

Audit



Report

DEFENSE BASE REALIGNMENT AND CLOSURE BUDGET DATA
FOR THE CLOSURE OF ROSLYN AIR GUARD STATION AND
REALIGNMENTS TO STEWART INTERNATIONAL AIRPORT
AIR GUARD STATION, NEW YORK

Report Number 99-223

July 26, 1999

Office of the Inspector General
Department of Defense

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Acronyms

AFBCA	Air Force Base Conversion Agency
AFREA	Air Force Real Estate Agency
AGS	Air Guard Station
BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
GPRA	Government Performance Results Act
GSA	General Services Administration
MILCON	Military Construction
SGPA	Special Groundwater Protection Area



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

July 26, 1999

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(INSTALLATIONS)**

**SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for
the Closure of Roslyn Air Guard Station and Realignments to Stewart
International Airport Air Guard Station, New York
(Report No. 99-223)**

We are providing this audit report for review and comment. This report is one in a series about FYs 1999 and 2000 Defense base realignment and closure military construction budget data. We considered Under Secretary of Defense (Comptroller) comments on a draft of this report when preparing this final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Air Force comments were not responsive. Therefore, we request that the Air Force provide additional comments on Recommendation 2. in response to the final report by August 26, 1999.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million at (703) 604-9312 (DSN 664-9312) (wmillion@dodig.osd.mil) or Ms. Bobbie Sau Wan at (703) 604-9259 (DSN 664-9259) (bwan@dodig.osd.mil). See Appendix D for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

**Robert J. Lieberman
Assistant Inspector General
for Auditing**

Office of the Inspector General, DoD

Report No. 99-223
(Project No. 8CG-5012.03)

July 26, 1999

Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air Guard Station and Realignments to Stewart International Airport Air Guard Station, New York

Executive Summary

Introduction. This report is one in a series about FYs 1999 and 2000 Defense base realignment and closure military construction costs. Public Law 102-190, "National Defense Authorization Act for Fiscal Years 1992 and 1993," December 5, 1991, directs the Secretary of Defense to ensure that the amount of the authorization that DoD requested for each Defense base realignment and closure military construction project does not exceed the original estimated cost provided to the Commission on Defense Base Closure and Realignment (the Commission). If the requested budget amounts exceed the original project cost estimates provided to the Commission, the Secretary of Defense is required to explain to Congress the reasons for the differences. The Office of the Inspector General, DoD, is required to review each Defense base realignment and closure military construction project for which a significant difference exists from the original cost estimate and to provide the results of the review to the congressional Defense committees.

Objectives. The overall audit objective was to determine the accuracy of Defense base realignment and closure military construction budget data. This report provides the results of the audit of one project, valued at \$6 million, resulting from the planned closure of Roslyn Air Guard Station, New York, and relocation of the 213th Electronic Installation Squadron and the 274th Combat Communications Group to Stewart International Airport Air Guard Station, New York. This audit also assessed the management control program as it applies to the overall audit objective. The management control program will be discussed in a summary report upon completion of the current reviews.

Results. The Air Force plans to close Roslyn Air Guard Station and sell the land for \$3 million, contrary to the clear intent of the 1995 Commission that Roslyn Air Guard Station be closed only if the land sale proceeds met the minimum amount necessary to make the closure cost effective, which the Air Force represented to the Commission as being at least \$14 million. As a result, closing Roslyn Air Guard Station may be improper and, consequently, the associated Defense base realignment and closure military construction projects may not be valid. For details of the audit results, see the Finding section of the report.

Summary of Recommendations. We recommend that the Under Secretary of Defense (Comptroller) place \$6 million for project WHAY959635 on administrative withhold pending Air Force review of the propriety and legality of the planned closure of Roslyn Air Guard Station. We recommend that the Deputy Assistant Secretary of the Air Force for Installations review the propriety and legality of the planned closure of Roslyn Air Guard Station, New York, considering the intent of the 1995 Commission on Defense Base Closure and Realignment.

Management Comments. The Under Secretary of Defense (Comptroller) concurred with the recommendation to him. The Air Force nonconcurred with the finding and recommendations, stating that language of the Commission report is clear and that it would be inappropriate to go outside the Commission report to determine the intent of the Commission members regarding the closure of Roslyn Air Guard Station. See the Finding section for a discussion of the management comments and the Management Comments section for the complete text.

Audit Response. The Air Force comments are not responsive. The Commission report indicates that the Commission intended that the Roslyn Air Guard Station property be sold at a "fair market value" to make the realignment and closure "cost effective." The transcript of the Commission's final deliberations on the closure of Roslyn Air Guard Station identifies that the Commission considered only a "fair market value" of as much as \$22.4 million, or at least \$14 million by 1999, to make the realignment and closure "cost effective." We request that the Air Force reconsider its position and provide additional comments on the final report by August 26, 1999.

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Background

The Office of the Inspector General, DoD, is performing audits of the Defense base realignment and closure (BRAC) process and the DoD implementation of approved recommendations of the Commission on Defense Base Closure and Realignment (Commission). This audit is one in a series on FYs 1999 and 2000 BRAC military construction (MILCON) costs. For additional information on the audit process, see Appendix A. For background information on the BRAC process, see Appendix B.

Objectives

The overall audit objective was to determine the accuracy of BRAC MILCON budget data. The specific objectives were to determine whether the proposed project was a valid BRAC requirement, whether the decision for MILCON was supported with required documentation including an economic analysis, and whether the economic analysis considered existing facilities.

This report provides the results of the audit of BRAC MILCON project WHAY959635, "Communications Training Complex," valued at \$6 million, resulting from the planned closure of Roslyn Air Guard Station (AGS), New York, and relocation of the 213th Electronic Installation Squadron and the 274th Combat Communications Group to Stewart International Airport AGS, New York. The audit also assessed the management control program as it applies to the overall audit objective. However, the management control program will be discussed in a summary report upon completion of the current reviews.

Legality of Air Force Closure of Roslyn Air Guard Station, New York

The Air Force plans to close Roslyn AGS and sell the land to the local government for \$3 million was contrary to the clear intent of the 1995 Commission that Roslyn AGS be closed only if the land sale proceeds met the minimum amount necessary to make the closure cost effective, which the Air Force represented to the Commission as being at least \$14 million. This occurred because the Air Force neither reviewed nor considered the intent of the Commission in determining the meaning of "fair market value" in the language of the Commission recommendation, and failed to examine the propriety of the local government's rezoning action that caused the land's devaluation. As a result, closing Roslyn AGS may be improper and, consequently, the associated BRAC MILCON projects may not be valid.

Background

Secretary of Defense Recommendation on Roslyn AGS. On February 28, 1995, the Secretary of Defense recommended to the Commission that Roslyn AGS be closed, and that the 213th Electronic Installation Squadron and the 274th Combat Communications Group be relocated to Stewart International Airport AGS. In justifying this recommendation, the Secretary estimated a one-time cost of \$2.4 million to relocate the existing units to Stewart International Airport AGS and that, therefore, the closure of Roslyn AGS would be cost-effective.

1995 Commission Recommendation on Roslyn AGS. After the Secretary of Defense submitted recommendations to the Commission, the Air Force discovered, during its site survey process, that the facilities that had been assumed to be available for use by the relocating units at Stewart International Airport AGS were, in fact, not available. Consequently, the Air Force revised its estimated one-time cost to close Roslyn AGS from \$2.4 to \$14.2 million.

The Commission found that the Secretary of Defense recommendation to close Roslyn AGS was not cost effective based on the revised estimates. However, the Commission noted that the station was located on "valuable, residentially-zoned property," valued at as much as \$22.4 million, and that closing Roslyn AGS would be cost effective if the property could be sold at its "fair market value." For this reason, the Commission recommended, as a contingency, that Roslyn AGS be closed "if the Roslyn Air Guard Station can be sold for its fair market value."

1995 Commission Findings and Recommendations

Sale of Land at “Fair Market Value.” The 1995 Commission specifically tied the closure of Roslyn AGS to receiving fair market value for the land; however, the language of the recommendation does not define the Commission’s intended meaning of the term “fair market value.” We attempted to resolve this apparent ambiguity by examining the data that the Commission relied on, and documents showing the Commission’s intent, in establishing the sale price contingency for closing Roslyn AGS.

Evidence of Commission Intent. The Commission recommendation justifies the closure of Roslyn AGS showing savings and return on investment data calculated under the assumption that Roslyn AGS would be sold for \$22.4 million. Additionally, the transcript of the final 1995 Commission deliberations clearly indicates that the Commission intended to condition the closure of Roslyn AGS on being able to sell the property for a minimum of \$14 million.

Savings and Return on Investment Data. In its recommendation to the President, the Commission justified the closure of Roslyn AGS using the data in Table 1, which was conditioned upon the sale of Roslyn AGS for “fair market value.”

Table 1. Supporting Data for Commission Recommendation on Roslyn AGS

One-time Cost	\$14.2 million
Savings:	
1996 through 2011	\$9.0 million
Annual	\$0.2 million
Return on Investment	2 years

The data on Roslyn AGS was based on a Cost of Base Realignment Actions (COBRA) computer model calculation that the Air Force prepared on June 5, 1995, and submitted to the Commission. The Air Force calculated the COBRA data assuming a “land sales revenue” amount of \$22.4 million. Consequently, the data that the Commission supplied in its recommendation to justify closing Roslyn AGS was entirely predicated upon the land being sold for \$22.4 million.

Final 1995 Commission Deliberations. The Commission members deliberated and voted to finalize a recommendation to the President regarding Roslyn AGS on June 22, 1995. The transcript of the deliberations shows that the Commission relied on the COBRA data provided by the Air Force. During the deliberations, Mr. Craig Hall, a member of the Commission staff presented the Air Force data to the Commission. He testified that the savings and 2-year return on investment from the closure of Roslyn AGS, “assumed that DoD [would] be able to sell the Roslyn property at or near market value,” which the

Air Force estimated to be \$22.4 million. Mr. Hall provided the following testimony as indicated in the transcript.

The site survey completed after the March recommendations revealed that adequate facilities were not available at Stewart International Airport. As a result, relocation costs increased from \$2.4 to \$14.2 million. . . . The Air Force would have to receive at least \$14 million by 1999 for the property if the proposal [to close Roslyn AGS] is to be cost-effective. . . . If these proceeds are not realized, the net present value is a net cost of \$11.3 million, and the ROI [return on investment] becomes 100 plus years.

The transcript of the deliberations also contains the following colloquy.

COMMISSIONER KLING: That value of \$22 million, did they obtain an appraisal, I have to assume, on that? Where does that figure come from?

MR. HALL: The Air Force Real Estate Agency estimated the value at \$22.4 million. Because the proceeds or because the anticipation of the sale of the property came in late in the process, there is some doubt as to whether they'll actually get anything for the property or not given the base closure laws.

COMMISSIONER KLING: So we're going to tie the close-down to receiving the monies up front. They have to receive the monies—

MR. HALL: Yes, they do. They have to receive \$14 million by 1999.

The transcript of the Commission deliberations shows that the Commission voted unanimously to recommend that Roslyn AGS be closed "if Roslyn AGS can be sold for its fair market value." The Commission clearly intended to condition the closure of Roslyn AGS on selling the land for \$22.4 million, or actually receiving \$14 million by 1999, which was necessary for the closure to be cost-effective. For the full text of the 1995 Commission final deliberations on Roslyn AGS, see Appendix C.

Air Force Interpretation of "Fair Market Value"

Initial Air Force Land Value Estimate. The Air Force Real Estate Agency (AFREA) prepared the initial \$22.4 million land value estimate for Roslyn AGS on May 24, 1995. The estimate was based on "residential zoning." The Air Force incorporated the estimate into the COBRA calculations and subsequently provided the data to the Commission. The AFREA director stated that there had been insufficient time to visit Roslyn AGS to perform a complete appraisal of the land; therefore, AFREA prepared its estimate using existing data. The director further stated that he was not aware that the Commission would rely on the data in the estimate, because it was not intended to provide an accurate measure of the Roslyn AGS land value.

Air Force Base Conversion Agency (AFBCA) Consideration of Commission Intent. The AFBCA program managers responsible for managing the closure of Roslyn AGS never reviewed the transcript of the Commission's final deliberations. Before being informed by IG, DoD, auditors of its existence, neither the initial, nor the current, AFBCA program managers were aware of the \$22.4 million land value estimate which the Air Force provided to the Commission to justify the closure of Roslyn AGS. Thus, AFBCA never considered the intent of the Commission in managing the disposition of Roslyn AGS.

General Services Administration Appraisal. General Services Administration (GSA) obtained an independent contractor to appraise the Roslyn AGS property. According to a GSA representative, the contractor notified GSA during the appraisal that, on October 16, 1995, the Village of East Hills government (Village), which had local zoning jurisdiction over the Roslyn AGS land, had rezoned the land for low-density residential use. Since land values are directly tied to local zoning, GSA directed the contractor to report the appraised value of the land both before and after the Village rezoning action. The appraisal estimated, as of January 24, 1996, that the land value was \$9.3 million as it was zoned before the Village rezoning ordinance and \$2.5 million after the rezoning.

Air Force Legal Interpretation of "Fair Market Value." The Air Force Deputy General Counsel for Installations and Environment issued a memorandum on November 5, 1996, stating, "The fair market value of Roslyn and other closure installations is determined by a GSA appraisal." The Deputy General Counsel concluded that the appraised value of the land, "as currently zoned," was the appropriate measure of its "fair market value." Also, a sales price over \$2.5 million would satisfy the contingency in the Commission recommendation requiring the land to be sold at fair market value. However, there was no evidence that the Deputy General Counsel reviewed documentation or information regarding the Commission's statement regarding "fair market value." Additionally, there was no evidence that the Deputy General Counsel had examined the propriety of the local government's rezoning actions. The Village rezoning action and its resultant devaluation of the Roslyn AGS land are discussed in Table 2 and subsequent paragraphs.

Table 2. Roslyn AGS Event Chronology		
Event	Date	Comments
Secretary of Defense recommendations provided to 1995 Commission.	February 28, 1995	Recommendation assumed closure relocation costs of \$2.4 million based. No land sale contingency.
AFREA estimates value of Roslyn AGS land to be \$22.4 million.	May 24, 1995	AFREA estimate based on "residential zoning."
Air Force revises COBRA estimate for Roslyn AGS closure relocation costs to \$14.2 million.	June 5, 1995	Revised COBRA estimate incorporated expected proceeds from land sale of \$22.4 million.
Commission votes to close Roslyn AGS if its land can be sold for "fair market value."	June 22, 1995	Transcript shows that the Commission relied on the \$22.4 million AFREA land value estimate.
Village rezones Roslyn AGS land for low-density residential use.	October 16, 1995	Rezoning allows minimum 2-acre lots, rather than 10,000-15,000-foot lots of the surrounding areas.
GSA provides Air Force with an appraisal showing Roslyn AGS land values before and after the Village rezoning at \$9.3 million and \$2.5 million, respectively.	June 27, 1996	Appraisal performed by a GSA contractor.
Village offers to purchase the Roslyn AGS land for \$3 million.	August 23, 1996	
Air Force Deputy General Counsel opined that selling the Roslyn AGS land for \$2.5 million will satisfy the Commission's "fair market value" contingency.	November 5, 1996	Opinion based on GSA appraisal of Roslyn AGS land "as currently zoned."

Local Government Influence on Roslyn AGS Land Value

The Village (the prospective purchaser of the Roslyn AGS land) enacted an ordinance on October 16, 1995, to rezone the land for low-density residential use. This rezoning action caused the land value to drop to approximately 25 percent of its former value. Thus, the Village directly influenced the land

value and, consequently, its prospective purchase price. Because the Village had an interest in minimizing its expenditure for the Roslyn AGS land purchase, the credibility of the after-rezoning “fair market value” and the propriety of the \$3 million prospective purchase price are questionable.

Rezoning of Roslyn AGS Land for Low-Density Residential Use. The Village enacted an ordinance on October 16, 1995, that rezoned the Roslyn AGS land for low-density residential use and divided it into parcels of no less than two acres. Through the enactment of this zoning ordinance, the Village newly created the low-density, two-acre residential zoning category to be applied only to the Roslyn AGS land. In contrast, the land surrounding Roslyn AGS—an exclusive, upper income community—was zoned for residential parcels of 10,000 to 15,000 square feet each. Because values are dependent upon the land’s legally permissible use, the Village changed the value of the Roslyn AGS land through its zoning power. Consequently, the Village caused the land value of Roslyn AGS to drop to approximately 25 percent of its value before the rezoning.

Local Justification for Rezoning Ordinance. The Village expressed environmental concerns regarding the closure of Roslyn AGS. Specifically, the Village asserted that all of the Long Island groundwater should be officially designated as a “sole source aquifer.” For this reason, on July 10, 1995, the Village petitioned the New York State Department of Environmental Conservation to designate the Roslyn AGS land as a special groundwater protection area (SGPA), a statutory land designation intended to protect undeveloped lands. According to a private consultant’s report to the Village government, dated September 15, 1995, if the State government did not grant the Village’s petition, the Village “could still rezone [Roslyn AGS] to a low-density residential zone, though it would be more difficult to accomplish, since [the Village] would not have the SGPA recommendation to support the rezoning.”

The Commissioner of the New York State Department of Environmental Conservation rejected the Village’s petition on October 4, 1995, stating that more information was needed to justify the SGPA. Although the Village subsequently refiled its petition, the New York State Department of Environmental Conservation had not approved the petition as of March 1999. The Village Mayor stated that he believes the State would grant the petition, citing several local politicians who the Mayor said were supportive of the Village’s efforts.

Intended Use of Roslyn AGS Land. Although the Village rezoned the Roslyn AGS land “for residential use,” the Village does not intend to use the land for construction of new residences. Instead, the Village intends to build a new administrative facility and convert the remaining land into a park for local recreational use. Additionally, during a meeting between representatives of the AFBCA and the Village, the Village Mayor was concerned about the Village’s ability to raise money to purchase the land. The Mayor expressed interest in the Village buying the land and then selling off part of it at a later date. Thus, the Village rezoned the Roslyn AGS land for low-density residential use, intending to rezone the land again for a different type of use after it was purchased.

Planned Sale of Roslyn AGS Land. The Village sent a letter to the AFBCA offering to purchase the Roslyn AGS land for \$3 million on August 23, 1996. According to AFBCA representatives, the Air Force intends to accept the Village's offer, but a formal offer has not been submitted. The land sale is subject to congressional approval, which the AFBCA intends to seek upon receiving the Village's formal offer.

Conclusion

The propriety of closing Roslyn AGS and selling its land for \$3 million is questionable. The Commission recommendation states only that Roslyn AGS is to be closed on the condition that the land can be sold for its "fair market value," thus making the closure cost effective. While the Commission recommendation appears to be clear, there are concerns when the recommendation is read in conjunction with the Commission findings, and the transcript of its final deliberations.

In determining the meaning of "fair market value," the Air Force ignored the clearly stated intent of the Commission. Instead, the Air Force accepted, without question, an appraised value for the land that had been, in essence, devalued by the local government, who was also the prospective purchaser. The Commission recommendation assumed, based on an Air Force estimate, that the Roslyn AGS land would be sold for \$22.4 million—an amount that the Commission clearly relied on in its final deliberations. Nevertheless, the Air Force determined that a "fair market value" of \$2.5 million was sufficient to meet the condition required for closure, despite the questionable validity of the value.

The Air Force Deputy General Counsel for Installations and Environment may not have been provided with information regarding the Commission intent when he determined that selling the Roslyn AGS land for \$2.5 million would meet the contingency for closure in the Commission recommendation. Therefore, to ensure the propriety and legality of closing Roslyn AGS, the planned land sale should be reviewed in light of the intent of the 1995 Commission report.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense (Comptroller) place \$6 million for project WHAY959635 on administrative withhold pending Air Force review of the propriety and legality of the planned closure of Roslyn Air Guard Station.

Management Comments. The Under Secretary of Defense (Comptroller) concurred with the recommendation.

2. We recommend that the Deputy Assistant Secretary of the Air Force for Installations review the propriety and legality of the planned closure of Roslyn Air Guard Station, New York, considering all evidence showing the intent of the 1995 Commission on Defense Base Closure and Realignment in recommending that Roslyn Air Guard Station be closed if it “can be sold for its fair market value.”

Management Comments. The Air Force nonconcurred with the recommendation, stating that the 1995 Commission’s recommendation was not ambiguous. Therefore, there was no need to refer to documents outside the Commission’s report to ascertain the meaning of the condition that the property be sold for its fair market value. The Air Force also pointed out that, at the Commission’s hearing on Roslyn AGS, the Commission staff member who briefed the Commission stated that DoD policy generally discourages the use of property sale proceeds in the calculation the costs and savings associated with base closures. The Air Force stated that, for those reasons, it would be inappropriate for the Air Force to attempt to ascertain the intent of the individual Commission members. The Air Force concluded that since there is a General Services Administration appraisal of the current market value of the Roslyn AGS property, and an offer to purchase the property, the Commission’s condition for closing Roslyn AGS has been met.

Audit Response. The Air Force comments are not responsive. In the 1995 Commission’s report, the Commission specifically found that personnel and base operating support savings would not exceed the cost of relocating the Roslyn AGS units and that, therefore, closing Roslyn AGS was not cost effective. However, upon further review, and because Roslyn AGS was located on valuable, residentially-zoned property, the Commission reasoned that closing Roslyn AGS could be cost effective if the property could be sold at the estimated fair market value. Based upon those findings, the Commission determined that the Secretary of Defense had deviated substantially from final criteria 4 and 5 (dealing with cost and manpower implications and return-on-investment issues), and recommended closing the station stating, “if the property can be sold for its fair market value, this recommendation is cost effective.”

It is clear from both the Commission’s formal findings and recommendation that the closure was to occur only if it could be cost effective. The Commission report indicates that the cost of closure was believed to be \$14.2 million. Additionally, the calculated savings and return-on-investment data in the Commission report are predicated upon the assumption that the Roslyn AGS property would be sold for \$22.4 million. The meaning of a sale at “fair market value” must be read in that context. It takes little further effort to ascertain the intent of the Commission members, who unanimously adopted the recommendation, as indicated in the report. However, we do not think it inappropriate to confirm that intent. It is clearly expressed in the transcript of the Commission’s final deliberations on Roslyn AGS, on June 22, 1995, when the issues were discussed and the final Commission recommendation was adopted. Based on information that the Air Force provided, the “fair market value” of the Roslyn AGS property was, at that time, estimated to be in the range of \$22 million. See Appendix C for the entire transcript.

While the individual briefing the Commission stated that DoD policy generally discourages the use of land sale proceeds in calculating the costs and savings of base closure recommendations, he went on to note that the Air Force did so in this case because, "it feels this situation is unique because of the location of the property."

We request that the Air Force reconsider its position and provide additional comments in response to the final report. Specifically, we request that the Air Force address the cost effectiveness of the closure of Roslyn AGS if the property is sold at the current, comparatively low, "fair market value" as proposed.

Appendix A. Audit Process

Scope

Work Performed and Limitations to Overall Audit Scope. We examined the FY 1999 BRAC MILCON budget request, economic analysis, and supporting documentation for project WHAY959635, "Communications Training Complex," valued at \$6 million, in connection with the closure of Roslyn AGS, New York.

DoD-Wide Corporate Level Government Performance and Results Act (GPRA) Goals. In response to the GPRA, the Department of Defense has established 6 DoD-wide corporate level performance objectives and 14 goals for meeting these objectives. This report pertains to achievement of the following objective and goal.

Objective: Fundamentally reengineer the Department and achieve a 21st century infrastructure. **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. **(DoD-6)**

General Accounting Office High Risk Area. The General Accounting Office has identified several high risk areas in the DoD. This report provides coverage of the Defense Contract Management high risk areas.

Methodology

Audit Type, Dates, and Standards. This economy and efficiency audit was performed from January 1999 through March 1999 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. The audit did not rely on computer-processed data or statistical sampling procedures.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and the Village of East Hills, New York. Further details are available on request.

Management Control Program

Our review of management controls over BRAC MILCON projects will be discussed in a summary report upon completion of the current reviews.

Summary of Prior Coverage

Inspector General, DoD, Report No. 96-127, "Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air National Guard Base and Realignment to Stewart Air National Guard Base, New York," May 23, 1996, states that the Air National Guard prematurely requested BRAC MILCON funding for project WHAY959635, "Communications Training Complex." The Under Secretary of Defense (Comptroller) and the Air Force concurred with our recommendation that funds for the project be placed on hold until the Air Force determines that the Roslyn AGS land can be sold for its fair market value.

Additionally, four summary reports have been issued for the audits of BRAC budget data for FYs 1992 through 1998. Details on those reports, and the numerous audit reports that they summarize, are available upon request.

Appendix B. Background of Defense Base Realignment and Closure

Commission on Defense Base Closure and Realignment. On May 3, 1988, the Secretary of Defense chartered the Commission on Defense Base Closure and Realignment (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 provide a fair process that will result in a timely closure and realignment of military installations inside the United States. 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 the Secretary of Defense shall 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 COBRA computer model. The COBRA 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 1999 Military Construction Project Data," for each individual MILCON project required to accomplish the realigning actions. The COBRA 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 COBRA 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 individual BRAC MILCON project. 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 FYs 1999 and 2000 BRAC MILCON \$324.6 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 all projects in the budget.

Appendix C. Transcript of the Defense Base Closure and Realignment Commission Final Deliberations on Roslyn Air Guard Station, June 22, 1995

MR. HALL: The next Air Guard station we are considering for closure is Roslyn Air Guard Station, New York and relocation of the Combat Communications Group and Electronic Installation units to Stewart International Airport Air Guard Station, New York.

The relocation of these units requires \$14.2 million up front and has a 2-year return on investment. The net present value and ROI assumed DoD will be able to sell the Roslyn property at or near market value. This guard station is on 50 acres of property 27 miles east of New York City on Long Island, New York.

Next chart, please. The next chart shows the issues associated with this recommendation. The site survey completed after the March recommendations revealed that adequate facilities were not available at Stewart International Airport.

As a result, relocation costs increased from \$2.4 to \$14.2 million. However, according to the Air Force, prospects exist for realizing revenue from the sale of the guard station property. This revenue estimated at \$22.4 million would be used to offset the costs associated with relocation of the unit.

The Air Force would have to receive at least \$14 million by 1999 for the property if the proposal is to be cost-effective. The use of these proceeds was not part of the original DoD recommendation.

Only when these proceeds from the sale of the property are used is this recommendation cost effective. If these proceeds are not realized, the net present value is a net cost of \$11.3 million, and the ROI becomes 100 plus years.

There are two points I'd like to make regarding this issue. First, DoD policy generally discourages the use of such proceeds from property sales in calculating the costs and savings of closure recommendations, since proceeds may never be realized.

Second, the Air Force did not include revenues from the sale of land as part of any other base closure recommendations. However, it feels this situation is unique because of the location of the property.

Generally, the community opposes the closure of the guard station has [sic] raised doubts as to whether the sale of the property for commercial development is realistic given zoning restrictions. Next chart, please.

The next chart summarizes the pros and cons regarding this recommendation. The costs and savings, ROI and NPV on this chart reflect the use of proceeds from the sale of the Guard Station property. Again, only when these proceeds are used is this recommendation cost-effective. Mr. Chairman, I'll now entertain any questions on this recommendation.

CHAIRMAN DIXON: Thank you, Mr. Hall. Are there any questions of Mr. Hall? Mr. Kling?

COMMISSIONER KLING: One quick one. That value of \$22 million, did they obtain an appraisal, I have to assume, on that? Where does that figure come from?

MR. HALL: The Air Force Real Estate Agency estimated the value at \$22.4 million. Because the proceeds or because the anticipation of the sale of the property came in late in the process, there is some doubt as to whether they'll actually get anything for the property or not given the base closure laws.

COMMISSIONER KLING: So we're going to tie the close-down to receiving the monies up front. They have to receive the monies—

MR. HALL: Yes, they do. They have to receive \$14 million by 1999.

CHAIRMAN DIXON: Any other questions? (No response.)

CHAIRMAN DIXON: Is there a motion?

COMMISSIONER DAVIS: Yes, sir. I have a motion.

CHAIRMAN DIXON: Commissioner Davis.

MOTION

COMMISSIONER DAVIS: I move the Commission find the Secretary of Defense deviated substantially from Final Criteria 4 and 5 and therefore the Commission reject the Secretary's recommendation on Roslyn Air Guard Station New York and instead adopt the following recommendation: Close Roslyn Air Guard Station and relocate the 213th Electronic Installation Squadron and the 274th Combat Communications Group to Stewart International Airport AGS New York if Roslyn Air Guard Station can be sold for its fair market value. The 722nd Air Medical Staging Squadron will relocate to suitable lease space within the current recruiting area. The Commission finds this recommendation is consistent with the Force Structure Plan and Final Criteria.

CHAIRMAN DIXON: Very well. That's a motion. Is there a second to the motion by Commissioner Davis?

COMMISSIONER STEELE: I'll second the motion.

CHAIRMAN DIXON: Commissioner Steele seconds the motion. Counsel will call the roll.

MS. CREEDON: Commissioner Davis?

COMMISSIONER DAVIS: Aye.

MS. CREEDON: Commissioner Kling?

COMMISSIONER KLING: Aye.

MS. CREEDON: Commissioner Montoya?

COMMISSIONER MONTOYA: Aye.

MS. CREEDON: Commissioner Robles?

COMMISSIONER ROBLES: Aye.

MS. CREEDON: Commissioner Steele?

COMMISSIONER STEELE: Aye.

MS. CREEDON: Commissioner Cornella?

COMMISSIONER CORNELLA: Aye.

MS. CREEDON: Commissioner Cox?

COMMISSIONER COX: Aye.

MS. CREEDON: Mr. Chairman?

CHAIRMAN DIXON: Aye.

MS. CREEDON: Mr. Chairman, the vote is 8 ayes and 0 nays.

CHAIRMAN DIXON: And the motion carries.

Appendix D. Report Distribution

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House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform
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Relations, Committee on Government Reform

Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100



JUN 29 1999

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

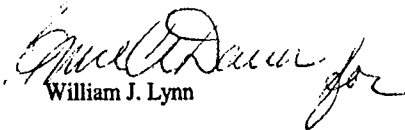
Subj: Audit Report on Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air Guard Station and Realignments to Stewart International Airport Air Guard Station, New York dated May 14, 1999, (Project Number 8CG-5012.03)

This responds to your draft audit report, "Defense Base Realignment and Closure Budget Data for the Closure of Roslyn Air Guard Station and Realignments to Stewart International Airport Air Guard Station, New York" dated May 14, 1999, (Project Number 8CG-5012.03).

I have reviewed the subject draft audit report and agree to place funds for the project at Stewart International Airport Air Guard Station on administrative withhold if this recommendation remains in the final report.

I appreciate the opportunity to comment on the draft audit report.

Sincerely,


William J. Lynn

Department of the Air Force Comments



Office Of The Assistant Secretary

DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

14 JUN 1999

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

FROM: SAF/MII
1660 Air Force Pentagon
Washington, DC 20330-1660

SUBJECT: Audit Report on Defense Base Realignment and Closure Budget Data for the
Closure of Roslyn Air Guard Station and Realignments to Stewart International
Airport Air Guard Station, New York (Project No. 8CG-5012 03, Dated 14 May
99) (Your Ltr, 14 May 99)

The 1995 BRAC Commission report included the following recommendation regarding
the Roslyn Air Guard Station, New York:

Close Roslyn Air Guard Station (AGS) and relocate the 213th Electronic
Installation Squadron and the 274th Combat Communications Group to Stewart
International Airport AGS, Newburg, New York *if the Roslyn Air Guard Station
can be sold for its fair market value* The 722nd Aeromedical Staging Squadron
(AFRES) will relocate to suitable leased space within the current recruiting area.
[emphasis added]

The language of the Commission recommendation is not ambiguous. The Air Force is
obligated to implement the clear recommendation of the Commission, as approved by both the
President and Congress. The Commission's recommendation was reviewed by the Air Force
Office of the General Counsel. It was the conclusion of that office that there was no ambiguity
in the condition requiring that Roslyn AGS be sold for fair market value, since there was a well
established method of using a GSA appraisal to determine that value. Consequently, there was
no need to refer to any documents outside the Commission's final report to ascertain the meaning
of the condition. Indeed, to have looked beyond the report itself would have been
unprecedented.

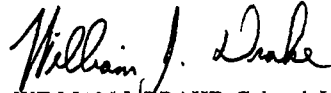
The draft report suggests at page 3 that the Commission recommendation was
ambiguous, stating the closure was justified based upon a savings and return on investment data
calculated under the assumption that Roslyn AGS would be sold for \$22.4 million. The
transcripts included in the draft report make clear that the estimate was preliminary. More
importantly, an extract of the Commission hearing transcripts at page 14 shows that the person
who briefed the Department of Defense's recommendation to the Commission specifically
indicated DoD policy generally discourages the use of proceeds from property sales in

calculating the costs and savings of closure recommendations, since proceeds may never be realized.

Considering this express DoD policy, and the clear language of the commission recommendation as approved by the President and Congress, it is inappropriate to suggest the Air Force should attempt to ascertain the intent of individual Commission members. The Air Force is obligated to implement the approved recommendation. If Commission members intended more than is included in the recommendation, specific language to that effect should have been incorporated in the recommendation itself.

For the foregoing reasons, funds necessary for implementation of the Commission recommendation should not be placed on administrative withhold. As required under BRAC 1990, the Air Force should continue to expeditiously take action to implement the clear, unambiguous recommendation of the 1995 Commission.

Thank you for the opportunity to comment upon the draft audit report. If you require additional information please contact Mr Corradetti at (703) 696-5250.



WILLIAM J. DRAKE, Colonel, USAF
Acting Deputy Assistant Secretary of the Air
Force (Installations)

Audit Team Members

The Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD prepared this report.

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