

GAO

Report to the Subcommittee on
Readiness, Committee on Armed
Services, House of Representatives

June 2005

DEFENSE INFRASTRUCTURE

Issues Need to Be Addressed in Managing and Funding Base Operations and Facilities Support



G A O

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Highlights of [GAO-05-556](#), a report to the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

Why GAO Did This Study

Concerns have surfaced in Congress and various media regarding the adequacy of funding for base operations support (BOS) functions of military installations as well as the quality and level of support being provided. As requested, this report addresses (1) the historical funding trends for BOS as contrasted with funding for facilities sustainment, restoration and modernization (S/RM); (2) how effectively the Department of Defense (DOD) and the military services have been able to forecast BOS requirements and funding needs; and (3) how the Army's and Navy's reorganizations for managing installations have affected support services, and whether the Air Force and Marine Corps could benefit from similar reorganizations.

What GAO Recommends

GAO is recommending that the Secretary of Defense revise the department's previously issued installations strategic plan to resolve long-standing inconsistencies among the military services' definitions of BOS functions and help expedite development and consistent application of an analytically sound model for determining BOS requirements.

DOD agreed with the recommendations and indicated that actions were under way or planned to implement them.

www.gao.gov/cgi-bin/getrpt?GAO-05-556.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-5581 or holmanb@gao.gov.

DEFENSE INFRASTRUCTURE

Issues Need to Be Addressed in Managing and Funding Base Operations and Facilities Support

What GAO Found

Congress has designated increased funding for BOS programs in recent years, sometimes more than requested, but because those amounts were often less than the cost of BOS services provided at installations, hundreds of millions of dollars designated for S/RM and other purposes were redesignated by the military services to pay for BOS. As GAO has previously reported, such funding movements while permissible are disruptive to the orderly provision of services, contribute to the degradation of many installation facilities, and can adversely affect the quality of life and morale of military personnel. The problem appears to be greatest in the Army. Further, in fiscal year 2004, U.S. military installations faced additional pressures in managing available BOS and S/RM funding as the services redesignated varying amounts of these funds to help pay for the Global War on Terrorism. Similar problems are reportedly occurring in fiscal year 2005. While difficult to quantify, installation officials at the locations GAO visited voiced concerns about the potential for these conditions to adversely affect operations and readiness in the future. Moreover, such movements of funds add considerable uncertainty regarding actual BOS requirements and the extent of underfunding.

The ability of DOD and its components to forecast BOS funding requirements has been hindered by the lack of a common terminology across the military services in defining BOS functions as well as the lack of a mature analytic process for developing credible and consistent requirements comparable to the model developed for facilities sustainment. The lack of common definitions among the services, particularly where one service resides as a tenant on an installation operated by another service, can lead to differing expectations for installation services, and it obscures a full understanding of the funding required for BOS services. Because the military services have often based future requirements estimates largely on prior expenditures, they do not necessarily know if BOS services were provided at appropriate levels. DOD and the military services have a strategic plan for installations and have multiple actions under way to address these problems, but they have not synchronized varying time frames for accomplishing related tasks. Until these problems are resolved, DOD will not have the management and oversight framework in place for identifying total BOS requirements, providing Congress with a clear basis for making funding decisions, and ensuring adequate delivery of services.

While the Army's and Navy's creation of centralized installation management agencies can potentially create efficiencies and improve the management of the facilities through streamlining and consolidation, implementation of these plans has so far met with mixed results in quality and level of support provided to activities and installations. Until more experience yields perspective on their efforts to address the issues identified in this report, GAO is not in a position to determine whether the approach should be adopted by the other services.

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Abbreviations

BOS	base operations support
CNI	Commander, Navy Installations
DOD	Department of Defense
IMA	Installation Management Agency
O&M	operation and maintenance
OSD	Office of the Secretary of Defense
S/RM	sustainment, restoration and modernization

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United States Government Accountability Office
Washington, D.C. 20548

June 15, 2005

The Honorable Joel Hefley
Chairman
The Honorable Solomon P. Ortiz
Ranking Minority Member
Subcommittee on Readiness
Committee on Armed Services
House of Representatives

The Department of Defense (DOD) manages nearly 517,000 buildings and structures (replacement value of \$650 billion) and over 46,000 square miles of real estate at its bases and installations worldwide. At the same time, DOD recognizes that it maintains infrastructure in excess of its needs,¹ and that it faces challenges in allocating sufficient funds to maintain this infrastructure and supporting other base operating needs. We have previously reported on the impact resulting from such underfunding, including the deterioration of facilities, and its negative effects on the quality of life for those living and working at the installations and on their ability to accomplish their mission activities.² More recently, you and others have expressed concerns about the adequacy of funding for overall base operations and whether funds were being moved to meet other pressing needs, leaving shortfalls in base operating accounts.

Operation and maintenance (O&M) funding is the primary category of funds used to keep military installations running and the facilities in good working order. Within O&M funding, there are distinct functional areas, including (1) base operations support (BOS)—a term used to describe a

¹ Retaining and underutilizing installations and facilities result in inefficiencies and additional costs for base services and programs. Congress authorized a base realignment and closure round in 2005 to deal with this issue.

² See the following reports: GAO, *Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities*, [GAO-03-274](#) (Washington, D.C.: Feb. 19, 2003); *Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities*, [GAO-03-516](#) (Washington, D.C.: May 15, 2003); *Defense Budget: Real Property Maintenance and Base Operations Fund Movements*, [GAO/NSIAD-00-101](#) (Washington, D.C.: Mar. 1, 2000); and *Defense Management: Army Needs to Address Resource and Mission Requirements Affecting Its Training and Doctrine Command*, [GAO-03-214](#) (Washington, D.C.: Feb. 10, 2003).

collection of day-to-day programs, activities, and services needed to keep the bases and installations running;³ (2) facilities sustainment, restoration and modernization (S/RM)—the recurring maintenance and repairs needed to keep facilities in good working order and in up-to-date condition; and (3) mission support—the goods and services needed to prepare for and conduct combat and peacetime missions, including training and weapons systems maintenance.

For fiscal year 2004 O&M activities, Congress appropriated about \$83.5 billion for active duty forces and about \$14.3 billion for reserve and national guard forces, excluding DOD-wide and miscellaneous O&M activities.⁴ Within the O&M appropriations, conference report data show that Congress designated⁵ \$14 billion for BOS, \$5.5 billion for facilities sustainment, and \$78.3 billion for mission and other support. These designations were based on the sum of a set of defined program elements or activity groups and subactivity groups supporting the appropriation bill's conference report, and are not binding unless they are incorporated directly or by reference into an appropriation act or other statute. Thus, DOD and its components have considerable flexibility in using O&M funds and can redesignate funds among activity and subactivity groups in various ways. Accordingly, it is important to note that amounts designated in the

³ BOS is a term that derives from the “base operations” program area (which includes installation transportation, supply, information management, food services, legal and accounting services, and so forth) to which the military services have added other program areas including family and quality of life programs, force protection, environmental compliance and conservation programs, communications services, and grounds maintenance, as well as other facilities services such as utilities, leases, and custodial services, which OSD has referred to as real property services. Thus, in practice BOS is a collection of many diverse programs, activities, and services. Beginning with fiscal year 2006 O&M budget submissions, OSD has started referring to real property services as “facilities operations” and to other base support programs as “installations services.” Collectively, installation services and facilities operations will be known as DOD’s “installations support” functional area.

⁴ See Department of Defense Appropriations Act, 2004, Pub. L. No. 108-87 (2003). Congress appropriated an additional \$16.2 billion for DOD-wide and miscellaneous O&M activities.

⁵ We use the terms “congressionally designated,” “congressional designation,” or variations of these terms throughout to refer to amounts set forth at the budget activity, activity group, and subactivity group level in an appropriation bill’s conference report. These recommended amounts are not binding unless they are also incorporated directly or by reference into an appropriation act or other statute.

services' accounting records for O&M functional areas, such as BOS, do not perfectly coincide with these congressional designations. For example, according to historical data provided by the military services, fiscal year 2004 O&M funds designated for BOS services totaled \$15.6 billion, about \$1.6 billion more than data supporting the conference report showed as being designated for BOS at the beginning of the fiscal year. Service officials attributed the variance to their accounting for the BOS services provided at their respective installations—the number and names of which are different and expanded from the BOS subactivity groups used for the conference report—and to funding redesignations that occur during the year. Accordingly, this report uses the congressional designations as adjusted by the services' accounting and redesignations of O&M funds for BOS and S/RM to depict funding trends.

Until recently, the Office of the Secretary of Defense (OSD) and the military services have, for the most part, carried out installation management functions at the local level, where installation commanders have set priorities and regularly moved funds among BOS, S/RM, and mission support accounts to pay for services and programs at their respective installations. Increasingly, however, some of military services are moving to centralize the management of these activities, with the expectation that such efforts would help mitigate previous problems of funds intended for installation management being redesignated to other purposes.

This report addresses (1) the historical funding trends for BOS functions, as contrasted with funding for S/RM; (2) how effectively DOD and the military services have been able to forecast BOS requirements and funding needs; and (3) how the Army's and the Navy's reorganizations for managing installations have affected the quality and level of support provided to individual activities and installations, and whether the Air Force and Marine Corps would benefit from similar reorganizations.

To address these questions, we met with officials in DOD's Office of Installations and Environment and with Army, Air Force, Navy, and Marine Corps headquarters officials and collected and analyzed historical funding data. We obtained data on historic funding levels from fiscal years 2001 through 2004 from the military services based on their categorization of BOS functions, but we concentrated our analysis principally on fiscal year 2004, the most recent year for which obligation data were available. To ensure consistency in analyzing funding trends from one year to the next, the historical data provided by the services and used in this report do not

include congressional adjustments of a one-time nature or supplemental appropriations for O&M that Congress provided during a particular fiscal year for such things as hurricane damage cleanup and repairs or for the Global War on Terrorism.⁶ We determined that the data were sufficiently reliable for the purposes of this review in indicating broad trends and comparisons between identified requirements, budget requests, designated funding amounts, and subsequent obligations of funds for BOS and S/RM functions. However, various data limitations are noted throughout the report, such as differences between conference committee designations for BOS funding and amounts categorized by the services. We obtained information on the roles that OSD and the military services play in the overall base operations process, requirements determination, budgeting, and installations management. We visited two Air Force bases; two Marine Corps bases; three Army bases; six Navy bases; the Army's Installation Management Agency's (IMA) Headquarters and Southwest and Northeast regions; and the Commander, Navy Installations (CNI) Command's Headquarters and South and Southwest regions. We performed our work in accordance with generally accepted government auditing standards from April 2004 through April 2005. More details on our scope and methodology are presented in appendix I.

Results in Brief

Congress has designated increased funding for BOS in recent years, sometimes more than requested, but because the approved increases are often less than the cost of BOS services provided at military installations (particularly the Army's), hundreds of millions of dollars designated for S/RM and other purposes have been redesignated to meet BOS needs. In some respects this is a reversal of a trend we saw a few years ago, where BOS funds were more likely to be redesignated to fund facilities maintenance and mission training needs. We found similar though less pronounced funding redesignations in the Air Force, Navy, and Marine Corps data. Each service faced problems because funds were moved among BOS and S/RM accounts during the year. Further, in fiscal year 2004, U.S. military installations faced additional pressures in managing available

⁶ For example, the S/RM-adjusted congressional designations and the obligations we used in our analyses for the Navy did not include \$168 million in fiscal year 2003 congressional adjustments to upgrade the Navy's facilities to meet antiterrorism and force protection standards (such as vehicle inspection shelters, pop-up barriers, fencing and gate improvements, and so forth) or \$223 million in supplemental appropriations for hurricane damage and repairs, and the fiscal year 2004 amounts did not include supplemental amounts for the Global War on Terrorism.

BOS and S/RM funding as the services redesignated varying amounts of O&M funds that would have been designated for BOS and S/RM to help instead pay for the Global War on Terrorism. At the end of fiscal year 2004, installations received additional funds to help offset shortfalls endured during the year. The timing made it difficult for the installations to execute many of their BOS and S/RM activities efficiently and effectively, however, and it resulted in the Army underexecuting its S/RM funding designations by \$882 million in fiscal year 2004. Various indicators suggest that similar funding redesignations are occurring in fiscal year 2005. Such problems adversely affect efforts to maintain facilities and provide base support services. Although these actions are disruptive to planned maintenance and support programs and have the potential to adversely affect quality of life and morale, it typically is difficult to determine any immediate impact they may have on readiness. At the installations we visited, however, officials often voiced concerns about the potential impact on operations and readiness in the future should these conditions continue. At the same time, such movements of funds add considerable uncertainty regarding amounts required and the degree to which BOS services may be underfunded.

DOD and the military services' ability to forecast BOS requirements and funding needs has been hindered by the lack of a common terminology across the military services in defining BOS functions, as well as by the lack of a mature analytic process for developing BOS requirements comparable to that developed for facilities sustainment requirements. Lack of common definitions among the services, particularly where one service resides as a tenant on an installation operated by another service, can lead to differing expectations for services, and it obscures a full understanding of the funding that is required for BOS services. Each service has historically developed its own BOS requirements and funding needs subject to its own definition of BOS and the types and levels of services it deems necessary. Until recently, each has relied heavily on previous expenditures as the basis for stating future requirements. But while the military services can tell Congress how much was spent in an area in the past, they do not necessarily know whether BOS services were provided at appropriate levels or how much it should cost to provide them in the future. Until such problems are resolved, DOD will not have the management and oversight framework in place that it needs for identifying total BOS requirements and ensuring adequate delivery of services, particularly in a joint environment. Various efforts are under way, either within the military services or led by OSD, to strengthen their respective abilities to forecast future requirements. OSD and the services recognize, however, that additional efforts are needed. Within the past year they have started working to

develop common definitions, standards, and performance metrics. However, as they are still in the early stages of developing these initiatives, time frames for accomplishing many of the specific actions under way or planned have either not been established or vary among working groups. This creates uncertainty about the accuracy of time frames being reported for completing the respective tasks and raises questions about how well coordinated and integrated these efforts will be. Improvements in these areas will be important to ensuring consistency in identifying the base operations services expected to be provided, particularly where multiple military services with varying support needs are located on individual military installations, and in providing Congress with a clear basis for making funding decisions.

While many officials view the Army's and Navy's creation of centralized installation management agencies as having the potential to create efficiencies and improve the management of the facilities through streamlining and consolidation, implementation of these plans has to date met with mixed results in the quality and level of support provided to activities and installations. A common concern voiced by individuals at the installations we visited was that the centralized management efforts had not sufficiently recognized the diverse needs of the installations' many tenants who require quick reaction in the face of changing circumstances. Navy and Army officials acknowledge such problems as growing pains associated with implementing the new approach and indicated that they are working to address them. Nevertheless, until more experience is gained from efforts to address the issues identified in this report, we are not in a position to recommend one approach over the other. Using a more decentralized facilities management approach at the time of our review, the Air Force and Marine Corps were emphasizing selective consolidation and efficiency measures to improve operations and achieve savings.

We are making recommendations in this report for DOD to update its strategic plan and to include specific actions and establish time frames to, first, resolve long-standing inconsistencies among the definitions of BOS services and, second, help expedite the development and implementation of an analytically sound and consistently applied model for determining BOS requirements. In commenting on a draft of this report, DOD agreed with our recommendations and indicated that actions were under way or planned to implement them.

Background

DOD manages nearly 517,000 buildings and structures (replacement value of \$650 billion) and over 46,000 square miles of real estate at its bases and installations worldwide. These facilities must be properly maintained or they are subject to premature deterioration. At these bases and installations, DOD prepares for and conducts combat and peacetime missions, including training and weapons systems maintenance. Doing so requires significant amounts of BOS services, such as information management; systems operations and maintenance; facilities engineering; transportation; utilities; environmental, safety, and health services; housing; food services; morale, welfare, and recreation services; security and fire services; and disaster preparedness.

Funding for O&M

O&M funds finance the costs of operating and maintaining military operations for active and reserve components, including related support activities of DOD, but excluding military personnel costs. Included are pay for civilians, services for maintenance of equipment and facilities, fuel, supplies, and spare parts for weapons and equipment. Funding requirements are influenced by many factors, including force structure levels, such as the number of aircraft squadrons and Army and Marine Corps divisions; installations; military personnel strength and deployments; rates of operational activity; and the quantity and complexity of equipment such as aircraft, ships, missiles, and tanks in operation. For fiscal year 2004, Congress appropriated \$114 billion for O&M activities.⁷ DOD uses distinct activities and accounting structures to manage O&M budgeting and funding for functional areas such as the following:

- BOS—a term that derives from the “base operations” program area (which includes installation transportation, supply, information management, food services, legal and accounting services, and so forth) to which the military services have added other program areas including family and quality of life programs, force protection, environmental compliance and conservation programs, communications services, and grounds maintenance, as well as other facilities services such as

⁷ See Department of Defense Appropriations Act, 2004, Pub. L. No. 108-87 (2003). This amount, and the amounts we used in our historical funding trend analyses for this report, does not include supplemental appropriations for O&M that Congress provided for such things as the Global War on Terrorism.

utilities, leases, and custodial services, which OSD has referred to as real property services.⁸ Thus, in practice BOS is not a single, well-defined program area but a collection of many diverse programs, activities, and services. The different BOS functions and activities used by the military services are shown in appendix II.

- S/RM—the maintenance and repairs needed to keep facilities in good working order and in up-to-date condition. Sustainment funds cover expenses for all recurring maintenance costs and contracts, as well as for major repairs of nonstructural facility components (for example, replacing the roof or repairing the air conditioning system) that are expected to occur during a facility’s life cycle. In addition to facilities sustainment, O&M funds are sometimes used for facilities restoration and modernization. Restoration includes repair and replacement work needed to restore facilities damaged by inadequate sustainment, excessive age, natural disaster, fire, accident, or other causes. Modernization includes altering or modernizing facilities to meet new or higher standards, accommodate new functions, or replace structural components.
- Mission support—the goods and services needed to prepare for and conduct combat and peacetime missions, including training and weapons systems maintenance. O&M funds are used by the armed forces and defense agencies to prepare for and conduct combat and peacetime missions. For example, DOD uses O&M funds to increase combat proficiency through flying and ground training operations; to acquire fuel, support equipment, and spare parts for training operations; to pay supporting civilian personnel; and to purchase supplies, equipment, and service contracts for the repair of weapons and weapons systems.

According to historical data provided by the military services, fiscal year 2004 O&M funds designated for BOS services totaled \$15.6 billion, about \$1.6 billion more than data supporting the conference report showed as being designated for BOS at the beginning of the fiscal year. Service

⁸ Beginning with fiscal year 2006 O&M activities, DOD refers to base operations, family and quality of life programs, force protection, environmental compliance and conservation programs, communications services, food services, grounds maintenance, and so forth as “installations services” and to real property services (utilities, leases, custodial services, snow plowing, and the like) as “facilities operations.” Collectively, installations services and facilities operations will be known as DOD’s “installations support” functional area.

officials attributed the variance to their accounting for the BOS services provided at their respective installations—the number and names of which are different and expanded from the BOS subactivity groups used for the conference report—and to funding redesignations that occur during the year. Accordingly, this report uses the congressional designations as adjusted by the services' accounting and redesignations of O&M funds for BOS and S/RM to depict funding trends. Further, to better project trend data consistently, the historical data provided by the services included in this report do not include congressional adjustments of a one-time nature or supplemental appropriations for O&M that Congress provided during a particular fiscal year for such things as hurricane damage cleanup and repairs or for the Global War on Terrorism.

Services' Organizational Structures for Managing Installations

Until recent years, the military services had, for the most part, carried out installation management functions at the local level, where the installation commanders received O&M funding for various subactivities and set priorities among competing demands. They also had the flexibility to make trade-offs in the face of funding limitations, shifting funds among subactivities' competing priorities, and to meet unanticipated demands. We have previously reported on the movement of funds from BOS to alleviate shortfalls in S/RM, and we have also reported instances where funds intended for maintaining facilities had to be used to support base operations or to cover other mission costs. However, such movements of funds often raised or aggravated concerns about the adequacy of funding for each of these areas or about how efficiently and effectively programs were executed during the year.

The Army and the Navy have recently taken steps to reorganize and centralize their installation management activities. One of the expectations established in setting up these centralized activities was that they would curtail or prevent the movement of funds from facilities and base operations to other priorities and create greater stability in the execution of those activities. IMA was activated on October 1, 2002, providing consolidated management of Army installations worldwide. The services managed by IMA include engineering, information technology, resource management, and other installation support activities. The agency's objective is to standardize installation management services, providing consistent and equitable facilities and services via common standards. IMA is made up of seven regional offices, four in the continental United States and three overseas. To establish IMA, the Department of the Army worked with its major commands to identify the activities, personnel, and

resources that provided facilities and base operations support. These service activities and the associated workforce were then organizationally realigned from the major commands and their installation commanders to establish IMA. Under the reorganization, IMA headquarters assumed control of the BOS and S/RM budgets in fiscal year 2004 and determined the funding for these programs and activities.

CNI was activated October 1, 2003, and is responsible for Navy-wide installation management. Its mission is to provide uniform program, policy, and funding management, along with oversight of shore installation support. Prior to the activation of CNI, management of its base operations support activities was conducted at regional levels. With the activation of CNI, shore installation management and the personnel associated with those functions were organizationally realigned under CNI's control. CNI is made up of 16 regions, 10 in the continental United States and 6 overseas. Consolidation of the management of services provided at the regional and installation levels was intended to reduce base operating support costs through the elimination of unnecessary management layers, duplicative overhead and redundant functions. The Army and Navy reorganizational management structures are discussed further in appendix III.

The Marine Corps, because it is small, has always been somewhat centrally managed, but it generally leaves to the individual base commanders the decisions about the level of BOS services required and issues regarding quality of life at an installation. The Air Force has integrated BOS and installations management into its mission programs and continues to manage in a decentralized manner, using Air Force-level guidance. In the Air Force, major commands are actively engaged with subordinate commanders in the funding and management of Air Force installations.

Strategic Plan for Installations

We have cited the need for and DOD has in recent years developed a facilities strategic plan to guide future facilities efforts. Our February 2003 report⁹ noted that DOD's strategic plan for facilities had weaknesses that included a lack of comprehensive information on specific actions, time frames, assigned responsibilities, and resources—the elements of a well-developed strategic plan—that are required to meet the plan's vision.

⁹ [GAO-03-274](#).

In September 2004, the Deputy Under Secretary of Defense for Installations and Environment released the department's updated *Defense Installations Strategic Plan*, which outlines a set of initiatives with some milestones to sustain, restore, and modernize installation assets.¹⁰ The vision set forth in the plan is to have installation assets and services, including BOS, available when and where needed, with the joint capabilities and capacities necessary to support DOD missions effectively and efficiently.

Prior GAO Reports

Since 1997, we have identified DOD support infrastructure as a high-risk area. We have completed a number of reviews in which we identified numerous examples of the services' moving O&M funds out of accounts congressionally designated to support one functional area and into another to meet competing needs. We examined the impacts on areas such as facilities maintenance and BOS—areas that were already considered to be underfunded against projected needs. For example, our February 2000 report compared the funding amounts that Congress had designated for DOD's O&M subactivities, including BOS and S/RM, with DOD's obligations for those same subactivities, and we showed that DOD consistently obligated a different amount from what Congress had designated.¹¹ In February 2003, we reported that O&M funds designated for facilities sustainment were reduced or held back at the service headquarters, major command, and installation levels to cover more pressing needs or emerging requirements.¹² As a result of these holdbacks and movements, we concluded that the amounts of funds spent on facilities maintenance and repairs were not sufficient to reverse the trend of facility deterioration. Our February 2003 report also noted the shifting of funds from one O&M functional account to resolve funding shortfalls in another. For example, it noted the difficulty that redesignating facilities sustainment funds to other purposes makes for installations in implementing rational facilities sustainment plans.

¹⁰ U.S. Department of Defense, *2004 Defense Installations Strategic Plan* (Washington, D.C.: September 2004).

¹¹ GAO, *Defense Budget: DOD Should Further Improve Visibility and Accountability of O&M Fund Movements*, [GAO/NSIAD-00-18](#) (Washington, D.C.: Feb. 9, 2000).

¹² [GAO-03-274](#).

While Historical Trends Show an Increase in BOS Funding, the Services Have Redesignated Other Funds to Meet BOS Services

Congress has designated increased funding for BOS in recent years, sometimes more than requested, but often to amounts that were lower than the cost of BOS services provided at installations, particularly in the Army. This has resulted in hundreds of millions of dollars originally designated for facilities maintenance being redesignated by the services to meet BOS needs. As a result, the Army has faced problems in executing planned programs effectively. Supplemental funding may be made available to installations late in the fiscal year, as occurred in fiscal year 2004, making it difficult for an installation to execute many of its BOS and S/RM activities promptly and efficiently.¹³ For example, base services may be reduced and routine maintenance and repair of facilities may be deferred. (App. IV highlights some key impacts of funding shortfalls and redesignations on BOS and S/RM activities and locations we visited.) Such problems adversely affect efforts to maintain facilities, provide base support services, and conduct mission training, but the overall impact is often difficult to gauge in the short term. We found similar, though less pronounced, funding redesignations in the Navy, Marine Corps, and Air Force.

Army Funding Trends

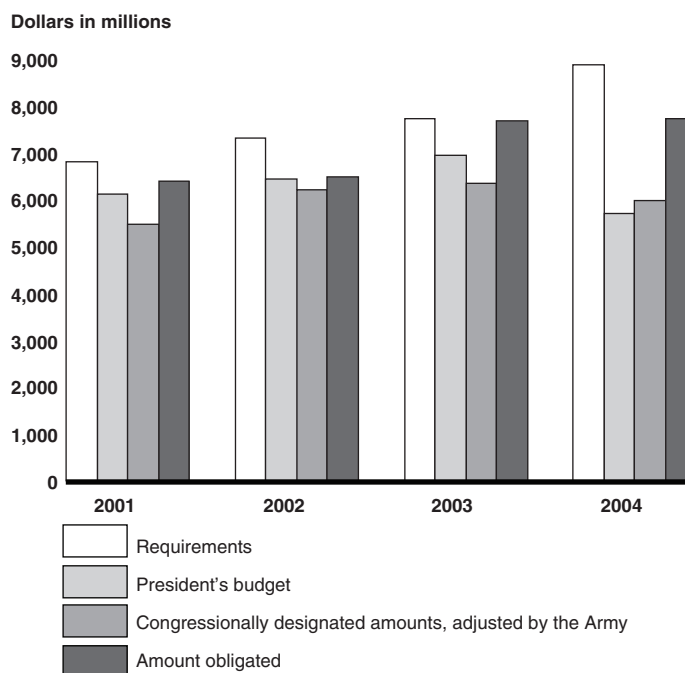
Available data show differences between the amounts the Army projected as required for BOS and the amounts included in budget requests, the congressionally designated amounts as adjusted by the Army, and the amounts that were actually obligated for each fiscal year from 2001 through 2004. Congress gave the Army increasing funds for BOS in some fiscal years, but these funds were less than the amounts projected by the Army as being required and less than the amounts that were actually obligated. As shown in figure 1, fiscal year 2004 data showed a spike in projected requirements due at least in part to the Army's use of a model that projected requirements at a higher level of service than was previously used in projecting budget requirements. Obligations were higher than funds initially provided, with funds being moved to BOS from other accounts, such as S/RM, to permit this increase.¹⁴ At the same time, funding turbulence across BOS and facility sustainment accounts was exacerbated

¹³ End-of-year obligations provided by the services include funding that was restored near the end of the fiscal year. This masks the degree of turbulence affecting programs and delivery of services during the fiscal year.

¹⁴ Army efforts to improve its projection of budget requirements are discussed more fully in a subsequent section of this report.

in fiscal year 2004 as the Army withheld funds that otherwise would have been designated to fund BOS and S/RM, to help pay for the Global War on Terrorism, although some funding was restored toward the end of the fiscal year. Such turbulence occurring during the year makes it difficult to execute planned programs effectively and, as noted later, resulted in the Army's underexecuting its S/RM program in fiscal year 2004.

Figure 1: Army BOS Funding, Fiscal Years 2001-04



Source: GAO analysis of Army data.

Notes:

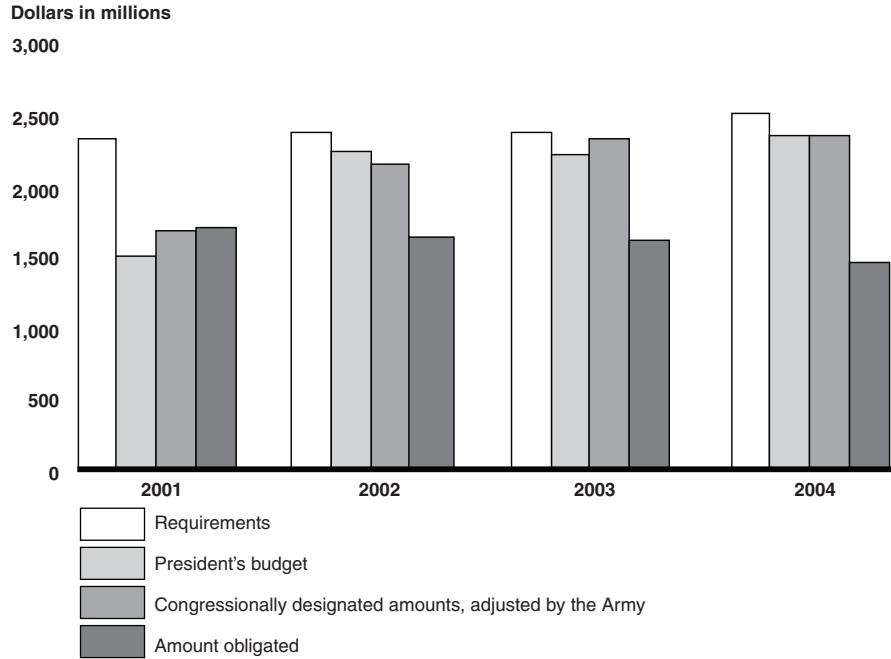
- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) As discussed in a later section of this report, Army officials indicated they are taking steps to improve their requirements determination process for BOS funding.
- (3) Obligations exceeded adjusted congressionally designated amounts as a result of authorized internal adjustments among accounts. For example, as discussed below, the Army moved S/RM funds into the BOS account.

The data show that BOS funding provided by Congress increased in fiscal year 2002, remained stable in fiscal year 2003, and declined in fiscal year 2004. They also show that BOS obligations increased, particularly in 2003 and 2004, and that the Army routinely obligates more for BOS services than adjusted congressionally designated amounts, through redesignations of funds from other accounts. For example, in fiscal year 2004, the Army's request for BOS funding—\$5.756 billion—was about 65 percent of the amount it projected as being needed to provide traditional levels of BOS services. According to Army officials, while congressionally designated amounts as adjusted by the Army—\$6.009 billion—were somewhat more than they requested, during the year they nevertheless had to reduce BOS programs because they did not have sufficient funds to pay for traditional levels of BOS services since they had to temporarily move some BOS funds to pay for the Global War on Terrorism. To what extent the Army's actual needs increased over prior years is difficult to fully gauge because, according to Army officials, the requirements model used for fiscal year 2004 budget requests reflected improved information on the resources needed to provide BOS programs and services compared to what they had used in prior years. At the same time, because many BOS programs involved bills that must be paid in a timely manner (such as utilities and contracts), during the year the Army moved \$882 million from S/RM accounts and \$816 million from other O&M accounts and used supplemental funding for the Global War on Terrorism to cover its essential bills and BOS services (total amount obligated was \$7.707 billion).

In contrast with BOS requirements, S/RM trend data show that S/RM requirements and President's budget requests have remained relatively constant since fiscal year 2002. Army officials attributed this consistency to improved facilities sustainment requirements forecasts achieved by using DOD's facilities sustainment model and a cost factors handbook, both of which were developed for this purpose in recent years.¹⁵ However, as shown by figure 2, the Army has consistently requested fewer funding dollars for S/RM services than it had internally projected as being needed to provide levels of S/RM services projected by the model. Furthermore, the Army obligated fewer funding dollars for S/RM activities than adjusted congressionally designated amounts in the last 3 years.

¹⁵ This model, developed by DOD in 1999, estimates the annual sustainment cost requirement, adjusted for area costs, for each service and defense agency, based on the number, type, location, and size of total inventory of facilities. The cost factors handbook uses commercial benchmark costs to determine the annual cost per square foot (or similar unit of measure) to sustain each facility type.

Figure 2: Army S/RM Funding, Fiscal Years 2001-04



Source: GAO analysis of Army data.

Notes:

- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Army officials indicated they had improved S/RM requirements forecasts by using the DOD facilities sustainment model developed in 1999.
- (3) Obligations were less than congressionally designated amounts, adjusted by the Army, as a result of authorized internal adjustments among accounts. For example, as discussed below, the Army moved S/RM funds into the BOS account.

According to Army officials, the difference between the amounts designated for S/RM services and the amounts obligated is made up of funds moved from S/RM activities and redesignated to BOS activities to pay for “must pay bills” (such as utilities and, increasingly, obtaining services from contractors). This indicates a continuation of the historic trend of funds being moved among various O&M subaccounts during the year, but a reversal of a trend we saw a few years ago where BOS funds were more likely to be redesignated to fund facilities maintenance and other needs. S/RM services were also affected by the Army’s withholding O&M funds that otherwise would have been designated to fund BOS and S/RM, to help pay for the Global War on Terrorism. Similar problems reportedly are

occurring in fiscal year 2005. The Army ultimately was able to provide additional funds to installations late in the fiscal year (\$100 million in August 2004 and another \$100 million on September 30, 2004), as supplemental funding was made available to cover warfighting costs, but Army officials told us that the timing made it difficult for the installations to execute many of their BOS and S/RM activities promptly and efficiently. We noted that this resulted in the Army's underexecuting its S/RM program by \$882 million in fiscal year 2004. As we have previously reported, such problems adversely affect efforts to maintain facilities and provide base support services. End-of-year figures shown in figures 1 and 2 mask somewhat the level of turbulence that occurred during the year as funds moved between accounts. Similar masking occurred in BOS and S/RM accounts in the other military services.

Other Military Services Have Faced Similar Though Less Pronounced Problems

BOS and S/RM funding trends and problems identified in the Army also occurred in the Navy, Marine Corps, and Air Force but were less pronounced. Nevertheless, each of these services faced similar challenges in its ability to execute planned programs effectively as a result of its moving of funds among accounts. For example, we found the following:

- Congress gave the Navy increased funding for BOS during some years, though we found a smaller difference here than for the Army between identified requirements and funding. The difference between the Navy's obligations and its funding also appears to be smaller than that for the Army, but the Navy's obligations for BOS still were greater than were its congressionally designated amounts for BOS as adjusted by the Navy. Navy officials said the difference between these adjusted congressionally designated amounts and the amounts obligated is made up of funds redesignated from S/RM activities to BOS activities to pay essential BOS bills such as utilities and, increasingly, obtaining contractor services.
- Navy S/RM funding trend data show a spike in congressionally designated amounts adjusted by the Navy and in obligations for fiscal year 2003. According to Navy officials, 2003 was simply a well-funded year for Navy shore facilities. However, in fiscal year 2004, S/RM services were negatively affected by the Navy's withholding of O&M funds otherwise intended to fund BOS and S/RM to help pay for the Global War on Terrorism. (Similar problems reportedly are occurring in fiscal year 2005.) The Navy obligated fewer funding dollars for S/RM activities in fiscal year 2004 than were initially designated. Although the

Navy also received supplemental funding for the Global War on Terrorism for BOS and S/RM activities, such turbulence occurring during the year makes it difficult to execute planned programs effectively and resulted in the Navy's underexecuting its S/RM program by \$393 million in fiscal year 2004.

- The trend data for BOS obligations present a more mixed picture for the Marine Corps. For half of the period (2 of 4 years), its obligations were greater than both congressionally designated amounts, as adjusted by the Marine Corps, and projected requirements. For example, in fiscal year 2004, the Marine Corps' BOS obligations of \$1.164 billion were \$54 million more than its designated funding (\$1.110 billion), representing a movement of funds from other accounts to support BOS activities.
- S/RM trend data show that the Marine Corps obligated more funding than adjusted congressionally designated amounts in fiscal years 2001 and 2003, and it obligated less funding than adjusted congressionally designated amounts in fiscal year 2004. Marine Corps officials said the differences were due to funds being moved and redesignated among BOS and S/RM accounts.
- Data were not readily available to provide a trend for the Air Force's projected BOS requirements.¹⁶ Funding trend data for BOS services and programs within the Air Force show that budgetary requests, funding, and BOS obligations remained more closely aligned than was the case for the other services in most years. Nevertheless, some differences do exist among budget requests, funding, and obligations.
- Air Force trend data for S/RM activities during fiscal years 2001 through 2004 show that obligations were greater than funding or budget requests in each of the 4 years. According to Air Force officials, BOS and other O&M activities' funds were redesignated by installation commanders in fiscal year 2004 to supplement S/RM funds.

¹⁶ Although the Army, Navy, and Marine Corps were able to provide information on requirements, Air Force officials indicated that to do so would require extraordinary efforts to accumulate data from individual installations and commands, and they did not view such unrefined requirements data as necessarily representative of true requirements.

Additional details on funding trends for the Navy, Marine Corps, and Air Force are included in appendix V.

Accurate Forecasts of BOS Requirements and Funding Needs Have Been Hampered by Several Factors

DOD and the military services' ability to forecast BOS requirements and funding shortfalls have been hindered by the lack of a common terminology across the services for defining BOS functions, as well as by their lack of a mature analytic process for developing BOS requirements comparable to the one developed for facilities sustainment requirements. The lack of common definitions for BOS services among the military services impairs the development of a complete picture of total BOS requirements across the military services, and it can lead to differing expectations where multiple military services are colocated on a single installation. Historically, each service has developed its own BOS requirements and funding needs, based on previous expenditure levels and subject to its own definition of BOS and the types and levels of services it has deemed necessary to provide. Various efforts are under way to improve BOS management and strengthen the ability of DOD and its components to forecast future requirements, provide Congress with a clearer basis for making funding decisions, and ensure adequate delivery of services, but OSD and the services recognize that more are needed.

Lack of Common Definitions of BOS Functions and Services Leads to Different Expectations

In completing this review we found that what constitutes BOS functions and services varies among the military services, thus contributing to the existence of different expectations for the levels of BOS services being provided.¹⁷ Also, this variation has carried over into the support agreements and reimbursement practices used by the different commands and military services located at the installations. In visiting various military installations we found a variety of instances where the lack of a common definition of BOS functions and services was problematic, most often where multiple commands and military services were colocated at a single installation.

For example, the Naval Air Station Corpus Christi, Texas, is host to non-Navy tenants, including the Coast Guard, the U.S. Customs Service, and an Army Depot. Coast Guard officials said that they enjoy numerous benefits by being at the base, including no rent payments and better

¹⁷ This makes it difficult to determine the totality of BOS requirements across DOD.

security, housing, child care, and fitness centers—better conditions than they had experienced before moving onto the base. Despite the benefits afforded by their service agreement with the Navy base, Coast Guard officials expressed concern over decreasing levels of BOS services, including reductions that negatively impact their mission. For example, Coast Guard officials said they cannot always meet their 30-minute launch requirement for nighttime air missions because the base has cut back on operating hours, keeping the airfield open only during the day. Therefore, Coast Guard officials said, when performing after-hours missions, the flight crew must get out of their aircraft, stop traffic, and manually unlock and open a gate to access the runway. This process sometimes makes it impossible for the Coast Guard to meet its 30-minute launch requirement. In addition, Coast Guard officials said they could never be certain that runway lights would be on when they needed to land late at night or whether the tower would answer, and they are unable to conduct training at the base at night, when the airfield is closed. Corpus Christi Army Depot, another of the Naval Air Station's tenants, also has a service agreement with the base that identifies which services are to be provided by the Navy at no cost and which services the Army Depot must pay for (through reimbursements to the Navy). Army Depot officials told us that they were incurring increasing costs but receiving reduced BOS services from the Navy. Corpus Christi officials said they had no choice but to reduce services because they did not have the BOS and S/RM funds needed to maintain the levels of services they had provided in the past.

Tinker Air Force Base, Oklahoma, houses multiple Air Force missions across multiple commands and also hosts the Navy as a tenant activity on the base. An Air Force official from a command other than the one responsible for managing the base told us that its support agreement, signed in 1996, did not clearly specify the quantity or quality of services the base would provide and that the base did not have enough money to provide all of the needed services. As a result, the tenant said it spends from \$55,000 to \$75,000 a year on BOS services from its O&M mission accounts and works personnel extended hours to meet some needs. We found that the Navy tenant has an interagency support agreement with the Air Force, regarding which services the Air Force is to provide at no cost (such as food services), which services the Navy will reimburse the Air Force for (such as utilities), and which services the Air Force will not provide due to the uniqueness of different approaches and governing regulations between the military services (such as legal support personnel). The Air Force at Tinker has contracted with the private sector for much of its BOS, and the Navy shares in the cost of that contract, in

accordance with its interagency support agreement. While Navy officials stated that overall the BOS services provided by the Air Force were adequate, they nonetheless expressed concern about limitations in some base support services, which forced them to pay separately for some BOS services, such as security and education, out of other O&M funds. Navy officials also expressed concern that some expected BOS services were being scaled back; for example, mail service pickup and delivery were reduced from twice to once per day, and fire department inspections and repair and replacements of fire extinguishers were postponed. Navy officials expressed further concern about service reductions in the facilities sustainment area, compromising preventive maintenance and contributing to further deterioration of the facilities.

According to Tinker Air Force Base officials, they do not have sufficient funds to provide all BOS and S/RM services at the levels or timing desired by their tenants, and they have worked to gain efficiencies in their programs and have scaled back some programs that are not mission critical. For example, they said that they can only replace carpet once every 10 years; thus, if a tenant's carpet is worn out in 8 or 9 years, the tenant must either wait 1 or 2 years or use other funds to pay for new carpet. Tinker officials conceded that there is not as much money available for preventive maintenance as they would like, but they believe that the base has done a good job of fixing things when they break. They acknowledged that the tenants might think things do not get fixed fast enough, but stated that the base and its contractor are in full compliance with Air Force standards for performing such services. In addition, they are negotiating revisions to their support agreements to help clarify which BOS and S/RM services the tenants should pay for and which services should be the responsibilities of the base.

We found similar concerns at the other installations we visited, particularly those with multiple commands represented on a single base or with one service residing as a tenant at an installation operated by another service. The potential magnitude of the problem of differing expectations is significant, as the Army alone has about 1,200 agreements with the other military services to provide BOS services and about 250 agreements with other agencies for this purpose. As DOD increasingly emphasizes jointness and potentially joint basing, problems such as those noted above are likely to increase in the absence of clearer delineation of BOS service requirements and common definitions of BOS functions.

Requirements and Funding Needs Have Historically Been Service Driven and Based on Previous Expenditure Levels

The Office of the Deputy Under Secretary of Defense for Installations and Environment oversees the procedures that the military services use to develop BOS requirements and funding needs, but each service has historically developed its own BOS requirements and funding needs subject to its own definition of BOS and the types and levels of services it deems necessary to provide. Unlike the facilities sustainment area, in which DOD has developed a model useful for forecasting funding requirements, for BOS the services have had few institutional-level requirements-forecasting tools. Until recently, they have relied heavily on previous expenditures as the basis for stating their future requirements. But while the services can tell Congress how much was spent in an area in the past, they do not necessarily know whether these services were provided at appropriate levels or how much it would or should cost to provide them in the future. DOD and the services have recognized this as a problem and have various initiatives under way to better develop and calculate BOS requirements and funding needs, similar to what they have done in the facilities sustainment area.

As noted earlier, DOD has taken steps to improve its identification of the funding required to maintain its facilities. For example, as we previously reported, in 1999 DOD issued its first defense facilities cost factors handbook. Based on the guidelines in the handbook, DOD divides defense facilities into approximately 400 categories and uses commercial benchmark costs to determine the annual cost per square foot (or similar unit of measure) to sustain each facility type. The purpose of the handbook was to standardize the methods by which the services would determine the sustainment costs of their facilities and to establish a minimum sustainment funding level for facilities. Likewise, in 1999, DOD developed the facilities sustainment model, which estimates the annual sustainment cost requirement, adjusted for area costs, for each service and defense agency, based on the number, type, location, and size of its total inventory of facilities. Because of competing priorities, the services have not always funded sustainment at 100 percent of requirements identified using these tools, and we have reported instances where percentages of funding reaching individual installations varied. Nonetheless, these tools offer a superior basis for identifying requirements than existed previously. Similar tools have not been developed for forecasting requirements in the BOS area, although OSD and individual services are taking some steps to improve forecasting BOS requirements.

Until recently, the Army relied heavily on historical expenditures as the basis for stating its future BOS requirements. In the mid-1990s, the Army developed a model that forecasts its BOS requirements based on regression cost-estimating relationships derived using historical data, demographics, pacing measures, and quality factors. According to Army officials, they continually work to improve the model and to update the information used in it. They indicated that since the model currently reflects all the resources needed to provide BOS programs and services at the highest standards without any shortcomings, the Army does not expect to fully fund its requirements and is working instead to ensure that the necessary and affordable services are provided. Army officials told us that they are now working to develop common level of support models that they will use to provide definitive guidance, performance standards, and performance measures for the uniform delivery of various BOS services at an affordable support level across Army installations worldwide. The Army is evaluating 95 categories of services and plans to implement its common level of support models incrementally, beginning in fiscal year 2005, as it completes its evaluations of selected service categories. For example, the Army analyzed the various activities that constitute recreation services—exercise programs, libraries, movie theaters, and sporting events—and solicited the users’ priorities. It then determined which activities need no longer be provided¹⁸ and developed common standards that it plans to apply to remaining recreation services at each installation.

The Navy is also moving away from historical expenditures as the basis for stating its future BOS requirements. In fiscal year 2004, the Navy centralized its installations management and began costing out its BOS services based on a selection of service capability options ranging from 1 (most) to 4 (least). According to Navy officials, by providing a range of service levels and funding requirements associated with those levels for various BOS services, decision makers can see what risks they face with selecting given levels of funding. In an effort to reasonably balance the levels of services provided against risk and affordability, Navy officials said that no capability level 1 or 4 options were selected in implementing fiscal year 2004 BOS programs and services. Instead, BOS programs and services specifically tied to air and port operations, utilities, and some recreational services at remote overseas locations were to be funded at level 2. All other BOS programs and services—including such things as environmental

¹⁸ According to an Army official, the Army’s intention is to fully fund fewer services as opposed to partially funding a larger number of services as it has done in the past.

compliance, public safety, and human resources—were to be funded at level 3. However, officials at Navy bases we visited told us that there were not enough funds available to the installations in fiscal year 2004 to provide services even at the reduced levels and that they were experiencing degradation in the quality of some services, which in some cases had gone to level 4. For example, Navy officials at Corpus Christi said that although fire protection was to be funded at level 3 in fiscal year 2004, they received only 82 percent of the funding needed to provide that level of service, resulting in the actual service level provided being level 4. Navy officials stated that the level of fire protection at Naval Air Station Corpus Christi is in full compliance with DOD and Navy requirements.

The Marine Corps also has had few institutional-level tools for forecasting requirements and, for the most part, has relied on historical expenditures as the basis for stating its future BOS requirements. Marine Corps officials told us that some BOS programs have performance requirements, such as response times and minimum staffing necessary for their fire protection and emergency response teams to effectively and safely operate during emergencies. By utilizing the performance requirements and their metrics, they can evaluate their response times to forecast staffing requirements to operate a fire department, which in turn drives the program's funding requirement. Although based primarily on the previous year's execution amounts, Marine Corps officials told us that most Marine Corps BOS programs and services are executed as required by the base commanders, who have many competing needs, many of which vary annually. For example, if the installation has a heavy snow year, the commander may reduce the requirement to cut the grass to stay within budget.

The Air Force has historically based its BOS requirements on the average of the previous 4-year obligations, with programmatic adjustments as necessary. However, beginning with the fiscal year 2006 budget submission, Air Force officials told us that BOS requirements for the active Air Force major command installations were derived from a BOS cost projection formula that used multiple linear regression analysis involving BOS personnel, plant replacement value, and contractor manpower equivalents.¹⁹ The Air Force Reserve and Air National Guard BOS

¹⁹ Air Force officials told us that requirements data for fiscal years 2001 through 2004 (the years that we used in our funding analyses) would have to be accumulated from data from individual installations and commands, and they did not view such unrefined requirements data as necessarily representative of true requirements.

requirements are still based on the 4-year average method. Air Force officials said that their major commands are actively engaged with subordinate commanders in the funding and management of BOS services and programs at their installations.

OSD Has Launched Some Initiatives to Improve BOS Management and Enhance Requirements Determinations

In addition to the military services' efforts to address BOS, OSD has recognized BOS management as a problem and, in March 2004, the Office of the Deputy Under Secretary of Defense for Installations and Environment designated the improvement of BOS management as a priority. According to office officials, DOD's and the military services' ability to forecast BOS requirements and funding needs has been hindered by the lack of a common terminology across the military services for defining BOS functions and the lack of common definitions impairs the development of a complete picture of total BOS requirements and can lead to differing expectations for services where multiple military services are collocated on a single installation. Office officials explained that BOS is not a single program but instead comprises many diverse functions and activities—the Army has identified 95 different categories of BOS functions, the Navy has identified 124 categories, and so forth. The different BOS functions and activities used by the military services are shown in appendix II. Recognizing that definitions of BOS functions varied among the military services, officials in the Office of the Under Secretary told us that they are working with the services to (1) develop a common definition of BOS services and programs between the military services, (2) improve the tracking of BOS funding, (3) model BOS requirements, and (4) measure performance. Accomplishments through March 2005 include updating the *Defense Installations Strategic Plan* to articulate the need to define common standards and metrics, using commercial benchmarks as a starting point to define and model each subfunction of facilities operations (utilities, leases, custodial services, snow plowing, and the like) and establishing cross-service working groups to examine definitions and budget structures. Officials with the Office of the Under Secretary said that common definitions and standards would be developed incrementally, a process that could take several years for full development and implementation.

In a related effort, in late 2004 a separate Senior Joint Basing Group²⁰ that was created to address installation management issues at joint bases began efforts to resolve long-standing challenges involving support agreements where one service is a tenant on an installation operated by another service. Key enablers to this effort are common definitions and DOD-wide standards, metrics, and reimbursement and costing rules for BOS services and programs between the military services. This group has its own set of time frames for resolving the long-standing inconsistencies among the definitions of BOS services. Specifically, a Senior Joint Basing Group official told us that by the end of 2005, the four military services expect to have a common set of BOS services and programs to use in support agreements at joint bases. It appears that a difference between OSD and the group is that OSD focuses on developing common definitions of BOS services for use in benchmarking funding requirements for future-year programming and budgeting purposes at the DOD component level, while the Senior Joint Basing Group focuses on developing common definitions of BOS services for use in executing the programs and services at the installation level in a joint environment. Also, DOD has attempted to gain managerial control and better oversight of facilities and installations by establishing an Installations Capabilities Council (formerly called the Installations Policy Board). The council, chaired by the Deputy Under Secretary of Defense for Installations and Environment, serves as the coordinator and integrator of all installation tasks and activities. Collectively, these initiatives offer an overall vision for resolving the long-standing inconsistencies in the definitions of BOS services and the development of analytically based requirements. Even so, we found that time frames for completing BOS tasks were being reported differently by different groups which raise questions about how well these efforts will be coordinated, synchronized, and integrated.

²⁰ The Senior Joint Basing Group, an initiative of the Deputy Under Secretary of Defense for Installations and Environment, is made up of senior officials from the Army, Navy, Air Force, and Marine Corps. Its purpose is to enhance joint basing and to more efficiently use joint assets. In late 2004, the group began addressing installation support agreements and the development of common definitions and standards for services such as child care, galleys, and grounds maintenance at joint bases, using the facilities sustainment model as an archetype. In addition, the group seeks ideas to achieve economies of scale for services that are in proximity to one another.

Regarding DOD's efforts in modeling BOS requirements, the same official with the Office of the Deputy Under Secretary of Defense for Installations and Environment expressed doubt regarding whether there could be a single BOS model because BOS, as it currently exists, has too many diverse activities to model (see app. II). Also, because various BOS functions are managed by various offices in DOD²¹ this official told us there is no single focal point, and therefore, it is likely that a suite of BOS tools will evolve. It will take some time to fully develop them and each office in DOD may ultimately run its own model or metric. As a starting point, the Office of the Deputy Under Secretary of Defense for Installations and Environment is developing a facilities operation model that will capture all the functions related to facilities (utilities, fire protection, grounds maintenance, and so forth). The requirements in this model will be driven by the facilities inventory, commercial benchmarks, and local factors, including weather and labor rates. The office has been building the cost factors for a few months and simultaneously preparing the model. A prototype facilities operations model, tested on March 31, 2005, is being validated and targeted for implementation in fiscal year 2008. Next, the office expects to address those installation services that are not related to facilities. These functions include transportation, supply, and information management. There will likely be a model or metric for each of these functions, such as a "transportation activities model" or a "human resources management metric." An official in the Office of the Deputy Under Secretary of Defense for Installations and Environment told us that a transportation activities model may be very much like the facilities sustainment model, except that instead of being based on an inventory of facilities, it could be based on an inventory of vehicles. The human resources management metric may be like the facilities recapitalization metric, except that instead of being based on a facilities inventory, it may be based on an inventory of people. The Office of the Deputy Under Secretary of Defense for Installations and Environment and the Office of the Secretary of Defense for Program Analysis and Evaluation will likely act as overseers of the whole process. Specific time frames for developing the installations services models have not been established.

²¹ For example, the Under Secretary of Defense (Personnel and Readiness) manages human resources; the Assistant Secretary of Defense (Special Operations and Low Intensity Conflict) manages physical security and force protection; the Under Secretary of Defense (Comptroller) manages community services; and the Assistant Secretary of Defense (Networks and Information Integration) manages base communications.

Centralized Installation Management Has Many Benefits, but More Perspective Is Needed Before It Can Be Fully Evaluated

The Army's and Navy's creation of centralized installation management agencies has resulted some operating efficiencies, according to many officials at installations we visited, but their efforts to date have met with mixed results in terms of the quality, level of support, and flexibility needed to quickly respond to changing needs. A common concern was that the centralized management efforts had not sufficiently recognized the diverse needs of the installations' many tenants who require quick reaction in the face of changing circumstances. The centralized management approach seeks efficiencies, and Army and Navy officials acknowledged the growing pains associated with implementing the new approach. The Air Force and Marine Corps, using a more decentralized facilities management approach at the time of our review, also reported having achieved selective consolidations and efficiency measures to improve operations and achieve savings. Until more experience is gained under existing centralized approaches, with opportunities to address issues identified herein, it is difficult to recommend expanding the concept to the other military services.

Army's and Navy's Centralized Management Approaches Seek Efficiencies

The Army's IMA implements a centralized and streamlined installations management concept that oversees all base operations and S/RM funds for Army installations and supervises seven regional management centers worldwide that are responsible for 10 to 30 installations each. IMA is designed to bring together all BOS services to ensure optimal care, support, and training of the Army's fighting force at a standard level across installations. Key objectives of the organizational structure include ending the movement of funds among BOS, S/RM, and mission accounts by major commands and implementing consistent standards across the Army for designating these funds. IMA is also pursuing opportunities for increased efficiencies and decreased expenditures at its installations. IMA established a productivity improvement review process to identify and implement hard savings and performance enhancements.

During our visits to IMA-managed installations, we observed firsthand the emphasis being placed on cost efficiencies and decreased expenditures at the installations. Typical efficiency actions completed or under way included consolidations of contracts and services. Officials at IMA's Southwest Region told us that one benefit was the ability to look across multiple major commands and then realize benefits through consolidations or other efficiencies. For example, common phone services at three of the region's installations, each previously managed by a different major

command, ranged from about \$54 per month to more than \$100 per month per employee. Officials said they were in the process of combining the three contracts into a single contract with reduced rates.

The Navy's installation management agency is an organizational concept that through centralized management of its installations, is intended to permit mission commanders to focus their energies on their respective mission accomplishment. According to CNI officials, consolidating eight offices into a single office responsible for installation planning, programming, budgeting, and resource execution enabled CNI to realize an immediate benefit. Through this consolidating and streamlining event, the Navy increased its visibility over installation management and resources and gained an ability to allocate resources between functional programs, regions, and installations to better support the overall Navy. As the single responsible office, advocate, and point of contact for Navy installations, CNI is pursuing, among other things, opportunities for increased efficiencies and decreased expenditures at its installations.

During our visits to CNI-managed installations, we observed firsthand the emphasis being placed on cost efficiencies and decreased expenditures at the installations. Typical efficiency actions completed or under way included eliminating the installation-level management structure and in its place installing a regionalized management structure for such activities as housing management, contracting, supply, business and administrative management, maintenance, and warehousing. Officials at CNI's Southwest Region told us that consolidated and centralized management would eliminate 2,175 civilian personnel positions in the region. The officials had also consolidated more than 50 contracts into 12. Similarly, officials at CNI's South Region told us that regionalized management would generate \$43 million of savings and cost avoidances throughout the region over 5 years by eliminating installation-level management and by consolidating contracts and services.

Growing Pains in Implementing Army's and Navy's Centralized Management Approaches

Officials at the Army and Navy installations we visited expressed concerns regarding the reduced levels of BOS and S/RM services they were receiving, but they did not always distinguish between changes brought about by a new management structure and changes necessitated by funding shortfalls and the need to move funding to warfighting priorities. The most critical issue involved the different major commands' mission and support needs. Officials at the Army and Navy installations we visited contended that a "one-size-fits-all" approach was not working well; they expressed concern

that although air and ground operations and various training missions each required a different level of BOS, they did not perceive that difference always being recognized by the centralized management agencies. Officials from commands on Navy bases stated that CNI needed to step back and identify service levels appropriate for their customers' needs and recognize changes in operations (such as increases in the sailor population), and then fund to those levels. Officials from major commands claimed that a disconnect existed between their mission needs for BOS and CNI's perspective and that in their judgment CNI should not be responsible for determining the relative priorities of various mission activities' BOS needs. For example, Navy Mine Warfare Command officials told us that in fiscal year 2004 they had to spend \$327,000 of O&M mission funds for BOS services because the command no longer received BOS funds and CNI either delayed funding or did not pay for the services out of its BOS funds.

Citing growing pains associated with the centralization of installation management above the installation level, installation officials raised concerns about staffing levels, cited delays in obtaining funding guidance, and articulated concerns with IMA's ability to quickly respond to shifting needs. For example, during fiscal year 2004, IMA opted not to redesignate available S/RM funds to meet an emerging funding need in BOS activities. At Fort Eustis, an installation affected by IMA's decision, officials told us that the installation commander had the flexibility to move funds where needed before the creation of IMA, and the installation commander would have done so this year but doing so would have caused significant facilities maintenance work to be deferred. These officials explained that because IMA directed installations to use existing S/RM funds for maintaining facilities while BOS funds were depleted, Fort Eustis and other installations had to request an additional \$200 million of BOS funds from IMA headquarters. They did not receive these funds until the end of the fiscal year.

In visiting various military installations we found instances where a lack of clarity existed concerning who or what source was responsible for funding select base support functions—installation tenants and their O&M funding or the installation's O&M funding. Furthermore, we found many cases where delays in funding from the installation management agency prompted an installation's tenants to fund BOS services from mission funds. For example, installations in IMA's Southwest Region and their tenants could not agree on who should pay for such services as the following: information management services and specialized information technology equipment (such as cell phones and pagers), dedicated

administrative use vehicles, long-distance phone service, postage, dedicated copiers, hazardous waste disposal, and tactical equipment maintenance.

Officials with major command organizations at Naval Base San Diego and Naval Air Station Corpus Christi said that under CNI they are seeing the closing of automobile hobby shops, libraries, swimming pools, and other recreational activities. The officials said they were concerned that the reduction or elimination of base services would encourage military personnel to spend more time away from the bases and in less-controlled or less-desirable places. In addition, officials said mission operations have been affected by funding shortages. For example, at Naval Base San Diego, tugboat operating hours were cut back and the number of tugboats being used was reduced from six boats to four boats, at CNI's direction. Although this action saved money on fuel operations and overtime pay, once San Diego's port operations demonstrated that they could not meet mission requirements with fewer tugs, CNI authorized that an additional tugboat be returned to service. Navy officials stated that some facility closures (e.g., auto hobby shops) are due to lack of interest and are offset by facility openings (e.g., cyber cafes).

Finally, officials at various installations expressed concern that they were not receiving sufficient facilities sustainment funding to maintain their facilities at levels they had expected relative to DOD's facilities sustainment model, which was congressionally funded at 94 percent of the facilities sustainment requirement in fiscal year 2004. For example, Naval Station Ingleside, Texas, provided documentation showing that facilities sustainment funds available to it were only 62 percent of its facilities sustainment requirement under the model. An official at another installation claimed facilities sustainment funding to be as low as 45 percent of their facilities sustainment requirements under the model. As we have previously reported, such funding shortfalls adversely affect efforts to maintain facilities and provide base support services. DOD officials stated that the facilities sustainment model is a macro programming tool that establishes an average annual investment across entire defense components for categories of facilities over the life of those facilities and, therefore, the actual requirement for a single facility or small set of facilities can be expected to vary across sets of facilities or installations and from year to year. They stated that when the sustainment program is funded at 94 percent of requirements, they would not expect every installation and every facility to be funded at 94 percent of its individual requirement. We recognize that facilities sustainment funding

levels at individual installations may vary from overall funding levels in a given year, depending upon where the facilities are in the sustainment cycle. However, this view was not widely recognized at the installations we visited, particularly when an installation's sustainment funding was significantly less than overall sustainment funding levels. Military barracks and housing repairs were frequently delayed due to lack of S/RM funding, according to installation officials, and the following problems have been typical: leaking roofs; peeling painting; worn carpet; lack of hot water in the showers; energy inefficient windows; cracked sinks in bathrooms; broken heating, ventilation, and air conditioning systems; and molded ceilings and walls. Although funding shortfalls have been disruptive to planned maintenance and support programs and have potentially caused adverse effects on quality of life and morale, it is difficult to measure any direct impact they may have on readiness. Officials with major command operations at the installations we visited often voiced concerns about the potential impact on operations and readiness in the future, should these conditions continue. They were particularly concerned with the cumulative impact of continually working military personnel extra hours and weekends to make up for the lack of funding in S/RM and BOS programs.

Army IMA and Navy CNI installation management officials we contacted viewed these concerns and problems as being temporary in nature and attributable to organizational growing pains and, to some extent, to personnel's resistance to the changing the role of the installation commander. They told us that while having consistent levels of services from one installation to the next was their goal, they have made exceptions when warranted. The officials also pointed to factors outside their control—including unforeseen contract increases, cost of war assessments, replacing military personnel with civilians, and funding shortfalls—that either delayed or masked the real impact of their efforts.

Marine Corps and Air Force Report Having Achieved Efficiencies without Centralization

Marine Corps officials said that the Marine Corps' BOS and S/RM activities have always been somewhat centrally managed, but they generally defer to the individual installation commanders the decisions about the level of BOS services required and issues regarding quality of life at installations. Marine Corps officials also emphasized eliminating inefficiencies in the areas of installation management and achieving success without changing the organizational structure used to manage installations. The Marine Corps uses five broad activities to manage its O&M appropriations—Pacific forces, Atlantic forces, reserve forces, logistics, and other activities—and

BOS is a crosscutting program blended into several subactivity groups across these activities.

Without the centralized installations management structure being used by the Army and Navy, the Marine Corps has been able to achieve cost savings and efficiencies. For example, during our visits to Marine Corps bases Camp Pendleton and Miramar Air Station in California, we found that in recent years increased management emphasis had been placed on regionalizing and consolidating resources to reduce costs. For example, Camp Pendleton is the site of several of the logistical functions for Marine Corps bases in the region (such as 29 Palms and Miramar), including a regional contracting office, a regional motor pool, and a central supply center. According to officials at Camp Pendleton, the regional approach has already produced savings of more than \$1.5 million dollars, and additional regionalization efforts are being pursued.

The Air Force has integrated BOS and installations management into its mission activities and continues to manage in a decentralized manner, using Air Force-level guidance. The Air Force views centralized installation management as less flexible in providing BOS services than base-level organizations and less responsive to the urgency and priorities of the bases' requirements. Air Force major commands are actively engaged with subordinate commanders in the funding and management of Air Force installations. The Air Force uses four broad activities to manage its O&M appropriations—operating forces (air, combat, and space); mobilization; training and recruiting; and administration and servicewide operations (logistics, security, international support, and other servicewide operations). BOS is a crosscutting program blended into several subactivity groups across these activities.

Without using a centralized installations management structure comparable to those being used by the Army and Navy, the Air Force has succeeded in achieving some cost savings and efficiencies. For example, officials at Randolph Air Force Base, Texas, said they saved \$190,000 a year by consolidating a packaging process at the base's hazardous waste accumulation facility and were pursuing additional savings by consolidating and standardizing such services as cell phone contracts, printers and copy machines, and garbage pickup. In addition, the base had an active employee self-help program that performed a lot of activities after hours, including painting walls and buildings, standardizing workstations, and internal training.

Insufficient Basis for Expanding Centralized Management Concept at This Time

At each of the military installations we visited, we observed reductions in BOS and S/RM services related to funding constraints. (App. IV highlights some key impacts of funding shortfalls and redesignations on BOS and S/RM activities and locations we visited.) BOS services that were being scaled back or eliminated at the various installations we visited included the numbers of rescue and firefighter operations; port and airfield operating hours and accessibility; and recreational and leisure facilities. We also observed the impacts of delayed maintenance on facilities, including deterioration of buildings (leaking roofs and ceilings, energy inefficient windows, and broken stairwells and fire escapes); breakdown of equipment (heating, ventilation, and air conditioning and boilers); cracked pavement at airfields; damaged storm drains and sewer lines; and reduced structural upgrades and replacements (painting, carpet, and furniture). We also observed reductions in other O&M funded activities (medical and emergency services). However, there are many unresolved questions regarding the centralized management agencies' culpability for the reductions in the levels of BOS and S/RM services that were being provided at these installations.

As noted above, various Army and Navy installation officials cited growing pains associated with the centralization of installation management, including adequacy of funding, services provided, and ability to quickly respond to shifting needs. At the same time, we recognize that a centralized approach does offer opportunities to obtain economies and efficiencies in providing services that may be difficult to attain otherwise. Nevertheless, until more experience is gained under the existing centralized approaches, with opportunities to address concerns identified to date, we are not in a position to endorse expanding the concept to the other services at this time.

Conclusions

DOD's Office of the Deputy Under Secretary of Defense for Installations and Environment and the services have acknowledged a lack of common definitions for BOS and standards for BOS services, along with related difficulties in identifying analytically based BOS funding requirements. Until these problems are resolved, DOD will not have the management and oversight framework in place that it needs for identifying total BOS requirements, providing Congress with a clear basis for making funding decisions, and ensuring adequate delivery of services, particularly in a joint environment. Action is needed to expedite development and consistent implementation of an analytically sound and consistently applied model for

determining BOS requirements comparable to the approach used in defining facilities sustainment requirements. Until this is done, uncertainties will remain concerning actual requirements, and S/RM and other O&M funding will likely continue to be redesignated to fund BOS costs rather than used for its intended purpose. Furthermore, as we have previously reported and continue to note in this report, DOD's installations and facilities have been insufficiently maintained and recapitalized for several years, a problem that is exacerbated when S/RM funds are redesignated to cover BOS programs and services. Thus, the adverse effects on BOS programs and facility maintenance efforts attributable to moving funds among these activities can also negatively affect quality of life, morale, and readiness should these conditions continue. Because DOD is still in the early stages of developing its BOS initiatives, time frames for accomplishing many of the specific actions under way or planned have either not been established or have not been synchronized among the working groups addressing them.

Recommendations for Executive Action

To better synchronize the efforts and milestones of the various groups working to improve the management and funding of BOS activities, we recommend that the Secretary of Defense update DOD's *Defense Installations Strategic Plan* to include specific actions and establish time frames first, to resolve long-standing inconsistencies among the definitions of BOS services and, second, to help expedite the development and implementation of an analytically sound and consistently applied model for determining BOS requirements.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Deputy Under Secretary of Defense for Installations and Environment concurred with our recommendations and indicated that actions were under way or planned to implement them. He noted that our draft report did not properly differentiate sustainment programs from restoration and modernization programs. As suggested, we revised our report to make clearer this distinction. In addition, he commented that our draft report implied that each installation should receive funding to match the overall sustainment rate every year. We did not intend to imply that each installation's sustainment funding should match exactly the overall rate each year and we clarified our report accordingly. While we recognize that sustainment funding at individual installations may vary somewhat from year to year, we also note that it is often significantly less than one might expect given

the difference between projected overall levels of funding and what is actually experienced at the installation level. For example, one installation we visited received funding for only 45 percent of its sustainment requirement.

The Deputy Under Secretary of Defense's comments are reprinted in appendix VI. DOD also provided technical clarifications, which we incorporated as appropriate.

We are sending copies of this report to interested congressional committees and members; the Secretary of Defense; the Secretaries of the Army, Air Force, and Navy; and the Commandant of the Marine Corps. The report is also available at no charge on GAO's Web Site at <http://www.gao.gov>.

If you or your staff have any questions on the matters discussed in this report, please contact me at (202) 512-5581 or holmanb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VII.



Barry W. Holman, Director
Defense Capabilities and Management

Scope and Methodology

To determine the historical funding trends for base operations support (BOS) as contrasted with funding for facilities sustainment, restoration and modernization (S/RM), we reviewed financial data, such as budget requests, congressionally designated amounts as adjusted, and obligations for fiscal years 2001 through 2004 that we obtained from the Army, Air Force, Navy, and Marine Corps. We compared funding requirements, budget requests, adjusted congressionally designated amounts, and obligations across the services to identify historical trends for BOS and how it compared with funding for S/RM from the operation and maintenance (O&M) appropriation. We determined how actual funding for BOS and S/RM compared with the projected funding requirements identified by individual military services. We discussed the differences we found with officials from the Office of the Secretary of Defense (OSD) and the services to obtain a more thorough understanding of BOS and S/RM funding.

For our historical analyses and for purposes of achieving consistency in the analyses, we used data provided by each of the military services. In doing so, we recognize that the funding amounts designated in the services' accounting records for O&M functional areas such as BOS do not coincide perfectly with the congressional conference report designations¹ that were based on a set of defined but nonetheless diverse program elements and subactivity groups among the services. Service officials attributed the variance to their accounting for the BOS services provided at their respective installations—the number and names of which are different and expanded from the BOS subactivity groups used for the conference report—and to funding redesignations that occur during the year. Accordingly, this report uses the congressional designations as adjusted by the services' accounting and redesignations of O&M funds for BOS and S/RM to depict funding trends. (The Department of Defense (DOD) is currently seeking to restructure these accounts with improved tracking mechanisms.)

Also, to project trend data more consistently, the historical data provided by the services and included in this report do not include congressional adjustments of a one-time nature or supplemental appropriations for O&M

¹ For example, according to historical data provided by the military services, fiscal year 2004 O&M funding designated for BOS services totaled \$15.6 billion, about \$1.6 billion more than Office of the Secretary of Defense data showed as being designated for BOS at the beginning of the fiscal year.

that Congress provided during a particular fiscal year for such things as hurricane damage cleanup and repairs or for the Global War on Terrorism. We did not otherwise independently determine the reliability of the reported financial information. To determine the impact the funding trends had on the levels of BOS and S/RM services being provided to individual activities and installations, we visited and met with officials and viewed the condition of facilities firsthand at 13 installations across the country: Randolph Air Force Base, Texas; Tinker Air Force Base, Oklahoma; Naval Air Station Corpus Christi, Texas; Naval Air Station Kingsville, Texas; Naval Station Ingleside, Texas; Fort Sam Houston, Texas; Fort Monroe, Virginia; Fort Eustis, Virginia; Marine Corps Base Camp Pendleton, California; Miramar Air Station, California; Naval Base San Diego, California; Naval Base Coronado, California; and Naval Base Point Loma, California. In addition, we obtained a briefing from officials with the Naval Air Station Joint Reserve Base at Carswell Field, Fort Worth, Texas. We also interviewed these officials by telephone. We selected these installations because they represent a range of BOS programs, missions, major commands, and geographic locations. We recognize that the conditions we observed at these 13 installations may not represent conditions at other DOD installations, and we did not attempt to project the results of our visits to all military installations.

To evaluate how DOD and the military services forecast BOS requirements and funding needs, we reviewed OSD, Army, Air Force, Navy, and Marine Corp information pertaining to base operations requirements and funding and their roles in the overall base operations process. We reviewed the processes, planning documents, and proposals that DOD and the services use to forecast their needs. We interviewed officials from DOD's Office of the Under Secretary of Defense for Installations and Environment and Senior Joint Basing Group. To determine the services' definition of BOS, we interviewed OSD officials and representatives from each of the services and asked them to provide their working definition of BOS as used to determine BOS funding requests.

To determine extent to which the Army and Navy reorganizations for managing installations have affected the quality and level of support provided to individual activities and installations and whether the Marine Corps and Air Force would benefit from similar reorganizations, we reviewed the guidance, procedures, and practices from the Army and Navy that specifically address reorganization, including comparisons to pre-reorganization data. We interviewed officials from the U.S. Army Installation Management Agency (IMA); IMA Southwest Region; IMA

Northeast Region; Commander, Navy Installations (CNI) Command; CNI Region South; and CNI Region Southwest. We discussed the processes used in the incipient formation of centralized installation management organizations. We discussed the effects these changes have had on the planning and implementation of base operations support services as well as on the personnel and quality of life at the local level. We contrasted these data with information obtained from Marine Corps and Air Force officials.

We conducted our review from April 2004 through April 2005 in accordance with generally accepted government auditing standards.

BOS Functions and Activities Used by the Military Services

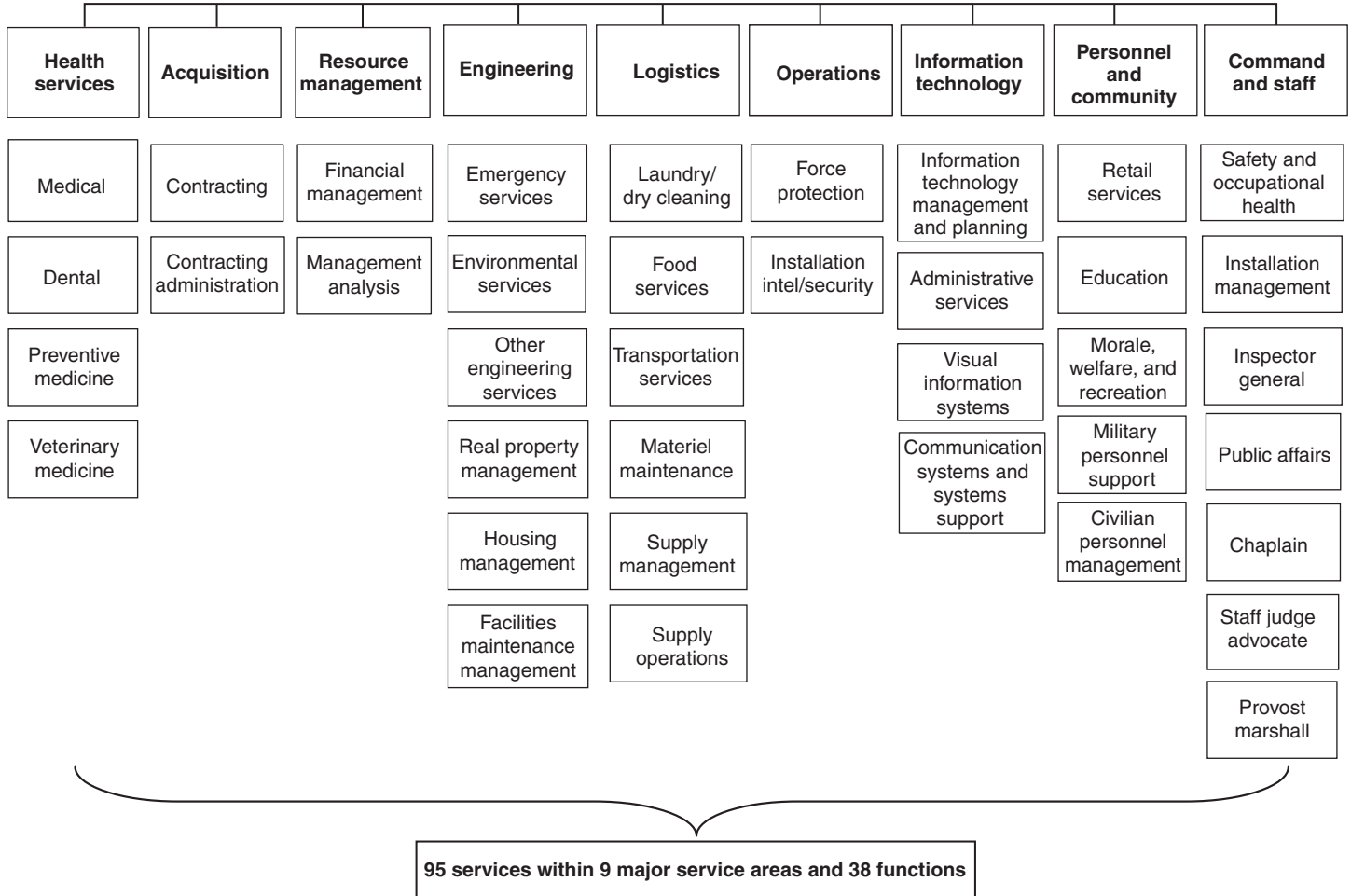
Each of the military services has a different approach to BOS and uses somewhat differing categories and definitions of services included in BOS. For example, the Army has identified 95 different categories of BOS functions, and the Navy has identified 124 different categories of BOS functions. For each service, BOS is a complex group of programs that support base operations and quality of life. The Office of the Deputy Under Secretary of Defense for Installations and Environment designated the improvement of BOS management as a priority and has announced plans to develop a common definition of BOS services and programs.

BOS Functions and Activities Used by the Army

The Army categorizes BOS under nine major service areas. Within these broad service areas are 38 specific functions, and within these functions, the Army provides 95 different BOS services. The BOS functions and activities used by the Army are shown in figure 3.

**Appendix II
BOS Functions and Activities Used by the
Military Services**

Figure 3: Army BOS Functions and Activities



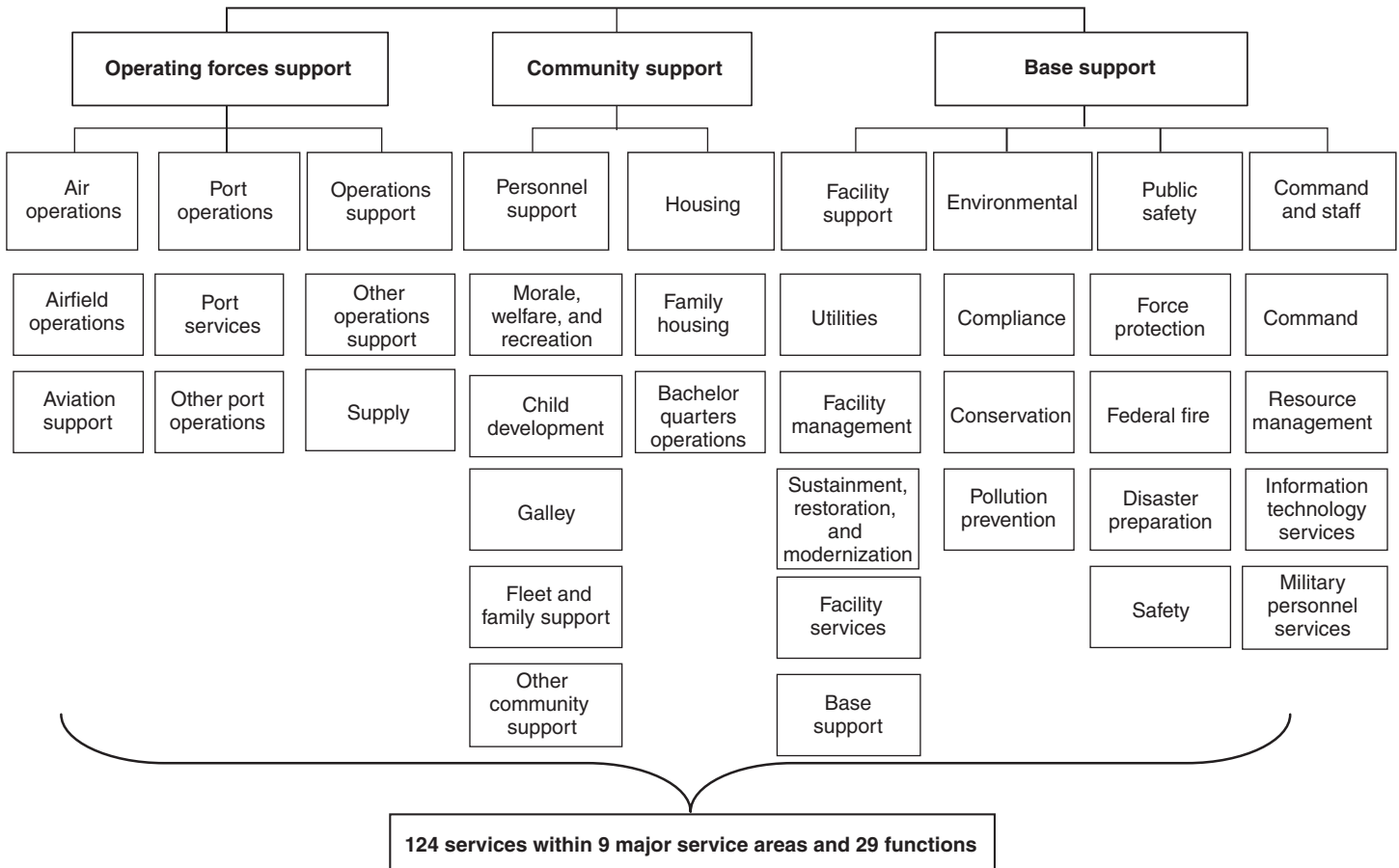
Source: GAO analysis of Army data.

**Appendix II
BOS Functions and Activities Used by the
Military Services**

**BOS Functions and
Activities Used by the Navy**

The Navy categorizes BOS under operating forces support, community support, and base support programs. Within these general categories, nine major service areas are broken down into 29 functions. These functions are broken down further to include 124 BOS services such as food service contracts, recreation, and so forth. The BOS functions and activities used by the Navy are shown in figure 4.

Figure 4: Navy BOS Functions and Activities



Source: GAO analysis of Navy data.

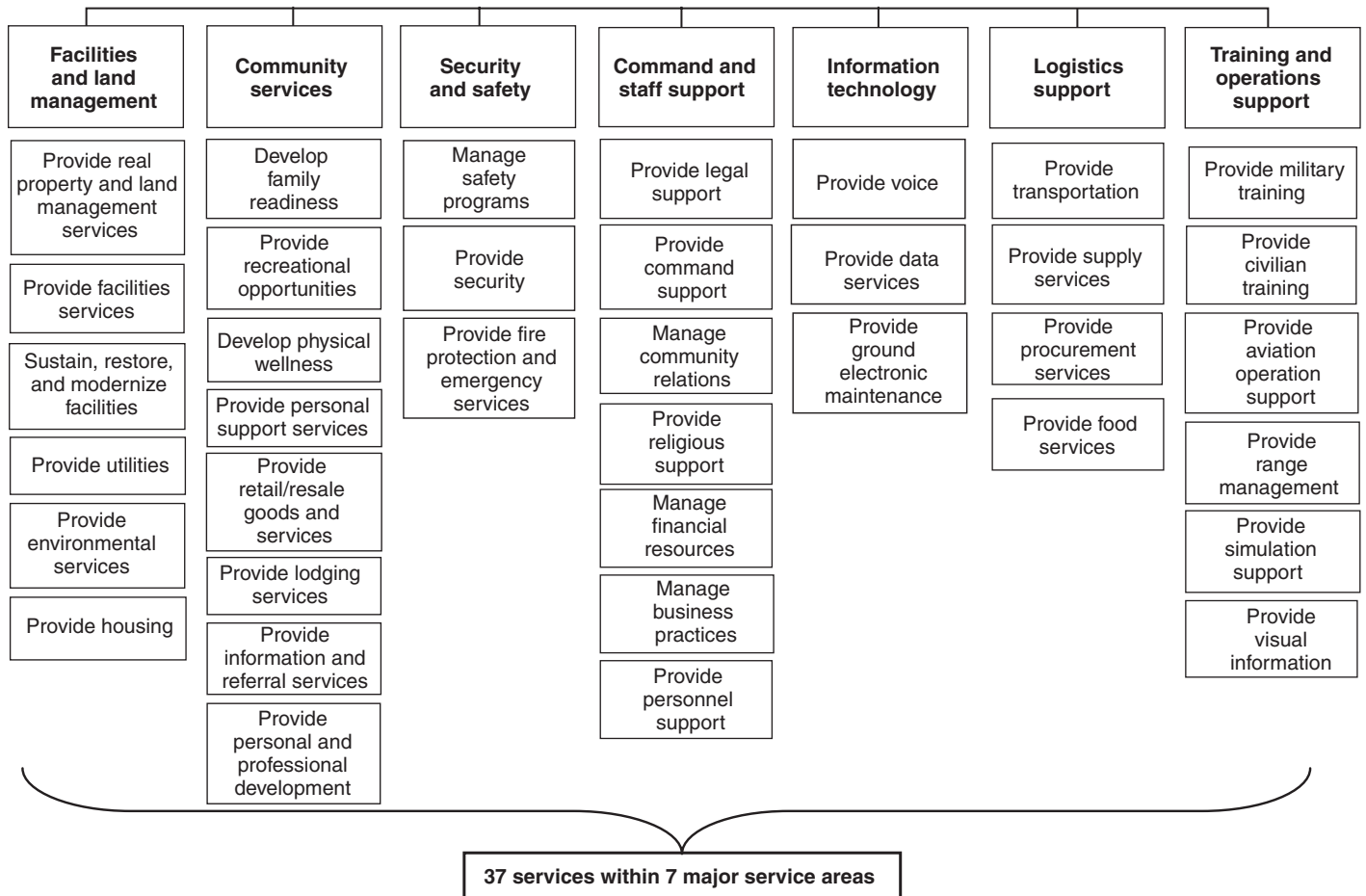
Note: Sustainment, restoration, and modernization are included under the base support functional area to recognize the close interrelationship that exists between them. For example, sustainment funds may be used to fix a leaking roof in a building that houses a BOS activity.

Appendix II
BOS Functions and Activities Used by the
Military Services

BOS Functions and
Activities Used by the
Marine Corps

The Marine Corps categorizes its BOS functions and activities under seven major service areas. Within these broad service areas are 37 BOS services. The BOS functions and activities used by the Marine Corps are shown in figure 5.

Figure 5: Marine Corps BOS Functions and Activities

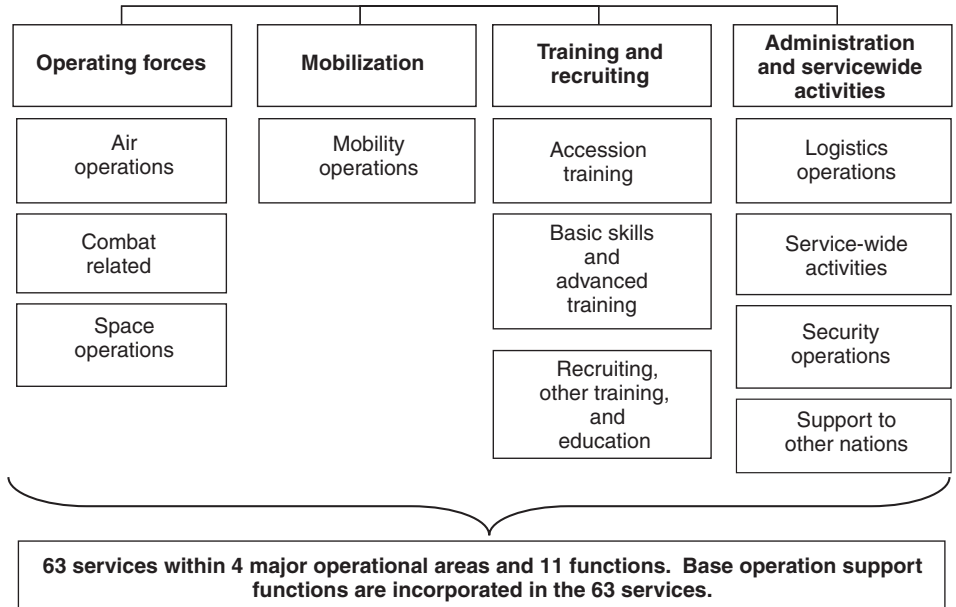


Source: GAO analysis of Marine Corps data.

BOS Functions and
Activities Used by the
Air Force

The Air Force provides BOS functions and services within its four broad mission areas—operating forces, mobilization, training and recruiting, and administration and servicewide activities. Within these mission areas are 11 functional areas. These functional areas are the framework for 63 BOS services. The BOS functions and activities used by the Air Force are shown in figure 6.

Figure 6: Air Force BOS Functions and Activities



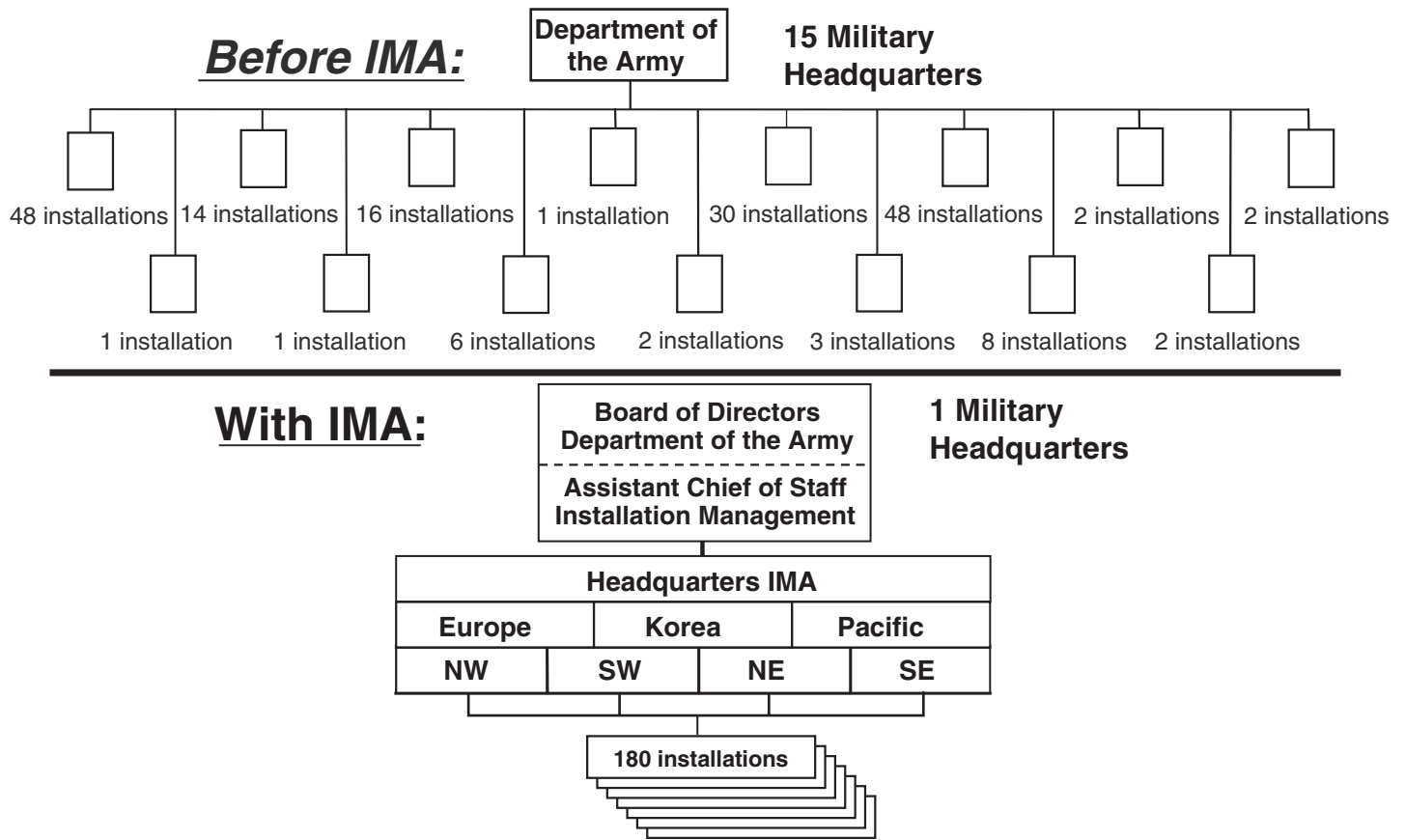
Source: GAO analysis of Air Force data.

Army and Navy Base Operations Support Management Structure

Army Installation Management Agency

Prior to the establishment of IMA, 15 major commands managed base operations for the Army. IMA was created on October 1, 2002, to attain efficiencies from consolidating BOS services for the Army worldwide. As shown in figure 7, the activities, personnel, and services for base operations previously associated with the major commands were realigned under one organization with the establishment of IMA.

Figure 7: Army Installation Management Agency Organization



Source: Army.

**Appendix III
Army and Navy Base Operations Support
Management Structure**

Management decisions and funding designations now flow through IMA headquarters and its seven regional offices, four in the continental United States and three overseas, directly to installations for execution. IMA's intent with this structure is to support and enable mission commanders, achieve regional efficiencies, and provide consistent and equitable facilities and services with common standards. According to IMA officials, seven regions is the right size for efficient management; however, they said they would revisit their organizational structure following the outcome of the 2005 round of base realignment and closure. Figure 8 shows IMA's current locations.

Figure 8: Army Installation Management Agency Locations



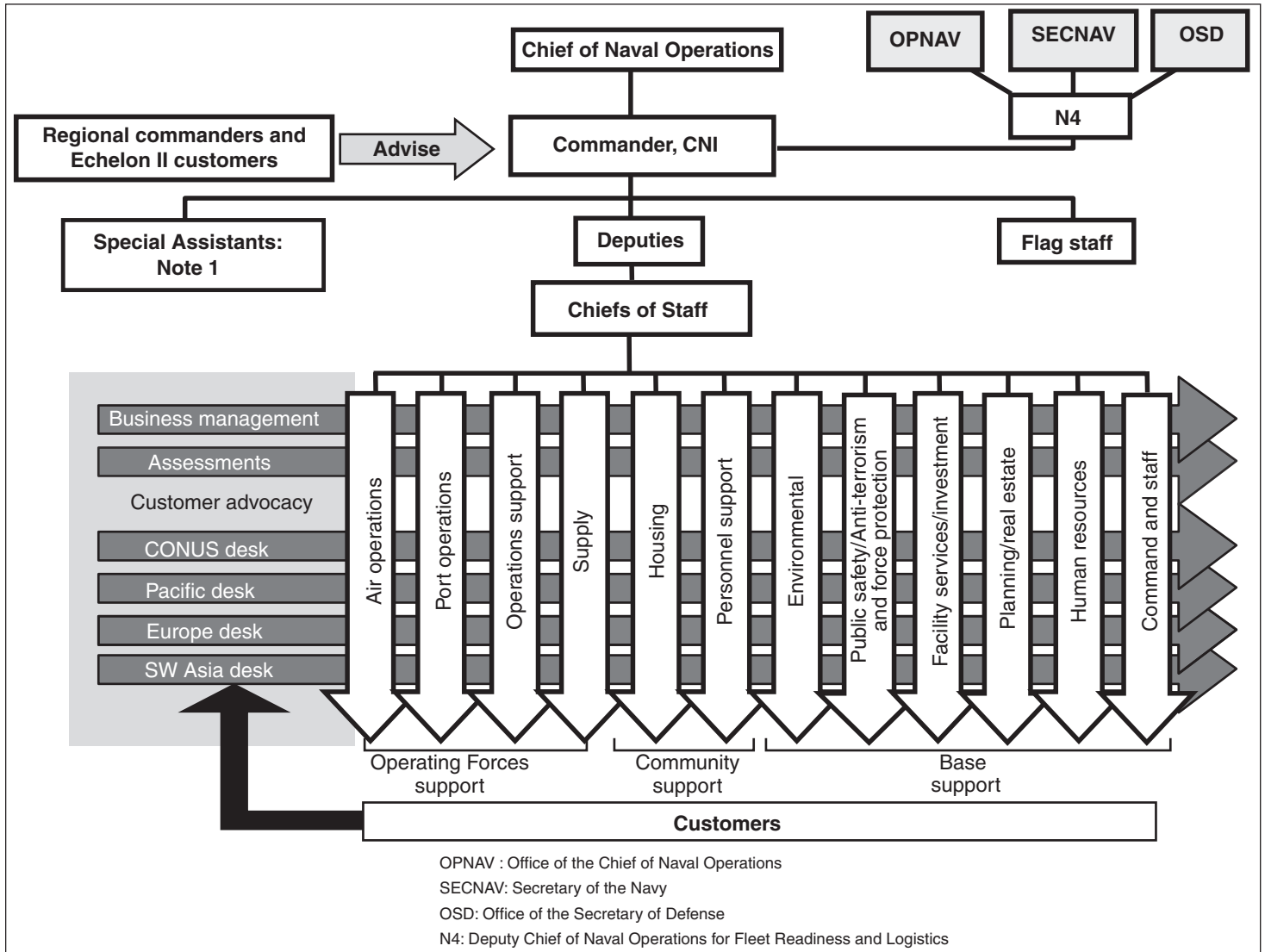
Source: Army.

**Commander, Navy
Installations**

A key event leading to the creation of CNI occurred in 1998 when the Navy consolidated or “regionalized” installation management functions. Regionalization was done to reduce BOS costs through the elimination of unnecessary management layers, duplicative overhead, and redundant functions. In conjunction with regionalization, the Navy reduced the number of its major claimants involved in the installation management business from 18 to 8. To further reduce costs the Navy stood up CNI in October 2003, further consolidating the Navy’s installation management business under a single claimant. The CNI organization is shown in figure 9.

**Appendix III
Army and Navy Base Operations Support
Management Structure**

Figure 9: CNI Organization

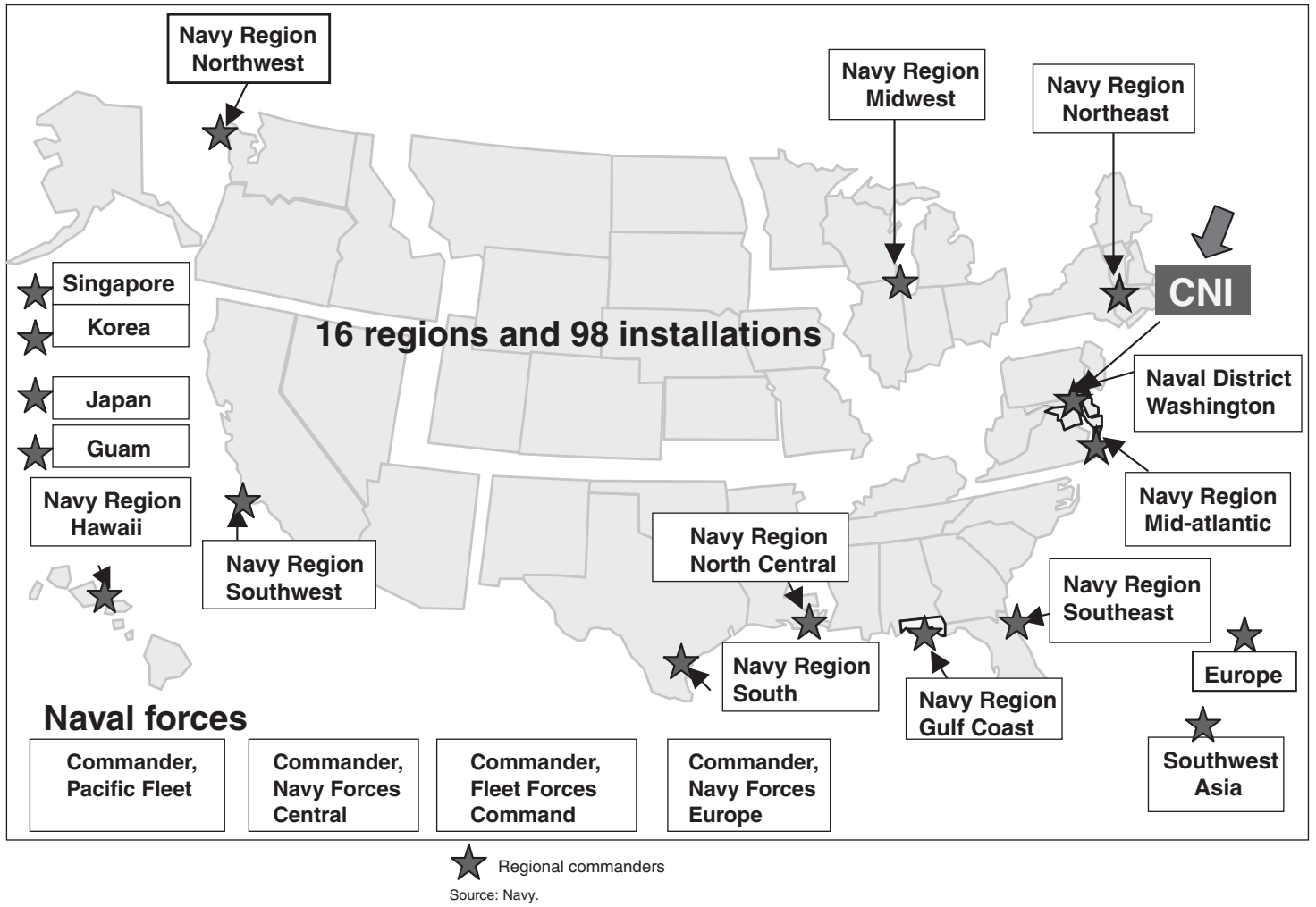


Source: Navy.

Note : Special assistants include Force Judge Advocate, Inspector General, Safety, Command Master Chief, Chief Information Officer, Public Affairs Officer, General Counsel, Chaplain, and Comptroller.

As shown in figure 10, CNI is organized into 16 regions, 10 in the continental United States and 6 overseas. At the time of this report there was discussion regarding the possibility of further consolidating CNI's regional structure. According to CNI officials, maintaining 16 regions may be more than is ultimately needed for the most efficient management structure; however, they said any decision to consolidate further would depend on the outcome of the 2005 round of base realignment and closure.

Figure 10: CNI Locations



Impact of Funding Constraints on BOS and S/RM Activities

At each of the military installations we visited, we observed reductions in BOS and S/RM services related to funding constraints. BOS services that were being scaled back or eliminated at the various installations that we visited included the numbers of rescue and firefighter operations, airfield and port operating hours and accessibility, and recreational and leisure facilities. We also observed the impacts of delayed maintenance on facilities, including deterioration of buildings (leaking roofs and ceilings, energy inefficient windows, and broken stairwells and fire escapes); breakdown of equipment (heating, ventilation, and air conditioning and boilers); cracked pavement at airfields; damaged storm drains and sewer lines; and reduced structural upgrades and replacements (painting, carpet, and furniture). We also observed reductions in other O&M funded activities (medical and emergency services).

Observations at Army Installations

Fort Eustis, Virginia

Created in 1918, Fort Eustis is the home of the U.S. Army Transportation Corps and the Transportation Corps Regiment. At Fort Eustis and its satellite installation, Fort Story, officers and enlisted soldiers receive education and on-the-job training in all modes of transportation, aviation maintenance, logistics, and deployment doctrine and research. Officials told us that BOS funding shortfalls at Eustis have had some indirect impacts on training. For example, reductions in dining hall support may be a contributing factor to long lines in dining facilities, potentially causing soldiers to be tardy for training classes.

We found indications of Fort Eustis's barracks needing repairs. Mold and deteriorating stairwells were an issue in the older barracks. Delayed barracks renovations include adding nonskid tracking to the stairwells and replacing cracked sinks in the bathrooms. Officials also said that Fort Eustis has deteriorated fencing, road paving, and heating and air conditioning for training facilities. Officials also showed us mission facilities with repair needs that have not been completed due to funding issues. At Fort Eustis's third port, concrete is crumbling and the repair of airfield hangar doors, roofs, and heating and air conditioning systems and routine maintenance of training facilities have yet to be completed.

Public works officials at Fort Eustis also told us about storm drains that have been damaged and clogged by tree roots. They have similar problems with their sewer lines.

Fort Monroe, Virginia

Fort Monroe is located in the city of Hampton, Virginia, and is headquarters of the Army's Training and Doctrine Command, which supports the Army's fighting forces through the development of doctrine and equipment requirements and training for combat. We observed a training facility that had extensive termite damage; to keep the facility in use, support beams had been added to the flooring to prevent it from caving in. Fort Monroe also closed several fire escapes due to eroding of the structures; had rusted and peeling metal staircases; and had heating, ventilation, and air conditioning systems that need to be overhauled.

At the installation's marina, we also saw evidence of delayed repairs due to funding constraints. The foundation of the facility had rust and cracks caused by high tides, and pieces of the building were falling off. According to installation officials, the marina repairs, estimated to cost at least \$300,000, have been backlogged for 3 to 4 years.

Fort Sam Houston, Texas

In 1876, the Army began to move its facilities to the present site of Fort Sam Houston. Today, Fort Sam Houston is headquarters for various activities including the Army Medical Command, Fifth U.S. Army, U.S. Army South, and Brooke Army Medical Center. We observed some buildings and roads in need of repairs. We obtained information showing that, due to funding shortages in the BOS area, S/RM funds for painting projects, electrical repairs, and other preventive maintenance were being redesignated to pay for BOS services.

Observations at Navy Installations

Naval Air Station Corpus Christi, Texas

Naval Air Station Corpus Christi started its first flight training on May 5, 1941. Its general command assignment is still pilot training, as headquarters for the Chief of Naval Air Training. However, recent cutbacks in BOS services reportedly constrained airfield operations, leading to

overdue repairs and reduced hours of operation. A Coast Guard tenant representative told us about several airfield conditions that need repair. For example, we were told that deteriorating power systems were prone to failure, and when the power goes off, security gates have to be opened manually to access runways. Aged and unreliable hangar doors also delayed some launches. We were told that the naval base has been closing its field operations at night to reduce operational costs. As a result, Coast Guard tenants are uncertain whether runway lights will come on when their aircraft are landing late at night or whether the tower will answer their calls. Lastly, Corpus Christi Air officials said that they could not afford to pay for the required number of on duty firefighters at the airfield. To prevent the cancellation of training efforts and other air operations, the airfield operated under a safety waiver whereby no manned fire truck had to be present on the landing strip.

Funding shortages also reportedly caused cutbacks in services at the Naval Hospital at Corpus Christi. Officials told us that due to decreased O&M funding, the hospital now operates as a clinic in terms of the level of services it is able to provide and that it refers some patients to other hospitals. Other reductions in services attributed to cost-saving measures at Corpus Christi included reducing pool hours from 42 to 20 hours per week (saving \$50,000 for the year) and closing the enlisted members club at the installation. Base officials said it is less desirable for military personnel to go off base for entertainment and leisure services.

Due to the lack of S/RM funding, base officials identified some barracks that were in poor condition. Officials showed us buildings with leaking roofs and water damage and mold. For example, a mold problem at one newly constructed housing facility was attributed to a design defect involving the placement of air conditioning vents, and officials estimated it would cost \$1.6 million, which they did not have, to correct the problem.

**Naval Base Coronado,
California**

Established in 1917, Naval Base Coronado comprises two main units: the Naval Air Station North Island and Naval Amphibious Base Coronado. North Island itself plays host to 23 squadrons and 80 additional tenant commands. Officials from tenant organizations told us that the number of fire fighters had been reduced due to BOS funding constraints. Specifically, they said that there are supposed to be a total of 10 firefighters on duty—6 for fire response to facilities and housing areas and 4 for the airfield—but the number of firefighters on duty is being reduced to 4. Officials said that when the firefighters have to respond to a structural fire

on base, the airfield would be without fire protection and would have to shut down. Navy officials stated that the level of fire protection at Naval Base Coronado is in full compliance with DOD and Navy requirements.

Officials said that because they have not had the amounts of S/RM funds needed to perform sufficient levels of maintenance and repairs, they have the following conditions at their facilities: frayed carpeting and rotted wood in barracks, broken water pipes, balcony railings with corrosion, cracked shower doors, poor shower drainage, and mold.

Naval Air Station Kingsville,
Texas

Naval Air Station Kingsville was commissioned in July 1942, and its primary mission is to train tactical jet pilots. Officials told us that several safety and security projects supporting this mission were eliminated due to lack of funding. For example, there is no longer an emergency response team on base. Therefore, if an accident occurs during a training operation, the base has to rely on emergency response from the local community. Also, as a result of limited O&M funding, there were no dentists at the dental clinic and no emergency services available at the medical clinic.

Naval Base San Diego,
California

Naval Base San Diego was established on February 23, 1922, as a destroyer base and later was named a naval repair base. Today, the base provides a wide range of both direct and indirect fleet support, including waterfront operations, security, supply, civil engineering, and many other administrative and leisure functions. Officials cited tugboat support as an example of a support program that has been scaled back due to the lack of BOS-designated funding. They said that the base had scaled back its number of operating tugs from six to four, but port officials could not meet mission requirements with fewer tugs. The number of tugs was subsequently increased to five. In other cost-saving initiatives, San Diego has recently scaled back its transportation service and uses vans instead of buses, has reduced the number of firefighters on duty, and is considering closing its driving range and officer's club. The library has also been closed, and due to mold problems, the child development center has been closed.

Naval Base Point Loma,
California

On October 1, 1998, six installations were consolidated as Naval Base Point Loma. Point Loma provides support services for submarines in the U.S. Pacific Fleet. In carrying out its mission to provide quality of life services for the operating forces, Point Loma is also the site of the Navy Alcohol

Rehabilitation Center. We found examples of reductions in several leisure and recreational services due to BOS funding shortages in fiscal year 2004. For example, Point Loma has closed two libraries and an auto body shop, and is considering the possibility of closing a chapel. Also closed are the outdoor equipment rental facility and the leisure travel office.

We also found several unattended maintenance issues at Point Loma. For instance, due to reduced maintenance, some barracks needed painting and new carpet. Installation officials complained about brown water in the drains of older barracks as well as leaking roofs. They also told us that windows are not energy efficient, which drives up energy costs, and that several parking lots needed to be repaved.

Naval Station Ingleside,
Texas

Naval Station Ingleside is one of three south Texas installations in Naval Region South. Ingleside's mission is to provide logistics and base support services to 41 commands—including 21 ships and 3,900 personnel—that make up the Mine Warfare forces. As a result of budget constraints experienced in fiscal year 2004, Ingleside officials told us they had to reduce port operations working hours from 24 hours a day, 7 days per week, to 12 hours per day, 5 days per week; reduce overtime for personnel involved ship movements in port by 30 percent; and reduce personnel involved in various BOS programs.

Observations at Marine
Corps Installations

Marine Corps Air Station
Miramar, California

On October 1, 1997, Naval Air Station Miramar was renamed Miramar Marine Corps Air Station as a part of a DOD realignment. Marine Corps Air Stations El Toro and Tustin were closed and their assets moved to Miramar by the end of 1999. Miramar is home for eight Hornet jet squadrons, four Super Stallion helicopter squadrons, one KC-130 transport and refueling squadron, and nine station support aircraft.

Several unexpected expenses affected the BOS funding needs at Miramar during fiscal year 2004. Although electricity rates increased by more than 70 percent, there was no corresponding increase in BOS funding to cover these unanticipated increases. To offset some of the costs, Miramar and

other Marine Corps installations increased tenant rates for utility services and obtained \$2.3 million in supplemental funding. In an effort to stop programs from moving mission operations funds to pay for BOS programs, the installation reduced services of less essential, non-mission-related projects, such as furniture and carpet replacement.

Camp Pendleton, California

Camp Pendleton was established in September 1942. Camp Pendleton is an amphibious training facility and offers a wide array of training facilities, including firing ranges, landing beaches, parachute drop zones, and mock urban warfare towns. But in providing this training support, Pendleton anticipates a shortfall in BOS funding for fiscal year 2005. For example, utilities' costs are projected to be higher than the budgeted amount. Disaster preparedness may also be constrained because quantities of gas masks and advanced emergency communications systems have also not been funded.

Other programs at Camp Pendleton have also been delayed due to funding constraints. Base officials told us that some construction projects have been funded, but the new infrastructure creates an additional demand for BOS services that the installations are fiscally unable to provide. For example, Marine Corps Headquarters has \$750,000 of military construction money to build permanent latrine facilities. However, the installation cannot afford to install plumbing on that side of the base nor does it have the money to furnish, service, or maintain the new facility. Officials told us that several new vehicles have been purchased, but no additional funding has been provided to cover the associated costs of new maintenance tools, garages, or fuel. In addition, there is a backlog in providing new furniture because funding was being used to cover other BOS expenses.

Observations at Air Force Installations

Randolph Air Force Base, Texas

Randolph Air Force Base was dedicated on June 20, 1930 as a flying training base and continues that mission today. More specifically, the installation is one of the few bases that does instructor pilot training, and it is also home to Joint Undergraduate Navigator and Electronic Warfare Officer Training. To cut costs at the installation, Randolph has implemented

some changes to BOS services such as custodial and dining hall support. For instance, Randolph increased waste container sizes and reduced the number of waste collections to once per week, performed custodial services after hours when they could be done in less time by avoiding the presence of workers, and cut the dining hall budget.

Shortfalls in S/RM funding have also led to the deferring of routine facilities maintenance at Randolph. Officials told us about reports of rusted drinking water pipes, oil in one of the water wells, and mold and water damage from leaking water pipes.

Tinker Air Force Base,
Oklahoma

Tinker Air Force Base was established on April 8, 1941, as a maintenance and repair depot. Today, Tinker's largest organization is the Oklahoma City Air Logistics Center, one of three depot repair centers in the Air Force Materiel Command. Tinker is also home to seven major Department of Defense, Air Force, and Navy activities with critical national defense missions. These activities include the 552nd Air Control Wing (which flies the E-3 Sentry aircraft and is part of the Air Force's Air Combat Command mobile strike force); the Navy's Strategic Communications Wing ONE (a one of a kind unit in the Navy that provides a vital, secure communications link to the submerged fleet of ballistic missile submarines); and the 507th Air Refueling Wing (an Air Force Reserve flying unit).

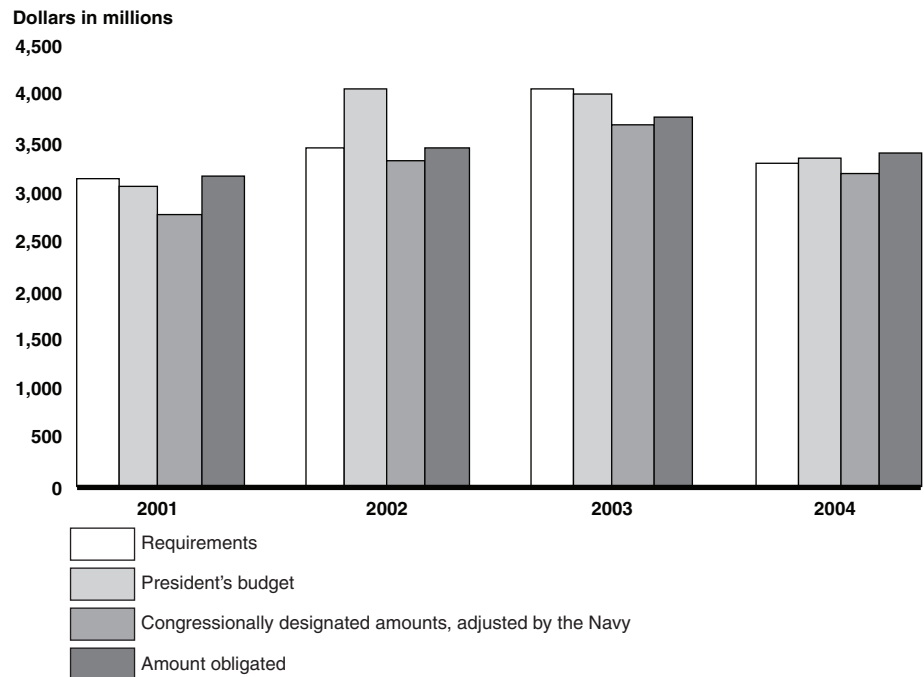
Tinker has contracted with the private sector for much of its BOS and has reported selective consolidations and efficiency measures to improve BOS operations and achieve savings. For instance, mail service pickup and delivery were reduced from twice to once per day, fire department inspections and repair and replacements of fire extinguishers were postponed, and worn carpet was not being replaced.

Navy, Marine Corps, and Air Force Funding Trends

Navy Funding Trends

Available Navy data show differences between amounts the Navy projected as required for BOS and amounts included in budget requests, designated, and actually obligated each fiscal year from 2001 through 2004 (see fig. 11). As it did for the Army, Congress gave the Navy increasing funding for BOS in some years, but we found a smaller difference between identified requirements and funding here than in the Army.

Figure 11: Navy BOS Funding, Fiscal Years 2001-04



Source: GAO analysis of Navy data.

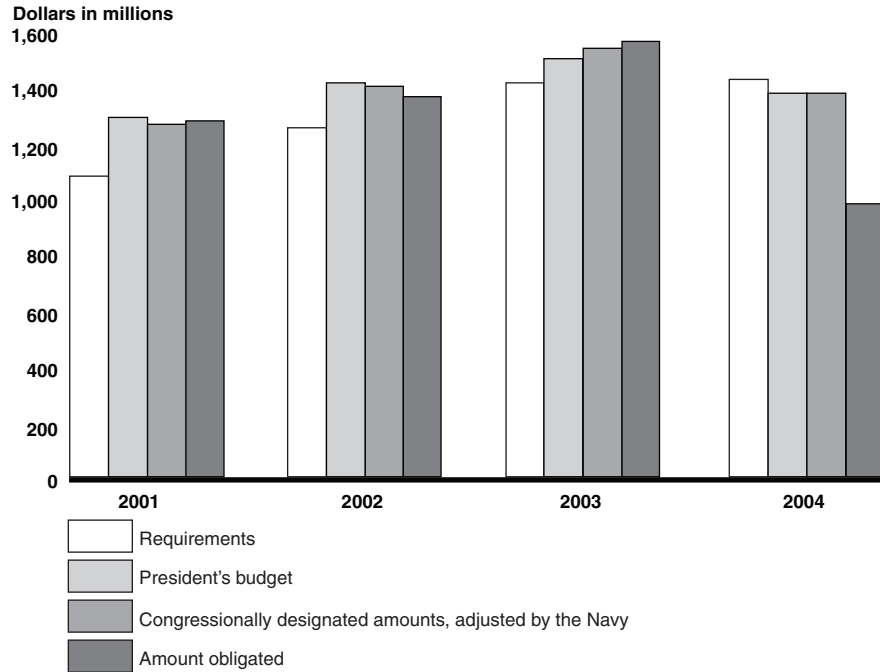
Notes:

- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Navy officials indicated they had not had models for projecting requirements during these budget years but, as discussed in an earlier section of this report, are taking steps to improve their requirements determination process for BOS funding.
- (3) Obligations exceeded adjusted congressionally designated amounts as a result of authorized internal adjustments among accounts. For example, as discussed below, the Navy moved S/RM funds into the BOS account.

The difference between the Navy's congressionally designated funding and obligations also appears to be smaller than that for the Army, but the Navy's obligations for BOS still were greater than its congressionally designated amounts for BOS as adjusted by the Navy. For example, in fiscal year 2004, the Navy's BOS obligations—\$3.427 billion—were more than its BOS funding—\$3.217 billion. As in the Army, Navy officials said the difference between the congressionally designated amounts for BOS services, as adjusted by the Navy, and the amounts obligated is made up of funds moved from S/RM activities to BOS activities to pay “must pay bills” such as utilities and, increasingly, to obtain contactor services. This also indicates a continuation of the historic trend of funds being moved among various O&M subaccounts during the year. Navy installation officials also reported instances of funds being withheld during the year and being redesignated to support warfighting needs. More specifically, we were told that the Navy withheld \$300 million in O&M funds, including \$199 million that otherwise would have been designated to fund BOS and \$101 million to fund S/RM, to help pay for the Global War on Terrorism. Navy officials told us that during the year they had to scale back and cut BOS programs and move \$504 million from S/RM to pay for essential BOS services until supplemental funding became available and they could move funds back to S/RM.

Navy S/RM funding trend data displayed in figure 12 show a spike in congressionally designated amounts adjusted by the Navy and obligations in fiscal year 2003. According to Navy officials, 2003 was simply a better-funded year for Navy shore facilities infrastructure than other years. However, in fiscal year 2004, S/RM services were affected by the Navy's withholding of O&M funds during the year, that otherwise would have been designated to fund BOS and facilities sustainment, to instead help pay for the Global War on Terrorism. Similar problems are reportedly occurring in fiscal year 2005. The Navy obligated fewer funding dollars for facilities sustainment activities in fiscal year 2004 than were initially designated. Although the Navy also received supplemental funding for the Global War on Terrorism for BOS and facilities sustainment activities, such turbulence occurring during the year makes it difficult to execute planned programs effectively and resulted in the Navy's underexecuting its facilities sustainment program by \$393 million in fiscal year 2004. As we have previously reported, such problems adversely affect efforts to maintain facilities and provide base support services.

Figure 12: Navy S/RM Funding, Fiscal Years 2001-04



Source: GAO analysis of Navy data.

Notes:

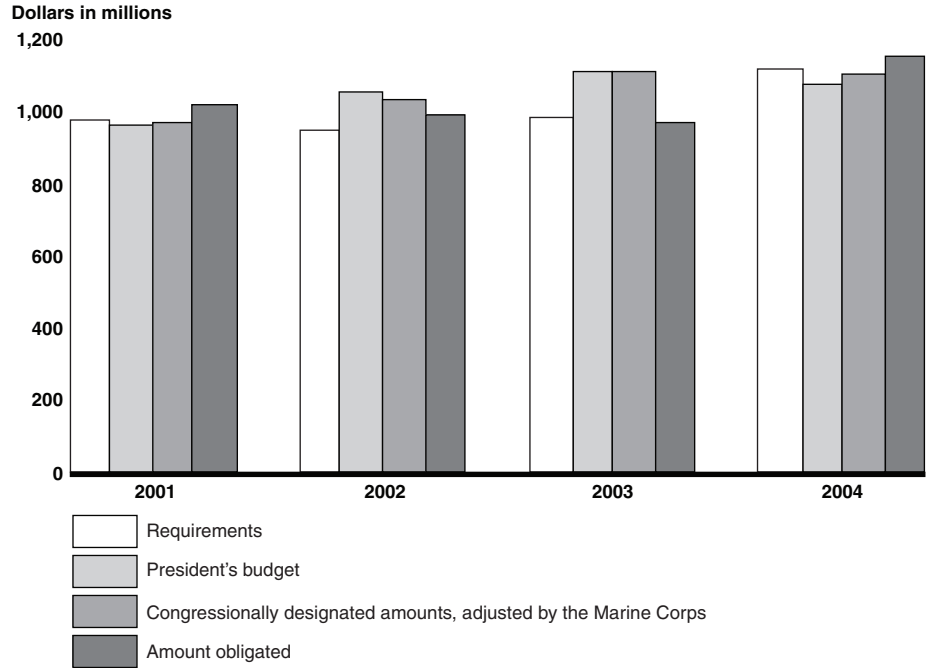
- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Navy officials indicated they had improved S/RM requirements forecasts by using the DOD facilities sustainment model developed in 1999.
- (3) Obligations were different from congressionally designated amounts, adjusted by the Navy, as a result of authorized internal adjustments among accounts. For example, as discussed above, during fiscal year 2004 the Navy moved S/RM funds into the BOS account.

Marine Corp Funding
 Trends

Available data show some differences between amounts the Marine Corps projected as required for BOS and amounts included in budget requests, amounts designated, and amounts actually obligated each fiscal year from 2001 through 2004, with some increase in projected requirements, requests and funding occurring in recent years (see fig. 13).

Appendix V
Navy, Marine Corps, and Air Force Funding
Trends

Figure 13: Marine Corps BOS Funding, Fiscal Years 2001-04



Source: GAO analysis of Marine Corps data.

Notes:

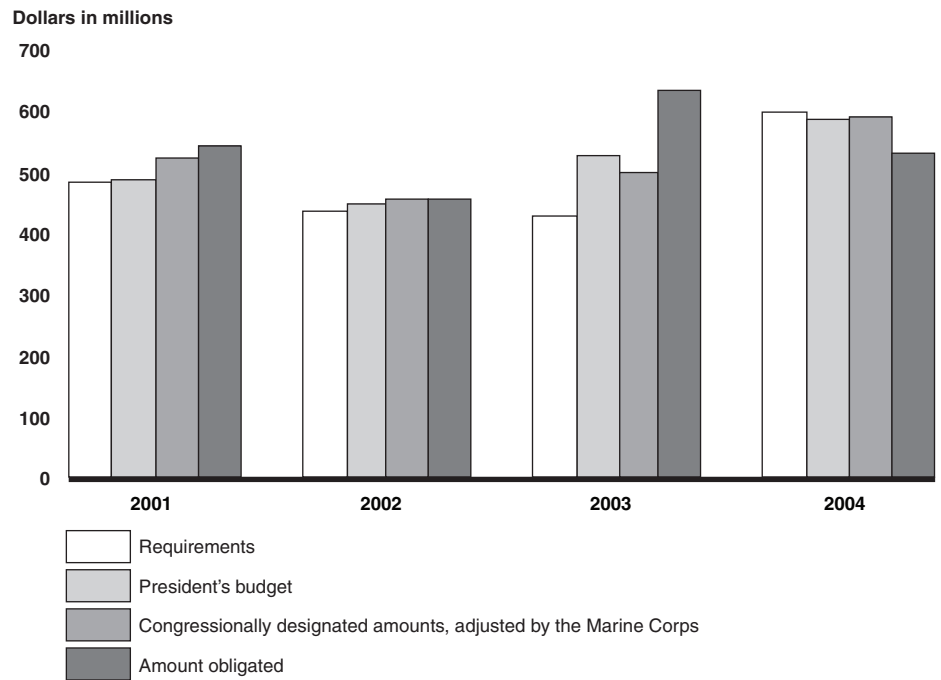
- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Marine Corps officials indicated they had not had models for projecting requirements during these budget years but, as discussed in an earlier section of this report, are taking steps to improve their requirements determination process for BOS funding.
- (3) Obligations fell short of congressionally designated amounts, as adjusted by the Marine Corps, for fiscal years 2002 and 2003 and exceeded adjusted congressionally designated amounts in fiscal years 2001 and 2004 as a result of authorized internal adjustments among accounts. For example, as discussed below, the Marine Corps moved S/RM funds into the BOS account.

The trend data present more of a mixed picture for the Marine Corps in terms of obligations when contrasted with data for the other military services. In 2 of 4 years the Marine Corps' obligations were greater than congressionally designated amounts, as adjusted by the Marine Corps, as well as projected requirements. For example, in fiscal year 2004, the Marine Corps' BOS obligations of \$1.164 billion were \$54 million more than its designated funding (\$1.110 billion), representing a movement of funds from other accounts to support BOS activities.

Appendix V
Navy, Marine Corps, and Air Force Funding
Trends

S/RM trend data show that the Marine Corps obligated more funding than adjusted congressionally designated amounts in fiscal years 2001 and 2003, and it obligated less funding than adjusted congressionally designated amounts in fiscal year 2004. Marine Corps officials said the differences were due to funds being moved and redesignated among BOS and S/RM accounts (see fig. 14).

Figure 14: Marine Corps S/RM Funding, Fiscal Years 2001-04



Source: GAO analysis of Marine Corps data.

Notes:

- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Marine Corps officials indicated they had improved S/RM requirements forecasts in fiscal year 2004 by using DOD's facilities sustainment model.
- (3) Obligations were different from congressionally designated amounts as adjusted by the Marine Corps, as a result of authorized internal adjustments among accounts. For example, during fiscal year 2004 the Marine Corps moved S/RM funds into the BOS account.

As shown by figure 14, in fiscal year 2004, adjusted congressionally designated amounts were about 98 percent of the projected S/RM requirement. However, the Marine Corps underexecuted its S/RM program

by \$59.2 million in fiscal year 2004. This underexecution occurred because, as noted above, the Marine Corps redesignated millions of dollars of S/RM funds to cover the difference between designated BOS funding and BOS obligations.

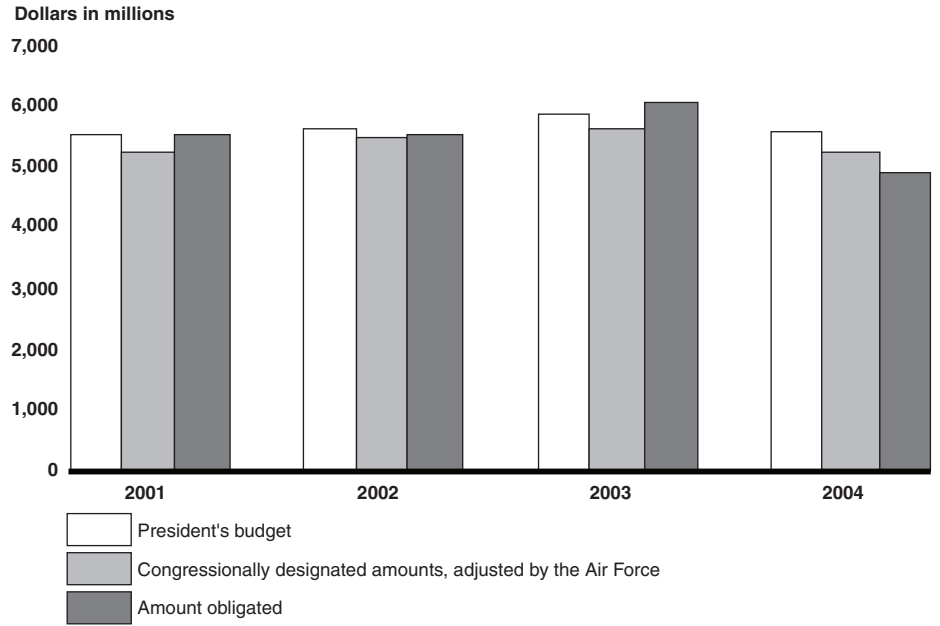
Air Force Funding Trends

Data were not readily available to provide a trend in the Air Force's projected BOS requirements.¹ Funding trend data for BOS services and programs within the Air Force show that budgetary requests, designated funding, and BOS obligations remained more closely aligned than was the case for the other services in most years. Nevertheless, some differences do exist between budget requests, designated funding, and obligations. As shown by figure 15, only in fiscal year 2004 were BOS obligations—\$4.896 billion—less than the congressionally designated amounts, as adjusted by the Air Force—\$5.260 billion. This indicates that BOS funds were being redesignated to meet other needs in that year, but funds from other O&M accounts were redesignated to BOS in earlier years. Air Force headquarters officials told us that rather than being headquarters directed, the Air Force relied on its major commands to redesignate BOS and S/RM funds as needed for the Global War on Terrorism and to decide which BOS programs and services would be scaled back.

¹ Although the Army, Navy, and Marine Corps were able to provide information on requirements, Air Force officials indicated that to do so would require extraordinary efforts to accumulate data from individual installations and commands, and they did not view such unrefined requirements data as necessarily representative of true requirements.

Appendix V
Navy, Marine Corps, and Air Force Funding
Trends

Figure 15: Air Force BOS Funding, Fiscal Years 2001-04



Source: GAO analysis of Air Force data.

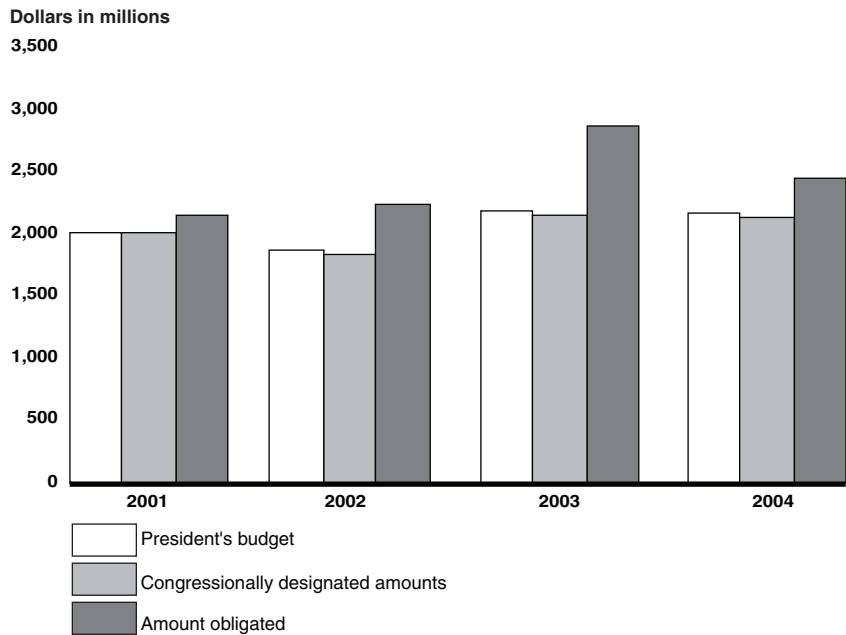
Notes:

- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Air Force officials indicated they had not had models for projecting requirements during these budget years but, as discussed in an earlier section of this report, are taking steps to improve their requirements determination process for BOS funding.
- (3) Obligations were different from congressionally designated amounts, as adjusted by the Air Force, as a result of authorized internal adjustments among accounts. For example, as discussed below, the Air Force moved BOS funds into the S/RM account.

Appendix V
Navy, Marine Corps, and Air Force Funding
Trends

Air Force trend data for S/RM activities during fiscal years 2001 through 2004 show that obligations were greater than designated funding or budget requests in each of the 4 years. According to Air Force officials, BOS funds were redesignated by installation commanders in fiscal year 2004 to supplement S/RM funds. Since both BOS and S/RM obligations exceeded their funding designations in fiscal years 2001, 2002, and 2003, this would suggest that funds were redesignated to these areas from other O&M activities in those years (see fig. 16).

Figure 16: Air Force S/RM Funding, Fiscal Years 2001-04



Source: Air Force

Notes:

- (1) Dollars are in constant fiscal year 2004 dollars.
- (2) Obligations exceeded adjusted congressionally designated amounts as a result of authorized internal adjustments among accounts. For example, as discussed above, in fiscal year 2004, the Air Force moved BOS funds into the S/RM account.

Comments from the Department of Defense



ACQUISITION,
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OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

JUN 06 2005

Mr. Barry W. Holman
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Holman,

This is the Department of Defense (DoD) response to the GAO draft report, "DEFENSE INFRASTRUCTURE: Issues Need to Be Addressed in Managing and Funding Base Operations and Facilities Support" dated May 5, 2005. (GAO CODE 350535/GAO-05-556). The report is well-researched, generally accurate, and pertinent in its recommendation. We concur with its recommendation.

I have included some technical comments for your consideration prior to publishing the final report. I would like to underscore our technical comments concerning facilities sustainment. First, the draft report does not properly differentiate sustainment programs from restoration and modernization (recapitalization) programs, and I recommend that you make the proper distinction before publishing the report. Second, the draft report implies that each facility or installation should receive funding to match the corporate funded sustainment rate every year. The sustainment rate is a corporate headquarters-level budgeting metric, while sustainment execution requirements at the level of individual facilities vary from year to year – so when visiting bases, you should expect to see differences compared to the funded corporate rate. The facility problems identified by the report are due to under-sustainment over a prolonged period, not normal fluctuations in local sustainment requirements.

Sincerely,

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

Enclosure



GAO DRAFT REPORT - DATED MAY 5, 2005
GAO CODE 350535/GAO-05-556

"DEFENSE INFRASTRUCTURE: Issues Need to Be Addressed in Managing and
Funding Base Operations and Facilities Support"

DEPARTMENT OF DEFENSE
COMMENTS TO THE RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense update DoD's *Defense Installations Strategic Plan* to include specific actions and establish time frames first, to resolve long-standing inconsistencies among the definitions of BOS services and, second, to help expedite the development and implementation of an analytically sound and consistently applied model for determining BOS requirements. (p. 33/GAO Draft Report)

DOD RESPONSE: Concur. The 2004 Defense Installations Strategic Plan already contains actions and timeframes for several related tasks (for one example, see objective 5.4 in the published plan). In addition, our 2005 update to the 2004 plan lists recent accomplishments, including the completion of initial cost factors to support a new facilities operation model. Since the 2005 update, we have tested a beta model and are on track to release a finished facilities operation model by December 1, 2005, for use in developing the FY 2008 program and budget. For other installation services, the Department completed a base operations assessment study in March 2005, and funded an extensive cross-Department initiative to develop definitions for the common delivery of installation services. That effort is ongoing and is expected to be completed in December 2005. We anticipate the results of these efforts to lead to a suite of analytical tools for determining funding needs for other installation services. The next update to the Defense Installations Strategic Plan, currently planned for release during 2006, will contain additional details.

Note: Page numbers in the draft report may differ from those in this report.

GAO Contact and Staff Acknowledgments

GAO Contact

Barry W. Holman (202) 512-5581

Acknowledgments

In addition to the individual named above, Latasha Brown, Erica Haley, Mark Little, Erica Miles, Tanisha Stewart, Roger Tomlinson, Cheryl Weissman, and Michael Zola made key contributions to this report.

Related GAO Products

Defense Infrastructure: Long-term Challenges in Managing the Military Construction Program. [GAO-04-288](#). Washington, D.C.: February 24, 2004.

Defense Infrastructure: Changes in Funding Priorities and Management Processes Needed to Improve Condition and Reduce Costs of Guard and Reserve Facilities. [GAO-03-516](#). Washington, D.C.: May 15, 2003.

Defense Infrastructure: Changes in Funding Priorities and Strategic Planning Needed to Improve the Condition of Military Facilities. [GAO-03-274](#). Washington, D.C.: February 19, 2003.

Defense Management: Army Needs to Address Resource and Mission Requirements Affecting Its Training and Doctrine Command. [GAO-03-214](#). Washington, D.C.: February 10, 2003).

Defense Budget: Real Property Maintenance and Base Operations Fund Movements. [GAO/T-NSIAD-00-101](#). Washington, D.C.: March 1, 2000.

Defense Budget: Analysis of Real Property Maintenance and Base Operations Fund Movements. [GAO/NSIAD-00-87](#). Washington, D.C.: February 29, 2000.

Defense Budget: DOD Should Further Improve Visibility and Accountability of O&M Fund Movements. [GAO/NSIAD-00-18](#). Washington, D.C.: February 9, 2000.

DOD Budget: Budgeting for Operation and Maintenance Activities. [GAO/T-NSIAD-97-222](#). Washington, D.C.: July 22, 1997.

Depot Maintenance: Some Funds Intended for Maintenance Are Used for Other Purposes. [GAO/NSIAD-95-124](#). Washington, D.C.: July 6, 1995.

Army Training: One-Third of 1993 and 1994 Budgeted Funds Were Used for Other Purposes. [GAO/NSIAD-95-71](#). Washington, D.C.: April 7, 1995.

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