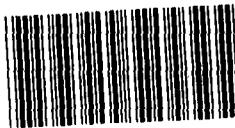




UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

119727

PROCUREMENT, LOGISTICS,  
AND READINESS DIVISION



119727

B-209006

OCTOBER 21, 1982

The Honorable Verne Orr  
The Secretary of the Air Force

Dear Mr. Secretary:

Subject: Appropriations for Military Construction  
Projects in the United Kingdom Exceed  
Estimated Air Force Costs (GAO/PLRD-83-9)

The Air Force budgets and requests more money for project design and construction supervision, inspection, and overhead (SIOH) than it needs for military construction projects in the United Kingdom. The Air Force requests about 12 percent of estimated construction project costs--7 percent for design and 5 percent for SIOH. However, it is required to pay the British Government only 7-1/2 percent of final project costs, or 4-1/2 percent less than the budget request. We estimate that the Air Force overstated its fiscal years 1982 and 1983 budget requests for projects in the United Kingdom by \$2.3 million and \$3.7 million, respectively.

We reviewed documents and talked with officials at the Department of the Air Force, the Directorate of Engineering and Services, and the U.S. Air Force 7502 Civil Engineering Squadron in the United Kingdom. Our work was performed in accordance with generally accepted government audit standards.

In 1973 the United States and the British Government signed a cost-sharing agreement for U.S. military construction projects in the United Kingdom. Under this agreement the United States pays the British Government 7-1/2 percent of the projects' actual construction costs for design and construction SIOH.

The Air Force requests project design and construction SIOH funds under two separate line items in the military construction appropriations. The SIOH funds are included in each individual project's construction fund request, while design funds are requested in one lump sum for all projects.

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The Air Force adds 5 percent for SIOH to the estimated construction cost of each project in the United Kingdom. For example, on a fiscal year 1983 aircraft support facility project at RAF Mildenhall, the request contained \$6,326,000 for construction and \$316,000 ( $\$6,326,000 \times 5$  percent) for SIOH.

The design appropriation request is based on an Air Force formula which considers design cost and the portion of the project design expected to be completed in the budget year. The amount of the design request is determined by multiplying the estimated construction costs for all projects by 7 percent <sup>1</sup>/<sub>and then adjusting the amount by the percentage of design work expected to be done in the budget year. However, by the time the construction appropriations are requested for an individual project, the Air Force has requested a full 7 percent of the project's estimated construction cost for design.</sub>

The Air Force's 12-percent budget request for design and SIOH exceeds the fee it pays for these services in the United Kingdom by 4-1/2 percent. Accordingly, we estimate the Air Force overstated its fiscal years 1982 and 1983 military construction appropriations request by \$2.3 million and \$3.7 million, respectively. The following table shows our computations.

Estimated Overstatement of  
the Air Force's Budget Request  
for Military Construction  
Projects in the United Kingdom

	Fiscal year <u>1982</u>	Fiscal year <u>1983</u>
	(000 omitted)	
Air Force military construction funding request which includes 5 percent for SIOH (note a)	\$53,065	\$86,382
Estimate of military construction funding required using 1/2 percent for SIOH	<u>50,791</u>	<u>82,680</u>
Excess funding requested	<u>\$ 2,274</u>	<u>\$ 3,702</u>

a/Enclosures I and II contain schedules of fiscal years 1982 and 1983 Air Force military construction projects.

<sup>1</sup>/According to Air Force officials, the 7 percent for design is an average figure used for budgeting. Some projects' designs cost more than 7 percent because of complexity.

Air Force officials told us the excess funds were redistributed to other Air Force projects.

The funding requirements differ because the Air Force used a 5-percent SIOH factor, whereas we used a 1/2-percent SIOH factor. Since the Air Force requested a full 7 percent for design, it needs only another 1/2 percent for SIOH to cover the 7-1/2-percent fee charged by the British Government.

#### CONCLUSION

The Air Force requests more design and construction SIOH funds than it needs for military construction projects in the United Kingdom because it does not adjust its current methodology for requesting funds to take into consideration that the British Government provides these services at a lower cost. The Air Force should reduce its budget request for these funds to the amount it anticipates will be paid for these services.

The Air Force could reduce its construction SIOH requests for each project to 1/2 percent. Since the Air Force requests 7 percent of the estimated construction costs for project design, the additional 1/2 percent would provide sufficient funding to cover the 7-1/2-percent fee paid the British Government.

#### RECOMMENDATION

We recommend that you require the Air Force to revise its method of determining the design and construction SIOH funding needs for military construction projects in the United Kingdom so it requests only funds equal to the fee set out in the cost-sharing agreement between the United States and British Governments.

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On August 30, 1982, we forwarded a draft of this report to the Secretary of Defense for comment. Written comments were not received in time to be included in the report. However, we did discuss the report with Department of Defense and Air Force officials whose comments have been considered in finalizing the report.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and Senate Committee on Governmental Affairs not later than 60 days after the date of the report. A written statement must also be sent to the

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House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We would appreciate receiving a copy of these statements.

We are sending copies of this report to the Chairmen, House and Senate Committees on Appropriations and Armed Services; the Chairmen, House Committee on Government Operations and Senate Committee on Governmental Affairs; the Director, Office of Management and Budget; and the Secretary of Defense.

Sincerely yours,



Donald J. Horan  
Director

Enclosures - 2

SCHEDULE OF APPROVED  
AIR FORCE MILITARY CONSTRUCTION PROJECTS  
IN THE UNITED KINGDOM IN FISCAL YEAR 1982

<u>Base</u>	<u>Project</u>	<u>Program amount</u> (000 omitted)
Alconbury RAF	Aircraft Instrument Landing and Navigational Facility (ASR/PAR)	\$ 830
	Aircraft Instrument Landing and Navigational Facility (ILS)	510
	TR-1 Facilities	14,000
	PAVE TACK Maintenance Facility	680
Barford St. John RAF	Alter Communications Transmitter Facility	1,150
Bentwaters RAF	Alter Unaccompanied Enlisted Personnel Housing	1,060
Fairford RAF	Unaccompanied Enlisted Personnel Housing	6,360
	TACAN	300
Greenham Common RAF	Ground Launched Cruise Missile Facilities	12,575
Lakenheath RAF	Aircraft Instrument Landing and Navigational Facility (ILS)	590
	Chapel Center	1,640
Upper Heyford RAF	Unaccompanied Enlisted Personnel Housing	3,470
	Sound Suppressor Support Facility	590
Welford RAF	Munitions Storage Area Improvement	2,900
Woodbridge RAF	Avionics Shop	870
	Unaccompanied Enlisted Personnel Housing	2,700
	Water Supply System	<u>2,840</u>
Total		<u>\$53,065</u>

SCHEDULE OF MILITARY CONSTRUCTION PROJECTS  
IN THE UNITED KINGDOM REQUESTED BY THE  
AIR FORCE IN FISCAL YEAR 1983

<u>Base</u>	<u>Project</u>	<u>Program amount</u> (000 omitted)
Alconbury RAF	Medical/Dental Clinic	\$19,100
	Add to and Alter Data Processing Facility	900
Bentwaters RAF	Warehouse	310
	Alter Data Processing Facility	840
	Alter Unaccompanied Enlisted Personnel Housing	1,250
	Gymnasium	3,250
	Energy Conservation Investment Program	180
Fairford RAF	Alter POL System	250
	Fire Station	2,700
	Aircraft Instrument Landing System (ILS)	1,200
	Liquid Oxygen Storage	300
	Visiting Officer Quarters	4,900
	Recreation Center	1,100
	Arts and Crafts Center	510
	Add to and Alter Gymnasium	1,100
	Energy Conservation Investment Program	160
Greenham Common RAF	Ground Launched Cruise Missile Facilities	10,490
Lakenheath RAF	Sound Suppressor Support	510
	Add to and Alter Data Processing Facility	830
	Alter Unaccompanied Enlisted Personnel Housing	1,100
	Gymnasium	3,250
	Child Care Center	1,450
	Energy Conservation Investment Program	210
Mildenhall RAF	Aircraft Support Facilities	6,700
	Add to and Alter Data Processing Facility	810
	Unaccompanied Enlisted Personnel Housing	3,750
	Visiting Officer Quarters	2,700
	Energy Conservation Investment Program	220

<u>Base</u>	<u>Project</u>	<u>Program amount</u> (000 omitted)
Upper Heyford RAF	Aircraft Support Facilities	\$ 6,700
	Add to and Alter Fire Station	1,110
	Upgrade Aircraft Maintenance Facilities	480
	Sound Suppressor Support Facility	510
	Add to and Alter Data Processing Facility	730
	Child Care Center	1,500
	Welford RAF	Water Storage Tanks
Woodbridge RAF	Fuel Systems Maintenance Dock	1,750
Various	WRM Storage Facilities	<u>2,642</u>
Total		<u>\$86,382</u>