

GAO

Fact Sheet for the Chairman,
Readiness Subcommittee,
Committee on Armed Services
House of Representatives

September 1986

MINOR CONSTRUCTION

DOD's Management of Operations and Maintenance Funds



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September 19, 1986

The Honorable Dan Daniel
Chairman, Readiness Subcommittee
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This fact sheet responds to your request of January 16, 1986, that we review the Department of Defense's (DOD's) operation and maintenance (O&M) funds appropriated for minor military construction to determine

- the portion of these funds that have been used for morale, welfare, and recreational (MWR) activities during the last 3 years,
- the degree of DOD control over the funds, and
- the impact of the Gramm-Rudman-Hollings law on these funds for fiscal year 1986.

USE OF O&M FUNDS FOR MWR-TYPE ACTIVITIES

Currently, a military service secretary may spend up to \$200,000 of O&M appropriations per minor construction project--a project for a single undertaking at a military installation (10 U.S.C. 2805). During fiscal years 1984 through 1986, O&M minor construction funds were used for projects totalling \$1.3 billion. (See app. I.)

You asked whether appropriated O&M minor construction funds rather than nonappropriated funds were being used for MWR purposes. (Nonappropriated funds are cash or other assets received from sources other than monies appropriated by the U.S. Congress.) Of the 2,063 minor construction projects built with O&M funds that we reviewed, 159 (8 percent) were MWR-related. We were able to gather funding data for 1,964 of these projects. This data shows that, of \$60.5 million obligated, \$4.4 million (about 7 percent) was for MWR projects. These MWR projects included such things as the installation of golf-course sprinkling pumps, the construction of a child-care center and a fishing pier, and alterations to a gymnasium.

The funding was in accordance with DOD criteria which authorizes the services to use appropriated O&M funds for MWR projects of \$200,000 or less and authorizes the use of nonappropriated funds when appropriated funds are unavailable or insufficient. However, DOD has different criteria for funding MWR projects costing over \$200,000. Certain of these projects may be funded with military construction funds, but others must be funded with nonappropriated funds.

CONTROL OF O&M MINOR CONSTRUCTION FUNDS

The extent of headquarters' control over minor construction funds varies considerably among the military services. The control is generally decentralized, with the military services allowing base commanders to decide how to use the funds. The Army exercises the least degree of control at headquarters and the Marine Corps the most. Appendix II discusses how minor construction funds are managed by each service.

IMPACT OF GRAMM-RUDMAN-HOLLINGS LEGISLATION

According to DOD, the fiscal year 1986 impact of the Gramm-Rudman-Hollings law varies from service to service. The Army experienced an 8-percent reduction of its O&M minor construction funds in fiscal year 1986; the Navy, a 21-percent reduction; the Air Force, a 23-percent reduction; and the Marine Corps, a 2-percent reduction. On July 7, 1986, the United States Supreme Court held the Gramm-Rudman-Hollings law unconstitutional in part. However, the Congress, in Public Law 99-366 enacted on July 31, 1986, ratified the \$11.7 billion fiscal year 1986 funding reductions mandated by this law. (See app. III.)

OBJECTIVE, SCOPE, AND METHODOLOGY

To examine DOD's control over and the use of O&M minor construction funds with particular emphasis on determining what proportion of these funds were used for MWR projects, we visited 20 military offices and installations and accumulated data on 2,063 O&M minor construction projects funded during fiscal years 1984 through 1986. We discussed this fact sheet with officials of the services and the office of the Secretary of Defense, and considered their comments in preparing it. Our objective, scope, and methodology are discussed in appendix IV.

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As agreed with your office, we plan no further distribution of this fact sheet until 30 days from its issue date, unless you publicly announce its contents earlier. At that time, we will send copies to the Chairmen, House and Senate Armed Services and Appropriations Committees, House Government Operations and the Senate Governmental Affairs Committee; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Director of the Office of Management and Budget; and other interested parties. If you have any questions, please call me at 275-4001.

Sincerely yours,



Martin M Ferber
Associate Director

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ABBREVIATIONS

CNO	Chief of Naval Operations
DOD	Department of Defense
FORSCOM	Army Forces Command
GAO	General Accounting Office
MILCON	Military Construction
MWR	Morale, Welfare, and Recreation
NMPC	Navy Military Personnel Command
O&M	Operation and Maintenance

USE OF MINOR CONSTRUCTION FUNDS FOR
MORALE, WELFARE, AND RECREATIONAL PURPOSES

During fiscal years 1984 through 1986, DOD's O&M minor construction projects amounted to \$1.3 billion. For those years, we accumulated data at nine locations on 2,063 minor construction projects. Of 2,063 projects, 159 (8 percent) were MWR-related. We gathered funding data for 1,964 of these projects, which showed that O&M minor construction obligations, as of March 14, 1986, totalled \$60.5 million--of which \$4.4 million (about 7 percent) was MWR-related. (See tables I.1 and I.2 for summaries of data.)

Table I.1: Summary of Fiscal Year 1984, 1985, and 1986 Data on the Number of Projects Funded With O&M Minor Construction Funds, as of March 14, 1986

<u>Locations^a</u>	<u>Total number of projects funded with O&M minor construction funds</u>	<u>Number of MWR-type projects funded</u>	<u>MWR-type projects as percent of projects</u>
<u>Army</u>			
<u>Missile Command</u>			
Huntsville, AL	45	39	87
<u>Fort McPherson</u>			
Atlanta, GA	135	25	19
<u>Fort Bliss</u>			
El Paso, TX	1,106	40	4
<u>Navy</u>			
<u>Naval Amphibious Base</u>			
Coronado, CA	81	11	14
<u>Naval Air Station</u>			
North Island, CA	89	5	6
<u>Air Force</u>			
<u>Carswell Air Force Base</u>			
Fort Worth, TX	16	1	6
<u>Langley Air Force Base^b</u>			
Hampton, VA	73	7	10
<u>MacDill Air Force Base</u>			
Tampa, FL	83	11	13
<u>Marine Corps^c</u>			
<u>Marine Corps Headquarters</u>			
Rosslyn, VA	<u>435</u>	<u>20</u>	<u>5</u>
Total	<u>2,063</u>	<u>159</u>	<u>8</u>

^aThese are the only sites we visited where we were able to obtain project data within the time constraints of the assignment.

^bLangley Air Force Base data is for fiscal years 1984 and 1985 only.

^cMarine Corps data is for projects approved at Marine Corps Headquarters for fiscal years 1985 and 1986.

Table I.2: Summary of Fiscal Year 1984, 1985, and 1986 Data on the Amount of O&M Minor Construction Funds Obligated for MWR Projects, as of March 14, 1986

<u>Locations^a</u>	<u>Total amount budgeted for O&M minor construction</u>	<u>Amount obligated for MWR- type projects</u>	<u>Amount obligated for MWR-type projects as percent of total funds</u>
-----000-----			
<u>Army</u>			
<u>Missile Command</u>			
Huntsville, AL	\$ 785	\$ 450	57
<u>Fort McPherson</u>			
Atlanta, GA	5,786	1,206	21
<u>Fort Bliss</u>			
El Paso, TX	9,919	57	1
<u>Navy</u>			
<u>Naval Amphibious Base</u>			
Coronado, CA	1,683	494	29
<u>Naval Air Station</u>			
North Island, CA	1,681	309	18
<u>Air Force</u>			
<u>Langley Air Force Base</u>			
Hampton, VAb	7,177	760	11
<u>Marine Corps^c</u>			
<u>Marine Corps Headquarters</u>			
Rosslyn, VA	<u>33,452</u>	<u>1,092</u>	<u>3</u>
 Total	 <u>\$ 60,483</u>	 <u>\$ 4,368</u>	 7

^aThese are the only sites we visited where we were able to accumulate complete funding information within the time constraints of the assignment.

^bLangley Air Force Base data is for fiscal years 1984 and 1985 only.

^cMarine Corps data is for projects approved at Marine Corps Headquarters for fiscal years 1985 and 1986.

FUNDING CRITERIA

A "minor construction project" is defined as construction of a project for a single undertaking at a military installation (10 U.S.C. 2805). Minor construction projects include such things as construction of supply storage sheds, additions to airplane hangars, improvements to warehouses, or alterations of rifle ranges.

MWR projects are defined by DOD Directive 7000.12, "Financial Management of Morale, Welfare, and Recreational Activities," dated September 4, 1980. These MWR projects include such things as recreation centers, arts and crafts centers, bowling centers, child-care centers, outdoor recreation areas, and golf courses.

To qualify as an O&M-funded minor construction project, total funding cannot exceed \$200,000. DOD authorizes the services to use appropriated O&M funds for such MWR minor construction projects, authorizing the use of nonappropriated funds when appropriated funds are unavailable or insufficient. However, DOD has different criteria for funding MWR projects costing over \$200,000. Certain of these projects may be funded with military construction funds, but others must be funded with non-appropriated funds.

Before 1984, DOD's policy was that the MWR facilities costing over \$200,000 were to be funded with O&M or military construction (MILCON) funds. However, DOD changed its policy in August 1984, requiring that certain MWR projects would now use nonappropriated funds. This policy change was reflected in DOD Directive 1015.6, entitled "Funding of Morale, Welfare, and Recreation Programs," dated August 3, 1984. (See table I.3.)

Table I.3: DOD Funding Policy--Construction of Community Facilities

<u>Type of Facility</u>	<u>MILCON- appropriated</u>	<u>Nonappropriated or other</u>
Gymnasium/Fieldhouse/ Physical Activities Complex	X	
Recreation Center/Day Room/ Multipurpose Recreational Facility	X	
Multipurpose Auditorium/ Theater	X	
MWR Family Assistance/Service Center	X	
Administrative Office/Service Center	X	
Child-Care Center	X	
Swimming Pool	X	
Library	X	
Open Mess (Club)	X ^a	X
Exchange Resale Facility	X ^b	X
Exchange Logistical Facility	X ^c	X
Arts and Crafts/Automotive Self-Help Garage/Skill Development Center	X ^d	X
Bank	X ^e	X ^f
Credit Union		X ^f
Thrift Shop		X ^f
Commissary Facilities		X ^g
Book Store		X
Package Beverage Store		X
Rod and Gun Club		X
Aero Club		X
Temporary Lodging Facility/ Guest House	X ^h	X
Cabin/Cottage/Recreation Site Lodge		X
Outdoor Recreation Pavilion Facility		X
Bowling Center		X
Skating Rink (ice or roller)		X
Youth Center		X
Playing Courts/Fields	X ⁱ	X
Golf Course/Facility		X
Riding Stable		X
Campground		X
Amateur Radio Facility		X
Bathhouse		X
Marina, Boathouse		X
Outdoor Theater		X
Bandstand		X

- ^aConsolidated open mess facilities (including modular construction) outside the United States.
- ^bExchange facilities required in areas of military conflict; or as integral parts of air terminal, hospital, housing, or other construction projects.
- ^cExchange administrative, storage, and maintenance facilities outside the United States and all laundries, dry cleaning plants, bakeries, dairies, or similar facilities operated by an exchange in support of a military mission.
- ^dArts and crafts, automobile self-help garage, and skill-development centers outside the United States.
- ^eBanks at locations where on-base banking services are required, but where the patronage base is insufficient to provide these services on a self-sustaining basis. (See DOD Instruction 1000.12, reference [t].)
- ^fPrivate funds.
- ^gSurcharge trust funds.
- ^hAuthorized overseas where avoiding the expenditure of other appropriated funds (such as temporary lodging allowance, basic allowance for quarters, station housing allowance, and furniture support) would save appropriated funds.
- ⁱPlaying courts and fields constructed as a part of a gymnasium, field-house, or physical activities complex.

Although DOD changed its policy for certain MWR projects which could be previously funded with MILCON appropriations, its policy for funding O&M minor construction MWR projects, projects costing \$200,000 or less, did not change. That is, DOD continued to authorize the use of appropriated funds for all O&M minor construction MWR projects. Under DOD regulations, use of nonappropriated funds can be authorized for minor construction MWR projects when appropriated funds are not available.

LISTING OF MWR PROJECTS

The MWR minor construction projects we reviewed are shown in table I.4. Some of the projects labeled "design" may have additional O&M minor construction appropriations obligated in future years.

Table I.4: MWR Projects Funded With O&M Minor Construction FundsArmyMissile Command, Huntsville, AL

<u>Project description</u>	<u>Amount obligated</u>
<u>Fiscal year 1984</u>	
1. Install fire suppression system in golf course snack bar	\$ 2,697
2. Extend fire alarm system at bowling center	767
3. Construct outdoor stage for shows and concerts	12,989
4. Renovate sanitary dump station for travel trailers	4,392
5. Install hot water tank and lines in building for scouts	9,304
6. Construct fishing pier at Thiokol Pond	5,982
7. Replace tennis court lighting system	15,192
8. Construct storage building at officers' club	38,432
9. Construct fuel storage area for golf course	46,575
10. Construct culvert and walkway at auto craft shop	<u>3,583</u>
Total	<u>\$139,913</u>
<u>Fiscal year 1985</u>	
1. Convert storage room at bowling center to pro shop	\$ 8,474
2. Renovate building for storage of outboard boat motors and enclose within existing fenced area	6,081
3. Construct competitive running track	136,715
4. Construct lumber storage shed for arts and crafts	3,813
5. Construct work space at auto shop	2,658
6. Alter golf course maintenance building	15,709
7. Install fire alarm system in craft center	2,383
8. Install sidewalk at recreation center	1,243
9. Install fire alarm system in youth center	2,747
10. Enlarge dressing rooms in gymnasium	92,492
11. Install fire exit light at officers' club	1,232
12. Install air compressor at auto shop	3,390
13. Construct concrete pad at auto shop	1,387
14. Install fence at child development center	1,233
15. Install kitchen sink in youth center	1,233
16. Remove partial bridge from recreation area	1,541
17. Install water and drain lines in youth center	2,619
18. Install electrical outlet in youth center	616

APPENDIX I

19. Install fence around kiddie pool	1,618
20. Provide power to non-commissioned officers' club sign	578
21. Fence ballfields and swimming pool	3,245
22. Renovate enlisted club	424
Total	<u>\$291,431</u>

Fiscal year 1986

1. Install exit lights in swimming pool bath houses	\$ 2,240
2. Install fire alarm system in golf course building	3,188
3. Add dust palliative to outdoor recreation equipment yard	8,047
4. Install power to non-commissioned officers' club sign	2,355
5. Extend fire alarm and water sprinkler systems in recreation center	194
6. Install cashier's window at officers' club	1,226
7. Construct lumber storage shed for arts and crafts	1,780

Total \$ 19,030

Fiscal year 1984-1986 total funds \$450,374

Fiscal year 1984-1986 total projects 39

Fort McPherson, Atlanta, GA

Project description Amount obligated

Fiscal year 1984

1. Install two sprinkler system pump units on golf course	\$ 62,000
2. Expand shower and dressing facilities in gymnasium	79,903
3. Add office space and class rooms to child development center	148,083
4. Install ceiling sprinklers in child development center	21,251
5. Make minor renovations in gymnasium	1,420
6. Renovate women's health center	15,600
7. Install concrete liner awning at Fort Gillem swimming pool	4,800

Total \$333,057

Fiscal year 1985

1. Construct new cart barn at golf club	\$ 94,000
2. Design for Morale Support Office	2,659
3. Rent bucket and trailer for park	3,190
4. Plant trees in park	993
5. Plant trees and shrubs in park	3,033
6. Renovate women's health center	8,100
7. Install restroom in women's health center	16,100
8. Landscape park	40,800
9. Improve temporary officers' club	13,400
10. Expand shower and dressing area in Fort Gillem gymnasium	54,000
11. Construct new boiler room and replace steam boiler at Fort Gillem officers' club	14,000
12. Construct new administration building at FORSCOM Recreation Park, Lake Allatoona	192,722
13. Construct bath house at FORSCOM Recreation Park	140,864
14. Construct additional rooms at FORSCOM Recreation Park motel	<u>35,700</u>
Total	<u>\$619,561</u>

Fiscal year 1986

1. Renovate women's health center	\$ 33,500
2. Plant trees at recreation center	2,000
3. Enclose area for racquetball court at Fort Gillem gymnasium	18,000
4. Construct new equipment rental center at Fort Gillem	<u>200,000</u>
Total	<u>\$ 253,500</u>

Fiscal year 1984-1986 total funds \$1,206,118

Fiscal year 1984-1986 total projects 25

Fort Bliss, El Paso, TXProject descriptionAmount obligatedFiscal year 1984

1. Construct shade area at outdoor swimming pool	\$ 5,841
2. Cover drinking area at bath house	2,185
3. Install scum gutter screens at bath house	370
4. Install chains on range hoods at bowling center	499
5. Install guardrail at skill development center	778
6. Install shower at guest house	668
7. Relocate telephone pole at guest house	749

APPENDIX I

8. Upgrade security at Morale Support Activities Office	970
9. Install 2 coolers at gym	250
10. Install guardrail at gym	1,485
11. Install outlets at main library	127
12. Add handrail at main library	388
13. Install electrical outlets at recreation center	418
14. Install street lights at skill development center	888
15. Tile bathroom walls at indoor swimming pool	3,866
16. Move lifeguard chair at indoor swimming pool	297
17. Modify plumbing for washer at gym	64
18. Install gas line at gym	304
19. Install 3 security screens at scout building	705
20. Install door and screen at skill development center	1,003
21. Install twist locks at skill development center	174
22. Rehabilitate general purpose playground	11,936
23. Install door alarms at indoor swimming pool	<u>480</u>
Total	\$ <u>34,445</u>

Fiscal year 1985

1. Repair physical fitness center	\$ 884
2. Install light in physical fitness center	300
3. Create new entrance to physical fitness center	3,989
4. Install outlets in recreation center	70
5. Add power circuit in gym	3,004
6. Install solid core doors in recreation center	1,832
7. Install heating vent in skill development center	864
8. Install electric outlets in skill development center	495
9. Install clothes rods in indoor swimming pool	204
10. Remove starting blocks in indoor swimming pool	2,230
11. Improve indoor swimming pool building	1,239
12. Install outlet in bowling center	278
13. Install exhaust fans in gym	284
14. Install ground fault outlet in bath house	237
15. Install fence and covers at outdoor swimming pool	173
16. Install benches and walkway in park	<u>6,428</u>
Total	\$ <u>22,511</u>

Fiscal year 1986

1. Install sensors in indoor swimming pool	\$ <u>196</u>
Total	\$ <u>196</u>
Fiscal year 1984-1986 total funds	\$ <u>57,152</u>
Fiscal year 1984-1986 total projects	<u>40</u>

NavyNaval Amphibious Base, Coronado, CA

<u>Project description</u>	<u>Fiscal year 1984</u>	<u>Amount obligated</u>
1. Install emergency lighting at library		\$ 796
2. Construct recreational facilities at park		34,100
3. Construct recreation area		<u>80,300</u>
Total		<u>\$115,196</u>
	<u>Fiscal year 1985</u>	
1. Install aisle lighting at theater		\$ 13,214
2. Construct paint locker at marina		6,400
3. Construct child-care center		55,152
4. Repair athletic field		119,900
5. Repair weight room		<u>55,000</u>
Total		<u>\$249,666</u>
	<u>Fiscal year 1986</u>	
1. Convert handball court to squash		\$ 2,604
2. Construct sun deck at enlisted club		66,000
3. Install A/C at officers' club dining room		<u>60,500</u>
Total		<u>\$129,104</u>
	Fiscal year 1984-1986 total funds	<u>\$493,966</u>
	Fiscal year 1984-1986 total projects	<u>11</u>

Naval Air Station, North Island, CA

<u>Project description</u>	<u>Fiscal year 1984</u>	<u>Amount obligated</u>
1. Install utilities to hot dog stand		\$ 3,597
2. Repair recreation building, San Clemente Island		<u>184,496</u>
Total		<u>\$188,093</u>
	<u>Fiscal year 1985</u>	
1. Construct basketball court		\$ 10,883
2. Repair child-care center, Imperial Beach		<u>94,540</u>
Total		<u>\$105,423</u>

Fiscal year 1986

1. Design for installation of handball/racquetball court in building 478 (estimated total cost: \$173,015)	\$ <u>15,730</u>
Total	\$ <u>15,730</u>
Fiscal year 1984-1986 total funds	\$309,246
Fiscal year 1984-1986 total projects	<u>5</u>

Air ForceCarswell Air Force Base, Fort Worth, TX

<u>Project description</u>	<u>Amount obligated</u>
<u>Fiscal year 1985</u>	
1. Convert portions of building into child-care facility	\$ <u>24,800</u>
Total	\$ <u>24,800</u>

Langley Air Force Base, Hampton, VA

<u>Project description</u>	<u>Amount obligated</u>
<u>Fiscal year 1984</u>	
1. Construct softball field	\$152,100
2. Alter child-care center	<u>140,000</u>
Total	\$292,100
<u>Fiscal year 1985</u>	
1. Install lighting on tennis courts	\$ 23,000
2. Alter recreation center	149,300
3. Alter youth center	100,000
4. Alter squash courts	15,700
5. Construct football fields	<u>179,600</u>
Total	\$467,600
Fiscal year 1984-1985 total funds	\$759,700
Fiscal year 1984-1985 total projects	<u>7</u>

MacDill Air Force Base, Tampa, FL**Project description** **Amount obligated****Fiscal year 1984**

1. Construct officers' club sign	\$ 20,000
2. Construct jogging path	134,900
3. Construct community support area (playground)	12,000
4. Alter facility for airmen's club	96,400
5. Alter child-care center	14,700
6. Construct basketball court	17,700
7. Construct outdoor pavillion	<u>42,900</u>
Total	<u>\$ 338,600</u>

Fiscal year 1985

1. Construct latrines in recreation area	\$ 41,400
2. Upgrade playground	16,600
3. Construct locker room	<u>161,300</u>
Total	<u>\$219,300</u>

Fiscal year 1986

1. Install base theater sign	<u>\$ 3,600</u>
Total	<u>\$ 3,600</u>
Fiscal year 1984-1986 total funds	<u>\$561,500</u>
Fiscal year 1984-1986 total projects	<u>11</u>

Marine Corps**Headquarters Marine Corps, Rosslyn, VA****Project description** **Amount obligated****Fiscal year 1985**

1. Renovate building for use as a family services center, Marine Corps Air Station, New River, NC	\$183,200
2. Install vents in field house, Marine Corps Base, Camp Butler, Japan	55,100

3.	Construct arts and crafts hobby shop, Marine Corps Logistics Base, Albany, GA	176,800
4.	Construct auto hobby shop, Marine Corps Logistics Base, Albany, GA	171,600
5.	Renovate child-care center, Marine Corps Recruit Depot, San Diego, CA	79,700
6.	Improve fish and wildlife habitat, Marine Corps Air Station, Beaufort, SC; purchase wildlife habitat equipment, Marine Corps Air Station, Cherry Point, NC	71,000
7.	Improve wildlife habitat and control pond water, Marine Corps Base, Camp Lejeune, NC	35,000
8.	Design for improvements to Nuupia Pond, Marine Corps Air Station, Kaneohe Bay, HI (estimated total cost: \$110,000)	10,500
9.	Improve wildlife habitat, Marine Corps Development and Education Command, Quantico, VA	8,000
10.	Design for predator control moat at Nuupia Pond, Marine Corps Air Station, Kaneohe Bay, HI (estimated total cost: \$141,200)	7,700
11.	Design for park pavillion, Marine Corps Logistics Base, Barstow, CA (estimated total cost: \$56,800)	<u>3,400</u>
	Total	<u>\$ 802,000</u>

Fiscal year 1986

1.	Improve recreational facilities, Marine Corps Air Station, Beaufort, SC	\$ 173,000
2.	Design for expansion of child-care center, Marine Corps Logistics Base, Albany, GA (estimated total cost: \$185,000)	11,100
3.	Design for repair and alternation of family services center building, Marine Corps Logistics Base, Barstow, CA (estimated total cost: \$159,000)	9,500
4.	Construct fish pond pier, Marine Corps Air Station, Beaufort, SC	21,000
5.	Construct fish pond control structure, Marine Corps Air Station, Cherry Point, NC	8,000
6.	Establish nature trail, Marine Corps Air Station, Kaneohe Bay, HI	10,000
7.	Construct natural resource exhibit, Marine Corps Air Station, Kaneohe Bay, HI	25,000
8.	Construct fish pond control structure, Marine Corps Air Station, Camp Lejeune, NC	12,500

9. Replace wildlife watering facilities, Marine Corps Base, Camp Pendleton, CA	<u>20,000</u>
Total	\$ <u>290,100</u>
Fiscal year 1985-1986 total funds	<u>\$1,092,100</u>
Fiscal year 1985-1986 total projects	<u>20</u>

CONTROL OF O&M MINOR CONSTRUCTION FUNDS

At the OSD level, the Deputy Assistant Secretary of Defense for Installations told us that the Office of the Secretary of Defense concentrates on managing major construction and leaves minor construction to the services. He stated that DOD does not have the staff to monitor and manage the large number of O&M minor construction projects. O&M minor construction funds are managed differently by, and sometimes within, each service. Generally, each of the military services allocates its O&M minor construction funds on a decentralized basis, giving installation (base) commanders wide discretion on how they use their funds. Because of the decentralized management approach, the service headquarters could not readily provide information on funds obligated and the number of projects being implemented. (See app. IV.)

ALLOCATION PROCESS

The type of controls used by each of the services is illustrated in tables II.1 and II.2. The Army and Air Force follow a decentralized approach while the Navy and Marine Corps manage O&M minor construction on both a centralized and decentralized basis. The Chief of Naval Operations (CNO)--which manages about 90 percent of the Navy's funds--has decentralized the responsibility for the control of funds, while the Navy Military Personnel Command--which has responsibility for the remaining funds--manages the O&M minor construction program centrally. The Marine Corps manages about 60 percent of the program centrally from headquarters, whereas the remainder is controlled at the base level in a decentralized manner.

Table II.1: Summary of the Control of O&M Minor Construction Funds Under the Decentralized Management Approach of the Army, Chief of Naval Operations, Air Force, and Marine Corps

	<u>Army</u>	<u>Chief Of Naval Operations</u>	<u>Air Force</u>	<u>Marine Corps^a</u>
1. Headquarters provides funds to major commands	Yes	Yes	Yes	-
2. Major Command retains control of minor construction funds until needed	No	Yes	Yes	-
3. Subordinate commander justifies budget by	Total dollars	Listing of projects	Listing of projects	Total dollars
4. Base Commander has approval authority for projects below	\$200,000	\$25,000	\$150,000	\$100,000
5. Base Commander has minor construction funds within his budget to finance projects he approves	Yes	Yes	No	Yes

^aThe Marine Corps does not have major commands. This column applies to Marine Corps funds for projects below \$100,000, which the base commanders control in a decentralized manner.

Table II.2: Summary of the Control of O&M Minor Construction Funds Under the Centralized Management Philosophy of the Navy Military Personnel Command and the Marine Corps

	<u>Navy Military Personnel Command</u>	<u>Marine Corps Headquarters^a</u>
1. Headquarters receives and reviews project requests from lower levels	Yes	Yes
2. Headquarters assigns priority to projects in terms of readiness	No	Yes
3. Headquarters physically inspects proposed project sites	No	Yes
4. Headquarters approves projects and allocates funds	Yes	Yes
5. Base or activity commander has approval authority for projects below	\$25,000	\$100,000

^aThis column applies to funds which Marine Corps Headquarters controls in a centralized manner.

Army

The Army uses a decentralized approach in managing O&M minor construction funds. Army headquarters officials had no information on the number and dollar amount of O&M minor construction projects. In our work at the Army Forces Command (FORSCOM), we found that FORSCOM could not provide information on the number or dollar amount of minor construction projects because it did not request such information from its subordinate installations. This lack of summary information stems from the fact that the FORSCOM installation commanders have the authority to approve and fund minor construction projects without higher level approval. Also, FORSCOM does not require its installations to request O&M minor construction funding based on individual projects, but requires them to request funding levels based upon past requirements and usage.

The Army Comptroller sends O&M minor construction funds to FORSCOM, which in turn allocates funds for minor construction to installations in its command. The installation also assumes accounting responsibility, which includes making payments to contractors.

Navy

The CNO manages about 90 percent of the Navy's O&M minor construction funds in a decentralized manner, while the Navy Military Personnel Command (NMPC) manages the remaining 10 percent in a centralized manner.

The CNO's office did not know the number of minor construction projects; however, the major command we visited (Commander-in-Chief, Atlantic Fleet) did have this information for his own projects. Because of on-going computer hardware and software conversions, the NMPC did not have summary information on the dollar amount budgeted and spent readily available and was unable to provide information on the total number of O&M minor construction projects it had funded by fiscal year. NMPC explained that this information will become readily available when the computer conversion is complete. Previous to the computer conversion chart, NMPC had the information available in a manual accounting system.

Chief of Naval Operations

At the locations visited, we found that the CNO, based on allocations from the Comptroller of the Navy, allocates O&M funds to the Navy's major commands. The major command allocates funds to its subordinate commands. The subordinate commands, in turn, allocate funds to base levels for use in minor construction projects.

Before the funding is allocated to the base, the base commander must request approval for minor construction projects from the subordinate command, which in turn requests approval from the major command. The base commander develops the requests for minor construction projects upon the advice of the base civil engineer, who identifies needs by working with squadrons and departments.

The base commander can approve minor construction projects under \$25,000 but must request approval from the subordinate command for projects costing more. The commander of the subordinate command, or his designee, sets priorities and approves the minor construction projects costing over \$25,000 and forwards this data to the major command for approval and funding. The major command, in turn, sets priorities for minor construction projects among its subordinate commands and decides which projects to fund.

Navy Military Personnel Command (NMPC)

Within NMPC, the Recreational Services Directorate controlled about 10 percent (\$7.4 million) of the Navy's total O&M minor construction budget (\$75.2 million in fiscal year 1986). The mission of the directorate is to enhance the morale, welfare, and recreation of Navy personnel. As such, the entire amount of O&M minor construction funds controlled by NMPC is spent on MWR minor construction projects.

The NMPC management approach differs from that followed by the rest of the Navy in that it is totally centralized. The NMPC controls, approves, and allocates all the funds centrally. Once a year, NMPC notifies all major Navy commands of the approximate number of O&M minor construction projects they will be allowed in the upcoming year. The major commands then notify their subordinate commands to assign priorities to projects and submit a given number of projects for the year. The subordinate commands, in turn, solicit the bases in their command for the number of minor construction projects needed. Each base determines its O&M minor construction needs and prepares a list of projects which it expects the subordinate command to approve and submit to the major command. Once NMPC receives the lists from the major command, it screens them for eligibility and then approves the projects within the funding available.

Air Force

The Air Force also uses a decentralized management approach. Air Force headquarters gives its major commands the responsibility and funds to run the program and had no information on the number and dollar amount of O&M minor construction projects.

The major command controls O&M minor construction funds, establishing project priorities and releasing funds project by project. Within the major commands, the base commanders have approval authority on O&M minor construction projects of \$150,000 or less. However, due to a lack of budgeted funds at base level, the commander needs to obtain funding for minor construction projects from the major command.

The base commander learns of needed minor construction projects from the base facilities utilization board, which receives input from the base civil engineer. The facilities board meets quarterly to discuss such things as the necessity and priority of projects. (The MacDill base commander told us that operational readiness receives the highest priority.)

Bases have accounting responsibility over the funds, but we had some difficulty in obtaining data at the base level. When we tried to develop accounting information on minor construction projects at MacDill Air Force Base we encountered problems. For example, it took base officials several days to develop information on the total O&M minor construction funds received for fiscal years 1984 through 1986 and the total number of minor construction projects. The comptroller noted that the accounting system was not set up to readily identify the total number of dollars and projects.

Marine Corps

The Marine Corps controls O&M minor construction funds in two ways. Marine Corps Headquarters centrally manages about 60 percent of the Marine Corps O&M minor construction budget, and the activities (bases) manage the rest. Headquarters approves and funds minor construction projects which cost from \$100,001 to \$200,000 or which are part of a special service-wide program, such as safety or environmental protection. Headquarters accounting records provide data on centrally managed O&M minor construction projects--that is, special service-wide projects and projects costing over \$100,000. The activities have approval authority over minor construction projects of \$100,000 and below, which they fund from their budgets. Headquarters had no readily available accounting reports on the projects managed by activity commanders.

The allocation process for projects of \$100,001 to \$200,000 and special program projects begins at the activity level. The activity commander sets priorities for proposed minor construction projects in this category and submits these proposals to headquarters. Headquarters officials analyze and assign priorities to these requests. They visit the activities to inspect the sites of proposed projects and to score proposals by a set of criteria. In addition, they hire a private consulting firm to perform cost-benefit analyses of the proposed projects which are expected to cost more than \$100,001. In deciding whether to approve a project for funding, headquarters considers its score and cost-benefit ratio, as well as the priority assigned to it by the activity commander.

Minor construction projects which cost \$100,000 or less and which are not part of a special program are funded at the activity level. For example, for fiscal year 1986, the commander of Camp Pendleton, California, has a budget of \$1.2 million for projects in this category. We did not review the Marine Corps minor construction funds which are controlled at the activity level and, therefore, did not determine the extent to which they are used for MWR projects.

HOW THE GRAMM-RUDMAN-HOLLINGS LEGISLATION
REDUCED THE AMOUNT OF O&M MINOR CONSTRUCTION
FUNDS FOR FISCAL YEAR 1986,
AS OF MARCH 14, 1986

<u>Branch</u>	<u>Congressional appropriation</u>	<u>Reduction caused by Gramm- Rudman-Hollings^a</u>		<u>Net amount of minor construction funds</u>
		<u>Amount</u>	<u>Percent</u>	
	(- - - - millions - - - -)			(millions)
Army	\$196.2	\$ 16.5	8	\$179.7
Navy	78.9	16.9 ^b	21	62.0
Air Force	135.6	31.0	23	104.6
Marines	<u>23.2</u>	<u>.5</u>	<u>2</u>	<u>22.7</u>
Total	<u>\$433.9</u>	<u>\$ 64.9</u>	15	<u>\$369.0</u>

^aOn July 7, 1986, the United States Supreme Court held the Gramm-Rudman-Hollings law unconstitutional in part. However, the Congress, in P.L. 99-366 enacted on July 31, 1986, ratified the \$11.7 billion fiscal year 1986 funding reductions mandated by this law.

^bThis is the Navy's best estimate as of May 2, 1986.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to identify the use of O&M minor construction funds by OSD and the military services, with particular emphasis on determining what portion of these funds were used for MWR purposes. Therefore, we focused on the following questions:

1. How many O&M minor construction projects were funded in recent years? Of this number, how many were MWR-type projects?
2. What was the amount of O&M minor construction money received in recent fiscal years? What amount has been used for MWR-type projects?
3. What is the criteria for determining whether to use appropriated or nonappropriated funds for MWR projects?
4. Who is responsible for controlling O&M minor construction funds?
5. How do OSD and the services decide which projects to fund and which ones have priority?
6. What impact does the Gramm-Rudman-Hollings law have on the fiscal year 1986 O&M minor construction budget?

We conducted our review at 20 military offices and installations, including the Office of the Secretary of Defense, a unified command, four headquarters, three major commands, one audit agency, and nine bases:

--Office of the Secretary of Defense

Deputy Assistant Secretary of Defense for
Installations, Washington, D.C.

--Unified Command

U.S. Readiness Command, Tampa, Florida

--Army

Army Headquarters, Washington, D.C.
Army Audit Agency, Arlington, Virginia
U.S. Army Forces Command, Atlanta, Georgia
Missile Command, Huntsville, Alabama
Fort McPherson, Atlanta, Georgia
Fort Bliss, El Paso, Texas

--Navy

Chief of Naval Operations, Arlington, Virginia
Navy Military Personnel Command, Arlington, Virginia
Commander in Chief, Atlantic Fleet, Norfolk, Virginia
Pacific Fleet, Naval Amphibious Base, Coronado,
California

Naval Air Pacific, Naval Air Station, North Island,
California
Chase Field Naval Air Station, Beeville, Texas

--Air Force

Air Force Headquarters, Directorate of Engineering
and Services, Arlington, Virginia
Tactical Air Command, Hampton, Virginia
Carswell Air Force Base, Fort Worth, Texas
Langley Air Force Base, Hampton, Virginia
MacDill Air Force Base, Tampa, Florida

--Marine Corps

Headquarters Marine Corps, Deputy Chief of Staff,
Installations and Logistics, Rosslyn, Virginia

We selected these locations to cover headquarters, a major command, and several installations of the Army, Navy, and Air Force. Our selection was limited by the location of headquarters and major commands and availability of our regional staff. Therefore, we did not attempt to draw a scientific sample, and our findings apply only to the locales we visited and cannot be projected. Because of the way minor construction projects are managed in the services, the projects we identified do not necessarily represent all such projects at the locations discussed.

Information on the amount of funds and type of projects was not readily available at most locations. Responsible officials indicated that the present accounting systems were not designed to provide such data. However, most of the information was available through an analysis of various supporting documentation retained by the services. Our work was performed between January and May 1986.

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