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BY THE COMPTROLLER GENERAL

Report To The Nonappropriated Fund Panel, Armed
Services Investigations Subcommittee,
House Committee On Armed Services
OF THE UNITED STATES

RELEASED

Proposals For Enhancing DOD's Morale, Welfare, And Recreation Construction Program

The need for morale, welfare, and recreation facilities for military personnel is particularly important at overseas locations where few recreational opportunities exist in the surrounding community or where the cost of using available facilities is prohibitive.

Although DOD has a large backlog of facility needs which cannot presently be funded, some facilities being constructed are larger than needed, have not been adequately justified or planned, or will be used primarily by persons not on active duty.

GAO believes that a need exists for

- improved long-term project planning and more central guidance;
- revised construction criteria to provide more realistic guidance on how to meet morale, welfare, and recreation needs; and
- more central funding of construction projects.

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

B-199869

The Honorable Dan Daniel
Chairman, Nonappropriated Fund Panel
Armed Services Investigations
Subcommittee
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

As requested in your February 26, 1979, letter, we reviewed the Department of Defense's construction program for nonappropriated morale, welfare, and recreation facilities. This report discusses the problems affecting the provision of needed facilities for active duty military personnel and the need for Defense to take steps which would improve the delivery of facilities which are most urgently needed.

As directed, we did not obtain official agency comments. Your office requested that we make no further distribution of the report until you transmit the report to the Department of Defense and each of the military departments for their written comments.

Sincerely yours

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

Comptroller General
of the United States

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COMPTROLLER GENERAL'S REPORT
TO THE NONAPPROPRIATED FUND
PANEL, ARMED SERVICES INVESTIGATIONS
SUBCOMMITTEE, HOUSE COMMITTEE ON ARMED SERVICES

PROPOSALS FOR ENHANCING DOD'S
MORALE, WELFARE, AND RECREATION
CONSTRUCTION PROGRAM

D I G E S T

The Department of Defense considers morale, welfare, and recreation activities important to unit identity and improved readiness of service members. However, the services' construction programs for facilities to house activities such as sports, libraries, arts and crafts, and military clubs do not always insure that the most urgent needs of active duty personnel are being met. (See p. 1.)

Although the services have been operating under a fiscal environment of escalating construction costs, budgetary constraints, and a large backlog of unmet needs, they have approved some construction projects which were

- larger than needed or in excess of the size suggested by Defense or service guidelines;
- inadequately planned;
- not adequately documented as to need; or
- intended primarily for other than active duty personnel.

Morale, welfare, and recreation activities are particularly important at overseas locations where few recreational facilities exist or the cost of using available facilities is prohibitive. The House Committee on Armed Services' Nonappropriated Fund Panel, in its February 1980 report on military clubs and package stores, expressed the desire that military personnel stationed

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overseas should enjoy the same quality of life as their counterparts stationed in the United States.

The services, however, are directing the major portion of funding emphasis to installations in the continental United States. Of \$103 million in construction costs in fiscal year 1979, \$70 million was spent for construction in the United States. (See p. 6.)

Strengthening of the project planning, review, approval, and funding processes would help insure that projects built fulfill the most urgent needs. Defense and the services have initiated recent program improvements. If properly implemented, these changes should improve the effectiveness of the construction program; however, they still do not insure that

--projects developed are the most cost-effective size to meet the needs of active duty personnel,

--the review and approval processes adequately place priorities and document needs to insure that the most urgent needs are being met with limited construction funds, and

--funding methodology provides for the most effective and equitable delivery of facilities. (See p. 33.)

RECOMMENDATIONS TO THE SECRETARY OF DEFENSE

The Secretary of Defense should revise guidance on construction criteria about establishing and placing priorities on facility needs, determining optimum facility space requirements, and identifying specifically

the population for whom the facilities are intended and insure that each service correctly interprets and implements Defense guidance.

The Secretary should direct each of the services to

- strengthen its headquarters management involvement in the planning process to assume greater funding responsibility for morale, welfare, and recreation construction projects and implement a meaningful and equitable system to place priorities on project requests;
- require the major commands, where applicable, to validate project requests generated by the local installations to insure that such requests will fulfill actual needs and can be relied on by headquarters for their accuracy;
- require command officials to provide guidance to the installations in formulating requests and visit the facilities and verify that real needs exist; and
- require installation commanders to document the justification and demonstration of the need for proposed projects. (See p. 51.)

VIEWS OF RESPONSIBLE AGENCY OFFICIALS

Defense officials agree that there is a need

- for improved long-term project planning and more central guidance;
- to revise its construction criteria to provide more realistic guidance for satisfying morale, welfare, and recreation needs; and

--for more central funding of construction projects.

Service officials generally believe that identifying facility needs should remain the responsibility of local commanders and major commands and that headquarters involvement in the construction planning process should not be increased. The services acknowledged the need for improvements in documenting decisions involving facility needs and developing technical expertise at the local levels to enhance the effectiveness of the morale, welfare, and recreation program. (See p. 53.)

AGENCY COMMENTS

As directed by the Nonappropriated Fund Panel, GAO did not obtain official comments from Defense.

C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
Congressional interest	2
Scope of review	3
2 MWR PROJECTS SHOULD MEET THE MOST URGENT NEEDS OF ACTIVE DUTY PERSONNEL	5
Analysis of problems noted	6
Examples of problems noted	12
Conclusions	32
3 IMPROVEMENTS NEEDED IN THE PROJECT PLAN- NING, REVIEW, APPROVAL, AND FUNDING PROCESSES	33
Facility requirements should be based on need	33
Need to centralize and strengthen program direction	40
Need to develop a consistent and equitable funding approach for MWR construction projects	45
DOD and service initiatives for pro- gram improvement	49
Conclusions	51
Recommendations	51
Views of responsible agency officials	53
Agency comments	55
APPENDIX	
I Locations visited	56
II Description of services' planning, review, approval, and funding processes	58

ABBREVIATIONS

CONUS Continental United States
DOD Department of Defense
GAO General Accounting Office
MWR morale, welfare, and recreation
NCO noncommissioned officers
OSD Office of the Secretary of Defense

CHAPTER 1

INTRODUCTION

According to the Department of Defense (DOD), military personnel can be assigned anywhere, ordered to combat, separated from families for extended periods, and required to work and live in conditions of extreme rigor. DOD believes that people in this situation must be sustained by a moral commitment of the Government, and morale, welfare, and recreation (MWR) activities are essential to support that kind of commitment. These activities are important to the morale and well-being of service members and contribute to unit identity, esprit de corps, and improved readiness. According to DOD, they support the missions of the military services.

With the All-Volunteer Force concept, these activities are also viewed as an inducement to attract and retain those men and women who, in their absence, may not choose the military service and the hardship, discomfort, and inconvenience which goes along with it. In the military posture hearings before the House Armed Services Committee in January 1979, the Chairman of the Joint Chiefs of Staff called for policy changes such as redistributing nonappropriated MWR funds to locations where they are most required.

MWR facilities include structures to house programs such as libraries, sports and athletics, arts and crafts, dependent youth activities, child care, bowling, motion pictures and entertainment, recreation centers, military clubs, alcohol package stores, and military exchanges. MWR facilities are constructed with both appropriated and nonappropriated funds. The schedule below shows the magnitude of MWR construction program costs and the type of funds used for fiscal year 1979 (excluding costs for constructing commissaries, exchanges, and some community projects).

	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Total</u>	
	----- (millions) -----					
Nonappropriated funds						
Continental United						
States (Conus)	\$ 8.1	\$ 7.2	\$25.6	\$5.6	\$ 46.5	(61%)
Overseas	<u>6.6</u>	<u>16.0</u>	<u>6.7</u>	<u>.9</u>	<u>30.2</u>	(39%)
Total	<u>\$14.7</u>	<u>\$23.2</u>	<u>\$32.3</u>	<u>\$6.5</u>	<u>\$ 76.7</u>	
Appropriated funds						
CONUS	\$ 6.0	\$ 3.0	\$14.1	0	\$ 23.1	(90%)
Overseas	<u>0</u>	<u>2.7</u>	<u>0</u>	<u>0</u>	<u>2.7</u>	(10%)
Total	<u>\$ 6.0</u>	<u>\$ 5.7</u>	<u>\$14.1</u>	<u>0</u>	<u>\$ 25.8</u>	
All funds						
CONUS	\$14.1	\$10.2	\$39.7	\$5.6	\$ 69.6	(68%)
Overseas	<u>6.6</u>	<u>18.7</u>	<u>6.7</u>	<u>.9</u>	<u>32.9</u>	(32%)
Total	<u>\$20.7</u>	<u>\$28.9</u>	<u>\$46.4</u>	<u>\$6.5</u>	<u>\$102.5</u>	

Construction program expenditures, however, are meeting only a small portion of MWR facility needs identified by each of the services. These unfunded facility needs, which represent a short-range project backlog, amount to over \$1.3 billion as follows:

	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>	<u>Total</u>	
	----- (millions) -----					
CONUS	\$102	\$358	\$389	\$100	\$ 949	(73%)
Overseas	<u>128</u>	<u>78</u>	<u>147</u>	<u>4</u>	<u>357</u>	(27%)
Total	<u>\$230</u>	<u>\$436</u>	<u>\$536</u>	<u>\$104</u>	<u>\$1,306</u>	

CONGRESSIONAL INTEREST

The Nonappropriated Fund Panel in its February 1980 report on military clubs and package beverage stores expressed the belief that military personnel stationed overseas should not suffer additional hardships because of inadequate or unattractive facilities. They should enjoy the same quality of life as their CONUS counterparts. The Panel believed that overseas MWR activities should have the highest priority in funding support. It expressed the desire that the services should strive to see that the quality of life for military personnel stationed overseas meets the U.S. standards.

The Panel noted that:

- Most overseas missions require a constant state of troop readiness to fight in terms of minutes and hours, which places greater mental, physical, psychological, and spiritual pressures on the individual.
- Personnel must live in an unfamiliar environment with foreign culture and an unfamiliar language.
- The weakened purchasing power of the dollar on the local economies has made the clubs more attractive financially and in some cases an economic necessity.
- Individual mobility is restricted because most junior enlisted personnel cannot afford cars because of the higher costs to purchase, insure, and maintain them. These people are, therefore, virtually restricted to their installation and look to its facilities for recreation.
- Recreational facilities on the economy do not parallel the recreational facilities to which Americans are accustomed. The facilities that are available are usually unaffordable private clubs.
- Personnel are often separated from family and friends and often experience bouts of loneliness and depression. Recreation is essential to their morale.

SCOPE OF REVIEW

On February 26, 1979, the Chairman, Nonappropriated Fund Panel, requested us to do a comprehensive review of the nonappropriated fund construction program for MWR facilities. We critically evaluated the MWR project planning, review, approval, and funding processes to determine whether (1) construction program objectives are being met most efficiently, effectively, and economically and (2) new construction, expansions, and renovations are justified and appropriate for the population to be served. We did not review the construction of exchange and commissary facilities.

We conducted our review during 1979 at DOD, Army, Navy, Air Force, and Marine Corps headquarters, at selected major commands, and at 21 military installations located in CONUS, Hawaii, the Far East, and in Europe. (See app. I.) We reviewed DOD and service instructions and directives, analyzed project justification files, and held discussions with responsible officials and personnel from the military services.

Our review was directed toward identifying ways to enhance MWR benefits to active duty military personnel by making the MWR construction program more effective and responsive to needs. We considered the issue of whether construction projects are being planned and made priorities so that the most urgent MWR needs are being met. We also considered the effect existing MWR facilities, such as recreation centers, had on decisions to approve proposed construction projects that might offer similar and possibly duplicative services. Although our review was concerned primarily with nonappropriated MWR construction, we examined certain projects involving improvements to older existing facilities which had been initially built with appropriated funds.

CHAPTER 2

MWR PROJECTS SHOULD MEET THE MOST URGENT

NEEDS OF ACTIVE DUTY PERSONNEL

Although confronted with a fiscal environment of escalating construction costs, budgetary constraints, and a large backlog of unmet MWR needs, the services are constructing MWR facilities without insuring that the most urgent needs of active duty personnel are being met. Some MWR projects were approved which

- were larger than needed or in excess of the size suggested by DOD or service guidelines,
- were inadequately planned,
- did not adequately document the need, or
- were intended primarily for other than active duty military personnel.

In addition, the services directed the major portion of funding to CONUS although congressional concern has been expressed that the greatest priority for construction projects should be at overseas installations.

We visited 21 military installations located in CONUS and in 6 foreign countries and reviewed 91 MWR projects which were recently completed, being constructed, or proposed for future construction. We noted one or more problems involving 51 of the projects which indicated weaknesses in the project planning, review, approval, and funding processes which prohibit the services from meeting the most urgent needs of active duty personnel.

DOD, in testimony before the Nonappropriated Fund Panel in September 1977, expressed its commitment to providing a responsive MWR program available to all armed services personnel. DOD officials stated that they believed the military departments were providing well-rounded MWR programs that served the needs of military personnel at reasonable costs. They indicated that they would continue to take whatever action was required to maintain this status.

The Panel, however, has expressed concern that MWR facilities overseas were in poor condition and should have the highest priority in funding support. The Panel noted in

February 1980 that it is generally recognized that MWR facilities overseas are in dire need of repair. Outdated equipment, dilapidated buildings dating back to World War I and before, lack of funds for renovation, faulty wiring and plumbing, and numerous other physical problems compound management problems. In our January 1979 report, "Changes Needed in Operating Military Clubs and Alcohol Package Stores" (FPCD-79-9), we noted that overseas activities such as clubs were used significantly more than CONUS clubs; and in our October 1979 testimony before the Panel, we reported on the poor condition of many overseas MWR facilities. This demonstrates that notwithstanding the condition of the facilities, MWR activities play a critical role in the lives of personnel stationed overseas.

√ In spite of these conditions, however, in fiscal year 1979 the services programed most of their nonappropriated and appropriated MWR construction expenditures to CONUS locations. Almost \$70 million of the \$103 million in construction costs was allocated to CONUS. Unless redirected, this emphasis on CONUS versus overseas construction could continue in the future. The four services have identified unfunded facility needs for future MWR construction projects of \$1.3 billion, of which almost \$950 million, or 73 percent, are projects located in CONUS. Overseas needs of over \$350 million, or almost triple the total amount being spent worldwide will have to compete for future construction dollars as they become available.

ANALYSIS OF PROBLEMS NOTED

Our analysis of 91 projects showed that program procedures need strengthening to insure that construction funds are being directed to meeting the most urgent MWR needs of military personnel. We did not question the basic need for these projects. However, our review was directed toward ascertaining whether these projects were well planned and justified. We have categorized problems noted involving 51 projects in the following schedule and examples of these matters are discussed in the following sections of this chapter.

Analysis of Problems Noted by GAO
for 51 Projects Reviewed with One
or More Deficiency

<u>Type of deficiency</u>	<u>Number of problems</u>
Problems involving project size:	
Project may be oversized for population	22
Project size in excess of suggested DOD or service criteria, or incorrect criteria applied	18
Size of project based on availability of funds rather than on need	<u>2</u>
Total	<u>42</u>
Problems involving project justification:	
Inadequate determination and documentation of need	14
Project need questionable	7
Past usage data not considered or used incorrectly	6
Weak justification--not convincing	<u>4</u>
Total	<u>31</u>
Problems involving project planning:	
Financial projections or expected usage overly optimistic	6
Inadequate identification of priorities	3
Other available options not considered	4
Major scope change after approval	3
Lack of coordination among services	1
Need for economic analysis	<u>1</u>
Total	<u>18</u>
Projects planned primarily to serve other than active duty personnel	<u>11</u>
Total	<u><u>102</u></u>

Problems involving project size

The services are faced with the challenge of providing needed MWR facilities to active duty personnel while operating in an inflationary environment with budgetary constraints. DOD and the services are responsible for insuring that projects are built to the optimum size for the active duty population to be served. To the extent that project size exceeds the space required to realistically meet the needs of a particular population, the limited construction funds are expended inefficiently and uneconomically, thus preventing the construction of other projects which may be urgently needed.

DOD provides guidance to the services on the appropriate space allowances for specific requirements. The criteria suggests maximum space allowances. The services are expected, however, to base the size of facilities on the specific requirement of the installation, rather than automatically constructing facilities to the maximum allowable size. (See ch. 3.)

Generally, the projects which we reviewed were built or planned within the maximum space parameters established by DOD. However, in 18, or about 20 percent, of the projects, the criteria was exceeded or applied incorrectly. In certain instances, DOD allows projects to exceed the maximum allowances, but a specific waiver must be granted. Such waivers were obtained or requested for five of these projects located overseas. Twenty-two, or about 24 percent, of the projects reviewed were possibly in excess of the space requirements of the active duty population to be served. We also noted that in two other cases, the project size was reduced during the review process primarily because of funding constraints--not because it was determined that a smaller facility would adequately meet the needs.

Problems involving project justifications

The MWR program is decentrally managed and the local needs identified are part of the installation commander's responsibility to provide for the welfare of assigned personnel. Because budgetary constraints prohibit meeting all MWR facility needs, headquarters officials responsible for approving project requests must select those projects to be funded from among competing proposals developed by numerous installations and major commands.

For approval of projects which are urgently needed, project justifications must be complete, accurate, reliable, and convincing. This would improve the local commander's ability to have a proposed project approved and would also aid the reviewing officials in the chain of command to select projects which would best meet the needs of active duty personnel.

DOD requires that project requests be justified in a specific manner and include such information as (1) a description of what the project will provide, (2) an explanation of why the project is needed, (3) a description of how the need is presently being met and under what conditions, and (4) a description of the impact on mission accomplishment if the project were not approved. Also, if the project is justified on an economic basis, a projection showing the anticipated pay-back period should be included. The justification should be clearly presented, generalities avoided, and all pertinent and relevant information which would be useful to reviewers should be included.

For our review purposes, we generally accepted the premise that the project which we examined would meet a basic need. However, we reviewed the project requests to evaluate the sufficiency of information furnished to reviewing officials. We considered whether these projects were adequately justified and would warrant the expenditure of funds which could possibly be used to meet other needs.

Our review of the 91 projects showed that the most prevalent problem, involving 14 of the projects, was the lack of documents to show that a valid need had been determined. In seven other cases, the project justifications suggested that the need for the project requested was questionable. We noted examples where the project duplicated existing facilities and where little demand was made for a new facility. We also noted that in six cases, where past usage data for existing facilities was desirable, such data was not included or was considered incorrectly. In four cases, the justifications, in our view, did not present a convincing argument for reviewing officials.

Problems involving project planning

Adequate planning is an integral requirement for effective project development. A well-structured planning system enhances the ability of installation commanders to insure that the MWR needs of assigned personnel are being satisfied. It also aids the officials' ability in the chain of command to select from among numerous and diverse requirements, each

competing for limited construction funds. We believe that certain tools, if properly used during the planning process, would contribute significantly to the development of projects which are most urgently needed. These include:

- Market research and analyses to identify the needs and desires of the military community and usage data showing the extent to which existing activities and facilities are being patronized.
- Reliable inventories of available MWR resources and facilities on a military installation, at nearby installations, and in the civilian community.
- Meaningful financial projections and economic analyses based on anticipated patronage to demonstrate the ability to repay construction loans and for an activity to be able to sustain itself.
- Recognizing long-range considerations such as proposed base closures and restructuring of troop strength.
- Coordinating other possible options which may provide for satisfying needs in a more cost-effective manner.
- Consideration among installation commanders of nearby installations to identify possible opportunities for joint use of facilities.
- Considering the ability of available recreational facilities in the civilian community to satisfy MWR needs.

Our review showed 18 instances of weaknesses in the planning process. Six of the cases suggested that planning may have been more optimistic than realistic. Financial expectations for revenue-generating projects did not materialize; nor did actual use of the facilities meet expectations. In four cases, adequate consideration was not given to other available, and possibly less costly alternatives. In three other cases, the scope of the project was changed significantly and deviated from the one approved. We also noted five instances where (1) priorities were not adequately identified, (2) improved coordination between services would have been desirable, or (3) an economic analysis would have facilitated more effective planning.

Projects planned primarily to serve
other than active duty personnel

In addition to the active duty force, the MWR program serves dependents, retirees, and DOD civilian employees. Military officials contend that the presence of dependents at installations is a principal stabilizing influence and is vital to the continuing health and readiness of the commands. DOD believes retirees have earned the right to be considered eligible to use MWR facilities, and even though retired, many are subject to mandatory recall to active duty if mobilizing takes place.

DOD space criteria for certain MWR construction projects provides for the inclusion of dependents and retirees when justifying the need and size of facilities. The percentage of persons in these categories to be included varies with the type of facility. For example, for an arts and crafts hobby shop, 40 percent of the dependent population as well as 10 percent of retired personnel are included as part of the total military population; for outdoor playing courts, 20 percent of the dependent population as well as 10 percent of retired personnel are included.

We agree that personnel other than active duty personnel need to use MWR facilities, and in many cases, particularly at overseas installations, is extremely important. We believe, however, that the extent to which the MWR program is successful depends on whether the specific needs of active duty personnel are met. While we recognize the desirability of considering these other categories of personnel for planning purposes, we question justifying MWR facility needs primarily on the basis of such personnel.

Our review showed that in 11 of the projects which we reviewed (12 percent), the construction of the facilities was justified primarily on the basis of serving other than active duty personnel. We believe such facilities, to the extent practicable, should accommodate personnel such as dependents and retirees. In view of the present project backlog, however, we believe that in keeping with the spirit and intent of the MWR program, facilities serving the needs of active duty personnel should be given priority over those justified largely on the basis of these other personnel categories.

EXAMPLES OF PROBLEMS NOTED

Fort Stewart, Georgia--bowling center

A 36-lane bowling center was constructed at Fort Stewart at a cost of about \$1.5 million and opened for business in November 1977. The project was funded primarily with an interest-free loan from the Army's bowling center loan construction fund, which requires monthly payments of about \$20,000. At the time of approval, the installation had a 12-lane bowling center. A thorough assessment of the need for this project may have shown that a greater need could have been served in this case if a smaller and less costly facility had been installed.

During our review in September 1979, the new center had only been able to generate sufficient funds to meet required loan payments two times in almost a 2-year period. Fort Stewart morale support funds designated for other activities and subsidies from the major command and Army headquarters have been used to help make loan payments in other months. In June 1979, the installation requested a reduction of about 50 percent in its monthly loan repayments. An internal management review resulted in a recommendation that the 12-lane center be closed to draw more business to the used 36-lane center. However, these actions have not been necessary because an intensive promotional effort has resulted in increased use of the facility.

Although DOD guidance permitted a maximum allowance of 52 lanes for an installation with total strength equal to that of Fort Stewart, the project files did not indicate whether an attempt was made to determine a need for an additional 36 lanes. The project justification contained statements that:

- The existing 12-lane bowling center is operating at maximum capacity. There are extensive wall-to-wall waiting lines.
- If the project is not approved, military personnel will not have adequate recreational facilities available and retention will deteriorate rapidly.

We were advised by an installation official, however, that no assessment had been made of the (1) 12-lane center's operation at maximum capacity, (2) persons interested in bowling being denied the opportunity to bowl because of inadequate facilities, and (3) number of personnel at Fort

Stewart interested in bowling to support 36 additional bowling lanes. Installation officials also advised us that because of mission and population changes at Fort Stewart and because of double-digit inflation, it was determined that the construction of a large project of this nature was appropriate to accommodate future bowling needs. The officials said that a new manager of the center has undertaken an intensive marketing and advertising campaign to increase patronage of the center.

A major command official told us that there was little major command involvement in the development of this project. He said that the decision to build the center was basically reached between Fort Stewart and Army headquarters. He also said that headquarters generally acts favorably on requests for loans to fund bowling alleys because they are income-generating activities which have the ability to provide funds for other MWR needs.

Army headquarters officials acknowledged that the decisions made regarding this project were not adequately documented. They recognized the need for improved recordkeeping and project files to support actions taken. But, they believed, however, that although not supported by evidence in the project files, an assessment of needs had been made by the installation. Officials indicated that although the bowling center had initial difficulties, it is now capable of meeting its loan requirements. They attributed the improved financial position to management actions which included a significant promotional effort of the facility. They said although initial demand for this activity may not have been high, effective marketing of the activity stimulated interest. Many army personnel have never bowled before and, by conducting orientation classes, it is possible to help develop such interests. They also said that according to a July 1979 A.C. Nielsen sports participation survey, bowling ranked 5th in popularity among 30 recreational activities.

We are concerned that in this instance a major and costly project was constructed before it was clear that a demand for a facility of this magnitude existed. It was necessary for installation officials to create such a demand once the facility opened. With the limited MWR resources available, it seems that a more effective use of funds would be to satisfy already existing needs.

Fort Stewart, Georgia--joint officers/noncommissioned officers (NCO) club

A \$3 million joint club and package beverage store to be used by officers and NCOs is under construction and is scheduled to be completed in 1980. Most of the project is being funded with a loan from the Army club fund to be repaid in monthly payments of over \$13,000 over a 14-year period.

The responsibility for debt retirement was initially allocated between the officer and enlisted population on the basis of sales generated by each group in the club system. At the time of our review, enlisted personnel generated 74 percent of sales; officers generated 26 percent. However, the club system structure did not permit the separation of NCO sales from sales generated by lower-grade enlisted personnel. The officers and NCOs would therefore be receiving financial support from the lower-grade E-1s to E-4s; however, the lower-grade personnel would not be allowed to use the new facility. This inequitable funding arrangement was not disclosed in the project justification.

Army headquarters officials advised us that after our field review, headquarters directed that the Fort Stewart club system be reorganized effective April 1, 1980. They indicated that according to congressional guidance and our prior recommendations, headquarters has recognized the need for clubs to be operated to the extent practicable on a financially self-sufficient basis. Package beverage income distributed to clubs was to be used primarily for capital improvements, to cover indirect operating expenses, and to repay long-term liabilities such as club construction loans.

The officials indicated that all direct income and expenses will accrue to the respective branches which will be required to break even from operations. The loan repayment was to come from income generated by the package store. The theory was that soldiers of all ranks patronize package stores and the net income generated in the store should be used indirectly to support branch requirements.

While we concur in the Army's recognition of congressional concern that clubs should strive to achieve self-sufficiency, we question whether financing loan repayments from package store profits would provide for more equitable use of funds generated by junior enlisted personnel. At the time of our review, 80 percent of package store sales at Fort Stewart was being generated by NCOs and junior enlisted personnel; only 20 percent was generated by officers. The

specific amount generated by junior enlisted personnel could not be determined. Under the proposed arrangement, junior enlisted personnel would still, in effect, be subsidizing the construction of a facility they could not use.

According to February 1980 recommendations of the Non-appropriated Fund Panel, package store profits and their distribution should be controlled and managed centrally by the service headquarters, and worldwide MWR needs should be considered when profits are distributed. The Army's proposal with respect to the financing of the Fort Stewart club is not consistent with the intent of this recommendation.

Mannheim Military Community, Germany--bowling center

A 32-lane bowling center was constructed at Mannheim at a cost of \$2.4 million and opened for business in September 1979. We found no evidence that installation officials had conducted any interest surveys during the planning process to support the need for a new facility of this size.

This was the first large, centralized bowling center constructed by the Army in Europe. According to DOD construction criteria, Mannheim was authorized a total of 40 bowling lanes. At the time the project was planned, there were 5 separate bowling facilities in the community with a total of 36 lanes. Four of these facilities, with 26 lanes, were to be closed, leaving a total of 42 lanes--the 32 new lanes plus 10 existing lanes at the one remaining facility. Installation officials believed that two lanes in excess of the amount authorized was justified in this case. The new 32-lane facility is now open and 10 of the lanes scheduled to be closed at 2 of the existing facilities are still open. Now there are 52 lanes in the community--12 over the amount authorized. Because of the geographical separation of the barracks areas, installation officials now believe that it is necessary to retain two of the four centers which were to be closed because of the anticipated adverse impact on the morale on the troops at these sites.

The Mannheim bowling center was initially estimated to cost \$1.6 million. A loan for this amount was approved and the loan agreement stated that this amount was an absolute ceiling. The agreement further stated that the new facility should generate sufficient funds to cover all operating expenses, as well as its monthly loan payment. After the agreement was signed, construction costs rose to \$2.4 million because of a decline in the dollars's value relative to the German mark. Army headquarters provided an \$800,000 grant to cover the cost increase.

During the first month of operation, the center generated \$34,000 more than had been initially projected. This increase, however, was due largely to snack bar and game room operations. Without the benefit of the headquarters grant, we estimate that the center would have incurred a monthly operating loss of over \$5,000 because of the additional loan payments that would have been required. We also noted that during the period from 1976 to 1979, total bowling activity in Europe declined by about 10 percent. If this trend continues, Mannheim's ability to meet its loan commitment could be impaired.

During our visit to Mannheim in November 1979, we noted that during the afternoon, dependent youth and uniformed military personnel were bowling. According to an installation official, bowling was considered to be voluntary physical fitness training for both school children and military personnel at Mannheim and was paid for by the participants at reduced rates. This helps to generate revenue for the center during a normally slack period.

Army headquarters officials advised us that during fiscal year 1979, European bowling activity was only 2 percent less than anticipated. They indicated, however, that they recognize the need to monitor indications such as a slight decline in games bowled at Army bowling centers and the need to train its bowling center managers and their staffs and enhance, in general, its bowling management and operations. They acknowledged that the total number of lanes at Mannheim exceeds DOD criteria and said headquarters would authorize the installation to operate in excess of the 40 lanes authorized. These officials believe that the need at Mannheim for the new 32-lane facility was adequately determined and that the new center is financially successful. They agreed that the Army needs to improve documenting such decisions.

As in the case of the Fort Stewart bowling center project, we are concerned that the Army constructed a major and costly facility without determining that a sufficient demand existed. Evidence available before construction suggested that bowling was experiencing a decline in popularity in Europe. Not only does Mannheim presently have more bowling lanes than authorized by DOD; Army headquarters heavily subsidized the construction of the new facility with a grant. Bowling centers, however, are expected to pay for themselves or to generate a profit. As in the case of Fort Stewart, a need to stimulate demand for the activity existed, as evidenced by allowing school youth and active duty personnel to bowl as part of their physical fitness programs. The major contribution of the snack bar and game room to the center's

ability to meet its loan commitment suggests that the demand for bowling itself is less than warranted by a facility of this size. An adequate needs assessment performed during the planning process may have resulted in the construction of a smaller and less costly facility. The new Mannheim bowling alley is shown in the following photograph.



MANNHEIM--BOWLING ALLEY

Mather Air Force Base, California--arts and crafts hobby shop

This proposed project would provide an additional 5,100 square feet to an existing facility of 7,300 square feet, thus providing a 12,400 square foot facility. The project is to be constructed at a cost of \$370,000. We are concerned that the Air Force did not establish a demand for this facility that would justify the extensive expansion in project size. Also, inaccurate population data was used to justify the scope of the project.

According to Air Force criteria, effective January 1979, authorized square footage for this type of facility could range from a basic requirement of 8,700 square feet to a maximum of 13,200 square feet. However, requirements which exceed the minimum amount must be fully justified by supporting documents which show the past usage data of existing facilities, special needs, or evidence that existing suitable facilities are not available in nearby civilian communities or military installations.

In this case, the installation did not justify exceeding the basic requirement. In addition, the justification did not consider the effect that a decline in military strength at the installation would have on the number of dependents considered during the planning process. Although the number of active duty military personnel declined by 600, or more than 10 percent, during the period that the project was being considered, no reduction was made in the number of dependents who were included in the original space computations. The impact of this reduction on the dependent population is not known. However, if the number of dependents declined by about the same amount as the reduction in military strength, Air Force space criteria would have allowed only a 9,400 square foot facility--3,000 square feet less than the size approved. Although the expanded facility would accommodate almost twice as many patrons as the existing facility, there was no indication that patronage would double once the larger facility opened for business. Also, without the benefit of past usage data for the existing facility, it is questionable how reviewing officials determined that an expanded facility was needed.

Air Force headquarters officials told us that they believed the expansion was justifiable because of their knowledge of the ability to greatly expand activities and services with additional space. They acknowledged that surveys or needs assessments had not been performed to show that installation personnel and dependents were interested in hobby shop activities. They believed that the validity of such data

would be questionable for construction purposes because of the highly mobile nature of the military community. They preferred to program construction to last 30 to 40 years and not base management decisions on the desires of a population subject to frequent turnovers. They also were not able to provide any data showing how patronage was broken down by active duty personnel, dependents, or retirees. They believed such information is not and should not be required, because its gathering could be a patron irritant and costly to document.

The officials further believed that the January 1979 requirement to justify exceeding the basic space requirement was not applicable in the case of this project because it was implemented after the project was approved. They agreed that the justification should have been updated to recognize the possible reduction in the dependent population. They believed, however, that the present population would justify the size approved. They considered this project to be high among Air Force priorities.

We believe that the January 1979 requirement for more complete justification was applicable in this case because the project was still in the development stages after the requirement became effective. We believe that reviewing officials should base construction approval decisions on such vital information as the size of the population to be served, compliance with service criteria, a reliable assessment of demand, use of existing facilities, and meaningful projections of the use of proposed facilities. Had all such information been considered, a smaller, less costly project may have been decided on to adequately satisfy the installation's needs.

Naval Training Center, San Diego, California--arts and crafts hobby shop

The construction of a \$1.5 million bowling alley expansion project is in process and is scheduled to be completed this year. The project includes reconstructing an arts and crafts hobby shop which is presently located in the existing bowling alley facility. Justifying the bowling alley expansion did not address the issue of reconstructing the present shop which was to be demolished; and reviewing officials were denied the opportunity to determine the merits or need for rebuilding it. The present shop lost a total of over \$70,000 during fiscal years 1978 and 1979. Also, no reliable data on the usage of the present hobby shop was available and no attempt had been made by installation officials to determine whether assigned personnel had any interest in this activity.

Headquarters officials said that the decision to replace the arts and crafts hobby shop was made locally at the installation. Normally, when an activity is displaced by a construction project, the activity is replaced and the cost is included as part of the overall project costs. Headquarters assumed that the activity is still needed. The officials believed that it was not relevant whether the present hobby shop was profitable. Such activities are not required to make money. The officials acknowledged that it would have been desirable for the installation to have made an assessment of the need for the project. They indicated that they should have taken advantage of the opportunity to reassess the need for the hobby shop.

As recognized by Navy officials, it would have been desirable for installation officials to have determined whether there was actually a need for this facility. If not, the expansion project could have been reduced in scope, or the space could have been designated to fill other needs which may have existed. Although we recognize that such facilities are not required to be profitable, the ability for an activity to be financially self-sustaining provides a reasonable indication that a demand for the activity exist. Although DOD and Navy criteria may authorize a particular facility based on population size, the need should be demonstrated sufficiently before any construction project is approved.

Naval Training Center, San Diego, California--enlisted club enlargement

This proposed \$1.3 million club expansion would increase the size of the existing club facility from 29,100 square feet to 53,600 square feet and double its capacity from 1,000 to 2,000 persons. The project was considered to be the number two priority in the Navy's fiscal year 1979 Mess Facilities Improvement Program. We are concerned that the expansion may not be necessary if adequate consideration were given to meeting the present demand with other alternatives. Presently, club facilities for the enlisted men and petty officers are located on opposite ends of the same building and are separated by an unused theater. The second floor of the building is vacant; however, the expansion would convert the theater to a dance area and the second floor to party rooms and a bar.

In May 1979, installation officials requested headquarters approval for a merger of the enlisted and petty officers

clubs "to provide a better recreational program for all hands at less costs." The request to merge the two clubs indicated that

- significantly more junior enlisted personnel were assigned to the Training Center than petty officers;
- the enlisted club is overcrowded and the petty officers club is underused;
- the majority of the younger petty officers use the enlisted club to be with those of their own age group;
- long entrance lines form virtually every evening in front of the enlisted club, which is too small to accommodate all who desire entry, while only a handful of senior petty officers use the larger facility designated for their use;
- the enlisted club showed a net profit of \$117,000 in 1978, and the petty officers club lost \$8,600; and
- it was believed only a merger of the two operations and the full use of both club areas would eliminate future petty officers club financial losses.

It seemed apparent that the merger anticipated joint use of all facilities by both junior enlisted personnel and petty officers. Installation officials told us, however, that the junior enlisted personnel will not be permitted in the petty officers' portion of the club until after the expansion is completed because of a Navy requirement to have a separate facility for first and second class petty officers. However, Naval Military Personnel Command officials told us that the provision is a command prerogative rather than a Navy requirement.

Installation officials said that 85 percent of the combined club's patronage was by junior enlisted personnel. However, the size of the expanded club is weighted heavily towards the petty officers. This anomaly occurred because of the more generous space allowances granted to petty officers by Navy regulations. The timing of the recent club merger coincides with the development of the expansion project. It appears that the merger was designed primarily to qualify for a larger overall facility rather than to encourage joint use of all facilities by personnel of all ranks. Without the benefit of including the petty officers in the

space computations, the enlisted club population would only be entitled to a 20,000 square foot facility. Including them in the computation would increase the size of the facility.

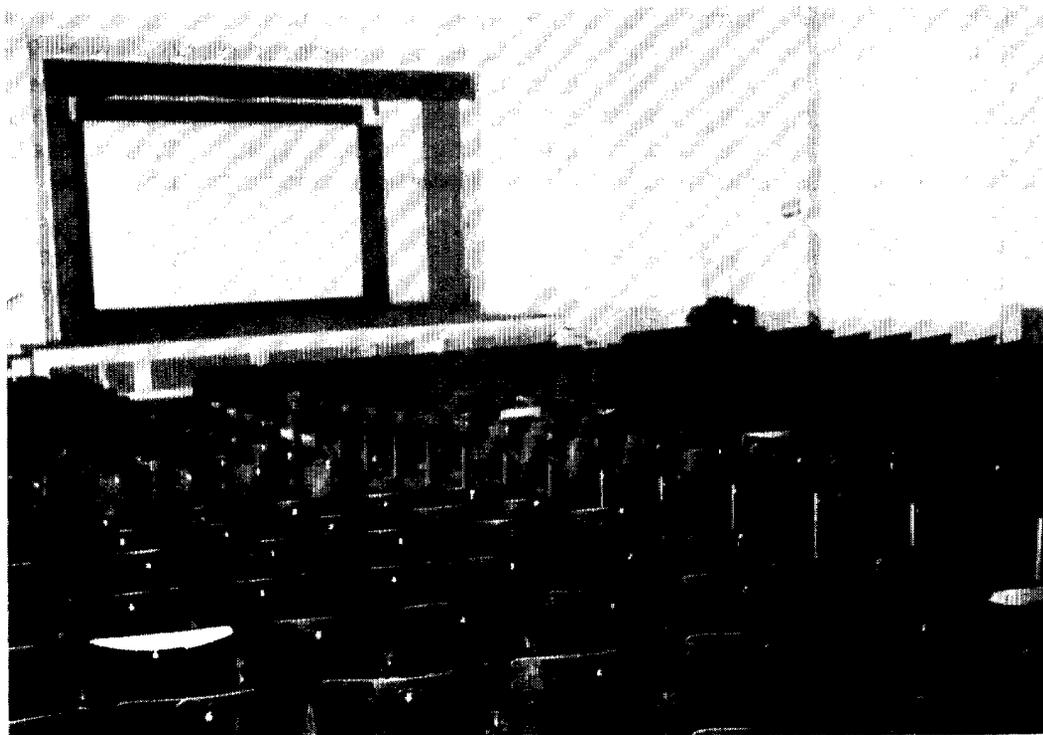
An expansion of this magnitude may not be necessary if both portions of the club were opened to all enlisted personnel. This could alleviate overcrowding in the junior enlisted portion and alleviate the financial difficulties of the petty officers club. It could demonstrate that the capacity of the present building may be adequate to meet demand and thereby eliminate the need for a costly construction project.

Navy headquarters officials indicated that apparently the installation had adequately documented the project requirements to the major command. The major command recently emphasized to headquarters the need for the project as originally intended. The officials said they would have to agree with the local commander's determination. Headquarters would not order a consolidation or joint use of facilities--this was "not the Navy way."

In our January 1979 report on military club and alcohol package store operations, we discussed the benefits of consolidating clubs, particularly where services to personnel could be improved. We believe that, in this case, opening all facilities of the enlisted club to all personnel would significantly improve service to eligible personnel and possibly obviate the need for facility expansion. The present enlisted club is shown in the following photographs.



NTC SAN DIEGO--ENLISTED CLUB



NTC SAN DIEGO--UNUSED THEATER

National Naval Medical Center, Bethesda, Maryland--bowling alley

This project involved the construction of a 20-lane bowling center at a cost of \$1.3 million. The center opened for business in October 1979 and construction was funded with a headquarters grant. At the time the project was being evaluated for headquarters approval, the major command considered it as the highest priority project. The Navy did not demonstrate the need for a project of this magnitude and the project seems to be intended to serve other than active duty personnel. A preliminary project justification indicated that the facility was needed to provide physical fitness and recreational support for 7,100 personnel, consisting of:

Military personnel assigned to center	1,800
Military personnel assigned to other locations (including foreign military personnel and Government officials)	1,700
Patients and retirees	<u>3,600</u>
Total	<u>7,100</u>

Navy criteria for bowling alley construction bases the size of bowling facilities only on assigned military population and 10 percent of the dependent population. No allowance is authorized for retirees or any other category of personnel, except where an installation is charged with the responsibility for providing recreational facilities to military personnel stationed at other installations. Such personnel, however, may not be included as part of another installation's requirements.

The project justification did not document the eligibility of the 1,700 personnel in this category, and to the extent that a portion of this group consisted of foreign military personnel or Government officials, they should not have been considered. According to the assigned military strength plus dependents, the installation would only have been entitled to eight lanes.

Our review of the project file indicated that reducing the project's size had been considered since officials were aware that retirees should not be used to justify bowling lanes. However, the scope was not changed; justification was modified instead. Although the total population of 7,100 remained constant, the breakdown of personnel in each category was revised and the reference to retirees was deleted.

Navy headquarters officials stated that it is difficult in an area as large as Washington, D.C., to determine specifically how many personnel are supported by the Bethesda facility. They indicated that Public Health Service officials are authorized to use the facility, as well as military personnel who work at the Pentagon and at the Forrestal Building, and have no "home base" facilities. They therefore believed that those who lived in the Bethesda area probably use the facilities at the Medical Center. The officials said that they considered the approval of this project to be valid. They also said that the construction of a bowling alley with less than 8 to 12 lanes was not cost effective and would normally only be appropriate in an isolated area where the need for the facility would outweigh financial considerations.

The officials acknowledged that there may have been projects which were more urgently needed, but headquarters relies on the local commanders to identify needs. They agreed that headquarters needs to assume a more aggressive role in assisting commanders to develop MWR projects. They said that, to a limited extent, they are now moving in that direction. They are presently not involved, however, in establishing requirements and assessing needs. The headquarters officials said the lack of personnel prohibits their involvement in verifying needs and evaluating the use of existing facilities.

We are concerned that the Navy did not adequately demonstrate that there was a need or demand for a project of this size. The lack of an assessment of need or a clear determination of the population to be served by the bowling center suggests the project may not have been intended primarily to serve the needs of active duty personnel. We are also concerned that in a major metropolitan area such as Washington, D.C., numerous commercial bowling facilities are available which could meet the needs of the military community. By taking advantage of such facilities, limited construction funds could be used to meet other and possibly greater needs.

Camp Pendleton, California--enlisted/NCO clubs

This proposed project involves the construction of three enlisted/NCO club facilities (headquarters, Horno, and San Mateo) at an estimated cost of \$4.9 million and would replace three existing substandard facilities. Although the size of the proposed facilities is within DOD and service space criteria, an assessment of the base personnel needs

had not been made. Such an assessment may have resulted in the approval of a project which could have been less costly and more responsive to the needs of base personnel.

The installation club branch presently has 18 annexes located throughout the base. The facilities are basically snack bars with alcohol beverage service, small game rooms, and small stage areas. The proposed clubs would provide full-dining services, space for disco dancing, and could handle unit-size functions. In fiscal year 1978, the club branch reported a profit of about \$300,000; however, it received about \$500,000 in appropriated fund support. Without this support, the branch would have lost almost \$200,000.

The proposed clubs for the Horno and San Mateo areas would be located away from family housing. The family housing serving both areas is close to an existing disco and is near the city of San Clemente. Most personnel living in the area where the clubs will be located are single males. The manager of one of the clubs told us that although patronage is adequate from Monday through Thursday, business is slow Friday through Sunday because the Marines tend to leave the area on weekends. Installation officials believe that the new clubs would encourage more personnel to remain on base. They also believe the clubs would attract sufficient single and married personnel to be profitable. These views, however, were not supported by a survey or a determination of whether base personnel preferred or required full dining and disco facilities, rather than improved facilities for the types of relatively simple services already being offered.

Marine Corps headquarters officials expressed concern about the need for full dining facilities at the proposed clubs. They believed that this service would not be appropriate because of the planned location of the clubs. They said that the Horno facility is an example of overbuilding resulting from insufficient planning. They said that if headquarters had been involved earlier in the planning process, a facility to provide family dining service in a remote area probably would not have been approved.

According to the headquarters officials, they select projects for funding from local submissions. The local installations, until recently, had to contribute 25 percent of the project cost. The officials acknowledged that the Marine Corps funding policy could have been a deterrent to building needed projects at installations that lacked sufficient local funds. An installation unable to provide the requisite 25-percent contribution could still submit a request to headquarters for consideration. Local commanders, however,

seemed reluctant to make such submissions because they believed approval would be unlikely. The officials also agreed that there is a need to perform more needs assessments or surveys to determine what type of MWR facilities active duty personnel want.

The officials said that the successful operation of an installation's club system is based on the total financial results of all club branches--not of individual clubs. The more successful clubs contribute to the operation of other projects.

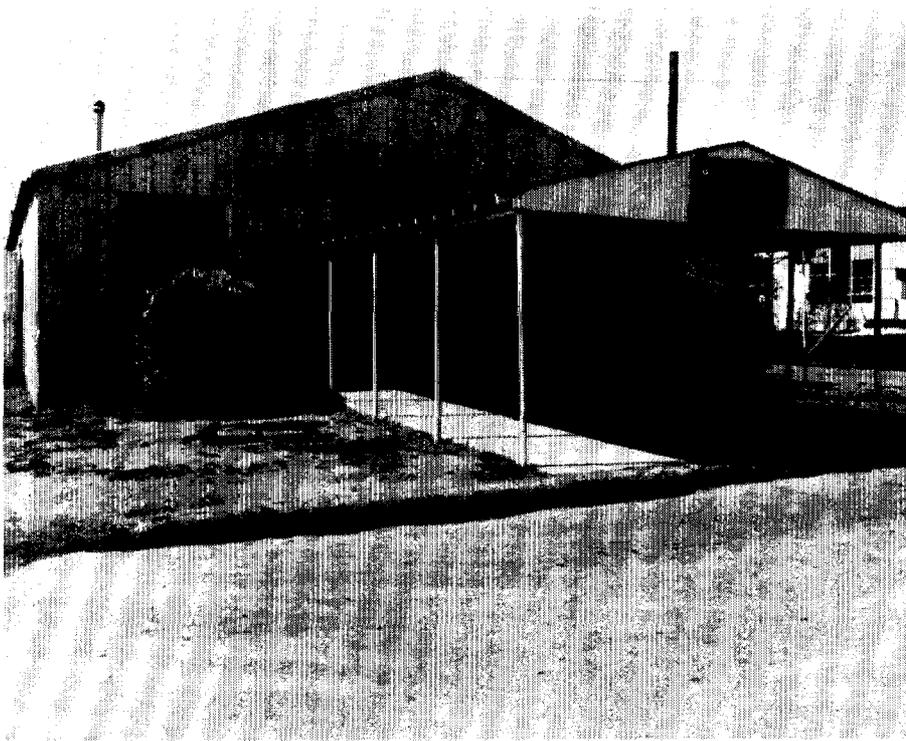
We are concerned that because of the lack of an assessment of the desires of base personnel during the planning process, the expenditure of almost \$5 million for the Camp Pendleton clubs may be disproportionate to existing needs. In view of the reservations expressed by headquarters officials concerning the merits of providing full dining services at the proposed clubs, we believe that a reevaluation of the basic services to be provided and the size of the proposed facilities is warranted and should be promptly initiated. Headquarters officials advised us that the scope of the Horno portion of the Camp Pendleton project will be reconsidered. The enlisted and NCO clubs are shown in the following photographs.



CAMP PENDLETON - ENLISTED CLUB (53 AREA)



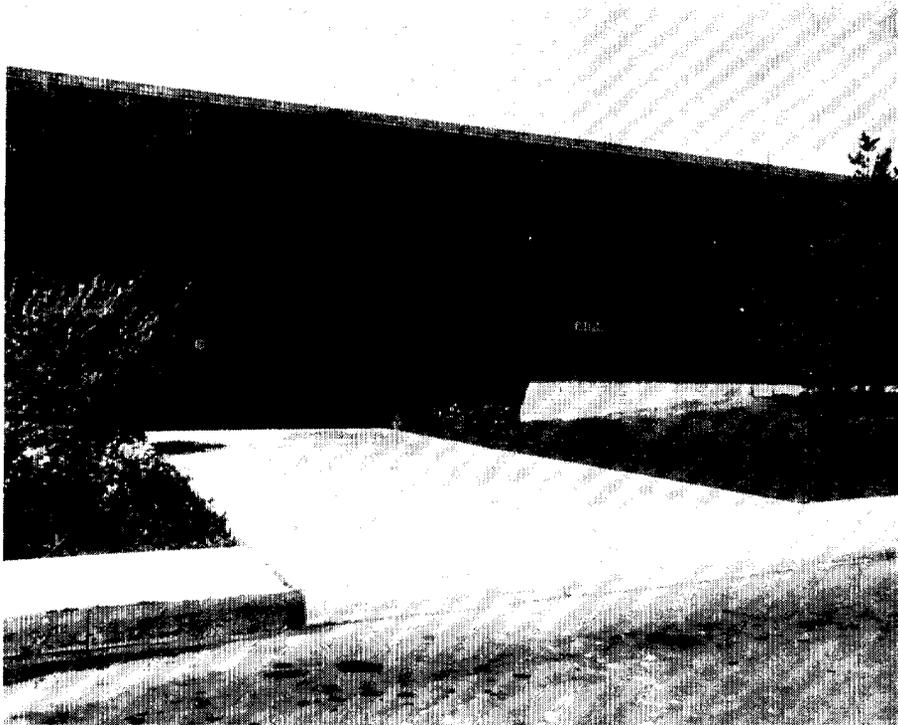
CAMP PENDLETON - ENLISTED CLUB (53 AREA)



CAMP PENDLETON—ENLISTED CLUB (62 AREA)



CAMP PENDLETON—ENLISTED CLUB (62 AREA)



CAMP PENDLETON— NCO CLUB (20 AREA)



CAMP PENDLETON— NCO CLUB (20 AREA)

CONCLUSIONS

We believe that the matters discussed demonstrate that the project planning, review, approval, and funding processes could be enhanced. Unless the project planning and development processes are improved, projects which could possibly serve a greater need may never be built. As previously noted, the services have identified a \$1.3 billion backlog of unfunded MWR facilities needed to satisfy program requirements.

CHAPTER 3

IMPROVEMENTS NEEDED IN THE PROJECT PLANNING, REVIEW, APPROVAL, AND FUNDING PROCESSES

Although DOD and the services have initiated recent program improvements, which if properly implemented should contribute to improving the effectiveness of the construction program, their MWR program procedures need strengthening to insure that

- projects developed are the most cost-effective size to meet the needs of active duty personnel,
- the review and approval processes provide for the priority and documenting of needs to insure that the most urgent needs are being met with the limited available construction funds, and
- the funding methodology for MWR projects provides for the most effective and equitable delivery of MWR facilities.

More DOD guidance is needed on how the planning, review, approval, and funding processes are to operate. Except for announcing a broad overall policy for the services to follow, DOD guidance is limited. DOD has not provided the services with guidance on how to determine or to assess facility needs. The methodology for project development has been left to the four services. Each of the services has established its own policies and procedures (see app. II). The process for determining MWR facility requirements has been generally delegated by the services to the local installation commanders and the major commands. Under the present decentrally managed system, there is a lack of an overall management perspective to insure that the most urgent facility needs of each service, particularly at overseas locations, are being met.

FACILITY REQUIREMENTS SHOULD BE BASED ON NEED

DOD's objective is to provide facilities that are complete and responsive to the functional requirements they are to support. In addition, DOD has expressed the need to provide the optimum combination of an efficient and effective facility at the most economical cost. Facility design should be based on the actual requirements of the project.

To provide instruction to the four services, DOD has announced an overall construction policy that provides broad technical criteria and policy guidance. According to DOD, general adherence to its criteria should produce durable, safe, and functional MWR facilities.

DOD space allowances for MWR facilities constitute maximum allowances, and facilities should be planned to meet the specific requirements of an installation rather than arbitrarily planned to the maximum stated size. Also, installations are not to be automatically provided with all of the facilities listed in the DOD criteria, unless specific requirements exist. The services are required to exercise close surveillance to insure only the most essential projects are approved.

DOD considers its space criteria ample under normal conditions to meet the needs of the military population. However, provisions are made for deviations from the criteria. If an installation's requirement exceeds the space allowances, the installation must either apply for a waiver to criteria (criteria exists, and will be exceeded) or an exception to criteria (no criteria exists). DOD reviews these requests on a case-by-case basis. DOD officials stress that the DOD criteria were designed as maximums, and that even if used alone without the benefit of past usage data or needs assessments, the right size facility will usually be built.

Our review of 91 MWR projects showed that they were generally approved within the maximum allowances established by DOD. Twenty-four percent of the projects reviewed, however, may have been authorized more space than needed for the active duty population. These included projects which exceeded the allowed criteria and projects which were within the criteria.

In certain cases, the space requested was reduced below the criteria primarily because of funding limits rather than determining the need. On the other hand, in certain cases involving overseas locations, waivers for the criteria were obtained or requested because the space needs were considered to be greater than that allowed.

Differences in service's application of DOD's space criteria

The four services differ in their application of the DOD space criteria. The Army follows DOD's criteria and has not promulgated further implementing instructions. The Air Force

has developed its own instructions; however, the space authorized for MWR projects is generally the same as that allowed by DOD. We noted a slight reduction in the Air Force's determination of space needs for certain facilities. For example, for an installation with a military population of 6,500, DOD criteria allows 24 bowling lanes with 23,500 square feet. The Air Force, however, would permit the construction of a 24-lane facility with only 21,000 square feet.

The Navy has developed a more sophisticated and realistic approach to sizing MWR facilities which recognizes, in many cases, the need for reductions in the DOD space allowances. The Marine Corps, with certain exceptions, generally follows the Navy criteria.

The Navy criteria, using the DOD criteria as a base, requires many facilities to use the application of "environmental adjustment factors" which in effect serves to reduce the allowed space allowances. The Navy has attempted to further implement DOD's objective that facilities be planned to meet specific requirements and not arbitrarily to the maximum allowances. The environmental adjustment factors recognize past and expected use of a particular facility, effects of off-installation housing, and nearby available civilian and military facilities. As a general rule, these factors do not apply to overseas installations; however, other military installations in close proximity should be considered as equivalent community support providers.

The resultant effect of applying the environmental adjustment factor is a more realistically sized and less costly facility. For example, when estimating the size of a proposed officers club, Navy planners must adjust the space allowance according to the distance to the nearest metropolitan center with 100,000 or more residents. In the case of a population of 1,500 officers, DOD space criteria would allow up to 27,800 square feet. In the case of a Navy installation located less than 15 miles from a large metropolitan area, the maximum allowance would be reduced by 20 percent. Therefore, the Navy criteria provides for a total of only 22,040 square feet.

Theaters offer a more dramatic example of the application of the environmental adjustment factors. At an installation with a military strength of 6,000, DOD criteria would allow a maximum capacity of 1,000 seats. Navy criteria, however, considers the availability of civilian community facilities, other installation recreational facilities, and current installation theater attendance. For example, if a Navy installation were located near several community theaters,

but had other poor recreational facilities including an existing theater with poor attendance, the installation would be entitled to a new theater with only 350 seats. Similar reductions in capacity would be required by Navy criteria for such other facilities as youth clubs, child care centers, bowling centers, field houses, and gymnasiums.

While the Navy and, to a lesser extent, the Air Force have attempted to apply a more realistic approach to project planning than required by DOD, there are still considerable differences in sizing requirements among the services. This disparity in requirements for sizing facilities could result in inequities in MWR facilities provided to personnel in the four services. Also, by following the DOD criteria without demonstrating that the authorized space allowance is consistent with installation requirements, there could be a proliferation of oversized and excessively costly facilities. DOD should reevaluate its prescribed space allowances to reflect actual service experience and existing conditions which affect facility needs. The Navy approach could serve as an example that could be used by each of the services.

Need to clarify population base to be used to determine space requirements

DOD space allowances are based on the authorized projected military population of the installation concerned. The definition of "military population" varies depending on the type of MWR facility being considered. The military population includes assigned active duty personnel plus designated percentages of dependents and retirees supported by an installation. DOD civilian personnel and their dependents may also be counted in overseas areas. Also, where an installation has the responsibility for providing recreational facilities for military personnel stationed at other installations, such personnel may be considered for planning purposes. However, they must only be counted by one installation.

As discussed in chapter 2, in about 20 percent of the projects reviewed, the space criteria was either exceeded or applied incorrectly. Waivers were obtained or requested for five of the projects which were located overseas. Also, 12 percent of the projects reviewed were justified primarily on the basis of meeting the needs of persons other than active duty military personnel. We noted such problems as:

- Space requirements for a completed \$2.2 million staff NCO club at Camp Pendleton, California, depended on serving a population of almost 20,000. About 17,000

persons were retirees. The retirees lived in an area extending from Anaheim to San Diego. Numerous existing military club facilities are in this area, as well as commercial recreational facilities. Presently, only 4 percent of the retired population used to justify the facility are club members.

--A \$1.3 million bowling alley at the National Naval Medical Center (see ch. 2) was justified on the basis of serving the needs of a population of 7,100. Of this group, 1,700 were military personnel assigned to other locations, as well as foreign military and other officials. The project justification did not document the eligibility of the personnel in this category. Also, the foreign military personnel or other officials should not have been considered because of their ineligibility.

Errors in criteria application occur because of ambiguities over who is eligible to be counted and what geographical areas are to be considered. Also, although personnel other than assigned active duty personnel are eligible for consideration for project planning purposes, no controls exist to prevent the development of MWR projects primarily to meet the needs of such other categories of personnel. This practice is inconsistent with the intent of the MWR program to provide recreational facilities for active duty military personnel.

In situations where there are multiple military installations, in areas such as Germany, California, or Washington, D.C., DOD could serve as a valuable resource during the construction planning process. If DOD served in a coordinating capacity and exercised its oversight responsibility, the construction of possibly excessive or duplicative MWR facilities could be avoided.

Improvements needed in determining facility requirements

Although DOD requires that MWR facilities be planned to meet the specific requirements of an installation, rather than arbitrarily constructed to the maximum authorized size, DOD has not provided the services with specific guidance on how needs are to be determined. Each service has the responsibility for determining its facility needs and the methodology for determining it varies considerably.

The most prevalent problem with justifying projects noted during our review was the lack of documents to demonstrate that a valid determination of need had been made. (See ch. 2.) Project justifications are required to contain statements explaining why a project is needed, how the requirement is presently being met, and the impact on the mission if the project were not approved. There are no specific instructions, however, regarding how these determinations are to be made or documented. Two basic tools which would help establish meaningful construction requirements are needs assessments and use data for existing MWR facilities. Although these aids are the key to planning for new facilities, there are considerable differences in the methods and effectiveness by which the services develop this information.

The Army has recently developed specific procedures for determining needs. The procedures, effective in January 1980, require that a comprehensive survey be conducted biannually by each installation commander to identify MWR needs and personnel interests, evaluate available resources, and make MWR program adjustments. Resource surveys are also to assess the private, public, and commercial facilities available to military personnel in the surrounding area to eliminate unnecessary duplication or to provide activities not otherwise available to troops and their families. In addition, since October 1979, Army-wide surveys were to be conducted quadrennially by Army headquarters to determine user preference and effectiveness of current MWR programs, modification or changes required, and priorities for funding. The survey results were to be provided to the major commands.

The Air Force headquarters make needs surveys and some major commands and installations conduct their own surveys. During our review, no established procedures were available, however, for coordination between headquarters and the local levels. Headquarters furnishes the installations with the results of Inspector General reviews which assess how installation personnel view the effectiveness of their MWR program. The Air Force has recently started using the results of affirmative action surveys to help MWR managers evaluate programs and services. The Air Force also requires that each installation maintain a recreation program planning folder which contains information on personnel needs and interests. We noted, however, that current information was not being maintained at Air Force bases visited in Europe because installation officials believed it was no longer required.

A recent review conducted by the Air Force Audit Agency of the Air Force MWR program concluded that development of a structured planning system would help in guiding MWR managers

toward meeting DOD and Air Force objectives. The review noted that market research and analysis techniques were not being effectively used to systematically assess the needs and desires of people within the Air Force community. It stated that more central expertise was needed to assist activity managers in evaluating potential customers, off-base alternatives, and the overall interest of the people. The review also reported that perceptions expressed by commanders about peoples' interest and satisfaction were generally inconsistent with responses from people surveyed. The review showed that facility requirements were not documented in terms of the needs and interests of Air Force personnel for 92 percent of the projects reviewed. Also, no long range MWR facility improvement program existed to integrate facility requirements into a program for achieving MWR objectives. The review recommended using central expertise and business techniques to assist MWR managers in assessing people needs, evaluating cost effectiveness, and measuring the effectiveness of MWR programs.

In February 1980, the Air Force established a requirement for triennial MWR surveys at each installation to identify MWR needs, evaluate available and potential program resources, establish priorities, and justify program changes. The first survey is to be completed in October 1980.

The Navy and Marine Corps have not adopted specific procedures for performing needs assessments. No requirements are given for the installations or headquarters to periodically administer needs surveys. They rely instead on recreation councils to surface MWR needs not being met.

Statistics on the use of existing MWR resources can provide valuable past data for planning purposes. Such data would enable MWR planners to identify the population being served, those not being served, the types of activities which are most widely preferred and attended, and the services most desired by personnel. Although most installations maintain such data with varying degrees of sophistication, such as financial data for revenue generating activities and personal observation, neither DOD nor the services require them to maintain comprehensive use statistics on all aspects of the MWR program. Such data would be extremely beneficial when considering the merits of expanding, renovating, or replacing existing facilities and would provide reviewing officials with meaningful information to justify the need for proposed construction projects.

In our report, "Changes Needed in Operating Military Clubs and Alcohol Package Stores," we discussed the results

of our questionnaire analysis of service members' perceptions of military club services. Our survey showed that 44 percent of the military population never use their club, or use it less than once a month. The survey also showed that if the negative aspects of clubs perceived by military personnel were improved or eliminated, 45 percent of the population would increase their patronage. This type of information on use and needs can provide MWR planners with valuable information to enable them to improve the delivery of MWR services and to provide facilities that could be more responsive to the needs of military personnel.

NEED TO CENTRALIZE AND STRENGTHEN PROGRAM DIRECTION

Although DOD has overall management and oversight responsibility for the MWR construction program, DOD has not provided sufficient guidance to the services for establishing and putting priorities on MWR needs. Also, DOD has not developed a systematic approach to provide for the equitable distribution of MWR facilities among the services, between CONUS and overseas locations, and between urban and remote locations. Program administration has been left to the individual services.

The service headquarters groups are also not providing the overall guidance and direction needed to insure that the limited MWR resources are directed toward where they are most needed. The service headquarters are in a position which should enable them to assess and determine the most equitable distribution of MWR facilities on a worldwide basis. They instead tend to limit their involvement to reacting to locally generated project proposals. As shown in our review, such proposals may not reflect meaningful and sufficiently documented requirements.

The major commands are not effectively scrutinizing project requests developed at the installation level to determine their validity and to establish the existence of genuine needs and realistic priorities. Also, the local installations are developing project requests without considering all the information required to adequately assess needs and determine the optimum way to use the limited available MWR funds.

More service headquarters direction needed

Although each of the services has available at the local level such management tools as "master plans" or "facility

requirement lists" which identify each installation's MWR requirements (see app. II), the service headquarters groups generally do not make effective use of this information to assist them in providing program direction.

The need for overall direction and oversight from the headquarters level is crucial to the effective development of MWR projects. It is at this level that all service MWR requirements could be judged in the perspective of their relationship to one another. Service headquarters officials have not taken a sufficiently active role in assisting installations in the project development process. The headquarters position has been that the local commanders know best what facilities they need to meet their requirements, and that the major commands will put priorities on these local requirements appropriately. As noted, however, in our report on the operation of military clubs and alcohol package stores, installation commanders, each operating the club system under their control as they see fit, often impede the efficient, effective, and economical operation of the clubs on their installation. Also, as noted above, the Air Force Audit Agency recently reported that commanders' perceptions of MWR needs may not agree with the expressed needs of their personnel.

The Navy's procedures for facility programing comes close to a system of headquarters' oversight and direction. Each year, a headquarters board of administrators meets to formulate the MWR construction program for the next 2 fiscal years. Headquarters officials review all major validated MWR requirements that have not been approved for appropriated funding, and consider for selection, those projects which they believe should be built with nonappropriated funds. Those projects tentatively selected for funding consideration over the next 2 fiscal years are forwarded to the major commands for detailed justification and review. Even though the major commands may substitute projects of the same approximate dollar value that they consider to be of higher priority, this is an example of some effort being made to review worldwide requirements for developing overall construction strategies that are communicated to the local level for implementing.

The Army system illustrates minimum construction planning and programing direction by headquarters. Each year an instructional letter is sent by headquarters, through the major commands, to the installations setting forth the amount of nonappropriated funds available for construction projects, along with some guidance on the type and scope of projects acceptable. The local installations are directed to select

those projects which they would like considered, and submit a proposal list to their respective major commands. The major command in turn places priorities on these projects and sends them to headquarters for final review and approval. Headquarters officials strive to leave the major command priorities intact, as they believe that once a project is assigned a major command priority, it has been carefully reviewed and approved by the local installation and the major command.

The above procedures pertain to projects which are large enough to require funding support and/or project approval from headquarters. In addition, certain projects can be approved and funded at lower levels, and each service's headquarters is merely informed of the installation's intention to proceed with construction (to be discussed in more detail later in this chapter). In these cases, the service headquarters also have only limited control over the direction of the MWR construction program.

Project reviews are based on limited documentation

Our review of project documentation for 91 projects identified 31 examples of problems regarding project justifications. Such problems as (1) inadequately determining needs, (2) questionable project justifications, and (3) the lack of data on past usage, suggest that the review and approval of those projects could not have been adequate to insure that the most urgently needed MWR facility needs would be met. The extent of project reviews varies among the services and appears to be perfunctory at the headquarters level.

Headquarters officials told us that considerable reliance is placed on the judgments of local commanders and command-level officials. Records on project development are not being kept with any degree of consistency at these levels. This, coupled with the high turnover rate characteristic of the military service hinders the tracking of a project from inception to completion, and removes the opportunity for learning from past mistakes.

Project reviews are restricted to being somewhat superficial because of the lack of information provided to enable reviewers to determine whether projects have been planned and sized to best meet the needs of the service population. As noted previously, most services do not require local installations to conduct periodic needs surveys or to collect usage data that can be used in justifying construction requirements.

Headquarters project "reviews" consider a project's financial viability or technical sufficiency. Each service requires its engineers to review proposed construction projects. These reviews are largely technical in nature--checking master plans and requirements lists to see that the projects appear as recognized requirements; determining whether established space criteria have been exceeded; commenting on design feasibility from an engineering viewpoint; and confirming that the setting of the facility is according to overall planned land usage. We found limited evidence of attempts made to determine whether the "need" for a project had been adequately demonstrated.

We also found that reviews performed at the major command level were minimal, again consisting mainly of technical checks. Even though major commands were responsible for project priorities, decisions were not always supported. We noted instances where no records were maintained on the results of project reviews and few documents were available on why certain project proposals were submitted to headquarters and others were not.

The reliance placed by headquarters and major command officials on the installations' project proposals intensifies the importance of properly justified and well-supported proposals. In addition to supporting the need for new facilities, adequate documentation provides a past record of project development which can provide continuity when key officials may be reassigned.

Need to establish procedures for construction requirement priorities

Because of the limited nonappropriated construction funds available, it is not feasible to fund all MWR project needs. In view of the \$1.3 billion backlog in identified needs which presently exists, it is up to DOD to insure that those projects funded serve the most urgent needs. Competing project proposals must therefore be made priorities so that the funds expended are used in the most cost-effective manner.

DOD has not provided guidance to the services on how project proposals are to be ranked. Each service has developed a different methodology. A consistent approach is needed to establish priorities to insure the equitable provision of needed facilities for each of the services' military personnel.

The Air Force has developed the most sophisticated system for setting priorities. Proposed projects are weighted by computer for such variables as (1) priority assigned by the major command, (2) condition of existing facilities, (3) operational priority, (4) types of personnel who would use the facility, (5) exceptions to criteria, (6) geographical location, and (7) ability of project to generate income. A numerical score is assigned for each of the variables before projects are ranked by total score. The largest variable in deriving the total score is the major command priority. This emphasizes evaluations already performed at the command level.

Navy headquarters follows criteria developed by the Navy's MWR Policy Board. A priority for funding of valid MWR facility deficiencies is placed on the following:

- Facilities having a favorable impact on fleet readiness.
- Construction in isolated and hardcore areas when Navy tenure is not in doubt.
- Facilities developed on an area/complex concept rather than on an individual command basis.
- Construction in support of both bachelor and married personnel interests.
- Projects to correct safety, security, and sanitation deficiencies.
- Overseas projects having maximum impact on improving the international balance of payments.

Navy policy also requires that the most serious deficiencies are to be corrected. The Navy does not require MWR funds to be allocated proportionately among the major commands. However, the major commands still have considerable impact on the project selection process. Although Navy headquarters selects the projects to be funded, the major command may still review them. As noted earlier, the major command can substitute projects believed to deserve higher priority, providing authorized dollar limits are not exceeded. The Navy Board of Administrators, that devises construction policy, is made up of major command officials.

The Army's Construction Requirements Review Committee places priorities on all MWR project requests, except for bowling and club projects, submitted by the major commands. For fiscal year 1980, the Army requires that priorities be

given to those projects which will generate income and those projects at remote locations. Major command priorities are generally honored as submitted and simply compiled into one list and then ranked. Projects within the highest ranking commands have a better opportunity to receive funding approval. It is unlikely that within a major command's listing the projects would change in rank order. Headquarters officials believe assigning priorities to needs is an area which commands should know best.

According to the Marine Corps officials, there is a need for a more systematic approach to placing priorities on project requests. Presently, those installations that are most vocal in their requests receive priorities for project approval. Since there are no intermediary commands, projects are submitted directly from the installations to headquarters. It is up to the headquarters staff to review project proposals as they are submitted and make recommendations to the Marine Corps Nonappropriated Fund Board to be considered and recommended to the Commandant for approval.

Because of the types of projects being approved, some of which have questionable merit, there is a need for DOD guidance in this area. A consistent approach to project priorities would help insure a more equitable provision of facilities to all active duty personnel. Particular emphasis should be given to overseas facility needs and remote locations where there may be a lack of available recreational opportunities. Priorities should be assigned where the greatest needs exist. Headquarters should insure that personnel, regardless of where they are assigned, are provided with facilities which would enhance the overall quality of military life.

NEED TO DEVELOP A CONSISTENT
AND EQUITABLE FUNDING APPROACH
FOR MWR CONSTRUCTION PROJECTS

Considerable differences are found in service procedures for funding the construction of MWR facilities. In the past there have been disparities among the services about the use of nonappropriated and appropriated funds for building comparable projects. Inconsistencies are also in the services' methodology for using nonappropriated funds. These inconsistencies could contribute to inequities in the delivery of needed MWR facilities to active duty personnel and interfere with the accomplishment of program objectives.

Each service follows a different approach for funding MWR construction projects. (See app. II.) Although each

maintains "central funds," these funds may be designated for special purposes and therefore are not available for meeting other needs. Two of the services have designated specific amounts of construction money to be used only for limited purposes. Although the service headquarters authorizes the expenditure of the central funds, overall headquarters control is or has been limited because (1) local commands are permitted to accumulate their own nonappropriated funds, (2) in certain cases, funding of projects by headquarters had been dependent on the ability of the local command to contribute its own funds, and (3) certain projects can be approved for funding at the local level, without review and approval by headquarters. As a result of this fragmentation in funding control, there is little insurance at the headquarters level that effective use is being made of all non-appropriated construction funds.

Funds earmarked for limited purposes could prevent meeting greater MWR needs

Each of the services has set aside funds to be used only for the construction of military clubs. These funds have been generated from club activities and are available only for club-related purposes.

Also, in both the Army and the Air Force, significant amounts of recreation funds are or have been set aside for the construction of specially designated types of sports facilities. This allocation of funds prevents their use for other types of projects which may serve greater needs. These special projects do not compete for funding with other MWR construction projects.

In 1976 the Army established a bowling loan program for the construction of large bowling centers at CONUS installations. This program was extended to Europe 1 year later. A \$10 million revolving fund, set aside out of the central morale support fund, was established to build bowling centers.

Army officials believed that setting aside \$10 million for bowling center projects would

- provide for the construction of a much needed recreational facility, which traditionally was not supported through appropriated funds;
- provide installations with a facility which could produce locally generated income to help finance the operation of the MWR program; and

--enable military personnel to participate in a proven high-interest recreational activity.

However, as discussed in chapter 2, we noted that bowling center projects were built under this program without satisfactory justification of need for the particular size built. One Army project in CONUS was experiencing difficulty in meeting loan repayments, thereby actually decreasing rather than augmenting the funds available for MWR activities. The other Army project in Europe was recently opened, and was generating much of its income from the snack bar and game room, rather than bowling. A downward trend in bowling interest at Army bowling centers in Europe was identified during our review, which could in turn adversely affect this project's ability to make loan repayments. In May 1979 the Army revised its bowling loan program to require bowling projects to compete with other MWR construction projects for funding and merged the revolving fund into the Army morale support fund.

The Air Force has embarked on a similar program, having recently committed over \$10 million of its central welfare funds to construction of racquetball courts at 86 installations. As with the Army bowling program, these projects did not compete with other MWR projects for funding. Air Force officials stated that racquetball was a high-interest activity, and when unexpected dividends from the Army-Air Force Exchange Service were received, the decision was made to program this money into racquetball construction projects.

A 1979 A. C. Nielsen Sports Participation Survey measured the popularity of participation in 30 selected individual and team sports. This study ranked racquetball 21st out of 30 sports in relative popularity. Racquetball's relatively low ranking does not indicate that it is as popular, at least to the general public, as Air Force planners have judged it to be.

The segregation of large amounts of funds for such limited purposes could impair the overall effectiveness of the construction program, particularly where such funds are used for activities with possibly declining or limited participation.

Decentralizing funding authority reduces headquarters control

Local commands allowed a portion of locally generated nonappropriated fund dollars to accumulate to be used toward future construction projects. This allows those

installations that enjoy a large military population to continually upgrade and improve facilities, even though needs may be greater at other installations that cannot generate local income as easily. Installations which generate few local funds must rely more heavily on headquarters support, and may have been precluded from this support because of funding requirements for which they may not have been able to qualify.

Although local installations may accumulate some non-appropriated funds for future construction, in the Marine Corps, they were, until recently, expected to contribute reserve funds to be used for major projects which also require the support of headquarters funds. Local funds amounting to not less than 25 percent of total project costs had to be available on initiation of a project request. This requirement tended to discourage some installations from submitting proposed projects because local funds were not available.

Marine Corps officials agreed that in the past installations not having the capacity to generate local income might have been in great need of MWR facilities, yet did not submit project requests because of a lack of required local funds. However, they stated that the funding strategy has been modified, and that installations are no longer precluded from submitting project requests solely because local funds are not available. Headquarters officials said they have attempted to disseminate this message informally at MWR workshops and conferences. We noted no attempt, however, to formally change this funding policy.

Certain funding approval has been delegated to the local level, with approval thresholds differing among the services (see app. II). Because of this delegation of authority, headquarters officials have little control over those construction projects being built with local funds. Service headquarters involvement is limited to major construction projects. In fiscal year 1979, of almost \$77 million in non-appropriated fund program costs, we noted that at least \$7 million (9 percent) was provided by the major commands or local installations.

More locally generated income needs to be directed to the service headquarters level to help satisfy overall MWR construction objectives. Greater funding control would enhance headquarters' role in providing program direction. The headquarters functions are in a better position than the local levels to direct the expenditure of construction funds to locations where facilities are most needed. We recognize, however, that enough incentive must be provided for the local

installations to strive to maintain profitability in cases of revenue-generating activities. The Army Morale Support Fund operates basically on this premise. (See app. II.) Morale support activities are not allowed to accrue funds to be used for future projects. To encourage the maximum generation of local income, headquarters guarantees the provision to the command of MWR resources based on the amount of income generated that exceeds established headquarters criteria.

DOD AND SERVICE INITIATIVES FOR PROGRAM IMPROVEMENT

DOD and the services, have initiated recent program improvements, which if properly implemented, should contribute to enhancing the effectiveness of the construction program. Some of these initiatives were cited earlier in this chapter. For example:

- The Army and Air Force established specific requirements for periodic surveys to identify MWR needs. These surveys should provide for a more meaningful determination of facility requirements.
- The Army, in May 1979, revised its funding procedures for bowling project construction to require bowling projects to compete with other MWR requirements and merged the separate fund with the central fund.
- The Air Force Audit Agency recently reviewed how effectively the Air Force MWR program was meeting its objectives and made several recommendations for modifying the program, which if implemented, should strengthen program management. One of the recommendations would require the Air Force to strengthen and streamline the process for identifying and approving the most needed facility projects.
- The Marine Corps informally modified its funding requirements to permit proposals for needed facilities where local matching funds are not available. This policy change would contribute to a more equitable distribution of MWR resources.

Other significant improvements, if implemented, should contribute to overall effectiveness of the construction program. Some of these initiatives were or will be undertaken in response to recommendations contained in our report on military clubs and alcohol package store operations or in recognition of congressional interest and concern.

- In our January 1979 report, we recommended that the Secretary of Defense direct that profits from package store operations be used primarily to support essential MWR activities benefiting all personnel. In October 1979, the Nonappropriated Fund Panel held hearings on problems affecting the military club system. As a result of these hearings, the Panel, in February 1980, recommended to DOD that package store profits, including their distribution, be controlled and centrally managed by the service headquarters group and worldwide needs be considered when these profits are distributed.
- DOD established specific criteria about the use of appropriated and nonappropriated funds for MWR construction projects. In the Conference Report on DOD's Authorization Bill for fiscal year 1980 (House Report No. 96-595), the conferees noted the disparity between services about funding the construction of certain community type facilities. The conferees directed DOD to establish a consistent programming policy for this class of facilities. In response to this concern, DOD, in February 1980, developed a policy statement which clarified the source of funding for various types of MWR facilities. For example, military clubs are to be funded with nonappropriated funds. However, at installations outside the United States, they are to be built with appropriated funds.
- DOD is considering significant modifications in the construction program. These include (1) establishing a central nonappropriated construction fund within each of the services, (2) performing a worldwide assessment of MWR capital requirements, (3) directing headquarters funding of MWR construction which would eliminate all construction loans and grants, (4) setting reasonable limits on reserve moneys that can be maintained locally, and (5) considering the means to provide moneys for a central construction fund.
- The Army, in September 1979, established quality of life standards for Army personnel. The Army indicated that this effort is an important means of focusing attention on the need for improved services and responsive programs to provide for the health, general welfare, and morale of its soldiers and their families. According to the Deputy Chief of Staff for Personnel,

these standards represent the beginning of a disciplined approach to foster soldier commitment to duty and to demonstrate that the Army indeed takes care of its own.

--The Navy, in September 1979, retained a private consulting firm to study Navy and Marine Corps MWR programs. In April 1980 the consulting firm recommended that (1) a strengthened, centralized MWR authority be established to achieve an integrated approach to program management and (2) greater uniformity of basic MWR services and facilities available to the military community be achieved in CONUS and overseas. The Navy is considering these recommendations.

Actions taken by DOD and the services for program improvement should enhance their ability to provide needed MWR facilities for active duty personnel.

CONCLUSIONS

We believe that improvements in the management of the MWR construction program are needed to insure that the limited available nonappropriated funds are not spent on projects that are (1) larger than needed or in excess of DOD or service criteria, (2) inadequately planned, (3) for a need which has not been sufficiently demonstrated, or (4) intended primarily for other than active duty personnel. Such practices could prevent projects more urgently needed from being built.

To enhance the program, DOD needs to (1) strengthen program direction by revising its guidance for determining facility needs and insuring that each of the services correctly interprets and implements this guidance, (2) direct the services to strengthen their headquarters management involvement in the project planning process, and (3) direct the services to require the major commands to take a more active role in validating project requests and the installation commanders to document the justification and demonstration of need for proposed projects.

RECOMMENDATIONS

We recommend that the Secretary of Defense take the following actions to improve the management of the MWR construction program to insure that facilities meet the most urgent needs of active duty military personnel:

- Revise guidance on construction criteria regarding (1) establishing and placing priorities on facility needs, (2) determining optimum facility space requirements, and (3) identifying more specifically the population for whom the facilities are intended.
- Insure that each service is correctly interpreting and implementing DOD guidance.
- Direct that each of the services strengthen the headquarters management involvement in the project planning process. Headquarters activities should be charged with initiating action to insure that MWR needs both in CONUS and overseas are adequately met. Their role must be changed from one of reaction to one of positive action. To implement this change in direction, the service headquarters activities should:
 - Assume greater funding responsibility for MWR construction projects. Expenditure of construction funds should, except for relatively minor projects, be administered centrally to insure uniform compliance with DOD and service criteria. Locally generated MWR funds should be directed to the headquarters level and an incentive system should be developed so that the installations continue to realize benefits from achieving profitability or self-sufficiency in the case of incomegenerating projects.
 - Implement a meaningful and equitable system to place priorities on project requests. The service headquarters functions should be in the best position to weigh the relative benefits of funding one MWR project over another. Headquarters management should develop the expertise to assess the needs of the various commands, of overseas vs. CONUS installations, of urban vs. remote locations, and of personnel of varying ranks. Their primary objective should be to provide for the most effective allocation of MWR resources.

We also recommended that each of the services:

- Require the major commands, where applicable, to act as headquarters agents in validating project requests generated by the local installations to insure that such requests will fulfill actual needs and can be relied on by headquarters for their accuracy.

--Require command officials to provide guidance to the installations in formulating requests and should visit the facilities and verify that real needs exist.

--Require installations commanders to document the justification and demonstration of need for proposed projects.

VIEWS OF RESPONSIBLE
AGENCY OFFICIALS

We discussed our observations with responsible Office of the Secretary of Defense (OSD) and service officials, and their comments on our proposals are presented below.

Strengthen DOD program direction

OSD officials acknowledged that the services, operating with limited resources, face a difficult challenge in establishing meaningful construction priorities. Although they recognized the dependence by the services on construction decisions made by local commanders, they said that the frequent reassignment of commanders does not contribute to the efficient or effective planning for MWR needs. They agreed that there was a need for improved long-term project planning and more central guidance.

The officials also recognized the need to revise the DOD construction criteria to provide more realistic guidance in satisfying MWR needs. They said that the services should view the criteria as a planning tool to be used primarily as a guide in project development. The services should not automatically build facilities to the maximum size authorized by the criteria without establishing a specific need.

Navy officials did not agree that there was a need for greater DOD program direction. They expressed concern about the establishment of a more hierarchical arrangement than presently exists. They believed that the local commander has the best perception of the needs of his installation and they preferred to retain the present system of relying on the commander. They also expressed concern about treating each of the services as if they were the same. They said that the Navy would continue to improve its own system for identifying and documenting facility needs. Army officials believed that in some instances, particularly at overseas installations, the present DOD space criteria was inadequate. Marine Corps officials agreed that MWR facilities should be planned primarily for active duty military personnel. They

believed, however, that retirees should continue to be included in the construction criteria when establishing the size of proposed facilities. Air Force officials did not comment on this proposal.

Strengthen service headquarters management functions

OSD officials agreed that there was a need for more centralized funding of MWR construction projects. They said, however, that there must be a mechanism in the system to provide local installations with sufficient incentive to generate income, since local income would then become part of an overall profit sharing system. They also agreed that construction funds should not be earmarked by the services for specific purposes--bowling alley or racquetball court construction--since this prohibits the use of funds for other types of projects which may have a higher priority.

Army officials believe that the project development process should remain the responsibility of the major commands and local installation commanders. They said that the project requests priorities should be performed by the major commands rather than by Army headquarters. However, headquarters can help determine the optimum size and location of proposed facilities. The Army is considering expanding the headquarters Construction Requirement Review Committee (see app. II) to include major command representatives in the decisionmaking process for project approval. The officials acknowledged that the Army needs to strengthen project document requirements to help headquarters' ability to monitor the construction program and to provide a past record of decisions made at all levels in the project development process.

Navy officials expressed concern that greater headquarters involvement in the construction program would not be consistent with the Navy's management philosophy. They prefer to leave decisions affecting local installations to the installation commanders. The officials said they would prefer developing a cadre of experts at the local level, rather than increasing headquarters involvement. They recognized the difficulties, however, in achieving this goal because of personnel constraints.

Marine Corps officials agreed that central funding of MWR construction projects at the headquarters level would be desirable. Although they too believed that the local commander knows the needs of his personnel, they acknowledged that during the period of project development, there could be a change in commanders as a result of reassignment. They said

perceptions of MWR needs by commanders could differ and it would be difficult to reconcile such differences. The officials recognized that centralizing in the Marine Corps may be easier to accomplish than in the other services because of the relatively few Marine Corps installations. The officials noted that the exchange system concept for central funding of construction projects could serve as a model for the MWR program.

Air Force officials believe that its headquarters is already actively involved in the project development process. They also believe that the local commanders and major commands have an indepth knowledge of the local installations and are in a position to know what facilities are needed. The officials said that headquarters presently has an impact on the proper allocation of MWR resources because it uses the information available on future base closures and changes in personnel strength. Also, computerized inventories of resources, surveys, and Inspector General inspections provide headquarters with useful management information.

Improve local determination of need for MWR facilities

As noted above, each of the services believes that the local installation commanders are in the best position to identify MWR facility requirements. Army and Air Force officials, however, have recognized the need to require periodic surveys to identify the MWR requirements of their personnel. Also, Army officials have acknowledged that improvements are needed in documenting program decisions. Navy officials have recognized the need for developing technical expertise at the local levels to enhance the effectiveness of the MWR program. Navy officials, however, believe that it is unlikely that sufficient staff would become available for this purpose. Marine Corps officials have also recognized the desirability of being able to forecast recreational trends and relate them to the specific needs of the local installations. Officials said, however, that sufficient personnel resources are not available for this purpose. Marine Corps officials also agreed that a system must be developed to improve the process for assigning priorities to facility needs to insure a more equitable allocation of MWR facilities.

AGENCY COMMENTS

As directed by the Nonappropriated Fund Panel, we did not obtain official comments from Defense.

LOCATIONS VISITED

HEADQUARTERS, DEPARTMENT OF DEFENSE:

Office of the Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
Commandant of the Marine Corps

MAJOR COMMANDS:

Army:

U.S. Army Command in Europe
Forces Command

Navy:

Commander in Chief Pacific Fleet
Chief of Naval Education and Training
Atlantic Fleet

Air Force:

U.S. Air Force Command in Europe
Air Training Command

Marine Corps:

Pacific Headquarters

INSTALLATIONS:

Army:

Ft. Stewart, Georgia
Ft. Bragg, North Carolina
Hanau Military Community, Germany
Mannheim Military Community, Germany

Navy:

Norfolk, Virginia
San Diego, California
Naval Station Keflavik, Iceland
Midway Islands
Guam
Naval Air Station Barbers Point, Hawaii
Bethesda, Maryland
Annapolis, Maryland

Air Force:

Mather Air Force Base, California
Royal Air Force Mildenhall, England
Ramstein Air Base, Germany
Clark Air Base, Philippines

Marine Corps:

Marine Corps Air Station El Toro/Tustin,
California

Marine Corps Base Twentynine Palms, California

Marine Corps Air Station Cherry Point, North
Carolina

Marine Corps Air Station Kaneohe, Hawaii

Marine Corps Base Camp Pendleton, California

DESCRIPTION OF SERVICES' PLANNING, REVIEW,
APPROVAL, AND FUNDING PROCESSES

ARMY

Each installation's planning board, headed by the installation commander, identifies facility requirements based on DOD criteria specifying which facilities are allowed in particular circumstances. Initial proposals for all construction projects must be included in the installation master plan. Each installation maintains a master plan containing a strategy for development of its total facility requirements. The plan is updated periodically to consider changing requirements such as those resulting from mission changes, previously overlooked needs, and strong interest and support of a project by the installation commander. The master plan for each installation is submitted to the major command for review, approval, and submission to Army headquarters for approval. Headquarters reviews the plan for technical sufficiency and site appropriateness. Once approved, the plan is returned through the major command to the installation and a refined list of proposed construction projects is developed on the basis of this plan.

The Adjutant General Center advises the major commands and installations of the amount of nonappropriated construction funds available each year for major construction and renovation projects. The major commands are asked to submit for consideration priority lists of proposed construction projects. In September 1979 headquarters guidance to the major commands specified that priority for fiscal year 1980 projects should be given to those construction projects which will generate income to pay for themselves and those in remote locations. Because the size of the annual construction program is limited by budgetary constraints, each major command is limited to submitting requirements which do not exceed the total amount budgeted.

The priority lists are reviewed at Army headquarters and evaluated for viability. The review is based primarily on the information contained in the project justification. Approved projects are submitted to the Construction Requirement Review Committee for consideration. The committee reviews and puts priorities on all major construction projects, except bowling centers and club facilities. Headquarters generally leaves the major command priorities intact, relying on command decisions. The commands, however, are themselves ranked for funding approval. Once headquarters determines this, it allocates the available funds to those projects which rank the highest in those commands that received the

highest ratings. Bowling and club projects are evaluated on the basis of their ability to generate revenue and to meet loan payment requirements.

Headquarters has delegated certain funding approval for smaller MWR projects to the major command and installation levels. Club projects under \$10,000 may be approved by the installation commander, with major command concurrence, once prior budget approval has been obtained. Other MWR projects under \$10,000 may be approved by the major command if funding is available locally; however, if morale support funds are to be used, approval must be obtained from the Adjutant General. The major commands may reprogram desired projects which cost up to \$100,000 even after receiving headquarters approval. The Adjutant General must approve projects of over \$100,000.

Projects are constructed with funds from the Army morale support fund or the Army club fund. Both funds are administered at headquarters and are used to fund projects at CONUS and Far East bases. Headquarters, Army Europe, administers its own club fund for installations in Europe.

The morale support fund receives its funds primarily from income generated by the Army and Air Force Exchange Service. Headquarters allocates funds to the major commands which in turn allocates funds to the local installations. To encourage maximum locally generated income production and transmission to the central fund which meets headquarters' predetermined income requirements, headquarters guarantees the major commands additional MWR funds based on the amount of local income that is in excess of headquarters criteria. This serves as an incentive to installations to generate income; otherwise, installations may cut user fees for MWR services, and income for future needs would not be available. The major commands and the installations are permitted to accumulate only 1-month's working capital to meet expenses. They may not accumulate funds for future capital requirements.

The Army club fund is used to make loans for club construction. An installation in CONUS or the Far East may apply directly to headquarters for a loan. Headquarters is generally not involved in the disbursement of Headquarters, Army Europe, club funds. The Army club fund is used exclusively to make loans. The fund is replenished through loan repayments, investment income, and funds from the sale of assets when existing clubs are closed. Enough club projects are presently being proposed to deplete the entire fund, but because of the lengthy project approval period and the

administrative constraints of the construction process, it is unlikely that all projects would require funding at one time.

AIR FORCE

Each installation's Chief of Special Services is responsible for determining local facility requirements based on Air Force space criteria and an assessment of needs, interests, existing on-base and off-base facilities, and natural, human, and fiscal resources. This information is included in a recreation planning file, maintained at the installation, which must be approved by the major command. Once requirements are validated by the Base Facilities Board and approved by the Nonappropriated Fund Council and the base or wing commander, a program plan is developed showing what the base should have, what it has, what it needs, and the order these needs should be satisfied.

Under the MWR Facilities Management System, the above information is computerized and forwarded to the major command for review, validation of specific needs, assignment of a command priority, and submission to Air Force headquarters. Generally, projects which will cost less than \$300,000 may be approved by the major command; projects over \$300,000 must be approved by the Air Force Welfare Board.

Before considering project requests by the welfare board, requirements are made priorities by computer and are weighted by such elements as the major command priority, facility condition, operational priority, types of users, extenuating circumstances, geographical location, and income analysis. The major command priority is given the greatest weight by headquarters. Headquarters program personnel having expertise in specific activities review the computerized priorities and may redesignate priorities where appropriate. The revised priority list is then submitted to the welfare board for consideration.

Until recently, all potential projects were reviewed in priority order by the welfare board which selected those projects to be funded. Once this selection was made, the installation was requested to provide the board, through the major command, with technical documentation and other data which the board required to grant funding approval. After reviewing this material, the board then told the major command to submit a detailed justification for the project so the design work could begin. This procedure was changed during 1979 to expedite project development and to preclude cost increases resulting from inflation.

Currently, the installation establishes its requirements. However, the major command then ranks the requirements and selects the top five priorities within the command. The installation is then required to prepare a project book containing all relevant information about the proposed project. The book is furnished to the welfare board for consideration. As soon as the board approves a project, funding is authorized and design work begins. Project development is performed on a first-in-first-out basis. Those projects for which design is completed will receive available construction money first.

Construction projects may be funded from the Air Force central funds, major command funds, and local installation funds. These funds are generated from exchange dividends, residual assets from dissolved nonappropriated fund activities, locally generated income, and loan repayments.

Air Force headquarters administers two types of central funds--the central welfare fund and membership association funds. Welfare funds are derived from exchange dividends and are allocated by headquarters to the major commands for operations and construction funding and to the local installations for use in funding base-level construction projects, along with their own locally generated income. The welfare board provides grants for construction of certain welfare fund facility projects over \$300,000. Such grants may also be made for smaller projects where local funds are not available. The major commands normally fund projects under \$300,000. Installations having sufficient resources may also fund such facilities.

Membership association funds are generated locally and maintained at the installations to meet future operating and construction requirements. In the past, the major commands and headquarters assessed these funds to build up their own membership association reserves. However, since sufficient operating reserves have been accumulated, these assessments are no longer made. The major commands and headquarters generally use these reserves to make interest-free loans for such purposes as club construction.

NAVY

New construction projects are identified, developed, and programmed according to the Shore Facilities Planning System. Each installation must identify MWR requirements and include such requirements in a master facility plan. In addition to current requirements, consideration is given to an activity's requirements for a 5-year period. In formulating

these requirements, recognition must be given to past and expected use of facilities, effects of off-base housing, and available civilian and military facilities.

A facility planning document is prepared for each type of facility needed which shows detailed information such as the number and type of existing facilities, surpluses and deficiencies, and proposed actions to reduce such surpluses and deficiencies. These documents are combined into a facilities requirements plan showing facilities required to support the mission of the activity.

In January of each year, Navy headquarters develops estimated budgets for the central funds. In February, headquarters reviews identified requirements and validates them for technical sufficiency, with the most urgent projects being selected for funding consideration. In March, selected projects are forwarded to the major commands for justification and review. The major command may substitute projects with the same approximate cost considered to have a higher priority.

A Central Fund Board of Administrators consisting of headquarters and major command officials meets each June to formulate the nonappropriated fund construction program for the next 2 fiscal years. The board considers all validated construction projects which have not been approved for appropriated funding. The board puts priorities on the projects using criteria established by the MWR Policy Board. In July those projects are submitted to the Commander, Naval Military Personnel Command, for funding approval for the next fiscal year. Once funding is approved, design begins.

Four central nonappropriated funds--a recreation fund, two club funds, and a package store fund--are used to finance MWR construction or rehabilitation projects through loans or grants. These funds are derived primarily from locally generated revenues and provide a means to redistribute resources to where they are most needed. Decisions on whether interest-free loans or grants will be made to finance construction are predicated on the ability of an activity to generate sufficient revenue to repay a loan. Headquarters must review and approve all major construction projects over \$100,000 and all renovation projects over \$500,000. Minor construction and repair projects under these amounts are generally selected by the major commands, with headquarters concurrence. Smaller construction projects which cost less than \$15,000 and maintenance or repair projects which cost less than \$25,000 may be approved by local commanders for local funding.

MARINE CORPS

The nonappropriated fund construction program is administered within the Marine Corps Facility Planning and Programming System--a process by which new construction as well as disposal of all excess facilities is planned and programmed. Determining facility requirements must be according to Navy facility criteria. Headquarters provides overall guidance to local commanders who are responsible for analyzing facility needs and proposing and justifying new construction projects. Commanders must identify basic facility requirements to support the assigned mission, maintain current inventories of existing facilities, and insure that requests for proposed facilities are adequately supported and represent real and tangible needs. The commanders are responsible for identifying the means to correct MWR facility deficiencies.

Two headquarters groups are involved in the review of proposed MWR projects. One group reviews project requests for technical sufficiency; the other group evaluates the financial and program merits of planned projects. Operating under a 5-year construction plan, the headquarters Nonappropriated Fund Board reviews project requests and makes recommendations to the Commandant for approval. In certain cases, projects must be approved by an Assistant Secretary of the Navy.

Projects under \$25,000 may be approved locally. CONUS projects over \$25,000 and overseas projects from \$25,000 to \$50,000 must be approved by the Commandant. Overseas projects over \$50,000 must be approved by an Assistant Secretary of the Navy.

Construction projects are generally funded from loans or grants made from two central funds. The Marine Corps mess fund is used for club construction not fundable with appropriated funds. Normally, financial assistance is in the form of interest-free loans; grants are made only in cases where a new club is being organized or in situations where a loan would be financially unsound or impracticable. Funding, however, may include a combination of loan, grant, or local funds. Until recently, local installations were required to provide local funds equal to 25 percent of the estimated construction cost of a new project. This requirement has been eased to permit installations to submit project requests even though sufficient local funds may not be available.

The central recreation fund is used to provide loans and grants for other MWR projects such as athletic or recreational facilities where appropriated or local nonappropriated funds are not available. This fund receives a small portion of exchange profits; however, more than half of such profits are retained locally to operate the recreation program. Funding decisions regarding loans and grants and policies on local matching funds are similar to those of the mess fund.

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