



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

General Government Division

B-275071

October 22, 1996

The Honorable John W. Warner  
United States Senate

Dear Senator Warner:

This letter responds to your August 8, 1996, request for information on the costs incurred by the Federal Bureau of Investigation (FBI) in its recent "standoff" with the Montana Freeman. Specifically, you asked us to present information on the overall cost of the standoff and the amount over and above normal expenses that would have been incurred by the FBI had the standoff not occurred. To respond to this request, we obtained cost estimates from the FBI, reviewed supporting documentation, and discussed the estimates with FBI officials. However, we did not validate the completeness, reliability, and reasonableness of the FBI's cost estimates.

RESULTS IN BRIEF

The FBI estimated that as of August 7, 1996, the standoff cost about \$7.5 million. About half of that total represents regular salaries and benefits for FBI agents and other FBI personnel that would have been incurred even if the standoff had not occurred. The remaining costs can be attributed specifically to the standoff; examples of some of these costs follow.

- \$472,000 for scheduled overtime for FBI agents.
- \$1.6 million for travel, including transportation and per diem costs.
- \$915,000 for miscellaneous costs. These included items such as
  - \$397,000 for the lease and modification of light armored vehicles;
  - \$310,000 for overtime and travel costs incurred by Montana Department of Justice officers; and
  - \$175,000 for food service personnel wages and overtime, and for use of a supply truck.

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- \$341,000 for rental of equipment, such as searchlight machines and generators.
- \$334,000 for the rental, storage, maintenance, and fueling of aircraft.

## BACKGROUND

According to the Congressional Research Service, the Montana Freemen is an organization whose members believe that the federal government has usurped the common law authority and powers of localities.<sup>1</sup> In December 1995, a federal grand jury indicted certain members of the Montana Freemen for bank fraud, illegal weapons possession, armed robbery, threats against federal officials, as well as for other offenses. In March 1996, the FBI arrested three Montana Freemen and approached a farm (remotely located north of Billings, Montana, in Garfield county near Jordan) where others were staying. The standoff began on March 25, when the Freemen rejected the FBI's request that they surrender; it ended peacefully on June 13—81 days later—when the last Freemen surrendered.

During the standoff, the FBI used its Critical Incident Response Group (CIRG), which the FBI Director created in 1994 to better coordinate the FBI's response to major law enforcement crises. The CIRG consolidates under one umbrella all the FBI units and functions that deal with crisis situations. During the standoff, the FBI used leaders and high-level crisis managers from headquarters units and field offices, which included the Salt Lake City Special Agent in Charge, whose office was essentially responsible for overseeing the Freemen operation. For the Freemen standoff, according to the FBI's National Security Division, the CIRG formulated various negotiation strategies and arrest scenarios, conducted site surveys, estimated the need for and supplied necessary aviation and ground support, and supplied on-scene negotiators.

The FBI does not routinely capture costs of individual cases because its accounting system is not designed to do so. The FBI, however, did collect cost data for the standoff through a special effort. According to FBI officials, the FBI believed that the standoff would be a high-profile operation and it anticipated inquiries from the media and Congress on the cost of the operation. The costs were reported as estimates for the Director and provided to him in August 1996.

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<sup>1</sup>CRS Report for Congress, FBI Standoff with the Montana "Freemen": A Chronology (96-319 GOV, updated July 10, 1996).

## FBI COST ESTIMATES

The FBI's \$7.5 million cost estimate of the Montana Freemen standoff consisted of about \$3.7 million for regular salaries and benefits of FBI agents and other FBI personnel; about \$472,000 for agent overtime;<sup>2</sup> and about \$3.35 million for travel, equipment rental, and other costs. These totals are comprised of FBI-furnished estimates and actual figures extracted from its financial management system as of August 7, 1996, and are subject to certain limitations. Enclosure I provides a breakout of these estimated costs. According to FBI officials, the FBI would have incurred the salary and benefit costs even if the standoff had not occurred; whereas the overtime and "other" costs were specifically incurred for the standoff.

### Personnel Costs

The FBI estimated personnel costs for the standoff totaled about \$4.2 million. This estimate consisted of about (1) \$3.7 million for agent and other FBI personnel salaries and benefits and other FBI personnel overtime<sup>3</sup> and (2) \$472,000 for agent overtime. The agents' salaries and benefits included availability pay<sup>4</sup> and Sunday and night differential pay.<sup>5</sup> Benefits included items such as the government's contribution to retirement and health plans, according to the Chief of the FBI's Accounting Section.

To avoid fatigue, burnout, and personal hardships, the FBI rotated the personnel it used at the standoff, according to an official in the FBI's National Security Division. According to data provided by the FBI, about 640 agents and 100 other FBI personnel participated in the standoff; these figures do not include other FBI personnel at the Lake City field office. These personnel were assigned to the standoff from 68 headquarters units and field offices. The FBI calculated that about 34 staff years for

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According to the Chief of the FBI's Accounting Section, the FBI Deputy Director approved payment of scheduled overtime for agents assigned to the standoff. According to FBI policy, formalized in June 1996, scheduled overtime can be paid during a crisis situation when management determines the FBI needs a substantial number of agents to work more than 10 hours a day for 2 weeks or more.

The FBI could segregate agent overtime but could not readily segregate other FBI personnel overtime costs from other personnel costs.

The Treasury, Postal Service and General Government Appropriations Act, 1995, P.L. 1033-29, established availability pay for criminal investigators in the federal government. According to the FBI, to obtain availability pay, an FBI agent must work an annual average of 2 hours of unscheduled duty per regular workday. Availability pay is paid at the rate of 150 percent of basic pay for the position.

According to the Chief of the FBI's Accounting Section, he considered availability pay and Sunday and night differential pay to be normal operating costs because they are routinely paid to agents. He also noted that while availability pay is only applicable to criminal investigators, Sunday and night differential pay is available to a broader range of federal employees.

agents and 7 staff years for other FBI personnel were used.<sup>6</sup> According to FBI officials, the average tour of duty for agents ranged from 2 weeks to 30 days, with an average of about 130 agents on duty at a time. The agents generally worked 12-hour shifts. Other FBI personnel included communications specialists, electronics technicians, and clerical employees.

#### Other Costs

The FBI's estimated \$3.4 million in "other" costs generally represent the cost of goods and services purchased or leased for the standoff and are above and beyond the normal costs of an FBI investigation, according to the Chief of the FBI's Accounting Section. The total estimated other costs reported by the FBI primarily consisted of the following.

- \$1,603,160 was for travel costs. This figure consisted primarily of transportation and per diem costs for FBI personnel assigned to the standoff, and the cost of food for meals prepared on-site for those personnel that did not receive per diem because the FBI furnished lodging and meals on-site.<sup>7</sup> Also included was the cost to rent 4-wheel-drive vehicles.
- \$914,991 was for miscellaneous costs which include the following:
  - \$397,088 for the lease and modification of three light armored vehicles. FBI officials told us that these vehicles were originally manufactured for the U.S. military, were modified for FBI use at the standoff, but were never used. The figure also includes the costs to return the vehicles to their original specifications.
  - \$310,320 for overtime and travel costs for Montana Department of Justice law enforcement officials.
  - \$174,675 for wages and overtime for food service employees and use of a supply truck. The food service employees were available to prepare and serve meals on-site 24 hours a day.

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<sup>6</sup>These calculations were based on hours paid, not hours worked, according to the Chief of the FBI's Accounting Section. For example, if an agent worked unscheduled overtime, for which the agent would not have been paid, those hours would not be part of the calculation.

<sup>7</sup>The FBI contracted for on-site food preparation and service. The cost of the food is included in the travel cost. The cost of the wages and overtime of the food service workers is included in miscellaneous costs.

- \$340,508 was for equipment rental. This equipment included portable toilets, a water tank, searchlights and other lighting equipment, and a generator/transformer to provide electricity to the FBI and others when the electricity to the Freeman farm was cut off.
- \$334,390 was for aircraft costs. This amount reflected the costs to the FBI for leasing four aircraft, including \$110,000 for the lease of a medivac aircraft. It also included costs for storing, maintaining, and fueling the rented aircraft and FBI-owned aircraft assigned to the standoff.<sup>8</sup>
- \$43,075 was for administrative claims. According to the Chief of the FBI's Accounting Section, this amount was for a settlement with a farmer who sued the FBI for payment for losses incurred because he did not have access to his land, which was sealed off by the FBI. The Chief added that this cost could increase if additional claims are filed.

#### LIMITATIONS OF THE COST ESTIMATES

The \$7.5 million estimate provided by the FBI is not a precise cost figure because the FBI does not usually generate costs of individual operations, and its accounting system was not designed to readily produce these data. For example, the FBI did not include costs known to be associated with the standoff. These additional costs would include such items as the full cost of operating the FBI-owned aircraft; the cost of headquarters executive, operational, and support personnel time spent on the standoff;<sup>9</sup> costs based on obligation amounts that may differ from actual expenditures when settled; and the cost of supplies, such as copy paper, that were paid for out of the Salt Lake City field office budget. Additionally, although the FBI generally limited the cost estimate to the inclusive time period of the standoff, it included some travel and personnel costs incurred before and after the standoff. The Chief of the Accounting Section opined that while some pre- and post-standoff costs—probably for preparation and cleanup activities—were included in the estimate, it is likely there were other travel costs that should have but may not have been included.

According to the Chief of the Accounting Section, while the overall cost estimate of 7.5 million is not an exact cost amount, it is based primarily on actual obligations and expenditures from travel vouchers, purchase orders, and payroll data, and was

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According to the FBI's National Security Division, the FBI rotated the aircraft for use at the standoff. Surveillance aircraft used were Cessna 182s and transportation aircraft used were light twin-engine airplanes.

<sup>9</sup> The FBI captured the cost of FBI headquarters personnel that were on duty at the standoff but did not capture the cost of headquarters personnel working on the standoff at FBI headquarters.

extracted from the FBI's financial management system. The FBI essentially captured direct costs associated with its activities at the standoff locations. To collect these costs, the FBI, in part, (1) instructed its Salt Lake City office to report to headquarters those personnel from various FBI field offices and headquarters units assigned to the standoff and for what time periods they were on duty and (2) established identifying numbers to be used on travel documents, purchase orders, and other financial documents.

### SCOPE AND METHODOLOGY

To describe the FBI's overall cost of the Freeman standoff, as well as which costs were beyond the FBI's normal operating costs, we reviewed the FBI's estimates of the costs it incurred. The estimates applied to the standoff generally covered the period March 25 through June 13, 1996.

We interviewed FBI Finance Division and National Security Division officials to obtain explanations for how the estimates were compiled and what the estimates did and did not include. We also obtained from these officials information about personnel costs, including a breakout of FBI agent overtime costs and the number of agents and other FBI personnel participating in the standoff. We obtained a breakout of the component costs for two of the other cost categories that involved relatively large cost estimates--"miscellaneous" and "rental of equipment." Also, we scanned FBI lists and schedules of itemized travel costs to determine whether the costs fell within the standoff time frame and contained the identifying number for the standoff.

Because of time constraints and methodological difficulties posed because the FBI's accounting system was not designed to routinely capture costs for specific cases, we did not validate the completeness, reliability, and reasonableness of the FBI's cost estimates.

We requested access to the FBI's operational plan and report relating to the standoff to obtain information on planned and actual use of assets and as a partial check on the completeness of the FBI's reported cost estimates. FBI officials told us that the U.S. Attorney's Office responsible for the Montana Freeman case and the FBI's General Counsel advised them that providing us access to these documents could jeopardize the discovery phase of pending criminal cases involving the Freeman. We did not pursue this request due to time limitations.

We did our work at FBI's headquarters in Washington, D.C., from August through October 1996 in accordance with generally accepted government auditing standards.

AGENCY COMMENTS

We requested oral comments on a draft of this letter from the FBI Director or his designee. On October 18, 1996, the Inspector-in-Charge of the FBI's Office of Public and Congressional Affairs informed us that pertinent FBI officials responsible for the standoff estimates and activities reviewed the draft letter. Based on this review, the Inspector commented that the letter accurately and fairly presented and explained the FBI's cost estimates for the standoff. FBI officials also provided a few technical comments that we incorporated as appropriate.

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As arranged with your office, unless you publicly announce this letter's contents earlier, we plan no further distribution of it until 15 days after its date. We will then send copies to the Attorney General; the FBI Director; the Director, Office of Management and Budget; the Chairmen and Ranking Minority Members of the Senate and House Judiciary and Appropriations Committees; and other interested parties. We will also make copies available to others upon request.

Major contributors to this letter are listed in enclosure II. If you have any questions about this letter, please contact me on (202) 512-8777.

Sincerely yours,



Norman J. Rabkin  
Director, Administration  
of Justice Issues

FBI ESTIMATED COSTS FOR FREEMEN STANDOFF, AS OF AUGUST 7, 1996

Cost category	Cost
<b>Personnel</b>	
Agent <sup>a</sup> and other FBI personnel earnings and benefits; and other FBI personnel overtime <sup>b</sup>	\$3,707,425
Agent scheduled overtime	472,093
<b>Subtotal</b>	<b>4,179,518</b>
<b>Other</b>	
Travel <sup>c</sup>	1,603,160
<b>Miscellaneous</b>	
Leasing and modification of light armored vehicles	397,088
Overtime and travel for Montana Department of Justice law enforcement officials	310,320
Wages and overtime for food service employees, and use of a supply truck	174,675
Medical services	16,500
Other miscellaneous costs	16,408
<b>Total miscellaneous</b>	<b>914,991</b>
Rental of equipment <sup>d</sup>	340,508
Aircraft <sup>e</sup>	334,390
Supplies	61,700
Administrative claims <sup>f</sup>	43,075
Utilities	23,393
Vehicle repair	16,998
Equipment	11,743
Transportation of property	475
<b>Subtotal</b>	<b>3,350,433</b>
<b>Total costs</b>	<b>\$7,529,951</b>



<sup>a</sup>Includes availability pay and Sunday and night differential pay for agents.

<sup>b</sup>The FBI could not readily segregate other FBI personnel overtime costs from the overall personnel cost.

<sup>c</sup>Includes transportation and per diem.

<sup>d</sup>Equipment rented included portable toilets, water tender, and water tank (\$60,798); lighting equipment (\$164,710); and a generator/transformer (\$115,000).

<sup>e</sup>Includes rental of four aircraft (\$135,000) and storage (\$24,000), maintenance (\$153,545), and fuel (\$21,845) for the rental aircraft and FBI-owned aircraft assigned to the standoff.

<sup>f</sup>According to the Chief of the FBI's Accounting Section, this amount was for a settlement with a farmer who sued the FBI for payment for losses incurred because he did not have access to his land, which was sealed off by the FBI. The Chief added that this cost could increase if additional claims are filed. The statutory authority for paying this type of claim is contained in 31 U.S.C. 3724. Section 3724 allows the Attorney General to settle, for not more than \$50,000 in any one case, a claim for personal injury, death, or damages to, or loss of, privately owned property, caused by certain officers employed by the Department of Justice.

Source: FBI.

ENCLOSURE II

ENCLOSURE II

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