Audit Report

OFFICE OF THE INSPECTOR GENERAL

ENVIRONMENTAL MANAGEMENT OF DOD BASE REALIGNMENT AND CLOSURES

Report No. 93-090 April 22, 1993

20000508 106

Department of Defense

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited
DTIC QUALITY INSPECTED 2

AQI00-08-1993

The following acronyms are used in this report.

BRAC.....Base Realignment and Closure
DERA.....Defense Environmental Restoration Account
NAVFAC.....Navy Facilities Engineering Command
O&M.....Operations and Maintenance
USACE.....Army Corps of Engineers

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

April 22, 1993

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
INSPECTOR GENERAL, DEPARTMENT OF THE ARMY
DEPUTY ASSISTANT SECRETARY OF DEFENSE (ENVIRONMENT)

SUBJECT: Audit Report on Environmental Management of DoD Base Realignment and Closures (Report No. 93-090)

This final report is for your information and comments. DoD Directive 7650.3 requires that all recommendations be resolved promptly. A draft of this report was provided to management for comments; however, comments were not received as of the report date. Therefore, we request that the Deputy Assistant Secretary of Defense (Environment), the Assistant Secretary of the Navy (Financial Management), and the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide comments on the findings, recommendations, and potential benefits by June 21, 1993. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, you must state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements. Recommendations are subject to resolution in accordance with DoD Directive 7650.3 in the event of nonconcurrence or failure to comment.

We appreciate the courtesies and cooperation extended to the audit staff. If you have any questions on this audit, please contact Mr. Wayne K. Million, Program Director, at (703) 692-2991 (DSN 222-2991) or Ms. Judith I. Karas, Project Manager, at (703) 692-2994 (DSN 222-2994). The planned distribution of this report is listed in Appendix B.

Robert J. Lieberman

Robert J. Lieberman
Assistant Inspector General
for Auditing

cc: Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

Office of the Inspector General, DoD

AUDIT REPORT 93-090 **April 22, 1993**
(Project No. 2CG-0030)

ENVIRONMENTAL MANAGEMENT OF DOD BASE REALIGNMENT AND CLOSURES

EXECUTIVE SUMMARY

Introduction. Environmental restoration projects at bases closed by the 1988 and 1991 Commissions on Base Realignment and Closure must be accomplished before DoD can dispose of the property. To facilitate the restoration process, Congress required that restoration projects be funded from the Base Realignment and Closure Accounts rather than compete for funds in the Defense Environmental Restoration Account. A $220 million minimum funding level was established for restoration projects for bases on the 1988 base closure list. A $162.7 million exclusive-use funding level was established for restoration projects for bases on the 1991 base closure list.

Objectives. The audit objectives were to determine whether base realignments and closures were in accordance with environmental laws, permits, and agreements and to evaluate associated internal controls over the management of environmental projects.

Audit Results. The seven closing bases included in our review adequately planned environmental projects to comply with environmental laws, permits, and agreements.

To accomplish environmental projects at closing bases, the Navy and the Air Force used sources of funds other than the Base Realignment and Closure Accounts. As a result, they made administrative violations of public law on appropriations in the amounts of $487,250 and $298,980.

Internal Controls. The internal controls over environmental restoration projects were adequate except for the guidance on funding, which needed clarification. The unclear guidance resulted in material internal control weaknesses in the management of Base Realignment and Closure funding Accounts. See Part I for details of our review of internal controls and the finding for details of these weaknesses.

Potential Benefits of Audit. The report recommendations should improve the internal controls over funds used to accomplish environmental projects at closing bases, but will not result in monetary benefits.

Summary of Recommendations. We recommended that specific guidance be issued pertaining to the sources of funds for

environmental restoration projects at closing bases. We also recommended that fund status be determined and accounting adjustments be made as necessary.

Management Comments. The Deputy Assistant Secretary of Defense (Environment), the Assistant Secretary of the Navy (Financial Management), and the Assistant Secretary of the Air Force (Financial Management and Comptroller) did not provide written comments to the draft of this report. Therefore, we request that they comment on the recommendations by June 21, 1993.

TABLE OF CONTENTS

	Page
TRANSMITTAL MEMORANDUM	1
EXECUTIVE SUMMARY	i
PART I - INTRODUCTION	
Background	1
Objectives	1
Scope	1
Internal Controls	2
Prior Audits and Other Reviews	2
PART II - FINDING AND RECOMMENDATION	
Funding Sources for Environmental Restoration at Closing Bases	3
PART III - ADDITIONAL INFORMATION	
APPENDIX A - Activities Visited or Contacted	11
APPENDIX B - Report Distribution	13

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, (703) 614-6303 (DSN 224-6303).

PART I - INTRODUCTION

Background

The April 1991 "Department of Defense Base Closure and Realignment," report states that "DoD has a legal obligation for environmental restoration at all DoD hazardous sites regardless of a decision to close a base." Public Law 101-510, "National Defense Authorization Act for Fiscal Year 1991," section 2923, "Title XXIX - Defense Base Closures and Realignments," November 5, 1990, requires the Secretary of Defense to ensure that environmental restoration of property, made excess as a result of closing or realigning bases, be accomplished as soon as possible to expedite disposal or reuse of the property.

To accomplish timely environmental restoration at closing bases, Congress prevented the closing bases from competing for Defense Environmental Restoration Account (DERA) funds. Instead, Congress specified that the Base Closure Account be the exclusive source of funds for restoration purposes. As a result of the 1988 Defense Base Closure and Realignment Act, the FY 1992 Defense appropriations legislation established a $220 million minimum funding level for environmental restoration at closing installations. The FY 1992 supplemental appropriations legislation established an exclusive-use $162.7 million funding level within the Base Closure Account - II for environmental restoration.

Objectives

The audit objectives were to determine whether DoD base realignments and closures were in accordance with environmental laws, permits, and agreements, and to evaluate the internal controls used in managing environmental restoration projects at closing installations.

Scope

Universe and sample. Our sample consisted of 7 installations as a sample from a universe of 113 U.S. installations being closed and realigned. This universe included installations from both the 1988 and the 1991 Commissions on Base Realignment and Closure (BRAC) selections. The estimated environmental restoration costs at these bases totaled over $181 million for FYs 1992 through 1997. At the selected installations, we reviewed documents dated July 1983 through August 1992 that related to environmental management and closure. We did not include Army installations in this review to avoid duplication of an audit in progress by the Army Audit Agency. However, we reviewed documents pertaining to work accomplished on behalf of Myrtle Beach Air Force Base and

discussed related funding procedures with the Army Corps of Engineers. We did not rely on any computerized data to accomplish this audit.

Audit period, locations, and standards. We performed this program audit from April through October 1992 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included such tests of internal controls as were considered necessary. Appendix B lists the activities visited or contacted during the audit.

Internal Controls

We evaluated the internal controls applicable to managing environmental programs at closing installations. Specifically, we reviewed DoD, Navy, and Air Force policies and regulations for closure-related environmental compliance and environmental restoration at closing installations. We reviewed plans, projects, and funding documentation related to environmental requirements at the selected closing installations. We did not evaluate Defense agency implementation of the Federal Financial Integrity Act since Defense agencies were not included in our review.

The audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Internal controls were not established for obligating the correct source of funds for environmental restoration projects at closing installations. Recommendations 1. and 2. in this report, if implemented, will correct the weaknesses; however, monetary benefits will not be realized by implementing these recommendations. A copy of the final report will be provided to the senior officials responsible for internal controls within OSD, Navy, and Air Force.

Prior Audits and Other Reviews

The Air Force Audit Agency Report, Project No. 1175213, "Base Closure Environmental Planning," June 18, 1991, stated that the policies and procedures used to develop environmental plans and actions were generally effective. The policies and procedures developed would reportedly provide for timely base closure and disposal. The Air Force Audit Agency made no recommendations in that report.

PART II - FINDING AND RECOMMENDATIONS

FUNDING SOURCE FOR ENVIRONMENTAL RESTORATION AT CLOSING BASES

The Navy and the Air Force used operations and maintenance (O&M) funds and DERA funds totaling $786,230 ($130,610 O&M and $655,620 DERA) instead of Base Closure Account funds to accomplish environmental restoration projects at closing installations. This condition existed because the Deputy Assistant Secretary of Defense (Environment) did not issue clear and consistent guidance regarding environmental restoration and mitigation projects that predated the closure decision or for projects located on retained property. As a result, Navy and Air Force managers made administrative violations of United States Code, title 31, section 1301, "Money and Finance: Appropriations."

DISCUSSION OF DETAILS

Exclusive Source of Funds for Environmental Restoration

Public Law 101-510 authorized the 1991 appropriation to the Base Closure Account for bases realigned or closed under title II of Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," (BRAC - I). The language of this public law specified that amounts appropriated to Base Closure Account - I would be available only for environmental restoration ($220 million of $658.6 million in Base Closure Account - I). The public law also stated that environmental restoration, ". . . including reducing, removing, and recycling hazardous wastes and removing unsafe buildings and debris," would be accomplished only using Base Closure Account - I funds. Funds from O&M and DERA could not be used.

Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, restricted funding for environmental restoration to the Base Closure Account - II at those bases realigned or closed under title XXIX of Public Law 101-510 (BRAC - II). However, neither the basic Base Closure Account - II nor any portion of the account was restricted to environmental restoration projects. In fact, the $100 million appropriated to the Base Closure Account - II was made available "as may be required" for environmental restoration and mitigation*, as well as for acquisition of land, construction of facilities, and conduct of advance planning and design.

Navy funded environmental projects at closing bases. Long Beach Naval Station funded environmental projects totaling $130,610 with O&M funds. These O&M funded projects were awarded between January 9 and July 6, 1992, for projects such as

---

*Restoration and mitigation were not defined or illustrated by example in the public law.

underground storage tank site assessments, underground storage tank removals, and asbestos and lead surveys. Long Beach Naval Station also funded environmental projects totaling $356,640 with DERA funds. These DERA funded projects were awarded between December 18, 1991, and April 4, 1992, for projects such as gasoline removal from groundwater and hazardous waste contamination testing and removal from soil and groundwater.

In contrast, Philadelphia Naval Shipyard and Philadelphia Naval Station, Philadelphia, Pennsylvania, delayed environmental projects similar to those funded by Long Beach Naval Station because BRAC - II funds were not available. In a March 10, 1992, memorandum, Northern Division, Navy Facilities Engineering Command (NAVFAC) requested NAVFAC Headquarters, Arlington, Virginia, to provide BRAC - II funding for DERA- and non-DERA-type clean-up projects. The DERA-type projects included hazardous waste contamination removal and underground storage tank site investigations; and the non-DERA-type projects included asbestos surveys.

On December 17, 1991, the Chief of Naval Operations issued guidance on environmental issues at closing bases. The memorandum discussed the requirements for property transfer, restoration projects, and compliance; but not fund sources for these requirements. On August 7, 1992, NAVFAC Headquarters issued guidance that specifically addressed the classification of environmental projects and the source of funds for each classification. According to the guidance, compliance projects generated by closure (for example, closure of a hazardous waste storage facility), asbestos abatement at a closing base, and DERA-type clean-up projects at a closing base should be funded from Base Closure Account - I or Base Closure Account - II.

Air Force funded environmental projects at closing bases. Between December 5, 1991, and March 31, 1992, Air Force BRAC - II closing bases funded environmental projects totaling $298,980 with DERA funds. The Director, Budget Investment, Air Force Office of the Assistant Secretary (Financial Management and Comptroller), distributed Base Closure Account - II funds to reimburse the DERA account in April 1992. Projects initially funded by DERA included testing water for contaminants and removing landfill contaminants.

The Director of Environmental Quality, Office of the Civil Engineer issued a memorandum November 27, 1991, before Public Law 102-190 was passed, that gave guidance about environmental projects at closing bases. The memorandum stated:

> None of these [DERA] funds may be used for Round I or Round II closure bases since the Congress has indicated the base realignment and closure account would be the exclusive source of funds for Round I and

> II. The Base Disposal Office can be contacted for funds needed for Round I closure bases. Currently, there is no authorization or appropriation for funds in the BRAC account for Round II bases. We realize this puts a hold on all Round II efforts....For funds which have already been obligated for Round II bases under continuing resolution authority, we will pursue a way to reimburse DERA.

The November guidance was followed on January 24, 1992, with a message from the Air Force Base Disposal Agency that stated: "The environmental cleanup activities that the Air Force had planned for fiscal year 1992 at the Round II bases have been put on hold until issues regarding the funding of the Defense Base Closure Account [Base Closure Account II] are resolved."

U.S.C., title 31 rules on appropriation. U.S.C., title 31, section 1301, requires that funds be used only for the purposes for which the funds were appropriated A decision by the Attorneys-General of the United States (1908, 27 Op. Atty. Gen. 31) stated:

> If a general appropriation applicable to the same purpose, together with other purposes of the like class, would otherwise be available to meet the same expenditure, the specific appropriation operates pro tanto as a repeal or suppression of the general, and renders its use for the specific purpose illegal.

This decision shows that using DERA or O&M funds for environmental restoration and mitigation at closing bases would not be in accordance with applicable laws because of the exclusive use language attached to Base Closure Account - I and Base Closure Account - II.

Categories of Environmental Projects at Closing Bases

Environmental restoration projects in certain categories received different fund sources because of different interpretations regarding those categories.

o The Navy funded environmental restoration projects for, or in support of, BRAC - II bases after December 5, 1991, but the Air Force did not fund environmental restoration projects until Base Closure Account funds were available. The Air Force directed all BRAC - II bases not to use DERA funds for environmental restoration projects. BRAC - II funds were used to cover civilian pay, temporary duty, and supervision and administration of previously awarded contracts through the third quarter. Contractors were put on standby until adequate

BRAC - II funds were available. At Long Beach and Philadelphia Naval installations, projects started as DERA funded projects were continued as DERA projects to completion.

o Long Beach Naval Station funded environmental restoration projects on property that would be transferred to another DoD activity with DERA and O&M funds, but Philadelphia Naval Shipyard did not.

o Long Beach Naval Station funded environmental restoration projects not attributable to closure with DERA, but Myrtle Beach Air Force Base did not fund any restoration projects, regardless of origin, with DERA.

Conclusion

The Navy and the Air Force have interpreted the restrictions on environmental restoration projects at closing and realigning bases differently. In order for Base Closure Account - II to reflect the costs of closure accurately, the environmental costs must be consistently identified.

RECOMMENDATIONS, MANAGEMENT COMMENTS, AND AUDIT RESPONSE

1. We recommend that the Deputy Assistant Secretary of Defense (Environment) issue specific guidance describing the criteria for use of the Defense Environmental Restoration Account and the Operations and Maintenance funds, if any, for environmental restoration projects at closing bases.

2. We recommend that the Assistant Secretary of the Navy (Financial Management), make accounting adjustments to reimburse the Operations and Maintenance account for $130,610 and the Defense Environmental Restoration Account for $356,640 from the Base Closure Account - II. The Assistant Secretary of the Navy (Financial Management) should make additional adjustments as necessary based on the criteria established by the Deputy Assistant Secretary of Defense (Environment).

3. We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller), make additional accounting adjustments, if necessary, to reflect criteria established by the Office of the Deputy Secretary of Defense (Environment) for Base Closure Account projects, in addition to the $298,980 adjustment already made to the Defense Environmental Restoration Account.

Management Comments. The Deputy Assistant Secretary of Defense (Environment), the Assistant Secretary of the Navy (Financial Management), and the Assistant Secretary of the Air Force (Financial Management and Comptroller) did not provide written comments to these recommendations.

Audit Response. We request that the Deputy Assistant Secretary of Defense (Environment), the Assistant Secretary of the Navy (Financial Management), and the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide comments to the final report by June 21, 1993.

This page was left out of original document

PART III - ADDITIONAL INFORMATION

APPENDIX A - Activities Visited or Contacted

APPENDIX B - Report Distribution

This page was left out of original document

APPENDIX A - ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Deputy Assistant Secretary of Defense (Environment)
Washington, DC

Department of the Army

Auditor General, Army Audit Agency, Alexandria, VA

Department of the Navy

Assistant Secretary of the Navy (Installations and Environment), Arlington, VA
Headquarters, Bureau of Medicine and Surgery, Washington, DC
Headquarters, Naval Sea Systems Command, Washington, DC
Headquarters, Naval Facilities Engineering Command, Alexandria, VA
Headquarters, Naval Facilities Engineering Command (Southwest Division), San Diego, CA
Headquarters, Naval Supply Systems Command, Arlington, VA
Department for Patient Administrative and Health Care Operations, Long Beach Naval Hospital, Long Beach, CA
Facilities Management, Long Beach Naval Station, Long Beach, CA
Director for Administration, Philadelphia Naval Hospital, Philadelphia, PA
Director of Management and Engineering, and Director of Environmental Safety and Health, Philadelphia Naval Shipyard, Philadelphia, PA
Comptroller, Philadelphia Naval Station, Philadelphia, PA

Department of the Air Force

Deputy Assistant Secretary of the Air Force (Environment Safety and Occupational Health), Washington, DC
Headquarters, Air Combat Command, Langley Air Force Base, VA
Headquarters, Air Material Command, Scott Air Force Base, IL
Headquarters, Air Force Base Disposal Agency, Arlington, VA
Disposal Management Team Office, and Environmental Management Office, Norton Air Force Base, San Bernardino, CA
Office of the Civil Engineer, Myrtle Beach Air Force Base, Myrtle Beach, SC

Defense Agencies

Installation Services Environment Office, Defense Logistics Agency, Alexandria, VA

This page was left out of original document

APPENDIX B - REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Production and Logistics)
Comptroller of the Department of Defense
Deputy Assistant Secretary of Defense (Environment)

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
Assistant Secretary of the Army (Installations, Logistics and Environment)
Auditor General, Army Audit Agency
Inspector General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Installations and Environment)
Chief of Naval Operations
Chief, Bureau of Medicine and Surgery
Commander, Naval Sea Systems Command
Commander, Naval Facilities Engineering Command
Commander, Naval Supply Systems Command
Commander, Philadelphia Naval Shipyard
Commander, Philadelphia Naval Station
Commander, Philadelphia Naval Hospital
Commander, Long Beach Naval Station
Commander, Long Beach Naval Hospital

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Environment)
Commander, Air Material Command
Commander, Air Combat Command
Commander, Norton Air Force Base
Commander, Myrtle Beach Air Force Base
Director, Air Force Base Disposal Agency

Defense Agencies

Director, Defense Logistics Agency

APPENDIX B - REPORT DISTRIBUTION (cont'd)

Non-DoD

Office of Management and Budget

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

Chairmen and Ranking Minority Members of each of the following Congressional Committees and Subcommittees:

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

AUDIT TEAM MEMBERS

David K. Steensma, Director, Contract Management Directorate
Paul J. Granetto, Deputy Director, Contract Management Directorate
Wayne K. Million, Audit Program Director
Judith I. Karas, Audit Project Manager
Andrew R. MacAttram, Senior Auditor
Charles R. Johnson, Auditor
Gregory P. Guest, Auditor
Mable Randolph, Editor
Doris Reese, Administrative Support

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Environmental Management of DOD Base Realignment and Closures

B. DATE Report Downloaded From the Internet: 05/08/99

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

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ **Preparation Date 05/08/99**

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