OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA FOR THE CONSTRUCTION OF FAMILY HOUSING AT NAVAL SUBMARINE BASE BANGOR, WASHINGTON

Report No. 96-235                                                                 September 30, 1996

Department of Defense

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Acronyms
BRAC Base Realignment and Closure
MILCON Military Construction
NSB Naval Submarine Base
MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit of Defense Base Realignment and Closure Budget Data for the
Construction of Family Housing at Naval Submarine Base Bangor,
Washington (Project No. 6CG-5001.11)

Introduction

We are providing this audit report for your information and use. The audit was
required by Public Law 102-190, "National Defense Authorization Act for
on the history of the Defense base realignment and closure (BRAC) process and
on our auditing and reporting requirements.

This report is one in a series about FY 1997 BRAC military construction
(MILCON) costs. The report also includes an FY 1998 BRAC MILCON
family housing project that was proposed as a result of the closures of Naval Air
Station Alameda, California, and Mare Island Naval Shipyard, California. The
report provides audit results of three projects, valued at $26.8 million, for
family housing at Naval Submarine Base (NSB) Bangor, Washington.

Audit Results

The Navy properly programmed requirements and estimates for projects
H-404T, H-405T, and H-406T, "Family Housing." The Navy based project
requirements contained in the DD Forms 1391, "FY 1997 Military Construction
Project Data" and "FY 1998 Military Construction Project Data," for
transferring personnel to NSB Bangor on engineering estimates. The Navy
supported engineering estimates with adequate cost data. The Navy properly
computed the number of family housing units based on authorized personnel
levels for the units relocating to NSB Bangor. The Navy used criteria in the
Naval Facilities Engineering Command Publication P-80, "Facility Planning
Criteria for Navy and Marine Corps Shore Installations," September 1993, and
a family housing market analysis dated May 1996.

Audit Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON
budget data. The specific objectives were to determine whether the proposed
projects were valid BRAC requirements, whether the decision for MILCON was
supported with required documentation including an economic analysis, and
whether the economic analysis considered existing facilities. The audit also
assessed the adequacy of the management control program as it applied to the

overall audit objective. The management control program objective will be discussed in a summary report on FY 1997 BRAC MILCON budget data.

Scope and Methodology

Scope of This Audit. We examined the FY 1997 BRAC MILCON budget request, economic analysis, and supporting documentation for family housing requirements for the family housing projects at NSB Bangor. We also selected a proposed FY 1998 BRAC MILCON family housing project that was directly related to the FY 1997 projects. We did not use computer-processed data or statistical sampling procedures to conduct this audit. See Enclosure 1 for additional information on the overall scope of the audit of BRAC MILCON costs.

Audit Period, Standards, and Locations. This economy and efficiency audit was conducted from May through July 1996, in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. During the audit, we visited or contacted the Naval Facilities Engineering Command, Alexandria, Virginia; the Southwestern Division, Naval Facilities Engineering Command, San Diego, California; and the NSB Bangor, Washington.

Prior Audits and Other Reviews

Since 1991, numerous reports have addressed DoD BRAC issues. Enclosure 2 lists the summary reports for the audits of BRAC budget data for FYs 1992 through 1996 and BRAC audit reports published since the summary reports.

Audit Background

Policy Guidance. DoD Financial Management Regulation DoD 7000.14-R, volume 2B, "Department of Defense Financial Management Regulation (Budget Presentation and Formulation)," May 1994, requires each MILCON project to be supported by a DD Form 1391. Projects costing more than $2 million also require an economic analysis. The DD Form 1391 is supposed to provide justification for the project and data, such as a description of the proposed construction and its estimated cost. The Navy uses the Naval Facilities Engineering Command Instruction 11010.44E, "Shore Facilities Planning Manual: A System for the Planning of Shore Facilities," October 1990, for guidance on preparing the DD Form 1391.

DoD Manual 4165.63-M, "DoD Housing Management," September 1993, establishes policy guidance, procedures, and responsibilities on all matters associated with family housing. The manual states, "Communities near the installation are relied on as the primary source of housing for DoD personnel." Military family housing may be programmed to meet long-range requirements in areas where the local community cannot support the family housing needs of military personnel. The installation commander is responsible for planning and programming for the acquisition of family housing.
DoD Manual 4165.63-M also requires a DD Form 1523, "Military Family Housing Justification," to support family housing construction and acquisition programs submitted to the Office of the Secretary of Defense and Congress. The DD Form 1523 provides a tabular analysis of the family housing deficit by comparing the effective family housing requirement to existing family housing assets based on current and future conditions. Future conditions are projected 5 years out. The DD Form 1523 is similar to the economic analysis required by DoD 7000.14-R.

**Effective Family Housing Requirement.** The effective family housing requirement is the number of military personnel assigned to an installation who are entitled to family housing. An installation calculates its effective family housing requirement by reducing total personnel strength by the number of transient personnel, the number of unmarried personnel, and the number of voluntarily separated personnel.

**Family Housing Assets.** An installation commander has two sources of family housing assets to satisfy family housing requirements: military family housing and local family housing near the installation. Communities near the military installation should be used as the primary source to meet the requirements for family housing before programming to build military family housing. The installation uses a market analysis to determine the amount of local family housing that is available for Service members.

**Project Justification.** Projects H-404T, H-405T, and H-406T were developed because of recommendations made by the 1993 Commission on Defense Base Closure and Realignment (the 1993 Commission) to close Naval Air Station Alameda, California, and Mare Island Naval Shipyard, California. The 1993 Commission recommended the closure of Naval Air Station Alameda and Mare Island Naval Shipyard and transferred ships to NSB Bangor. The 1993 Commission transferred one aircraft carrier to the Puget Sound Naval Shipyard and several surface ships to either Puget Sound Naval Shipyard or Naval Station San Diego from Naval Air Station Alameda. The closure of Mare Island Naval Shipyard realigned one submarine to NSB Bangor.

The realignment of the aircraft carrier and submarine would require the relocation of 247 officers and 3,719 enlisted personnel. The Navy estimated that the additional personnel would generate a need for 354 family housing units for junior enlisted personnel.

**Discussion**

The Navy properly programmed requirements and estimates for projects H-404T, H-405T, and H-406T, "Family Housing." The following paragraphs discuss how NSB Bangor determined the requirements and the results of the market analysis.

**Requirements Determination.** Projects H-404T, H-405T, and H-406T, valued at $26.8 million, are for construction of 200 family housing units at Naval Complex Bangor. The Naval Complex Bangor includes personnel assigned to Naval Hospital Bremerton, Naval Shipyard Puget Sound, Naval Undersea
Warfare Center Keyport, NSB Bangor, and Naval Ordnance Center Pacific Detachment. The Navy determined the effective family housing requirement for long-range total personnel strength for all units assigned to the Naval Complex Bangor. The Navy relied on the Manpower and Personnel Management Information System to determine its long-range planning numbers. The Manpower and Personnel Management Information System programs personnel strength for an installation 6 years out. The Navy used the 50-percent marriage factor in Naval Facilities Engineering Command Publication P-80 to estimate the number of married personnel. As required by DoD Manual 4165.63-M, the number of units proposed for construction represents 90 percent or less of the projected deficit.

Use of Existing Facilities. Currently, Naval Complex Bangor has 2,313 military family housing units. The family housing inventory is divided into 191 units for officers and 2,122 units for enlisted personnel.

Market Analysis. The Navy contracted for a military family housing market analysis in April 1995. The market analysis determined the extent to which the local community could satisfy anticipated family housing requirements of military families assigned to Naval Complex Bangor. The market analysis formed the basis for projecting a family housing deficit or surplus to the year 2001. The May 1996 market analysis projected a family housing deficit of 917 units in the year 2001. Because the 200 family housing units proposed for construction are significantly fewer than the projected deficit, we consider the projects valid and necessary.

Management Comments

We provided a draft of this report to you on August 27, 1996. Because this report contains no recommendations, comments were not required, and no comments were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. John M. Delaware, Audit Project Manager, at (703) 604-9314 (DSN 664-9314). Enclosure 3 lists the planned report distribution. A list of the team members is listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures
Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

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

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

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

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

**Overall Audit Selection Process.** We reviewed the FY 1997 BRAC MILCON $820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least $1 million for each group. We also reviewed those FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.
Summary of Prior Audits and Other Reviews

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

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Audit Team Members

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

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Wayne K. Million
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