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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

72-0326

LOGISTICS AND COMMUNICATIONS DIVISION

B-175715

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Dear Mr. Secretary:

We are reviewing the award and administration of contracts by the Corps of Engineers for the construction of Safeguard anti-ballistic-missile (ABM) facilities. During this review we noted that, at the site near Grand Forks, North Dakota, the Corps of Engineers had temporary office buildings constructed for its own use whereas the prime construction contractor purchased relocatable office buildings for its use.

The purpose of this letter is to suggest that you consider the potential of savings to the Government in future major construction contracts by adopting the contractor's method of using relocatable buildings for onsite office space.

The contractor had 22,876 square feet of space in relocatable buildings (43 units) for which it had paid \$294,448, or \$12.87 a square foot. Adding setup costs (transportation to the site; installation at the site; and blocking, skirting, and steps) of \$62,188 (\$2.72 a square foot), the installed price of the contractor's office space was \$356,636 in total, or \$15.59 a square foot.

In contrast the Corps of Engineers, for its use, had temporary office buildings constructed as a line item under the contract. The contract was awarded at a lump-sum price of \$137,858,850 for the total scope of work to be performed. Of this amount, \$1,435,235 was applicable to the office buildings, according to the price breakdown submitted by the contractor.

A comparison of these data with the Government estimate is shown in the following analysis.

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	<u>Government estimate</u>	<u>Contract price</u>
Total amount for contract scope awarded	\$126,119,014	\$137,858,850
Amount applicable to Corp's office buildings (26,631 square feet)	429,245	1,435,235
Cost per square foot	16.12	53.89

Since the amount of \$1,435,235 was only the contractor's allocation of the total contract price for the job rather than the actual cost of the buildings, the foregoing data do not provide a firm basis for determining the cost of the temporary office buildings constructed. It appears, however, that such cost was higher, and perhaps much higher, than the price of \$15.59 a square foot installed for the contractor's relocatable buildings. Such buildings can be used again several times at other job sites, but we were told by the Area Engineer that there were no plans for using the temporary buildings after the Grand Forks site became operational.

We believe that the Corps could realize significant savings by using modular relocatable buildings in lieu of conventional temporary buildings for its personnel involved in the construction and activation aspects of such projects as the ABM facilities because the buildings could be relocated and used at a number of projects sequentially. Also leasing of relocatable buildings might be considered for short-term use if savings would result.

We shall appreciate your comments on possible savings to the Government by purchasing or leasing modular relocatable buildings for Government use on construction projects and your comments on any action you may plan to take in the matter.

We take this opportunity to point out that, on October 5, 1970, we wrote to you on this general subject. As stated in that letter, its purpose was to explore with you whether a need existed to clarify or reemphasize the various authorities

and limitations applicable to the acquisition of temporary facilities, particularly with regard to office trailers and similar portable structures, and to assess the extent to which other military organizations or Government contractors were leasing or purchasing such facilities.

In response the Deputy Assistant Secretary of Defense (Installations and Logistics) advised us on December 7, 1970 (OSD Case #3188), that the subject of trailers and other relocatable structures was an area in which your Office had provided only very limited policy guidance, generally on a case-by-case basis, but that:

\*\*\*\* the rapid progress of the trailer/relocatable industry in providing greatly improved structures has significantly expanded the utility and economic advantages of these flexible structures, thus generating an immediate need for OSD policy guidance concerning authority and limitations applicable to the use of these structures."

The Deputy Assistant Secretary went on to state:

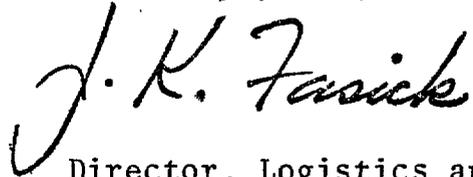
\*\*\*\* The availability of relocatable structures has significantly improved the economics of providing temporary facility requirements by providing a structure which can readily be disassembled and re-used and thus permitting the original cost of the building to be amortized over a number of subsequent utilizations. In these cases, some significant site development costs are normally required at each location of use to provide structure foundations, but normally these costs would be of a lesser magnitude than would be required for a more conventional temporary building."

We understand that your Office has not yet issued the needed policy guidance referred to by the Deputy Assistant Secretary. Please advise us of the status of efforts to develop the revised policy guidance.

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Copies of this letter are being sent to the Director, Office of Management and Budget; the Secretary of the Army; and the Director, Defense Contract Audit Agency.

Sincerely yours,

A handwritten signature in black ink that reads "J. K. Fausick". The signature is written in a cursive style with a large, looping initial "J".

Director, Logistics and  
Communications Division

The Honorable  
The Secretary of Defense