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REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES



UNITED STATES
GENERAL ACCOUNTING OFFICE

APR 14 1976

Changes Are Needed In Operating Military Resorts

LIBRARY SYSTEM

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To boost troop morale, the military services operate resort centers at various places around the world. They are financed by customers and funds appropriated by the Congress.

This report is about resorts costing \$12.6 million in appropriated funds yearly in Germany, Hawaii, and the Republic of the Philippines.

The Secretary of Defense should make changes that would affect the operation of these resorts and the amount of appropriated funds they receive.

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FPCD-76-20

APRIL 6, 1976

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-160813

The Honorable William Proxmire
United States Senate

Dear Senator Proxmire:

This report is in response to your February 4, 1975, request concerning allegations made about the Armed Forces Recreation Center in Garmisch, Germany.

You also asked about other military recreation complexes, their claimed justification, how they are financed, and who benefits from them. This report includes information about the three largest ones--John Hay Air Base Recreation Area in the Philippines, Kilauea Military Camp in Hawaii Volcanoes National Park, and the recently constructed Hale Koa Hotel in Honolulu, Hawaii.

As you requested, formal comments were not obtained from the Department of Defense, but the contents of the report were discussed with Department of Defense officials.

We invite your attention to the fact that this report contains recommendations to the Secretary of Defense which are set forth on pages 22, 26, 31, and 33. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. To set in motion the requirements of section 236, we plan to send copies of this report to the Committees and the Secretary of Defense.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas A. Stead".

Comptroller General
of the United States

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COMPTROLLER GENERAL'S REPORT CHANGES ARE NEEDED IN
TO THE HONORABLE WILLIAM PROXMIRE OPERATING MILITARY RESORTS
UNITED STATES SENATE

D I G E S T

The military services operate wide-ranging recreational facilities to improve troop morale. The most elaborate are resort-style centers at various desirable locations.

The largest is the Army's Armed Forces Recreation Center in Garmisch, Germany. It has hotels, golf courses, ski slopes, and numerous other facilities and cost \$19 million to run in fiscal year 1975. Half the the cost--\$9.5 million--came from funds appropriated by the Congress; the other half was paid by users of the Center.

Smaller resorts are also operated in Hawaii and the Republic of the Philippines at a cost of \$10.5 million, \$3.1 million of which was from appropriated funds.

In 1972 the House Armed Services Committee criticized the way the Army was running the Garmisch Center and recommended a management overhaul to remedy suspected fraud and reduce the Center's excessive costs. Since then the Army has made several improvements, but changes have been slow and others are needed.

Several changes should be made by the Secretary of Defense regarding the Center. These are:

- Requiring certain Center visitors to charge leave.
- Enforcing restrictions on who may use the Center.
- Charging higher rates to foreign military visitors. (See p. 22.)
- Preventing the temporary assignment of soldiers to operate the Center in violation of various regulations. (See p. 31.)

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- Reducing or eliminating certain recreation facilities to reduce appropriated fund support. (See p. 33.)

Other problems were found which apply to all military morale-support activities.

GAO is also recommending to the Secretary that:

- Reporting procedures of the services be reviewed to insure that appropriated fund support rendered to morale-support activities be accurately reported. (See p. 26.)

- Military staffing of morale-support activities be reviewed and where military personnel are not needed they should be reassigned to military duties. (See p. 31.)

- Clear guidelines be issued to the military services explaining which costs of morale-support activities may be supported with appropriated funds. The guidelines should limit support at locations where adequate nonmilitary recreation is already available. (See pp. 31 and 33.)

GAO has questioned the funding of military recreation programs several times. In view of the delay by the Department of Defense in updating its policies, the Congress may wish to impose specific guidelines on the use of appropriated funds to support these programs. (See p. 33.)

CHAPTER 1

INTRODUCTION

Government-sponsored employee recreation is very extensive in the Department of Defense. Virtually every military installation offers various off-duty pastimes, and many also have off-base recreation sites for the exclusive use of military personnel and their families. Facilities vary widely from location to location, but the most elaborate are self-contained, resort-style complexes offering a full range of services for the military tourist at certain desirable locations.

The Department of Defense regards subsidized recreation as an integral part of military life, and recreation complexes are authorized under the Department's general policy "* * * to provide a well-rounded morale, welfare and recreation program to insure the mental and physical well being of its personnel." Appropriated fund subsidies--personnel, services, and material--are large and permit the complexes to offer much lower prices than are available commercially.

SCOPE OF REVIEW

This report primarily deals with the military's largest resort--the Armed Forces Recreation Center headquartered in Garmisch, Germany. It also discusses the John Hay Air Base Recreation Area in the Philippines, Kilauea Military Camp in Hawaii Volcanoes National Park, the Army's Hale Koa Hotel at Waikiki, Hawaii, and other smaller recreation facilities in Hawaii operated by the Army, Navy, and Air Force. We obtained information about the justification of these facilities, how they are financed and staffed, and who uses them. A list of the activities we visited is included as appendix I.

ARMED FORCES RECREATION CENTER, GARMISCH

The Armed Forces Recreation Center is made up of three main recreation areas established for U.S. forces shortly after World War II--Garmisch and Chiemsee, which previously were hospital rest and recuperation areas for German soldiers, and Berchtesgaden, the location of Hitler's model farm, "Eagles Nest," and hideaway. The Center also operates a hotel in Munich.

The Center is part of the Garmisch Military Community which includes the U.S. Military Institute for Advanced Russian Studies, the North Atlantic Treaty Organization Weapons School, and an Air Force Communications Detachment. The Community also includes military police, dependent schools,

medical and dental clinics, a post exchange, and a commissary. The Center is the largest organization in the Community and consumes most of the support. For example, we estimate that 89 percent of the Community's appropriated fund payroll is attributable to the Center. The commander of the Center is also the Community's commander.

In fiscal year 1975 about 233,000 persons spent about 707,000 guest nights at the Center. During the year the Center received \$9.7 million in nonappropriated funds, mainly from customers, and \$9.5 million in appropriated fund support. (See ch. 4.)

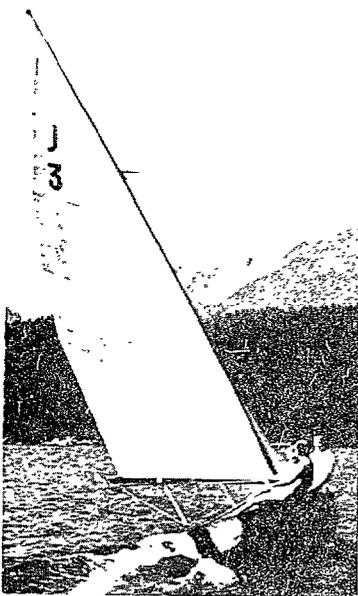
Army officials feel that the Center is justified by virtue of its mission to provide recreation and religious programs and facilities for authorized personnel in Europe. They believe such a recreation area is essential for improving the morale of junior enlisted personnel and enables them to enjoy their off-duty time at a low cost. The Center's 70.6-percent occupancy rate in fiscal year 1975 was felt to be evidence of its acceptance.

Recreation

The Center offers a wide variety of accommodations, recreational facilities, and activities. Most of the real estate is leased rent free from the Federal Republic of Germany.

The Garmisch, Berchtesgaden, and Chiemsee Recreation Areas have alpine skiing in the winter and tennis, kayaking, swimming, and bicycling in the summer. Garmisch and Berchtesgaden also have cross-county skiing, ice skating, fishing, mountaineering, hiking, golfing, sledding, and bowling. The Chiemsee Recreation Area, located on a large lake, offers sailing, boating, water skiing, and scuba diving. Sightseeing is a major attraction in southern Germany and all three areas, as well as the Center's hotel in Munich, offer year-round sightseeing tours.

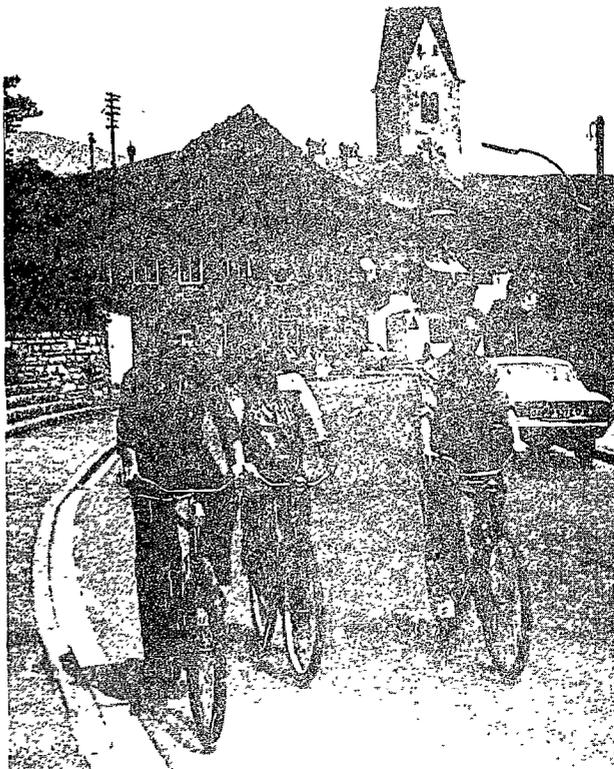
Individuals may participate in the recreational activities with organized groups or on their own. There are seasonal "learn to" programs in skiing, tennis, golf, kayaking, sailing, and scuba diving. In addition to 3 ski areas operated by the Center, discount tickets are available for 15 commercial areas in Germany and Austria. The Center has also arranged for price discounts on 23 tours, indoor swimming, and scuba diving, all commercially operated. Appendix II lists the various recreational activities and facilities available at the Center.



CLOCKWISE FROM UPPER LEFT-

GARMISCH, WEST GERMANY
LEARN TO KAYAK PROGRAM
MOUNTAINEERING PROGRAM
"R&R" PARTICIPANTS ARRIVING
IN GARMISCH
LEARN TO SAIL PROGRAM
LEARN TO SCUBA PROGRAM

SOURCE: ARMED FORCES RECREATION CENTER



CLOCKWISE FROM UPPER LEFT:

SKI RACES

BICYCLING THROUGH GARMISCH

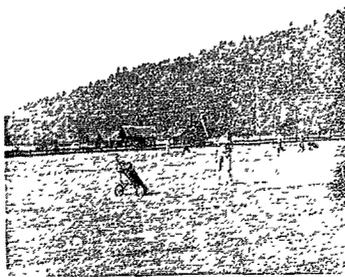
LEARN TO PLAY TENNIS

SWIMMING POOL AT McNAIR HOTEL

LEARN TO GOLF

SKET SHOOTING

LEARN TO SKI



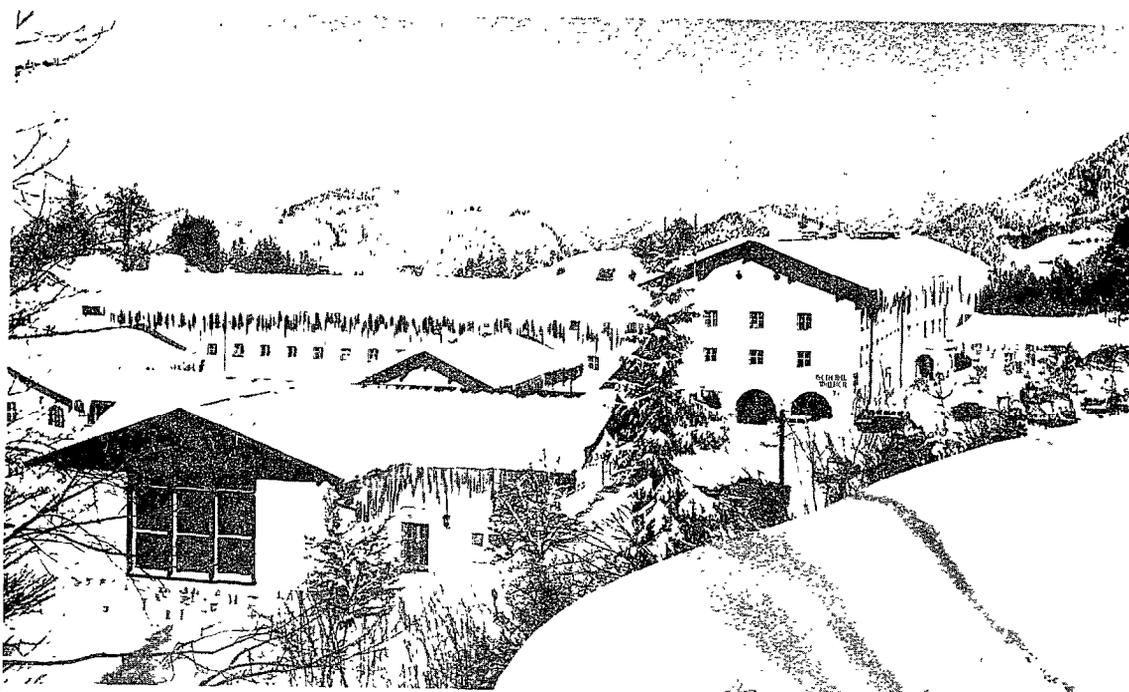
SOURCE: ARMED FORCES RECREATION CENTER



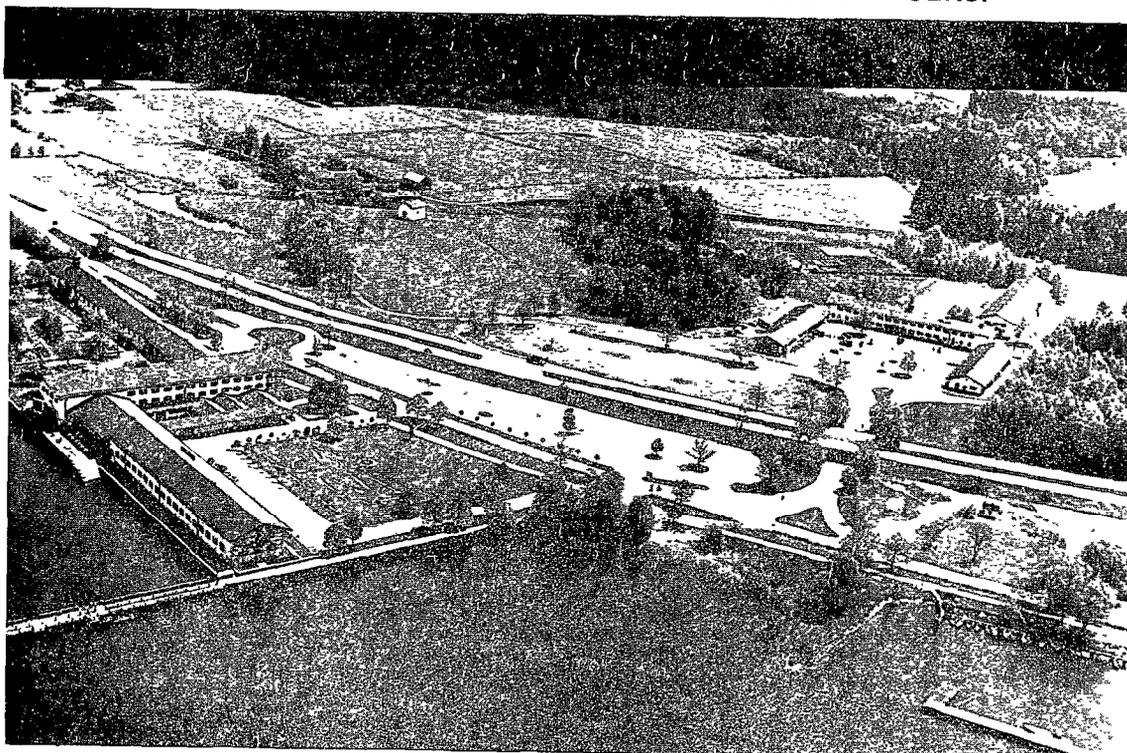
SOURCE: ARMED FORCES RECREATION CENTER, GARMISCH
BERCHTESGADEN, WEST GERMANY—A POPULAR AND HISTORIC RESORT AREA

Accommodations

Accommodations consist of 13 large hotels, 6 smaller hotels or lodges, and 7 apartments with 1,152 rooms and a total bed capacity of 2,510 plus cots and cribs. Rooms are modest and pleasant and are available to both officers and enlistees. Most of the large hotels have restaurants and bars. Appendix III lists hotels by area and gives their capacities. Garmisch and Chiemsee also have campgrounds. When the Center is full, it contracts for additional rooms in German hotels with the guest paying Center room rates and the Center paying the remainder.



SOURCE: ARMED FORCES RECREATION CENTER
GENERAL WALKER HOTEL, BERCHTESGADEN—124 ROOMS.
FORMER HOTEL FOR HIGH RANKING GERMAN OFFICERS.



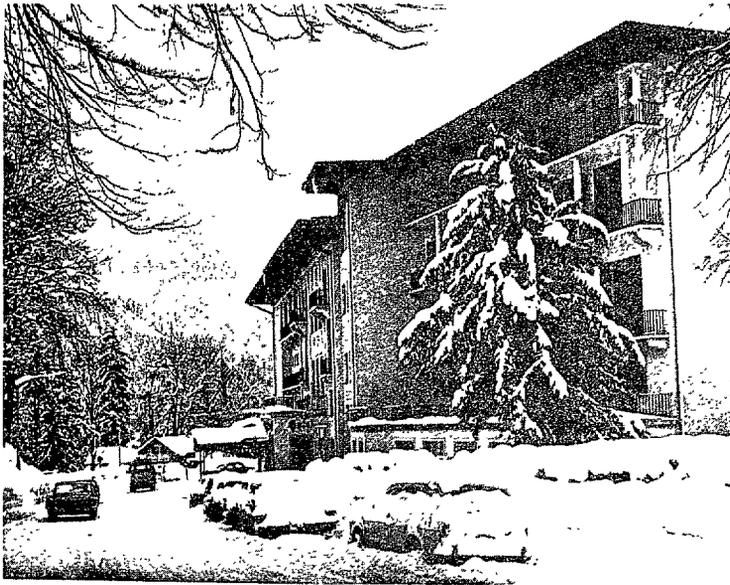
SOURCE: ARMED FORCES RECREATION CENTER
CHIAMSEE LAKE AND CHIAMSEE PARK HOTELS—65 AND 71 ROOMS. GERMANY'S
FIRST MOTEL, LATER CONVERTED TO A GERMAN REHABILITATION CENTER AND
HOSPITAL.



**SOURCE: ARMED FORCES RECREATION CENTER, GARMISCH
GENERAL PATTON HOTEL, GARMISCH—96 ROOMS. FORMER GERMAN OFFICER'S CLUB.**



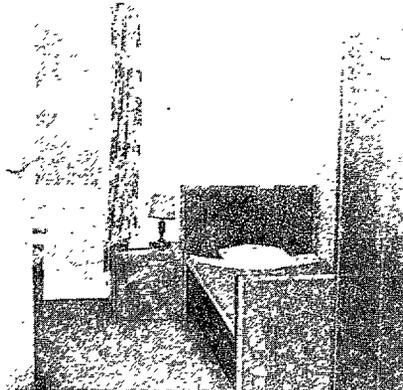
**SOURCE: ARMED FORCES RECREATION CENTER, GARMISCH
GENERAL VON STEUBEN HOTEL, GARMISCH—78 ROOMS.**



SOURCE: ARMED FORCES
RECREATION CENTER
**BERCHTESGADENER HOF HOTEL -
89 ROOMS.**

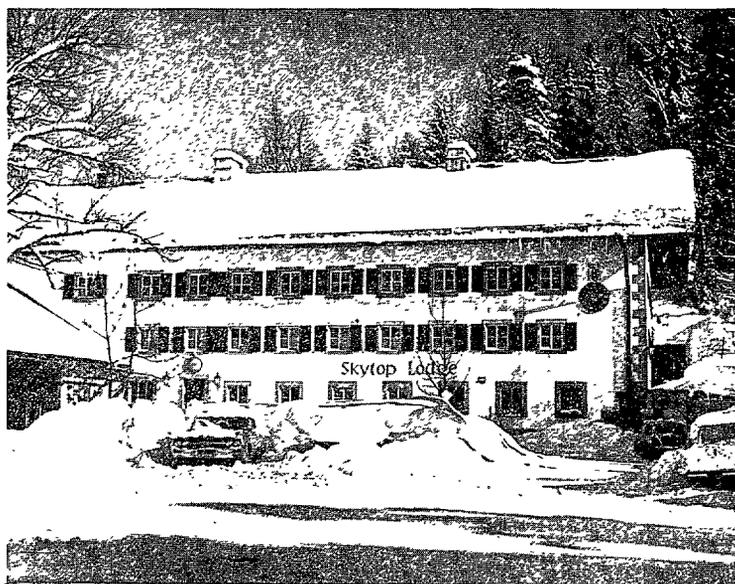


SOURCE: GAO
DOUBLE ROOM IN THE SKYTOP LODGE.



SOURCE: GAO
SINGLE ROOM IN THE BERCHTESGADENER HOF.

SOURCE: ARMED FORCES
RECREATION CENTER
**SKYTOP LODGE,
BERCHTESGADEN-17 ROOMS.
FORMERLY PART OF HITLER'S
MODEL FARM.**



OTHER RECREATION COMPLEXES

John Hay Air Base Recreation Area

The John Hay Recreation Area is in the Republic of the Philippines, about 100 miles north of Clark Air Base. It is a rest and recreation site of 1,250 acres, located 5,000 feet above sea level, and noted for its cool mountain climate. Like Garmisch, there are other Government organizations in the vicinity, but the Area's primary purpose is recreational.

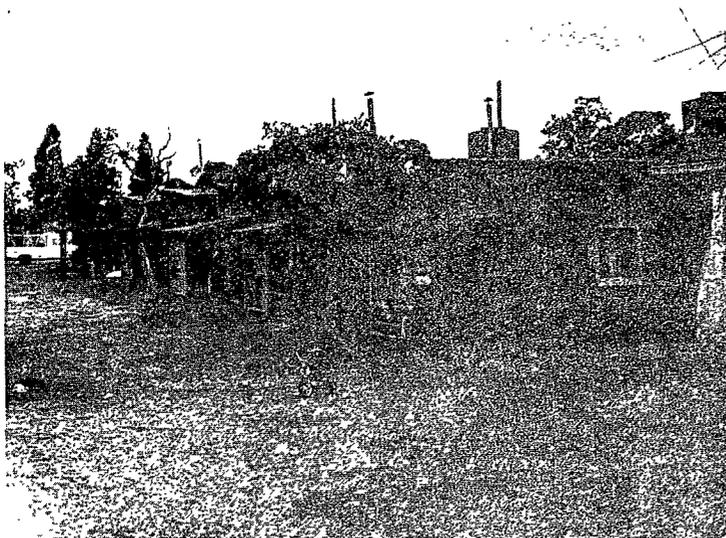
Facilities and services include 41 guest lodges (capacity 339); 4 airmen dorms (capacity 60); 3 open mess annexes; a movie theater; a 6-lane bowling alley; a recreation center; tennis, badminton, and volleyball courts; a skating rink; an amphitheater; vehicle rental; bingo; a massage clinic; miniature golf; an 18-hole golf course; a driving range; and a clubhouse. Lodging rates vary from \$14 a night for a unit with three bedrooms and three baths to \$3 a night for a dormitory room.

In 1974 over 47,000 U.S. personnel and Philippine nationals used the area. It received \$1.2 million in revenue and about \$1.1 million in appropriated fund support.

The claimed missions of John Hay are to provide (1) a rest and recreation facility and a conference site for authorized Department of Defense personnel in the Pacific area and (2) administrative and logistical support to nearby tenant units. Tenant units include various communications facilities and the U.S. Embassy summer residence. Because of the year-round, springlike climate and its low cost, the base is ideal for conferences, rest, and recreation.

Kilauea Military Camp

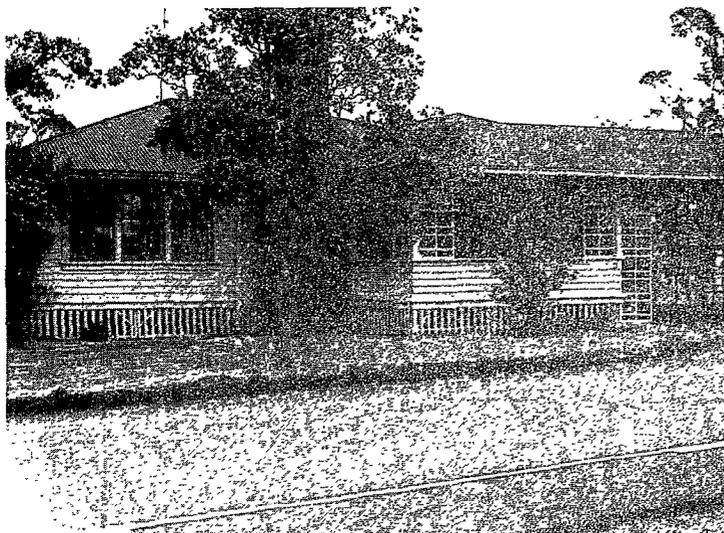
The camp is a mountain rest and recreation area of 54.5 acres, located on the slopes of Mauna Loa in Hawaii Volcanoes National Park, Island of Hawaii. Guest quarters include 39 cabins (capacity 180), 14 apartments (capacity 64), and a dormitory (capacity 50). Sightseeing tours are a major feature of the camp. Also available are a cafeteria, post office, bar, package store, recreation lodge, barber shop, post exchange, theater, library, bowling alley, rental cars, sports equipment, and amusement machines. Daily rates, including meals, tours, and transportation, range from \$6.30 for junior enlisted personnel to \$14.75 for senior officers and civilian guests. In 1974 about 21,600 people visited the camp. During the fiscal year it received about \$745,000 in revenues and \$846,000 in appropriated fund support.



SOURCE: GAO
CABINS-KILAUEA MILITARY
CAMP. ISLAND OF HAWAII.



SOURCE GAO
CABINS-KILAUEA MILITARY
CAMP. ISLAND OF HAWAII.



SOURCE GAO
VIP CABIN, KILAUEA MILITARY
CAMP. ISLAND OF HAWAII.

The camp's mission is to provide a rest and recreation facility for active duty and retired military personnel, their dependents and guests. According to the Department of Defense, Kilauea Military Camp is justified because it provides respite from duty locations on the island of Oahu (about 200 miles away and where most military personnel are stationed) for all ranks and military services and enables military personnel to afford visits to the outer island and National Park using commercial air transportation.

Hale Koa Hotel

The Hale Koa ("House of Warriors"), which opened for business in October 1975, is a 15-story hotel on Waikiki Beach at Fort DeRussy, Honolulu, Hawaii. It has 416 rooms plus restaurants, cocktail lounges, and banquet facilities. Besides the beach, features include a swimming pool; a movie theater or first-run movies on closed circuit TV in each room; an exchange; commercial entertainment; child care service; car and recreation equipment rental; tours and travel services; laundry and dry cleaning concessions; and flower, barber, and beauty shops.

The hotel replaces 142 substandard transient billets built at Fort DeRussy 25 to 40 years ago.

Room rates are as follows, depending on the view:

1 person per room	\$12-17
2 per room	15-21
3 per room	18-24
4 per room	20-25

Thirty thousand people are expected to stay at the hotel annually.

According to the Department of Defense. Hale Koa's mission is to provide active and retired military personnel with a first-class recreational facility, at affordable prices, in one of the world's desirable areas.



SOURCE: DEPARTMENT OF THE ARMY

HALE KOA HOTEL, HONOLULU—416 ROOMS

Its justification is that (1) existing billets at Fort DeRussy are old, inefficient, beyond economical maintenance, and lack privacy; (2) the cost of hotel rooms in Honolulu is high; and (3) there are a large number of military personnel in Hawaii or passing through who are expected to use the hotel. The Hale Koa is unusual in the military system in that there is no separation of officers and enlisted personnel.

Breakdowns of annual financing for the John Hay, Kilauea, and Hale Koa are in appendix IV.

CHAPTER 2

ARMY RESPONSE TO PRIOR REPORTS ON GARMISCH

An October 1972 report by the House Armed Services Committee Special Subcommittee on Nonappropriated Fund Activities within the Department of Defense (H.A.S.C. No. 92-75) severely criticized the Center's management. Although the Army stated that management subsequently was completely reorganized, we found no substantive change resulting from the Subcommittee's report. Furthermore, in December 1973 the Army Audit Agency reported that the Center had heavy financial losses and ineffective management in many areas. In July 1974 the management was changed, and since then several actions have been taken to correct deficiencies noted in the Army Audit report.

ACTIONS TAKEN ON THE SPECIAL SUBCOMMITTEE REPORT

In its 1972 report, the Special Subcommittee stated that the Center was "* * * the most glaring example of improper auditing and management control." The Subcommittee was referring to the disclosure of fraudulent practices which may have been occurring for as long as 20 years. It was also concerned that the Recreation Center had incurred substantial losses (\$1.1 million) in the previous 3 years (1969-71). The Subcommittee concluded that a complete management overhaul was necessary; if this could not be accomplished, contracting with a commercial firm experienced in hotel and recreation management should be considered.

The Army reported it had completed a management reorganization and, therefore, did not agree with the recommendation to contract out. However, reorganization resulting from the Subcommittee report recommendation was minimal--apparently limited to dismissing certain managers and centralizing the accounting system to lessen the possibility of fraud.

The Army did not formally study the possibility of contracting with a commercial firm. An Army official said previous experiences with contracting for club management plus the assumed high cost probably deterred serious consideration of a contractor operation. Army officials said they tried to hire a civilian to manage the Center, but applicants were either unqualified or wanted prohibitive salaries. Also, officials felt that because the Center was an integral part of the recreation program for military personnel and their dependents, it should be under direct military control.

ACTIONS TAKEN ON THE ARMY AUDIT AGENCY REPORT

In a December 1973 report, the Army Audit Agency noted management weaknesses in many areas. The report was particularly critical of appropriated fund management, manpower management, use of enlisted personnel, and accounting and internal controls. U.S. Army, Europe Headquarters, officials generally agreed with the Audit Agency's conclusions and recommendations.

The Army Audit Agency estimated appropriated fund support at \$7.2 million in fiscal year 1973. It recommended that these costs, which were not being identified, be accumulated and the information used to set priorities and allocate resources. In response to that report, the Army said the Center's programs were being analyzed and would be increased or decreased with the goal of reducing appropriated fund support. Various functions were consolidated, reduced, or eliminated when the Center and other units were consolidated into the Garmisch Military Community. The exact effect of these changes cannot be readily determined, but Center officials contend that, considering inflation and German mark appreciation, the 1975 support of \$9.5 million would be \$6.7 million in 1973 dollars, or about \$500,000 less than when the Army Audit Agency report was issued.

In addition, personnel strength is being reduced; programs have been initiated to attract enlisted personnel; accounting controls and standard operating procedures have been established; and reporting procedures have been modified.

In spite of these improvements, we question certain practices at the Garmisch Center and other resorts. These practices involve the use of the resorts by U.S. and foreign personnel as discussed in chapter 3 and the amount and types of appropriated fund support given to items as discussed in chapter 4.

CHAPTER 3

USE OF RECREATION COMPLEXES

GARMISCH

The Center accommodated about 228,000 guests in fiscal year 1974 and 233,000 in fiscal year 1975. The following table shows utilization during fiscal year 1975 on a guest-night basis:

<u>Location</u>	<u>Beds Available</u>	<u>Beds Used</u>	<u>Utilization rate</u>	<u>Cots and cribs used</u>	<u>Camping guest nights</u>	<u>Total guest nights</u>
			(Percent)			
Garmisch	412,496	313,135	75.9	25,269	2,964	341,368
Berchtesgaden	274,740	208,889	76.0	11,392	-	220,281
Chiemsee	109,865	50,243	45.7	5,022	26,881	82,146
Munich	100,528	61,739	61.4	995	-	62,734
Total	<u>897,629</u>	<u>634,006</u>	<u>70.6</u>	<u>42,678</u>	<u>29,845</u>	<u>706,529</u>

In its 1973 report the Army Audit Agency disclosed that (1) use statistics were overstated, (2) facilities were underused by enlisted personnel, and (3) unauthorized persons were using the facilities while authorized personnel were turned away for lack of rooms.

Overstated use statistics

The Army Audit Agency reported that use rates were overstated because the Center, in reporting total beds used, included extra cots and cribs but failed to include cots and cribs in its total bedspace availability figure. In response to this criticism, in July 1974 the Center introduced a reporting method which corrected this error.

Center underused by enlisted personnel

The Army Audit Agency concluded that the Center did not effectively support the morale and welfare of enlisted personnel because, although enlisted personnel made up 86 percent of total U.S. force strength in Europe, they represented only 55 percent of the Center's visitors. The report also concluded that high prices contributed to low enlistee participation.

Increased enlistee participation is now one of the Center's major goals. Recreational aspects of the Center have been emphasized, room rates slightly adjusted, and programs initiated to accommodate junior enlisted men. Following these actions, enlistee participation increased from 55 percent in fiscal year 1973 to 59.4 percent in fiscal year 1975, as shown below.

	<u>Enlistee</u>			<u>Officer</u>			<u>Civilian</u>		
	(FY)								
	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Garmisch	55.2	61.7	66.3	34.0	28.8	25.5	10.8	9.5	8.2
Berchtesgaden									
and Chiemsee	54.8	56.8	51.5	35.5	34.6	37.9	9.7	8.6	10.6
Munich	(a)	<u>54.9</u>	<u>56.3</u>	(a)	<u>31.4</u>	<u>30.9</u>	(a)	<u>13.7</u>	<u>12.8</u>
Average	55.0	59.0	59.4	34.7	31.4	31.0	10.3	9.6	9.6

a/Munich did not come under the Center until July 1974.

Despite these efforts, the increase in enlistee participation was modest and their use of the Center remained much lower than their proportionate numbers in Europe. We have noted this situation at other military outdoor recreation areas and conclude that management's commitment to provide such facilities for enlisted personnel may be greater than the demand for them.

Recreation aspects emphasized

To encourage soldier use, the Center initiated what the commander called a "new image." He said although the Center's mission has always been to provide recreation for military personnel, emphasis traditionally has been placed on hotels, restaurants, and bars. The "new image" reemphasizes recreation and introduces challenging and stressful sports such as kayaking, mountaineering, and hiking. Facilities will also be expanded and modernized to provide all-weather and evening use, such as indoor tennis courts and an indoor skating rink.

Lodging rates adjusted

The Army Audit Agency also stated that enlisted personnel were paying a much higher percentage of their daily salaries for lodging than were officers. The report suggested lodging prices be lowered, and in January 1974 room rates were changed as follows:

	Rooms with private bath, per person		Rooms with community bath, per person	
	<u>June 1973</u>	<u>Jan. 1974</u>	<u>June 1973</u>	<u>Jan. 1974</u>
E-1 through E-5	\$4.95	\$4.50	\$3.30	\$3.00
E-6	4.95	6.00	3.30	4.00
E-7 through E-9, Warrant Officers, 0-1 through 0-3, GS-1 through GS-9	5.50	6.00	3.85	4.00
0-4 and 0-5, GS-10 through GS-13	5.80	6.50	4.15	4.50
0-6 through 0-10, GS-14 through GS-18	5.80	7.50	4.15	5.50

Center lodging rates are well below those for similar commercial accommodations in Garmisch. Average hotel prices for a single room with bath range from \$18.00 to \$24.00 in the winter and from \$17.00 to \$26.00 in the summer. Single rooms without bath are from \$9.00 to \$11.00 in winter and summer. These prices, however, include tax, service, and continental breakfast. (An American breakfast at the Center costs about \$1.80.)

Although the new rates are more progressive than the old ones and satisfy the audit recommendation, the "real cost" is still inequitable. For instance, an E-3 pays 17 percent of his daily salary for a room with a bath while a colonel (0-6) pays only 6 percent. Since the Center commander and the Department of the Army have stated the Center should primarily benefit junior enlisted men, the "real cost" to the lower ranks should not be more than for others.

Other changes in Center hotel rates to increase revenues had been made or were being considered at the time of our review. A 50 cent per person surcharge had been imposed at five of the Center's better hotels. A 10-percent surcharge was being considered for the Christmas holiday season, a time of great Center use. Also being considered was the conversion of one hotel to the European plan (breakfast is included with lodging cost). Such changes would put the Center on a more businesslike basis, where guests pay more for better accommodations and during periods of high demand. The Center is essentially a commercial-type operation and should continue to explore these and similar modifications.

Such changes should increase income, but they can also increase costs to enlisted guests, particularly for better

facilities. This demonstrates the paradox of trying to offer low-cost recreation to the soldier while at the same time maintaining some degree of self-support.

An alternative to a progressive rate schedule based on rank is illustrated by the Army's Hale Koa Hotel. Hale Koa charges the same rates to all personnel, apparently in keeping with its planned all-ranks atmosphere.

The Center could operate on a more self-sufficient basis and junior enlisted personnel could continue to use it at low out-of-pocket cost if the Center was reimbursed from nonappropriated funds of units sending troops there. A chit or voucher authorizing the reimbursement could be issued to each soldier visiting Garmisch.

Such a procedure would help the Center maintain its non-appropriated fund revenues, keep revenue and related costs in line, and undoubtedly simplify budget preparation. In addition, it is logical for tactical units in Europe to subsidize the Center because these units are supposed to be the main benefactors of its programs.

Programs started to increase enlisted participation

According to Army surveys, the high cost of transportation was deterring junior enlisted personnel from visiting recreational facilities. In addition, most newly arrived soldiers reportedly use up their leave before going overseas, leaving them with none to use in Europe.

As a result, in January 1974 the Center began the rest and recreation program to give soldiers an opportunity to visit recreation areas at reduced cost. Free train transportation, paid from appropriated funds, was provided and participants were allowed to travel in a duty status. They were also given 3-day (72 hour) special passes which began on arrival at the Center and ended upon departure. Passes are not charged against an individual's annual leave account. The program was open to all military personnel, but emphasis was placed on ranks E-4 and below. Commands were instructed to insure that at least half the participants came from that category. From January 1, 1974, to the end of February 1975, over 21,000 soldiers and their dependents took part in this program at a cost of about \$529,000 for transportation.

The program ended in February 1975 when the Department of the Army advised that the 3-day passes were being used incorrectly--travel to and from the Center should have been

part of the pass period--and participants should be charged with leave. The Department added that it would not support free transportation solely to allow individuals to take leave, but it would support it if the travel was a basic part of the Center's program.

In April 1975 a new program started similar to the prior one but entitled the "Outdoor Recreation Pass Program." Under this program, travel cost was shared by the participant and the Center's nonappropriated funds and travel time was supposed to be within the pass period. However, many participants still exceeded the pass limits prescribed by Army regulations because it was not feasible for them to visit the Center within the 72-hour limit.

In July 1975 the pass program was changed to include use of a newly authorized 4-day (96 hour) special pass with instructions that the time limit of the passes was not to be exceeded. Another change was that transportation would again be entirely paid for out of appropriated funds. This was justified on the basis that free transportation was permissible if it was a basic part of an outdoor recreation program rather than simply an opportunity to take leave. To make sure the free transportation was tied to outdoor recreation, participants were required to pay \$10 for coupons, redeemable at Center activities.

Another similar program--the "Group Travel Program"--was offered to increase Center use. This program also provided appropriated fund transportation, but instead of receiving passes, participants took 4 to 7 days leave. It also ended in February 1975 when the Department of the Army stated it could not support travel of personnel solely to take leave. The program was later reinstated and participants were required to buy coupons redeemable at the Center. According to Army officials in Europe, the coupon requirement made group travel part of an outdoor recreation program instead of a leave program, thereby making it eligible for appropriated-fund support for travel.

The Center has another version of the Group Travel Program to increase use of facilities, but transportation costs were paid by the participants. The Center helps groups or organizations plan their trips to the recreation center and makes billeting and transportation arrangements only.

The Center's publicity and information office is active in making enlisted personnel more aware of the programs. Slide presentations are given throughout Germany and program coordinators were named at three major commands to answer questions and act as liaison between participants and the

Center. The publicity and information officer works with the Armed Forces Radio and Television Service and the Stars and Stripes newspaper; as a result, advertising of the Center has increased.

Unauthorized use of passes

Based on letters sent to the Center, interviews with participants, and comments of unit commanders, these efforts and programs seem to have boosted morale for an unknown number of people. Nevertheless, the liberal use of passes instead of leave is expensive and is contrary to Department of Defense and Army policies.

Upon leaving military service, personnel are paid for their unused leave; enlisted personnel may also cash in unused leave each time they reenlist. As a result, many personnel save and cash in their leave, a practice which has become an expensive problem for the Government. For fiscal year 1974 an estimated \$400 million was paid for unused leave, of which \$150 million represented repetitive payments to enlisted personnel who redeemed their unused leave upon reenlistment. ^{1/} To alleviate this problem, a 1974 Department of Defense directive instructed officers to encourage and assist all military members to use all their leave. In December 1974 the Deputy Secretary of Defense made a budget decision that would require participants in the Europe recreation programs to take leave instead of using passes. It was estimated this would save \$700,000 in fiscal year 1975 and \$1.5 million in fiscal year 1976. Nonetheless, Army officials in Europe decided to retain the pass feature of the programs.

The Congress is considering a law to restrict redeemable leave to 60 days during a service member's career. Department of Defense officials contend that as a result of this restriction, the Center's pass program will no longer contribute to excessive leave payments because personnel will have to use or lose leave. We do not agree because the 60-day limit will probably have little impact on the pass program's target participants--enlisted personnel in the four lowest grades. Historically 60 to 70 percent of these enlisted personnel leave the Army after their first term and would probably not exceed the 60-day maximum. Thus, many E-1's through E-4's, the majority of the persons participating in the program, are given passes in lieu of charging leave which the Government may eventually have to pay for. Given the choice, we expect any person would use the pass program as long as it was available and use their leave in some other manner.

^{1/}See our report, "Need to Eliminate Incentive For Accumulating Military Leave" (FPCD-75-139, Mar. 20, 1975).

In addition, most personnel who visited the Center under the special passes did not appear to meet Army criteria for entitlement to the pass. Army Regulation 630-5 states that these passes may be granted to deserving personnel on special occasions or in special circumstances. Specific reasons for granting the pass are (1) special recognition for exceptional performance, (2) to attend spiritual retreats or major religious events, (3) to alleviate personal problems connected with military service, (4) to vote, or (5) as compensatory time off for long or arduous deployment from home station or for duty in an isolated location where a normal pass is inadequate.

In practice, the special passes were generally available to all personnel to allow them to visit the Center without charging leave. The Army contends passes are necessary to permit soldiers arriving overseas with zero leave balances to visit the recreation center. It seems to us, however, that the soldiers who are most in need of time off for their morale are those who have been overseas the longest, or at least long enough to have earned annual leave.

Unauthorized personnel use the Center

The Center is reserved primarily for the unrestricted use of U.S. forces and the attached U.S. civilian workforce stationed in Europe. Certain others such as guests, military retirees living in Germany, and foreign allies stationed in that country are also authorized to use the Center, but only on a space-available basis.

In its 1973 report the Army Audit Agency pointed out that unauthorized personnel (retirees, civilians, and military personnel from the United States and some Germans) were using the Center while authorized personnel were turned away because the hotels were full.

When we visited the Center, Canadian military were given confirmed reservations, and, in at least one instance, an American tourist was given a room after the hotel desk clerk asked another hotel guest to serve as a sponsor. Also, confirmed reservations were supposed to be given only to authorized personnel and their dependents, but they were given to any close relative of the authorized member. The latter practice was corrected when we brought it to the Center's attention.

Increased surcharge for foreign military guests

To help defray expenses, a \$2 surcharge is added to the room rates of foreign allied personnel staying in the Center's

hotels. Most are Canadians who spent over 12,500 guest nights at the Center in fiscal years 1974 and 1975. The surcharge was paid by the Canadian Department of National Defence. The payment is deposited to the Center's nonappropriated funds, and the U.S. Government is not reimbursed for any appropriated fund support rendered to foreign government personnel. Since appropriated fund support of the Center is about \$13.40 per guest night, support of Canadian guests came to about \$86,000 in fiscal year 1975.

Appropriated fund costs could be reduced by increasing the surcharge to foreign military guests. The amount required to cover appropriated fund costs should be reimbursed to the appropriation with the balance deposited to the nonappropriated fund.

Recommendations to the Secretary of Defense

We recommend that:

- Personnel who do not meet the specific qualifications for a special pass be required to take leave when visiting the Center.
- Unauthorized personnel be prohibited from checking into the Center's hotels and space-available users not be given confirmed reservations.
- An increased surcharge, closer to actual operating costs, be considered for foreign personnel using the Center.

OTHER COMPLEXES

Recreation centers at John Hay, Kilauea, and the Hale Koa Hotel are available to any authorized personnel, but are intended mainly for those in the vicinity. They are:

	<u>Philippines</u>	<u>Hawaii</u>
Military	14,803	51,973
Retirees and dependents	24,116	80,449
Department of Defense civilians	<u>1,096</u>	<u>(a)</u>
Total	<u>40,015</u>	<u>132,422</u>

a/Civilian employees not authorized except as guests of other personnel.

Many of the John Hay recreation facilities are available to Philippine nationals through guest membership cards. They also have the privilege of purchasing certain duty-free goods or receiving such goods as bingo prizes. These practices violate Air Force regulations and Philippine law; however, they have been condoned by both sides for many years because of the "goodwill" they create and also apparently because the area is frequented by many prominent Filipinos. This privilege has been extended to 7,989 persons. Embassy and Air Force officials attributed the nonappropriated fund financial success (see app. IV) of John Hay to extensive patronage by Philippine nationals. Without this patronage, they felt recreation activities would have to be sharply curtailed or eliminated.

In 1974 John Hay was used by the following personnel:

Military	9,225
Department of Defense civilians	1,716
Dependents	13,779
Retirees	400
Embassy and Voice of America personnel	480
Local national visitors	20,762
Other	<u>1,237</u>
 Total	 <u>47,599</u>

The Kilauea camp was used by the following personnel:

Overnight visitors:	
Military	5,722
Dependents	7,154
Retirees	1,001
Guests	2,768
One-day visits (personnel category not indicated)	<u>4,997</u>
 Total	 <u>21,642</u>

The following number of personnel are expected to use the Hale Koa annually:

	<u>Rooms</u>	<u>Food</u>	<u>Beverage service</u>
Active duty and dependents	17,000	76,000	178,800
Retirees and dependents	7,000	30,000	71,200
Nonmilitary guests of military personnel	<u>6,000</u>	<u>35,000</u>	<u>83,000</u>
 Total	 <u>30,000</u>	 <u>141,000</u>	 <u>333,000</u>

CHAPTER 4

APPROPRIATED FUND SUPPORT

We estimate that it costs about \$29.7 million a year to operate the four major resort areas--Garmisch, John Hay, Kilauea, and the Hale Koa Hotel. Of this, \$17.1 million represent nonappropriated funds and \$12.6 million are funds appropriated by the Congress. Most of the appropriated funds are for military and civilian personnel and to a lesser extent for supplies, equipment, transportation, utilities, and maintenance and repair of facilities. Appendixes IV and V show breakdowns of the appropriated fund support. The value of appropriated fund support given to these programs must be calculated on a case-by-case basis because the Department of Defense does not identify the amount of appropriated resources used for recreation. Coupled with the lack of information on the cost of recreation is very general guidance as to how much appropriated support is permissible. Consequently, the use of appropriated funds is not closely controlled, resulting in questionable and imprudent use of resources for nonmilitary activities. We have previously identified some of these practices, particularly regarding the use of military personnel. ^{1/} We are recommending that the Secretary of Defense direct changes which would increase control of, and limit appropriated fund support for, recreation programs.

AUTHORITY FOR APPROPRIATED SUPPORT AND EFFORTS TO IDENTIFY THE AMOUNT

Department of Defense Directive 1330.2, which authorizes recreation, states that facilities shall be provided, operated, and maintained with appropriated funds and nonappropriated funds will be used to supplement the cost of the programs. From this broad policy, the military services have

^{1/}Other reports discussing use of military personnel in recreation activities:

- "Review of the Assignment of Enlisted Personnel to Nonmilitary Activities" (B-146890, Dec. 26, 1965).
- "Need for Improved Controls in Military Departments to Ensure Reimbursement for Services Provided to Nonmilitary and Quasi Military Activities" (B-163136, Feb. 26, 1968).
- "Cost of Operating Military Recreation Camps in Alaska" (FPCD-75-138, May 22, 1975).

maintained through their regulations that facilities may receive almost any type of appropriated support felt necessary, within local discretion.

As previously mentioned, the military services' accounting systems do not identify the amount of appropriated fund support rendered to recreation complexes or any other morale-support activity. Determining appropriated fund costs requires a time-consuming process of identifying and estimating the cost of all resources used by a particular activity.

Following a series of GAO reports on nonappropriated fund activities, the House Armed Services Committee ^{1/} in 1972 recognized the need to identify appropriated fund support and recommended that the military services establish systems to do so. These systems are being set up and beginning in 1976, the military services are required by Department of Defense Instruction 7000.12 to report annually to the Assistant Secretary of Defense (Manpower and Reserve Affairs) the value of all appropriated fund support given to their morale-support activities.

Future reports of appropriated support
are likely to be inaccurate

The Army's reports will substantially understate the appropriated fund cost of personnel who operate the Garmisch Center. For example, the Garmisch Community had about 75 percent permanently assigned military personnel during fiscal year 1975, most of whose duties were in direct support of the Center. We estimate that of their total cost of \$904,000 for the year, \$851,000 was attributable to the Center. However, under the Army's proposed reporting system only the cost of persons directly assigned to a recreation program will be reported. Thus, because the personnel are all assigned to the Community, the Center will show no costs for assigned military personnel.

The cost of civilian employees will be similarly understated. Civilian pay costs for the Community's 450 employees were over \$3.9 million in appropriated funds in fiscal year 1975. We estimated that about 85 percent of their time is in support of the Center and that \$3.5 million of their cost was attributed to it. Yet only 11 of these employees are assigned to the Center, as opposed to the Community and, therefore, only their costs will be reflected in the Center's appropriated fund cost report.

^{1/}H.A.S.C. No. 92-75 Report by the Special Subcommittee on Nonappropriated Fund Activities within the Department of Defense of the House Committee on Armed Services.

Army officials believe that the Garmisch situation, where numerous personnel are assigned to one organization but work at another, is unusual and that this distortion of costs should not occur at other locations. Nonetheless, the accuracy of this reporting system should be verified, particularly with respect to personnel, usually the costliest item of appropriated fund support.

Recommendation

We recommend that the Assistant Secretary of Defense (Manpower and Reserve Affairs) review the reporting procedures of the military services under Department of Defense Instruction 7000.12 to insure that all significant appropriated fund support rendered to morale-support activities will be accurately reported.

ENTITLEMENT TO APPROPRIATED FUND SUPPORT IS UNCLEAR

The Army has been unclear as to how much appropriated fund support the Garmisch Center is entitled to. Officials have for some time debated the Center's role, its entitlement to appropriated funds, and how regulations should be interpreted when funding was involved. The result has been to authorize additional Center support.

For several years the Center operated at a large, non-appropriated fund loss subsidized by the profits of military clubs and open messes in Europe. Most of these subsidies stopped in 1970, and in 1973 the Center began to look for increased appropriated fund support. At that time the Center was designated as a "sundry fund," or limited-interest activity entitled to limited appropriated support. This classification was questioned by officials who believed the Center was a recreational and welfare activity which could be supported almost entirely by appropriated funds. The Center was so designated in 1973 and 1974. A few months later Army officials in Europe proposed that the Center be identified as a "common service nonappropriated fund activity" with two parts: a fund for the hotels, bars, and messes receiving lesser appropriated fund support and a separate welfare and recreation fund for recreation aspects. However, the Army disagreed because that arrangement would not authorize appropriated funds for the direct operating cost of recreation programs. The Army proposed that the Center be called the "Army Outdoor Recreation Area for Europe," which then would permit the recreation programs to be almost entirely supported by appropriated funds with limited support given to hotels, bars, and messes.

More specific questions also arose over definitions. For example, in fiscal year 1975, appropriated funds were used to pay for \$67,000 in hotel janitorial services despite Army engineering regulation 420-81 stating that guest houses are not authorized to receive this support. The Center justified the expenditure on the basis that the hotels, instead of being guest houses, were actually facilities in support of a recreation program.

MANY MILITARY PERSONNEL AND CIVILIANS
OPERATE RESORTS AT APPROPRIATED FUND EXPENSE

Department of Defense Directive 1315.10 states that any morale, welfare, or recreation activity, whether supported by appropriated or nonappropriated funds, is supposed to use civilians to the maximum extent. No military personnel are to be assigned except (1) where they are needed for essential command supervision, (2) where qualified civilians are not available, or (3) for military rotation, training, and career progression that cannot be provided elsewhere. In addition, directive 1330.2, which authorizes morale-support programs, states that activities which sell goods or services are supposed to pay their civilian employees from nonappropriated funds.

In 1965 and in 1968, we reported that military personnel were assigned to nonappropriated fund activities contrary to the above Department of Defense policies. The effect was to improperly shift costs from nonappropriated to appropriated funds and to take military personnel away from military duties.

In response to our 1965 report, the Assistant Secretary of Defense (Manpower) stated military staffing of these activities was continually under surveillance, but no specific corrective action was reported. In response to our 1968 report, the Deputy Assistant Secretary of Defense (Military Personnel Policy) reported that directive 1330.2 would be re-evaluated with the objective of providing clearer direction to the military departments. The broad language of the directive was believed to be causing inconsistencies in military regulations and practices.

That directive, issued in 1953, is still in force. Efforts to revise it have been underway for several years, but a difference of opinion within the Department of Defense over funding policy has delayed approval of a new directive.

Meanwhile large numbers of military personnel are still being used for nonmilitary tasks, and although the resorts derive substantial income from the sale of goods and services, they are using appropriated funds to pay many of their civilian employees.

Military personnel

An average of 193 military personnel were assigned to Garmisch in fiscal year 1975. This exceeded authorized levels and included many personnel who were carrying out civilian-type duties.

Seventy-five military personnel were permanently assigned during the year, mostly as administrators and supervisors. The Army is attempting to reduce their numbers, and a manpower survey recommended only 41 positions for fiscal year 1976. The Community commander was reducing assigned personnel by attrition, and there were 59 assigned at the end of December 1975.

The other 118 military personnel were enlistees on temporary duty from other units in Europe and were usually assigned to run the recreation programs. They were used as ski lift operators, tour guides, retail store clerks, hotel couriers, golf course grounds crewmen, mail clerks, bowling alley pinsetters, ski patrolmen, public information assistants, conference coordinators, and sports instructors. They were used year round, but most extensively during the skiing season. The average number of temporary personnel was down 10 percent from fiscal year 1974, but still exceeded a local management ceiling of 91 by nearly 30 percent.

Not only were these personnel assigned to civilian-type duties, but military regulations were violated regarding the length of the temporary tours and job specialties of the persons assigned.

Tours of duty too long

Military joint travel regulations limit temporary duty assignments to 6 months under normal conditions. Headquarters, U.S. Army Europe, specified that temporary-duty personnel could be retained at the Center 120 days for the winter program and 180 days for the summer program. Nonetheless, in fiscal year 1975, 59 soldiers were retained longer than 6 months and 2 were assigned the entire year.

Critically needed specialists used

Army guidelines prohibit using soldiers at the Center who have occupational specialties critical to the Army's mission and in short supply. Nonetheless such personnel were assigned, as shown on the following page.

<u>Month and year</u>	<u>Number on board</u>	<u>Number with shortage critical specialties</u>	
		<u>Armywide</u>	<u>In Europe</u>
November 1974	177	20	22
January 1975	197	22	25
April 1975	94	7	4
June 1975	79	-	7

John Hay had 19 permanently assigned military personnel, mostly supervisors in support roles oriented to recreation. The Kilauea Camp relied predominately on assigned military personnel. Under a joint service agreement the Air Force provided 11 enlisted tour-bus drivers and recreation lodge attendants; the Navy provided 22 cooks, messcooks (kitchen police), and storekeepers to operate a cafeteria; the Marine Corps supplied 7 personnel to man a fire station; and the Army supplied 14 people for supervision, administration, first aid, and recreation lodge attendants. Most of the above tasks are assigned to nonappropriated fund employees at Garmisch and John Hay. The 54 military personnel at Kilauea, plus an Army commanding officer and an Air Force executive officer, cost about \$521,000 a year in appropriated funds. Ten assigned military personnel were planned for the Hale Koa Hotel, mostly as recreation supervisors and room, food, and bar managers.

There are other smaller military beach facilities in Hawaii, some with low-cost ocean front cottages, many of which are set aside for officers and high-ranking VIPs. One infrequently used Army beach, next to a county beach park, has five soldiers assigned as full-time lifeguards. At another Army beach activity, several soldiers are used as lifeguards and crew members on a fishing boat. The use of appropriated fund crewmen undoubtedly contributes to the boat's relatively low rental rate--\$50 a day versus a commercial rate of \$190 a day. This use of appropriated funds also violates Army watercraft regulation 56-9 which states that watercraft used in support of troop welfare and morale will be operated and maintained wholly with nonappropriated funds.

Civilian personnel

Despite the fact that these resorts all have substantial income from the sale of goods and services, they employ many civilians at appropriated fund expense. Garmisch, with income of \$9.7 million in fiscal year 1975, accounted for about \$3.5 million of the Community's \$3.9 million cost in appropriated funds for civilian employees. John Hay, with revenues of \$1.2 million, spent over \$394,000 in appropriated funds for over 200 civilian employees. The Hale Koa, with estimated

annual revenues of \$5.4 million, is expected to incur at least \$258,000 in appropriated funds for civilian employees as managers, entertainment and recreation directors, life-guards, and clerical personnel.

These resorts also employ civilians at nonappropriated fund expense; however, in view of their large numbers of appropriated fund employees it is evident that directive 1330.2 is not being observed (i.e., activities selling goods and services should pay their civilian employees from nonappropriated funds). Instead, when staffing their recreation activities, installation commanders appear to use appropriated fund personnel to the widest extent possible, and then fill the gaps with nonappropriated employees without strict regard to policy restrictions.

Lower level regulations also contribute to to problem with vague language susceptible to various interpretations. In the Army for example, regulation 210-55 (par. 8b) states "To the maximum extent possible professional personnel employed to operate off-duty programs of Army Recreation Services * * * will be paid from appropriated funds." Army regulation 230-1 (par. 1-4) states "Necessary command and staff supervision of NAFI's [Nonappropriated Fund Instrumentalities] will be provided by officers or employees of the Government * * * without cost from nonappropriated funds." Neither regulation defines "professional" or "command and staff supervision," nor do they address the requirement of Department of Defense Directive 1330.2 that morale, welfare, and recreation activities that sell goods or services are supposed to pay civilian employees with nonappropriated funds.

Based on these regulations, 17 nonappropriated fund employees at Garmisch were reclassified as appropriated fund employees even though their duties were not changed. Personnel involved strictly in nonappropriated fund matters were made appropriated fund employees only because they supervised nonappropriated fund personnel. This was due to liberal interpretation of the word "supervision" in Army regulation 230-1. Several personnel were transferred back and forth between appropriated and nonappropriated payrolls depending on who was interpreting the regulations. Moreover, three employees were charged to positions unrelated to their duties. As a result of our review, the Center reimbursed \$11,400 of appropriated funds for the duration of these three incorrect classifications. Obviously clearer guidance on the funding of civilian employees is needed.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

We recommend that:

- Department of Defense Directive 1330.2 be replaced with more specific guidelines explaining which costs of morale-support activities may be supported with appropriated funds. See also funding recommendation, p. 33.
- The military staffing of all morale-support activities be reviewed by the Secretaries of the military services and that military personnel who are not needed be assigned to military duties.
- Procedures be adopted by the Army to prevent the temporary assignment of soldiers (1) to nonmilitary tasks, (2) for longer than 6 months, (3) in excess of manpower ceilings, and (4) who have critical occupational specialties that are in short supply.

NEED FOR APPROPRIATED FUNDS TO SUPPORT SOME PROGRAMS IS NOT DEMONSTRATED

The amount of appropriated funds which should be invested in recreation is difficult to determine since the direct benefit from dollars expended and the impact on morale cannot be correlated. Clearly these recreation areas offer services at lower prices than are available commercially, and, as a result, they are widely used. However, we believe the Department of Defense has not adequately demonstrated that these activities need to be heavily subsidized by appropriated funds.

The broad policy of providing virtually any type of recreation activity with appropriated funds was set forth in 1953. Although revisions to the policy have been under consideration for some time, it has not changed despite a dramatic improvement in military pay and the ability of servicemen to seek their own recreation, particularly when it is readily available. For example, if need were realistically considered, we doubt that the Army could justify Kilauea Military Camp as a place of respite from the island of Oahu since Oahu is one of the most popular and desirable vacation spots in the world.

Appropriated fund support could be reduced by selectively curtailing operations. For instance, the Berchtesgaden or Chiemsee areas of the Garmisch Recreation Center could be eliminated without seriously affecting the Center's mission. The Center is believed essential for improving the morale of

junior enlisted personnel. In that case, Berchtesgaden activities could be eliminated because:

--The Garmisch and Berchtesgaden locations offer the same activities.

--Garmisch alone can accommodate most enlisted guests now using all three locations.

--Garmisch is more accessible by public transportation and, therefore, has higher enlisted participation.

Those other than enlisted personnel could use Garmisch on a space-available basis. Other possibilities short of closing Berchtesgaden are to set it aside for officers and civilians and run it on a self-sustaining basis without appropriated fund support or to cut it back from eight hotels to two where the golf course, ski lifts, and tennis courts are located.

Eliminating the Chiemsee area is another possibility as it has not been profitable for several years and has a low use rate. However, it offers watersports not available at the other locations. To a limited extent they are available commercially at Garmisch.

The appropriated fund cost for the Chiemsee and Berchtesgaden areas was \$3.6 million in fiscal year 1975. This amount could be substantially reduced or eliminated without major effect on the Center's mission.

We discussed these matters with Department of Defense officials who stressed the need for the Department to provide recreation facilities for its personnel, especially overseas and at places in the United States where adequate recreation is not otherwise available. We agree with this policy but believe it also should require that military recreation programs be evaluated in terms of what other recreation is available and how much appropriated fund subsidy is needed to meet recreational needs. Undoubtedly there are locations where relatively more subsidy is needed, but as discussed above there are also areas where cutbacks can be made without depriving the serviceman of wholesome recreation opportunities.

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

We recommend that:

- The Army reevaluate the need for the Berchtesgaden and Chiemsee recreation areas and provide specific justification for continuing operation at these locations.
- Department of Defense guidelines on appropriated fund support for recreation be revised to limit support at locations where adequate nonmilitary recreation facilities are reasonably available.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In view of the Department of Defense delay in updating its funding policy, the Congress may wish to consider imposing specific guidelines on the use of appropriated funds to support military morale and recreation programs.

CHAPTER 5

NONAPPROPRIATED FUND FINANCIAL POSITION OF GARMISCH

Profits or losses as shown in the financial records of recreation activities are largely imaginary because they ignore appropriated fund support. What is measured is merely the difference between nonappropriated funds received and nonappropriated funds expended. Nonetheless, the "profitability" of the Garmisch Center is regarded as an indicator of operating success and has concerned the Army for some time. The Center has lost money almost every year, but certain actions taken in fiscal year 1975 (mainly personnel reductions), are expected to bring about a profit in the future.

CONTINUING LOSSES

The Center's nonappropriated fund profits and losses for the last 10 years were as follows:

<u>Fiscal year</u>	<u>Reported net income or (loss)</u>
	(dollars)
1966	(1,713,238)
1967	(1,240,044)
1968	(535,733)
1969	(506,647)
1970	(546,162)
1971	(60,086)
1972	(53,258)
1973	168,250
1974	(302,917)
1975	200,017

Before fiscal year 1971, the Center's budgets anticipated nonappropriated fund losses which were covered by sizable donations from the profits of Army and Air Force clubs and open messes in Europe. In fiscal year 1970 the Center's commander was told to make it a break-even operation. Losses occurred in the next 2 years which were blamed on increased labor costs, poor weather, and dollar devaluation. The Center finally made a profit in fiscal year 1973, which, according to the Army Audit Agency, was due to personnel cuts, substantially increased prices, and an unusually good ski season. In its 1973 report, the Audit Agency predicted an \$800,000 loss for fiscal year 1974 unless costs were further reduced and other improvements were made. The actual loss was \$302,917.

The Center reported a nonappropriated fund net income of \$200,017 for fiscal year 1975. This income, however, included a \$192,000 grant for tour buses and \$67,575 from appropriated funds for expenses previously paid for from nonappropriated funds. Center officials contend that, according to Army regulations, this support has always been authorized. As discussed in chapter 4, we do not agree with their interpretation of the regulations.

In any event, without the bus grant and the shift to appropriated funds, the Center would have incurred a nonappropriated fund loss of about \$60,000 in fiscal year 1975. Several factors contributed to this. This budget was prepared at a conversion rate of 2.60 German marks to \$1, but the average conversion rate during fiscal year 1975 was 2.46 marks. Center officials estimate this appreciation cost about \$336,000 in fiscal year 1975. In addition, the budget was based on an optimistic 86-percent occupancy rate. The actual rate was only 71 percent due to poor weather conditions, a freeze in travel funds for conventions, and termination of the rest and recreation program. Without the personnel reductions made in fiscal year 1975, Center officials believed these factors and revaluation of the German mark could have resulted in a nonappropriated fund deficit of as much as \$487,000.

OUTLOOK FOR FISCAL YEAR 1976

The approved fiscal year 1976 nonappropriated fund budget projects a \$199,650 profit, 2 percent of the \$10 million gross income. The budget reflects a more realistic occupancy rate. In addition, improvements made in fiscal year 1975, such as new recreation programs; increased billeting rates, food rates, and user fees; and added controls and standards for food and beverage operation, should improve the Center's financial position.

Personnel changes are expected to save the most. The Army Audit Agency report of December 1973 pointed out that the Center could reduce costs by as much as \$800,000 through sound personnel reductions. Response to that report has been slow because of the time taken for additional studies, negotiations, and approval of the German Works Council (labor union). When the Army Audit Agency report was issued, the Center had 734 nonappropriated fund employees and over a year later only 2 less. Significant reductions then began and, if additional forecasted cutbacks for fiscal year 1976 are reached, the Center expects an added savings of about \$533,000 for the year.

RECREATION AREAS

VISITED DURING OUR REVIEW

Armed Forces Recreation Center, Garmisch, Germany
John Hay Air Base Recreation Area, Republic of the Philippines
Kilauea Military Camp, Hawaii Volcanoes National Park
Hale Koa Hotel, Fort DeRussy, Hawaii
Bellows Air Force Station, Hawaii
Waianae Army Rest Camp, Hawaii
Mokuleia Army Beach, Hawaii
Naval Air Station, Barbers Point, Hawaii

RECREATION--ARMED FORCES RECREATION CENTER, GARMISCH

<u>Activity</u>	<u>Garmisch</u>	<u>Berchtesgaden</u>	<u>Chiemsee</u>	<u>Munich</u>
Bicycling	X (40 bicycles)	X (20 bicycles)	X	
Boating			X (9 sail- boats, a/ 9 paddle- boats, 20 canoes)	
Bowling	X (12 lanes)	X (6 lanes)		
Fishing	X	X		
Golf	X (9 holes) a/	X (9 holes) a/		
Hiking	X	X		
Ice skating	X	X		
Kayaking	X a/	X a/	X	
Miniature golf	X	X		
Mountaineer- ing	X	X		
Movie theaters	X	X	X	X
Scuba diving			X a/	
Skeet shoot- ing	X			
Skiing	X a/	X a/	X a/	
Sledding	X	X		
Swimming	X	X	X	
Tennis	X (6 courts) a/	X (4 courts) a/	X (2 courts)	
Tours	X	X	X	X
Water skiing			X (2 boats)	

a/"Learn-To" programs.

ACCOMMODATIONS--ARMED FORCES RECREATION CENTER, GARMISCH

<u>Name of hotel</u>	<u>Number of rooms</u>	<u>Rooms with private or semi- private bath</u>	<u>Number of beds</u>	<u>Restau- rant</u>	<u>Bar</u>
Garmisch:					
General Patton	96	92	193	X	X
General Von Steuben	78	76	157	X	X
Sheridan Plaza	175	11	364	X	X
Haus Flora	5	5	12	-	-
Green Arrow	139	24	335	X	X
Loisach	27	27	54	-	-
Garmisch apts.	7	7	26	-	-
Keane Lodge (dormitory style)	1	-	35	-	-
Munich:					
Columbia	134	95	276	X	X
Berchtesgaden:					
Berchtesgadener Hof	89	54	154	X	X
General McNair	37	21	73	-	-
General Walker	124	40	296	X	X
Skytop	17	4	50	X	X
Evergreen	6	-	12	-	-
Alpine Inn	53	11	123	X	-
House Chancellor	10	8	18	-	-
Hintebrand	10	-	1	-	-
Chiemsee:					
Chiemsee Lake	65	2	139	X	X
Chiemsee Park	71	-	131	-	-
Frasdorf	8	-	31	-	-
Total	<u>1,152</u>	<u>477</u>	<u>2,510</u>	<u>10</u>	<u>9</u>

ANNUAL FINANCING OF JOHN HAY, KILAUEA,
AND HALE KOA RECREATION COMPLEXES

JOHN HAY

Direct support

Nonappropriated funds:

Cost of sales and operating expenses, 1974 (The activity had revenues of \$1,235,312 from sales, dues, fees, etc. for a nonappropriated fund surplus of \$100,942.)	\$1,134,370
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Appropriated funds:

Recreation activity:	
Civilian personnel	\$ 394,024
Military personnel	315,031
Supplies and equipment	236,174
Travel and transportation	3,798
Contractual services	12,167
Military family housing operation and maintenance	45,301
Depreciation of vehicles	<u>22,817</u>
Total direct	1,029,312

Indirect support

1961st Communication Group (personnel, supplies and equipment)	30,356
Department of Defense school	29,360
Hospital, Clark Air Base	16,269
Military Postal Service	<u>9,055</u>

Total indirect	85,040
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Total appropriated	<u>1,114,352</u>
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Less reimbursements from other agencies and activities	4,673
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Net total appropriated	<u>1,109,679</u>
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Total cost	<u>\$2,244,049</u>
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JOHN HAY (cont'd)

	<u>Number of employees paid by</u>	
	<u>Appropriated</u>	<u>Nonappropriated</u>
	<u>funds</u>	<u>funds</u>
Military:		
Permanently assigned	19	0
Off-duty employees	0	12
Civilians	<u>238</u>	<u>218</u>
Total	<u>257</u>	<u>230</u>

KILAUEA

Nonappropriated funds:		
Cost of sales and operating expenses, fiscal year 1974 (The camp had revenues of \$745,237 from sales and fees for a nonappropriated fund surplus of \$16,577.)	\$	728,660
Contributions from central welfare funds, fiscal year 1974		<u>20,486</u>
Total nonappropriated		749,146
Appropriated funds:		
Military personnel	\$521,544	
Civilian personnel	8,145	
Facility repair and improvements	168,102	
Transportation	104,042	
Supplies and equipment	22,970	
Contractual services	9,869	
Telephone and communication	7,328	
Administrative and miscellaneous	<u>4,471</u>	
Total appropriated		<u>846,471</u>
Total cost		<u>\$1,595,617</u>

	<u>Number of employees paid by</u>	
	<u>Appropriated</u>	<u>Nonappropriated</u>
	<u>funds</u>	<u>funds</u>
Military:		
Permanently assigned	56	0
Off-duty employees	0	6
Civilians	<u>2/3</u>	<u>34</u>
Total	<u>56 2/3</u>	<u>40</u>

HALE KOA (ESTIMATED)

Nonappropriated funds:

Cost of sales and operating expenses (Sales are estimated at \$5,385,000, resulting in a nonappropriated fund deficit of \$138,000 due to initial opening expenses.)	\$5,448,000
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Appropriated funds:

Direct personnel:

Military	\$125,000
Civilians	258,000
Security guard service	154,000
Maintenance and repair	182,000
Utilities	<u>468,000</u>

Total	<u>1,187,000</u>
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Total cost	<u><u>\$6,635,000</u></u>
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The hotel was constructed and equipped at a cost of \$20.5 million in nonappropriated funds from profits of military exchanges and clubs.

	<u>Number of employees paid by</u>	
	<u>Appropriated</u> <u>funds</u>	<u>Nonappropriated</u> <u>funds</u>
Military:		
Permanently assigned	<u>a/10</u>	0
Off-duty	0	10
Civilians	<u>a/34</u>	<u>518</u>
Total	<u>44</u>	<u>528</u>

a/Does not include hotel security which will be provided by military police or civilian guards. If military, 16 personnel will be needed. In either case, appropriated funds will be used.

<u>APPROPRIATED FUND SUPPORT</u>				
<u>MILITARY COMMUNITY AND ARMED FORCES</u>				
<u>RECREATION CENTER, GARMISCH</u>				
<u>FISCAL YEAR 1975</u>				
	<u>Total community</u>	<u>Center Total</u>	<u>Recreation Center</u>	
			<u>Garmisch</u>	<u>Berchtesgaden and Chiemsee</u>
<u>Community expenditures:</u>				
U.S. civilian payroll	\$ 38,319	\$ 32,699	\$ 32,627	\$ 72
Local national civilian pay	3,903,284	3,465,306	2,123,625	1,341,680
Travel and transportation	605,115	544,648	540,054	4,595
Transportation of things	7,502	6,433	6,779	(346)
Communication and utilities	670,785	606,902	295,572	311,330
Contracted services	1,058,153	692,762	404,951	287,811
Supplies and materials	1,204,631	1,075,506	679,793	395,713
Equipment rental and purchase	19,127	16,930	13,236	3,695
	<u>7,506,916</u>	<u>6,441,186</u>	<u>4,096,637</u>	<u>2,344,550</u>
<u>Military personnel cost:</u>				
Assigned personnel	903,864	851,379	533,378	318,001
Temporary duty	1,197,330	1,197,330	744,050	453,280
	<u>2,101,194</u>	<u>2,048,709</u>	<u>1,277,428</u>	<u>771,281</u>
<u>Support activities:</u>				
Augsburg maintenance shop	58,816	52,050	11,747	40,303
Civilian personnel office	123,951	116,647	54,910	61,737
Medical command	379,267	191,395	71,656	119,739
U.S. dependent schools	250,883	127,150	21,154	105,996
Armed Forces Network	41,850	38,853	16,981	21,872
Military policies and customs	432,718	361,624	224,786	136,838
Signal group	124,554	50,192	25,408	24,784
Army postal office	34,489	21,608	8,562	13,046
Military intelligence	19,919	16,931	16,931	-
	<u>1,466,447</u>	<u>976,450</u>	<u>452,135</u>	<u>524,315</u>
TOTAL	<u>\$11,074,557</u>	<u>\$9,466,345</u>	<u>\$5,826,200</u>	<u>\$3,640,146</u>

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