consolidation



Appendix B. Statistical Methodology

To determine the military family housing requirement for each Service, the audit used a combination of stratified random samples for Army, Navy Ashore, and Marine Corps Service members located on Oahu and a census, or 100 percent review, of potential housing requirements for Air Force Service members and Navy Afloat activities that were in port on June 30, 1993, at the time of our audit.

The Quantitative Methods Division, Inspector General, DoD, developed the sampling plan for Army, Navy Ashore, and Marine Corps Service members by stratifying the Service members within each of the three Services and by pay grade. The sample items were selected using random numbers for each pay grade within each Service (except where the entire stratum was selected because of small sub-populations). See Table B-1 for initial universe size and stratification.

Population Adjustments. Each of the Service populations originally identified had members with no housing requirements because they were voluntarily separated geographical bachelors, military married to military, on single status for some other reason, or had transferred out with no replacement as of June 30, 1993. According to the audit sample results, we were able to project the number of Service members in these categories and reduce the effective population size to portray more realistically the true population requiring housing. All projections by military Service were made using adjusted populations. For total results, we made a joint projection across the four Services with a 95 percent confidence bound, as shown in Table B-3.

Department of the Army Sample. The original Army population consisted of 19,282 Service members. This population was reduced to an effective population of 18,259. Using the stratified sampling plan developed by the Quantitative Methods Division, we randomly selected Service members from each pay grade level for review, for a total of 580 Service members. We determined that 37 members in the selected sample had housing requirements and projected the sample results over the effective population. Using stratification formulas, we projected the housing requirement for the Army Service members to be 699 units.

Department of the Navy Sample. The original population for Navy Ashore Activities was 10,141 military members, which excluded two air squadrons included under the Navy Fleet universe. This population was reduced to an effective population of 9,733 Service members. Based on the stratified sampling plan, we randomly selected members from each pay grade for review, for a total of 482 members. We determined that 15 members in the sample had housing requirements. Using stratification formulas, we projected the housing requirements for Navy Ashore members to be 228 units.

The total Navy Fleet population was 8,673 Service members, consisting of 4,212 on 17 surface ships and one Des Ron unit; 2,522 on 17 submarines; and 1,939 in 8 air squadrons. At the time of our review, 6 surface ships, the

Des Ron unit, and 10 submarines were at sea; therefore, the personnel and pay records that were on board the ships were not available for review. We reviewed potential military family housing requirements for 11 surface ships and 7 submarines and linked the results of those reviewed to those at sea, based on comparability of Service members and ship type and size. We then used the type and size relationships to project over the universe. We also reviewed 100 percent of potential military family housing requirements for 8 air squadrons homeported at Naval Air Station Barbers Point, which consisted of 1,939 Service members. From these reviews, we determined that 233 members required housing.

Department of the Air Force Sample. For the Air Force, we performed a 100 percent review of potential housing requirements. We identified 911 potential requirements in the Air Force and reviewed the records for those Service members. The total population for the Air Force was 4,886 Service members, which included 127 Air National Guard personnel. Of the 911 records reviewed, we identified 811 Service members who were potential housing requirements. Of those, 175 were found to be homeowners and 82 had moved into Government housing. We determined that the housing requirement was 109 units for the Air Force on Oahu. Because 100 percent of the potential military family housing requirement was reviewed, no projections were made.

Marine Corps Sample. The original Marine Corps population consisted of 10,632 Service members. This was reduced to an effective population of 10,208. Using the stratified sampling plan, we randomly selected members from each of the pay grade levels for review, for a total of 455 members. We determined that 32 members in the sample had housing requirements. Using stratification formulas, we projected the housing requirement for the Marine Corps Service members to be 327 units.

Sample Results. Tables B-1 and B-2 provide universe and sample information for all samples except for the Air Force. Table B-3 provides the projections of the results of this audit. We projected that as of June 30, 1993, a housing requirement existed for 1,596 housing units, plus and minus 396 units with 95-percent confidence.

Table B-1. Population Universe by Service and Rank

	Universe Size			
Rank	Army	Navy Ashore	Navy Afloat	Marine Corps
O1	194	35	82	93
O2	456	82	329	211
O3	884	426	374	210
O4	461	309	123	108
O5	282	194	45	49
O6	133	109	5	19
O7	5	4	0	2
O8	3	3	0	0
O9	2	0	0	1
O10	0	2	0	0
E1	268	81	185	60
E2	971	282	575	881
E3	2,934	650	845	3,810
E4	4,066	1,745	2,188	2,042
E5	3,226	2,549	1,827	1,268
E6	2,152	1,952	1,364	727
E7	1,440	836	540	410
E8/9	400	402*	170*	214
W1	41	0	0	12
W2	160	34	15	56
W3	126	25	4	21
W4	55	13	2	14
Total	18,259	9,733	8,673	10,208

*The E8 and E9 rank groups were analyzed separately for the Navy. However, for consistency in presentation, we combined the E8 and E9 rank groups for the Navy because the Army and Marine Corps E8 and E9 rank groups were combined for analysis.

Table B-2. Sample Members Selected by Service and Rank

	Sample Size			
Rank	Army	Navy Ashore	Navy Afloat	Marine Corps
O1	30	10	9	25
O2	30	20	37	30
O3	40	40	84	30
O4	30	40	37	25
O5	30	30	12	20
O6	30	30	3	10
O7	5	4	0	2
O8	3	3	0	0
O9	2	0	0	1
O10	0	2	0	0
E1	30	8	6	20
E2	30	22	13	30
E3	40	40	37	40
E4	60	40	213	40
E5	40	40	233	40
E6	40	40	265	30
E7	30	40	110	30
E8/9	30	*30	*38	30
W1	20	0	0	12
W2	20	15	5	20
W3	20	15	0	10
W4	20	13	1	10
Total	580	482	1,103	455

*The E8 and E9 rank groups were analyzed separately for the Navy. However, for consistency in presentation, we combined the E8 and E9 rank groups for the Navy because the Army and Marine Corps E8 and E9 rank groups were combined for analysis.

Table B-3. Results of Audit Including Samples and Census

Service	Population (no. of service members)	Sample (no. of service members)	Summary of Housing Unit Requirements (sample results)	Stratified Projections (housing units)
Army	18,259	580	37	699
Navy Ashore	9,733	482	15	228
Navy Afloat				
Ships[1]	4,212	518	72	103
Submarines[1]	2,522	165	30	73
Air Squadrons[1]	1,939	420	57	57
Air Force[2]	4,886	4,886	109	109
Marine Corps	10,208	455	32	327
Total	51,759	7,506		
Point Estimate[3]				1,596

[1]Reviewed 100 percent of members in units not deployed.
[2]Reviewed 100 percent review of all Air Force members.
[3]Precision with 95-percent confidence: plus or minus 396 units or a confidence interval estimate of from 1,200 to 1,992 units.

Appendix C. Military Family Housing Policy Boards

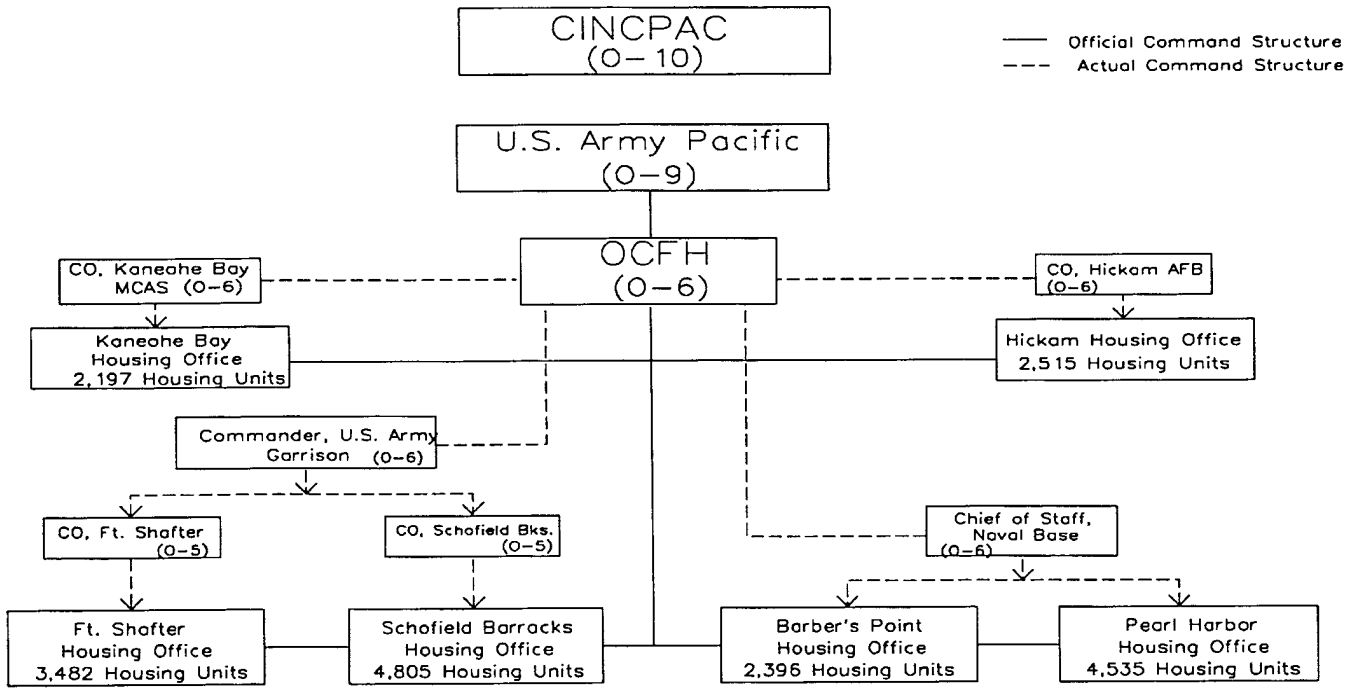
Table C-1. Joint Military Family Housing Policy Advisory Board

Member	Rank
Commander In Chief, Pacific Air Forces	O-8
Commander, U.S. Army Pacific	O-8
Commanding General, 25th Light Infantry Division	O-7
Commander, Pearl Harbor Naval Base	O-7
Commander, Marine Force Pacific	O-7

Table C-2. Interservice Military Family Housing Working Group

Member	Rank
Deputy Chief of Staff, Logistics (J-4), U.S. Pacific Command	O-6
Installation Commander, Army Support Command	O-6
Chief of Staff, Pearl Harbor Naval Base	O-6
Commander, 15th Air Base Wing	O-6
Commanding Officer, Marine Corps Air Station Kaneohe Bay	O-6
Commander, OCFH	O-6

Appendix D. Oahu Military Family Housing Alignment
(as of June 1993)



AFB	Air Force Base
CINCPAC	Commander In Chief, U.S. Pacific Command
CO	Commanding Officer
Ft.	Fort
MCAS	Marine Corps Air Station

Appendix E. Private Rental Units Available to Military Personnel on the Local Economy

Price Range (rent per month)	Number of Bedrooms Per Rental Unit				
	One	Two	Three or Four	Five	Total
More than $1,901	0	2	8	9	19
$1,676 to $1,901	0	2	22	13	37
$1,436 to $1,675	2	11	79	30	122
$1,168 to $1,435	8	97	221	37	363
$973 to $1,167	23	200	85	7	315
$450 to $972	186	219	12	1	418
Total	219	531	427	97	1,274

Appendix F. Demand for Military Family Housing on Oahu

	Army	Navy	Air Force	Marine Corps	Total
Total Universe	19,282	18,814	4,886	10,632	53,614
Adjustments[1]	1,023	408	0	424	1,855
Adjusted Universe	18,259	18,406	4,886	10,208	51,759
Less: Non-Housing Requirement[2]	17,560	17,945	4,777	9,881	50,163
Housing Requirement	699	461	109	327	1,596
Less: Units Under Construction[3]					498
Units Under Contract					958
Net Housing Requirement[4]					140
Note: Number of Local Rentals Units Available[5]					1,274

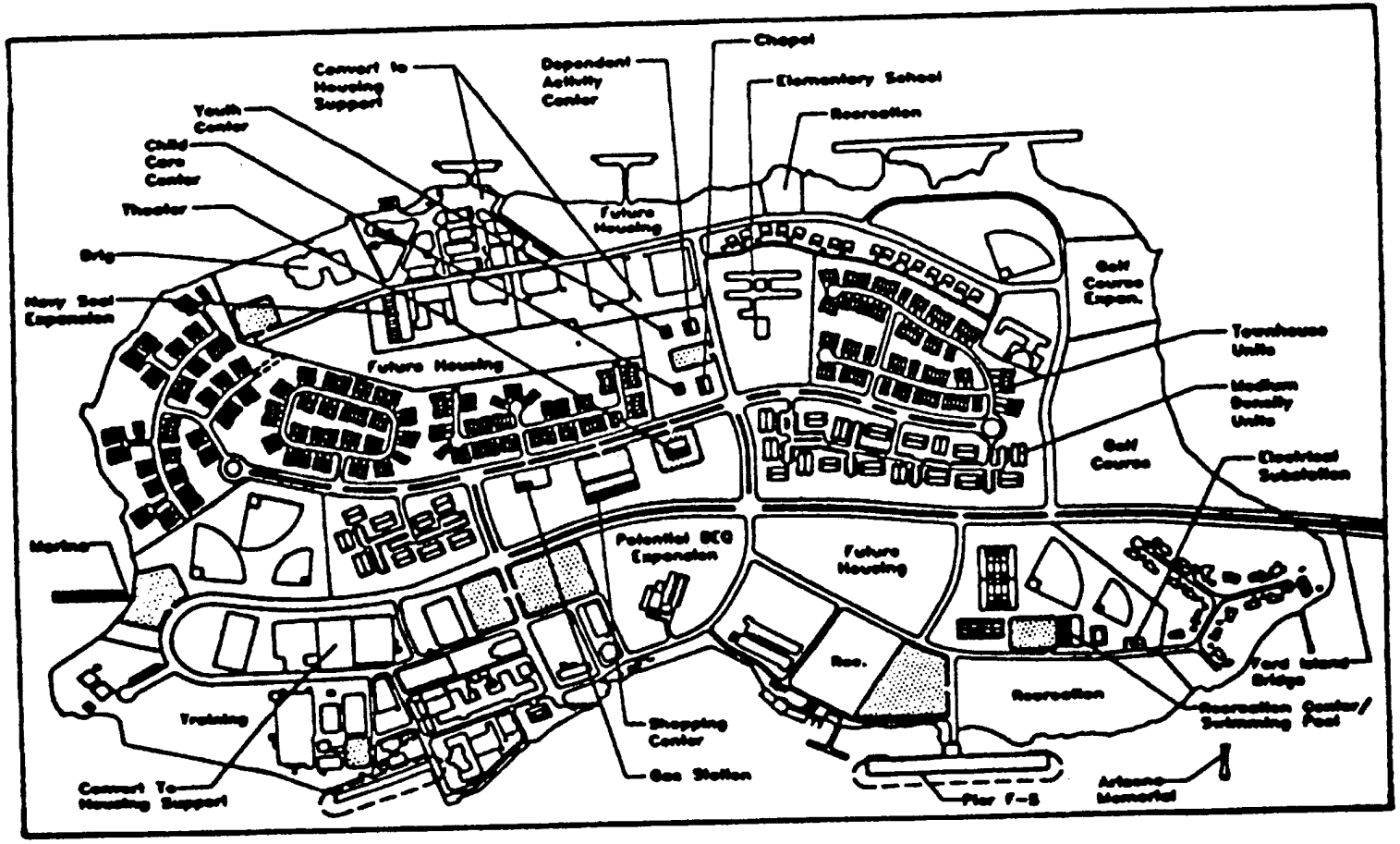
[1]Adjustments are for statistical purposes only. Adjustments were made for members who were retired, transferred, or discharged and whose replacements had not reported on board as of the date of our review.
[2]Members that were acceptably housed, voluntary geographic bachelors, and unaccompanied single members.
[3]These units are under construction and will be on line at beginning of FY 1995.
[4]The demand for housing as of June 1993. This figure does not include the affect of long-range troop projections or the military fair share of housing in the local community.
[5]Rental units in the local community that were listed with OCFH as of July 23, 1993, by realtors interested in providing rental units for military members.

Appendix G. Estimated Program Costs and Associated Units to Achieve "Strategy 8000 Family Housing Acquisition Plan"

Fiscal Year	Army		Navy		Air Force		Marine Corps		Total	
	Cost*	Units	Cost*	Units	Cost*	Units	Cost*	Units	Cost*	Units
1992	$ 23.4	202	$ 13.6	120	$ 4.5	38	$ 0.0	0	$ 41.5	360
1993	40.5	200	73.9	358	0.0	0	96.8	300	211.2	858
1994	37.4	168	30.6	205	9.4	106	45.3	83	122.7	562
1995	47.0	168	0.0	0	0.0	0	223.7	419	270.7	587
1996	130.7	300	50.4	270	0.0	0	0.0	0	181.1	570
1997	39.0	100	103.6	500	0.0	0	0.0	0	142.6	600
1998	161.3	460	0.0	0	14.3	74	79.4	0	255.0	534
1999	47.8	200	71.9	280	0.0	0	43.7	136	163.4	616
2000	37.5	250	67.4	325	0.0	0	47.6	0	152.5	575
2001	0.0	0	57.4	285	0.0	0	155.3	383	212.7	668
2002	76.1	300	0.0	0	6.5	40	82.6	220	165.2	560
2003	101.2	400	28.0	100	0.0	0	59.9	147	189.1	647
2004	64.0	250	70.5	241	0.0	0	0.0	0	134.5	491
2005	132.9	514	0.0	0	0.0	0	0.0	0	132.9	514
Total	$938.8	3,512	$567.3	2,684	$34.7	258	$834.3	1,688	$2,375.1	8,142

*Cost in millions.

Appendix H. Design Plan to Develop Ford Island



Appendix I. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.	Internal Controls. Requires development of internal control procedures to keep housing management information accurate and current.	Undeterminable. Monetary benefits can not be quantified.
A.2.	Internal Controls. Requires the information in the Housing Operations Management System to be updated.	Nonmonetary.
B.1.	Economy and Efficiency. Suspends all funding for new military family housing construction in Hawaii until the requirements are justified and validated.	Funds put to better use. Included in B.3.
B.2.	Economy and Efficiency. Cancels all plans to construct additional military family housing on Oahu.	FYs 1995 through 1999 military construction funds of $161 million put to better use.
B.3.	Economy and Efficiency. Suspends all plans to construct military family housing on Ford Island until the requirements are adequately justified and validated.	FYs 1997 and 1999 military construction funds of $175.5 million put to better use.
B.4.a.	Compliance. Requires compliance with DoD Manual 4165.63M when developing military family housing acquisition plans.	Undeterminable. Monetary benefits can not be quantified.
B.4.b.	Compliance. Requires compliance with Army Regulation 210-50 when developing military family housing requirements.	Undeterminable. Monetary benefits can not be quantified.
C.1.a.	Internal Controls. Requires procedures to update facility requirements plan annually or according to mission changes.	Undeterminable. Monetary benefits can not be quantified.

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
C.1.b.	Economy and Efficiency. Revises and updates the Ford Island Development Plan.	Undeterminable. Monetary benefits can not be quantified.
C.1.c.	Internal Controls. Requires procedures to support projects for Ford Island with valid requirements.	Undeterminable. Monetary benefits can not be quantified.
C.1.d.	Economy and Efficiency. Suspends projects P-220, P-317, P-437, and P-440.	Funds put to better use included in C.2.a.
C.1.e.	Economy and Efficiency. Cancels projects P-330, P-331, P-333, P-400, and P-462.	Funds put to better use included in C.2.b.
C.2.a.	Economy and Efficiency. Suspends Navy funding of projects P-220, P-317, P-437, and P-440 on Ford Island until the projects are justified with valid requirements.	FYs 1983, 1988, 1990, and 1995 military construction funds of $4.1 million put to better use.
C.2.b.	Economy and Efficiency. Cancels Navy funding of projects P-330, P-331, P-333, P-400, and P-462 on Ford Island.	FYs 1983, 1988, 1990, and 1995 military construction funds put to better use of $116.1 million.

Appendix J. Organizations Visited or Contacted

Office of the Secretary of Defense

Assistant Secretary of Defense (Production and Logistics), Washington, DC
Comptroller of the Department of Defense, Washington, DC
Deputy Assistant Secretary of Defense (Installations), Washington, DC
Headquarters, Defense Manpower Data Center, Arlington, VA

Department of the Army

Army Engineering and Housing Support Center, Washington, DC
U.S. Army, Pacific, Fort Shafter, HI
Oahu Consolidated Family Housing, Honolulu, HI
25th Infantry Personnel Office, Schofield Barracks, HI
Military Personnel Office, Army Support Command, Honolulu, HI
Army Audit Agency, Arlington, VA

Department of the Navy

Deputy Chief of Naval Operations (Logistics), Washington, DC
- Commander In Chief, U.S. Pacific Fleet, Pearl Harbor, HI
- Commander Naval Base, Pearl Harbor, HI
- Commander Naval Station, Pearl Harbor, HI
  - Public Works Center, Pearl Harbor, HI
  - Officer in Charge, Personnel Support Detachment, Pearl Harbor, HI
- Naval Submarine Base, Pearl Harbor, HI
  - Officer in Charge, Naval Personnel Support Detachment, Submarine Base, Pearl Harbor, HI
- Commander Naval Air Station, Barbers Point, HI
  - Officer in Charge, Personnel Support Detachment, Barbers Point, HI
  - Officer in Charge, Personnel Support Detachment, Wahiawa, HI

Naval Facilities Engineering Command, Alexandria, VA
- Pacific Division, Pearl Harbor, HI

Naval Audit Service, Arlington, VA
Deputy Chief of Staff of the Marine Corps (Installations and Logistics), Arlington, VA
Assistant Chief of Staff, G-6, Marine Force Pacific, Camp H. M. Smith, HI
- Force Engineering Office, Marine Force Pacific, Camp H. M. Smith, HI
- Headquarters and Services Battalion, Marine Force Pacific, Camp H. M. Smith, HI
  - Remote Job Entry, Marine Force Pacific, Camp H. M. Smith, HI
- Personnel Office, Marine Force Pacific, Camp H. M. Smith, HI
- Assistant Chief of Staff, Comptroller, Marine Force Pacific, Camp H. M. Smith, HI

Department of the Navy (cont'd)

Commanding Officer, Marine Corps Air Station Kaneohe Bay, HI
  Stationary Operation Maintenance Squadron, Marine Corps Air Station Kaneohe Bay, HI
  Headquarters, Headquarters Squadron, Marine Corps Air Station Kaneohe Bay, HI
  First Radio Battalion, Marine Corps Air Station Kaneohe Bay, HI
Chief of Staff, First Marine Expeditionary Brigade, Kaneohe Bay, HI
  Office of Brigade Personnel, Kaneohe Bay, HI
    Marine Barracks Hawaii, Naval Base Pearl Harbor, HI
  Inspector and Instructor, Honolulu, HI

Department of the Air Force

Commander In Chief, Pacific Air Forces, Pearl Harbor, HI
  15th Air Base Wing, Hickam Air Force Base, HI
    Air National Guard, Hickam Air Force Base, HI
Office of Special Investigations, Bolling Air Force Base, Washington, DC
Air Force Audit Agency, Washington, DC

Unified Command

Deputy Chief of Staff, Logistics (J-4), U.S. Pacific Command, Camp H. M. Smith, HI

Defense Organizations

Defense Finance and Accounting Service, Arlington, VA
  Cleveland Center, OH
  Denver Center, CO
  Indianapolis Center, IN

Non-Defense Federal Organization

General Accounting Office, Washington, DC

Non-Government Organization

The Hallstrom Appraisal Group, Incorporated, Honolulu, HI

Appendix K. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Deputy Under Secretary of Defense (Environmental Security)
Comptroller of the Department of Defense
Assistant Secretary of Defense (Force Management and Personnel)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Secretary of the Army
Chief of Staff of the Army
Commander, U.S. Army Pacific
  Commanding General, 25th Light Infantry Division
  Commander, Oahu Consolidated Family Housing Office
Assistant Secretary of the Army (Installations, Logistics, and Environment)
Inspector General, Department of the Army
Auditor General, Department of the Army
Director, Army Engineering and Housing Support Center

Department of the Navy

Secretary of the Navy
  Deputy Chief of Naval Operations (Logistics)
Commander In Chief, Pacific Fleet
  Commander, Pearl Harbor Naval Base
  Commander, Naval Surface Group, Mid-Pacific
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Commandant of the Marine Corps
  Commander, Marine Force Pacific
Comptroller of the Navy
Commander, Naval Facilities Engineering Command
  Commander, Pacific Division
Auditor General, Department of the Navy

Department of the Air Force

Secretary of the Air Force
Chief of Staff of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)

Department of the Air Force (cont'd)

Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations, and Environment)
Commander, Pacific Air Forces
Auditor General, Department of the Air Force

Unified Command

Commander In Chief, U.S. Pacific Command

Other Defense Organization

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
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

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

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Part IV - Management Comments

Comptroller of the Department of Defense Comments

OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

(Program/Budget)

JUL 13 1994

MEMORANDUM FOR DIRECTOR, CONTRACT MANAGEMENT, DOD IG

SUBJECT: Audit Report on Development of Ford Island, Pearl Harbor, Hawaii (Project No. 3CG-8015)

This responds to your request for review and comments on the subject draft audit report. Subsequent to issuance of your draft report, the Installation Policy Board recommended to the Secretary that operating and funding responsibilities for military family housing on Oahu be returned to the individual Services effective September 1, 1994. Funds and personnel billets will be transferred from the Army to the Navy and Air Force reflecting that date.

Your findings indicate that the housing requirements are specious and that the costs are understated. These items will be subjected to close scrutiny during the FY 1996 budget review. In this regard, we agree that all funding for military family housing construction and other improvements to Ford Island be suspended until the requirements have been adequately justified and validated. Currently, no funds are released to the Navy for Ford Island development.

B. R. Paseur
Director for Construction

Department of the Army Comments

Final Report Reference

DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
800 ARMY PENTAGON
WASHINGTON DC 20310-0800

REPLY TO ATTENTION OF

DAIM-FDH-M (36-2b) 24 JUN 1994

~~MEMORANDUM THRU DIRECTOR OF THE ARMY STAFF~~ MICHAEL B. WILSON, LTC, GS, ADAS
~~DEPUTY ASSISTANT SECRETARY OF THE ARMY~~ Paul W. Johnson 0 JUN 1994
~~(INSTALLATIONS AND HOUSING) OASA (I, L&E)~~ Deputy Assistant Secretary of the Army (Installations and Housing) OASA (I, L&E)

US ARMY AUDIT AGENCY, ATTN: SAAG-PRF-E,
3101 PARK CENTER DRIVE, ALEXANDRIA, VA
22302-1596

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, (Auditing)

SUBJECT: Audit Report on Development of Ford Island, Pearl Harbor, Hawaii (Project No. 3CG-8015)

1. The Army's comments pertaining to subject report are as follows:

a. **Finding A, Military Family Housing Management.** Military family housing management functions were duplicated on Oahu, and internal control procedures over the accuracy of information used to support military family housing requirements were not effective. This occurred because the Military Components in Hawaii did not adequately and quickly implement the 1982 DoD decision to consolidate the military family housing management functions in Hawaii, and because the memorandum of understanding that implemented the consolidation did not give the Commander, OCFH, adequate authority. As a result, effective housing management policy regarding the accumulation and management of accurate information for making housing acquisition decisions could not be established and inappropriate management decisions to construct unneeded military family housing were made as discussed in Finding B. Revised

The Army concurs with comment. These findings have been a matter of concern that the Army has addressed with the other services. Secondly, the management of military family housing on Oahu may be returned to the component services. A decision is pending at DoD.

b. **Finding B, Military Family Housing Requirements.** OCFH did not obtain information to prepare an accurate FY 93 Oahu military family housing requirement estimate. This occurred because OCFH-required surveys of military family housing requirements had not been performed. As a result, the 780 military family housing units estimated to cost $175.5 million, that the Navy planned for Ford Island are not needed. Additionally, a "Strategy 8000 Family Housing Acquisition Plan"

DAIM-FDH-M (36-2c)
SUBJECT: Audit Report on Development of Ford Island, Pearl Harbor, Hawaii (Project No. 3CG-8015)

for future military family housing in Hawaii costing $2.4 billion is unsupported, of which $2,228 billion can be put to better use.

The Army concurs with comment. The provision and accuracy of the housing survey data are directly related to the quality of information provided to the Army by the other Services. This is an area where service cooperation was lacking. It should be noted that the Navy performed its own housing survey to support their projects.

c. **Finding C, Planned Development of Ford Island.** This finding is not applicable to the Army.

2. The point of contact for this action is Mr. J. Tarlton, (703) 355-7711.

J.C. MENIG
Acting Assistant Chief of Staff
for Installation Management

Department of the Navy Comments

THE ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT)
WASHINGTON, D.C. 20350-1000

22 JUL 1994

MEMORANDUM FOR DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DODIG DRAFT AUDIT OF THE FORD ISLAND, PEARL HARBOR, HI, DEVELOPMENT PROJECT (PROJECT NO. 3CG-8015)

Ref: (a) DODIG memo of 22 April 1994

Encl: (1) DON Response to Draft Audit Report

I am responding to the draft audit report forwarded by reference (a), concerning development of Ford Island, Pearl Harbor, Hawaii.

The Department of the Navy response is provided at enclosure (1). We concur with eleven of the sixteen draft audit recommendations. We non-concur with the remaining five draft audit recommendations although in one case our nonconcurrence is based on the fact that the recommendation has been over taken by events. As outlined in the enclosed comments, the Department has taken, or is planning to take, specific actions to ensure adequate management controls concerning any development of Ford Island.

Deborah P. Christie

DEBORAH P. CHRISTIE

Subj: DODIG DRAFT AUDIT OF THE FORD ISLAND, PEARL HARBOR, HI, DEVELOPMENT PROJECT (PROJECT NO. 3CG-8015)

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)

Blind copy to:
NAVCOMPT (NCB-231)
OPNAV (N44)

Final Report Reference

DEPARTMENT OF THE NAVY RESPONSE

TO

DODIG DRAFT QUICK-REACTION REPORT OF APRIL 22, 1994

ON

DODIG DRAFT AUDIT OF THE FORD ISLAND, PEARL HARBOR, HI, DEVELOPMENT PROJECT (PROJECT NO. 3CG-8015)

Finding A:

Military family housing management functions were duplicated on Oahu, and internal control procedures over the accuracy of information used to support military family housing requirements were not effective. This occurred because the Military Components in Hawaii did not adequately and quickly implement the 1982 DoD decision to consolidate the military family housing management functions in Hawaii, and because the memorandum of understanding that implemented the consolidation did not give the Commander, OCFH, adequate authority. As a result, effective housing management policy regarding the accumulation and management of accurate information for making housing acquisition decisions to construct unneeded military family housing were made as discussed in Finding B.

Recommendation A-1:

Deleted

We recommend that the Commander In Chief, Pacific Command, update the memorandum of understanding that outlines housing management responsibilities between the military services on Oahu to specify that the Army has ultimate authority for military family housing management on Oahu; and that the other Military Components are to provide support to the Commander, Oahu Consolidated Family Housing, U.S. Army Pacific, to effectively accomplish the assigned mission.

DON Position:

Do not concur. Based on the memorandum dated 12 July 1994 from the Deputy Secretary of Defense to all Services, the responsibility for housing on Oahu has been returned from the Army back to the individual Services. Therefore, a memorandum of understanding of the type recommended by the draft report will no longer be required.

Recommendation A-2:

We recommend that the Commander In Chief, Pacific Command, require the Military Components on Oahu to:

Final Report Reference

Renumbered to A.2.

a. Provide the Oahu Consolidated Family Housing Office current data on the number and demographics of military families under their jurisdiction in Oahu for updating the information in the Housing Operations Management System, and

Renumbered to A.1.

b. Develop and implement internal control procedures that require military members to process through the Oahu Consolidated Family Housing Office when arriving or departing Oahu and each time the military members' housing status changes.

DON Position:

a. Concur. The current data should be maintained and used to develop family housing requirements; however, with the return of primary responsibility for housing on Oahu, this will be the responsibility of the individual Services.

b. Concur. Military members should be required to check in and out with their military family housing office when arriving or departing, and when their housing status changes; however, with the return of primary responsibility for housing on Oahu, this will be the responsibility of both the individual Services and the Army who will maintain a consolidated housing referral system.

Deleted

Recommendation A-3:

We recommend that the Commander, Oahu Consolidated Family Housing, develop and implement internal control procedures that require the Housing Operations Management System information be kept accurate and current.

DON Position:

Concur. The Department of Navy concurs with the need for internal control procedures with the proviso that this will be a service responsibility.

Finding B:

OCFH did not obtain information to prepare an accurate FY 1993 Oahu military family housing requirement estimate. This occurred because OCFH-required surveys of military family housing requirements had not been performed. As a result, the 780 military family housing units, estimated to cost $175.5 million, that the Navy planned for Ford Island are not needed. Additionally, a "Strategy 8000 Family Housing Acquisition Plan" for future military family housing in Hawaii costing $2.4 billion is unsupported, of which $2.228 billion can be put to better use.

Revised

Recommendation B-1:

We recommend that the Comptroller of the Department of Defense suspend all funding for military family housing in Hawaii until the requirements have been justified and validated by the

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Housing:

a. Factor the current troop strength, current military family trends, and the current housing assets available in the local rental market into all requirements for military housing acquisition plans.

b. Limit the military family housing construction projects to 90 percent of the long-range effective housing requirement.

DON Position:

a. Concur. This will be accomplished by the Services responsible for their own housing.

b. Do not concur. DoD guidance allows the Services to program construction for up to 90 percent of the housing deficit, not the total effective housing requirement.

Finding C:

The Ford Island Development Plan did not include all the costs to develop Ford Island because internal control procedures were not adequate to verify that the plan was complete and economically viable. Also, the requirement for nine military construction projects, valued at $120.2 million, included in the development plan was not justified and internal control procedures were not effective to validate project requirements. The planning process did not reflect decreases in the troop strength in Hawaii or reflect a change in the mix of ships homeported at Pearl Harbor Naval Base. As a result, the overall cost to develop Ford Island as a military family housing area was understated by at least $252 million. Furthermore, six projects, valued at $110.1 million, in the Ford Island Development Plan were not supported with valid requirements. In addition, three other projects valued at $10.1 million were not in the plan and were also not supported with valid requirements.

Recommendation C-1:

We recommend that the Commander, Pearl Harbor Naval Base:

Revised

a. Develop and implement internal control procedures to update facility requirements plans at least annually.

b. Revise and update the Ford Island Development Plan to reflect complete and accurate facility costs based on actual requirements.

c. Develop and implement internal control procedures to review and adjust current requirements to reflect changes in the force structure in all projects planned for Ford Island.

d. Suspend projects P-220, P-317, P-437, and P-440 until the projects are adequately supported with valid housing

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requirements.

e. Cancel projects P-330, P-331, P-333, P-400, and P-462.

DON Position:

a. Do not concur. Facility requirement plans are updated based on the dynamics of mission changes, base loading, and operations. The requirement for updates are regularly identified by Navy major claimants based on these factors, and requirements for specific facilities are reviewed and updated in support of projects of military construction scope. A blanket requirement for an annual update across an entire installation would be cost prohibitive, and would provide little useful, updated information.

b. Concur. Navy acknowledges the need to update the plan for Ford Island and will take the necessary action.

c. Concur. Navy had already determined the requirement for these projects was not fully supported, and the projects have not been proposed for programming and funding.

d. Concur. Navy had already determined the requirement for these projects was not fully supported, and the projects have not been proposed for programming and funding.

e. Concur. Navy had already determined the requirement for these projects was not fully supported, and the projects have not been proposed for programming and funding.

Recommendation C-2:

We recommend that the Comptroller of the Navy:

a. Suspend Navy funding for the four projects on Ford Island identified in recommendation C.1.d. until the projects are justified with valid requirements. Revised

b. Cancel Navy funding for the five projects on Ford Island identified in recommendation C.1.e. Revised

DON Position:

a. Concur. The Department of Navy had already determined the requirement for these projects was not fully supported, and the projects have not been proposed for programming and funding.

b. Concur. The Department of Navy had already determined the requirement for these projects was not fully supported, and the projects have not been proposed for programming and funding.

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