

GAO Highlights

Highlights of [GAO-17-76](#), a report to congressional committees

Why GAO Did This Study

In addition to construction projects funded with military construction appropriations, DOD has projects funded by other sources, such as revenue-generating activities and private financing. The National Defense Authorization Act for Fiscal Year 2016 included a provision that GAO report on DOD's commissary surcharge, nonappropriated fund, and privately financed major construction program.

GAO evaluated the extent to which DOD implemented policies and procedures for timely notification to Congress of major construction projects conducted through this program. GAO reviewed annual reports to Congress on such projects; analyzed policies from DOD and its relevant components; interviewed cognizant officials; and reviewed other relevant documentation.

What GAO Recommends

GAO is making three recommendations, including that DOD revise its policy on congressional notification of privately financed major construction projects to clarify which types of projects should be reported, identify a lead organization to develop DOD-wide policy for gifts of major construction, and develop clear policy on congressional notification of gifts of major construction. DOD concurred with the first of these recommendations and did not concur with the second and third. GAO continues to believe that DOD should take these actions because the military departments have not been providing consistent and complete information on gifts of major construction to Congress.

View [GAO-17-76](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov

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DEFENSE INFRASTRUCTURE

DOD Needs Clearer Guidance on Notifying Congress of Privately Financed Construction Projects

What GAO Found

The Department of Defense (DOD) has issued Instruction 7700.18, which outlines the congressional reporting requirements for all commissary surcharge and nonappropriated fund projects—those funded by revenue-generating military activities such as commissaries, exchanges, and some recreational facilities—as well as privately financed projects. The Instruction requires that major projects of these types be reported to Congress before being placed under contract. While DOD and its relevant components have generally followed the reporting guidance for major commissary surcharge and nonappropriated fund construction projects (those with a construction cost of greater than \$750,000), they have not consistently done so for privately financed projects, including gifts of major construction. Specifically, GAO found the following:

- *Commissary surcharge construction.* DOD and the Defense Commissary Agency had established policies and procedures to notify Congress of this type of project. All such projects included in the fiscal years 2015 and 2016 annual reports were reported to Congress prior to contracts being awarded.
- *Nonappropriated fund construction.* DOD and the military departments had established policies and procedures to notify Congress of this type of project. All such projects included in the fiscal years 2015 and 2016 annual reports were reported to Congress prior to contracts being awarded.
- *Privately financed construction.* DOD does not report all privately financed construction projects through the annual reporting process outlined in DOD Instruction 7700.18. GAO identified several project types that may fit the definition of privately financed construction but are not reported through this process. Projects of these types are instead subject to other statutory requirements, policies, or arrangements for congressional notification, but DOD's Instruction does not note that they are to be excluded from this process. Unless DOD has a policy that defines which projects should be reported through this process, Congress will not have clear and consistent information about the scope of these construction projects.
- *Gifts of construction.* DOD and the military departments do not report all gifts of major construction—a type of privately financed project—and are inconsistent in their approaches to identifying which gifts to report. DOD officials said their practice has been to omit from this reporting process major construction gifts for which DOD would have used military construction appropriated funds if it had funded the project itself. Furthermore, the military departments' policies and practices on reporting gifts differ from each other, and some gifts were not reported at all or were reported after contracts had been awarded or through separate processes. These differences can be attributed to unclear guidance and to the fact that DOD has not identified a lead organization to develop a department-wide policy for gifts of major construction. Without clear guidance and a DOD-wide policy on congressional reporting of major construction gifts, the military departments may continue their inconsistent reporting and Congress may lack complete and consistent information on these gifts of construction projects.