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UNITED STATES
FEDERAL GOVERNMENT

REPORT TO THE CONGRESS ⁰⁹⁹³⁷⁵

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Maintaining A Military Presence In An Industrial Environment--Issues And Costs

Naval Weapons Support Center
Crane, Indiana
Department of Defense

This is an unusual case study of the requirements for and costs of maintaining a military presence at 1 of about 90 industrial support activities that have predominantly civilian work forces.

As a result of this study, the Department of Defense has agreed to review all commercial and industrial activities to determine if military staffing can be reduced or if the total cost of the military presence can be minimized by reducing the support-of-military overhead.

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APRIL 12, 1976



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-160813

To the President of the Senate and the
Speaker of the House of Representatives *CWO 00001*

This report is the result of an unusual case study concerning the requirements for and costs of maintaining a military presence at an industrial support activity with a predominantly civilian work force.

The Secretary of Defense has agreed with our recommendation to review all commercial and industrial activities to determine if reductions in military staffing can be made or if the total cost of the military presence can be minimized by reducing the support-of-military overhead. This should particularly interest the Congress in considering the Department of Defense funding request for fiscal year 1977.

This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretaries of Defense and Navy.

A handwritten signature in black ink, appearing to read "R. F. Kille".

ACTING Comptroller General
of the United States

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ABBREVIATIONS

ADP	automatic data processing
BOQ	bachelor officers' quarters
CNO	Chief of Naval Operations
DOD	Department of Defense
GAO	General Accounting Office
NWSC	
Crane	Naval Weapons Support Center, Crane, Indiana
O&MN	Operations and Maintenance, Navy



D I G E S T

The Department of Defense operates about 90 commercial and industrial military support activities, excluding shipyards. Although the work forces are predominantly civilian, over 10,000 military personnel are assigned to them.

To determine the need for and the cost of a military presence, GAO made a case study at the Naval Weapons Support Center, Crane, Indiana. At the end of 1974, the center had a work force of about 4,500 civilians and a military complement of 68--19 officers and 49 enlisted men.

ROLE AND COST OF MILITARY PERSONNEL
AT THE CENTER

Only 23 (about one-third) of the 68 military personnel were doing center-related work or were working for other military activities. The remaining 45, plus 10 civilians, were providing support services for the military complement, such as food and housekeeping, recreation, commissary and exchange stores, and health care. (See p. 3.)

Maintaining a military presence at the center costs about \$1.2 million annually:

- \$405,400 for paying 23 military personnel involved in center-related work, liaison, and security.
- \$533,000 for paying 45 military personnel and 10 civilians supporting the military complement.
- \$236,300 for operating and maintaining military personnel support activities and facilities. (See p. 4.)

Examples of military support costs follow.

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Enlisted men's mess--3 enlisted men and 2 civilians were feeding an average of less than 10 persons daily at a net operating cost of about \$51,800, or about \$5,200 per person a year. (See p. 7.)

Bachelor officers' quarters--seven enlisted men were providing services to an average of less than five transients daily at a net operating cost of \$70,100 a year. The quarters were used at only about 17-percent capacity for a 15-month period. (See p. 7.)

Officers' club--the club produces revenue. However, the salaries of the civilian manager and his assistant and the maintenance costs are paid by appropriated funds--about \$42,400 annually. The club, which includes a dining room, two bars, and party and game rooms, is used extensively by civilians. The club also provides facilities for a retail liquor sales outlet for military personnel. (See p. 8.)

Enlisted men's club--this club also produces revenue and is subsidized by appropriated funds (\$22,400 annually including the pay and allowances of one enlisted man). The club has a bar, dining and dance area, and a game room. (See pp. 8 and 9.)

Navy exchange--four enlisted men work at the exchange, which includes a retail general store, gasoline station, and barber shop. Military pay and allowances, plus other costs subsidized by appropriated funds, total about \$48,500 annually. A large percentage of the exchange customers are retired military families. (See p. 9.)

Commissary--the pay and allowances of the four enlisted men who work at the commissary, plus other costs subsidized by appropriated funds, total about \$92,400 annually. The commissary is also used extensively by retired military personnel. (See pp. 9 and 10.)

Family housing^{and}--the costs of maintaining 33 family units for military personnel average about \$48,000 a year. The monthly

net cost to the Government for maintaining individual units ranged from \$19 for an enlisted man to \$597 for the commanding officer. (See p. 10.)

Athletic, hobby, and recreation services-- eight enlisted men were providing recreation and other special services involving a gymnasium, bowling alleys, 25 fishing boats and pleasure craft, and a ceramic shop at an annual cost of \$181,200. (See pp. 11 and 12.)

ALTERNATIVE STAFFING

→ GAO developed an alternative staffing pattern which would result in

- a decrease of 65 military positions,
- an increase of 25 civilian positions,
- temporarily retaining 1 officer and 2 enlisted men (see p. 15), and
- annual savings of about \$858,000 (see p. 13).

MANPOWER REQUIREMENTS AND ASSIGNMENTS

The Navy could not explain how the requirements for the center's military personnel were established. Also, the number of military personnel assigned to the center generally exceeded authorized levels. Several enlisted men in excess of authorized levels held ratings needed elsewhere in the Navy, and others were assigned duties unrelated to their skills. (See pp. 17 to 20.)

USE OF PUBLIC FUNDS FOR WELFARE AND RECREATION

The broad wording of the appropriation acts, coupled with the language of Defense and Navy Department directives, gives base commanding officers great latitude in determining the proper use of appropriated funds to support morale, welfare, and recreation activities. This issue has been the subject of several GAO reports. (See pp. 21 to 24.)

X CONCLUSIONS

Department of Defense policy for staffing support activities has not been fully implemented at the center. GAO questions the need for and assignment of military personnel to Crane; extensive welfare and recreation costs have been generated which would not otherwise have occurred. Because the center's functions are primarily industrial, managing them does not require military personnel. The required skilled people can be found in either the public or private sector.

X RECOMMENDATIONS

GAO recommends that the Secretary of Defense:

- Direct the Navy to convert the work force at the center as discussed in GAO's alternative staffing plan. To the extent possible, changes from Navy military personnel to civilians should be accomplished by normal rotation and reassignment. As these changes occur, Navy appropriations should be adjusted to reduce manpower costs.
- Review all other commercial and industrial military support activities to identify how military personnel could be reduced and how the activities could be made more efficient and economical by employing more civilians.

X MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress should consider requiring the Secretary of Defense to:

- (1) --Annually assure the Congress that the work forces being used at industrial facilities are the most economical and efficient mix of military, civilian, and contractor labor.
- (2) --Annually identify and justify the dollar amount and contemplated object of the funds being requested to support morale, recreation, and welfare for both military and civilian personnel.

- (3) The Congress should consider the desirability of establishing definitive guidelines on the use of funds considered available for welfare and recreation.

AGENCY ACTIONS

The Department of Defense is complying with GAO's recommendation to review all commercial and industrial activities to determine if reductions in military staffing can be made. The review, however, will not be limited "to the two options that GAO addresses; status quo or complete civilianization." The Department of Defense:

"* * * will review alternatives that include military manpower where it is either required, or is less expensive on a billet by billet basis than civilian manpower. But we will seek to minimize the total cost of military presence by reducing the support-of-military overhead."

CHAPTER 1

INTRODUCTION

"It is the sense of Congress that the Department of Defense shall use the least costly form of manpower * * * consistent with military requirements and other needs of the Department * * *.

"* * * in developing the annual manpower authorization requests to the Congress and in carrying out manpower policies, the Secretary of Defense shall, in particular, consider the advantages of converting from one form of manpower to another (military, civilian, or private contract) for the performance of a specified job. * * *" 1/

The Department of Defense (DOD) operates about 90 commercial and industrial military support activities, excluding shipyards. Although the work forces are predominantly civilian, more than 10,000 military personnel are assigned to these activities. Navy military personnel constitute more than 50 percent of that total.

The Naval Weapons Support Center, Crane, Indiana (NWSC Crane), is an industrial military support activity. At the end of 1974, NWSC Crane had a civilian work force of about 4,500 and a military complement of 68--19 officers and 49⁺ enlisted men.

NWSC³ Crane receives, renovates, and stores various types of ammunition, including pyrotechnics, mines, depth charges, explosives, and related components. Also, the center produces bombs and explosives, provides logistics support for sophisticated weapon systems, plans requirements for industrial equipment, and takes part in other engineering and scientific programs.

Using NWSC Crane as a case study, we examined (1) the role of a military complement in an industrial environment, (2) the costs generated by that military presence, (3) the advantages of converting from one form of manpower to another, and (4) the Navy's system for determining military manpower needs and assigning military personnel.

1/Department of Defense Appropriation Authorization Act, Public Law 93-365, title V, sec. 502, 88 Stat., 399.404 (Aug. 5, 1974).

Comments have been received from the Secretary of Defense and the Department of the Navy and, where appropriate, have been included in this report.

CHAPTER 2

ROLE AND COSTS OF MILITARY COMPLEMENT

CENTER OPERATIONS ASSIGNMENTS

Only 18 of the 68 military personnel assigned at NWSC Crane were directly involved in center-related work--command, supervisory, and technical. Another five were doing liaison and security work for other military activities. Their specific assignments follow.

	<u>Officers</u>	<u>Enlisted personnel</u>	<u>Total</u>
Center operations:			
Administration:			
Command	2	-	2
Command projects	1	-	1
Supervision:			
Facilities construction, operations, and repair and maintenance	4	-	4
Ammunition production, assembly, processing, storage, and loading	3	-	3
Supply activities	1	-	1
Quality control and re- search and development	2	-	2
Technical:			
Ordnance disposal	1	2	3
Construction contracting	1	-	1
Automatic data process- ing (ADP) equipment maintenance and repair	<u>-</u>	<u>1</u>	<u>1</u>
Total	<u>15</u>	<u>3</u>	<u>18</u>
Other military activities:			
Marine Corps Liaison Office	1	1	2
Naval Security Group Detach- ment	<u>1</u>	<u>2</u>	<u>3</u>
Total	<u>2</u>	<u>3</u>	<u>5</u>
Total	<u>17</u>	<u>6</u>	<u>23</u>

MILITARY PERSONNEL SUPPORT ASSIGNMENTS

The remaining 45 military personnel, plus 10 civilians, were assigned to provide military personnel support services,

such as food and housekeeping, recreation, commissary and exchange stores, and health care. Their specific assignments follow.

<u>Function</u>	<u>Officers</u>	<u>Enlisted personnel</u>	<u>Civilians</u>	<u>Total</u>
Administration:				
Military personnel management	1	1	1	3
Military pay clerk	-	-	1	1
Health services	1	15	-	16
Morale, welfare, and recreation:				
Commissary	-	4	4	8
Exchange store	-	4	-	4
Enlisted men's club	-	1	-	1
Officers' club	-	-	2	2
Sports and hobbies	-	8	-	8
Housing and subsistence:				
Bachelor officers' quarters (BOQ)	-	7	-	7
Enlisted men's mess	-	<u>3</u>	<u>2</u>	<u>5</u>
Total	<u>2</u>	<u>43</u>	<u>10</u>	<u>55</u>

About one-third of the military complement was involved in industrial operations, liaison, and other military activities. The remaining two-thirds were assigned to provide military personnel support services.

COSTS OF MAINTAINING A MILITARY PRESENCE

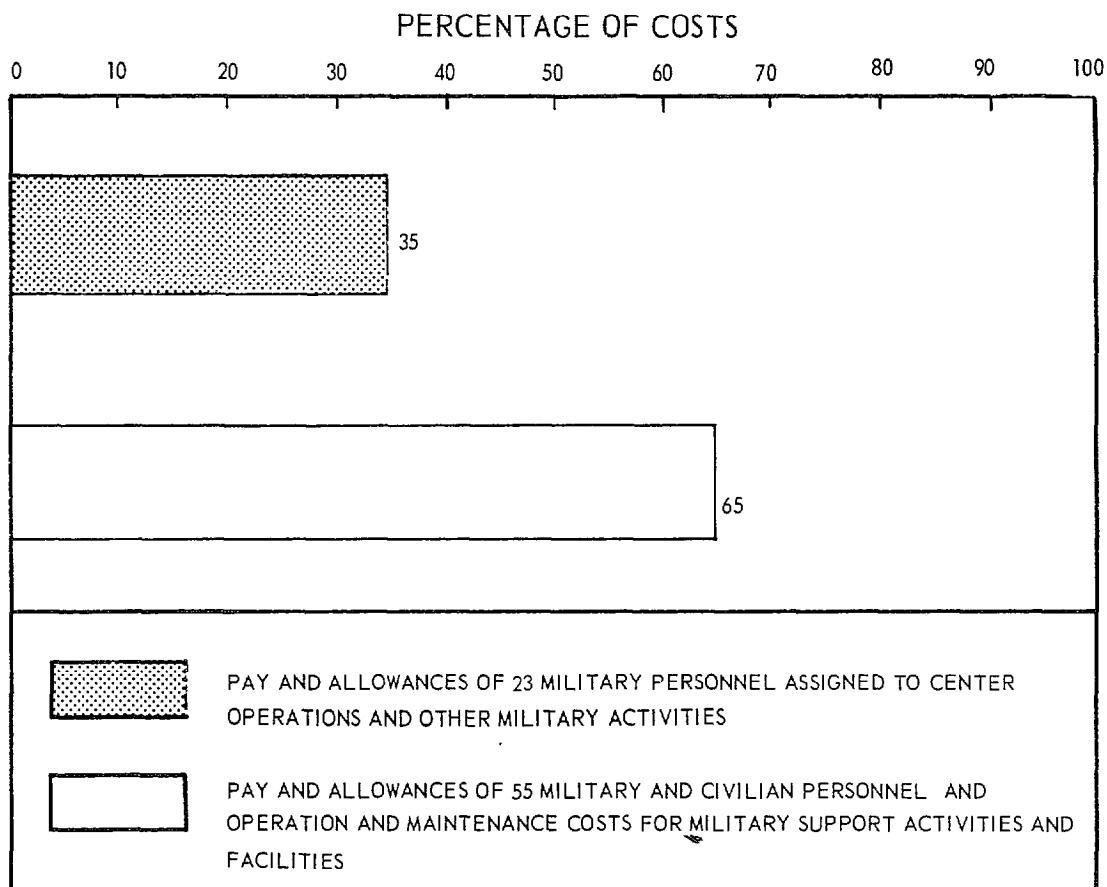
It cost about \$1.2 million annually to maintain 68 military personnel at NWSC Crane:

--\$405,400 for pay and allowances of 23 military personnel involved in center operations and other military activities.

--\$533,000 for pay and allowances of 45 military and 10 civilian personnel involved in military personnel support.

--\$236,300 for operating and maintaining military personnel support activities and facilities.

As illustrated below, support costs represented almost two-thirds of the total costs.



In commenting on our report, the Navy disagreed that maintaining a military presence at the center cost about \$1.2 million annually. The Navy computed total costs of \$320,927, using

"The current military salary and allowance scale, civilian salaries at fiscal year 1975 salary level (including 11.2% for fringe benefits), and O&MN [Operations and Maintenance, Navy] cost as experienced in fiscal year 1975."

We examined the data supporting the Navy's computation to reconcile the difference. They understated total personnel costs by \$113,900. Annual O&MN costs of about \$236,000 were not included in their total costs.

ANALYSIS OF ANNUAL SUPPORT COSTS

NWSC Crane provided its 68 military personnel support services and facilities costing more than \$750,000 a year. These included family housing; bachelor officers' quarters

and enlisted barracks; dispensary; chapel; food service; commissary and Navy exchange stores; social clubs and swimming pools for officers and enlisted men; a golf course; a gymnasium; and many other morale, welfare, and recreation services and facilities. The average annual support costs follow.

Enlisted men's mess	\$ 51,800
Health services	172,000
Bachelor officers' quarters	70,100
Officers' club	42,400
Enlisted men's club	22,400
Navy exchange	48,500
Commissary	92,400
Administration	40,400
Family housing	48,100
Athletic, hobby, and recreation services	a/ <u>181,200</u>
Total	<u>\$769,300</u>

a/Includes costs of operating the chapel and chapel annex, officer's and enlisted men's tennis courts, swimming pools, golf course, ball park, enlisted men's boat docks and 25 pleasure and fishing boats and motors, rifle and archery ranges, ceramic shop, gymnasium, sauna, billiard tables, bowling alleys, and gym equipment.

Note: Average annual costs were based on three factors:

- Yearly pay and allowances for 45 military personnel and 10 civilians, using Oct. 1, 1974, pay rates.
- Yearly total operation and maintenance expenses, using a monthly average of total charges to appropriated funds for the 39 months ended Sept. 30, 1974.
- Average annual operating losses for the 39 months ended Sept. 30, 1974, at the bachelor officers' quarters and enlisted men's mess.

The Navy has disagreed that supporting the military complement at the center costs more than \$769,000 annually and "determined a more realistic recurring annual cost to be on the order of \$566,705," or a difference of about \$203,000.

The Navy's computation contained various erroneous calculations and omissions: (1) personnel costs were understated by \$94,400 and (2) utilities, ground maintenance, and other operations and maintenance expenses totaling \$52,400 were excluded. In addition, the Navy invalidly assumed that

our computation of family housing costs included nonrecurring costs of about \$33,500. The nonrecurring costs the Navy identified were not included in our estimated annual housing costs. Other minor adjustments totaling about \$10,400 resulted because of minor variances between the pay and allowances of the military personnel assigned in November 1974 when our computations were made and the pay and allowances of the military personnel assigned in September 1975 when the Navy made their computation.

Enlisted men's mess

Five employees (3 military and 2 civilian personnel) were operating the enlisted men's mess (see p. 28) and feeding an average of less than 10 persons daily. The annual cost of providing the rations for each person exceeded \$5,200.

Operating expenses averaged \$55,600 annually and included (1) pay and allowances of the military and civilian employees and (2) costs of food, operating supplies, laundry, and maintenance. Income from the sale of food averaged \$3,800 annually, resulting in an annual net operating cost of \$51,800.

Bachelor officers' quarters

Seven enlisted men were working at the bachelor officers' quarters. (See p. 29.) Lodging and food were provided for an average of less than five transients daily. Annual operating expenses averaged \$72,300 for pay and allowances of the enlisted personnel, food costs, laundry, operating supplies, and maintenance. Rental income, cash received from food sales, and linen charges averaged \$2,200 annually, resulting in an annual net operating cost of \$70,100.

The BOQ included 3 furnished apartments and 14 single and double rooms, a guest lounge and billiard room, a kitchen and dining room, an office, and 2 rooms and a lounge for enlisted stewards. Occupancy records were available for only the 15 months ended September 30, 1974. They showed the facility was operating at only 17-percent capacity during that period. Only one bachelor officer was assigned at NWSC Crane at the time of our review. He was residing at Bloomington, Indiana, about 35 miles from the center.

Food services were discontinued in October 1974 as an economy measure. However, none of the enlisted personnel were reassigned.

The Department of the Navy's comments on our draft report contain the following statement:

"Bachelor Officer Quarters. Of the seven enlisted men assigned to the BOQ in September 1974 only one mess management specialist, pay grade E-3 (annual salary \$8,239) is now assigned. Because of the low BOQ occupancy rate the facility will be placed in a standby status and used only at those times when there is a demand for transient accommodations that justifies use of the facility. At other times transient personnel will be able to use four BOQ one-room units on the second floor of the building housing the officers club. Placing the large BOQ in a standby status will result in a savings of heating and other utility costs."

Officers' club

No military personnel were assigned to the officers' club. It was managed and operated by two civilians (GS-10 and GS-7) paid from appropriated funds. They were assisted by four full-time and three part-time civilian employees paid from club revenues.

Facilities included a dining room for weekday lunches and catering, two bars, and a number of party and game rooms. (The club also provided facilities for a retail liquor sales outlet for military personnel and a wholesale outlet for the officers' and enlisted men's clubs. (See p. 30.)

The club produced revenue and was heavily subsidized with appropriated funds. There were no membership fees. Financial statements for fiscal year 1974 showed an operating profit of \$7,000. However, the statements did not include salary costs for the civilian manager and assistant or operation and maintenance expenses charged to appropriated funds. These costs averaged \$42,400 annually.

Data was not available to show the extent of military and civilian patronage. However, we believe it was predominantly civilian. The manager told us lunches were served to a daily average of 60 persons--3 officers and 57 civilians. He also told us the bar facilities were used regularly in the evenings by about 2 officers and 13 civilians. (See p. 31.)

Enlisted men's club

A chief petty officer managed the club. (See p. 32.) He was assisted by one part-time and seven full-time civilian employees paid from club revenues.

Facilities included a bar, dining and dancing areas, and a game room. The club also operated a snackbar at the enlisted men's boat docks at Lake Greenwood, an 800-acre lake in the northwest section of NWSC Crane.

The club produced revenue and was subsidized with appropriated funds. For the 12 months ended January 1974, the club reported bar and food income of \$34,300 and a net profit of \$3,900. However, the pay and allowances of the chief petty officer who managed the facility and utilities and maintenance costs charged to appropriated funds were not included. These costs averaged \$22,400 annually in the periods reviewed.

The club did not charge a membership fee. We were told that about 40 enlisted men, 90 retired personnel, and 120 civilian employees used the facility regularly.

Navy exchange

Four enlisted men were assigned to the exchange. (See p. 33.) One managed the exchange; the others were part of the clerical staff. In addition, one part-time and three full-time civilian employees were paid from exchange revenues.

Financial statements for the 2 years ended January 1974 showed net earnings of \$47,200 from gross sales of \$584,000. However, the pay and allowances of the military personnel working at the exchange and the operation and maintenance costs charged to appropriated funds were not included. These costs averaged \$48,500 annually in the periods reviewed.

The exchange operated a retail general store, gasoline station, and barber shop. The store offered a variety of products, including food, smoking accessories, photographic equipment, hardware, household and garden supplies, toys, toiletries, clothing, and shoes.

We were told that about 80 percent of the exchange customers were retired military personnel and their families.

Commissary

Four enlisted men worked at the commissary (see p. 34)--one was the manager and the others stocked shelves, cut meat, operated cash registers, received merchandise, and supervised the store and warehouse. The store provided a complete line of grocery products--meats, frozen foods, dry goods, produce, dairy products, baked goods, and canned goods. It was open 5 days a week.

Financial records showed a net profit of \$5,800 on net sales of \$538,000 in fiscal year 1974. However, the pay and allowances of the military work force, the salaries for four civilian employees, and the operating and maintenance expenses were not included. These costs, averaging \$92,400 annually in the periods reviewed, were charged to appropriated funds.

About 80 percent of the commissary's patrons were families of retired military personnel.

Family housing

There were 33 family housing units at NWSC Crane. In April 1975, 18 were occupied by officers and 14 by enlisted personnel. One was vacant.

Twenty-two units were located in a residential area on a wooded hill above Lake Greenwood. Eighteen officers and three chief petty officers occupied these quarters. One of the quarters was vacant. The commanding officer's quarters had 6 bedrooms and 4-1/2 baths. A guesthouse, boathouse, storage building, and two greenhouses were also provided for his use. Nine units had 4 bedrooms and 3-1/2 baths, and 12 units had 3 bedrooms and 1-1/2 baths.

Of the remaining 11 units, 6 were classified as farmhouses (5 were declared inadequate in 1973), 2 were in a duplex, and 3 were single homes with 2 bedrooms and 1 bath. All were occupied by enlisted personnel.

We computed the operation and maintenance costs for selected two-, three-, and four-bedroom units and the unit assigned to the commanding officer. For the 39-month period reviewed, monthly net costs to the Government for these units ranged from \$19 to \$597, as shown below.

<u>Quarters</u>	<u>No. of bedrooms</u>	<u>Total costs for 39 months</u>	<u>Average monthly costs</u>	<u>Monthly rental income (note a)</u>	<u>Monthly net costs to Government</u>
A	6	b/\$33,900	\$870	\$273	\$597
B	4	15,700	403	252	151
J	3	11,800	302	185	117
Z	2	7,400	189	170	19

a/Quarters allowances deducted from military pay.

b/Included costs for operating guesthouse, greenhouses, and boathouse.

In the 39-month period, charges to appropriated funds for operation and maintenance costs, including repairs and other than routine maintenance, for the 33 units totaled \$380,000. About 60 percent of this was offset by rental income and housing allowances forfeited by military personnel, resulting in net costs to the Government of about \$156,300, or an average annual cost of \$48,100.

Health services

Health services were provided by a military doctor, 15 military corpsmen, a civilian doctor, 3 civilian nurses, and 8 civilian technicians and clerical personnel. The military doctor and corpsmen provided outpatient services for the center's 68 military personnel, other active duty military personnel in the area, and the families of about 700 retired military personnel. They also performed routine medical tests, including X-ray, laboratory tests, and electrocardiograms, for both military personnel and civilian employees.

The civilian medical staff provided outpatient services and performed preemployment, periodic, and special physical examinations for the center's 4,500 civilian employees. They also administered the center's occupational health program.

In the 14 months ended August 31, 1974, the military staff examined, diagnosed, and treated 6,300 military outpatients. Of this total, 39 percent were active duty personnel and their dependents, and 61 percent were retired military personnel and their dependents.

For the period reviewed, the average annual operating costs charged to appropriated funds were \$172,000. These included pay and allowances of \$147,000 for 16 military personnel and operation and maintenance costs of \$25,000 for the health facilities and bachelor enlisted quarters in the same building.

Athletic, hobby, and recreation services

Eight enlisted men were assigned to administer and provide free-time athletic, hobby, and recreation services. (See p. 35.)

- A senior chief boatswain's mate, assisted by a storekeeper second class, supervised and administered over-all athletic and recreation services and facilities.
- A first-class machinist's mate and an apprentice seaman operated a ceramics shop used primarily by retired military personnel and dependents.

--A machinist's mate and a third-class gunner's mate operated the gymnasium.

--A first-class gunner's mate was assigned to maintain 25 fishing boats and pleasure craft and also worked at the bowling alley. A second-class boatswain's mate maintained the boat motors. The boats were used extensively by retired military personnel.

Annual total costs of providing athletic, hobby, and recreation services averaged \$181,200.

CHAPTER 3

ALTERNATIVE STAFFING AND POTENTIAL SAVINGS

DOD's policy for staffing industrial support activities has not been fully implemented at NWSC Crane. Seventeen civilians and 3 military personnel could do the essential tasks (managerial, supervisory, and technical) assigned to 23 military personnel at the end of 1974. By adjusting the staffing and adding 18 civilians to the medical department, the Navy could eliminate 45 military and 10 civilian support positions and save about \$858,000 annually.

DOD STAFFING POLICY

DOD Directive 1100.9 states that management positions in support activities such as NWSC Crane be designated as military or civilian according to the following criteria:

- Military personnel normally will be assigned if required by law, if the position requires skills and knowledge acquired primarily through military training and experience, and when experience in the position is essential to enable officers to assume responsibilities necessary to maintain combat-related support and proper career development.

- Civilian personnel normally will be assigned when the skills required are usually found in the civilian economy and continuity of management and experience is essential and can be better provided by civilians.

Documentation was not available to substantiate that these criteria or any other were used by the Navy in staffing NWSC Crane.

ALTERNATIVE STAFFING

We applied DOD's criteria and developed the alternative staffing pattern shown below.

Center operations assignment	Current staffing			Alternative staffing		
	Military personnel	Civilians	Total	Military personnel	Civilians	Total
Administration:						
Command	2	-	2	-	2	2
Command projects	1	-	1	-	-	-
Supervision:						
Facilities construction, operations, repairs, and maintenance	4	-	4	-	4	4
Ammunition production, assembly, processing, storage, and loading	3	-	3	-	2	2
Supply activities	1	-	1	-	1	1
Quality control and research and development	2	-	2	-	2	2
Technical:						
Ordnance disposal	3	-	a/3	3	-	3
Construction contracting	1	-	1	-	1	1
ADP equipment maintenance and repair	1	-	1	-	-	-
Other military activities:						
Marine Corps Liaison Office	2	-	2	-	2	2
Naval Security Group Detachment	3	-	3	-	3	3
<u>Total</u>	<u>23</u>	(b)	<u>23</u>	<u>3</u>	<u>17</u>	<u>20</u>

Military personnel support assignment

Administration:						
Military personnel management	2	1	3	-	-	-
Military pay clerk	-	1	1	-	-	-
Health services	16	-	16	-	c/18	18
MORALE, welfare, and recreation:						
Commissary	4	4	8	-	-	-
Exchange	4	-	4	-	-	-
Enlisted men's club	1	-	1	-	-	-
Officers' club	-	2	2	-	-	-
Sports and hobbies	8	-	8	-	-	-
Housing and subsistence:						
Bachelor officers' quarters	7	-	7	-	-	-
Enlisted men's mess	3	2	5	-	-	-
<u>Total</u>	<u>45</u>	<u>10</u>	<u>55</u>	<u>-</u>	<u>18</u>	<u>18</u>
<u>Total</u>	<u>66</u>	<u>10</u>	<u>76</u>	<u>3</u>	<u>35</u>	<u>38</u>

a/For a temporary period, military technicians will be needed for high-risk, ordnance demolition jobs. Few civilians are qualified for this work; however, they could be trained and eventually could replace the military personnel.

b/Civilians occupy either first- or second-level supervisory positions in all operating departments.

c/The addition of 18 civilians would eliminate 16 military positions and enable the medical department to continue present services, including those provided for retired personnel and their dependents.

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To sum up, alternative staffing would result in the following:

- A decrease of 65 military positions.
- An increase of 25 civilian positions.
- Temporarily retaining 1 officer and 2 enlisted men.

The Department of Defense disagreed with our conclusion that the policy for staffing support activities has not been implemented at Crane. DOD believes that a certain number of officers must be kept in activities such as NWSC Crane because experience in field activities enhances their ability to manage these activities from the headquarters level. DOD also feels that a cadre of officers with experience in field activities is required for rapid expansion or reopening of activities for mobilization.

Since NWSC Crane is an industrial activity, managing the Center does not require skills and knowledge acquired primarily through military training and experience; management skills can be provided by civilians.

POTENTIAL SAVINGS

Reduction in center manpower costs

With the assistance of the principal position classifier at NWSC Crane, we identified the job classifications, grades, and salaries of civilian equivalents for military positions which could be converted. Our alternative staffing would reduce manpower costs by about \$465,000 annually at NWSC Crane. (See app. V.)

Reduction in costs of support services

Converting from military to civilian manpower would eliminate the need for most of the military support facilities. Cost reductions for utility services, consumable supplies, and repairs and maintenance of equipment and buildings would amount to about \$198,000 annually, as shown below.

<u>Operations and maintenance costs</u>			
	<u>Operation and</u>	<u>Navy Indus-</u>	<u>Total</u>
	<u>Maintenance, Navy</u>	<u>trial Fund</u>	
Commissary	\$ 6,825	\$ 2,750	\$ 9,575
Officers' club	12,900	4,450	17,350
Enlisted men's club	9,025	400	9,425
Athletic, hobby, and recreation services	64,150	38,500	102,650
Enlisted men's mess	3,950	575	4,525
Navy exchange	4,575	1,550	6,125
Family quarters	<u>25,025</u>	<u>23,075</u>	<u>48,100</u>
Estimated savings	<u>\$126,450</u>	<u>\$71,300</u>	<u>\$197,750</u>

Our computation did not provide for any fixed costs which might be incurred for continued standby maintenance and repairs. However, we believe these may be partially or fully offset by alternate uses the Navy may make of the vacated facilities. For example, the family quarters, bachelor officers' quarters, and recreation facilities could continue to operate under contract or other self-supporting, revenue-producing arrangements.

Additional savings resulting from
reducing Navy manpower levels

To maintain the present level of military strength at NWSC Crane, the Navy included within its total manpower authorization an additional support increment, or "tail" (trainees, transients, patients, and prisoners), of about 20 percent of the center's authorized military strength. This amounts to an additional 11 Navy personnel who would not be needed if the work force were converted as proposed in the alternative staffing plan.

Eliminating the support increment will save about \$195,300 annually, the average cost of 11 military personnel assigned to the 57 billets authorized NWSC Crane.

CHAPTER 4

IMPROVEMENTS NEEDED IN NAVY MILITARY

MANPOWER MANAGEMENT

The Navy's systems for determining military manpower requirements and assigning personnel were not working at NWSC Crane.

- Workload studies had not been made or staffing standards developed to substantiate the center's manpower needs.
- 44 percent more enlisted men were assigned than were authorized.

NAVY'S SYSTEM FOR DETERMINING MILITARY MANPOWER REQUIREMENTS

The Chief of Naval Operations (CNO) is responsible for planning, forecasting, and determining manpower requirements for the fleet and supporting services. Requirements are determined by applying staffing standards to actual or projected workloads. The staffing standards for shore installations were declared obsolete in February 1974 but will continue to be used as a guide. New standards are to be completed by 1979.

Various command levels are involved in determining manpower requirements.

- Navy Manpower and Material Analysis Centers at Norfolk and San Diego are responsible for implementing CNO manpower policies and programs, planning and coordinating manpower studies, supervising the development of staffing standards, and preparing manpower documents.
- Commanding officers of ships and stations are responsible for periodically reviewing manpower authorizations to insure the number of billets (including skills, pay grade, and qualifications) authorized are the minimum military requirements necessary to support the missions, tasks, and functions of their commands.
- Military manpower claimants are responsible for reviewing requests from commanding officers for changes in manpower authorizations and

recommending CNO approval or disapproval, estimating future manpower needs, and assisting in validating manpower requirements during annual budget reviews.

HOW THE REQUIREMENTS SYSTEM IS WORKING AT NWSC CRANE

At the end of November 1974, NWSC Crane was authorized 38 military personnel billets--13 officers and 25 enlisted men. An additional 19 billets were authorized for tenant organizations, such as the Marine Corps Liaison Office, commissary, and Navy exchange. The enlisted personnel authorization included only two code "G" billets, or general billets, established at shore installations to improve sea-to-shore rotation.

No data was available to show how military manpower requirements were established. A requirements study had not been made at the center. Neither the commanding officer nor the military personnel officer could explain how the numbers and types of billets were determined. Further, officials at the Naval Sea Systems Command, NWSC Crane's military manpower claimant since July 1974, could not explain how the requirements were determined.

NAVY'S SYSTEM FOR ASSIGNING ENLISTED PERSONNEL

The Navy has a centralized enlisted personnel assignment system under the direction of the Chief of Naval Personnel. Manning and detailing control authorities under the Chief of Naval Personnel are responsible for (1) identifying enlisted personnel requirements and recommending the order in which they should be filled and (2) identifying and ordering particular individuals to fill the billets.

Personnel assignment policies issued by the Chief of Naval Personnel provide for the equitable distribution of enlisted personnel by skills and total numbers to all activities in proportion to authorized allowances. The policy statement specifies that an activity not be manned in excess of authorized billets unless there are Navy-wide excesses in the applicable ratings.

HOW THE ENLISTED PERSONNEL ASSIGNMENT SYSTEM IS WORKING AT NWSC CRANE

Since 1970, the number of enlisted personnel (excluding those personnel assigned to tenant organizations) at NWSC Crane has generally exceeded authorized levels by 26 to 73 percent.

<u>As of</u>	<u>Authorized</u>	<u>Assigned</u>	<u>Percent over or under (-) authorization</u>
June 1970	30	52	73
June 1971	30	51	70
June 1972	27	34	26
June 1973	28	25	-11
June 1974	27	41	52
Nov. 1974	25	36	44

At the time of our review, several of the excess personnel held ratings in short supply in the Navy. Further, personnel were assigned to duties unrelated to their skills. For example:

--A first class machinist's mate in a movie projectionist billet was operating a ceramic shop.

--A first class gunner's mate in a property clerk billet was helping maintain fishing boats, motors, and pleasure craft.

--A third class gunner's mate was doing clerical work.

--A chief boatswain's mate in a small craft maintenance billet was supervising the athletic and recreation program.

The commanding officer at NWSC Crane had no control over the numbers and qualifications of enlisted personnel assigned to his station through the Navy's assignment system. He was, however, authorized to reassign them within the station once they were assigned. Although the commanding officer was authorized to reassign military personnel within the station to meet base manning needs, 1/ DOD and Navy directives prohibit the assignment of military personnel within the station to meet base manning needs, 1/ DOD and Navy directives prohibit the assignment of military personnel within the station to meet base manning needs, (1) at locations where qualified civilians are not available, (2) for purposes of rotation, training, and career progression not available at other activities, or (3) where command supervision is essential and cannot otherwise be effectively provided. 2/

The Navy Department's comments concerning this problem were:

1/OPNAV (Chief of Naval Operations) Instruction 1000.16c, para. 5a(1), Feb. 5, 1973.

2/DOD Directive 1315.10, Apr. 6, 1972, and Bureau of Naval Personnel Manual, Section 1860250, paras. 2,3,4, Oct. 1974.

"Generally speaking, this activity has been overmanned due to a temporary Navy-wide excess manning in certain enlisted ratings. In addition, shortages of PCS funds during the last two years have precluded movement of these personnel; therefore they have allowed to attrite at previously scheduled/budgeted times. Every effort is being made by Chief of Naval Personnel to equitably man all naval activities consistent with existing monetary constraints and available personnel assets."

Navy's reply to our report also stated that an effort to determine military and civilian manpower requirements at Crane, as well as all other shore activities, is presently scheduled for completion in fiscal year 1980.

CHAPTER 5

USE OF PUBLIC FUNDS FOR WELFARE AND RECREATION

As a result of our analysis of the support costs for the military personnel at Crane, we addressed a series of questions to the Secretary of the Navy on March 25, 1975. (See app. II.) Eight months later, we received a reply from the Assistant Secretary of the Navy (Financial Management). (See app. III.)

In essence, the Department of Defense appropriation acts for fiscal years 1974 and 1975 make funds available for recreational activities, facilities, and projects falling under the general heading, "welfare and recreation." 1/ Although DOD and the Navy Department have issued directives which attempt to regulate the use of generally appropriated funds for welfare and recreation, the broad wording of the appropriation acts, coupled with the language of DOD and Navy Department directives, gives base commanding officers great latitude in determining the nature and extent of permissible recreational facility funding.

With particular reference to the NWSC Crane facility, the base commanding officer authorized spending approximately \$70,400 over a period of 24 months for the construction and improvement of two buildings and a connecting structure, all of which now comprise NWSC Crane's golf clubhouse. Five contracts were awarded to arrive at the total installation: three were charged to the Navy Industrial Fund; the remaining two were charged to the Navy's Operation and Maintenance Appropriation. At the time the clubhouse was constructed, governing Navy regulations required approval from "higher authority" for recreational construction projects exceeding a cost of \$25,000. 2/ Also, section 2674 of title 10, United States Code (1970), authorized the construction of public works projects exceeding a cost of \$50,000, but not in excess of \$100,000, if the project received the advance approval of the Secretary of the service concerned. Advance approval for the entire clubhouse project apparently was not obtained.

1/Act of Oct. 26, 1972 (Department of Defense Appropriation Act), Public Law No. 92-570, title III, 86 Stat. 1184, 1186; Act of Jan. 2, 1974 (Department of Defense Appropriation Act), Public Law No. 93-238, title VII, sec. 744, 87 Stat. 1025, 1046; Act of Oct. 8, 1974 (Department of Defense Appropriation Act), Public Law No. 93-437, title VIII, sec. 842, 88 Stat. 1212, 1232.

2/Special Services Manual, NA/PERS 15869B, ch. V, sec. 502 (Mar. 1969).

Our March 25, 1975, letter advised the Secretary of the Navy of our concerns regarding the construction of this clubhouse. The Navy replied that the second building was constructed independently from the first and that the construction of the connecting structure was completed as an afterthought "to improve the habitability" of the two buildings. While explaining that it never intended to circumvent regulations to arrive at the total present installation, the Navy also stated:

"* * * In situations of this nature, to avoid any semblance of statutory violations, it should be incumbent on all higher echelon commands to require submission of and to review in advance similar projects to determine propriety thereof."

Appropriated funds were used to pay officer and enlisted club managers. Operating expenses and food costs at a mess where meals were sold to officers and civilians (officers' mess open) were paid for by generally appropriated funds without full reimbursement. The expenses of maintaining the golf course fairway were charged to the Navy's Operation and Maintenance Appropriation. A pool operated by NWSC Crane's Civilian Employees Association was resurfaced and repaired with Navy Industrial Fund and O&MN funds.

The Navy observed that its regulations permit paying club managers, treasurers, and the like with appropriated funds because commanding officers, through such personnel, provide command executive supervision at nonappropriated fund activities. (Navy Comptroller Manual, paras. 035851 and 075260.) The Navy further indicated that in the future most of the costs of the officers' mess open will be reimbursed to the charged appropriation, as contemplated by the appropriation acts and DOD directives. 1/ However, the Navy intends to continue maintaining garbage and trash removal on a nonreimbursable basis. The Navy also stated that maintaining fairways with appropriated funds has been a longstanding practice, since the resulting costs are more closely related to normal grounds maintenance than to a special welfare and recreation cost.

1/Act of Jan. 2, 1974 (Department of Defense Appropriation Act), Public Law No. 93-238, title VII, sec. 710, 87 Stat. 1026, 1040; Act of Oct. 8, 1974 (Department of Defense Appropriation Act), Public Law No. 93-437, title VIII, sec. 310, 88 Stat. 1212, 1226; Department of Defense Directive No. 1330.2, sec. III, par. F (Jan. 19, 1953).

Finally, the Navy explained that the pool was originally constructed with appropriated funds during the early stages of NWS Crane's development and explains that "basic maintenance to facilities of the type here involved is a proper charge to appropriated funds." (Navy Comptroller Manual, para. 075260, 4b(15).) Although the Navy Industrial Fund was used to finance some of the repairs to the pool, the Navy has made a "management decision" to stop using the fund to finance welfare and recreation activities. The Navy also said that in view of the high operating cost of the pool, the Civilian Employees Association elected to end its sponsorship and the pool was closed.

Given the lack of specific constraints in appropriation and authorization language, DOD directives, or Navy regulations, determining the proper use of funds considered available for welfare and recreation is largely a matter of judgment. Issues have surfaced, however, which illustrate the need for definitive congressional guidance on the intended use of public funds considered available for "welfare and recreation." The Congress needs to take a clear stand on its willingness to appropriate public funds for specific types of morale, welfare, and recreation activities for both military and civilian personnel. We are not implying that either too much or too little is being spent for these purposes. However, the amounts and purposes should be explicitly expressed, thereby ameliorating the problems of interpretation and after-the-fact judgmental criticism.

For several years we have questioned (1) DOD's guidance to the military departments concerning appropriated fund support to nonappropriated fund activities and (2) the practices of the military services in doing so. Despite DOD's general agreement with our previous recommendations, actual practices apparently have not changed. For example:

--In 1965 we reported 1/ that over 5,000 enlisted personnel in DOD were assigned to nonmilitary activities such as officers' and noncommissioned officers' clubs, hobby shops, bowling alleys, and golf courses. We proposed that the service secretaries issue instructions restricting such assignments. The Assistant Secretary of Defense for Manpower made no specific comment on our proposal at that time but advised us that such staffing was continually under surveillance.

1/Review of the Assignment of Enlisted Personnel to Nonmilitary Activities (B-146890), Dec. 27, 1965.

--In 1968 we again reported 1/ that, among other matters and contrary to DOD policy, military personnel were assigned to nonappropriated fund activities, and utilities were charged to such activities at less than full cost. Our recommendations suggested that procedures be adopted to recover all such costs and that using military personnel to operate nonappropriated funds be minimized. The Deputy Assistant Secretary of Defense (Military Personnel Policy) agreed with our findings and added that these practices could be attributed to the broad language of existing directives. The directive was to be reevaluated with the objective of providing definitive direction to the military departments.

--Reports issued in 1975 2/ disclosed essentially the same conditions as in 1968. As of February 1976, Directive 1330.2 still had not been changed.

1/Need for Improved Controls in Military Departments to Ensure Reimbursement for Services Provided to Nonmilitary and Quasi-Military Activities (B-163136), Feb. 26, 1968.

2/Support of Hunting and Fishing at Matagorda Island, Texas (FPCD-74-109) Jan. 6, 1975; Unrecovered Costs for Utility Services Furnished to Nonappropriated Fund and Non-Government Activities (LCD-74-338) Feb. 7, 1975; and Cost of Operating Military Recreation Camps in Alaska (FPCD-75-138) May 22, 1975.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Only 23 of the 68 military personnel assigned at NWSC Crane were directly involved in center operations and other military activities. The remaining 45, about two-thirds of the total military complement, plus 10 civilians, were assigned to provide military personnel support services.

A total of about \$1.2 million was spent annually to maintain a military presence at the center, including \$533,000 for pay and allowances of the 55 support personnel and \$236,300 to support military personnel.

DOD's policy for staffing support activities has not been fully implemented at NWSC Crane. Because the center is primarily industrial, managing it does not necessarily require military personnel.

We reported 1/ on a similar situation in which the work forces at the Marine Corps Finance Center and Automated Services Center in Kansas City, Missouri, included both Marines and civilians. The centers were mainly administrative. Since the work could be done by civilians, we recommended that the Secretary of Defense direct the Marine Corps to employ civilians at the centers and review similar activities of the Army, Navy, and Air Force. The Assistant Secretary of Defense (Manpower and Reserve Affairs) basically agreed with our recommendations. As of February 1976, however, we have seen no evidence of actions taken on those recommendations.

At NWSC Crane, 17 civilians and 3 military personnel could do the essential managerial, supervisory, and technical work assigned to 23 military personnel at the end of 1974. With this adjustment and the addition of 18 civilians in the medical department, the Navy could eliminate 45 military and 10 civilian support positions and save about \$858,000 annually in personnel and personnel support costs. Further, civilians could be trained to eventually replace the remaining military personnel.

1/Opportunity to Reduce Costs and Improve Efficiency by Employing Civilians Instead of Marines (B-146890), June 19, 1974.

The Navy's systems for determining military manpower requirements and assigning enlisted personnel were not working at NWSC Crane. The Navy had not made workload studies or developed staffing standards to substantiate the center's military manpower needs. Since 1970, the number of enlisted men at NWSC Crane has generally exceeded authorized levels by 26 to 73 percent. As mentioned on page 20, this problem is being addressed at all Navy shore activities, including Crane. Since the program is not scheduled for completion until fiscal year 1980, it should be monitored periodically to insure that corrective action is taking place.

Regarding the portion of the support costs spent on welfare and recreation, the broad wording of the appropriations acts, coupled with the language of DOD and Navy Department directives, gives base commanding officers great freedom in determining the nature and extent of permissible recreational facility funding.

RECOMMENDATIONS

We recommend that the Secretary of Defense:

- Direct the Navy to convert the work force at NWSC Crane as discussed in our alternative staffing plan. To the extent possible, changes from Navy military personnel to civilian personnel should be made by normal rotation and reassignment. As these changes occur, Navy appropriations should be adjusted to reduce manpower costs.
- Have reviews made at all other commercial and industrial military support activities to identify how military personnel could be reduced and how the activities could be made more efficient and economical by employing more civilians.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The Congress should consider requiring the Secretary of Defense to:

- Annually assure the Congress that the work forces being used at industrial facilities are the most economical and efficient mixture of military, civilian, and contractor labor.

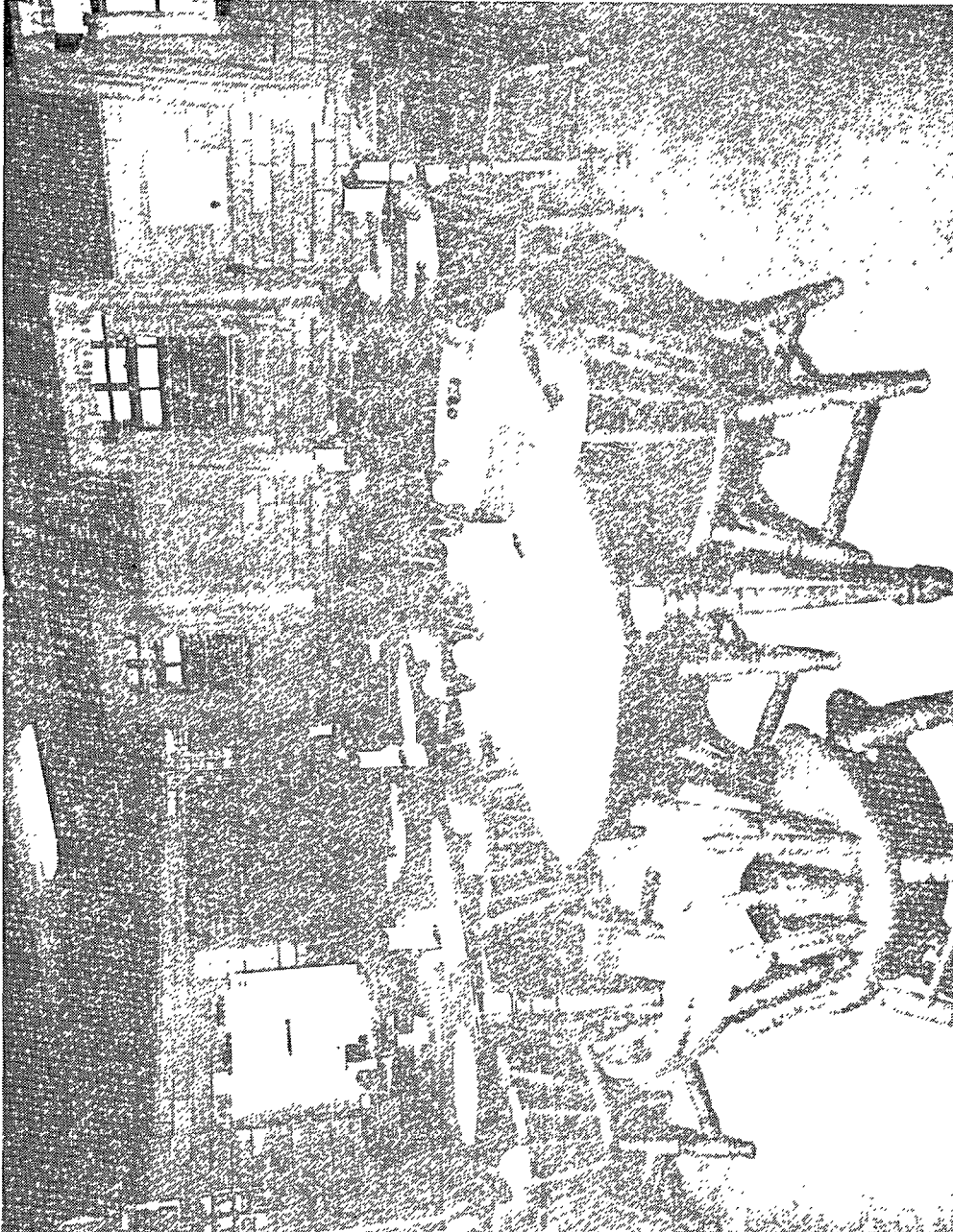
--Annually identify and justify the dollar amount and contemplated object of the funds being requested to support morale, recreation, and welfare of both military and civilian personnel.

The Congress should consider the desirability of establishing definitive guidelines on the use of funds considered available for welfare and recreation.

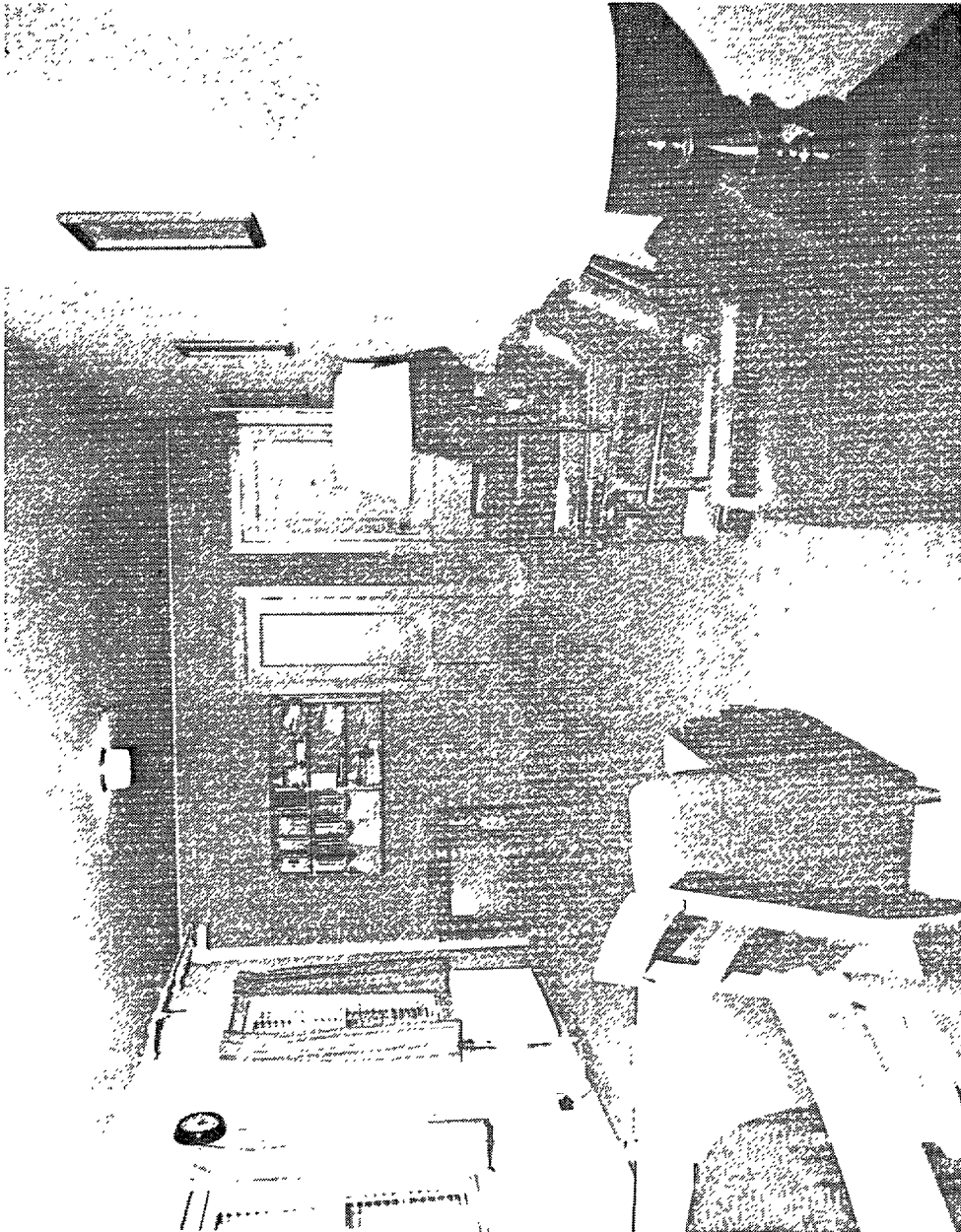
AGENCY ACTIONS

The Department of Defense is complying with our recommendation to review all commercial and industrial activities to determine if reductions in military staffing can be made. The review, however, will not be limited "to the two options that GAO addresses; status quo or complete civilianization."
DOD:

"* * * will review alternatives that include military manpower where it is either required, or is less expensive on a billet by billet basis than civilian manpower. But we will seek to minimize the total cost of military presence by reducing the support-of-military overhead."



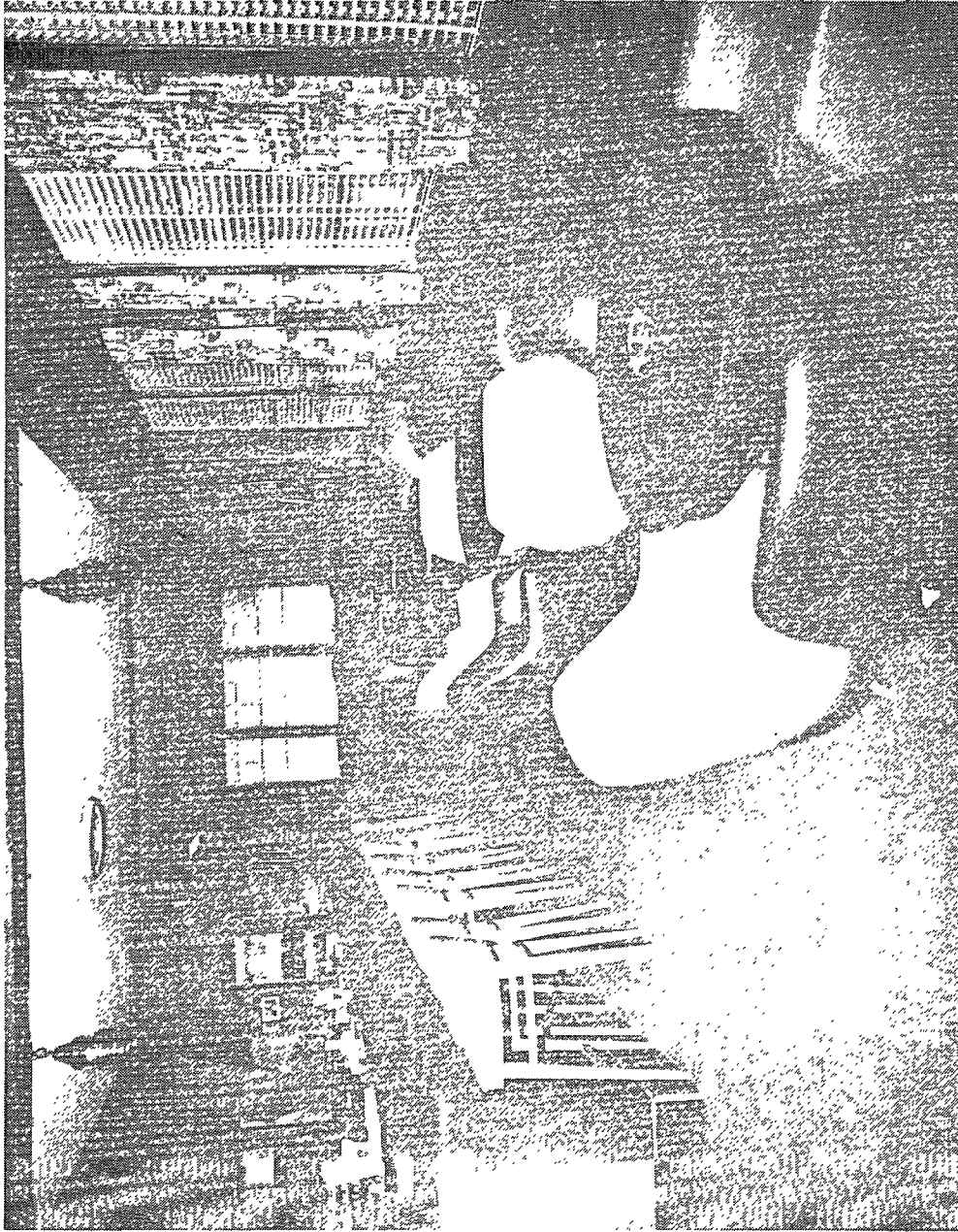
ENLISTED MEN'S MESS (CLOSED) DINING ROOM. THIS ROOM CAN SEAT 30 PERSONS. ABOUT NINE RATIONS ARE SERVED DAILY.



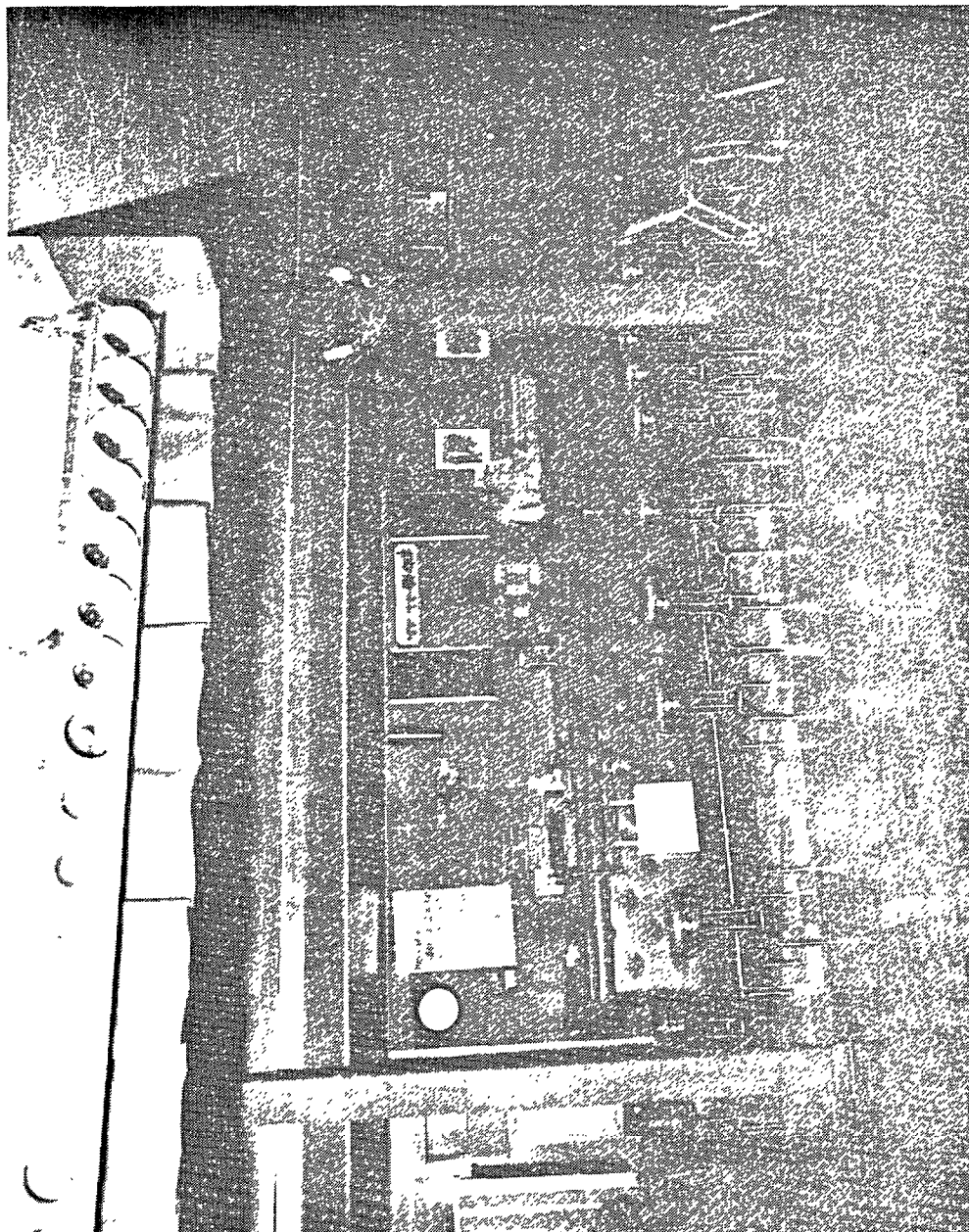
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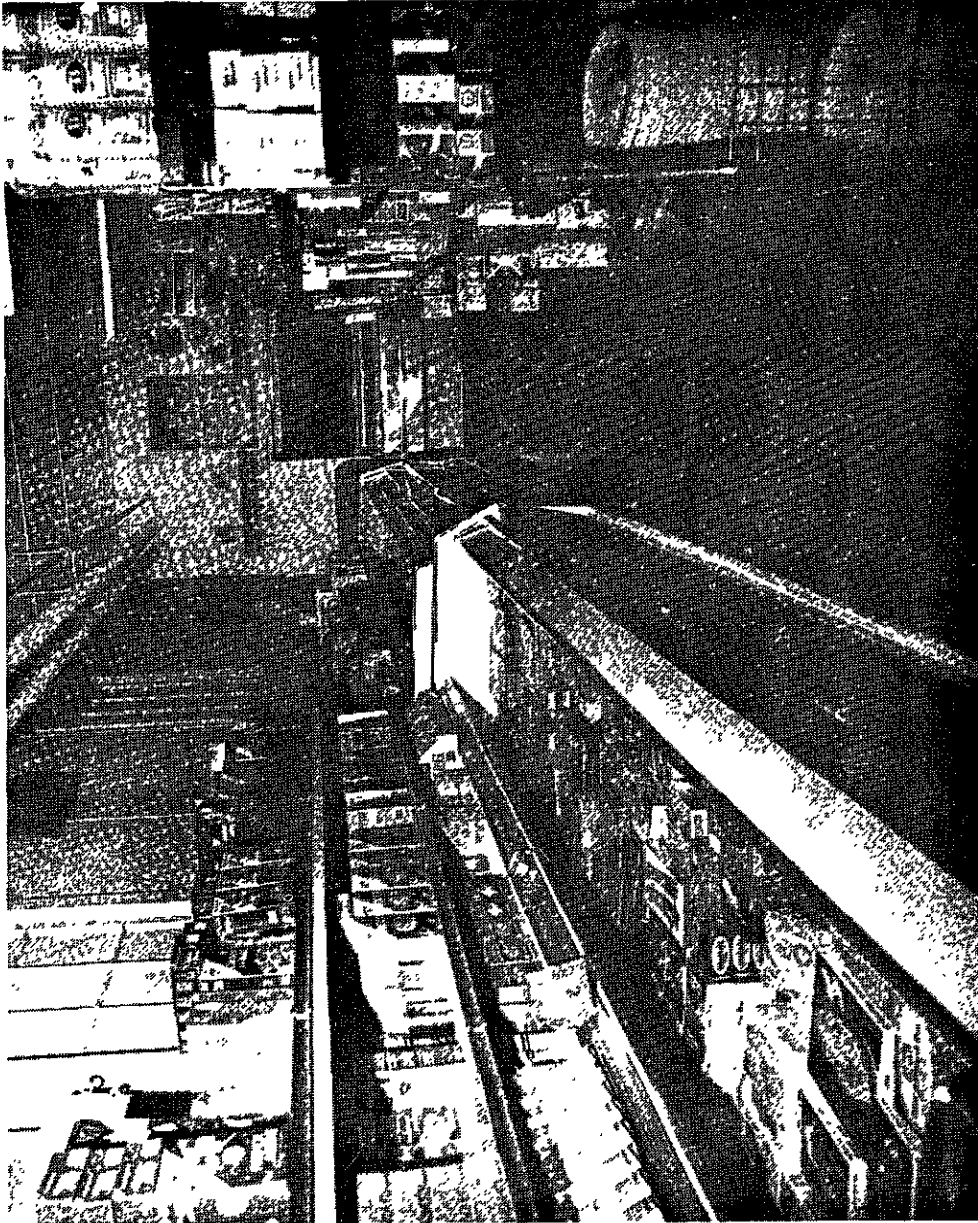
OFFICERS' CLUB UPSTAIRS BAR. THIS BAR IS USED REGULARLY IN THE EVENINGS BY ABOUT 2 OFFICERS AND 13 CIVILIANS.



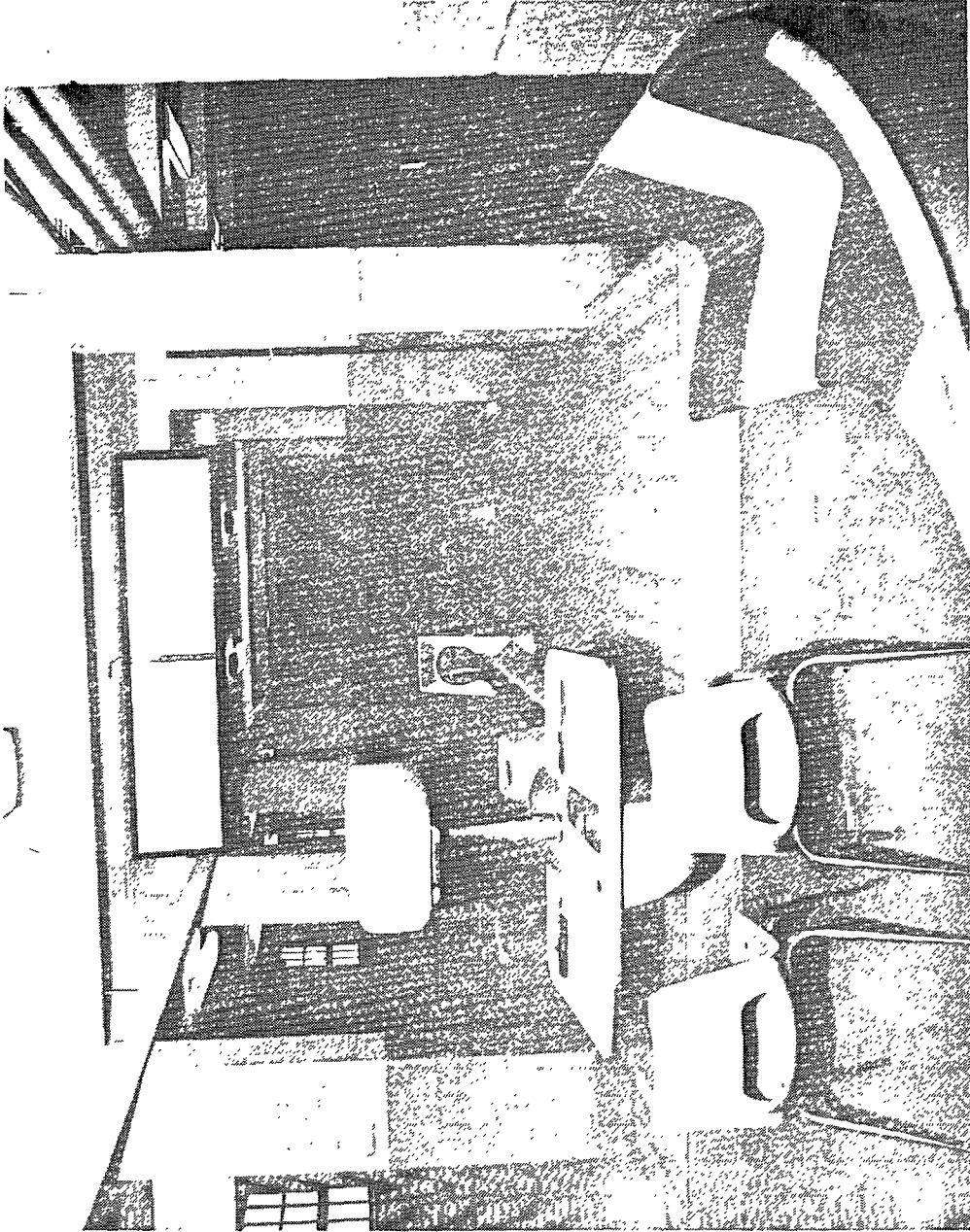
ENLISTED MEN'S CLUB BAR. ABOUT 120 CIVILIANS, 80 TO 90 RETIRED PERSONNEL, AND 40 ACTIVE DUTY MILITARY PERSONNEL FREQUENT THE CLUB.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

March 25, 1975

OFFICE OF GENERAL COUNSEL

B-160813

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The Honorable
The Secretary of Navy

Dear Mr. Secretary:

In the course of some work we are performing at the Naval Ammunition Depot, Crane, Indiana, we have come across certain activities the propriety of which, based on the record currently before us, seems questionable. Generally these matters relate to the use of appropriated funds to support nonappropriated fund (NAF) activities.

The first NAF activity is the 9-hole golf course operated as a NAF revenue-producing activity. In the 39 month period covered by our review, it appears that \$92,700 in appropriated funds were spent on the course; \$55,100 for the incremental construction of a clubhouse; \$20,100 for maintaining fairways; and \$17,500 for landscaping and improved parking areas. Utilities were also furnished without charge.

Four contracts have been awarded for construction of the clubhouse and a fifth is pending. One, awarded on June 29, 1972, was for construction of a 20 by 48 foot prefab metal building in the amount of \$13,500 from the Navy's Operation and Maintenance (O&MN) appropriation. The second, awarded on March 23, 1973, at a cost of over \$13,000 for the completion of that metal building was paid for from the Navy Industrial Fund (NIF), 10 U.S.C. § 2208 (1970). The third, awarded on May 25, 1973, at a cost of \$13,082 paid from O&MN funds, provided for the construction of a second prefab metal building. The fourth contract, awarded on February 1, 1974, at a cost of \$15,028 paid from NIF funds, provided for the construction of an entrance enclosure joining the two metal buildings. NIF funds of \$10,564 have been earmarked for the award of a fifth contract for paneling, insulation and other interior improvements in the second prefab metal building. Crane's 5-year station plan for minor construction also includes \$90,000 in three equal increments to expand the golf course to 18 holes.

The second NAF activity of concern here is the swimming pool and picnic facilities operated by the Civilian Employees Association for the Depot's 4500 civilian employees and members of their families, none of whom reside at the Depot. Revenue generated by fees are used

B-160813

to pay the salaries of the pool manager and lifeguards. In the period covered by our audit, O&MN and NIF funds were charged over \$40,000 for pool repairs and maintenance and the employees' association has not been billed for any services, including utilities provided.

Third, we are concerned about the providing of services to the officer and enlisted messes (open). From July 1, 1971 to September 30, 1974, custodial services, refuse and garbage collection and maintenance of lawns and shrubs were provided at a cost, paid from appropriated funds, of about \$10,000. The costs for utilities, maintenance and repairs to the interior of the clubs during the same period amounted to about \$84,000 from appropriated funds. The clubs were billed only \$4,400 for utilities; all of the other services were provided without reimbursement.

We are writing for a complete report and expression of your views on these matters. We are interested, among other things, in the authority for using appropriated funds for construction of a clubhouse and golf course and whether applicable procurement laws and regulations were followed in that construction; the authority for expending appropriated funds (including NIF funds) for utilities, operation and maintenance, repair and other services for each of these three NAF activities; the source of funding, and authority therefor, for the swimming pool and related facilities; and the authority used to expend appropriated funds to pay the salaries of the Officer and Enlisted Messes' club managers and assistant managers particularly in view of our decision of January 15, 1962, B-147360, and the Secretary of the Air Force's response thereto, copies enclosed.

Sincerely yours,

/s/James E. Masterson

James E. Masterson :
Assistant General Counsel

Enclosures



DEPARTMENT OF THE NAVY
 OFFICE OF THE SECRETARY
 WASHINGTON, D. C. 20350
 OCT. 30, 1975

Mr. James E. Masterson
 Assistant General Counsel
 General Accounting Office
 Washington, D. C. 20548

Dear Mr. Masterson:

The Secretary of Defense has asked me to reply to your letter of 25 March 1975 to the Secretary of the Navy concerning certain activities at the Naval Ammunition Depot, Crane, Indiana which seemed questionable (B-160813, OSD Case #4058).

Your letter raises two fundamental questions concerning the specific expenditures cited. The first question concerns the availability of Navy Industrial Funds (NIF) for welfare and recreation expenses, and the second relates to the availability of appropriated funds generally for welfare and recreation expenses.

With respect to the availability of NIF to finance welfare and recreation expenses, we have made a management decision not to use NIF in the future. However, it is not improper to use NIF. NIF is a revolving fund and ultimately reimbursed by customer funds; generally from Operation and Maintenance, and Research, Development, Test and Evaluation appropriations which have specific availability for welfare and recreation. (See sections 820 and 842, DOD Appropriation Act 1975. Similar availability was reflected during the years here in question.) The problem with using NIF to finance welfare and recreation expenses is the lack of necessary visibility in the budget process. This may lead to inclusion of welfare and recreation expenses in overhead at some activities. Upon receipt of your letter, the Naval Sea Systems Command, successor to the Naval Ordnance Systems Command (the former parent command of NAD Crane), was advised to specifically assure separate identification and funding of welfare and recreation expenses.

On the matter of the alleged incremental construction of the clubhouse, the present Commanding Officer, pursuant to the inquiry of the Naval Sea Systems Command, pursued the matter and advised as follows:

"1. In a telephone conversation with the previous Commanding Officer (CAPT J. C. Donahue, USN, RET) on this date, I have determined that the contract awarded

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"on 29 June 1972 for the erection of a metal building (#2946) at the golf course was for the sole purpose of providing an immediately usable building as a replacement for the old wooden building then in use as a pro shop and 'starter shack.' CAPT Donahue further stated that there was no intent at that time to enlarge or add additional facilities at the golf course.

"2. This first building (#2946) was used in 1973 before the NIF funded alteration and improvements were completed in January 1974.

"3. The second metal building (#2990) was built in mid-1973 as a recreation building. This building was an independent project and was used prior to interior, NIF funded, alterations and improvements.

"4. The connecting structure between the two buildings was completed in May 1974 as an after thought to improve the habitability of buildings.

"5. At no time in the course of planning improvements at the golf course was there intent to arrive at the total present installation by circumventing regulations. After a thorough review of actions taken over the past three years, it does appear in the case of building #2946 that a single O&MN funded minor construction project without NIF funded alterations would have been preferred. In the case of building #2990, the construction was properly authorized for O&MN minor construction and was in fact used. The later NIF funded alterations and improvements (paneling, bar, lighting alterations, beverage storage area) appear justified as valid alterations."

Based on the foregoing findings, it is our opinion that the allegation of incremental construction cannot be sustained. In situations of this nature, to avoid any semblance of statutory violations, it should be incumbent on all higher echelon commands to require submission of and to review in advance similar projects to determine propriety thereof.

NAD Crane has advised that the long range plan to expand the golf course to 18 holes has been canceled.

On the matter of the golf course fairway maintenance including utilities, it has been a long standing practice in the Navy to provide normal maintenance of fairways with appropriated funds since these costs

are related more to normal grounds maintenance of an activity rather than a special cost as in the case of "greens". In the case at hand, the fees collected were used to pay expenses of the "golf pro", reimburse the Depot for utilities associated with the vending machines at the pro shop, and costs related to maintenance of the greens.

In the matter of the swimming pool operated by the Civilian Employees Association, this pool was originally constructed with appropriated funds during the early stages of the Depot's development. Of the \$40,000 charged to appropriated funds for pool repairs and maintenance, approximately \$26,000 was for resurfacing. It has been a long standing policy of the Navy that basic maintenance to facilities of the type here involved is a proper charge to appropriated funds. Paragraph 075260 of the Navy Comptroller Manual provides:

"4.b.(15) Maintenance and Repair of Facilities. Maintenance and repair of facilities includes the recurrent, day-to-day periodic or scheduled work required to preserve or restore a facility, its installed equipment, and premises to a condition in which it may be utilized effectively. This includes preventive maintenance work as well as repairs made to a facility that is not a part of scheduled maintenance. Except for [Military General Welfare and Recreation] activities, this does not include work done for purposes peculiar to the nonappropriated fund activity (i.e., creation of a pleasant atmosphere)."

The nature of repairs to the instant pool qualified for appropriated fund financing in accordance with the foregoing provision.

The balance of the pool costs here involved, routine maintenance and utilities, are primarily of the type that are required under regulations (paragraph 075260 of the Navy Comptroller Manual) to be financed with nonappropriated funds. By reason of high operating costs of the pool, the Civilian Employees Association at the Depot elected not to sponsor the said pool in calendar year 1975, and the pool in fact has been closed.

In the matter of appropriated fund support for enlisted messes (open), the various items of expense cited in your letter are provided for in paragraph 075260 of the Navy Comptroller Manual. Authority for "welfare and recreation" in annual appropriation acts is considered sufficient authority for this support.

Regulations related to appropriated fund support of officers messes (open) are more restrictive. Generally, these open messes must finance with nonappropriated funds utilities (except where they may be prorated

UNAVAILABLE

in connection with essential feeding). At the Depot, the mess did reimburse for utilities. Officers messes (open) are also required to finance custodial and janitorial services. To the extent these costs were not reimbursed or otherwise funded by the mess heretofore, they are now required to do so. Garbage collection is provided on a nonreimbursable basis. Although technically it can be argued that there is a reimbursable cost involved, as a practical matter the incidence is impractical to measure. Garbage and trash removal is a routine operation at any activity. This includes scheduled pick-ups at general enlisted messes, officers messes (closed), housing areas, administrative buildings, shops, etc. Additional cost to pick up open mess trash and garbage is considered too infinitesimal to measure. As a consequence, this service is provided on a nonreimbursable basis. Interior maintenance and repair is authorized to officers messes (open) on the same basis as discussed above for the civilian pool. To the extent repairs, maintenance, or other improvements are required for aesthetic purposes, such special costs must be financed with nonappropriated funds. Such has not been the case here.

Salaries of club managers and assistant club managers financed with appropriated funds are funded on the commanding officer's responsibility over clubs and messes. Paragraph 075260 of the Navy Comptroller Manual authorizes:

"4.b.(1) Command Supervision. Command supervision includes the assignment and utilization of employees paid from appropriated funds to provide command executive supervision at the nonappropriated fund activity."

Through club managers, treasurers, and the like, commanding officers directly and effectively exercise their responsibility of these Federal instrumentalities. The matter of military and civilian personnel financed with appropriated funds for the foregoing purposes was recently justified in hearings before the House Appropriations Subcommittee on the Department of Defense. (See House Hearings on DOD Appropriation Act FY 1974, Part 5, pp. 957-960.)

Thank you for the opportunity to express my views on these matters.

Sincerely yours,



G. D. PENISTEN
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT)

MANPOWER AND
RESERVE AFFAIRS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301
NOV. 26, 1975

Mr. H. L. Krieger, Director
Federal Personnel and Compensation Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Krieger,

On behalf of the Secretary of Defense, we are providing comments on the General Accounting Office (GAO) draft report, dated August 25, 1975, on "Maintaining a Military Presence in An Industrial Environment-Issues and Costs" (OSD Case #4058-A).

This report focuses on a class of commercial and industrial type activities which are characterized by a predominantly civilian work force plus a relatively small military force which requires a significant support tail. The report states that there are about 90 such activities, exclusive of shipyards, with over 10,000 military personnel assigned. Based on their study of Naval Ammunition Depot, Crane, Indiana, (NAD Crane) GAO concludes that substantial manpower and cost savings can be made at this activity by completely civilianizing it and thereby eliminating the tail required to support the military personnel. GAO suggests that similar manpower and cost savings might also be made in other commercial and industrial type activities through complete civilianization. These conclusions are based on the premise that management of these activities does not require military personnel.

GAO recommends that the Secretary of Defense:

- Direct the Navy to convert the work force at NAD Crane along the lines discussed in their alternative staffing plan. To the extent possible, changes from Navy military personnel to civilians should be accomplished by normal rotation and reassignment. As these changes occur, Navy appropriations should be adjusted to reduce manpower costs.
- Have reviews made at all other commercial and industrial military support activities of the services to identify the reductions



in military personnel and increased efficiency and economy that could be realized by civilianizing these work forces.

We have reviewed the draft report and offer the following comments for your consideration.

We do not believe that the GAO conclusion . . . that Department of Defense policy for staffing support activities has not been implemented at NAD Crane . . . is fully supported. The intent of Department of Defense Directive 1100.9 is to maintain upward mobility for civilian DoD personnel in the management structure of support activities. The criteria contained in this directive for designating support activity management positions as military or civilian provides for military management when experience in the position is essential to enable the officer personnel to assume responsibilities necessary to maintain combat-related support and proper career development. In both the Digest and Chapter 5 of the GAO draft report the conclusion that DoD's staffing policy has not been implemented at NAD Crane is supported with the statement that, "Experience in these functions is not essential for officers to assume responsibilities under combat conditions or for military career development." There is a difference between responsibilities under combat conditions and responsibilities necessary to maintain combat-related support. We believe that it is necessary to keep a certain number of officers in activities such as NAD, Crane, for two reasons. First, these officers will rotate through billets in management headquarters level activities where overall management of these field activities is exercised. Experience in the field activities enhances their ability to manage these activities from the headquarters level. Second, a cadre of officers with experience in field activities is required for rapid expansion of these activities and the re-opening of inactive activities under mobilization conditions.

We agree that the GAO report raises legitimate issues about the costs of maintaining a military presence in commercial and industrial military support activities. However, we believe that there may be alternatives other than complete civilianization which both accommodate our requirements for military presence in these activities and are cost competitive with the all civilian alternative proposed by GAO. We therefore concur with the recommendation to review all commercial and industrial activities to determine if reductions in military staffing can be made, and have initiated review action. We are not, however, limiting our review to the two options that GAO addresses; status quo or complete civilianization. We will review alternatives that include military manpower where it is either required, or is less expensive on a billet by billet basis than civilian manpower. But we will seek to minimize the total cost of military presence by reducing the support-of-military overhead.

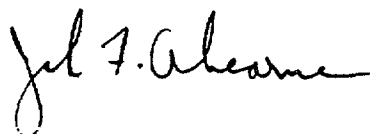
At this time we do not concur in the recommendation to convert the work force at NAD Crane along the lines discussed in the draft report.

This activity will be examined in the overall review of the staffing of commercial and industrial activities. Alterations to the authorized military/civilian mix of personnel directly involved in depot operations at this activity should be withheld until revised staffing policies resulting from the overall review are established.

The Department of the Navy's comments on the draft report are attached. They provide a more detailed discussion of some of GAO's findings and comments regarding NAD Crane. We have also been informally advised by the National Security Agency that the Naval Security Group Detachment at NAD Crane will be relocated within the next year.

GAO's continuing interest in reducing manpower costs in the Department of Defense is appreciated.

Sincerely,



Attachment

GAO note: The full text of the Department of the Navy's comments are not being included here because of their length. Where appropriate, they have been included in the report.

ALL INFORMATION AVAILABLE

ALTERNATIVE STAFFING PLAN FOR NWSR CRANE

	Current staff	Proposed staff	Comparative costs (note a)		
			Current staff	Proposed staff	Savings or additional costs (-)
Center operations:					
Administration:					
Commanding Officer, Captain		Supervisory General Engineer, GS-16	\$ 37,600	\$ 41,750	\$ -4,150
Executive Officer, Commander		Supervisory General Engineer, GS-15	32,700	38,750	-6,050
Command Projects Officer Lt. Commander		Not needed	27,375	-	27,375
Supervision:					
Public Works Officer, Commander		Supervisory Civil Engineer, GS-15	30,150	38,750	-8,600
Assistant Public Works Officer Lt. Commander		Supervisory Civil Engineer, GS-13	27,375	27,725	-350
Shop Engineer, Lieutenant (JG)		Supervisory Civil Engineer, GS-13	16,700	27,725	-11,025
Facilities, Planning Officer, Ensign		Civil Engineer, GS-11	13,400	19,975	-6,575
Ordnance Officer, Commander		Supervisory General Engineer, GS-15	30,150	38,750	-8,600
Assistant Ordnance Officer Lt. Commander		Supervisory General Engineer, GS-13	26,100	27,725	-1,625
Ordnance Special Projects Officer, Ensign		Not needed	13,775	-	13,775
Supply Officer, Commander		Supply Management Officer, GS-14	32,700	32,025	675
Ammunition Procurement Engineering Center:					
Officer-in-Charge, Commander		Supervisory General Engineer, GS-15	31,925	38,750	-6,825
Assistant Officer-in-Charge, Lt. Commander		Supervisory General Engineer, GS-14	25,325	32,025	-6,700
Technical:					
Ordnance Disposal Team (note b):					
Officer-in-Charge, Warrant Officer		Retain	19,775	19,775	-
Aviation Ordnanceman, Chief		Retain	17,250	17,250	-
Torpedoman's Mate, First Class		Retain	15,900	15,900	-
Construction Contracting Officer, Lieutenant		Contract Administrator, GS-12	20,000	23,625	-3,625
Automatic Data Processing Equipment Maintenance, Electronics Techni- cian, Second Class		Not needed	11,700	-	11,700
Other military activities:					
Marine Corps Liaison Office:					
Marine Liaison Officer, First Lieutenant		Industrial Specialist, GS-11	21,175	19,975	1,200
Marine Liaison Clerk, Staff Sergeant		Industrial Specialist, GS-7	13,375	13,950	-575
Security Group Detachment:					
Officer-in-Charge, Warrant Officer		Physical Security Specialist, GS-9	21,225	16,675	4,550
Communications Technician Chief		Physical Security Specialist, GS-7	15,250	13,950	1,300
Communications Technician, Third Class		Security Clerk (Typing), GS-4	10,575	10,200	375
Military personnel support:					
Administration:					
Military Personnel Officer, Lieutenant (OG)		Not needed	18,625	-	18,625
Personnelman, Second Class		Not needed	11,100	-	11,100
Civilian Personnel Clerk, GS-4		Not needed	9,825	-	9,825
Civilian Pay Clerk, GS-4		Not needed	10,925	-	10,925
Medical Department:					
Director, Medical Department, Lieutenant		Medical Officer, GS-14	22,325	32,025	-9,700
Medical Administrative Technician HMC		Supervisory Medical Technician, GS-7	15,500	13,950	1,550
Pharmacy Technician, HMI		Pharmacy Technician, GS-7	13,650	13,950	-300
X-ray Technician, HMI		Medical Radiology Technician, GS-7	14,325	13,950	375
Clinical Lab Technician, HM2		Medical Technician, GS-6	10,850	12,975	-2,125
X-ray Lab Technician, HM2		Health Technician, GS-6	11,100	12,975	-1,875
Optical Technician, HM2		Health Technician, GS-6	12,100	12,975	-875
Administrative Corpsman, HM3		Clerk-Typist, GS-3	11,825	8,825	3,000
Sanitation Technician, HMI		Not needed	12,175	-	12,175
Electrocardiogram Technician, Corpsman, HM2		Not needed	11,450	-	11,450
Lab Technician, Corpsman, HM3		Not needed	10,575	-	10,575
Administration/Pharmacy, HM3		Not needed	11,825	-	11,825
Laboratory Technician, HN		Not needed	10,425	-	10,425
X-ray/Laboratory Trainee, HN		Not needed	10,425	-	10,425
X-ray/Laboratory Trainee, HA		Not needed	9,450	-	9,450
X-ray/Laboratory Trainee, HA		Not needed	9,450	-	9,450
		Health Technician, GS-4	-	9,725	-9,725
		" " GS-4	-	9,725	-9,725
		" " GS-4	-	9,725	-9,725
		" " GS-4	-	9,725	-9,725
		" " GS-4	-	9,725	-9,725
		" " GS-4	-	9,725	-9,725
Ambulance Driver, WG-3		WG-3	-	10,350	-10,350
" " WG-3		WG-3	-	10,350	-10,350
" " WG-3		WG-3	-	10,350	-10,350
" " WG-3		WG-3	-	10,350	-10,350
" " WG-3		WG-3	-	10,350	-10,350
" " WG-3		WG-3	-	10,350	-10,350

APPENDIX V

APPENDIX V

	Current staff	Proposed staff	Comparative costs (note a)		
			Current staff	Proposed staff	Savings or additional costs (-)
Military personnel support (continued):					
Commissary:					
	Ship's Serviceman Master Chief	Not needed	\$ 21,725	\$ -	\$ 21,725
	Commissaryman, First Class	Not needed	14,725	-	14,725
	Commissaryman, Second Class	Not needed	11,775	-	11,775
	Commissaryman, Second Class	Not needed	12,900	-	12,900
	Civilian Clerk Typist, GS-3	Not needed	8,075	-	8,075
	Civilian Store Clerk, GS-3	Not needed	8,800	-	8,800
	Civilian Groceryman, WG-05	Not needed	11,225	-	11,225
	Civilian Meat Cutter, WG-06	Not needed	13,175	-	13,175
Navy exchange:					
	Ship's Serviceman, Senior Chief	Not needed	18,000	-	18,000
	Ship's Serviceman, First Class	Not needed	13,125	-	13,125
	Ship's Serviceman, Second Class	Not needed	11,700	-	11,700
	Ship's Serviceman, Second Class	Not needed	12,100	-	12,100
Enlisted men's club:					
	Ship's Serviceman, Chief	Not needed	15,775	-	15,775
Officer's club:					
	Civilian Mess Manager, GS-10	Not needed	16,525	-	16,525
	Civilian Assistant Manager, GS-7	Not needed	12,300	-	12,300
Morale and welfare--sports and hobbies:					
	Boatswain's Mate, Senior Chief	Not needed	20,550	-	20,550
	Gunner's Mate, Guns, First Class	Not needed	14,725	-	14,725
	Machinist Mate, First Class	Not needed	14,725	-	14,725
	Boatswain's Mate, Second Class	Not needed	11,700	-	11,700
	Storekeeper, Second Class	Not needed	11,700	-	11,700
	Gunner's Mate, Guns, Third Class	Not needed	10,675	-	10,675
	Machinist Mate, Fireman	Not needed	10,000	-	10,000
	Seaman Apprentice	Not needed	9,450	-	9,450
Bachelor officer's quarters:					
	Mess Management Specialist, First Class	Not needed	14,325	-	14,325
	Mess Management Specialist, Second Class	Not needed	13,025	-	13,025
	Mess Management Specialist, Third Class	Not needed	11,850	-	11,850
	Mess Management Specialist, Third Class	Not needed	11,850	-	11,850
	Mess Management Specialist, Seaman	Not needed	10,450	-	10,450
	Mess Management Specialist, Seaman	Not needed	10,450	-	10,450
	Mess Management Specialist, Seaman	Not needed	10,850	-	10,850
Enlisted men's mess:					
	Commissaryman, Chief	Not needed	14,550	-	14,550
	Commissaryman, Third Class	Not needed	11,850	-	11,850
	Commissaryman, Seaman	Not needed	10,150	-	10,150
	Civilian Food Service Worker, WG-02	Not needed	9,300	-	9,300
	Civilian Food Service Worker, WG-02	Not needed	8,350	-	8,350
	Total		<u>\$1,201,875</u>	<u>\$737,250</u>	<u>\$464,625</u>

a/Costs include pay and allowances, retirement, training, educational and income tax benefits, unemployment compensation, and other factors published in March 1974 DOD memorandum entitled "Economic Cost of Military and Civilian Personnel in the Department of Defense."

b/Civilians could be trained and eventually replace the military ordnance disposal team.

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Donald H. Rumsfeld	Nov. 1975	Present
James R. Schlesinger	July 1973	Nov. 1975
William P. Clements (acting)	May 1973	July 1973
DEPUTY SECRETARY OF DEFENSE:		
William P. Clements	Jan. 1973	Present
ASSISTANT SECRETARY OF DEFENSE (MANPOWER AND RESERVE AFFAIRS):		
William K. Brehm	Sept. 1973	Mar. 1976
Carl W. Clewlow (acting)	June 1973	Aug. 1973
<u>DEPARTMENT OF THE NAVY</u>		
SECRETARY OF THE NAVY:		
J. William Middendorf II	Apr. 1974	Present
John W. Warner	May 1972	Apr. 1974
ASSISTANT SECRETARY OF THE NAVY. (MANPOWER AND RESERVE AFFAIRS):		
Joseph T. McCullen, Jr.	Sept. 1973	Present
James E. Johnson	June 1971	Sept. 1973
CHIEF OF NAVAL OPERATIONS:		
Adm. James L. Holloway III	July 1974	Present
Adm. Elmo R. Zumwalt, Jr.	July 1970	July 1974

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