

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE BASE REALIGNMENT AND CLOSURE
ACCOUNT FOR THE DEFENSE PERSONNEL SUPPORT
CENTER, THE DEFENSE CLOTHING FACTORY, AND
THE NAVAL AVIATION DEPOT PENSACOLA

Report No. 97-032

November 25, 1996

19991105 128

DTIC QUALITY INSPECTED 4

Department of Defense

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

ARI 00-02-0349

Additional Copies

To obtain additional copies of this audit report, contact the Secondary Reports Distribution Unit of the Analysis, Planning, and Technical Support Directorate at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch of the Analysis, Planning, and Technical Support Directorate at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

OAIG-AUD (ATTN: APTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

BCA	Base Closure Account
BRAC	Base Realignment and Closure
DCF	Defense Clothing Factory
DLA	Defense Logistics Agency
DPSC	Defense Personnel Support Center
MILCON	Military Construction
NADEP	Naval Aviation Depot, Pensacola
O&M	Operation and Maintenance
VSIP	Voluntary Separation Incentive Payment



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**



November 25, 1996

**MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY**

**SUBJECT: Audit Report on Defense Base Realignment and Closure Account for the
Defense Personnel Support Center, the Defense Clothing Factory, and the
Naval Aviation Depot Pensacola (Report No. 97-032)**

We are providing this audit report for review and comment. This report is one in a series of reports relating to the administration of Defense base realignment and closure funds, other than Defense base realignment and closure military construction funds. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. As a result of management comments, we modified draft Finding A and deleted the applicable draft recommendations, A.1. and A.2., that pertained to the Navy. We also revised draft Recommendation B.1.d. to the Defense Logistics Agency as a result of management comments. We request the Defense Logistics Agency to comment on unresolved Recommendations B.1.b. and B.1.d by January 24, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Michael Perkins, Audit Project Manager, at (703) 604-9273 (DSN 664-9273). The distribution of this report is listed in Appendix E. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-032
(Project No. 5CG-5033.02)

November 25, 1996

Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola

Executive Summary

Introduction. The 1993 Commission on Defense Base Realignment and Closure estimated the one-time cost of Defense base realignment and closure at \$7.43 billion for FYs 1994 through 1999. Of that amount, \$3.33 billion was for Defense Base Closure Account operation and maintenance costs, permanent change of station costs for affected military personnel, and other Defense base realignment and closure costs that were not for military construction.

Audit Objectives. The primary audit objective was to evaluate the administration of Defense Base Realignment and Closure Account funds, other than military construction funds. We further limited our review to the operation and maintenance subaccount. The specific objectives were to determine whether Defense Base Closure Account funds were obligated for authorized Defense base realignment and closure requirements and whether the obligations were valid. We discuss the adequacy of the Military Departments and Defense Logistics Agency management control programs in Inspector General, DoD, Report No. 96-163, "Defense Base Closure Account Funds Other Than Military Construction Funds," dated June 14, 1996.

Audit Results. The Defense Personnel Support Center, Philadelphia, Pennsylvania, maintained an inaccurate accounting of Defense Base Closure Account operation and maintenance obligations for lump-sum leave. As a result, the Defense Personnel Support Center overstated the Defense Base Closure Account operation and maintenance obligations by \$55,400. (Finding A).

The Defense Logistics Agency and the Defense Personnel Support Center could not support the validity of \$4.8 million in Defense Base Closure Account expenditures at the Defense Clothing Factory. As a result, there is no assurance that BCA expenditures were for valid BRAC costs (Finding B). See Part I for a discussion of the audit results and potential benefits resulting from the audit.

Summary of Recommendations. We recommend that the Defense Personnel Support Center deobligate invalid lump-sum leave obligations, establish procedures for developing lump-sum leave estimates as a result of Defense base realignment and closures, and provide supporting documentation for Defense base realignment and closure related DLA service orders. Further, we recommend that the Defense Logistics Agency implement the procedures for transferring accounting functions that are delineated in DoD 7000.14R, Volume 11B, Paragraph E., May 1994, audit the \$1.4 million in lump-sum leave obligations resulting from the closure of the Defense Clothing Factory, and validate the Defense base realignment and closure-related costs for DLA service orders.

Management Comments. The Principal Deputy Director of the Defense Logistics Agency concurred with draft Finding A and the applicable recommendations. The Principal Deputy Director indicated that the estimated completion date for implementing the recommendations would be December 31, 1996. This includes the recommendation to audit \$1.4 million, in FYs 1994 and 1995 total obligation for lump-sum leave for the closure of the Defense Clothing Factory.

The Principal Deputy Director of the Defense Logistics Agency nonconcurred to draft Finding B. The Principal Deputy Director stated that the Defense Logistics Agency reviewed and approved the Defense Clothing Factory operating authority in accordance with "Financial Management Regulation (DoD 7000.14-R), Volume 11B, Paragraph 4."

The Principle Deputy Director nonconcurred with Recommendations B.1.b. and B.1.d. The Principle Deputy Director stated that the Defense Logistics Agency field activities provide detailed justification during data call. The Principle Deputy Director also stated that procedures for transferring accounting functions are delineated in DoD Financial Management Regulation (DoD 7000.14R), Volume 11B, Paragraph E. The Principle Deputy Director did concur with Recommendations B.1.a and B.1.c. A summary of management comments is at the end of each finding in Part I. The complete text of management comments is in Part III.

Audit Response. The Defense Logistics Agency comments on draft Finding B are nonresponsive. They do not address the problem emphasized in draft Finding B, the lack of documentation maintained by the Defense Logistics Agency and the Defense Personnel Supply Center to support \$4.8 million in purported BRAC related cost.

The Defense Logistics Agency comments on Recommendations B.1.b and B.1.d also were nonresponsive. Based on our audit, we were unable to obtain any documentation, including the data call, to support \$4.8 million of costs as being BRAC costs. We reworded draft Recommendation B.1.d, based on management comments, to include implementing procedures for transferring accounting functions as defined by DoD 7000.14R, Volume 11B, Paragraph E.

We request that the Defense Logistics Agency reconsider its comments to Finding B and the applicable recommendations and provide additional comments on the final report by January 24, 1997.

Table of Contents

Executive Summary	i
Part I - Audit Results	1
Audit Background	2
Audit Objectives	2
Other Matters of Interest	2
Finding A. Computation of Defense Base Realignment and Closure Obligations	4
Finding B. Validation of Obligations for Defense Base Realignment and Closure	7
Part II - Additional Information	11
Appendix A. Audit Proces Scope Methodology	12 13
Appendix B. Summary of Prior Audits and Other Reviews	15
Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs	18
Appendix E. Report Distribution	21
Part III - Management Comments	23

Part I - Audit Results

Audit Background

In February 1995, the Commission on Defense Base Closure and Realignment estimated the one-time cost of Defense base realignment and closure (BRAC) at about \$7.43 billion for FYs 1994 through 1999. Of that amount, \$3.33 billion was for Defense Base Closure Account (BCA) operation and maintenance (O&M) costs, permanent change of station costs for affected military personnel, and costs for other than military construction requirements.

Audit Objectives

The primary audit objective was to evaluate the administration of BCA funds, other than military construction funds. The specific objectives were to determine whether BCA funds were obligated for authorized BRAC requirements and whether the obligations were valid.

We further limited our review to the BCA operation and maintenance subaccount because we are performing independent audits for family housing requirements and other non-military construction costs. Further, permanent change of station for affected military personnel was not reviewed because it is not part of the BCA or the non-BRAC O&M account.

This report provides the results of our review at the Defense Clothing Factory (DCF), Defense Personnel Support Center (DPSC), Philadelphia, Pennsylvania, and at the Naval Aviation Depot (NADEP), Pensacola, Florida. See Appendix A for a discussion of the audit scope and methodology and Appendix B for a summary of prior coverage. We discuss the adequacy of the Military Departments and the Defense Logistics Agency management control program in Inspector General, DoD, Report No. 96-163, "Defense Base Closure Account Funds Other Than Military Construction Funds," dated June 14, 1996.

Other Matters of Interest

In preparation for closure, NADEP Pensacola will relocate its work load throughout the naval and private aviation depot maintenance communities. A transition plan, based on the most current work load, was formulated to preserve the commercial defense industrial base while ensuring that the Navy maintains the core competencies needed to support mission-essential requirements and fleet readiness. Aircraft and engine work loads were relocated to NADEP Cherry Point, North Carolina. Missile maintenance transitioned to other naval organizations, while the support work loads transitioned to the remaining NADEPs and the private sector. NADEP Pensacola O&M costs

funded through the BCA included program management, building closure, equipment removal, and transportation and relocation of personnel. Civilian one-time costs included employee transition assistance, severance entitlements, and permanent change of station as necessary to support the planned closure of NADEP Pensacola. We performed a review of these costs. In a draft of this report we questioned the validity of some of the NADEP Pensacola costs. As a result of Navy comments provided in response to the draft report, we reconsidered our position and have determined that all costs charged to BCA by NADEP Pensacola were valid. We commend NADEP Pensacola on a job well done.

Finding A. Computation of Defense Base Realignment and Closure Obligations

DPSC maintained an invalid accounting of BCA operation and maintenance obligations for one third of the lump-sum leave obligations in the audit sample. The invalid accounting occurred because DPSC did not adjust the estimated obligations with the actual lump-sum leave payments for Defense Clothing Factory employees. As a result, BCA operation and maintenance funds were unnecessarily reserved.

Closure and Realignment of the Defense Logistics Agency and Naval Sites

Realignment of the Defense Personnel Support Center. DPSC functions will relocate by the fourth quarter of FY 1997 to the Aviation Supply Office in Philadelphia. The mission of DPSC is to manage and procure consumable spare parts and commodities used by the Military Departments and other Federal Agencies. DPSC is responsible for the worldwide management of basic troop support items. BCA O&M costs include voluntary separation incentive payments (VSIPs), voluntary early retirement authority, unemployment compensation, and lump-sum annual leave payments.

Calculation of Defense Base Realignment and Closure Obligations

DPSC maintained invalid BCA O&M obligations for lump-sum leave. Table 1 identifies the FYs 1994 and 1995 total BCA O&M obligations, BCA O&M obligations reviewed, and the overstated and overpaid BCA O&M obligation.

Table 1. FYs 1994 and 1995 Overstated and Overpaid BCA O&M Obligations

<u>Activity</u>	<u>Subaccount</u>	<u>Total Obligation</u>	<u>Obligations Reviewed</u>	<u>Overstated/ Overpayment</u>
DPSC	Lump-Sum Leave	\$ 1,415,000	\$154,487	\$55,366

Lump-Sum Leave Obligations. DPSC based the estimated amount for lump-sum leave obligations on the assumption that all DCF employees would leave the Government. However, when some of the DCF employees remained in

Finding A. Computation of Defense Base Realignment and Closure Obligations

Government service, DPSC did not adjust the estimated amount for lump-sum leave obligations to be consistent with the actual lump-sum leave payments for DCF employees.

Selection of Sample. Of the \$1.4 million total DPSC lump-sum leave obligations, we judgmentally selected for review 30 lump-sum leave obligations valued at \$154,487, and identified 11 obligations as invalid. The 11 obligations were invalid because the estimated amount (the estimated amounts were based on the assumption that every employee was going to leave Government service as a result of the BRAC action) for lump-sum leave remained obligated, even though employees remained in Government service or elected to retire for reasons other than an anticipated BRAC action. In the 11 cases where invalid BRAC obligations were found, 7 employees accepted positions within DPSC or the Postal Service, 2 employees were reassigned and later elected normal retirement, 1 employee retired on normal disability, and 1 lump-sum leave obligation was incorrectly calculated.

Corrective Actions. DPSC should compare the actual costs to obligated amounts and adjust the obligated amounts accordingly. DPSC officials agreed to adjust all invalid lump-sum leave obligations. Such action would result in an accurate amount set aside for lump-sum leave obligations.

Recommendations, Management Comments, and Audit Response

Deleted and Renumbered Recommendations. Based on Navy comments, we deleted draft Recommendations A.1. and A.2. and corresponding portions of Finding A. Additional information provided by the Navy has shown that temporary promotions meet the requirements for computing severance entitlements and VSIPs. Draft Recommendations A.3. and A.4. have been renumbered to final Recommendations A.1. and A.2.

A.1. We recommend that the Director, Defense Logistics Agency:

a. Direct the Defense Personnel Support Center to compare the actual costs for lump-sum leave to obligated amounts and adjust the obligated amounts accordingly.

b. Direct the Defense Logistics Agency Office of Internal Review to audit the \$1.4 million FYs 1994 and 1995 total obligation for lump-sum leave obligations resulting from the closure of the Defense Clothing Factory.

A.2. We recommend that the Commander, Defense Personnel Support Center, deobligate invalid lump-sum leave obligations.

Finding A. Computation of Defense Base Realignment and Closure Obligations

Defense Logistics Agency Comments. The Principle Deputy Director of the Defense Logistics Agency concurred with Recommendations A.1.a., A.1.b., and A.2., stating that all recommended actions would be completed by December 31, 1996, and June 30, 1997, accordingly.

Finding B. Validation of Obligations for Defense Base Realignment and Closure

The Defense Logistics Agency and DPSC could not support the validity of \$4.8 million of BCA expenditures at the Defense Clothing Factory. These expenditures could not be validated as being BRAC costs because neither the Defense Logistics Agency nor DPSC maintained sufficient documentation. As a result, there is no assurance that BCA funds were used appropriately.

Closure of Defense Clothing Factory

The DCF closed on September 30, 1994. The mission of DCF was to manufacture military clothing and textile items, special-sized uniforms, and hand-embroidered flags. DCF was located in Philadelphia, Pennsylvania, on the same installation as DPSC. DCF personnel supporting the flag mission were relocated to DPSC in August 1994, and existing commercial sources were used to procure other clothing factory products. Personnel costs that were budgeted for the closure of DCF included VSIPs, voluntary early retirement authority, severance entitlements, unemployment compensation, minimal permanent change of station, and lump-sum annual leave payments. DPSC performed the accounting function for DCF. As of January 1994, the accounting function for DPSC and DCF was transferred to the Defense Finance and Accounting Service, Columbus, Ohio.

Validating BRAC-Related Cost

The DLA did not validate \$4.8 million in BCA expenditures for DCF BRAC cost. DLA Form 1817, "DLA Service Order," is used to allocate funds to DLA activities. The \$4.8 million consisted of a \$2 million DLA service order and a \$2.8 million DLA service order for DCL closeout costs associated with the BRAC.

Table 2 identifies the two DLA service orders for DCF BRAC costs.

Table 2. DLA Service Orders for DCF BRAC Costs	
<u>DLA Service Order</u>	<u>Value</u>
94 BRACCF 01	\$2.8
94 BRACCF 02	<u>2.0</u>
Total	\$4.8

Approving Service Orders for DCF BRAC Cost. DLA officials verbally approved DPSC requests for \$4.8 million in BCA funds for the two BRAC-

Finding B. Validation of Obligations for Defense Base Realignment and Closure

related DLA service orders without substantiating whether DPSC could justify the need for the funds. DLA is responsible for approving the allocation of funds to DPSC for DCF BRAC cost. However, neither DPSC nor DCF furnished DLA with a detailed explanation that would justify the need for \$4.8 million for BRAC-related cost. Further, officials at DLA stated that they were not required to perform any type of review or analysis prior to obligating BCA funds used to support the two BRAC-related DLA service orders.

Maintaining Documentation to Support Expenditures. Neither DLA nor DPSC maintained adequate documentation to support the expenditures of BCA funds. Officials at DLA stated that DPSC used \$4.3 of million BCA funds to reimburse the Defense Business Operation Fund. Another \$0.5 million of BCA funds also would be used to reimburse the Defense Business Operation Fund upon receipt of valid BRAC-related invoices. We asked officials at DLA if DPSC had furnished any invoices that could substantiate whether DCF actually expended \$4.3 million for valid BRAC-related costs. DPSC officials stated that they had DCF supporting invoices, but shipped the documents to the Defense Finance and Accounting Service, Columbus. Further, neither DPSC nor DLA officials maintained documentation (that is, invoices or purchase orders) that could support the amount or the validity of any BRAC-related expenditures charged to Defense Business Operation Fund.

Voucher Processing. Defense Finance and Accounting Service officials stated on March 19, 1996, that they could account for all but \$381,000 of the \$4.8 million in BRAC-related invoices. However, the invoices supporting the vouchers could not be located, and Defense Finance and Accounting Service officials could not provide reasonable assurance that the vouchers used to reconcile the \$4.8 million expenditures actually pertained to the two BRAC-related DLA service orders. Defense Finance and Accounting Service officials stated that the vouchers did not identify the BRAC-related DLA service order control numbers, but rather gave a description of the type of expenditures incurred as a result of the DCF closure. Based on the DPSC description of the DCF supporting invoices, such as for severance pay, Defense Finance and Accounting Service officials assumed that the vouchers were used by DCF to satisfy the \$4.8 million BRAC-related DLA service orders.

Improvements for Future Allocation of Funds. DLA should validate DLA service orders that request funds for BRAC-related cost. Also, DLA should require all its field activities to furnish both estimates and the applicable detailed documentation that justifies the need for BRAC-related funding.

Recommendations, Management Comments, and Audit Response

Reworded Recommendation. As a result of comments made by the Principle Deputy Director of the Defense Logistics Agency, we reworded draft

Finding B. Validation of Obligations for Defense Base Realignment and Closure

Recommendation B.1.d. to clarify our intentions that the Defense Logistics Agency should establish and implement procedures for transferring accounting activities as identified in DoD 7000.14R, Volume 11B, Paragraph E., May 1994.

B.1. We recommend that the Director, Defense Logistics Agency:

a. Validate supporting reimbursement documentation for DLA service orders 94 BRACCF 01 and 94 BRACCF 02.

Defense Logistics Agency Comments. The Principle Deputy Director of the Defense Logistics Agency concurred with Recommendations B.1.a., stating that DLA is currently in the process of reconstructing the records inadvertently misplaced.

b. Direct Defense Logistics Agency field activities to provide estimates of Defense base realignment and closure-related costs, applicable documentation, and a detailed justification for using Defense Base Closure Account operation and maintenance funds for Defense base realignment and closure costs.

Defense Logistics Agency Comments. The Principle Deputy Director nonconcurred with the recommendation, stating that Defense Logistics Agency field activities provide requirements during the data call. Included in the data call are detailed justifications for Defense Base Closure Account requirements.

Audit Response. The comments were not responsive. The Defense Logistics Agency verbally approved the Defense Personnel Support Center request for the BRAC-related funds without substantiating the need for the funds. Further, the Defense Logistics Agency could not provide supporting documentation (i.e., invoices or purchase orders) that could specifically support the validity of the BRAC-related expenditures.

c. Substantiate the validity of Defense Base Closure Account expenditures by requiring that the Defense Logistic Agency Office of Internal Review perform periodic review of invoices that justifies BRAC-related costs.

Defense Logistics Agency Comments. The Principle Deputy Director concurred with Recommendations B.1.c. stating that recommended actions would be completed by June 30, 1997.

d. Establish and implement procedures for reassigning accounting responsibilities for those Defense Logistics Agency field activities disestablished as a result of Defense base realignment and closures.

Defense Logistics Agency Comments. The Principle Deputy Director nonconcurred with the recommendation, stating that procedures for transferring accounting functions are delineated in DoD 7000.14R, Volume 11B, Paragraph E.

Finding B. Validation of Obligations for Defense Base Realignment and Closure

Audit Response. The comments were not responsive. DoD 7000.14R, Volume 11B, Paragraph E. requires a determination of the validity of outstanding undelivered orders. Paragraph E.4.a.(2) requires undelivered orders and other outstanding obligations account balances should not be transferred from the losing activity without validation. Even though the DoD 7000.14R delineates the procedures for transferring accounting functions, DLA did not comply. As stated in the audit report, the DLA never validated \$4.8 million in BCA expenditures. Neither DLA nor DPSC maintained documentation to support the BRAC related expenditures.

B.2. We recommend that the Commander, Defense Personnel Support Center:

a. Provide supporting voucher reimbursement documentation for service order 94 BRACCF 01 in the amount of \$2,000,000.

b. Provide supporting voucher reimbursement documentation for service order 94 BRACCF 02 in the amount of \$2,750,000.

Defense Logistics Agency Comments. The Defense Logistics Agency concurred with Recommendations B.2.a. and B.2.b., stating that all recommended actions would be completed by December 31, 1996.

Part II - Additional Information

Appendix A. Audit Process

Scope

This report is the second in a series of reports issued on the use of Defense Base Closure Account funds for other than military construction.

BCA Obligations. We selected FYs 1994 and 1995 BCA operation and maintenance obligations reported by the Military Departments and Defense agencies. Universe data were obtained from the FYs 1996 and 1997 Biennial Budget Estimates reported by the Military Departments and Defense agencies. Based on universe data, the Quantitative Methods Division of the Analysis, Planning, and Training Support Directorate selected 30 military sites to be sampled, of which we visited 4.

We limited our review to four sites because of the difficulties encountered during the survey. For example, much of the supporting BRAC documentation was not available for review at the closing bases. Further, in some instances, we could not interview key personnel responsible for managing BRAC funds. The individuals had either been reassigned to other Defense agencies or had lost their positions as a result of DoD downsizing. We visited Letterkenny Army Depot; Naval Aviation Depot, Florida; Griffiss Air Force Base; and the DLA Defense Personnel Support Center/Defense Clothing Factory, Pennsylvania. Other organizations visited or contacted during the audit are listed in Appendix D.

Table A-1 shows data on the universe and data for the sample.

Table A-1. Sample Selection by Value and Number of Sites				
Organization	Universe Data		Sample Data	
	Value (\$000)	Number of Sites	Value (\$000)	Number of Sites
Army	\$ 52,715	7	\$20,540	1
Navy	1,058,514	41	53,152	1
Air Force	159,660	9	9,160	1
DISA*	218,570	53	0	0
DLA	53,971	5	12,572	1
Total	\$1,543,430	115	\$95,424	4

*Defense Information Systems Agency

We reviewed \$18.3 million of the \$95.4 million for the site locations visited. The period of the review took into consideration FYs 1994 and 1995 obligations for BRAC O&M.

Table A-2 identifies the universe and scope of review for the sites visited.

Table A-2. Universe and Scope of Review by Site (\$ in thousands)		
<u>Activity</u>	<u>Universe</u>	<u>Reviewed</u>
Letterkenny Army Depot	\$20,540	\$ 8,097
Naval Aviation Depot	53,152	4,231
Griffiss Air Force Base	9,160	905
Defense Personnel Support Center/Defense Clothing Factory	<u>12,572</u>	<u>5,080</u>
Totals	\$95,424	\$18,313

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from April through December 1995 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD.

Methodology

We evaluated the validity of BCA O&M obligations.

BCA Obligations Selected. To select the BCA O&M obligations, we judgmentally sampled low- and high-dollar values within various sub-subaccounts. The selection of sampled items took into consideration actual BCA O&M obligations during FYs 1994 and 1995.

Use of Computer-Processed Data. We relied on manual techniques to acquire BCA obligations for two of the four activities visited because computer-processed data could not always be obtained. The universe and sample selection for BCA obligations at NADEP Pensacola and DPSC BCA obligations were obtained from various accounting reports for FYs 1994 and 1995. For Letterkenny Army Depot and Griffiss Air Force Base, BCA obligations were obtained from hard copies of computer-process reports for FYs 1994 and 1995. In all instances, nothing came to our attention that indicated that the computer-processed reports were unreliable.

Appendix B. Summary of Prior Audits and Other Reviews

Inspector General, DoD

Report No. 96-163, "Defense Base Closure Account Funds Other Than Military Construction Funds," June 14, 1996. The subject report states that the Military Departments and the Defense Logistics Agency used Defense Base Closure Account operation and maintenance funds inconsistently during FYs 1994 and 1995. The inconsistent use of funds may result in inaccurate reporting of Defense Base Closure Account costs. Furthermore, no assurance exists that Defense Base Closure Account operation and maintenance funds are being spent correctly on Defense base realignment and closure costs.

The report recommends that the Military Departments and the Defense Logistics Agency coordinate with the Office of the Under Secretary of Defense (Comptroller) to obtain decisions on any BRAC funding issue that needs clarification, in order to properly record Defense Base Closure Account expenses to the appropriate subaccount. The Under Secretary of Defense (Comptroller) agreed with the issues in the draft report and stated that DoD Components should request clarification on BRAC financial guidance that is not absolutely clear to ensure that BRAC costs are accounted for properly. The Army concurred and stated that the Assistant Secretary of the Army for Financial Management will issue clarification on several BRAC funding issues. The Navy concurred and stated that guidance will be issued consistent with guidance provided by the Under Secretary of Defense (Comptroller). The Assistant Secretary of the Air Force agreed with the intent of issues in the report and stated that Air Force BRAC program managers will seek guidance as needed on issues regarding the use of BRAC funds. The Defense Logistics Agency agreed with the issues in the report and stated that new BRAC FY 1995 implementation guidance has been issued to all BRAC activities.

Air Force Audit Agency

Project No. 93052017, "Review of the Base Closure Accounts, Obligations, and Outlays," January 31, 1994. The subject report states that the Air Force overstated BCA O&M funding needs. Additionally, installation personnel used BCA funds for only 20 of 43 closure events reviewed, while they used normal O&M funds for the remaining 23. Additionally, the major commands reserved about \$25 million of BCA O&M funds for two closed installations. The amount of funds reserved was more than needed. The report further states that in 1988 and 1990, the Air Force used its own funds to start Defense base realignment and closure actions rather than wait for Congress to appropriate funds. As a result, the Air Force was not able to use Defense Base Closure Account funds for some base closure and realignment events. The Office of the Secretary of Defense allocated \$114.2 million to the Air Force in FYs 1990 and 1991 that could not be used until after 1993.

The report recommended that the Principal Deputy Assistant Secretary (Manpower, Reserve Affairs, Installations and Environment) and the Principal Deputy Assistant Secretary (Financial Management and Comptroller) align program and financial management under a single office. That office should manage installation closure activities from installation selection until installation disposal. The Principal Deputy Assistant Secretary (Manpower, Reserve Affairs, Installations and Environment) agreed that the Defense Base Closure Account required improved oversight, management, and execution.

Defense Logistics Agency

Project No. DDAI-001-94, "Audit of Base Realignment and Closure 1993 Implementation Costs, Defense Personnel Support Center, Defense Clothing Factory, Defense Contract Management District Mid-Atlantic," January 26, 1995. The subject report states that errors in the Defense Contract Management District Mid-Atlantic and Defense Personnel Support Center VSIP calculations caused overpayments and underpayments. The report further states that DLA primary-level field activities need guidance regarding annual lump-sum leave costs. The report recommended that the Defense Personnel Support Center Office of Personnel review VSIP calculations, audit the results, and provide a copy to the DLA Office of Internal Review. Management agreed with the recommendation. The report also recommended that the Office of the Comptroller, DLA headquarters, issue guidance requiring primary-level field activities to record total annual lump-sum leave payments as a BRAC cost. Management stated that it is in the process of updating BRAC guidance to the field activities. Due to disagreements with several of the Military Departments regarding payment of annual lump-sum leave with BRAC funds, DLA requested a policy decision from the Office of Secretary Defense and agreed to issue guidance after receipt of that policy decision.

Project No. DDAI-001-94, "Audit of Base Realignment and Closure 1993 Implementation Costs, Defense Contract Management District North Central," January 26, 1995. The report states that some VSIP calculations were incorrect. The report also states that primary-level field activities need guidance on establishing an outplacement center. Additionally, adjusting accounting entries must be reviewed for accuracy once Defense Contract Management District North Central is disestablished on June 30, 1994. The report further states that a difference existed between the VSIP listings maintained by the Budget Office and the Personnel Office. The report recommended a review of all VSIP calculations. Management concurred and completed the review.

The report also recommended that the Office of Executive Director, Human Resources, issue guidance for outplacement services to future BRAC activities scheduled for closure. Management concurred and stated that the DLA Civilian Personnel Support Office is developing an agency outplacement guide.

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (the Commission) to recommend military installations for realignment and closure. Congress passed Public Law 100-526, "Defense Authorization Amendments and Base Closure and Realignment Act," October 24, 1988, which enacted the Commission's recommendations. The law also established the Defense Base Closure Account to fund any necessary facility renovation or MILCON projects associated with BRAC. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, reestablished the Commission. The law also chartered the Commission to meet during calendar years 1991, 1993, and 1995 to verify that the process for realigning and closing military installations was timely and independent. In addition, the law stipulates that realignment and closure actions must be completed within 6 years after the President transmits the recommendations to Congress.

Required Defense Reviews of BRAC Estimates. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, states that the Secretary of Defense shall ensure that the authorization amount that DoD requested for each MILCON project associated with BRAC actions does not exceed the original estimated cost provided to the Commission. Public Law 102-190 also states that the Inspector General, DoD, must evaluate significant increases in BRAC MILCON project costs over the estimated costs provided to the Commission and send a report to the congressional Defense committees.

Military Department BRAC Cost-Estimating Process. To develop cost estimates for the Commission, the Military Departments used the Cost of Base Realignment Actions computer model. The Cost of Base Realignment Actions computer model uses standard cost factors to convert the suggested BRAC options into dollar values to provide a way to compare the different options. After the President and Congress approve the BRAC actions, DoD realigning activity officials prepare a DD Form 1391, "FY 1997 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The Cost of Base Realignment Actions computer model provides cost estimates as a realignment and closure package for a particular realigning or closing base. The DD Form 1391 provides specific cost estimates for an individual BRAC MILCON project.

Limitations and Expansion to Overall Audit Scope. Because the Cost of Base Realignment Actions computer model develops cost estimates as a BRAC package and not for individual BRAC MILCON projects, we were unable to determine the amount of cost increases for each BRAC MILCON project.

Appendix C. Background of Defense Base Realignment and Closure and Scope of the Audit of FY 1997 Defense Base Realignment and Closure Military Construction Costs

Additionally, because of prior audit efforts that determined potential problems with all BRAC MILCON projects, our audit objectives included all large BRAC MILCON projects.

Overall Audit Selection Process. We reviewed the FY 1997 BRAC MILCON \$820.8 million budget submitted by the Military Departments and the Defense Logistics Agency. We excluded projects that were previously reviewed by DoD audit organizations. We grouped the remaining BRAC MILCON projects by location and selected groups of projects that totaled at least \$1 million for each group. We also reviewed the FY 1996 BRAC MILCON projects that were not included in the previous FY 1996 budget submission, but were added as part of the FY 1997 BRAC MILCON budget package.

Appendix D. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Deputy Comptroller (Program/Budget), Washington, DC
Deputy Assistant Secretary of Defense (Installations) Washington, DC
Base Realignment and Closure Office, Washington, DC

Department of the Army

Letterkenny Army Depot, Chambersburg, PA

Department of the Navy

Deputy Assistant Secretary of the Navy (Civilian Personnel Policy/Equal Employment Opportunity) Arlington, VA
Naval Air Systems Command, Arlington, VA
Naval Aviation Depot, Pensacola, FL

Department of the Air Force

Langley Air Force Base, Hampton, VA
Griffiss Air Force Base, Rome, NY

Other Defense Organizations

Defense Finance and Accounting Service, Columbus, OH
Defense Information Systems Agency, Arlington, VA
Defense Logistics Agency, Fort Belvoir, VA
Defense Personnel Support Center, Philadelphia, PA
Defense Clothing Factory, Philadelphia, PA

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installations)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Deputy Assistant Secretary of the Navy (Civilian Personnel Policy/Equal Employment Opportunity)
Auditor General, Department of the Navy
Commander, Naval Air Systems Command

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division,
General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal
Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Department of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

23 August 1996

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR
GENERAL FOR AUDITING

Subj: DODIG DRAFT REPORT ON 'DEFENSE BASE REALIGNMENT AND
CLOSURE ACCOUNT FOR THE DEFENSE PERSONNEL SUPPORT
CENTER, THE DEFENSE CLOTHING FACTORY, AND THE NAVAL
AVIATION DEPOT PENSACOLA' (PROJECT NO. 5CG-5033.02)

Ref: (a) DODIG memo of 12 Jun 96

Encl: (1) Department of the Navy Response

I am responding to the draft audit report forwarded by
reference (a) concerning the Defense Base Realignment and Closure
Account.

The Department of the Navy response is provided at
enclosure (1). We do not concur with the finding or the
recommendation. The regulations governing severance pay and
separation pay do not require calculating payments based upon
permanent grades rather than from temporary promotions.

A handwritten signature in cursive script, reading "Bernard Rostker".

BERNARD ROSTKER
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Copy to:
NAVINSGEN
FMO-132
OCPM
COMNAVAIRSYSCOM (AIR-8.0G)

DEPARTMENT OF THE NAVY RESPONSE
TO
DODIG DRAFT REPORT OF 12 JUNE 1996
ON
DEFENSE BASE REALIGNMENT AND CLOSURE ACCOUNT
FOR THE DEFENSE PERSONNEL SUPPORT CENTER,
THE DEFENSE CLOTHING FACTORY, AND THE
NAVAL AVIATION DEPOT PENSACOLA
(PROJECT NO. 5CG-5033.02)

Finding A: Computation of Defense Base Realignment and Closure Obligations

The NADEP maintained an inaccurate accounting of BCA operation and maintenance obligations for voluntary separation incentive payments and severance entitlements. The NADEP improperly used employee temporary promotions as the basis for calculating voluntary separation incentive payments and severance entitlements. The NADEP overpaid \$9,300 in BCA funds used for voluntary separation incentive payments and severance entitlements.

Navy Response: Do not concur. The audit concludes that Naval Aviation Depot Pensacola improperly used employee salaries earned under temporary promotions to compute Severance Pay and Separation Pay. These findings are incorrect.

Revised

Neither Section 5595, Title 5, U.S.C. nor Section 5597, title 5, U.S.C. covering Severance Pay and Separation Pay, require that payments be calculated from salaries based upon permanent grades rather than from temporary promotions. Section 5595, Title 5, U.S.C. states in part that Severance Pay is to be calculated on the salary received immediately prior to separation, but does not state that it must be the salary of a permanent position or grade. In addition, Section 5597, Title 5, U.S.C. governing Separation Pay simply requires that the amount awarded be calculated using Severance Pay computation. Section 5597, Title 5, U.S.C. also authorizes the Secretary of Defense to issue implementing regulations, but DoD regulations implemented as Section B, Subchapter 7, Chapter 16, DoD CPM 1400.25-M do not require calculation from a permanent grade.

Section 335.102(f)(1), Title 5, CFR sets forth the conditions governing temporary promotions. These regulations, while stating that a temporary promotion may be terminated at any time, do not require termination prior to separation and, therefore, do not bar calculation of Severance Pay or Separation Pay from the salary earned under a temporary promotion.

Enclosure (1)

Department of the Navy Comments

Final Report Reference

Deleted

Recommendation A.1.

We recommend that the Deputy Assistant Secretary of the Navy (Civilian Personnel Policy/Equal Employment Opportunity) issue policy requiring naval organizations to calculate severance entitlements and voluntary separation incentive payments based on the wages of an employee's permanent assignment.

Navy Response: Do not concur. The Department of the Navy does not have authority to issue policy in this area. This authority rests with the Department of Defense.

Recommendation A.2.

Deleted

We recommend that the Commander, Naval Air Systems Command, implement procedures at the Naval Aviation Depot Pensacola to collect overpaid severance entitlements and voluntary separation incentive payments.

Navy Response: Do not concur. Navy comments under the finding apply.

Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY
REFER TO

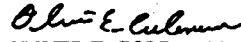
DDAI

AUG 29 1996

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: DoDIG Draft Report on Defense Base Realignment and Closure Account for the
Defense Personnel Support Center, the Defense Clothing Factory, and the Naval
Aviation Depot Pensacola (Project No. SCG-5033.02)

This is in response to subject draft report dated June 12, 1996. If you have any questions,
please contact Emilia Snider at (703) 767-6268.


OLIVER E. COLEMAN
Acting Chief
Office of Internal Review

Encl

Defense Logistics Agency Comments

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

FINDING A: Computation of Defense Base Realignment and Closure Obligations. The DPSC maintained an inaccurate accounting of BCA operation and maintenance obligations for lump-sum leave. Also, the NADEP maintained an inaccurate accounting of BCA operation and maintenance obligations for voluntary separation incentive payments and severance entitlements. The inaccurate accounting of obligations for lump-sum leave occurred because the DPSC did not adjust the estimated lump-sum leave obligations with the actual lump-sum leave payments for Defense Clothing Factory employees. Further, the NADEP improperly used employee temporary promotions as the basis for calculating voluntary separation incentive payments and severance entitlements. As a result, the DPSC overstated the BCA operation and maintenance obligations by \$55,400. In addition, the NADEP overpaid \$8,300 in BCA funds used for voluntary separation incentive payments and severance entitlement.

DLA COMMENTS: Concur. During the transfer of accounting responsibility between the Defense Logistics Agency and the Defense Finance and Accounting Service the Clothing Factory official accounting records were inadvertently misplaced and subsequently never discovered. Prior to the closing of the Clothing Factory obligations reflected actual disbursements during FY 1994 and an accrual of dollars for the outstanding annual leave balance as of September 15, 1994. Between this date and September 30, 1994, when the Factory was closed, employees were placed or transferred. Annual leave was disbursed in October 1994 and this accrual should have been reduced accordingly. We are presently working with the Defense Personnel Support Center, (DPSC) and the Defense Finance and Accounting Service (DFAS) to determine the proper amount of lump-sum leave paid and to deobligate the remaining obligations.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:

(X) Concur; however weakness is not considered material.

ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281

REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller

COORDINATION: Emilia Snider, DDAL, 767-6268

Olivia Culum

DLA APPROVAL:

Ray E. McCoy

RAY E. MCCOY
Major General, USA
Principal Deputy Director

Defense Logistics Agency Comments

Final Report
Reference

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. SCG-5033.02)

RECOMMENDATION A.3.a: We recommend that the Director, Defense Logistics Agency direct the Defense Personnel Support Center to compare the actual costs for lump-sum leave to obligated amounts and adjust the obligated amounts accordingly.

DLA COMMENTS: Concur. We are presently working along with the Defense Personnel Support Center, (DPSC) and the Defense Finance and Accounting Service (DFAS) to compare the actual cost of lump-sum leave to the amount obligated. We will make adjustments accordingly to ensure proper accounting of Defense Base Realignment and Closure funds.

DISPOSITION: Ongoing. Estimated Completion Date: 31 December 1996

ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281

REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller

COORDINATION: Emilia Snider, DDAI, 767-6268

Oliver Coleman

DLA APPROVAL:

Ray E. McCoy

RAY E. MCCOY
Major General, USA
Principal Deputy Director

Renumbered
as Recommendation
A.1.a.

Defense Logistics Agency Comments

Final Report
Reference

Renumbered
as
Recommendation A.1.b.

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

RECOMMENDATION A.3.b: We recommend that the Director, Defense Logistics Agency direct the Defense Logistics Agency Office of Internal Review to audit the \$1.4 million FYS 1994 and 1995 total obligation for lump-sum leave obligations resulting from the closure of the Defense Clothing Factory.

DLA COMMENTS: Concur. The Internal Review Office (DDAI) will put this audit in its Fiscal Year 1997 Audit Plan.

DISPOSITION: Ongoing. Estimated Completion Date: June 30, 1997

ACTION OFFICER: Gloria Irvin, DDAI, 767-6271

REVIEW/APPROVAL: Oliver Coleman, DDAI, Acting Chief, Internal Review Office

COORDINATION: Emilia Snider, DDAI, 767-6268

Oliver Coleman

DLA APPROVAL:



RAY E. MCCOY
Major General, USA
Principal Deputy Director

Final Report
Reference

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

RECOMMENDATION A.4: We recommend that the Commander, Defense Personnel Support Center, deobligate improper lump-sum leave obligations.

DLA COMMENTS: Concur. We are in the process of identifying the improper lump-sum leave obligations with the Defense Personnel Support Center and the Defense Finance and Accounting Service Accounting and Operation Branch. At the conclusion of our investigation we will deobligate any undisbursed lump-sum leave obligations.

DISPOSITION: Ongoing. Estimated Completion Date: 31 December 1996

ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281

REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller

COORDINATION: Emilia Snider, DDAI, 767-6248

Olivia Calhoun

DLA APPROVAL:

Ray E. McCoy

RAY E. MCCOY
Major General, USA
Principal Deputy Director

Renumbered
as
Recommendation A.2.

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

FINDING B: Validation of Obligations for Defense Base Realignment and Closure. The Defense Logistics Agency and the DPSC could not support the need for \$4.8 million in BCA obligations at the Defense Clothing Factory. Those BCA obligations could not be supported because the Defense Logistics Agency did not validate service orders related to the Defense Clothing Factory closure. Further, neither the Defense Logistics Agency nor the DPSC maintained documentation to support the obligations and expenditures of BCA costs. As a result, the Defense Logistics Agency over obligated \$4.8 million of BCA obligations.

DLA COMMENTS: Non-Concur. Financial Management Regulation (DoD 7000.14-R) Volume 11B paragraph 4 states, " Other costs at an activity undergoing closure, or to be closed, shall not be financed by a BRAC account even though the closure was directed as a result of a determination of a Base Closure Realignment Commission. Those other costs shall be financed either by the DBOF or by an operations and maintenance (O&M) appropriation" as described in paragraph 4b.1, 4b.2 and 4b.3. In accordance with this requirement the Defense Logistics Agency reviewed and approved the Defense Clothing Factory operating authority. Within this authority we approved an estimated cost authority in O&M funding of \$2 million in FY 94 and \$4 million in FY 95. Subsequently, we approved service orders utilizing O&M funding in accordance with the DoD 7000.14-R volume 11B, paragraph 4.

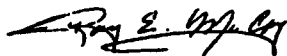
The Defense Logistics Agency and the Defense Personnel Support Center do maintain documentation in support of obligations and expenditures. The records for the Defense Clothing Factory were inadvertently misplaced during the transferring of accounting functions between the Defense Personnel Support Center and the Defense Finance and Accounting Service. We are in the process of reconstructing the records to ensure we maintain documentation in support of our obligations and expenditures.

INTERNAL MANAGEMENT CONTROL WEAKNESSES: Nonconcur

ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281
REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller
COORDINATION: Emilia Snider, DDAL, 767-6268

John C. Culver

DLA APPROVAL:



RAY E. MCCOY
Major General, USA
Principal Deputy Director

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. SCG-5033.02)

RECOMMENDATION B.1: We recommend that the Director, Defense Logistics Agency:

- a. Validate supporting reimbursement documentation for service orders 94 BRACCF 01 and 94 BRACCF 02.
- b. Direct Defense Logistics Agency field activities to provide estimates of Defense base realignment and closure-related costs, applicable documentation, and a detailed justification for using Defense Base Closure Account operation and maintenance funds for Defense base realignment and closure related service orders.
- c. Substantiate the validity of Defense Base Closure Account expenditures by requiring that the Defense Logistics Agency Office of Internal Review perform periodic review of invoices that justifies BRAC-related costs. (See separate response from the Office of Internal Review)
- d. Establish procedures for reassigning accounting responsibilities for those Defense Logistics Agency field activities disestablished as a result of Defense base realignment and closures.

DLA COMMENTS: B.1.a. Concur. The Defense Clothing Factory records were lost during transferring of accounting responsibilities to the Defense Finance and Accounting Service. We are in the process of reconstructing the records working along with the Defense Personnel Support Center and the Defense Finance & Accounting Service.

B.1.b. Nonconcur. The Defense Logistics Agency field activities provide requirements during data call. Included in the data call are detailed justification for Defense Base Closure Account requirements.

B.1.d. Nonconcur. Procedures for transferring accounting functions are delineated in Department of Defense Financial Management Regulation (DoD 7000.14R) Volume 11B paragraph E. Actions and Related Accounting Procedures for Transfer of Functions.

DISPOSITION: Ongoing. Estimated Completion Date: 31 December 1996

ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281

REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller

COORDINATION: Emilia Snider, DDAI, 767-6268

Alvin Culman

DLA APPROVAL:

Ray E. McCoy

RAY E. MCCOY
Major General, USA
Principal Deputy Director

Reworded

Defense Logistics Agency Comments

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

RECOMMENDATION B.1.e: We recommend that the Director, Defense Logistics Agency substantiate the validity of Defense Base Closure Account expenditures by requiring that the Defense Logistics Agency Office of Internal Review perform periodic review of invoices that justifies BRAC-related costs.

DLA COMMENTS: Concur. The Internal Review Office (DDAI) will put this audit in its Fiscal Year 1997 Audit Plan.

DISPOSITION: Ongoing. Estimated Completion Date: June 30, 1997

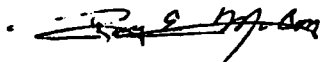
ACTION OFFICER: Gloria Irvin, DDAI, 767-6271

REVIEW/APPROVAL: Oliver Coleman, Acting Chief, Internal Review Office

COORDINATION: Emilia Snider, DDAI, 767-6268

Oliver Coleman

DLA APPROVAL:



RAY E. MCCOY
Major General, USA
Principal Deputy Director

SUBJECT: Draft Audit Report on Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola (Project No. 5CG-5033.02)

RECOMMENDATION B.2: We recommend that the Commander, Defense Personnel Support Center:

- a. Provide supporting voucher reimbursement documentation for service order 94 BRACCF 01 in the amount of \$2,000,000.
- b. Provide supporting voucher reimbursement documentation for service order 94 BRACCF 02 in the amount of \$2,750,000.

DLA COMMENTS: Concur. The Defense Clothing Factory records were lost during transferring of accounting responsibilities to the Defense Finance and Accounting Service. We are in the process of reconstructing the records working along with the Defense Personnel Support Center and the Defense Finance & Accounting Service.

DISPOSITION: Ongoing. Estimated Completion Date: 31 December 1996

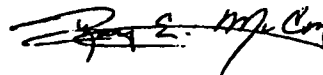
ACTION OFFICER: Robert Bromell/Margaret Martorana, 767-7281

REVIEW/APPROVAL: J.D. McCarthy, CAPT, SC. USN, Comptroller

COORDINATION: Emilia Snider, DDAI, 767-6268

Alvin Calver

DLA APPROVAL:



RAY E. MCCOY
Major General, USA
Principal Deputy Director

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto
Wayne K. Million
Michael Perkins
Robert A. McGriff
Ernest R. Taylor
Hugh J. Elliott
Kristin L. Takac
Cecil B. Tucker
Michael Sciuto

INTERNET DOCUMENT INFORMATION FORM

A . Report Title: Defense Base Realignment and Closure Account for the Defense Personnel Support Center, the Defense Clothing Factory, and the Naval Aviation Depot Pensacola

B. DATE Report Downloaded From the Internet: 11/03/99

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): OAIG-AUD (ATTN: AFTS Audit Suggestions)
Inspector General, Department of Defense
400 Army Navy Drive (Room 801)
Arlington, VA 22202-2884

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by:
DTIC-OCA, Initials: __VM__ Preparation Date 11/03/99

The foregoing information should exactly correspond to the Title, Report Number, and the Date on the accompanying report document. If there are mismatches, or other questions, contact the above OCA Representative for resolution.