# Audit Report

OFFICE OF THE INSPECTOR GENERAL

**CONSTRUCTION REQUIREMENTS FOR KC-135 AIRCRAFT MAINTENANCE AND SUPPORT FACILITIES AT FORT WAYNE, INDIANA**

Report No. 95-126 February 17, 1995

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**Department of Defense**

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**Acronyms**

| | |
|---|---|
| ARB | Air Reserve Base |
| ANG | Air National Guard |
| MILCON | Military Construction |

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

Report No. 95-126 February 17, 1995

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Construction Requirements for KC-135 Aircraft Maintenance and Support Facilities at Fort Wayne, Indiana (Project No. 4LF-5054)

## Introduction

We are providing this report for your information and use. The audit was performed from August through November 1994 in response to a request from Congressman Stephen Buyer of Indiana. Congressman Buyer requested a review of the Air National Guard (ANG) decision to construct KC-135 aircraft facilities at Fort Wayne, Indiana, rather than relocate the ANG unit and use vacant facilities at nearby Grissom Air Reserve Base (ARB).

## Audit Results

The ANG planned to construct KC-135 facilities at Fort Wayne that would have duplicated vacant facilities at Grissom ARB. The military construction (MILCON) projects were planned to support the conversion of the 122nd Fighter Wing from its mission of F-16 fighter aircraft to KC-135 refueling tanker aircraft. Despite an ANG study showing one-time cost savings of about $25.5 million by relocating the 122nd Fighter Wing to nearby Grissom ARB, the ANG decided to keep the 122nd Fighter Wing at Fort Wayne and construct facilities. The ANG based that decision primarily on perceived recruiting difficulties in the Grissom ARB area. The perceived recruiting problems were not supported. On September 30, 1994, the ANG announced cancellation of the planned conversion of the 122nd Fighter Wing at Fort Wayne, and on October 4, 1994, it canceled eight MILCON projects related to the conversion, totaling $28.4 million.

## Objectives

The objective of this audit was to determine whether construction of KC-135 aircraft maintenance and support facilities at Fort Wayne, Indiana, was needed and was the most efficient and effective alternative for satisfying ANG facility requirements. We also evaluated internal controls related to the audit objective.

## Scope and Methodology

**Budget, Personnel, and Facility Data.** We inspected the facilities and operations at Fort Wayne and Grissom ARB. We reviewed information related to the operations, missions, and relocation of the 122nd Fighter Wing from Fort Wayne to Grissom ARB. Specifically, we reviewed:

- o FY 1993 and FY 1994 budget and cost data;
- o FY 1994 staffing and personnel listings;
- o facility conditions;
- o the Fort Wayne ANG base master plan, September 1990;
- o the "Air National Guard Site Survey, Fort Wayne, Indiana, Conversion to KC-135R," prepared by the Air National Guard Readiness Center, Directorate of Plans, Programs and Manpower, Andrews Air Force Base, Maryland, September 13 through 15, 1993; and
- o the "Cost Study, Grissom AFB [Air Force Base], Indiana," prepared by the Directorate of Financial Management and Comptroller, Air National Guard Readiness Center, Financial Management, Andrews Air Force Base, February 24, 1994.

**Construction Projects.** We obtained major MILCON project documentation for the Fort Wayne ANG for FY 1994 through FY 2000. There were 14 major MILCON projects, totaling $43.1 million, planned at Fort Wayne. Our review focused on the eight MILCON projects with a planned cost of $28.4 million that were related to the KC-135 aircraft maintenance and support facilities. This report does not address the need for the remaining six MILCON projects that have a planned cost of $14.7 million. See Enclosure 1 for a list of the 14 major MILCON projects and the status of those projects.

**Auditing Standards.** This congressionally requested economy and efficiency audit was made from August through November 1994 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, the audit included tests of internal controls as considered necessary. The audit did not rely on the use of computer-processed data or statistical sampling procedures. Enclosure 2 lists the organizations visited or contacted during the audit.

## Internal Management Control Program

**Internal Controls Assessed.** We evaluated the ANG internal controls applicable to justifying, reviewing, and approving planned MILCON projects at Fort Wayne. We also reviewed the internal management control self-evaluation process as it related to the MILCON projects at Fort Wayne.

**Adequacy of Internal Controls.** Our review identified indicators of material internal control weaknesses as defined by DoD Directive 5010.38. We are not, however, making any recommendations in this report because systemic weaknesses in the DoD MILCON process will be discussed in a summary MILCON audit report.

The ANG did not properly justify, review, or approve MILCON projects at Fort Wayne. The ANG did not perform economic analyses for any of the eight KC-135 aircraft related MILCON projects planned at Fort Wayne. Additionally, the ANG did not perform economic analyses for the six F-16 aircraft related projects. The MILCON projects planned at Fort Wayne did not represent the most cost-effective means for satisfying the 122nd Fighter Wing's facility requirements; however, the Joint Service Reserve Component Facility Board of Indiana approved the construction projects.

**Adequacy of the Internal Management Control Self-Evaluation Process.** The ANG identified the MILCON program as an assessable unit with low risk, and as such did not perform any detailed internal control reviews. During the past 5 years, the DoD MILCON program received wide audit coverage that identified material internal control weaknesses. Based on the inherent planning complexities, the internal control weaknesses identified in previous audits, and the indicators of internal control weaknesses discussed above, we believe that most DoD MILCON programs, including the ANG program, should be considered high risk. Recommendations covering the DoD internal management control self-evaluation process will be made in an overall summary audit report on the DoD MILCON program.

## Prior Audits and Other Reviews

No audit coverage of the ANG MILCON program has been made in the last 5 years.

## Background

**DoD Guidance.** DoD Instruction 7040.4, "Military Construction Authorization and Appropriation," March 5, 1979, specifies the requirements for the preparation, review, and approval of requests for the annual MILCON authorization and appropriation. Specifically, the instruction requires that:

o a special effort be made to efficiently utilize all existing DoD installations and facilities, and

o an economic analysis be prepared and used as an aid to establish construction priorities and determine optimum allocation of construction resources.

DoD Instruction 7041.3, "Economic Analysis and Program Evaluation for Resource Management," October 18, 1972, provides policy guidance and procedures for the preparation and application of an economic analysis. The

instruction states that a project justified on the basis of military necessity is not exempt from an economic analysis. An economic analysis is required for proposals involving a choice of two or more options, to include the status quo. The instruction requires that an economic analysis:

o systematically identify benefits, other outputs, and costs associated with missions and alternate ways to accomplish a program; and

o be initiated early in the acquisition process and updated as developments occur that could invalidate or significantly alter the cost-benefit relationship in the analysis.

**Base Realignment and Planned Mission Changes.** The 1991 Defense Base Closure and Realignment Commission realigned Grissom Air Force Base, Peru, Indiana, and eliminated the active duty mission of the base. As a result, Grissom became an ARB with a Reserve unit using only a small portion of the original base. To implement the Commission's realignment, the Air Force transferred all 50 assigned active-duty KC-135 aircraft to the Air Force Reserve and ANG. Of the 50 aircraft, 20 were assigned to the 434th Air Refueling Wing (434th Wing), Grissom ARB. Additionally, the ANG decided to convert the 122 Fighter Wing at Fort Wayne from its F-16 fighter aircraft mission to a refueling tanker wing supporting eight KC-135 aircraft. Grissom ARB and Fort Wayne are approximately 60 miles apart.

**Grissom ARB.** The 434th Wing, headquartered at Grissom ARB, Indiana, is responsible for developing and maintaining the operational capability of 20 KC-135 tanker aircraft. The primary mission of the 434th Wing is to provide mid-air refueling to long-range bomber, fighter, and cargo aircraft.

In FY 1994, the 434th Wing operated at a cost of $53.8 million, of which $14.1 million was for operation and maintenance and $39.7 million was for pay and allowances. The 434th Wing has about 1,500 assigned personnel, including 1,100 Ready Reservists and 400 Air Reserve technicians. Ready Reservists are part-time personnel who report to the unit one weekend per month for training. Air Reserve technicians work as 434th Wing civilian employees during the week and as Reservists during the weekend unit training.

**Fort Wayne, Indiana.** The Headquarters for the 122nd Fighter Wing is located at Fort Wayne, Indiana. The Wing commands the 181st Fighter Group, Terre Haute, Indiana; the 188th Fighter Group, Fort Smith, Arkansas; and the 149th Fighter Group, San Antonio, Texas. The primary ANG mission is to provide combat ready tactical units that can immediately integrate into the regular Air Force. The ANG is also available on orders from the local state Governor to assist local civil authorities in the event of disaster, disturbance, or other emergency.

In FY 1994, the Fort Wayne ANG was budgeted $32 million, $11 million for operation and maintenance and $21 million for pay and allowances. Approximately 1,100 personnel are assigned to the Fort Wayne ANG, including

300 full-time ANG personnel and 800 part-time ANG personnel who meet 1 weekend per month. The Fort Wayne ANG also supports 18 F-16 aircraft. In FY 1995, the authorization will be reduced to 15 F-16 aircraft.

## Discussion

**Congressional Request.** On June 23, 1994, the Deputy Inspector General, DoD, received a request from Congressman Buyer to evaluate the need for MILCON projects planned at Fort Wayne. The request stated that:

o the MILCON projects planned at Fort Wayne would duplicate facilities recently vacated by a refueling unit at Grissom ARB;

o despite an ANG study showing significant savings by relocating the 122nd Fighter Wing at Fort Wayne to Grissom ARB, the ANG decided not to relocate the unit and decided to proceed with plans to construct facilities at Fort Wayne; and

o the ANG position that it would be impossible to recruit enough personnel to staff another KC-135 aircraft squadron at Grissom ARB was questionable.

Our review substantiated the three issues raised in the congressional request.

**Duplicate Facilities at Grissom ARB.** Facilities at Grissom ARB could have supported, with construction, the operational needs of the 122nd Fighter Wing had the fighter wing been converted to a tanker wing. The 434th Wing and its 20 KC-135 aircraft at Grissom ARB will use only a small portion of the base. Approximately 2,000 acres and 75 buildings with more than 1.1 million square feet of space are available for either private or public use. The vacant space includes a KC-135 4-bay hangar (123,000 square feet), a wing headquarters building, and a parking apron and hydrant refueling space for about 30 additional KC-135s. According to the ANG, $16.1 million in one-time costs would have been incurred had the 122nd Fighter Wing been converted to KC-135s and relocated to Grissom ARB. The increased cost at Grissom ARB would have been offset by the savings at Fort Wayne.

**Fort Wayne ANG Cost Savings.** Relocating the 122nd Fighter Wing to Grissom ARB would have resulted in significant savings. Based on the ANG study, "Cost Study, Grissom AFB, Indiana," the conversion would have saved about $25.5 million in one-time costs by eliminating the need for construction projects at Fort Wayne. Although we did not validate all the cost savings cited in the ANG cost study, such as communications and moving expenses, the reported savings of $25.5 million may have been understated because the cost study included only 11 of the 14 planned MILCON projects. Despite the estimated savings by converting and relocating the 122nd Fighter Wing to Grissom ARB, the ANG decided that the 122nd Fighter Wing should remain in Fort Wayne. The ANG based that decision primarily on perceived recruiting difficulties in the Grissom ARB area.

**Personnel Recruiting.** The ANG position that it would not have been able to staff another KC-135 aircraft wing at Grissom ARB was not supported. The ANG did not perform a demographic study showing how many Fort Wayne ANG personnel would have relocated and whether the recruiting base at Grissom ARB would have been adequate to support another KC-135 aircraft wing. Additionally,

o according to Fort Wayne ANG personnel, all 300 ANG full-time personnel would have relocated to Grissom ARB;

o the commuting distance for 263 (32.9 percent) of the 800 part-time ANG personnel at Fort Wayne would have been the same or less had the unit relocated to Grissom ARB;

o about 550 (68.8 percent) of the 800 part-time ANG personnel assigned to the 122nd Fighter Wing live within 75 miles of Grissom ARB; and

o 115 of the 154 personnel assigned to overstrength positions in the 434th Wing could have been used to fill vacancies in the transferred and converted 122nd Fighter Wing.

**Cancellation of Conversion Plans.** Although we substantiated the Congressman's three issues, on September 30, 1994, the ANG announced its decision to cancel the planned conversion of the 122nd Fighter Wing at Fort Wayne from F-16 fighter aircraft to KC-135 tanker aircraft. On October 4, 1994, the ANG canceled the eight MILCON projects totaling $28.4 million that were related to the conversion. Because of the ANG actions, we are not making any recommendations to address the three issues.

## Management Comments

We provided a draft of this report to you on December 28, 1994. Written comments to the draft report were not received. Because the report contains no findings and recommendations, written comments are not required. If you choose to provide comments, please do so by March 17, 1995.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Michael A. Joseph, Audit Program Director, or Mr. Jack L. Armstrong, Audit Project Manager, at (804) 766-2703. The planned distribution of this report is listed in Enclosure 3. Audit team members are listed on the inside back cover.

Robert J. Lieberman

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

# Status of Construction Projects at Fort Wayne

| Construction Projects | Estimated Cost |
|---|---|
| Projects Canceled: | |
| Aircraft deicing apron | $ 400,000 |
| Airfield pavement upgrade | 8,600,000 |
| Alter aircraft maintenance | 3,200,000 |
| Alter maintenance shops | 400,000 |
| Alter squadron operations | 1,100,000 |
| Fuel systems maintenance | 5,000,000 |
| Jet fuel storage complex | 2,900,000 |
| Parking apron and hydrant | 6,800,000 |
| **Subtotal** | **$28,400,000** |
| Projects not Canceled*: | |
| Base supply complex | $ 4,500,000 |
| Fire station and shops | 1,950,000 |
| Refueling vehicle parking | 400,000 |
| Runway improvements | 6,039,000 |
| Underground fuel storage tanks | 1,350,000 |
| Upgrade drainage system | 500,000 |
| **Subtotal** | **$14,739,000** |
| **Total** | **$43,139,000** |

*We did not address those projects because they support both the F-16 and the KC-135 aircraft.

ENCLOSURE 1

# Organizations Visited or Contacted

## Office of the Secretary of Defense

Assistant Secretary of Defense (Economic Security), Washington, DC
Assistant Secretary of Defense (Reserve Affairs), Washington, DC

## Department of the Air Force

Assistant Secretary of the Air Force (Reserve Affairs)
Grissom ARB, Peru, IN

## Defense Organizations

National Guard Bureau, Washington, DC
Air National Guard Readiness Center, Andrews Air Force Base, MD
122nd Fighter Wing, Fort Wayne, IN

## Non-Government Organization

Office of the Adjutant General, Indianapolis, IN

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

Congressman Stephen Buyer, U.S. House of Representatives

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