



087501

REPORT TO THE CONGRESS



BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

Savings Possible Through Better Management Of Quarters For Enlisted Personnel

B-133316

Department of Defense

The Department of Defense spent \$308.5 million in 1975 for constructing and modernizing bachelor enlisted quarters and, at the same time, spent \$91 million for military bachelors to live in the civilian community.

The military services can greatly reduce the money allotted for enlisted bachelors to live in the civilian community by managing existing quarters better.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-133316

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses how the military services can greatly reduce payments for enlisted bachelors to live in the civilian community through better management of existing onbase quarters.

The review was undertaken because the Department of Defense spent \$308.5 million in fiscal year 1975 to construct or modernize bachelor enlisted quarters, while during the same fiscal year \$91 million was paid to bachelor enlisted personnel to live in the civilian community.

Our 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).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

A handwritten signature in black ink, reading "James A. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

| | |
|-----|------------------------------|
| BAQ | basic allowance for quarters |
| DOD | Department of Defense |
| GAO | General Accounting Office |

D I G E S T

The military services either provide housing for enlisted bachelors or pay them allowances to live in the civilian community. During 1975 such payments totaled about \$91.3 million. This cost could be greatly reduced through better management of bachelor enlisted quarters.

Military installations manage bachelor enlisted quarters by the "unit integrity concept." Blocks of space, such as a wing or floor, are assigned to organizational units and later to **personnel**.

People from one unit cannot be assigned to the space of another unit. Many people from units whose space is filled are paid to live in the civilian community although space is available in quarters assigned to other units. (See p. 4.)

Bachelor enlisted quarters can be used to house either permanent or transient personnel, but it costs more to house transients in the civilian community. Appropriated funds can be conserved by skillful allocation of quarters between permanent and transient personnel. Military installations do not always do this. (See p. 8.)

The data needed to accurately determine the unnecessary costs was not contained in housing records. However, by using the best data available at each installation, GAO estimated such costs to be \$3.4 million annually at the 11 installations visited. (See apps. I and II.)

The Army and the Navy do not provide routine information which management can use to compare vacancies in quarters with the number of people paid to live off base. Such information is necessary so the Department of Defense can make the best use of existing housing facilities and, at the same time, reduce its housing costs. (See p. 11.)

GAO informed installation officials throughout the review of its findings. Most installation officials either improved the management and use of bachelor enlisted quarters or indicated that action would soon be taken. (See p. 11.)

GAO proposed that the Secretary of Defense require the military services to:

- - Discontinue the unit integrity concept and adopt a system that includes centralized room assignment without regard to each individual's unit affiliation. (See p. 13.)
- - Periodically determine the space available for permanent and transient personnel at each **installation and allocate quarters** accordingly. Transients should be housed in contract quarters when this alternative is more economical and when Government quarters are not available. (See p. 13.)
- - Prescribe requirements for more complete, consistent, and timely records and reports on the management and use of bachelor enlisted quarters.. (See p. 13.)

Defense officials said that the unit integrity concept is an effective way of satisfying the mission and discipline requirements of many units and, therefore, will be continued for some units. (See app. 111.) Defense officials recognized that with unit integrity strict controls are needed to preclude unnecessary payments for quarters. The Department, therefore, will revise appropriate instructions to centrally control basic allowance for quarters and per diem authorizations at each military installation to avoid such unnecessary payments when adequate quarters are available.

Defense officials agreed with all other proposals and agreed to revise instructions to insure improved management and use of bachelor housing.

If the revised instructions are properly implemented, vacancies in bachelor quarters and unnecessary payments should be greatly reduced. (See p. 14.)

CHAPTER 1

INTRODUCTION

One of the policies of the military services is to provide housing accommodations for enlisted bachelors permanently assigned to installations and for all transients regardless of marital status. Traditionally, such accommodations are provided for on base. However, when adequate onbase housing is not available, these personnel are authorized to live off base in the surrounding civilian community at Government expense.

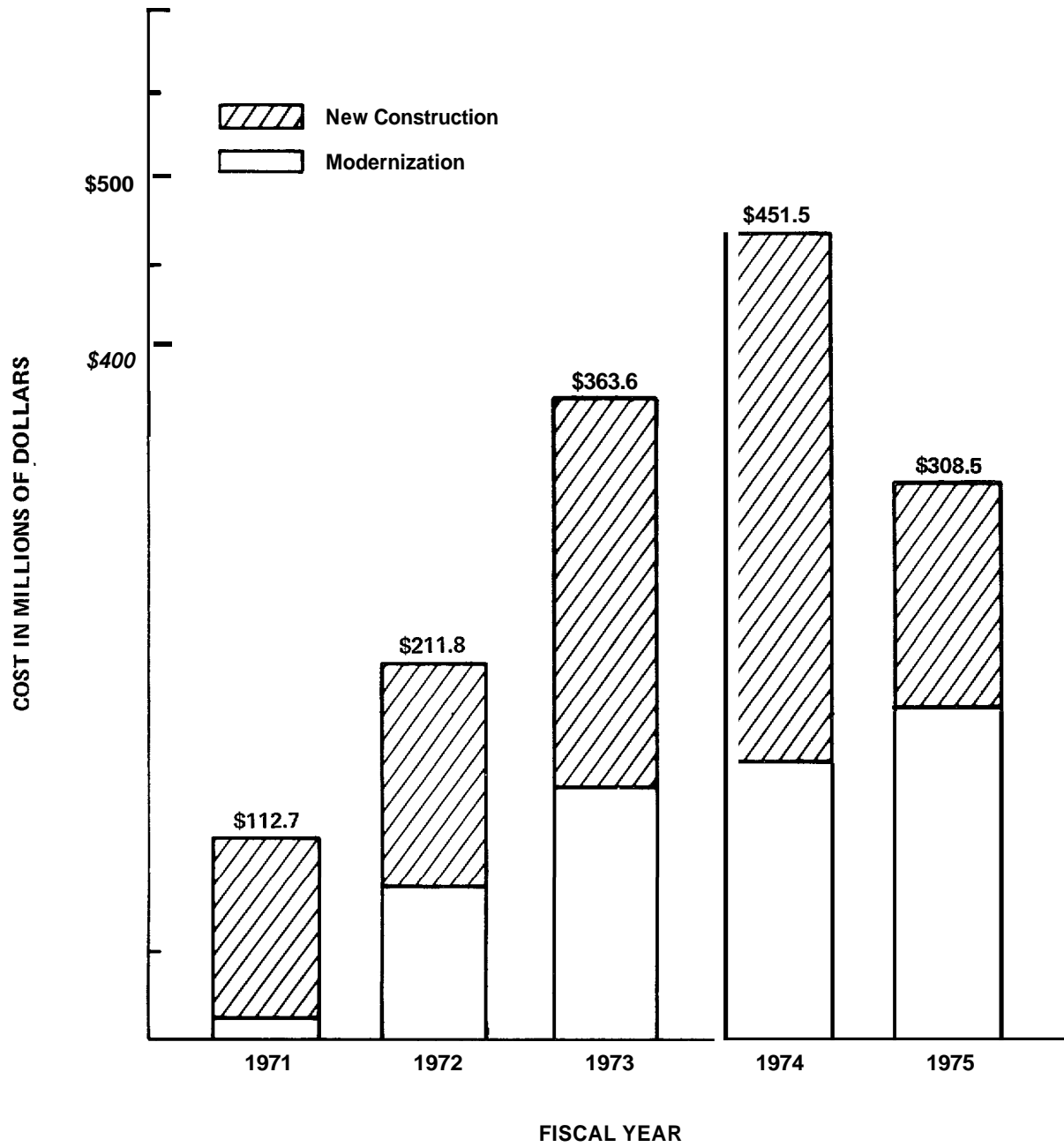
Permanently assigned bachelors authorized to live off base receive a monthly cash allowance in lieu of housing provided by the Government. This allowance, called basic allowance for quarters (BAQ), ranges from \$63 to \$138 depending on pay grade. Transient personnel authorized to live off base receive a daily allowance to help defray the cost of these accommodations or are assigned to commercial facilities under Government contract. The daily allowance, the quarters portion of per diem, is \$13.20. The daily cost to the Government of contract quarters varies considerably, depending on local conditions and terms of the contracts. In most cases, however, it is less than the quarters portion of per diem.

The type of quarters provided to military personnel has been of continuing interest and concern to the Congress and the military departments. The military services have long considered the quality of housing an important factor in recruiting and retaining personnel. As such, the services' emphasis on upgrading the quality of onbase housing has increased greatly as the military moved to an all-volunteer force.

To improve the quality and habitability of enlisted bachelor housing, the services gradually have established new and better standards. The new standards have increased the square footage of living space assigned to each person and advocated using private and semiprivate rooms instead of open-bay quarters.

The application of new standards has created bachelor housing deficits by making many existing open-bay facilities obsolete and reducing the capacity of other buildings. The services have obtained the Congress' approval to initiate large construction and modernization programs. The following chart shows the yearly dollar value for these programs for the last 5 years.

**CONSTRUCTION AND MODERNIZATION COSTS
BACHELOR ENLISTED HOUSING
(All Services)**



During the same 5-year period shown above, the cost of housing enlisted bachelors off base **also** increased. In fiscal year 1971 over 53,110 military bachelors received \$42.1 million in BAQ payments. In fiscal year 1975, 89,438 military bachelors received \$91.3 million in BAQ payments. The table below summarizes the cost of BAQ payments by service for the last 5 fiscal years. The services' methods of recording payments do not show a breakdown of per diem costs.

Cost of Basic Allowance for Quarters
Paid to Enlisted Bachelors

| | Fiscal years | | | | |
|---------------|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | <u>1971</u> | <u>1972</u> | <u>1973</u> | <u>1974</u> | <u>1975</u> |
| | ----- (000 omitted) ----- | | | | |
| Army | \$10,817 | \$16,794 | \$19,141 | \$18,857 | \$19,885 |
| Navy (note a) | 22,265 | 27,418 | 37,357 | 38,447 | 38,441 |
| Air Force | <u>9,006</u> | <u>20,638</u> | <u>22,894</u> | <u>23,394</u> | <u>33,018</u> |
| Total | <u>\$42,088</u> | <u>\$64,850</u> | <u>\$79,392</u> | <u>\$80,698</u> | <u>\$91,344</u> |

a/Includes Marine Corps.

According to the Air Force, the \$10 million increase in fiscal year 1975 is attributable to the Air Force's decision to **per-mit** more enlisted personnel to live off base in 'lieu of assigning these personnel to quarters considered inadequate for their rank.

Because of the large expenditures for (1) bachelor housing construction and modernization and (2) off-base housing allowances and because of the continuing interest expressed by Members of Congress, GAO reviewed the management and use of enlisted bachelor and transient housing.

CHAPTER 2

IMPROVEMENTS NEEDED IN MANAGING

BACHELOR ENLISTED QUARTERS

The Department of Defense (DOD) and the military services did not obtain optimum use of quarters. This resulted in considerable unnecessary costs for basic allowance for quarters, per diem, and contract quarters at the 11 installations we reviewed. Unnecessary costs were incurred because the installations (1) followed a management policy which resulted in payment of BAQ while quarters were vacant, (2) set aside too many quarters for permanent personnel and, thus, had too few quarters for transients, and (3) lacked the information necessary for effective management of quarters.

The data needed for accurately determining the amount of unnecessary costs was not contained in housing records. However, by using the best data available at each installation, we estimated that such costs amounted to about \$3.4 million annually at the installations we visited. (See apps. I and II.) We compared the numbers of persons receiving BAQ and per diem with reported vacancies in bachelor enlisted quarters for selected periods. The installations we visited were selected because they incurred sizeable BAQ costs although large numbers of onbase quarters were vacant. They do not necessarily represent all military installations.

UNIT INTEGRITY INTERFERES WITH OPTIMUM USE OF QUARTERS

Each installation we visited assigned and managed its bachelor enlisted quarters by the unit integrity concept. Under this approach, a block of space, such as a wing, floor, or entire building, is assigned to each organizational unit. Each unit then assigns its personnel to a room or bed within the allocated space. Space assigned to each unit is used exclusively for housing personnel assigned to that unit. The chart on page 6 illustrates the unit integrity concept and shows space allocations on the second floor, building U-20, Naval Air Station, Norfolk, Virginia. The 484 spaces on the floor are divided among 7 units.

According to DOD and the services' policies, unit integrity is permissible provided it does not interfere with maximum use of quarters. However, at the installations we visited, maintaining unit integrity greatly reduced the use of available quarters. When a unit's allocated space was filled, additional personnel reporting to the unit were sent off base and authorized BAQ even though other units--sometimes in the same building--had vacancies.

Managing quarters by the unit integrity concept interferes with maximum use because

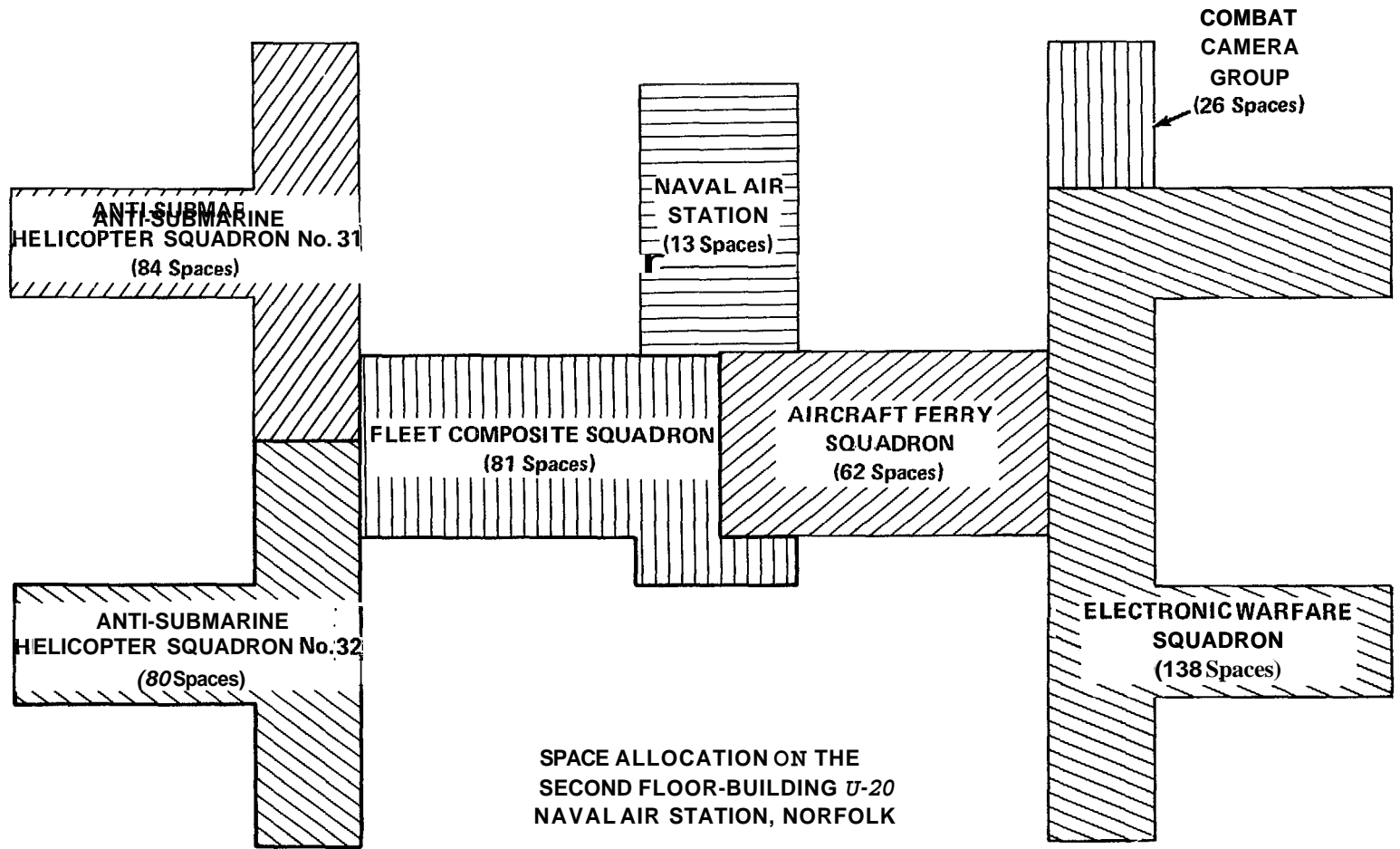
- buildings used for housing enlisted bachelors were designed and constructed for individuals, not units or activities, causing the number of spaces to rarely match the number of personnel in a unit requiring housing:
- housing needs of individual units change constantly because the number of personnel assigned to a unit fluctuates; and
- the marital status of personnel reporting to or leaving the unit affects its need for bachelor housing space.

The chart also illustrates the second floor of building U-20, Norfolk Naval Air Station, with 80 spaces allocated to the Anti-Submarine Helicopter Squadron No. 32. The spaces consist of 5 two-man rooms, 10 three-man rooms, and 10 four-man rooms. The chart also shows that 81 adjacent spaces, allocated to the Fleet Composite Squadron, consist of 3 two-man rooms, 13 three-man rooms, and 9 four-man rooms. The remaining spaces on this floor are allocated to five other organizational units. During the week of January 20, 1975, five enlisted bachelors reported to the Anti-Submarine Helicopter Squadron. The squadron had no vacancies in its allocated space and, consequently, approved BAQ allowing personnel to live off base. During this same week, 16 of the 81 spaces allocated to the Fleet Composite Squadron were vacant. In addition, average vacancies for all units assigned to building U-20 exceeded 165 during the week of January 20, 1975. Basewide, average vacancies for the same period totaled about 675.

Similar situations existed at all but one of the installations we visited. For example:

- On January 27, 1975, 8 Langley Air Force Base bachelors were granted BAQ because sufficient space was not available in their unit's allocated space, even though there were 300 vacancies in bachelor quarters basewide. During January, February, and March 1975, 69 Langley Air Force Base personnel were granted BAQ because of lack of space even though vacancies averaged 277 basewide.
- On May 9, 1975, Davis-Monthan Air Force Base approved BAQ for 11 bachelors from 5 different units, even though there were 152 vacancies basewide. The reason

9



provided for each approval was lack of space. For the 3-month period ended June 30, 1975, over 200 Davis-Monthan personnel were authorized BAQ for lack of space. Basewide vacancies averaged 352 for that period.

- At Fort Bragg, 133 BAQ authorizations were given for lack of space during January, February, and March 1975. Basewide vacancies during this period exceeded 1,000.

Reasons for maintaining
unit integrity

According to the military officials, we interviewed, unit integrity, as it applies to assigning quarters, is necessary to (1) maintain esprit de corps and (2) facilitate emergency or contingency mobilizations. We agreed that officers and enlisted personnel living together as a unit probably form a common bond of esprit de corps and are easier to mobilize. In the units we reviewed officers and enlisted personnel did work together. However, the majority of unit personnel did not live with their unit.

For example, at most installations the largest portion of personnel lived with their dependents. In addition, officers and bachelor senior enlisted personnel were not required to maintain unit integrity. Even the enlisted bachelors who ordinarily are assigned to quarters by unit affiliation were generally not required to live in their assigned quarters. These personnel can live off base at their own expense and many of them elect to do so.

To demonstrate the extent to which unit integrity is maintained, as it applies to residence, we obtained the following information on the residences of 93,563 personnel assigned to 452 units at the installations we visited.

Residence of Unit Personnel

| | <u>Number</u> | <u>Percent</u> |
|-------------------------------|---------------|----------------|
| Officers (note a) | 13,057 | 14 |
| Enlisted: | | |
| Not residing with unit: | | |
| Living with dependents | 41,040 | 44 |
| Off base--single BAQ | 3,508 | 4 |
| Off base--own expense | 2,527 | 3 |
| Onbase--women's quarters | 1,066 | 1 |
| Onbase--senior men's quarters | 905 | 1 |
| Other (note b) | <u>1,444</u> | <u>1</u> |
| | <u>50,490</u> | <u>54</u> |
| Residing with unit: | | |
| Onbase--men's quarters | 29,350 | 31 |
| Onbase--women's quarters | <u>666</u> | <u>1</u> |
| | <u>30,016</u> | <u>32</u> |
| Total | <u>93,563</u> | <u>100</u> |

a/Officers are housed in separate quarters.

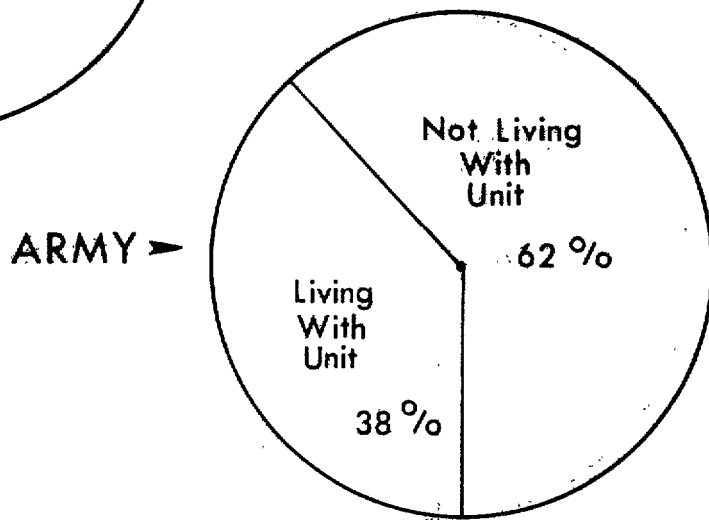
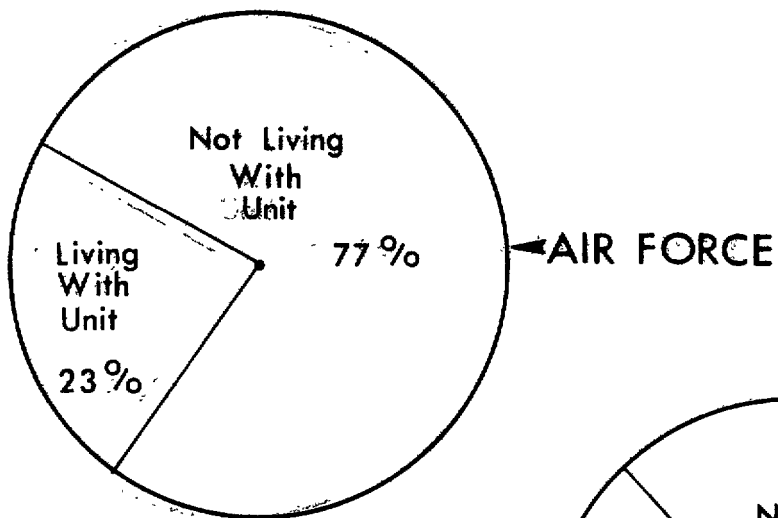
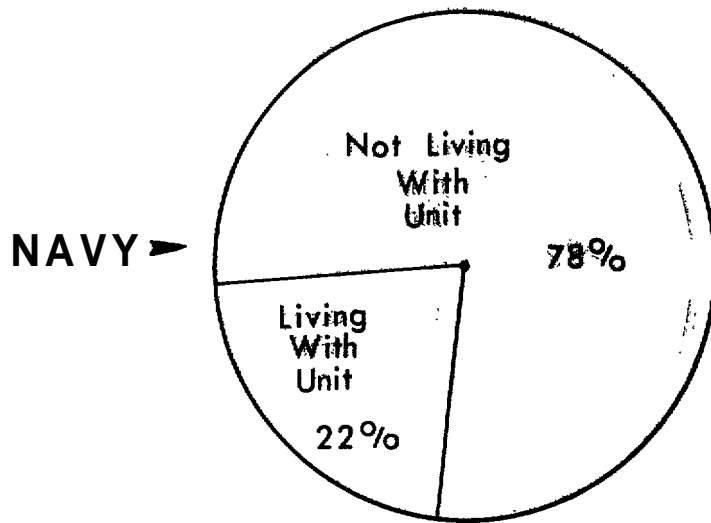
b/Detention facilities, absent without leave, etc.

The chart on page 9 shows the percentage of the above personnel, by military service, living with their unit.

INSUFFICIENT ALLOCATION OF QUARTERS
FOR TRANSIENTS RESULTS IN
INCREASED HOUSING COSTS

DOD and the services' instructions point out that savings are possible through optimum allocation of quarters. Bachelor quarters at an installation can be used to house permanent or transient personnel or a combination of the two. Permanent personnel who are not housed on the installation receive BAQ; transients who are not housed on the installation receive per diem or are assigned to commercial quarters under contract. Permanent personnel receive from \$63 to \$138 per month, depending on pay grade, to live off base. A transient could receive per diem of about \$13.20 each day or about \$395 each month to live off base. These amounts are lodging costs only and do not include meals.

PERCENTAGE OF PERSONNEL
LIVING WITH UNIT



Because of the difference in costs to house permanent and transient personnel, it is necessary to allocate quarters in the most economical way; however, we found that this was given little attention. For example, Langley Air Force Base had over 2,100 spaces available for housing enlisted personnel during the year ending March 31, 1975. These spaces were allocated among various units for permanent personnel. No spaces were set aside for transients during most of the year. For the most part, they were lodged off base and paid per diem or placed in contract quarters. Overall for the year ending March 31, 1975, an average of 42 transients a day lived off base on per diem or in contract quarters, costing the Government \$171,000. During this same period, there was an average of about 275 vacancies in the 2,100 spaces allocated for permanent personnel. A better allocation of housing assets at Langley--the designation of 42 spaces to meet the average daily transient load--could have saved about \$85,500 in transient housing costs. (See app. 11.)

Similar situations existed at six other installations we visited. For example:

- Fort Gordon had no spaces designated for transients during most of the year ending July 31, 1975, although per diem was authorized for an average of 31 enlisted transients each day. During this period, there was an average of 1,100 vacant spaces on the base. If Fort Gordon had designated some of its quarters for transient use, about \$74,000 in per diem could have been saved.
- Pope Air Force Base had set aside some, but not enough, of its 1,437 housing spaces for transients. For the year ending March 31, 1975, an average of 67 transients were assigned each day to contract quarters at a cost of over \$168,000. We estimated that at least \$84,000 of this cost could have been avoided through better allocation of quarters.

Using contract quarters
to further reduce transient
housing costs

When all transient quarters are occupied, the Air Force, unlike the Army and the Navy, encourages using contract quarters rather than per diem as the proper alternative for providing temporary lodging for transients. When contract quarters are used the service member forfeits the \$13.20 quarters portion of per diem. Most Air Force installations included in our review negotiated lodging rates with motels in the

local community. When onbase space was unavailable for transients, they were sent to one of these motels. The installations were not obligated to send a minimum number of persons to the motels during a given period; the motels provided lodging strictly on a space-available basis.

At the installations using contract quarters, the average daily cost of lodging a transient off base was much lower than the \$13.20 quarters portion of per diem. At Langley Air Force Base, for example, the average cost of contract quarters was about \$5.00 a day for each person.

LACK OF INFORMATION IMPEDES EFFECTIVE MANAGEMENT

Accurate and timely records and reports are necessary for effective management of bachelor enlisted quarters. Information on the occupancy of quarters and the number of persons living off base is needed for day-to-day management and performance evaluations.

The Air Force reporting system provides such information. Its regulations require each installation to maintain daily auditable records on the use of bachelor enlisted quarters. These records are summarized into quarterly reports which are submitted to Air Force headquarters. The reports show information on the number of persons being paid to live off base, which can be compared with unused housing.

Neither the Army nor the Navy reporting system provides data which can be routinely used to compare vacancies in quarters with the number of persons being paid to live off base. The Army requires quarterly reports on the use of quarters; however, these reports show only occupancy as of the last day of each quarter. The Navy requires an annual report on the use of quarters which shows occupancy on only 1 day during the year. No other reports on the use of quarters are required by Army or Navy headquarters, although we identified various additional local requirements at the installations we visited.

IMPROVEMENTS MADE OR PLANNED TO REDUCE HOUSING COSTS

Throughout our review we informed installation officials of our progress and findings. Most officials either improved the management and use of bachelor enlisted quarters or indicated that action would be taken in the near future.

For example, five installations took steps to reduce the cost of housing enlisted bachelors and transients. Fort Bragg instructed all units to recall personnel receiving BAQ to available onbase housing. Langley Air Force Base and Fort Gordon terminated a combined total of 260 BAQ authorizations and assigned the personnel involved to vacant Government quarters. Similar actions to reduce costs were taken at the Norfolk Naval Air Station and Fort Sam Houston. In addition, Langley Air Force Base and Norfolk Naval Air Station increased the amount of space allocated to enlisted transients as a means of decreasing contract quarters and per diem costs.

Three installations planned to improve bachelor housing records and management information. The Norfolk Naval Air Station planned to start daily occupancy reports for its bachelor enlisted quarters, and the Jacksonville Naval Air Station planned to start collecting information on the amount of per diem authorized for transients. Fort Bragg planned to start periodically comparing the number of bachelors drawing BAQ with the number of vacancies in bachelor quarters.

CHAPTER 3

CONCLUSIONS, PROPOSALS, AND AGENCY COMMENTS

CONCLUSIONS

The 11 installations we visited authorized basic allowance for quarters and per diem payments totaling about \$3.4 million during a 1-year period even though space was available to house the personnel in quarters on base.

These unnecessary costs resulted from:

- Managing quarters by the unit integrity concept, an approach which interferes with maximum use.
- Not allocating available quarters in proportion to the need for housing permanent and transient personnel; consequently, quarters allocated for use by permanent personnel are often vacant while transients are paid to live off base.
- Lacking information (Army and Navy) on the occupancy of quarters and the number of persons living off base, which is needed for effective management.

In addition, we believe that Army and Navy installations have not taken advantage of the savings possible by using contract quarters to house transients.

PROPOSALS

We proposed that the Secretary of Defense require the military services to

- discontinue managing by unit integrity and adopt a system which includes centralized room assignment without regard to each individual's unit affiliation;
- periodically determine the optimum mix of permanent and transient personnel space at each installation and allocate quarters accordingly;
- house transients in contract quarters when Government quarters are not available and when this alternative is more economical than paying per diem; and
- prescribe requirements for reporting on the management and use of bachelor enlisted quarters, emphasizing more complete, consistent, and timely records and reports.

AGENCY COMMENTS AND OUR EVALUATION

Defense officials (see app. 111) said that the concept of unit integrity is an effective way to satisfy the mission and discipline requirements of many units and, therefore, will be continued for some units. Defense officials recognized that with unit integrity strict controls are needed to preclude unnecessary BAQ and per diem payments. The Department of Defense, therefore, will revise appropriate instructions to provide for central control of BAQ and Per diem authorizations at each military installation to avoid such unnecessary payments when adequate quarters are available.

Defense officials concurred with all other proposals and agreed to revise instructions to insure improved management and use of bachelor housing. We believe that, if the revised instructions are properly implemented, vacancies in bachelor quarters and unnecessary BAQ and per diem payments should be reduced substantially.

CHAPTER 4

SCOPE OF REVIEW

We evaluated the effectiveness of the military services' use of bachelor enlisted housing. We reviewed Department of Defense, Army, Navy, and Air Force regulations, directives, and records and discussed the policies and procedures for bachelor and transient housing management with key military officials at headquarters and installation levels. Our examination at each installation included a detailed analysis of off-base housing costs and related use of onbase quarters.

The installations were selected because preliminary information showed they incurred sizable basic allowances for quarters costs although large numbers of onbase quarters were vacant. The installations we visited were

- Davis-Monthan Air Force Base, Arizona;
- Eglin Air Force Base, Florida;
- Fort Bragg, North Carolina;
- Fort Gordon, Georgia;
- Fort Sam Houston, Texas;
- Jacksonville Naval Air Station, Florida;
- Langley Air Force Base, Virginia;
- Norfolk Naval Air Station, Virginia;
- North Island Naval Air Station, California;
- Pope Air Force Base, North Carolina; and
- San Diego Naval Station, California.

ESTIMATED ANNUAL SAVINGS IN BASIC ALLOWANCE FOR QUARTERS PAYMENTS TO ENLISTED BACHELORS

| INSTALLATION (note a) | ANNUAL BAQ PAYMENTS (000 OMITTED) | NO. RECEIVING BAQ – ALL REASONS | NO. RECEIVING BAQ FOR LACK OF SPACE | AVERAGE VACANCIES ON BASE | ESTIMATED ANNUAL SAVINGS (note b) (000 OMITTED) |
|--------------------------------|---|---------------------------------------|---|---------------------------------|--|
| DAVIS-MONTHAN AIR FORCE BASE | \$ 643 | 637 | 561 | 383 | \$ 386 |
| EGLIN AIR FORCE BASE | 197 | 181 | 181 | 313 | 197 |
| FORT BRAGG | 956 | 914 | 704 | 1,199 | 736 |
| FORT GORDON | 381 | 370 | 263 | 1,125 | 270 |
| FORT SAM HOUSTON | 258 | 242 | 225 | 291 | 240 |
| JACKSONVILLE NAVAL AIR STATION | 308 | 282 | 166 | 261 | 182 |
| LANGLEY AIR FORCE BASE | 372 | 369 | 273 | 277 | 237 |
| NORFOLK NAVAL AIR STATION | 541 | 530 | 440 | 630 | 449 |
| NORTH ISLAND NAVAL AIR STATION | 437 | 479 | 307 | 658 | 280 |
| SAN DIEGO NAVAL STATION | 291 | 262 | 186 | 222 | 206 |
| TOTALS | <u>\$4,384</u> | <u>4,266</u> | <u>3,306</u> | <u>5,359</u> | <u>\$3,183</u> |

a We did not estimate savings at one installation because the amount of BAQ paid was insignificant.

b Computation of exact amounts was not possible because records were not available. In preparing these estimates, we used the best data available at each installation to compare the number of persons receiving BAQ with reported vacancies in bachelor enlisted quarters.

ESTIMATED ANNUAL SAVINGS IN PER DIEM AND CONTRACT QUARTERS COST

| INSTALLATION (note a) | ANNUAL COST OF PER DIEM AND/OR CONTRACT QUARTERS (000 OMITTED) | AVERAGE NO. OF TRANSIENTS PAID TO LIVE OFF BASE DAILY | AVERAGE VACANCIES ON BASE | ESTIMATED ANNUAL SAVINGS (note b) (000 OMITTED) |
|---------------------------|---|---|---------------------------------|--|
| EGLIN AIR FORCE BASE | \$ 13 | 3 | 313 | \$ 6.5 |
| FORT GORDON | 148 | 31 | 1,125 | 74.0 |
| FORT SAM HOUSTON | 13 | 3 | 291 | 6.5 |
| LANGLEY AIR FORCE BASE | 171 | 42 | 277 | 85.5 |
| NORFOLK NAVAL AIR STATION | 36 | 7 | 630 | 18.0 |
| POPE AIR FORCE BASE | 168 | 67 | 269 | 84.0 |
| SAN DIEGO NAVAL STATION | <u>26</u> | <u>5</u> | <u>222</u> | <u>13.0</u> |
| TOTALS | <u><u>\$575</u></u> | <u><u>158</u></u> | <u><u>3,127</u></u> | <u><u>\$287.5</u></u> |

a We did not estimate possible per diem savings at all installations we visited because the total cost of per diem was insignificant at two installations and a lack of adequate records prevented proper analysis and estimation at two other installations.

b The estimated annual savings is one-half of the total annual cost of per diem and/or contract quarters. Since actual data was not available, we assumed that the daily number of transients requiring housing follows a normal distribution. Accordingly, if an installation allocates enough space to accommodate the average number of transients, then one-half of the time all transients could be housed on base saving one-half of the annual per diem and/or contract quarters cost. A greater percentage of per diem and contract quarters cost could be saved by developing and analyzing actual data and computing the optimum number of spaces which should be set aside for transients.



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

IH
INSTALLATIONS AND LOGISTICS

26 APR 1976

Mr. F. J. Shafer
Director, Logistics and
Communications Division
General Accounting Office
Washington, D. C. 20548

Dear *M*. Shafer:

The Secretary of Defense has asked me to comment on the General Accounting Office (GAO) draft report, dated February 25, 1976, "Considerable Savings Possible Through Better Management of Enlisted Quarters - Code 945425" (OSD Case No. 4231-A). The major conclusion of this draft report is that the Military Departments have incurred large amounts of unnecessary costs for Basic Allowance for Quarters (BAQ) and per diem payments as a result of faulty management practices.

The following recommendations were made by GAO to achieve better management.

- a. Discontinue the concept of unit integrity and adopt a system of centralized room assignment.
- b. Periodically determine optimum mix of permanent party and transient personnel and allocate quarters accordingly.
- c. Utilize contract quarters if more economical than paying per diem when government quarters are unavailable.
- d. Establish an improved system for reporting on management and utilization of quarters.

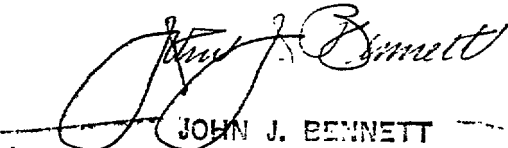
We do not concur with the recommendation that the military services be required to eliminate unit integrity by adopting a "hotel system" of centralized room assignment without regard to each individual's unit affiliation. We believe that the concept of unit integrity is a practical and operationally effective way of satisfying mission and discipline requirements of many military units. We fully endorse continuation of this concept for some units while at the same time

recognizing that strict controls must be established to preclude unnecessary BAQ and per diem payments. In this regard, we are revising Department of Defense (DoD) Instruction 4165.47, "Adequacy, Assignment, and Occupancy of Bachelor Housing", to centralize control of BAQ and per diem payment authorizations at each installation. Generally, these payments will not be authorized at any time when adequate housing is available on the installation.

We concur with the other three recommendations. Appropriate policy changes will be incorporated in the impending revision of DoD Instruction 4165.47 to implement these recommendations and assure improved management and utilization of bachelor housing.

We appreciate the information developed by this review of DoD bachelor housing practices and the opportunity to comment on the GAO findings.

Sincerely,



JOHN J. BENNETT
Principal Deputy Assistant Secretary of Defense
(Installations and Logistics)

PRINCIPAL OFFICIALS
RESPONSIBLE FOR ADMINISTERING
ACTIVITIES DISCUSSED IN THIS REPORT

~~Tenure of office~~
From To

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

| | | |
|------------------------------|-----------|-----------|
| Donald H. Rumsfeld | Nov. 1975 | Present |
| James R. Schlesinger | July 1973 | Nov. 1975 |
| William P. Clements (acting) | May 1933 | July 1973 |

ASSISTANT SECRETARY OF DEFENSE
(INSTALLATIONS AND LOGISTICS) :

| | | |
|--------------------------|-----------|-----------|
| Frank A. Shrontz | Feb. 1976 | Present |
| John J. Bennett (acting) | Apr. 1975 | Feb. 1976 |
| Arthur I. Mendolia | Apr. 1973 | Mar. 1975 |
| Hugh McCullough (acting) | Jan. 1973 | Apr. 1973 |
| Barry J. Shillito | Feb. 1969 | Jan. 1973 |

ASSISTANT SECRETARY OF DEFENSE
(MANPOWER AND RESERVE AFFAIRS) :

| | | |
|--------------------------|------------|-----------|
| William K. Brehm | Sept. 1973 | Present |
| Carl W. Clewlow (acting) | June 1973 | Aug. 1973 |

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

| | | |
|------------------------------|-----------|-----------|
| Martin R. Hoffmann | Aug. 1975 | Present |
| Norman R. Augustine (acting) | July 1975 | Aug. 1975 |
| Howard H. Callaway | May 1973 | July 1975 |

ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND LOGISTICS):

| | | |
|-----------------------------|-----------|-----------|
| Harold R. Browman | Oct. 1974 | Present |
| Edwin Greiner | Aug. 1974 | Oct. 1974 |
| Eugene E. Berg | Nov. 1973 | July 1974 |
| Vincent P. Huggard (acting) | Apr. 1973 | Nov. 1973 |
| Dudley C. Mecum | Oct. 1971 | Apr. 1973 |

Tenure of officeFromToDEPARTMENT OF THE ARMY (cont'd)ASSISTANT SECRETARY OF THE ARMY
(MANPOWER AND RESERVE AFFAIRS):

| | | |
|--------------------|-----------|-----------|
| Donald G. Brotzman | Mar. 1975 | Present |
| M. David Lowe | Feb. 1974 | Jan. 1975 |
| Carl S. Wallace | Mar. 1973 | Jan. 1974 |

CHIEF OF STAFF:

| | | |
|--------------------------|------------|------------|
| Gen. Fred C. Weyand | Sept. 1974 | Present |
| Gen. Creighton W. Abrams | Oct. 1972 | Sept. 1974 |

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

| | | |
|--------------------------|-----------|-----------|
| J. William Middendorf II | Apr. 1974 | Present |
| John W. Warner | May 1972 | Apr. 1974 |

ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND LOGISTICS):

| | | |
|-----------------|-----------|-----------|
| Jack L. Bowers | June 1973 | Present |
| Robert D. Nesen | Jan. 1973 | June 1973 |
| Charles L. III | July 1971 | Jan. 1973 |

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 |

COMMANDANT OF THE MARINE CORPS:

| | | |
|-----------------------------|-----------|-----------|
| Gen. Louis H. Wilson | July 1975 | Present |
| Gen. Robert E. Cushman, Jr. | Jan. 1972 | June 1975 |

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

| | | |
|----------------------------|-----------|-----------|
| Thomas C. Reed | Jan. 1976 | Present |
| James W. Plummer (acting) | Nov. 1975 | Jan. 1976 |
| John L. McLucas | June 1973 | Nov. 1975 |
| Dr. Robert C. Seamans, Jr. | Jan. 1969 | May 1973 |

Tenure of office
From TO

DEPARTMENT OF THE AIR FORCE (cont'd)

ASSISTANT SECRETARY OF THE AIR
 FORCE (INSTALLATIONS AND LOGIS-
 TICS):

| | | |
|----------------------------|-----------|-----------|
| J. Gordon Knapp | Mar. 1976 | Present |
| Frank A. Shrontz | Oct. 1973 | Feb. 1976 |
| Richard J. Keegan (acting) | Aug. 1973 | Oct. 1973 |
| Lewis E. Turner (acting) | Oct. 1972 | Aug. 1973 |

ASSISTANT SECRETARY OF THE AIR
 FORCE (MANPOWER AND RESERVE
 AFFAIRS):

| | | |
|-------------------------|-----------|-----------|
| David P. Taylor | June 1974 | Present |
| James P. Goode (acting) | June 1973 | June 1974 |

CHIEF OF STAFF:

| | | |
|----------------------|-----------|-----------|
| Gen. David Jones | Aug. 1974 | Present |
| Gen. George S. Brown | Aug. 1973 | July 1974 |
| Gen. John D. Ryan | Aug. 1969 | July 1973 |

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