

GAO

Report to the Chairman, Subcommittee
on Defense, Committee on
Appropriations, House of
Representatives

July 1991

AIR FORCE BUDGET

Opportunity to Reduce Appropriations Used for Temporary Lodging



144293



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-238071

July 3, 1991

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

In September 1990, we reported to you¹ on overcharges for on-base lodging for temporarily assigned Army personnel. In this current report, we address excess funds derived from daily service charges for temporarily lodging Air Force personnel and the use of a nonappropriated "capital investment" account² for upgrading and maintaining that lodging.

Results in Brief

Because it budgeted for the same capital requirements with both appropriated and nonappropriated funds, the Air Force accumulated an average of \$23 million in excess funds in its capital investment account during fiscal years 1986 through 1990. At the end of fiscal year 1990, the Air Force's capital investment account balance was \$19 million. It is inappropriate to budget for the same capital requirements in both appropriated and nonappropriated funds.

Background

The Air Force operates quarters for airmen and officers who are traveling on temporary duty assignments and also operates temporary lodging facilities for those who are undergoing a permanent change of duty station. The quarters are similar to hotel rooms; the lodging facilities are similar to efficiency apartments and are designed to house families for up to 30 days.

The Department of Defense provides transient quarters policy guidance to the services through instructions and manuals and has been in the process of revising and updating the guidance for over a year. The Air

¹Army Housing: Overcharges and Inefficient Use of On-Base Lodging Divert Training Funds (GAO/NSIAD-90-241, Sept. 28, 1990).

²This account is used to supplement appropriated funds to buy furnishings, upgrades, and other amenities, including televisions, telephones, cable service, and carpet replacements.



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the temporary quarters operations to analyze all cash requirements and to validate capital requirements over the next 3 years. On February 15, 1991, after we completed our audit work, the office reported that at the end of fiscal year 1990, the Air Force temporary quarters operations had \$47.3 million available from cash on hand, the capital investment account, and receivables. It also reported that at least \$28.7 million of this amount was available to meet capital requirements, including \$19 million in the investment account on which our review concentrated. The remainder of the \$28.7 million is cash accumulated in excess of what was needed for current operations.

Air Force major commands reported an unvalidated \$75 million in capital requirements for the current fiscal year through the next 2 years. The office suggested that the major commands use the available cash to meet capital requirements such as installation of telephones, televisions and cable service, and carpeting.

Recommendation to the Secretary of Defense

The dual budgeting for capital requirements is inappropriate and results in excess funds. To prevent further accumulation of excess funds, we recommend that the Secretary of Defense direct the Secretary of the Air Force to discontinue the practice of budgeting for the same capital requirements in both appropriated and nonappropriated accounts.

Matter for Congressional Consideration

To eliminate the excess in the capital investment account, the Committees on Appropriations may wish to consider reducing the Air Force's fiscal year 1992 budget request by \$19 million and requiring the Air Force to use the funds available in the nonappropriated fund to satisfy capital requirements.

Agency Comments and Our Evaluation

We did not receive written comments in time to include them in the final report. However, we discussed the contents of the report with responsible agency officials and incorporated their comments where appropriate. The Department of Defense generally agreed with our finding and recommendation concerning dual budgeting for capital requirements and stated that action has been taken to review, address, and correct the noted deficiencies. Within the next 90 days, the Department plans to issue revised guidance to clarify policies and procedures concerning the use of appropriated and nonappropriated funds authorized for transient quarters operations. After issuing the revised guidance, the Air Force

plans to revise its policies to ensure compliance and eliminate dual budgeting.

The Department did not agree that the Air Force had accumulated excess nonappropriated funds in the transient quarters operations. It stated that the Air Force has a validated \$65.3 million capital requirement reported in the nonappropriated fund balance sheet and that only \$14.3 million was available to apply to this requirement, leaving a \$50.6 million shortfall. Thus, the Department does not believe the budget should be reduced by \$19 million.

We do not agree that the \$65.3 million is a validated capital requirement to be funded solely with nonappropriated funds. This total includes capital items that are also in the appropriated fund budgets; therefore, the actual requirement that nonappropriated funds will have to cover is overstated. For example, one Air Force base we visited reported its fiscal year 1991 nonappropriated fund capital requirements as \$374,500, but \$252,500 (67 percent) of this amount was for items also included in the appropriated fund capital requirements. The Air Force's practice of dual budgeting for transient quarters capital requirements has resulted in similar overstatements of the overall capital requirements reported in the nonappropriated accounts. Therefore, we still believe the recommendation for a budget reduction is warranted.

Objectives, Scope, and Methodology

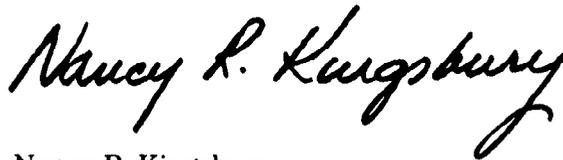
During our review, we interviewed officials of the Departments of Defense and the Air Force and reviewed correspondence, audit reports, regulations, and financial reports at the Office of the Assistant Secretary of Defense for Force Management and Personnel and Headquarters, Air Force, Washington, D.C.; Headquarters, Air Force, Directorate of Engineering and Services, and the 325th Tactical Training Wing, Tyndall Air Force Base, Florida; 1st Tactical Fighter Wing, Langley Air Force Base, Virginia; and Headquarters, Air Force Manpower and Personnel Center, Randolph Air Force Base, Texas. We relied on information from the Air Force's nonappropriated fund financial statements without testing its accuracy. Otherwise, we conducted our review from October 1990 through March 1991 in accordance with generally accepted government auditing standards.

Copies of this report are being sent to the Chairmen, Senate Committee on Appropriations and Senate and House Committees on Armed Services; the Secretaries of Defense and the Air Force; and the Director,

Office of Management and Budget. Copies will also be made available to other interested parties upon request.

Please contact me at (202) 275-4268 if you or your staff have any questions concerning this report. Other major contributors to this report are listed in appendix I.

Sincerely yours,

A handwritten signature in black ink that reads "Nancy R. Kingsbury". The signature is written in a cursive style with a large, stylized initial 'N'.

Nancy R. Kingsbury
Director
Air Force Issues

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