

July 23, 2004



Defense Infrastructure

Department of Defense Policies and
Procedures to Implement the Rural
Development Act of 1972
(D-2004-101)

Department of Defense
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Acronyms

AR	Army Regulation
GAO	Government Accountability Office
IG DoD	Inspector General of the Department of Defense
DUSD(I&E)	Deputy Under Secretary of Defense (Installations and Environment)



INSPECTOR GENERAL
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July 23, 2004

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE
(INSTALLATIONS AND ENVIRONMENT)

SUBJECT: Report on Department of Defense Policies and Procedures to Implement the
Rural Development Act of 1972 (Report No. D-2004-101)

We are providing this report for information and use. We performed this audit in response to Public Law 108-199, "Consolidated Appropriations Act, 2004," section 636, January 23, 2004. We considered management comments on a draft of this report when preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Joseph P. Doyle at (703) 604-9349 (DSN 664-9349) or Ms. Beth K. Schaefer at (703) 604-9232 (DSN 664-9232). The team members are listed inside the back cover. See Appendix B for the report distribution.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "David K. Steensma".

David K. Steensma
Assistant Inspector General
for Contract Management

Office of the Inspector General of the Department of Defense

Report No. D-2004-101

(Project No. D2004CK-0124)

July 23, 2004

Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972

Executive Summary

Who Should Read This Report and Why? DoD civilians and uniformed officers responsible for real property acquisition and management should read this report because the report discusses requirements for giving first priority to the location of new offices and other facilities in rural areas.

Background. The audit was conducted in response to Public Law 108-199, “Consolidated Appropriations Act, 2004,” section 636, January 23, 2004, that states:

Not later than 6 months after the date of enactment of this Act, the Inspector General of each applicable department or agency shall submit to the Committee on Appropriations a report detailing what policies and procedures are in place for each department or agency to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

Results. DoD established policies for implementing the requirements of the Rural Development Act of 1972; however, DoD had not fully established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. The Office of the Secretary of Defense had not established procedures incorporating requirements of the Act in a DoD issuance. The process of modifying DoD issuances is lengthy. In response to the Office of Inspector General of the Department of Defense Report No. D-2002-089, “Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972,” May 10, 2002, the Office of the Secretary of Defense issued a policy memorandum, “Implementation of the Rural Development Act of 1972,” in February 2003. The policy memorandum stated that the Military Departments and Defense agencies shall give priority consideration to rural areas for the location of new offices and other facilities. Army and Navy regulations governing real property acquisition were under revision and when issued by Army (May 2005) and by Navy (August 2004) will include procedures for implementing the requirements of the Act. An Air Force Handbook included procedures for implementing requirements of the Act. As a result, rural areas may be overlooked during relocation of new offices and other facilities. Revising DoD guidance to specifically reflect the requirements of the Act will result in additional assurance that DoD meets the intent of the Act. (See the Finding section of the report for detailed recommendations.)

Management Comments. The Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) agreed with the report and initiated action to include requirements of the Rural Development Act of 1972 in a DoD Instruction. A draft of the DoD Instruction was issued for coordination. (See the Finding section for a discussion of management comments and the Management Comments section for the complete text of the comments.)

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Background

We conducted the audit in response to Public Law 108-199, “Consolidated Appropriations Act, 2004,” section 636, January 23, 2004, that states:

Not later than 6 months after the date of enactment of this Act, the Inspector General of each applicable department or agency shall submit to the Committee on Appropriations a report detailing what policies and procedures are in place for each department or agency to give first priority to the location of new offices and other facilities in rural areas, as directed by the Rural Development Act of 1972.

Objectives

Our overall audit objective was to determine whether DoD established policies and procedures that implement the requirements of the Rural Development Act of 1972. Specifically, we determined whether DoD Components and Military Departments had policies and procedures in place to give first priority to the location of offices and other facilities in rural areas. See Appendix A for a discussion of the scope, methodology, and prior audit coverage related to the audit objective.

Policies and Procedures of the Rural Development Act of 1972

DoD established policies for implementing the requirements of the Rural Development Act of 1972 (the Act); however, DoD had not fully established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. The Office of the Secretary of Defense personnel stated they had not established procedures because of the lengthy process involved in modifying DoD issuances. Army and Navy regulations governing real property acquisition were under revision and when issued by Army (May 2005) and by Navy (August 2004) will include procedures for implementing the requirements of the Act. An Air Force Handbook included procedures for implementing requirements of the Act. As a result, rural areas may be overlooked during relocation of new offices and other facilities. Revising DoD guidance to specifically reflect the requirements of the Act will result in additional assurance that DoD meets the intent of the Act.

Requirements of the Rural Development Act of 1972

Public Law 92-419, “Rural Development Act,” Section 601, August 30, 1972.
Public Law 92-419 states:

Congress hereby directs the heads of all executive departments and agencies of the Government to establish and maintain departmental policies and procedures giving first priority to the location of new offices and other facilities in rural areas as defined in the private business enterprise exception in section 306 (a) (7) of the Consolidated Farmers Home Administration Act of 1961, as amended (7 U.S.C. [United States Code] 1926).

Federal Management Regulation, Subchapter C, “Real Property,” Part 102-83, “Location of Space.” The Federal Management Regulation states that executive agencies must give first priority to the location of new offices and other facilities in rural areas unless their mission or program requirements call for locations in an urban area. The General Services Administration published a Federal Management Regulation bulletin in the Federal Register, Vol. 68, No. 13, January 21, 2003, that included the procedures for agencies to follow in implementing the requirements of the Act. The General Services Administration suggested that each agency must demonstrate compliance with the Act by including a written statement in the agency files affirming that they have given first priority to the location of new offices and other Federal facilities in rural areas.

DoD Policy and Procedures on the Rural Development Act

DoD established policies for implementing the requirements of the Act; however, DoD had not fully established procedures that would specifically give first priority to the location of new offices and other facilities in rural areas. The Office of the Secretary of Defense had not established procedures incorporating requirements of the Act in a DoD issuance and Navy regulations governing real property acquisition were under revision and included procedures for implementing the requirements of the Act. In addition, the Air Force had addressed procedures implementing the requirements of the Act in their regulation governing real property acquisition.

Office of the Secretary of Defense Policy. On February 21, 2003, the Deputy Under Secretary of Defense (Installations and Environment) (DUSD[I&E]) issued a policy memorandum, "Implementation of Rural Development Act of 1972," in response to the Inspector General of the Department of Defense (IG DoD) Report No. D-2002-089, "Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972," May 10, 2002. The policy memorandum stated that the Military Departments and Defense agencies shall give priority consideration to rural areas for the location of new offices and other facilities.

Office of the Secretary of Defense Procedures. DoD Directive 4165.6, "Real Property, Acquisition, Management, and Disposal," September 1, 1987, requires that the Military Departments and Defense agencies determine which real property satisfies military requirements. However, DoD Directive 4165.6 does not include procedures for implementing requirements of the Act. In response to the IG DoD Report No. D-2003-104, "Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972," June 17, 2003, the DUSD(I&E) stated that a complete revision of DoD Directive 4165.6 was initiated and the anticipated completion and publication date was December 2003. However, DUSD(I&E) personnel stated they did not meet the anticipated publication date for the complete revision of DoD Directive 4165.6 because modifying DoD issuances is a lengthy process. According to DUSD(I&E) personnel, the General Counsel of the Department of Defense recommended in March 2004 that DUSD(I&E) rewrite DoD Directive 4165.6 as a broad policy document and issue three separate DoD Instructions addressing acquisition, management, and disposal of real property. Based on the General Counsel of the Department of Defense recommendations, DUSD(I&E) revised DoD Directive 4165.6 and initiated the creation of three separate DoD Instructions. In addition, DUSD(I&E) personnel stated the DoD Instruction for acquisition of real property will include procedures for implementing the requirements of the Act. The anticipated completion and publication date for the revised DoD Directive 4165.6 and the three DoD Instructions is December 2004.

Policies and Procedures of the Military Departments. The Military Departments issued policy that addressed provisions of the Act. Army and Navy regulations governing real property acquisition were under revision and when issued will include procedures for implementing the requirements of the Act. Air Force procedures complied with the requirements of the Act and were documented in Air Force Handbook 32-9007.

Army. On June 27, 2003, the Deputy Assistant Secretary of the Army (Installations and Housing) issued a policy memorandum, "Implementation of the Rural Development Act of 1972." The policy memorandum requested the widest possible dissemination of the February 21, 2003, memorandum issued by DUSD(I&E), "Implementation of the Rural Development Act of 1972." The policy memorandum recommended the Army Components include the guidance in future updates of applicable regulations. However, Army Regulation (AR) 405-10, "Acquisition of Real Property and Interests Therein," August 1, 1970, as it is currently published does not include procedures for implementing the requirements of the Act. The Army revised AR 405-10 to address the requirements of the Act. The draft of the revised regulation stated that first priority in the location of new offices and other facilities will be given to rural areas, as defined by the U.S. Department of Agriculture. The Deputy Assistant Secretary of the Army (Installations and Housing) personnel stated that they disseminated the draft of AR 405-10 to all Army Components for reference until the revised regulation is published in May 2005. The Army is in the process of revising two additional regulations to include procedures for implementing the requirements of the Act: AR 210-20, "Master Planning for Army Installations," July 30, 1993, and AR 210-21, "Army Ranges and Training Land Program," May 1, 1997.

Navy. On March 13, 2003, the Office of the Assistant Secretary of the Navy (Installations and Environment) issued a policy memorandum, "Implementation of the Rural Development Act of 1972," to ensure implementation of the Rural Development Act. The policy memorandum attached the February 21, 2003, memorandum issued by DUSD(I&E), "Implementation of the Rural Development Act of 1972." The policy memorandum requested current and future guidance and actions conform to the requirements of the Act. However, Secretary of the Navy Instruction 11011.47, "Acquisition, Use By Others and Disposal of Department of the Navy Real Property," June 20, 1983, as it is currently published does not include procedures for implementing requirements of the Act. The Assistant Secretary of the Navy (Installations and Environment) personnel stated that a revision of Navy Instruction 11011.47 is currently in draft and is expected to be signed by August 2004. The draft Navy Instruction includes a statement that priority consideration shall be given to rural areas for new office locations and other facilities; therefore, the draft meets the requirements of the Act.

Air Force. The Air Force addressed policies and procedures implementing the requirements of the Act in the Air Force Handbook 32-9007, "Managing Air Force Real Property," May 1, 1999. Specifically, the Handbook stated that when acquiring real property, the requesting activity must provide a statement acknowledging the selected area is in compliance with the Act.

Recommendation and Management Comments

We recommend the Deputy Under Secretary of Defense (Installations and Environment) expedite the issuance of a DoD Instruction for real property acquisition that includes procedures to meet the requirements of the Rural Development Act of 1972.

Management Comments. The Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) concurred stating that the original intent was to incorporate the requirements of the Rural Development Act of 1972 in the revised DoD Directive 4165.6. However, the Office of the General Counsel recommended that the Principal Assistant Deputy Under Secretary extract the implementation issues from the policy directive and incorporate them into a new DoD Instruction on the Acquisition of Real Property. The Principal Assistant Deputy Under Secretary also stated that the DoD Instruction is currently in coordination and that it will include the DoD guidance in a DoD Instruction as soon as possible.

Appendix A. Scope and Methodology

We reviewed documentation dated 1970 through 2004. To accomplish this audit objective, we:

- Reviewed applicable policies, procedures, and regulations of the DoD and the Military Departments to evaluate the requirements to meet the audit objective.
- Interviewed and contacted the Office of the Secretary of Defense, Army, Navy, and Air Force personnel to determine the action taken to meet the requirements of the Act.

We performed this audit from March 2004 through May 2004 in accordance with generally accepted government auditing standards.

We did not review the management control program as it related to the overall objective because of the limited scope of the audit and the time constraints associated with submitting the report within the congressionally mandated 6-month time frame.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Government Accountability Office High-Risk Area. The Government Accountability Office (GAO), formerly known as the General Accounting Office, has identified several high-risk areas in DoD. This report provides coverage of the Federal Real Property high-risk area.

Prior Coverage

During the last 5 years, GAO and the IG DoD have issued three reports and one testimony discussing DoD policies and procedures for implementing the Act. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted IG DoD reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

GAO

GAO Testimony No. 03-1110T, "Facilities Location: Progress and Barriers in Selecting Rural Areas and Using Telework," September 4, 2003

GAO Report No. 01-805, "Facilities Location: Agencies Should Pay More Attention to Costs and Rural Development Act," July 31, 2001

IG DoD

IG DoD Report No. D-2003-104, "Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972," June 17, 2003

IG DoD Report No. D-2002-089, "Department of Defense Policies and Procedures to Implement the Rural Development Act of 1972," May 10, 2002

Appendix B. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Deputy Under Secretary of Defense (Installations and Environment)
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Defense Procurement and Acquisition Policy

Department of the Army

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

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

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

Combatant Command

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Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member (cont'd)

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Deputy Under Secretary of Defense (Installations and Environment) Comments



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JUL 07 2004

MEMORANDUM FOR DEPUTY DIRECTOR, CONTRACT MANAGEMENT
DIRECTORATE, DODIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES & ANALYSIS 7/7/04

SUBJECT: Response to DODIG Draft Report D2004CK-0124, "DoD Policies and Procedures to Implement the Rural Development Act of 1972",

I concur in your recommendation to update existing policies and procedures to require Defense Agencies and Military Departments to give first priority consideration to rural areas for the location of new offices and other facilities as required by the Rural Development Act of 1972. The original intent was to incorporate this guidance in the revised DoD Directive 4165.6; however, we were advised by Office of General Counsel to extract implementation issues from the policy directive and incorporate them into a new DoD Instruction (DODI) on the Acquisition of Real Property, which we have done. The draft DoDI, like the DoDD, is in coordination.

The initial DUSD(I&E) response to the need to implement the provisions of the Rural Development Act was the issuance of the February 21, 2003, policy memorandum requesting that the Services incorporate DoD guidance into their procedures, which, as your report acknowledges, has been met with full compliance. We shall, however, include DoD guidance in the DoDI as soon as possible.

Philip W. Grone
Principal Assistant Deputy Under Secretary of Defense
(Installations and Environment)



Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Contract Management prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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