



September 2016

# DEFENSE INFRASTRUCTURE

## Actions Needed to Enhance Oversight of Construction Projects Supporting Military Contingency Operations

Accessible Version

# GAO Highlights

Highlights of [GAO-16-406](#), a report to congressional committees

## Why GAO Did This Study

For about 15 years, DOD has funded “contingency construction” projects to support operations in Iraq and Afghanistan. The range, complexity, and cost of construction vary (e.g., from concrete pads for tents to brick-and-mortar barracks). DOD funds the projects through MILCON or O&M appropriations. Base commanders can use O&M to fund lower cost projects.

Senate Report 113-174 includes a provision for GAO to review issues related to military construction in the CENTCOM area of responsibility in support of contingency operations in Iraq and Afghanistan. GAO evaluated, among other things, the extent to which DOD has (1) tracked the universe and cost of all contingency construction projects in support of contingency operations there, (2) developed a process to determine the appropriate level of construction for MILCON-funded contingency construction projects, and (3) developed a process for reevaluating contingency construction projects when missions change. GAO reviewed relevant guidance and project data.

## What GAO Recommends

GAO made six recommendations including that DOD track the universe and cost of O&M-funded projects (DOD did not concur), review construction projects to ensure funds were properly used (DOD did not concur), examine approaches to shorten project approval times (DOD partially concurred), document level-of-construction determinations (DOD partially concurred), and require project reviews when missions change (DOD partially concurred). GAO maintains that its recommendations are valid.

View [GAO-16-406](#). For more information, contact Cary B. Russell, (202) 512-5431, [russellc@gao.gov](mailto:russellc@gao.gov)

September 2016

## DEFENSE INFRASTRUCTURE

### Actions Needed to Enhance Oversight of Construction Projects Supporting Military Contingency Operations

## What GAO Found

Since contingency operations began in Iraq and Afghanistan, the Department of Defense (DOD) has not tracked the universe and cost of all U.S. Central Command (CENTCOM) contingency construction projects supporting operations there. According to senior DOD officials DOD is not required to track all contingency construction projects separately from all other DOD projects, but DOD has been able to generate specific data on MILCON-funded contingency construction projects when requested. Senior DOD officials stated that they were unaware of the magnitude of their use of O&M funds because DOD has not tracked the universe and cost of O&M-funded unspecified minor military construction projects in support of contingency operations. GAO identified O&M-funded construction costs for fiscal years 2009-12 of at least \$944 million for 2,202 of these projects in Afghanistan, costs that are significant compared with the \$3.9 billion DOD reported as enacted for MILCON-funded projects there in the same period. DOD has routinely used O&M funding to more quickly meet requirements because the MILCON review process can take up to 2 years. However, DOD’s use of O&M funding has posed risks. For example:

- **Financial risk:** In 2010, DOD identified needed concrete shelters at Bagram Airfield, Afghanistan, staying below the O&M maximum by dividing a single requirement into separate projects. DOD reported in 2015 that it should have used MILCON funds for the shelters, determining that the obligations incurred had exceeded the statutory maximum for O&M-funded unspecified minor military construction projects, resulting in an Antideficiency Act violation.
- **Duplication risk:** In 2015, officials at a base in the CENTCOM area of responsibility decided to use O&M funding for temporary facilities for a squadron while in the same year requesting MILCON funding for a permanent facility for the same squadron, which could result in providing the same service to the same beneficiaries.

For MILCON-funded contingency construction projects, DOD has guidance used for determining the appropriate level of construction, or building standard, based on the facility’s life expectancy requirements, but as of July 2015 had not documented the rationale for such determinations for 11 of the 39 projects in fiscal years 2011-15 that cost over \$40 million each. Further, for 8 of the 11 projects, senior DOD officials could not confirm what level of construction the projects represented based on DOD standards aimed at helping to match investments with requirements. Senior DOD officials acknowledged that an absence of such documentation could lead to DOD constructing facilities in excess of requirements because of the resulting lack of communication with those who design and construct the facilities.

DOD has not developed a formal process for reevaluating ongoing contingency construction projects when missions change. According to CENTCOM documentation, beginning in November 2011 DOD undertook five rounds of reviews of planned and ongoing projects in Afghanistan anticipating a change in the mission. However, without a requirement for such reviews, DOD risks constructing facilities that may be unneeded to support U.S. forces in the CENTCOM area of responsibility and in future contingencies worldwide.

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Figure 1: U.S. Central Command's Area of Responsibility

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**Abbreviations**

CENTCOM	U.S. Central Command
DOD	Department of Defense
MILCON	Military Construction
O&M	Operation and Maintenance

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September 8, 2016

Congressional Committees

The Department of Defense (DOD) has spent billions of dollars on “contingency construction” projects, such as command and control facilities, troop housing, and guard towers, in the U.S. Central Command (CENTCOM) area of responsibility to support operations in Afghanistan (beginning in 2001) and Iraq (beginning in 2003).<sup>1</sup> The range, complexity, and cost of contingency construction projects can vary greatly. For example, with respect to troop housing, contingency construction projects might range from tents on concrete slabs to brick-and-mortar barracks. To help match the investment in these projects with requirements, DOD identifies three levels of construction for contingency environments: “initial” (for use for up to 6 months), “temporary” (generally for use for up to 5 years), and “semi-permanent” (for use for up to 10 years and, with maintenance and upkeep, for up to 25 years).<sup>2</sup> DOD operates under multiple statutory authorities to fund these projects through either the Military Construction (MILCON) or Operation and Maintenance (O&M) appropriations.<sup>3</sup>

Senate Report 113-174 included a provision for us to review matters related to military construction in the CENTCOM area of responsibility in support of contingency operations in Iraq and Afghanistan.<sup>4</sup> We evaluated the extent to which DOD has (1) tracked the universe and cost of all

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<sup>1</sup> For the purposes of this review, we use the term “contingency construction” to describe any construction, alteration, development, conversion, or extension of any kind carried out with respect to a military installation in support of contingency operations.

<sup>2</sup> U.S. Central Command Regulation 415-1, *Construction in the USCENTCOM Area of Responsibility “The Sand Book”* (July 18, 2014) (hereafter cited as CENTCOM Regulation 415-1 (July 18, 2014)). The guidance notes that facilities constructed to a temporary standard are intended for use for up to 5 years using low-cost construction materials, but may be used indefinitely. See *id.* para. 5-2.

<sup>3</sup> The term MILCON is sometimes used to refer to any type of military construction regardless of funding source or the statutory authority under which the construction is conducted. For the purposes of this report, we use the term MILCON to represent Military Construction appropriations or related funds.

<sup>4</sup> See S. Rep. No. 113-174, at 9-10 (2014).

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contingency construction projects in the CENTCOM area of responsibility that support contingency operations in Iraq and Afghanistan, (2) developed a process for determining the appropriate level of construction for MILCON-funded contingency construction projects, (3) developed a process for reevaluating contingency construction projects when missions change, and (4) established an approach for sharing lessons learned from contingency construction projects in support of contingency operations in Iraq and Afghanistan.

For objective one, we obtained and analyzed available DOD contingency construction project data from fiscal years 2001 through 2016 maintained by the Office of the Under Secretary of Defense (Comptroller), the Army, the Air Force, and the Army Corps of Engineers to determine the extent to which DOD tracks contingency construction projects undertaken in support of contingency operations in Iraq and Afghanistan separately from all other construction projects undertaken by DOD, both MILCON- and O&M-funded.<sup>5</sup> We determined the data to be sufficient and reliable for the purposes of our reporting objectives by interviewing knowledgeable agency officials, tracing selected construction projects to source documents, and manually testing data for outliers and obvious errors. For both MILCON- and O&M-funded contingency construction projects, we assessed existing contingency construction project review and approval, identification, documentation, information quality, and control activity processes against GAO's *Standards for Internal Control in the Federal Government*, which state among other things that agencies should use quality information to achieve an entity's objectives and design control activities to achieve objectives and respond to risks by, for example, clearly documenting all transactions and other significant events in a manner that allows the documentation to be readily available for examination.<sup>6</sup> We also reviewed DOD and CENTCOM guidance and

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<sup>5</sup> DOD has conducted contingency operations in Afghanistan since October 2001 and in Iraq since March 2003. We selected fiscal year 2015 as the data end point because it was the last completed fiscal year during the period of our review.

<sup>6</sup> See GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). These standards were in effect prior to fiscal year 2016 and cover the time period of our review of data through fiscal year 2015. The standards were subsequently updated and went into effect on October 1, 2015. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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standards for contingency construction, as well as roles and responsibilities for managing, executing, and overseeing projects.<sup>7</sup> We discussed with officials at service component commands and bases in the CENTCOM area of responsibility the approaches commanders used to manage these projects, including the use of available statutory authorities for funding them and the potential risks to individual projects—identified by base officials or in our review of project files—that relied on O&M funding for contingency construction. We interviewed officials from the Under Secretary of Defense (Comptroller), the Joint Staff, CENTCOM, the Army Central Command, the Air Force Central Command, the U.S. Forces-Afghanistan, the Army Corps of Engineers, and the Air Force Civil Engineer Center. We also conducted site visits to bases in the CENTCOM area of responsibility, selecting those bases on the basis of those with the highest number of military construction projects in CENTCOM countries, excluding Iraq and Afghanistan due to the closure of our audit offices there and the difficulties and risks associated with travel in those countries.

For objective two, we examined processes that apply to determining the level of construction when executing MILCON-funded contingency construction projects in the CENTCOM area of responsibility. We compared these processes, along with relevant DOD and CENTCOM guidance,<sup>8</sup> with GAO's *Standards for Internal Control in the Federal Government*,<sup>9</sup> which states among other things that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives. In addition, we reviewed available data from the Army Corps of Engineers database as of February 2015 for MILCON-funded contingency construction projects in the

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<sup>7</sup> E.g., Department of Defense Directive 4270.5, *Military Construction* (Feb. 12, 2005) (hereafter cited as DODD 4270.5 (Feb. 12, 2005)); Department of Defense Directive 3000.10, *Contingency Basing Outside the United States* (Jan. 10, 2013) (hereafter cited as DODD 3000.10 (Jan. 10, 2013)); CENTCOM Regulation 415-1 (July 18, 2014).

<sup>8</sup> Department of Defense, Unified Facilities Criteria 3-740-05, *Handbook: Construction Cost Estimating* (Nov. 8, 2010) (incorporating change June 2011) and CENTCOM Regulation 415-1 (July 18, 2014).

<sup>9</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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CENTCOM area of responsibility.<sup>10</sup> Out of these data we analyzed all projects with programmed amounts equal to or over \$40 million, to account for the highest value projects equating to the top one-third of programmed amounts for projects, to determine the extent to which DOD had documented level-of-construction determinations for the projects with the highest programmed amounts. The results of this analysis were not generalizable to projects with programmed amounts below \$40 million. We determined the data to be sufficient and reliable for the purposes of our report objectives by reviewing related documentation, interviewing knowledgeable agency officials, and reviewing related internal controls.

For objective three, we collected and reviewed available supporting documentation for reviews that the U.S. Forces-Afghanistan conducted beginning in November 2011 of planned or ongoing contingency construction projects in Afghanistan.<sup>11</sup> We compared these reviews with DOD guidance, which states that the combatant commanders are responsible for assessing the operational environment at critical milestones to determine contingency basing requirements within their respective area of responsibility.<sup>12</sup> Contingency basing includes the planning, designing, constructing, operating, managing, and transitioning or closing of a non-enduring location supporting a combatant commander's requirements. We interviewed officials from the Joint Staff, CENTCOM, the Army Central Command, and the Army Corps of Engineers regarding their roles in construction project reviews when mission changes occur in Iraq and Afghanistan. We also reviewed the May 2015 Special Inspector General for Afghanistan Reconstruction report on an unused command and control facility in Afghanistan and discussed this report with the Special Inspector General staff who

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<sup>10</sup> In 2011, the Army Corps of Engineers established a new project tracking database, which included all ongoing projects and those begun thereafter. Hence, while the database is primarily populated with projects from fiscal years 2011-15, there are some projects that had completed construction but were ongoing at the time of the database's establishment because they had not been formally processed for close out. We chose February 2015 as a snapshot in time for this data review because it coincided with our site visits to collect data and conduct interviews with the Army Corps of Engineers.

<sup>11</sup> We chose reviews beginning in November 2011 because these were the first that DOD identified as having been conducted and for which there was documentation.

<sup>12</sup> See DODD 3000.10, encl. 2, para. 13.a (Jan. 10, 2013).



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conducted the underlying work.<sup>13</sup> Further, during site visits to the CENTCOM area of responsibility, we interviewed base officials regarding the impact of mission requirement changes on planned or ongoing construction projects.

For objective four, we compared CENTCOM lessons learned data recorded in the Joint Lessons Learned Information System with guidelines found in DOD guidance,<sup>14</sup> which specifies that Joint Lessons Learned Program stakeholders, when appropriate, will contribute information, data, and lessons learned that are germane to improving joint capabilities and readiness, to determine what processes the department has in place to develop contingency construction-related lessons learned. Additionally, we reviewed observations found in the Joint Lessons Learned Information System. We also interviewed DOD officials regarding the mechanisms they used for communicating contingency construction lessons learned.

We conducted this performance audit from November 2014 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. See appendix I for more details on our objectives, scope, and methodology.

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<sup>13</sup> Special Inspector General for Afghanistan Reconstruction, *\$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused*, SIGAR-15-57-SP (May 2015).

<sup>14</sup> Chairman of the Joint Chiefs of Staff Instruction 3150.25F, *Joint Lessons Learned Program* (June 26, 2015).

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## Background

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### Definition of “Contingency Construction” Project

For the purposes of this review, we use the term “contingency construction” to describe any construction, alteration, development, conversion, or extension of any kind carried out with respect to a military installation in support of contingency operations. Different organizations and personnel within DOD would consider different categories of projects to be contingency construction, reflecting the project type or categorization that is most relevant to their function. Although DOD does not have a consistent definition for what constitutes a “contingency construction” project, officials from various DOD entities identify and describe contingency construction projects based on criteria including location, funding source, statutory authority, construction standards, and a facility’s intended use. Specifically:

- **Location.** Contingency construction projects may be identified by their geographic location (such as a country or region) or as those occurring at contingency locations, which DOD defines as non-enduring locations outside of the United States that support and sustain operations during named and unnamed contingencies or other operations as directed by the appropriate authority and are categorized by mission life-cycle requirements as initial, temporary, or semi-permanent.<sup>15</sup>
- **Funding Source.** Contingency construction projects may generally be identified by the source of funding, such as the “overseas contingency operations” portion of the budget, which may include MILCON and O&M appropriations.
- **Statutory Authority.** Contingency construction projects may be identified by the statutory authority used to undertake the construction project. For example, Contingency Construction Authority is a

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<sup>15</sup> See DODD 3000.10, at 9 (Jan. 10, 2013); see also Joint Chiefs of Staff, Joint Pub. 1-02, *Department of Defense Dictionary of Military and Associated Terms* (Nov. 8, 2010) (amended Feb. 15, 2016).

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statutory authority specifically associated with contingency construction operations.<sup>16</sup>

- **Construction Standards.** Contingency construction projects may be identified by the construction standard used, such as those construction standards specified for contingency locations in CENTCOM guidance.
- **Facility's Intended Use.** The purpose of the construction—whether specifically for contingency operations or for some degree of use for contingency operations—might be considered when identifying contingency construction projects.<sup>17</sup>

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## Statutory Authorities for Carrying Out Military Construction Projects

DOD uses various statutory authorities to carry out military construction projects, including contingency construction projects, and uses MILCON and O&M appropriations to fund the construction. The statutory authorities for military construction projects, several of which DOD has used for contingency construction in the CENTCOM area of responsibility to support contingency operations in Iraq and Afghanistan, are outlined in table 1. Appendix II provides further details on these authorities.

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<sup>16</sup> While other statutory authorities may not include the words “contingency construction” within the relevant statute, they may nevertheless be used for contingency construction projects, depending on the circumstances.

<sup>17</sup> Office of Management and Budget guidance on overseas contingency operations funding requests indicates that such requests would include facilities and infrastructure in the theater of operations in direct support of combat operations. The guidance includes facilities and infrastructure for temporary use at non-enduring locations, as well as construction requirements at enduring locations, but notes that the latter must be tied to surge operations or major changes in operational requirements and will be considered on a case-by-case basis. See Office of Management and Budget guidance letter on the subject of “Criteria for War/Overseas Contingency Operations Funding Requests” dated September 9, 2010.

**Table 1: Statutory Authorities That the Department of Defense Can Use to Fund Construction Projects with Military Construction (MILCON) and Operation and Maintenance (O&M) Appropriations**

Authority	National Defense Authorization Acts	10 USC § 2805		10 USC § 2803	10 USC § 2804	10 USC § 2808	Section 2808 of the National Defense Authorization Act for Fiscal Year 2004, as amended
Title	Specified or major military construction <sup>a</sup>	Unspecified minor military construction <sup>a,b</sup>		Emergency construction	Contingency construction	Construction in the event of a declaration of war or national emergency	Contingency Construction Authority <sup>c</sup>
Appropriation	MILCON	MILCON	O&M	MILCON	MILCON	MILCON	O&M
<b>General criteria</b>	Project specified in a National Defense Authorization Act.	Project with an approved cost equal to or less than \$3 million, or \$4 million if intended solely to correct a life-, health-, or safety-threatening deficiency (as of fiscal year 2015).	Project with a cost equal to or less than \$1 million (as of fiscal year 2015).	Project that is vital to national security or to the protection of health, safety, or quality of the environment, and so urgent that it cannot wait for inclusion in the next authorization act. Projects using this authority must be carried out using unobligated MILCON funds, up to a maximum of \$50 million in any fiscal year.	Project that cannot wait for inclusion in the next authorization act as it would be inconsistent with national security or national interest. Projects must be carried out using funds specifically appropriated for this authority. <sup>d</sup>	Project necessary to support use of the armed forces in the event of a declaration of war or national emergency. Projects must be carried out using unobligated MILCON funds, including funds for family housing.	Project in certain specified areas outside the United States, including in the U.S. Central Command (CENTCOM), necessary to meet urgent military operational requirements of a temporary nature, subject to specified conditions. Projects are subject to an annual limit on the total cost of construction projects using this authority, presently \$100 million. <sup>e</sup>

Source: GAO analysis of statutes. | GAO-16-406

<sup>a</sup>National Defense Authorization Acts list named construction projects for specific purposes and locations, which are referred to as specified or major military construction projects. Other projects not named in the acts but funded using MILCON appropriations under the authority of section 2805 of Title 10, U.S. Code are referred to as unspecified minor military construction.

<sup>b</sup>Prior to fiscal year 2015, the maximums for MILCON were \$2 million or \$3 million if intended solely to correct a life-, health-, or safety-threatening deficiency, and prior to fiscal year 2008, the maximums were \$1.5 million and \$3 million, respectively. Prior to fiscal year 2015, the maximum for use of O&M funding was \$750,000. From December 2001 until December 2011, the O&M maximum increased to

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\$1.5 million in the case of a project intended solely to correct a life-, health-, or safety-threatening deficiency. There are different maximums for unspecified minor military construction projects related to laboratories, which include research, engineering, and development centers and test and evaluation activities.

<sup>c</sup>This temporary authority has been annually authorized and updated, with some changes from year to year to the conditions of use, geographic availability, reporting requirements, and total amounts available. See Pub. L. No. 108-136, § 2808 (2003) (as amended). Presently, projects must be in the CENTCOM area of responsibility or in specified countries within the U.S. Africa Command area of responsibility, and must meet each of the following conditions: (1) the construction is necessary to meet urgent military operational requirements of a temporary nature in support of a declaration of war, national emergency, or contingency operation; (2) the construction must not be at an installation where the United States is reasonably expected to have a long-term presence, unless in Afghanistan; (3) the United States must have no intention of using the construction after the operational requirements have been satisfied; and (4) the level of construction must be the minimum necessary to meet the temporary operational requirements. See § 2808(a) (as amended).

<sup>d</sup>For example, the conference report accompanying the Consolidated Appropriations Act, 2012, listed \$10 million for contingency construction, within the defense-wide military construction appropriations account. See H.R. Rep. No. 112-331, at 1283 (2011).

<sup>e</sup>The Secretary of Defense may authorize an additional \$10 million for costs associated with contract closeout. See § 2808(c)(2) (as amended).

Table 1 shows that DOD may use MILCON appropriations under five of the six statutory authorities and may use O&M appropriations under two of the six authorities. Depending on a project's cost, DOD may use either MILCON or O&M appropriations for unspecified minor military construction. In addition to using O&M appropriations for unspecified minor military construction, DOD may also use O&M appropriations for projects under the Contingency Construction Authority. To distinguish between the two statutory authorities that may use O&M funding, for the purposes of this review we refer to O&M-funded projects undertaken using section 2805 of Title 10, U.S. Code (Unspecified Minor Military Construction authority) in support of contingency operations as "O&M-funded unspecified minor military construction projects" and to O&M-funded projects using Contingency Construction Authority as "Contingency Construction Authority projects."

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## Roles and Responsibilities Related to Contingency Construction

CENTCOM and its component commands have key roles and responsibilities for contingency construction within CENTCOM's geographic area of responsibility. CENTCOM is one of six combatant commands that have a defined geographic area of responsibility, which is a specific region of the world where the combatant commanders plan and conduct operations. Figure 1 shows CENTCOM's area of responsibility, which includes Iraq and Afghanistan.

**Figure 1: U.S. Central Command's Area of Responsibility**



Source: Department of Defense; Map Resources (map). | GAO-16-406

CENTCOM is responsible for assessing the operational environment at critical milestones to determine contingency basing requirements and designating or recommending to the Chairman of the Joint Chiefs of Staff the lead service component for managing a contingency location.<sup>18</sup> CENTCOM, through the command engineer, is also responsible for coordinating with service components to develop construction project priorities and for establishing theater contingency construction standards.<sup>19</sup> CENTCOM provides its plans for activities and operations in

<sup>18</sup> See DODD 3000.10, encl. 2, para. 13 (Jan. 10, 2013).

<sup>19</sup> See, e.g., CENTCOM Regulation 415-1, paras. 2-4.a, b, 4-2.i, 4-3.e(1) (July 18, 2014).

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theater (e.g., an engineer support plan, a theater campaign plan, etc.) to its service component commands, such as the Army Central Command and the Air Force Central Command. Under the Joint Lessons Learned Program, CENTCOM is also responsible for providing and maintaining support for theater-specific joint and interoperability lessons learned activities.<sup>20</sup>

**Military Departments.** The military departments develop, review, approve, and submit proposed construction projects identified by the combatant commands and service component commands in their annual budget justification materials. The lead service component command for a contingency location is to ensure that the location's construction projects support the mission and tenants, which are driven by the plan CENTCOM provides. According to Army Central Command and Air Force Central Command officials, in developing the needed footprint for a contingency location, the service component commands identify construction projects and define level-of-construction requirements to provide the shelter and space needed to conduct planned operations. Once developed, according to Army Corps of Engineers officials, the lead service submits those projects to CENTCOM for review and validation. After CENTCOM and its component commands have validated a construction project, the service component command conveys project details, including the level of construction needed, to the Army Corps of Engineers for projects exceeding \$1 million. The Army and Air Force have delegated approval for unspecified minor military construction projects below that level to the service component commanders and subordinate commands, including the installation commander in the case of the Air Force. Once appropriations are received, the military departments provide funds to DOD construction agents to be used for approved construction projects.

**Army Corps of Engineers.** The Army Corps of Engineers is the designated DOD construction agent for CENTCOM's area of responsibility. As such, it is responsible for performing design and construction services for MILCON-funded projects and service component-requested O&M-funded projects. Additionally, it is responsible for obligating, expending, and accounting for MILCON and O&M funds for

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<sup>20</sup> See Chairman of the Joint Chiefs of Staff Instruction 3150.25F, *Joint Lessons Learned Program*, encl. D, para. 6 (June 26, 2015).

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assigned projects. According to Army Corps of Engineers officials, when performing design and construction services, the functions of the construction agent include estimating the cost of construction projects in the CENTCOM area of responsibility to meet level-of-construction requirements determined by the service component commands. When the volume of construction projects exceeds the Army Corps of Engineers' personnel capacity for managing projects, it may call upon the Air Force Civil Engineer Center to manage the design and construction for some projects in the CENTCOM area of responsibility.

Various Office of the Secretary of Defense organizations and the Joint Staff also have roles and responsibilities related to contingency construction.

- The Under Secretary of Defense for Acquisition, Technology, and Logistics exercises general oversight of the military construction program and has been delegated certain statutory authorities of the Secretary of Defense.<sup>21</sup>
- The Office of the Assistant Secretary of Defense for Energy, Installations, and Environment is, among other things, responsible for administering the provisions of DOD Directive 4270.5, regarding military construction, including issuing implementing guidance. Additionally, it is to monitor the execution of the military construction program to ensure the most efficient, expeditious, and cost-effective accomplishment of the program by DOD construction agents. Furthermore, it is responsible for developing DOD-wide master planning policy; facilities and construction standards; and real property accountability policy for contingency basing.
- The Under Secretary of Defense (Comptroller) submits budget justification materials annually to Congress, identifying construction projects to be funded and their cost. For major military construction projects specified in the National Defense Authorization Act, the Comptroller also reports on the status of funds appropriated for each project, including obligations and disbursements. Additionally, the Secretary of Defense has delegated approval authority for the use of

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<sup>21</sup> The Secretary of Defense retains authority under sections 2804 and 2808 of Title 10, U.S. Code. DODD 4270.5, para. 5.1 (Feb. 12, 2005).



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Contingency Construction Authority to the Under Secretary of Defense (Comptroller).

- The Chairman of the Joint Chiefs of Staff, in coordination with the combatant commanders, is responsible for assigning priority among competing requests from the combatant commands for military construction projects using certain authorities.<sup>22</sup> The Chairman of the Joint Chiefs of Staff also reviews combatant command recommendations for the designation of a lead service for each semi-permanent contingency location and provides a recommendation to the Under Secretary of Defense for Acquisition, Technology, and Logistics.

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## DOD Has Not Tracked the Universe and Cost of All Contingency Construction Projects in the CENTCOM Area of Responsibility That Support Operations in Iraq and Afghanistan

Since contingency operations began in Iraq and Afghanistan, DOD has not tracked the universe and cost of all CENTCOM contingency construction projects supporting operations there. Although DOD does not track all contingency construction projects separately from all other DOD projects in the CENTCOM area of responsibility, DOD maintains consolidated financial records of all MILCON projects and has been able to generate more specific data on contingency construction projects when requested. DOD was until recently required to track the universe and cost of O&M-funded projects supporting operations in Iraq and Afghanistan using the Contingency Construction Authority—one of two statutory authorities using O&M funding.<sup>23</sup> However, senior DOD officials stated that they do not track and so were unaware of the magnitude of their use of O&M funds for projects under the other statutory authority—section 2805 of Title 10, U.S. Code—projects that we found constituted a substantial segment of overall contingency construction. According to senior DOD officials, DOD is not required to track the universe and cost of

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<sup>22</sup> Specifically, the Chairman of the Joint Chiefs of Staff is responsible for assigning priority among competing requests for projects under sections 2804 and 2808 of Title 10, U.S. Code, and forwarding them to the Under Secretary of Defense for Acquisition, Technology, and Logistics. DODD 4270.5, para. 5.4.5 (Feb. 12, 2005).

<sup>23</sup> Section 2808 of the National Defense Authorization Act for Fiscal Year 2004, as amended, previously required DOD to submit a quarterly report on the worldwide obligation and expenditure of funds, after each quarter that funds were used. See Pub. L. No. 108-136, § 2808(d) (as amended). A provision in the National Defense Authorization Act for Fiscal Year 2016 eliminated the reporting requirement. Pub. L. No. 114-92, § 2802(c) (2015).

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those projects. DOD has routinely used O&M funding for these projects to more quickly meet requirements because the MILCON review process can take up to 2 years. However, in some instances, DOD's use of O&M funding has posed financial, operational, and duplication risks.

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**DOD Has Consolidated Data on MILCON Projects That Support Contingency Operations and Has Been Able to Generate More Specific Data on Contingency Construction Projects When Requested**

The department does not track MILCON-funded contingency construction projects separately from other MILCON-funded construction projects. According to senior department officials, DOD is not required to track contingency construction projects separately from all other DOD projects and any MILCON projects supporting contingency operations are managed sufficiently within the standard DOD processes used for all military construction. For the CENTCOM area of responsibility, the department maintains consolidated financial records on MILCON projects, whether or not those projects support contingency operations, and has been able to generate more specific data on contingency construction projects when requested. Comptroller officials also stated that the department accounts for construction costs at the level authorized and appropriated by law. Specifically, the department captures obligation and disbursement data for MILCON projects in a monthly report<sup>24</sup> of budget execution data for the period that funds are available for obligation plus 5 additional years.<sup>25</sup> For example, DOD's December 2015 monthly report reflected obligations of \$1.4 billion for projects funded with overseas contingency operations MILCON funds in the CENTCOM area of responsibility from fiscal year 2010 through fiscal year 2016. According to Comptroller officials, obligations and disbursements for projects prior to this period—for which accounts have been closed—are not retained in an automated system; therefore, reconstructing these data would be an intensive manual effort.

A senior official in the Office of the Assistant Secretary of Defense (Energy, Installations, and Environment) stated that DOD does not expend resources to track contingency construction project expenditures

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<sup>24</sup> Department of Defense, Accounting Report Monthly 1002 (AR(M) 1002), Appropriation Status by Fiscal Year Program and Subaccounts.

<sup>25</sup> During the 5-year period after the period of availability and before an account is closed, it remains available for recording, adjusting, and liquidating obligations.

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at a level of detail beyond what is required by Congress and instead relies on data queries should this level of detail be required. For example, according to a Comptroller official, in 2012 DOD responded to a request from the House Appropriations Committee, Security and Investigations Subcommittee, to provide data on obligations and disbursements for military construction in Iraq and Afghanistan. DOD was able to collect the requested data through data queries of the Defense Finance and Accounting Services and DOD Comptroller databases. The data indicated that as of September 30, 2012, the department had obligated \$4.2 billion in MILCON funding (both base and overseas contingency operations funding) for specified military construction projects, as well as \$1.3 billion in O&M funding (under Contingency Construction Authority), from fiscal years 2004 through 2012.

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### DOD Has Not Tracked the Universe and Cost of All O&M-Funded Contingency Construction Project Expenditures Supporting Contingency Operations in Iraq and Afghanistan

DOD was until fiscal year 2016 required to track the universe and cost of projects supporting contingency operations in Iraq and Afghanistan using the Contingency Construction Authority, one of two statutory authorities using O&M funding. According to Comptroller officials, DOD has been able to generate obligation and disbursement data for Contingency Construction Authority projects funded with O&M under the Contingency Construction Authority established by section 2808 of the National Defense Authorization Act for Fiscal Year 2004 (as amended). Specifically, DOD has maintained records for all 112 projects constructed under this authority since fiscal year 2004, when it was established. For these projects, the department has maintained a cumulative record of obligations and expenditures to fulfill the statutory requirement for reporting this information to congressional committees on a quarterly basis.<sup>26</sup> As of September 2015, DOD had obligated and expended \$1.4 billion in O&M funds using the Contingency Construction Authority from fiscal years 2004 through 2015.

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<sup>26</sup> Section 2808 required DOD to submit a quarterly report on the worldwide obligation and expenditure of funds, after each quarter that funds were used. See Pub. L. No. 108-136, § 2808(d) (as amended). Effective fiscal year 2016, there is no longer a quarterly reporting requirement for these projects. See National Defense Authorization Act for Fiscal Year 2016, Pub. L. No. 114-92, § 2802(c) (eliminating the quarterly reporting requirement).

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However, according to senior DOD officials, DOD is not required to track contingency construction projects funded with O&M appropriations under the other statutory authority, section 2805 of Title 10, U.S. Code, separately from all other DOD projects. Senior DOD officials stated that they were unaware of the magnitude of their use of O&M funds for unspecified minor military construction projects in the CENTCOM area of responsibility because DOD did not track the O&M-funded contingency construction projects using that authority. During the course of our review, we found that the Army, which programs the majority of these O&M-funded unspecified minor military construction projects in the CENTCOM area of responsibility, had not tracked or documented these projects and was unable, therefore, to provide us with a comprehensive list accounting for them. DOD officials from other organizations, including the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Office of the Under Secretary of Defense (Comptroller); CENTCOM; the Army Central Command; the Air Force Central Command; the Army Corps of Engineers; and the Air Force Civil Engineer Center also could not provide us with a comprehensive list of O&M-funded unspecified minor military construction projects in the CENTCOM area of responsibility. Office of the Assistant Secretary of Defense for Energy, Installations, and Environment; Joint Staff; and CENTCOM officials told us that accounting for these projects was a service responsibility or was otherwise left to the services.

According to Army Central Command officials, a list could be developed using information from operating bases where the construction occurred; however, most of the bases in Afghanistan and Iraq have been closed and locating such information would be problematic. For example, though O&M-funded contingency construction project files for fiscal years 2009 through 2010 for construction projects in Afghanistan are located in hard copy in filing cabinets at Army Central Command headquarters at Shaw Air Force Base, South Carolina, neither U.S. Forces-Afghanistan nor Army Central Command could provide records prior to 2009. Further, according to a U.S. Forces-Afghanistan official, an effort to review, collect, and analyze historic construction project data after the fact would be too resource-intensive given the drawdown of operations in Afghanistan and the other higher priorities occupying the limited U.S. Forces-Afghanistan personnel available to undertake such an effort.

Absent a comprehensive list of DOD's O&M-funded unspecified minor military construction projects, we used the limited information available to identify O&M-funded unspecified minor military construction projects supporting operations in Iraq and Afghanistan, and found that these

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projects constituted a substantial segment of overall contingency construction. Specifically, using available U.S. Forces-Afghanistan information for fiscal years 2009 through 2012, we identified records indicating that the command had approved at least \$944 million in O&M funding for 2,202 of these projects in Afghanistan alone.<sup>27</sup> This use of O&M funding appears significant when compared with the \$3.9 billion DOD reported as enacted for other construction projects in Afghanistan over the same period using MILCON funding.<sup>28</sup> Further, the 2,202 contingency construction projects we identified in the U.S. Forces-Afghanistan data may not include all construction projects funded under section 2805 of Title 10, U.S. Code, in Afghanistan during fiscal years 2009 through 2012 because, according to Army Central Command officials, U.S. Forces-Afghanistan delegated authority to its four regional commands to approve and fund projects independently. Therefore, the \$944 million in O&M funding we identified may not include construction projects independently approved at the regional command level during this period. Additionally, Army Central Command officials were not able to provide information on O&M-funded unspecified minor military construction projects in Afghanistan prior to 2009, as discussed earlier. Nor were they able to provide this information for projects in Iraq and other countries in their area of responsibility for all fiscal years where, according to Army Central Command officials, O&M-funded construction activities took place. During the course of our review, we shared the results of our analysis with DOD officials, who agreed that the amount of O&M funding we identified constituted a significant segment of contingency construction expenditures. Army Central Command officials further noted that on the basis of their experience the costs that we had identified were likely conservative relative to the universe of O&M-funded unspecified minor military construction projects in the CENTCOM area of responsibility. These officials told us that it is likely that the majority of

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<sup>27</sup> These records were in the form of U.S. Forces-Afghanistan Joint Facilities Utilization Board documentation for the projects. A Joint Facilities Utilization Board is a joint board that evaluates and reconciles component requests for real estate, use of existing facilities, inter-service support, and construction to ensure compliance with Joint Civil-Military Engineering Board priorities.

<sup>28</sup> This figure is from a September 30, 2012, one-time report on major military construction in both the base and overseas construction operations sections of the budget that the DOD Comptroller compiled in response to a request from the House Appropriations Committee, Security and Investigations Subcommittee.

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contingency construction projects are funded as unspecified minor military construction projects using O&M appropriations. Further, Army Central Command officials acknowledged that while individual projects may not warrant tracking on the basis of their specific construction cost, collectively across all projects the amounts are likely to be more significant, as was the case with the \$944 million we identified. According to GAO's *Standards for Internal Control in the Federal Government*, management should design control activities to achieve objectives and respond to risks by, for example, clearly documenting all transactions and other significant events in a manner that allows the documentation to be readily available for examination.<sup>29</sup> DOD's O&M-funded unspecified minor military construction projects collectively constitute significant events and, therefore, DOD's control activities should include a means for documenting and tracking these projects.

According to a senior official from the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment and senior DOD Comptroller officials, DOD does not plan to collect and analyze data on these O&M-funded projects, either in the CENTCOM region or in any other location. The officials noted that, while DOD could invest resources to track and document how much O&M funding they have used and are using for construction projects to support contingency operations, current DOD systems and processes are not set up to automatically provide this level of detail for these projects. Further, they noted that without changing DOD's current systems and process, identifying this information would be resource and labor intensive. However, Army Central Command officials noted that each project undertaken using O&M funding for construction under the authority of section 2805 of Title 10, U.S. Code, requires a documented identification and classification of a project's estimated construction costs and a legal determination to validate the base commander's construction cost estimates for each project, to ensure that the \$1 million maximum is not exceeded. While we recognize that locating all records of construction costs for completed construction projects at this point would be problematic, data on the construction costs for ongoing and future projects should continue to be readily available at the time of a project's approval decision. Base commanders could therefore

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<sup>29</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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compile these readily available cost data and report them through the chain of command, for example, to the Under Secretary of Defense (Comptroller) and other decision makers. Given the magnitude of these O&M funds we identified that DOD used for contingency construction projects in Afghanistan in fiscal years 2009-12, establishing a means to track and document information on the universe and cost of all ongoing and future unspecified minor military construction projects funded with O&M would improve DOD's ability to manage and oversee funds made available for such projects using O&M funding. Further, GAO's *Standards for Internal Control in the Federal Government* states that management should use quality information to achieve the entity's objectives—such as executing construction responsibilities and administering funds—by, for example, designing a process that identifies the information requirements needed.<sup>30</sup> In the context of O&M funds, which are available for a variety of functions including construction, quality information on the use of O&M for construction activities in the contingency environment would be helpful for understanding the overall cost of contingency operations and the availability of funds for other operational purposes. Clearly tracking O&M-funded unspecified minor military construction projects is important for administering O&M funds and determining the funding needed to support operations in Iraq and Afghanistan, as well as for projecting funding needed for future contingency operations. DOD officials agreed that without comprehensively tracking and documenting unspecified minor military construction projects funded with O&M appropriations, the military services and other stakeholders are limited in their ability to manage and oversee funds made available for military construction, including contingency construction projects. Without information on the universe and cost of these projects funded with O&M, the military services cannot maintain awareness of how much O&M funding they are using for construction projects to support contingency operations versus other O&M-funded operational requirements.<sup>31</sup>

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<sup>30</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>31</sup> In addition to contingency construction projects, O&M funds support a wide variety of other requirements for military operations in a contingency environment, including headquarters operations, travel, fuel, spare parts, and base operations support.

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## DOD's Reliance on O&M Funding for Contingency Construction Projects Creates Financial, Operational, and Duplication Risks

CENTCOM commanders have frequently relied on O&M funding to support contingency construction projects because, according to officials, O&M-funded projects take less time from development through construction than do MILCON-funded projects. However, this reliance on O&M funding has the potential to create financial, operational, and duplication risks.

Due to the urgency of contingency operations, CENTCOM personnel must often construct facilities as rapidly as possible in their area of responsibility. For example, CENTCOM Regulation 415-1 notes that contingency basing locations support immediate but temporary contingency operations.<sup>32</sup> It also states that O&M funds will be used to the maximum extent possible.<sup>33</sup> However, for projects exceeding a cost of \$1 million—the maximum amount currently available for O&M-funded projects under section 2805 of Title 10, U.S. Code—base officials in the CENTCOM area of responsibility stated they do not have a funding process that adequately supports contingency construction projects needed within a short time frame, since MILCON-funded projects can take up to 2 years for review and approval in addition to the time needed to complete construction.

CENTCOM officials noted that a construction project can use either MILCON or O&M funding, and should be designed to address a single construction requirement. Under general construction authorities (i.e., major military construction specified in the National Defense Authorization Act and unspecified minor military construction under section 2805 of Title 10, U.S. Code), commanders must use MILCON funding for projects costing more than \$1 million (\$750,000 prior to fiscal year 2015).<sup>34</sup> Army

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<sup>32</sup> CENTCOM Regulation 415-1, para. 3-3 (July 18, 2014).

<sup>33</sup> CENTCOM Regulation 415-1, para. 7-1.a (July 18, 2014). The guidance further states that construction requirements exceeding organic capability and/or the new construction O&M ceiling will be prioritized and submitted to the appropriate combined joint task force or service component.

<sup>34</sup> Section 2805 of Title 10, U.S. Code, authorizes DOD to use either MILCON or O&M appropriations for unspecified minor military construction projects, but limits the use of O&M to projects costing \$1 million or less. The maximum was \$750,000 prior to fiscal year 2015. Prior to 2012, section 2805 also included an exception for use of O&M for projects costing \$1.5 million or less in the case of a project intended solely to correct a deficiency that is life-, health-, or safety-threatening.



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Central Command officials, however, stated that MILCON-funded projects can take 12 to 18 months to develop and submit, 12 to 24 or more months to review and approve, and 18 to 24 months to construct, equating to about 3 to 5 years in total before a project is completed and in use. By comparison, commanders can use O&M funding to meet construction requirements for projects at or below that maximum, and such projects can usually be reviewed and approved at the component or subordinate command level in 2 to 3 months and constructed in less than 1 year. Officials noted that even unspecified minor military construction projects using MILCON funds involve a lengthy review process, and commented that commanders seeking to use these funds must compete with projects from around the world within their respective service for a relatively limited amount of funding.<sup>35</sup>

In addition to the general construction authorities, DOD may use other authorities for construction projects in emergency and contingency circumstances.<sup>36</sup> According to senior officials in the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment, these authorities can provide a means for funding contingency construction projects that exceed the O&M-funding maximum. For example, according to these officials, in an extraordinary instance the department could review, approve, and fund a contingency construction project in as few as 60 days using the Contingency Construction Authority. Nonetheless, these officials acknowledged that this process is still time-consuming in the eyes of commanders. Further, while service component and base officials in the CENTCOM area of responsibility acknowledged that these authorities are available and can be used in certain instances, they view them as inadequate because of the time required to get projects

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<sup>35</sup> According to Army Central Command officials, the Army typically receives no more than between \$20 million and \$25 million in unspecified minor MILCON appropriations each fiscal year, although that amount has varied over time. For fiscal year 2016, the Army received \$25 million; the Navy, approximately \$23 million; the Air Force, approximately \$23 million; and defense-wide (defense agencies, the Special Operations Command, and the Joint Chiefs of Staff) a total of approximately \$32 million. See 161 Cong. Rec. H10,390-91 (daily ed. Dec. 17, 2015) (explanatory statement, accompanying the Consolidated Appropriations Act, 2016).

<sup>36</sup> For example, in appropriate circumstances, DOD may construct projects under section 2808 of the National Defense Authorization Act for Fiscal Year 2004, as amended (referred to as Contingency Construction Authority) or sections 2803, 2804, and 2808 of Title 10, U.S. Code.

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approved. Specifically, according to Office of the Assistant Secretary of Defense for Energy, Installations, and Environment and Army Central Command officials, these authorities involve an approval process from higher military department headquarters and DOD similar to that required under general construction authorities that can be lengthy (6 months or longer) and involve considerable DOD and congressional scrutiny. According to Army Central Command officials, in some instances, use of these other authorities also involves a request to reprogram funds,<sup>37</sup> thereby adding another 3 to 8 months to the process. Officials noted that units on relatively short rotations (about 9 to 10 months) may no longer need the project by the time construction begins. Further, officials noted that commanders may perceive these authorities as requiring competition among various projects for funding, sometimes on a worldwide basis, and as a result believe that they will be unable to obtain approval.

However, when using O&M funds for construction, base commanders must be careful as they consider the scope of a project, particularly when developing multiple projects to address similar requirements or an overarching or single requirement. Specifically, section 2801 of Title 10, U.S. Code provides that a military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility.<sup>38</sup> GAO and the military departments have noted that the construction of a single “complete and usable” facility or project may involve the construction of several related buildings, structures, or other improvements to real

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<sup>37</sup> Reprogramming involves shifting funds within an appropriation or fund account to use them for purposes other than those contemplated at the time of appropriation; it is the shifting of funds from one object class to another within an appropriation or from one program activity to another.

<sup>38</sup> 10 U.S.C. § 2801(b). A facility is a building, structure, or other improvement to real property. § 2801(c)(2).

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property.<sup>39</sup> As GAO has previously noted, the key factor is that a single building, structure, or other improvement could not satisfy the need that justified carrying out the construction project.<sup>40</sup> Military department guidance provides that a single project or requirement may not be split into smaller projects solely in order to stay below the funding “threshold” (i.e., maximum).<sup>41</sup> Whether multiple buildings should be programmed and funded as one project is a case-by-case determination that depends on various factors. However, multiple construction projects in support of a

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<sup>39</sup> See, e.g., B-234326.15, Dec. 24, 1991 (concluding that the Air Force improperly split a project for housing when it acquired 12 trailers through two separate purchases in order to meet the minor construction maximum); B-213137, Jan. 30, 1986 (raising questions regarding DOD’s decision to treat clearly interrelated facilities constructed during the same time frame at one location as separate projects); Army Pamphlet 420-11, *Project Definition and Work Classification*, paras. 1-7.a(2), 1-7.r(3) (“For example, a project to construct an airfield could be broken into increments of runways, taxiways, aprons, control tower, and hangars, each of which are complete and usable; but the total project is not complete until all increments are complete and the total requirement is satisfied.”), 1-7.r(5) (distinguishing interdependent and interrelated projects) (Mar. 18, 2010); Air Force Instruction 32-1032, *Planning and Programming Appropriated Fund Maintenance, Repair, and Construction Projects*, para. 3.4 (Sept. 24, 2015) (“if each facility/structure that comprises the requirement cannot be considered complete and usable without any of the other facilities or structures, then programmers must aggregate the costs of the dependent facilities/structures for approval threshold determination”); Office of the Chief of Naval Operations Instruction 11010.20H, *Navy Facilities Projects*, ch. 2, para. 2.a(3) (May 16, 2014) (incorporating change June 24, 2015) (“How facilities and their purpose relate to one another must be used to determine what should be considered a single project.”). GAO’s 1986 decision used the word “interrelated” in a fashion similar to DOD’s use of the term “interdependent.”

<sup>40</sup> See B-234326.15, Dec. 24, 1991.

<sup>41</sup> See Army Regulation 420-1, *Army Facilities Management*, paras. 2-12.c, 2-15.a (Aug. 24, 2012); *id.* at 451 (defining project splitting); Army Pamphlet 420-11, *Project Definition and Work Classification*, para. 1-7.r (Mar. 18, 2010); Air Force Instruction 32-1032, *Planning and Programming Appropriated Fund Maintenance, Repair, and Construction Projects*, para. 3.5.2 (Sept. 24, 2015); Air Force Instruction 32-1021, *Planning and Programming Military Construction (MILCON) Projects*, para. 4.3 (Feb. 25, 2016); Office of the Chief of Naval Operations Instruction 11010.20H, *Navy Facilities Projects*, ch. 2, para. 3.c (May 16, 2014) (incorporating change June 24, 2015).

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similar requirement may raise funding concerns or, in extreme cases, result in a violation of the Antideficiency Act.<sup>42</sup>

During our site visits to CENTCOM bases, officials told us that using O&M funding for projects is the quickest option available to address immediate contingency construction requirements. However, during the course of our review, we found instances of contingency construction requirements that might have entailed projects with construction costs above the \$1 million maximum (\$750,000 prior to fiscal year 2015) for O&M-funded projects but that, according to officials, needed to be completed more quickly than would have been possible under the existing MILCON review and approval process, which can take 2 years. While the extent of DOD's use of the practice is unknown because DOD has not tracked the universe and cost of O&M-funded unspecified minor military construction projects, we identified examples where commanders had modified a project's specifications or where commands had developed multiple projects below the O&M maximum to address a single requirement, which could then be completed more quickly. DOD's reliance on O&M funding in these instances increased the risks of (1) potential concerns regarding the appropriate use of funding, (2) negative operational impacts, and (3) unnecessary duplication of effort.

Following are the examples that we identified where commanders had modified a project's specifications or commands had developed multiple projects to address similar requirements or an overarching or single requirement, potentially raising concerns or underrating risk regarding the appropriate use of funding:

- In August 2010, base officials at Bagram Airfield, Afghanistan, identified the need for additional housing at the base and designed 28 projects for the construction of concrete shelters—referred to as B-huts—classifying the project costs as construction costs. As the

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<sup>42</sup> The Antideficiency Act prohibits federal employees from, among other things, making or authorizing an expenditure or obligation that exceeds the amount available in an appropriation or fund. 31 U.S.C. § 1341(a)(1)(A). Charging a construction project to O&M funds in excess of the statutory ceiling may also violate section 1301(a) of Title 31, U.S. Code, which prohibits using appropriated funds for other than their intended purpose, as well as the Antideficiency Act unless unobligated construction funds are available to make an appropriate account adjustment. See GAO, *Principles of Federal Appropriations Law*, Vol. 3, 3<sup>rd</sup> ed., ch. 13, § F.1.b(1), [GAO-08-978SP](#) (Washington, D.C.: Sept. 2008).

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projects progressed, contingency-related changes resulted in base officials combining the 28 projects into 6 larger projects. Moreover, concurrent with the combination of the projects, base officials also modified the project specifications by re-designating the B-huts as “relocatable buildings,” the costs for which were then classified as other-than-construction.<sup>43</sup> These actions significantly reduced costs designated as construction for each of the 6 larger projects putting them below the general \$750,000 maximum for O&M funded projects in effect in 2010, after which base officials used O&M funds to finance their construction. Nonetheless, subsequent to the completion of the concrete shelters the department reported in September 2015 that it should have used MILCON funds to construct the shelters and determined that the obligations incurred for the projects had exceeded the statutory limit for O&M-funded unspecified minor military construction projects, thus resulting in a violation of the Antideficiency Act.<sup>44</sup>

- In October 2009, Forward Operating Base Leatherneck officials identified a requirement for a headquarters building for a Marine Wing Support Squadron, which they estimated would have a total project cost of \$847,491. Officials classified \$740,193 of this amount as construction and the remainder as non-construction costs. However, the items classified as non-construction included a \$44,600 generator used to power the building. According to Army Regulation 420-1, generators affixed as a permanent part of a facility that provide power to the facility are classified as real property and should be funded with military construction funds.<sup>45</sup> If the generator for this project had been properly classified as construction, the project’s construction costs would have been \$784,793, which exceeded the general \$750,000 O&M maximum in effect at that time. In this instance, it is unclear why

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<sup>43</sup> Certain buildings may be classified and funded as either real property or personal property—known as relocatable buildings and managed as equipment—depending on the circumstances and costs involved. See, e.g., Army Regulation 420-1, *Army Facilities Management*, para. 6-14.b (Aug. 24, 2012).

<sup>44</sup> According to the Army’s Financial Management Office, in fiscal years 2010 through 2015, the department opened 15 Antideficiency Act investigations involving the use of Army O&M appropriations for the construction of projects in the CENTCOM area of responsibility. Two of the 10 investigations completed thus far validated that an Antideficiency Act violation had occurred, including the one in our example.

<sup>45</sup> See Army Regulation 420-1, *Army Facilities Management*, para. 4-67.a (Aug. 24, 2012).

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base officials did not classify the attached generator as part of the construction cost for the project.<sup>46</sup> However, such circumstances have the potential for raising concerns about the appropriate use of funds.

- In October 2009, anticipating a large surge in personnel beyond Kandahar Airfield's capacity, Regional Command South, a component of the U.S. Forces-Afghanistan, identified an operational requirement to construct additional housing for these personnel. Instead of planning, designing, and constructing the housing as a single, large MILCON project to address the requirement, Regional Command South programmed six separate, smaller, company-size projects with \$655,685 each in construction costs. Regional Command South then used O&M funding to finance the construction of each of the smaller projects. If the additional housing were constructed as a single project (i.e., the construction costs from all six projects were combined), the likely total construction cost, \$3,900,000, would have exceeded the general \$750,000 O&M maximum in place at the time and would have required the use of MILCON funds. Although Army documentation identified each project as a complete and useable facility and noted advantages to dividing the overall housing requirement at the company level, the practice of dividing a requirement into separate, smaller projects could raise concerns about the appropriate use of funding.

Following are the examples that we identified where commanders had modified a project's specifications or commands had developed multiple projects to address a single requirement and in the process had created an operational risk—that is, had risked negatively affecting DOD's ability to efficiently or effectively achieve operational objectives:

- In 2015, officials at a base in Southwest Asia divided a single requirement for a critical air control facility into four separate projects for four separate buildings—each of which cost \$650,000—instead of one project for a single building that would have exceeded the \$1 million O&M funding maximum. According to base officials, the four-building design does not align with the design of similar air control

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<sup>46</sup> According to an Army Central Command official, the Army Central Command is the Title 10 authority for the CENTCOM area of responsibility and, therefore, is responsible for funding and approval decisions. In doing so, the command applies Army rules and regulations to U.S. Forces-Afghanistan; other military services; and subordinate commands, including for projects at Camp Leatherneck.

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facilities elsewhere. Moreover, these officials also stated that housing the facility in four separate buildings is suboptimal because it does not fully enable the integration of operations and maintenance functions and could, therefore, negatively affect the operational capability of the facility. Nevertheless, given the urgency and importance of the capability the facility provides, base officials stated that they could not wait for MILCON funding for a single project and building. In addition to the operational risk, this practice also has the potential for raising concerns about the appropriate use of funds.

- In June 2015, officials at an air base in Southwest Asia identified a requirement for and designed an unmanned aerial vehicle shelter at an estimated cost of \$377,000. This amount did not exceed the O&M maximum but did exceed the air base commander's approval authority for O&M-funded construction projects, which was \$100,000.<sup>47</sup> Consequently, in order to complete the project quickly, according to base officials, they changed the scope of the project to keep the construction costs within the base commander's \$100,000 approval authority. Specifically, they reduced construction costs by removing the concrete floor and asphalt taxiway from the project's scope, replacing them with temporary flooring. Base officials estimated that the re-scoped project would cost \$97,000. According to base officials, while reducing the project's scope in this manner is a common practice, in this instance the removal of the asphalt taxiway increases the risk of damage to the unmanned aerial vehicle's landing gear and electronic sensors when it is moved in and out of the shelter. Had base officials been able to design and construct the project as originally intended, this risk to the unmanned aerial vehicle's operational capability would have been mitigated.
- In May 2014, the Air Force identified a requirement for a new air passenger terminal at Ali Al Salem Air Base, Kuwait, because the harsh environment and heavy passenger traffic had deteriorated its existing facilities and they were no longer adequate to sustain the mission. The requirement included space for receiving and processing

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<sup>47</sup> U.S. Air Force Central Command re-delegates its authority to approve minor construction and repair and maintenance projects using O&M appropriations to subordinate units. According to a base official, under the delegated authority, the relevant maximum for minor construction projects using O&M funding at the base in 2015 was \$100,000, which is the same amount as the current maximum. See Air Force Central Command Memo, Revised Delegation of Project Approval Authority, Sept. 2015.

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6,500 personnel a month, with baggage; briefing and holding areas; and a U.S. Customs processing area. According to base officials, a single building housing these three functions would be preferable because the activities are sequential and are best performed indoors without having to travel between buildings. However, to do so would have required MILCON funding because the total would have exceeded the \$750,000 O&M maximum in effect at that time. According to base officials they divided the requirements into three projects for (1) an air passenger terminal for \$660,000; (2) a baggage control center for \$527,000; and (3) a customs processing facility for \$660,000—totaling about \$1.8 million. As a result, according to base officials, terminal operations will be negatively affected by the unnecessary movement between three buildings, which will likely increase processing time for passengers and baggage. Further, this practice also has the potential for raising concerns about the appropriate use of funds.

Following are the examples that we identified where commanders had modified a project's specifications or commands had developed multiple projects to address a single requirement, or relied on O&M funding in other ways, and in the process had created the duplication risk of unnecessarily providing the same service to the same beneficiaries:

- According to Al Udeid Air Base officials, in 2015 base officials decided to move the base's North Squadron operational and administrative facilities to another location on the base because the host nation (Qatar) wanted to reclaim the space then occupied by the squadron. Base officials decided to construct eight O&M-funded, semi-permanent facilities (that have a useful life of up to 25 years with maintenance and upkeep) to temporarily house the squadron at various locations on the base at a cost of about \$650,000 each. During the same year, base officials also initiated a request for \$24 million in MILCON funding through the Air Force to construct a permanent facility at the new location that would house both North Squadron personnel and personnel from other Air Force entities. The use of these two funding sources creates the potential for unnecessarily duplicative expenditures of up to \$5.2 million, which is the total amount in O&M funding for the eight semi-permanent facilities that will no longer be needed to house the North Squadron once the permanent facility for the squadron and other Air Force entities is complete.
- According to Army Central Command officials, in 2009, bases in Kuwait needed additional dining facilities to support a surge in personnel. To satisfy this requirement, DOD entered into an O&M-



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funded food service contract, which included the contractor providing four dining facilities (with an estimated useful life of up to 25 years with maintenance and upkeep) in Kuwait for government lease. The contract included provisions providing that: the U.S. government cannot purchase or take ownership or title of the dining facilities, the U.S. government cannot pay all of the direct costs of building them, and the dining facilities remain the property of the contractor and are to be removed at the end of the period of performance. According to DOD figures, the department spent \$43.8 million for leasing and operating these four dining facilities in Kuwait over the 5-year period of the contract. In 2015, upon the expiration of the old food service contract, Area Support Group Kuwait officials requested \$64 million in O&M funding to solicit a new food services contract, which according to officials would have included \$27 million to construct five dining facilities to replace the four scheduled to be removed as a result of the expiring contract. When the request came to the Army Central Command Engineer in Kuwait for review, officials expressed concern that the requested contract would be an inappropriate expenditure of O&M funds because MILCON appropriations must be used for construction when project costs exceed the \$1 million O&M maximum. According to a senior Army Central Command official, if the Area Support Group Kuwait dining facilities in the requested 2015 food service contract were completed as a construction project, it would require the use of MILCON funds. As of January 2016, it was still unclear how the four existing dining facilities will be replaced and the new ones financed, but according to an Army Central Command official, the Army will have to expend additional funds in some form to duplicate the dining facilities, thereby providing the same service (dining facilities) a second time to the same beneficiaries (bases). If this were to be the case, the construction of the replacement dining facilities would create duplicative expenditures of up to \$7.1 million, the appraised cost of the four contractor-owned dining facilities when new that will be removed after the current food service contract has expired.<sup>48</sup>

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<sup>48</sup> The Army investigated and found insufficient evidence of an Antideficiency Act violation with respect to the 2009 food services contract, but officials characterized the earlier approach as nevertheless problematic under Army policy, guidance, and engineering standards.

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While senior officials in the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment stated that the existing additional construction authorities should provide an adequately expedited process to fund contingency construction projects, none of the base officials in the CENTCOM area of responsibility we interviewed agreed. Instead, the base officials we interviewed stated that it is the absence of an expedited process to fund contingency construction projects that is the reason they use the approaches we identified (i.e., modifying a project's specifications and using multiple, smaller projects). Further, according to Army Central Command officials, the length of commanders' deployments—typically lasting 1 year or less—adds urgency to complete projects quickly. As a result, commanders in the CENTCOM area of responsibility may have routinely opted to use O&M funds for contingency construction projects to the maximum extent possible in order to avoid the more lengthy review and approval processes that may be involved when using MILCON funding, a process that can take 2 or more years before construction begins.

While the practice of maximizing the use of O&M funds for contingency construction may help base commanders in the CENTCOM area of responsibility meet urgent requirements, they acknowledge, as do officials at the Army Central Command, that the routine use of O&M funds in lieu of DOD's other authorities has the potential to create risks regarding the appropriate use of funding and could lead to negative operational impacts and unnecessarily duplicative construction expenditures. GAO's *Standards for Internal Control in the Federal Government* states that management should design and implement control activities—policies, procedures, techniques, and mechanisms that enforce management's directives—to achieve objectives and respond to risks.<sup>49</sup> In the case of contingency construction projects, these control activities could include policies and procedures that would allow base commanders to better support immediate contingency basing and operational needs—including for projects with construction costs greater than the \$1 million O&M funding maximum that are not suited to the existing lengthy MILCON review and approval process. These control activities, for example, could include processes that improve the use of existing authorities while

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<sup>49</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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finding ways to shorten review and approval time frames or seeking additional authorities as appropriate.

As noted earlier, DOD Directive 3000.10 assigns responsibility to the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics to, among other things, designate a senior official to be responsible for the oversight of all aspects of contingency basing policy. The guidance also assigns the Under Secretary responsibility to develop criteria for facilities, equipment, and services for contingency locations.<sup>50</sup> According to a senior official in the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment, this office is working with the Joint Staff to develop new contingency basing construction policy and Unified Facilities Criteria for construction projects that support urgent operational requirements. However, according to an official from this office, these changes to policy and criteria will not include provisions to collect and analyze data on the extent to which O&M funding is used for construction projects as part of these efforts, limiting DOD's ability to address the financial, operational, and duplication risks we have identified. Analyzing the extent to which O&M funding is being used for construction projects in the contingency environment may better enable DOD to determine the magnitude of DOD's risk from using O&M funding for construction and identify opportunities to encourage the use of other authorities—including the use of O&M funds under the Contingency Construction Authority. The information may also enable DOD to determine whether existing departmental processes implementing those authorities sufficiently support urgent construction needs or could be expedited. Finally, it may enable DOD to determine whether additional authorities are needed.

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<sup>50</sup> DODD 3000.10, encl. 2, para. 1.a-b (Jan. 10, 2013).

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**DOD Has Guidance Used for Determining the Appropriate Level of Construction for MILCON-Funded Contingency Construction Projects in CENTCOM's Area of Responsibility, but Has Not Documented the Rationale for All Such Determinations**

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**DOD Has Guidance Used for Determining the Appropriate Level of Construction for MILCON-Funded Contingency Construction Projects**

DOD has guidance that is used for determining the appropriate level of construction for MILCON-funded projects. The guidance includes DOD's Unified Facilities Criteria, which states, among other things, that cost engineers must thoroughly understand a project's scope of work before rendering a cost estimate.<sup>51</sup> In addition, the guidance indicates that cost engineers should always remain mindful of the documentation necessary to support cost estimate submissions, such as project narratives that highlight any assumptions made during the preparation of the cost estimate and that describe the project requirements in sufficient detail to give a clear understanding of the scope of work. According to Army Corps of Engineers officials, the level of construction needed to meet a project requestor's requirements is one of the underlying assumptions that should be documented.

With respect to construction in the CENTCOM area of responsibility, CENTCOM Regulation 415-1 notes that service components plan and

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<sup>51</sup> Unified Facilities Criteria 3-740-05, *Handbook: Construction Cost Estimating* (Nov. 8, 2010) (incorporating change June 2011).

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program for military construction.<sup>52</sup> According to CENTCOM officials, this includes developing construction requirements, determining the appropriate level of construction to meet those requirements, and communicating that determination to the Army Corps of Engineers, which is DOD's lead construction agent in the CENTCOM area of responsibility. Based on that information, the Army Corps of Engineers will then develop cost estimates for the construction project. CENTCOM's regulation also indicates that at contingency locations, construction projects will be of austere design, constructed to the minimum military requirement to limit the demand on available infrastructure and resources.<sup>53</sup> In this vein, CENTCOM's regulation provides three levels of construction for contingency locations, which are generally keyed to a facility's intended period of use. These three levels are: "initial," for facilities intended for use for up to 6 months; "temporary," for facilities intended for use for up to 5 years; and "semi-permanent," for facilities intended for use for up to 10 years.<sup>54</sup>

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<sup>52</sup> CENTCOM Regulation. 415-1, paras. 4-3.a, 4-3.e (July 18, 2014). DOD guidance on contingency basing similarly notes that DOD component heads, including the Secretaries of the military departments, are responsible for planning, programming, and budgeting for contingency basing requirements. As defined in the guidance, contingency basing includes construction, among other activities. See DODD 3000.10, encl. 2, para. 10 (Jan. 10, 2013).

<sup>53</sup> See CENTCOM Regulation. 415-1, para. 7-1.d (July 18, 2014).

<sup>54</sup> The guidance indicates that although temporary facilities are intended for use for up to 5 years, they may be used indefinitely. Similarly, semi-permanent facilities have a life expectancy of fewer than 10 years, but can be extended to 25 years with maintenance and upkeep of critical systems. The guidance also notes several other characteristics for each level of construction. See CENTCOM Regulation. 415-1, para. 5-2 (July 18, 2014). Additionally, DOD guidance identifies a "permanent" level of construction for buildings and facilities designed and constructed to serve a life expectancy of more than 25 years. However, according to Army Corps of Engineers officials, this level of construction is generally not used for contingency locations. See Unified Facilities Criteria 1-200-01, *General Building Requirements*, para. 1-3.1 (July 1, 2013) (incorporating change Aug. 1, 2015).

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## The Army Corps of Engineers Documented Level-of-Construction Determinations for Some but Not All of DOD's Highest-Cost, MILCON-Funded Projects

Although DOD and CENTCOM have guidance used for determining the appropriate level of construction for MILCON-funded projects, Army Corps of Engineer officials were not always able to provide documentation that substantiated how the determination was made. Specifically, as of July 2015, the Army Corps of Engineers was unable to provide us with documentation regarding the service components' rationale for the respective level-of-construction determinations for 11 of 39 MILCON-funded construction projects in its database that cost over \$40 million<sup>55</sup> each during fiscal years 2011 through 2015.<sup>56</sup> All told, the 11 projects totaled about \$669 million, or approximately 27 percent of the \$2.4 billion programmed for all 39 projects. Furthermore, for 8 of the 11 projects for which there exists no record of level-of-construction determinations, Army Corps of Engineer officials could not tell us what level-of-construction the completed projects represented, including a \$55 million theater vehicle maintenance compound at Kandahar Airfield, Afghanistan, constructed in 2009, and a \$47 million special operations forces complex constructed at Mazar E Sharif, Afghanistan, in 2014.

As the Army Corps of Engineers develops project designs and cost estimates, the level-of-construction determination constitutes a fundamental assumption because according to Army Corps of Engineers, it affects the resulting design and cost of a project. As discussed earlier, DOD guidance notes that cost engineers—including those from the Army Corps of Engineers—must thoroughly understand a project's scope of work and other aspects of a project being estimated.<sup>57</sup> It further indicates that the cost engineer should always remain mindful of the documentation necessary to support cost estimate submission requirements for each phase. For certain estimates, the guidance describes use of a project narrative, which includes assumptions made during the preparation of the estimate and describes project requirements that must be performed in

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<sup>55</sup> In this instance "cost" refers to DOD's programmed cost estimate as reflected in the Army Corps of Engineers database.

<sup>56</sup> In 2011, the Army Corps of Engineers revised its project tracking database, at which point records for closed projects were removed, leaving ongoing projects and those begun thereafter. Hence, while the database is primarily populated with projects for fiscal years 2011-15, there are some pre-fiscal year 2011 projects that remained in the database because they had not been formally processed for closeout.

<sup>57</sup> Unified Facilities Criteria 3-740-05, *Handbook: Construction Cost Estimating* (Nov. 8, 2010) (incorporating change June 2011).

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sufficient detail to give a clear understanding of the scope of work. According to Corps officials, the level of construction needed to meet the service components' respective requirements is among these underlying assumptions that the Army Corps of Engineers should sufficiently detail.

Although Corps officials stated that the level-of-construction determination from the service components should be included in the documentation supporting the cost estimate prepared by the Army Corps of Engineers, they noted that there are other means to communicate level-of-construction determinations, to include design directives, general construction guidance, or verbal communications from project stakeholders. Furthermore, Corps officials noted that, for some projects, it sends multi-discipline teams of engineering and construction experts to work with customers to review and refine facility construction proposals, plans, and cost estimates before the final approval and submission of budget requests. In none of the 11 projects outlined above, however, were Corps officials able to provide evidence that these other means were used because the available documentation is silent on level-of-construction determinations and Corps officials were unable to provide evidence that they and the project requestors had communicated about levels of construction before the Army Corps of Engineers began designing the 11 projects.

Due to the absence of documentation, it is unclear whether level-of-construction determinations occurred and were communicated prior to the projects' design and cost estimation. According to GAO's *Standards for Internal Control in the Federal Government*, management should use quality information to achieve the entity's objective.<sup>58</sup> In the case of contingency construction in the CENTCOM area of responsibility, DOD's objective could mean building to meet the minimum military requirement. GAO's standards also state that management should design appropriate control activities, which may include clearly documenting all transactions and other significant events in a manner that allows the documentation to be readily available for examination and ensuring a clear segregation of incompatible duties. Because DOD does not have a control mechanism to ensure that the Army Corps of Engineers maintains a documented record

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<sup>58</sup> GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

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of level-of-construction determinations and communicates with the service component commands about those determinations before designing and estimating the cost of contingency construction projects, DOD risks constructing facilities that exceed minimum military requirements and expending more resources than required in a resource-constrained environment.

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## DOD Has Not Developed a Formal Process for Reevaluating Ongoing Contingency Construction Projects When Missions Change, but Has Conducted Ad Hoc Reviews to Reduce or Cancel Projects

DOD has not developed a formal process for reevaluating ongoing contingency construction projects when missions change, but has undertaken ad hoc reviews of planned and ongoing projects. Under DOD guidance, combatant commanders are responsible for assessing the operational environment at critical milestones in order to determine contingency basing requirements within their respective areas of responsibility.<sup>59</sup> According to CENTCOM and Joint Staff officials, however, DOD has not established a recurring formal process at their respective levels for reevaluating planned or ongoing construction projects based on mission changes. In a 2014 committee report, the Senate Committee on Appropriations expressed concern over the status of unfinished military construction projects in Afghanistan and DOD's plans for the divestment of these and other military construction facilities that will no longer be required to support U.S. military operations there.<sup>60</sup>

According to CENTCOM, Joint Staff, and Army Corps of Engineers officials, in general, DOD is aware of the need to be a careful steward of resources, including those devoted to construction projects in contingency environments, especially following major changes in mission requirements. To this end various DOD entities have reviewed construction projects on an ad hoc basis when such changes have occurred. For example, an examination of the limited documentation available corroborates that beginning in November 2011, U.S. Forces-Afghanistan undertook five separate reviews of planned and ongoing construction projects in Afghanistan to determine whether to de-scope,

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<sup>59</sup> See DODD 3000.10, encl. 2, para. 13.a (Jan. 10, 2013). The directive defines contingency basing as the life-cycle process of planning, designing, constructing, operating, managing, and transitioning or closing of a non-enduring location supporting a combatant commander's requirements. See *id.* at 9.

<sup>60</sup> See S. Rep. No. 113-174, at 9-11 (2014) (accompanying the Military Construction and Veterans Affairs, and Related Agencies Appropriation Bill, 2015).



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cancel, or continue the construction projects in anticipation of the transition of operational responsibility to the Government of the Islamic Republic of Afghanistan, coalition force reductions, and other changes to mission requirements.<sup>61</sup> The documentation indicates that on the basis of the first four reviews the U.S. Forces-Afghanistan reduced or cancelled 123 construction projects totaling approximately \$1 billion in programmed funding. For example, during a review conducted in March 2013, the U.S. Forces-Afghanistan cancelled a \$7 million project for an Army aviation headquarters facility at Bagram Airbase. According to an Army Corps of Engineers official who was involved in project management in Iraq from 2007 through 2010, similar reviews, reductions, or cancellations of planned or ongoing projects were also conducted there. For example, the Army Corps of Engineers official described participation in a September 2008 assistance team that visited Iraq to work out project details for 30 planned projects. Subsequently, however, Army Central Command officials stopped the design process for these projects and withdrew funding because the mission upon which the original projects were based had concluded.

Service supporting documentation for these reviews was not available, and we could not determine the extent to which construction project reviews have been conducted in Iraq and Afghanistan, the cost savings accrued as a result of these reviews, and the rationale behind the decisions. According to CENTCOM officials, the entities that conducted the ad hoc reviews cited above were not required to systematically report the results of their reviews and hence no such documentation is filed with the Joint Staff, CENTCOM, or the military services. Moreover, CENTCOM officials point out that cost savings realized as a result of construction projects being cancelled or reduced in scope does not capture the full magnitude of their review efforts. For example, these officials pointed out that in some cases construction projects that were no longer needed because of changed mission requirements were not cancelled because doing so would have cost as much if not more than completing the project. In other cases, projects were reviewed and decisions were made to continue construction because, despite changed mission requirements, it was still determined that there was a need for the facility.

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<sup>61</sup> The documentation is limited in that the extant files are from the summer 2013 time frame and do not reflect all completed project review efforts.

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Nonetheless, while the ad hoc reviews cited above resulted in positive outcomes in terms of cost savings or cost avoidance, absent a specific policy or guidance requiring a fully documented, formal process for review of construction projects when missions change, DOD risks not consistently and routinely evaluating whether to continue, reduce in scope, or discontinue the construction of facilities in support of future contingencies as missions change. For example, with fully documented reviews, DOD would retain and could benefit from information regarding prior decisions, gain efficiency by using an established review process, and ensure that all construction projects defined by the review process are consistently and routinely evaluated. Further, absent a specific policy or guidance requiring a fully documented, formal process for the review of construction projects when missions change, DOD officials may not have the information they need to manage contingency construction operations by assessing the operational environment at critical milestones in order to determine contingency basing requirements within their respective area of responsibility.

DOD has taken steps to rectify some of the concerns highlighted above. According to DOD Comptroller officials, in September 2015, the Under Secretary of Defense (Comptroller) updated the DOD Financial Management Regulation in response to a May 2015 Special Inspector General for Afghanistan Reconstruction report on an unused command and control facility in Afghanistan,<sup>62</sup> to require additional training and establish policy that would improve the stewardship over resources, including those used for contingency construction projects for which the underlying mission changes. As revised, the regulation requires the heads of DOD components<sup>63</sup> to include course materials in Antideficiency Act training that clearly state that taxpayer funds should not be spent when a requirement is no longer needed. Additionally, under the updated regulation, DOD commanders, supervisors, and managers must provide fiscal law training to educate DOD personnel with regard to their fiduciary

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<sup>62</sup> Special Inspector General for Afghanistan Reconstruction, *\$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused*, SIGAR-15-57-SP (May 2015).

<sup>63</sup> Among other entities, DOD components include the Office of the Secretary of Defense, the military departments, the Chairman of the Joint Chiefs of Staff and the Joint Staff, the combatant commands, the DOD Inspector General, the defense agencies, and the DOD field activities.

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and legal responsibilities to prevent the wasteful spending of appropriated funds. The regulation also provides that key fund-control personnel must review and verify on a continuous basis that goods and services are still needed, and must not spend taxpayer funds when goods and services are no longer needed.<sup>64</sup> While these new requirements could improve contingency basing determinations, they provide broad guidance covering goods and services generally and are not focused on contingency basing and construction. Therefore, implementing guidance specific to contingency basing and construction would help clarify expectations and establish a review process. Based on our analysis of the U.S. Forces-Afghanistan's documentation regarding its reviews of planned and ongoing construction projects, this implementing guidance could include mechanisms for establishing (1) the frequency of construction project reviews or what event or impetus might trigger a review; (2) the criteria that should be used to select construction projects for a review; and (3) the documentation required for the construction projects selected for review, including the process and rationale for each decision to cancel, de-scope, or continue a project. Without such implementing guidance, the department risks continuing or completing military construction projects that are no longer needed to support U.S. military operations.

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<sup>64</sup> DOD Regulation 7000.14-R, *Financial Management Regulation*, vol. 14, ch. 2, paras. 020401.A.3, B.2, B.4 (Sept. 2015).

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## DOD Has Established the Joint Lessons Learned Information System, but Has Not Used It to Share Lessons Learned from Contingency Construction Projects in Iraq and Afghanistan

DOD has established an approach for recording and sharing lessons learned through its Joint Lessons Learned Information System, but CENTCOM and its components have not used this system for contingency construction projects in Iraq and Afghanistan. In 2000, DOD developed and implemented its Joint Lessons Learned Information System, which is its system of record for recording and sharing lessons learned in DOD's Joint Lessons Learned Program, including those identified during operations.<sup>65</sup> The Joint Lessons Learned Program process consists of five phases—discovery, validation, resolution, evaluation, and dissemination—through which observations are identified, assessed, and as appropriate, shared through lessons learned. New observations can be derived from experiences occurring during contingency operations, including lessons related to construction. However, as of September 2015, the Joint Lessons Learned Information System had no lessons learned recorded for contingency construction. The system did contain 14 contingency construction-related notes or comments, but these were from the perspective of individuals who had experienced them first-hand and had not been validated by the department.<sup>66</sup> While it is unclear whether lessons were identified and learned but not recorded in the system, the absence of validated lessons learned recorded in the Joint Lessons Learned Information System for this area indicates that this could potentially be the case.

In March 2015, we reported that the Joint Lessons Learned Information System is also not being fully utilized for another key area—operational contract support. Specifically, we reported that DOD was generally not sharing operational contract support lessons learned in the Joint Lessons Learned Information System because the system is not functional for users searching operational contract support issues due to, among other reasons, not having a label for this area and not having a designated location, or “community of practice,” in the system for sharing relevant

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<sup>65</sup> DOD defines a lesson learned as a resolved issue or best practice that improves military operations or activities at the strategic, operational, or tactical level; results in an internalized change to capability, process, or procedure; and is appropriately institutionalized to improve warfighting capabilities. Chairman of the Joint Chiefs of Staff Instruction 3150.25F, *Joint Lessons Learned Program*, at GL-4 (June 26, 2015).

<sup>66</sup> Chairman of the Joint Chiefs of Staff Instruction 3150.25F defines observations as notes or comments on an operation, event, or exercise from the perspective of the person(s) who perceived or experienced it first-hand. *Id.*

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lessons learned.<sup>67</sup> We recommended in that report that DOD implement a label and designate a single community of practice for operational contract support in the Joint Lessons Learned Information System. DOD concurred and established a community of practice for operational contract support in November 2015.

Although DOD has developed and made available its Joint Lessons Learned Information System, deployed U.S. forces in the CENTCOM area of responsibility rely on mechanisms outside of the joint system for sharing lessons learned related to contingency construction projects in support of operations in Iraq and Afghanistan. Specifically, according to Army Central Command and Air Force Central Command officials, deployed U.S. forces rely on unit rotation overlap, experienced personnel outside of the contingency area, expert organizations, and contingency-related DOD boards to share up-to-date lessons important to contingency construction in the CENTCOM area of responsibility.

- **Unit rotation overlap.** When one military unit arrives at its deployed location to replace another, the outgoing unit remains at the deployed location for a period overlapping the incoming unit's arrival. During this overlapping period, the outgoing unit shares the latest information and relevant lessons learned with the incoming unit. In the case of construction-related units, they can provide construction-related lessons learned specific to the contingency location or more broadly applicable to contingency construction in general.
- **Experienced personnel outside of the contingency area.** Deployed U.S. forces undertaking contingency construction projects interact with DOD personnel outside of contingency areas—for example, at the Army Central Command and the Air Force Central Command Headquarters—with years of construction experience, including with projects undertaken in support of contingency operations. These experienced personnel are available to answer questions, relay experiences, provide perspectives, and share important lessons learned related to contingency construction.

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<sup>67</sup> When users enter lessons learned into the Joint Lessons Learned Information System, the system allows users to label the information as pertaining to a certain topic, which improves their ability to later search for lessons learned related to that topic.

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- **Expert organizations.** Deployed U.S. forces also have access to specialized DOD organizations with construction project expertise, including those in support of contingency operations, such as the Army Corps of Engineers. These organizations advise and guide deployed U.S. forces on the design and construction of contingency-related projects, sharing important lessons learned in the process.
  - **Contingency-related DOD boards.** Proposed contingency-related projects in the CENTCOM area of responsibility may be subject to review and approval by multi-discipline boards in the theater, such as the Joint Facilities Utilization Board.<sup>68</sup> In the process of reviewing and approving contingency construction projects, board members raise questions based on their experience and share important lessons learned from reviewing other construction projects in support of contingency operations.

Although deployed U.S. forces may rely on these mechanisms to share contingency construction lessons learned, it can be an ad hoc or incomplete approach. By contrast, as described by Chairman of the Joint Chiefs of Staff Manual 3150.25A, the Joint Lessons Learned Program provides both a vehicle for facilitating awareness of observations, issues, best practices, and lessons learned across DOD and a forum for institutionalizing lessons learned across the joint force.<sup>69</sup> The guidance notes that recording, analyzing, and developing improved processes, procedures, and methods based on lessons learned are primary tools in developing improvements in joint force readiness, capabilities, and overall performance. In addition, Chairman of the Joint Chiefs of Staff Instruction 3150.25F notes that program stakeholders—including the Joint Staff, the services, the combatant commands, and combat support agencies—when appropriate, will contribute information, data, and lessons learned

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<sup>68</sup> DOD guidance describes the Joint Facilities Utilization Board as a temporary board chaired by the combatant commander or subordinate joint force engineer, with members from the joint force staff, components, and any other required special activities. The board evaluates and reconciles component requests for construction, among other things, to ensure compliance with Joint Civil-Military Engineering Board or joint force commander priorities. Joint Chiefs of Staff, Joint Pub. 3-34, *Joint Engineer Operations* at III-15, GL-9 (Jan. 6, 2016).

<sup>69</sup> Chairman of the Joint Chiefs of Staff Manual 3150.25A, *Joint Lessons Learned Program*, encl. A, para. 2 (Sept. 12, 2014).

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that are germane to improving joint capabilities and readiness.<sup>70</sup> The guidance further indicates that combatant commands will provide and maintain Joint Lessons Learned Program support for theater- and function-specific joint and interoperability lessons learned activities. It notes that lessons are derived from the full range of joint activities and operations, which could include construction during contingency operations.

However, CENTCOM guidance does not reinforce the DOD guidance regarding the Joint Lessons Learned Program. Specifically, the CENTCOM regulation governing construction, including contingency construction,<sup>71</sup> does not discuss lessons learned or establish who within the command and its service component commands should be responsible for recording and sharing construction-related lessons learned in the CENTCOM area of responsibility through the Joint Lessons Learned Program. Further, the regulation does not contain the terms “lesson” or “learned” in combination or separately, illustrating that recording and sharing lessons learned is not a focal point of the guidance and may not carry adequate leadership emphasis on the importance of recording and sharing lessons learned. Another factor affecting the recording and sharing of lessons learned is leadership emphasis. According to DOD’s Joint Lessons Learned Program officials, increasing the recording and sharing of lessons learned in the DOD Joint Lesson Learned Information System can be improved with leadership emphasis at a combatant command. For example, according to these officials, in fiscal year 2015, leadership emphasis at another combatant command (Special Operations Command) on collecting lessons learned generally resulted in an over tenfold increase in the number of recorded lessons compared with those that CENTCOM recorded during the same fiscal year.<sup>72</sup> According to Joint Lesson Learned Program officials, improved recording of contingency construction lessons learned could result if CENTCOM leadership increased its emphasis on the importance of

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<sup>70</sup> Chairman of Joint Chiefs of Staff Instruction 3150.25F, *Joint Lessons Learned Program*, encl. A, para. 4 (June 26, 2015).

<sup>71</sup> CENTCOM Regulation 415-1 (July 18, 2014).

<sup>72</sup> The lessons recorded by the Special Operations Command and the U.S. Central Command did not involve contingency construction, but are included here to illustrate the potential effect of increased leadership emphasis at a combatant command.

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discovering, validating, and disseminating relevant contingency-construction-related observations.

In the absence of specific CENTCOM guidance and leadership emphasis to record and share contingency construction lessons learned in DOD's Joint Lessons Learned Information System, CENTCOM and its service component commands are likely to continue to rely on mechanisms outside this system to share lessons learned related to construction projects in support of contingency operations in Iraq and Afghanistan. As a result, commanders may repeat errors in the planning and design of contingency construction projects that CENTCOM and service component commands have identified. For example, an important potential lesson relating to the CENTCOM area of responsibility occurred in fiscal year 2011 when concrete housing units were constructed at Bagram Air Base, Afghanistan, that later developed toxic mold due to poor engineering and construction shortcuts. Specifically, the heating, ventilation, and air conditioning system did not provide adequate ventilation and the concrete was not properly sealed, which in combination created an environment where the toxic mold could form and accumulate. As a result, personnel were evacuated until the housing units could be remediated, denying critically needed hardened shelters to help protect service members at Bagram, Afghanistan, from indirect fire attacks. According to an Army Central Command engineering official, this experience may contain a lesson for construction project managers in the CENTCOM area of responsibility regarding the need to involve adequate engineering expertise regarding the health and safety aspects of a project's design. Officials at Al Udeid Air Base identified another important potential lesson, which was related to ammunition storage facilities. Specifically, after construction of aboveground munitions storage facilities at the air base, officials determined that the facilities' lightning protection system was not adequate, putting high-dollar munitions stored in the facilities at risk of damage or destruction and creating a safety risk. For example, the officials stated that during lightning storms all personnel have to evacuate due to the lightning-strike risk and operations halt as a result. According to Al Udeid Air Base officials, they learned from this experience that a more robust lightning mitigation system was needed to provide adequate protection for facilities of this type. While those persons involved in these examples can share their observations as long as they continue working at CENTCOM, because the experiences were not recorded and shared in DOD's system of record—the Joint Lessons Learned Information System—there is a risk that different people at other locations, or during other contingencies, could repeat these or similar errors.



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## Conclusions

DOD has spent billions of dollars on construction in support of contingency operations since 2001, but has some weaknesses in the management and oversight of the contingency construction program. While DOD has taken some steps to improve its management of construction projects, such as conducting ad hoc reviews of projects in Iraq and Afghanistan to identify potential reductions or cancellations, DOD faces challenges developing full oversight of contingency construction. Actions to improve the quality of information and documentation of O&M-funded contingency construction projects could help DOD oversee funds for construction and improve awareness of how much funding the department uses for construction projects. Additionally, the urgency of contingency construction requirements coupled with the absence of a review and approval process to support quickly funding contingency construction projects needed in fewer than 2 years that are expected to cost more than \$1 million may result in DOD's continued use of questionable approaches when constructing facilities—potentially leading to unintended results. Moreover, until DOD improves control mechanisms for documenting and communicating level-of-construction determinations, DOD risks constructing facilities that exceed minimum military requirements, expending more resources than required in a resource-constrained environment. Additionally, absent a requirement for a formal process to reevaluate contingency construction projects when missions change, DOD risks constructing facilities that may not be essential to support existing missions or may not be sufficient for revised missions in the CENTCOM area of responsibility and in future contingencies worldwide. Lastly, without specific guidance and leadership emphasis to record and share contingency construction lessons learned in DOD's Joint Lessons Learned Information System, CENTCOM and its service component commands may repeat errors in the planning and design of contingency construction projects in future contingencies.

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## Recommendations for Executive Action

We are making the following five recommendations to improve DOD's management and oversight of contingency construction in the CENTCOM area of responsibility and in other geographic combatant commands where applicable:

- To improve DOD's awareness of how much O&M funding the department uses for construction projects to support contingency operations, we recommend that the Secretary of Defense direct the Secretaries of the military departments, in coordination with the Under Secretary of Defense (Comptroller), to track the universe and cost of ongoing and future contingency construction projects that are funded

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from O&M appropriations under section 2805 of Title 10, U.S. Code (unspecified minor military construction authority).

- To improve DOD's ability to quickly fund contingency construction projects that are not ideally suited to the current standard MILCON and O&M processes and time frames and reduce reliance on funding approaches that pose risks regarding the appropriate use of funding, negative operational impacts, and unnecessary duplication, we recommend that DOD evaluate and improve the use of existing processes and authorities to the extent possible; determine whether additional authorities are needed to support urgent construction needs; and revise existing departmental processes or seek additional authorities, as appropriate.
- To help ensure that DOD limits demands on available resources to those necessary to meet contingency construction project requirements and communicates those requirements effectively, we recommend that the Secretary of Defense, in coordination with the Secretary of the Army, direct the Army Corps of Engineers to develop a control activity for documenting level-of-construction determinations before the Army Corps of Engineers designs the projects and estimates their costs.
- To ensure that DOD avoids constructing facilities that may be unneeded to support U.S. forces and to comprehensively document the results of its reviews of ongoing construction projects when changes in mission requirements occur, we recommend that the Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, direct the Secretaries of the military departments and the Commander of CENTCOM to develop implementing guidance for the review and verification of ongoing contingency construction projects when mission changes occur.
- To improve the awareness of the combatant and service component commands' responsibilities to record and share lessons learned and to ensure that important contingency-construction-related lessons are recorded, we recommend that the Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, direct the Commander of CENTCOM to revise Central Command Regulation 415-1 or issue other guidance as appropriate to specifically detail the role of the combatant command and service component commands in recording contingency construction lessons learned from the CENTCOM area of responsibility in the Joint Lessons Learned Information System.

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Additionally, in light of potential concerns regarding the appropriate use of funding raised by several of the examples identified in this report, we recommend that the Secretary of Defense direct the Secretaries of the Army and the Air Force to review these and, as appropriate, other construction projects in the contingency environment presenting similar circumstances to ensure that funds were properly used.

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## Agency Comments and Our Evaluation

We provided a draft of this report to DOD for review and comment. In its written comments, DOD concurred with one of our recommendations, partially concurred with three recommendations, and non-concurred with the remaining two recommendations. DOD's comments are summarized below and reprinted in their entirety in appendix III.

DOD did not concur with our recommendation that the department track the universe and cost of ongoing and future contingency construction projects that are funded from O&M appropriations under section 2805 of Title 10, U.S. Code (unspecified minor military construction authority), stating that it does not have data systems that can track these projects, it would not be cost effective to develop and implement such a system, and tracking the universe and cost of ongoing and future contingency construction projects would not improve its decision making. Further, DOD stated that expanding section 2805 oversight and tracking responsibilities beyond its current practices would limit the benefit of that authority and that it is unaware of any systemic abuses of the section 2805 authority that would warrant collecting these data.

With regard to DOD's statement that the department does not have a data system that can track these projects and that it would not be cost effective to develop and implement such a system, we are not suggesting that DOD develop and implement a new system, but instead that DOD adapt an existing system or mechanism for recording and capturing these data in an automated form. For example, the Army's existing Element of Resource code is a four-digit code that the Army uses to record and classify funds transactions and the nature of the funds' use in its accounting and finance system. The Army could also use this mechanism to create a specific code to track contingency construction projects that are funded using O&M appropriations under section 2805. In this way data on the universe and cost of contingency construction projects would be readily available in the Army's existing accounting and finance system. In addition, we disagree with DOD's statement that tracking the universe and cost of ongoing and future contingency construction projects would not improve the department's decision making given that DOD was not

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aware of the magnitude of its use of O&M funds for construction projects under section 2805. As noted in our report, we found that these projects constituted a substantial segment of overall contingency construction, and that, according to Army Central Command officials, it is likely that the majority of contingency construction projects are funded under this authority. Therefore, we continue to believe that knowing the universe and cost of all O&M-funded construction projects supporting contingency operations is important for decision making, particularly as that knowledge would improve decision makers' administration and oversight of O&M funds, as well as aid in determining and projecting the funding needed to support ongoing and future contingency operations. Finally, the primary purpose of our recommendation for tracking construction funded from O&M appropriations under section 2805 is not to identify abuses of that authority, but rather to understand to what extent DOD uses O&M funds for construction during contingency operations. That information could assist the department in planning for current and future contingency operations, by determining the portion of O&M spent on construction activities that is therefore unavailable for other purposes. As we reported, that portion may be substantial. This information could also assist the department in evaluating the necessary actions to implement our second recommendation. Finally, during our review we found several instances where commanders had developed multiple construction projects, each below the O&M maximum for unspecified minor military construction under section 2805, to meet what may have been an overarching construction requirement. We noted that these instances have the potential to raise concerns regarding the appropriate use of funding. Although not the primary purpose of our recommendation, to the extent that reliance upon O&M-funding in the contingency environment increases this risk, tracking the universe and cost of O&M-funded construction projects in the contingency environment may aid the department in identifying circumstances posing an increased risk.

DOD partially concurred with our recommendation that the department evaluate and improve the use of existing processes and authorities to the extent possible; determine whether additional authorities are needed to support urgent construction needs; and revise existing departmental processes or seek additional authorities, as appropriate. In its comments, DOD stated that it already conducts periodic reviews of the available military construction authorities to determine if changes are needed to improve or enhance speed and flexibility in providing urgent or emerging facility requirements. However, during our review, several officials we interviewed who were responsible for making construction decisions at contingency bases confirmed that the current process for funding

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contingency construction projects is not sufficient to provide for the needed speed and flexibility. Therefore, we continue to believe that DOD should evaluate its use of existing processes and authorities. To the extent that DOD uses the processes that it described in its response to our recommendation to address the issues we raised, DOD's actions will meet the intent of our recommendation.

DOD partially concurred with our recommendation that the Army Corps of Engineers develop a control activity for documenting level-of-construction determinations before designing projects and estimating their costs, stating that the appropriate level of construction is determined by the facility user rather than the construction agent. DOD also noted that the department has other construction agents in addition to the Army Corps of Engineers. We are not recommending that the construction agent determine the level of construction for a facility, but rather that the construction agent develop a control activity for documenting the level-of-construction determination obtained from the facility user. During this engagement, we reviewed projects managed by the Army Corps of Engineers in the CENTCOM area of responsibility and therefore made specific reference to the Army Corps of Engineers in our recommendation. However, should the department determine that another construction agent, such as the Naval Facilities Engineering Command or the Air Force Civil Engineer Center, is in need of a similar control activity, the department should apply the recommendation accordingly.

DOD partially concurred with our recommendation that the military departments and the Commander of CENTCOM, develop implementing guidance for the review and verification of ongoing contingency construction projects when mission changes occur, stating that the department believes all combatant commanders involved in contingency operations should conduct periodic reviews of new or ongoing construction projects to ensure they still meet operational needs. Because our review was focused on CENTCOM, we cited that combatant command in our recommendation. However, we agree that all combatant commanders involved in contingency operations should conduct periodic reviews of new or ongoing construction projects to ensure they still meet operational needs. Therefore, DOD would meet the intent of the recommendation by expanding its planned action to ensure that it applies to all combatant commands, not only to CENTCOM.

DOD concurred with our recommendation that the Commander of CENTCOM, revise Central Command Regulation 415-1 or issue other

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guidance as appropriate to specifically detail the role of the combatant command and service component commands in recording contingency construction lessons learned from the CENTCOM area of responsibility in the Joint Lessons Learned Information System.

Finally, DOD did not concur with our recommendation that the Secretaries of the Army and the Air Force review the examples presented in our report and, as appropriate, other construction projects in the contingency environment presenting similar circumstances, to ensure that funds were properly used, in light of potential concerns raised by these examples regarding the appropriate use of funding. The department stated that the recommendation is redundant of current practice and referenced department processes to conduct periodic reviews to ensure compliance, among other processes, guidance, and training. Our recommendation is not that DOD create new processes but instead that DOD use the periodic review processes it referenced to evaluate the examples in our report and ensure that funds were appropriately used. These examples present instances where the department had developed multiple construction projects, each below the O&M maximum for unspecified minor military construction, to meet what may have been an overarching construction requirement. We noted a similar instance where the department had used its review process and found that an Antideficiency Act violation had occurred. In light of the concerns raised by the examples in our report, we continue to believe that DOD should use its existing processes to review the facts and circumstances presented by these examples and determine whether funds were appropriately used.

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We are sending copies of this report to the appropriate congressional committees. We are also sending copies to the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Secretaries of the military departments. The report is also available at no charge on GAO's website at <http://www.gao.gov>.

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If you or your staff have questions about this report, please contact me at (202) 512-5431 or [russellc@gao.gov](mailto:russellc@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 key contributions to this report are listed in appendix IV.

A handwritten signature in black ink that reads "Cary Russell". The signature is written in a cursive, flowing style.

Cary B. Russell  
Director  
Defense Capabilities and Management

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*List of Congressional Committees*

The Honorable Thad Cochran  
Chairman  
The Honorable Richard J. Durbin  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Mark Kirk  
Chairman  
The Honorable Jon Tester  
Ranking Member  
Subcommittee on Military Construction, Veterans Affairs, and Related  
Agencies  
Committee on Appropriations  
United States Senate

The Honorable Rodney Frelinghuysen  
Chairman  
The Honorable Pete Visclosky  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

The Honorable Charlie Dent  
Chairman  
The Honorable Sanford Bishop  
Ranking Member  
Subcommittee on Military Construction, Veterans Affairs, and Related  
Agencies  
Committee on Appropriations  
House of Representatives



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# Appendix I: Objectives, Scope, and Methodology

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To determine the extent to which the Department of Defense (DOD) has tracked the universe and cost of all contingency construction projects in the U.S. Central Command (CENTCOM) area of responsibility that support operations in Iraq and Afghanistan separately from all other construction projects undertaken by DOD, we reviewed and analyzed available DOD contingency construction project data from fiscal year 2001 through fiscal year 2016 maintained by the Office of Under Secretary of Defense (Comptroller), the Army, the Air Force, and the Army Corps of Engineers to determine the extent to which DOD identifies and records construction projects undertaken in support of contingency operations in Iraq and Afghanistan. We reviewed these data based on suggestions from DOD officials in responding to our request for sources that would contain the universe and cost of contingency construction projects. Specifically, we reviewed project data from the:

- Office of the Under Secretary of Defense Comptroller's Program Resources Collection Process database;
- Office of the Under Secretary of Defense Comptroller's military construction C1 budget exhibits;
- Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics' Secretary of Defense's Real Property Asset Database;
- Army's General Fund Enterprise Business Systems database;
- Army Corps of Engineers' Program and Project Management System database; and
- Air Force's General Accounting and Finance System.

We determined that these sources did not contain data for (1) all Military Construction (MILCON)-funded projects undertaken in support of contingency construction for fiscal years 2001-16 or (2) projects funded using Operation and Maintenance (O&M) funds under section 2805 of Title 10, U.S. Code, (unspecified minor military construction authority). Therefore, we concluded that they were not sufficiently reliable for the purposes of identifying the universe of contingency construction projects. To determine whether projects funded using O&M appropriations under section 2805 of Title 10, U.S. Code, represented a substantial segment of contingency construction, we reviewed readily available data on construction projects that consisted of those reviewed by the U.S. Forces-

Afghanistan’s Joint Facilities Utilization Board for fiscal years 2009-12.<sup>1</sup> We determined the data from U.S. Forces-Afghanistan to be sufficiently reliable for the purposes of this report by interviewing knowledgeable agency officials, tracing a selection to source documents, and manually testing data for outliers and obvious errors. We reviewed Office of Management and Budget guidance that is used by the department when deciding whether funding—including for construction—properly belongs in either the base or overseas contingency operations portion of the budget.<sup>2</sup> We also reviewed DOD Directive 3000.10, *Contingency Basing Outside the United States*,<sup>3</sup> and CENTCOM Regulation 415-1<sup>4</sup> to understand contingency basing responsibilities. Further, we compared existing DOD and CENTCOM contingency construction project review and approval processes and the availability of DOD information on contingency construction projects funded with O&M appropriations with GAO’s *Standards for Internal Control in the Federal Government*, which state among other things that management should use quality information to achieve the entity’s objectives and design control activities to achieve objectives and respond to risks by, for example, clearly documenting all transactions and other significant events in a manner that allows the documentation to be readily available for examination.<sup>5</sup> We also analyzed and discussed the use of available statutory authorities for funding contingency construction projects and the potential risks to individual projects with officials at service component commands and bases in the CENTCOM area of responsibility to understand mechanisms commanders used to manage projects that relied on O&M funding for

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<sup>1</sup> Data for Afghanistan prior to fiscal year 2009 and subsequent to fiscal year 2013 and data for Iraq for all fiscal years were not readily available.

<sup>2</sup> Office of Management and Budget guidance letter on the subject of “Criteria for War/Overseas Contingency Operations Funding Requests” dated September 9, 2010.

<sup>3</sup> Department of Defense Directive 3000.10, *Contingency Basing Outside the United States* (Jan. 10, 2013).

<sup>4</sup> CENTCOM Regulation 415-1, *Construction in the USCENTCOM Area of Responsibility “The Sand Book”* (July 18, 2014).

<sup>5</sup> See GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). These standards were in effect prior to fiscal year 2016 and cover the time period of our review of data through fiscal year 2015. The standards were subsequently updated and went into effect on October 1, 2015. See GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

contingency construction. The projects discussed included (1) those we identified in reviewing U.S. Forces-Afghanistan data on construction projects for fiscal years 2009-12 that contained similar or identical dollar amounts, dates, and project narratives and (2) those identified by base officials, during site visits, that illustrated the potential risks of relying on O&M funding for contingency construction projects. We discussed the advantages and disadvantages associated with available alternatives for funding contingency construction projects. We also reviewed DOD Directive 4270.5 and DOD Directive 3000.10 to understand the roles and responsibilities of various DOD entities involved in the management, execution, and oversight of contingency construction in the CENTCOM area of responsibility.<sup>6</sup> We interviewed senior officials from the Under Secretary of Defense (Comptroller), CENTCOM, the Army Central Command, the Air Force Central Command, the U.S. Forces-Afghanistan, the Army Corps of Engineers, and the Air Force Civil Engineer Center and conducted site visits at Camp Arifjan, Kuwait; Camp Buering, Kuwait; Ali Al Salem Air Base, Kuwait; Al Udeid Air Base, Qatar; Camp As Sayliyah, Qatar; and Al Dhafra Air Base, United Arab Emirates in the CENTCOM area of responsibility. We selected bases for site visits that (1) had the highest number of MILCON projects at the base, (2) had projects in close proximity to bases with the highest number of MILCON projects and reachable without extensive additional travel, and (3) were identified by DOD officials as containing projects illustrating contingency construction using O&M appropriations. We excluded Iraq and Afghanistan due to the closure of our audit offices there and the difficulties and risks associated with travel in these countries.

To determine the extent to which DOD has developed a process for determining the appropriate level of construction for MILCON-funded contingency construction projects, we focused on processes that apply to contingency construction projects in the CENTCOM area of responsibility and compared CENTCOM Regulation 415-1 and DOD's Unified Facilities Criteria 3-740-05 with GAO's *Standards for Internal Control in the Federal Government*, which states among other things that management should establish an organizational structure, assign responsibility, and delegate

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<sup>6</sup> Department of Defense Directive 4270.5, *Military Construction* (Feb. 12, 2005) and DODD 3000.10 (Jan. 10, 2013).

authority to achieve the entity's objectives.<sup>7</sup> In addition, we reviewed data available as of February 2015 from the Army Corps of Engineers Program and Project Management System database for MILCON-funded contingency projects in the CENTCOM area of responsibility in fiscal years 2004-15.<sup>8</sup> Out of these data we analyzed all projects with programmed amounts equal to or over \$40 million, accounting for the top one third of programmed amounts for projects, to determine the extent to which DOD had documented level-of-construction determinations for the projects with the highest programmed amounts. The results of this analysis are not generalizable to projects with programmed amounts below \$40 million. We determined the data to be sufficiently reliable for the purposes of this report by reviewing related documentation, interviewing knowledgeable agency officials, and reviewing related internal controls.

To determine the extent to which DOD has developed a process for reevaluating ongoing contingency construction projects when missions change, we collected and reviewed supporting documentation for reviews that the U.S. Forces-Afghanistan conducted beginning in November 2011 of planned or ongoing contingency construction projects in Afghanistan—including CENTCOM data on construction project reevaluation reviews for fiscal years 2011-15.<sup>9</sup> We compared this documentation with DOD Directive 3000.10, which states that the combatant commanders are responsible for assessing the operational environment at critical milestones to determine contingency basing requirements within their

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<sup>7</sup> CENTCOM Regulation 415-1 (July 18, 2014); Unified Facilities Criteria 3-740-05, *Handbook: Construction Cost Estimating* (Nov. 8, 2010) (incorporating change June 2011); and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 10, 2014).

<sup>8</sup> As of February 2015, complete project information prior to fiscal year 2011 was not available in the Army Corps of Engineers' database. In 2011, the Army Corps of Engineers' established a new project tracking database, which included all ongoing projects and those started thereafter. Hence, while the database is primarily populated with projects for fiscal years 2011-15, there are some projects that had completed construction but were ongoing at the time of the database's establishment because they had not been formally processed for closeout. In addition to Army Corps of Engineers' projects, the database also included Air Force Civil Engineer Center projects in Afghanistan.

<sup>9</sup> We chose reviews beginning in November 2011 because these were the first that DOD identified as having been conducted and for which there was documentation.

respective area of responsibility.<sup>10</sup> We also interviewed officials from the Joint Staff, CENTCOM, the Army Central Command, and the Army Corps of Engineers regarding their roles in construction project reviews when mission changes occur in Iraq and Afghanistan. We discussed the May 2015 Special Inspector General for Afghanistan Reconstruction report on an unused command and control facility in Afghanistan with the staff who had conducted the underlying work.<sup>11</sup> Further, during site visits to the CENTCOM area of responsibility, we interviewed base officials regarding the impact of mission requirement changes on planned or ongoing construction projects.

To determine the extent to which DOD has established an approach for sharing lessons learned from contingency construction projects in support of contingency operations in Iraq and Afghanistan, we reviewed relevant guidance, including Chairman of the Joint Chiefs of Staff Instruction 3150.25F, which specifies that Joint Lessons Learned Program stakeholders, when appropriate, will contribute information, data, and lessons learned that are germane to improving joint capabilities and readiness, to determine what processes the department has in place to develop contingency construction lessons learned. Additionally, we reviewed all 14 observations recorded in the Joint Lessons Learned Information System for the CENTCOM area of responsibility. We also interviewed DOD officials regarding the mechanisms they used for communicating contingency construction lessons learned.

We visited or contacted officials from the following organizations during our review:

- Joint Chiefs of Staff
  - Joint Staff J-4 (Logistics) Directorate, Washington, D.C.
  - Joint Staff J-5 (Strategic Plans and Policy) Directorate, Washington, D.C.

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<sup>10</sup> DODD 3000.10, encl. 2, para. 13.a (Jan. 10, 2013)

<sup>11</sup> Special Inspector General for Afghanistan Reconstruction, *\$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused*, SIGAR-15-57-SP (May 2015).

- Joint Staff J-7 (Joint Force Development) Directorate, Washington, D.C.
- Office of the Under Secretary of Defense (Comptroller)
- Office of the Under Secretary of Defense for Acquisition, Technology and Logistics
  - Office of the Assistant Secretary of Defense for Energy, Installations, and Environment; Washington, D.C.
  - Office of the Director, Defense Procurement and Acquisition Policy, Washington, D.C.
- U.S. Central Command, Tampa, Florida
- U.S. Army Central Command, Shaw Air Force Base, South Carolina
  - U.S. Army Central Command; Engineers, Facilities, and Construction; Camp Arifjan, Kuwait
  - Area Support Group-Qatar, Camp As Sayliyah, Qatar
  - Area Support Group-Kuwait, Camp Buehring, Kuwait
- U.S. Air Force Central Command, Shaw Air Force Base, South Carolina
  - 380th Air Expeditionary Wing, Al Dhafra Air Base, United Arab Emirates
  - 379th Expeditionary Civil Engineer Squadron, Al Udeid Air Base, Qatar
  - 386th Air Expeditionary Wing, Ali Al Salem Air Base, Kuwait
- U.S. Army Corps of Engineers, Transatlantic Division, Winchester, Virginia
- U.S. Air Force Civil Engineer Center, Joint Base San Antonio-Lackland, Texas
- U.S. Forces-Afghanistan, Kabul, Afghanistan

We conducted this performance audit from November 2014 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix II: Statutory Authorities for Carrying Out Military Construction Projects

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This appendix provides additional detail on the statutory authorities available to the Department of Defense (DOD) for carrying out military construction projects. DOD operates under these statutory authorities to fund military construction projects through either the Military Construction (MILCON) or Operation and Maintenance (O&M) appropriations.<sup>1</sup>

DOD may use general statutory authorities for construction projects. Specifically,

- The Secretary of Defense and the Secretaries of the military departments may carry out military construction projects that are authorized by law.<sup>2</sup> Specified military construction projects are listed in the annual National Defense Authorization Act and the explanatory statement accompanying the annual appropriations act. These projects are funded through the MILCON appropriation.
- Section 2805 of Title 10, U.S. Code, authorizes the Secretaries of the military departments to carry out unspecified minor military construction projects not specifically authorized by law, using MILCON or O&M funds. As of 2015, unspecified minor military construction projects must have an approved cost equal to or less than \$3 million, or \$4 million if intended solely to correct a life-, health-, or safety-threatening deficiency.<sup>3</sup> From January 2008 until December 2014, the maximums were \$2 million and \$3 million, respectively, and \$1.5 million and \$3 million prior to January 2008.<sup>4</sup> DOD may use O&M funds to carry out projects costing \$1 million or less, and must use MILCON funds above that level. The O&M maximum was \$750,000

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<sup>1</sup> The term MILCON is sometimes used to refer to any type of military construction regardless of funding source or statutory authority under which the construction is conducted. For purposes of this report, we use the term MILCON to represent the Military Construction appropriation or funding source.

<sup>2</sup> 10 U.S.C. § 2802(a).

<sup>3</sup> 10 U.S.C. § 2805(a). The maximum increased to these limits in December 2014. See Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, § 2802(a) (2014).

<sup>4</sup> See National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 2803 (2008); National Defense Authorization Act for Fiscal Year 1996, Pub. L. No. 104-106, § 2811(a)(1) (1996).

prior to fiscal year 2015.<sup>5</sup> In the case of projects above the O&M maximum, the military department Secretary must approve the project in advance; submit a notification to the appropriate congressional committees; and wait 21 days, or 14 days if the notification is submitted electronically.<sup>6</sup>

In addition to the general construction authorities, there are several other statutory authorities that DOD may use for construction projects in emergency and contingency circumstances. Specifically,

- Section 2803 of Title 10, U.S. Code, authorizes the Secretaries of the military departments to carry out emergency construction projects not otherwise authorized by law. The Secretary must determine that the project is vital to national security or the protection of health, safety, or the quality of the environment, and so urgent that it cannot be delayed until the next authorization act. The Secretary must submit a justification to the appropriate congressional committees and wait 7 days before carrying out the project. Projects using this authority must be carried out using unobligated military construction funds, up to a maximum of \$50 million in any fiscal year.<sup>7</sup>
- Section 2804 of Title 10, U.S. Code, authorizes the Secretary of Defense to carry out contingency construction projects not otherwise authorized by law or to authorize a military department Secretary to do so, if the Secretary determines that delay until the next authorization act would be inconsistent with national security or national interest. The Secretary of Defense must submit a justification

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<sup>5</sup> 10 U.S.C. § 2805(c); see Pub. L. No. 113-291, § 2802(c). From December 2001 through December 2014, the maximum was \$750,000; however, from December 2001 until December 2011, the O&M maximum increased to \$1.5 million in the case of a project intended solely to correct a life-, health-, or safety-threatening deficiency. See National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, § 2801(b) (2001) (setting the maximums at \$750,000 and \$1.5 million); National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, § 2802(a) (2011) (eliminating the increased maximum). There are different maximums for unspecified minor military construction projects related to laboratory revitalization. See 10 U.S.C. § 2805(d).

<sup>6</sup> 10 U.S.C. § 2805(b). The notification must be accompanied by a justification for the project and the estimated cost.

<sup>7</sup> See 10 U.S.C. § 2803. Until 2012, the wait period was 21 days, or 7 days for notifications provided electronically. See National Defense Authorization Act for Fiscal Year 2012, Pub. L. No. 112-81, § 1064(9) (2011) (changing 21 days to 7 days).



to the appropriate congressional committees and wait 14 days, or 7 days if notification is provided electronically.<sup>8</sup> DOD guidance notes that the Secretary of Defense has retained this authority and that the Under Secretary of Defense for Acquisition, Technology, and Logistics is responsible for coordinating requests for its use. Combatant commanders are to verify the need for project requests and forward them through the Chairman of the Joint Chiefs of Staff, who is responsible for assigning priority among competing requests and forwarding them to the Under Secretary of Defense for Acquisition, Technology, and Logistics. The military departments are also responsible for forwarding requests through the Under Secretary of Defense for Acquisition, Technology, and Logistics along with specified information.<sup>9</sup> Projects must be carried out using amounts specifically appropriated for this authority.<sup>10</sup> However, in recent years,

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<sup>8</sup> See 10 U.S.C. § 2804.

<sup>9</sup> See DODD 4270.5, paras. 5.1, 5.1.3, 5.3.1, 5.4.5, 5.5.1 (Feb. 12, 2005). Information to be submitted by the Secretaries of the military departments includes a statement of why the emergency construction authority provided under section 2803 is not being used. See *id.* para. 5.3.1. Army guidance notes that section 2804 authority is generally reserved for projects supporting multi-service requirements, with requests submitted by the unified commands, and that military departments should authorize urgent projects supporting only one service as emergency projects under section 2803. See Army Regulation 420-1, *Army Facilities Management*, para. 4-9.b(6) (Aug. 24, 2012). Air Force guidance notes that the use of section 2804 authority is rare, and that projects should be considered for funding under other authorities first—including emergency construction authority under section 2803. See Air Force Instruction 32-1021, *Planning and Programming Military Construction (MILCON) Projects*, para. 5.2.3 (Feb. 25, 2016).

<sup>10</sup> § 2804(a). For example, the conference report accompanying the Consolidated Appropriations Act, 2012, listed \$10 million for contingency construction, within the Defense-Wide military construction appropriations account. See H.R. Rep. No. 112-331, at 1283 (2011).

there have been no specific appropriations for contingency construction under section 2804.<sup>11</sup>

- Section 2808 of Title 10, U.S. Code, authorizes the Secretary of Defense to undertake and to authorize the military department Secretaries to undertake military construction projects not otherwise authorized by law that are necessary to support the armed forces in the event of a declaration of war or national emergency. DOD must notify congressional committees when using this authority.<sup>12</sup> Similar to use of the authority under section 2804, DOD guidance provides that combatant commanders and the Chairman of the Joint Chiefs of Staff are to assign priority among competing requests and forward them to the Under Secretary of Defense for Acquisition, Technology, and Logistics. The Secretaries of the military departments also forward requests along with specified information through the Under Secretary of Defense for Acquisition, Technology, and Logistics to the Secretary of Defense, who has retained authority for use of the provision.<sup>13</sup>
- Finally, since November 2003, legislation has authorized DOD to use O&M funds to carry out construction projects in specified areas outside the United States, including in the U.S. Central Command (CENTCOM) area of responsibility, that meet certain conditions.<sup>14</sup> DOD refers to the authority, which is annually authorized and updated, as the Contingency Construction Authority. The construction

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<sup>11</sup> Since fiscal year 2013, authorization acts and explanatory statements accompanying appropriations acts have not listed an amount for contingency construction. See, e.g., National Defense Authorization Act for Fiscal Year 2013, Pub. L. No. 112-239, § 4601 (2013); Joint Explanatory Statement for the Consolidated and Further Continuing Appropriations Act, 2013, 159 Cong. Rec. S1579 (daily ed. Mar. 11, 2013). For fiscal year 2013, both the authorization act and explanatory statement for the appropriations act identified a rescission of \$20 million of unobligated balances from prior appropriations for contingency construction. See Pub. L. No. 112-239, § 4601; 159 Cong. Rec. S1572, S1579. In the Joint Explanatory Statement accompanying the National Defense Authorization Act for Fiscal Year 2016, the conference committee noted that DOD had not requested a project using funds from the account since 2008 and, as such, recommended no funds. See 161 Cong. Rec. H8024 (daily ed. Nov. 5, 2015).

<sup>12</sup> See 10 U.S.C. § 2808.

<sup>13</sup> See DODD 4270.5, paras. 5.1, 5.3.2, 5.4.5, 5.5.3 (Feb. 12, 2005).

<sup>14</sup> See Pub. L. No. 108-136, § 2808 (2003) (as amended). In recent years, the provision has also covered projects in certain countries in Africa. See, e.g., § 2808, as amended by the National Defense Authorization Act for Fiscal Year 2014, Pub. L. No. 113-66, § 2808 (2013).

must be necessary to meet urgent military operational requirements of a temporary nature in support of a declaration of war, a declaration of a national emergency, or a contingency operation. With the exception of Afghanistan, the construction must not be at a military installation where the United States is reasonably expected to have a long-term presence. Finally, the level of construction must be the minimum necessary to meet temporary operational requirements, and the United States must have no intention of using the construction after operational requirements have been satisfied. DOD must provide a notice with specified information to congressional committees before using funds for a project in excess of the general O&M construction maximum (currently \$1 million) and wait for 10 days or 7 days, depending on the form of the notice, before carrying out the project.<sup>15</sup> The legislation also previously required DOD to submit a quarterly report on the use of the authority, although the requirement was eliminated for fiscal year 2016.<sup>16</sup> There is an annual limit on the total cost of construction projects carried out using this authority, presently \$100 million.<sup>17</sup> The Secretary of Defense has delegated approval authority for the use of the Contingency Construction Authority to the Under Secretary of Defense Comptroller, who issues updated guidance on requirements and processes for proposed projects.<sup>18</sup>

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<sup>15</sup> See § 2808(a), (b), as amended.

<sup>16</sup> See Pub. L. No. 114-92, § 2802(c) (2015) (eliminating the quarterly reporting requirement).

<sup>17</sup> § 2808(c)(1) (as amended). The Secretary of Defense may authorize up to an additional \$10 million for costs associated with contract closeouts. See § 2808(c)(2) (as amended).

<sup>18</sup> See, e.g., Under Secretary of Defense (Comptroller) memorandum, Guidance on the Use of Operation and Maintenance Funds under the Contingency Construction Authority for Construction Projects inside the U.S. Central Command Area of Responsibility (AOR) or Certain Countries in the U.S. Africa Command AOR (Mar. 24, 2015).

# Appendix III: Comments from the Department of Defense



ENERGY,  
INSTALLATIONS,  
AND ENVIRONMENT

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE  
3400 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3400

AUG 23 2016

Mr. Cary Russell  
Director, Defense Capabilities Management  
U.S. Government Accountability Office  
441 G Street, NW  
Washington DC 20548

Dear Mr. Russell:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-16-406, "DEFENSE INFRASTRUCTURE: Actions Needed to Enhance Oversight of Construction Projects Supporting Military Contingency Operations," dated July 21, 2016 (GAO Code 351991). Detailed comments on the report recommendations are enclosed.

My point of contact is Ms. Patricia Coury, at 703-571-9077 or via email at [patricia.l.coury.civ@mail.mil](mailto:patricia.l.coury.civ@mail.mil).

Sincerely,



Peter Potochny

Principal Deputy Assistant Secretary of Defense  
(Energy, Installations, and Environment)  
Performing the Duties of the Assistant Secretary of Defense  
(Energy, Installations, and Environment)

Enclosure:  
As stated

GAO DRAFT REPORT DATED JULY 21, 2016  
GAO-16-406 (GAO CODE 351991)

**“DEFENSE INFRASTRUCTURE: ACTIONS NEEDED TO ENHANCE OVERSIGHT  
OF CONSTRUCTION PROJECTS SUPPORTING MILITARY CONTINGENCY  
OPERATIONS”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE GAO RECOMMENDATION**

**RECOMMENDATION 1:** To improve DoD's awareness of how much O&M funding the department uses for construction projects to support contingency operations, GAO recommends that the Secretary of Defense direct the Secretaries of the military departments, in coordination with, the Under Secretary of Defense (Comptroller) to track the universe and cost of ongoing and future contingency construction projects that are funded from O&M appropriations under section 2805 of Title 10, U.S. Code (Unspecified Minor Military Construction authority).

**DoD RESPONSE:** Non-concur. The Department does not have data systems that can track and report projects executed using O&M appropriations under section 2805 of Title 10, U.S. Code. The recommendation to develop and implement such a system to track the universe and cost of ongoing and future contingency construction projects that are funded from O&M appropriations under section 2805 of Title 10, U.S. Code (Unspecified Minor Military Construction authority) is not cost effective and would not improve decision making. The Section 2805 authority provides the Military Departments (MilDeps) with the flexibility, authority, and ability to rapidly respond to emerging facility requirements. The Department considers the current MilDep training and oversight processes sufficient to appropriately implement the Section 2805 authority and is concerned that expanding Section 2805 oversight and tracking responsibilities beyond current MilDep practices would limit the benefit of that authority. The Department is unaware of any systemic abuses of the Section 2805 authority that would warrant collecting this data, and GAO has not articulated how the additional information would enhance or improve DoD's decision-making. The Department is fully capable of handling and adjudicating individual projects suspected of abusing the Section 2805 authority without collecting vast volumes of data.

**RECOMMENDATION 2:** To improve DoD's ability to quickly fund contingency construction projects that are not ideally suited to the current standard MILCON and O&M processes and time frames and reduce reliance on funding approaches that pose risks regarding the appropriate use of funding, negative operational impacts, and unnecessary duplication, GAO recommends that DoD evaluate and improve the use of existing processes and authorities to the extent possible, determine whether additional authorities are needed to support urgent construction needs, and revise existing departmental processes or seek additional authorities, as appropriate.

**DoD RESPONSE:** Partially Concur. The DoD already conducts periodic reviews of the available military construction authorities to determine if changes are needed to improve or enhance speed and flexibility in providing urgent or emerging facility requirements. Further, the Office of the Secretary of Defense (OSD) issues a call to the DoD Components soliciting

legislative proposals, at which time Components can provide their ideas for new or modified legislation that might speed up construction timelines or provide more flexibility in procuring facilities.

**RECOMMENDATION 3:** To help ensure that DoD limits demands on available resources to those necessary to meet contingency construction project requirements and communicates those requirements effectively, GAO recommends that the Secretary of Defense, in coordination with the Secretary of the Army, direct the Army Corps of Engineers to develop a control activity for documenting level-of-construction determinations before the Army Corps of Engineers designs the projects and estimates their costs.

**DoD RESPONSE:** Partially Concur. The appropriate level of construction is a function of required service life and mission requirements, both of which are determined by the facility user rather than the construction agent. The Department agrees that these parameters must be defined and documented during the facility planning process by the Component responsible for developing facility requirements, and then communicated to the appropriate construction agent for implementation. Furthermore, the Army Corps of Engineers is not the Department's only construction agent; contingency construction projects could involve other construction agents such as the Naval Facilities Engineering Command or the Air Force Civil Engineer Center.

**RECOMMENDATION 4:** To ensure that DoD avoids constructing facilities that may be unneeded to support U.S. forces and to comprehensively document the results of its reviews of ongoing construction projects when changes in mission requirements occur, GAO recommends that the Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, direct the Secretaries of the military departments and the Commander, CENTCOM, to develop implementing guidance for the review and verification of ongoing contingency construction projects when mission changes occur.

**DoD RESPONSE:** Partially Concur. The Department believes all combatant commanders involved in contingency operations should conduct periodic reviews of new or ongoing construction projects to ensure they still meet operational needs. The Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, will direct the Secretaries of the military departments and the Combatant Commanders to develop guidance for the review and verification of ongoing contingency construction projects when mission changes occur.

**RECOMMENDATION 5:** To improve awareness of the combatant and service component commands' responsibilities to record and share lessons learned, and to ensure that important contingency-construction-related lessons are recorded, GAO recommends that the Secretary of Defense, in coordination with the Chairman of the Joint Chiefs of Staff, direct the Commander, CENTCOM, to revise Central Command Regulation 415-1 or issue other guidance as appropriate to specifically detail the role of the combatant command and service component commands in recording contingency construction lessons learned from the CENTCOM area of responsibility in the Joint Lessons Learned Information System.

**DoD RESPONSE:** Concur.

**RECOMMENDATION 6:** Additionally, in light of potential concerns regarding the appropriate use of funding raised by several of the examples identified in this report, GAO recommends that the Secretary of Defense direct the Secretaries of the Army and Air Force to review these and, as appropriate, other construction projects in the contingency environment presenting similar circumstances, to ensure that funds were properly used.

**DoD RESPONSE:** Non-concur. The recommendation is redundant of the Department's current practice. Part of the Planning, Programming, Budgeting, and Execution Process is the audit function during execution to ensure compliance with laws and regulations. Commanding officers and approving officials are provided pertinent training and are held accountable for their decisions and internal controls regarding program funds expenditures and compliance with governing statute and regulations. The updated DoD Financial Management Regulation (FMR) 7000.14 addresses Defense Component fiduciary and legal responsibilities to prevent wasteful spending of appropriated funds, and requires that Defense Components educate personnel on their fiduciary and legal responsibilities for preventing anti-deficiency act violations and wasteful spending of appropriated funds. In addition, the DoD Inspector General and the Military Departments' internal auditors conduct periodic reviews to ensure compliance, evaluate the adequacy of internal controls, and identify areas of risk.

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

Cary B. Russell, (202) 512-5431 or [russelc@gao.gov](mailto:russelc@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, individuals who made key contributions to this report include Guy LoFaro, Assistant Director; Adam Anguiano; Mae Jones; Michael Shaughnessy; Michael Silver; and John Strong.



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# Appendix V: Accessible Data

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## Agency Comment Letter

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### Text of Appendix III: Comments from the Department of Defense

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OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3400 DEFENSE PENTAGON

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