

AIR FORCE AUDIT AGENCY



UNITED STATES AIR FORCE ACADEMY
GENERAL OFFICER QUARTERS



AUDIT REPORT

99052030

26 October 1999

INTRODUCTION

When Congress authorized creation of the United States Air Force Academy in 1954, the Air Force acquired the permanent site near Colorado Springs. Included in the acquisition were the Carlton and Otis 1930-era houses and surrounding property.

The Carlton House, 10,846 square feet, was originally built as a private residence, but was also used as a country club and a high school. Since 1958, this house has been home to Academy superintendents. The surrounding grounds currently encompass 9 acres, the main house and other structures including three guest cottages, a greenhouse, caterer's kitchen, swimming pool, and bathhouse. In 1990, the main house qualified as a historical building on the National Register for Historic Places for the exterior and some interior spaces, including the grand room, foyer and two dining rooms.

The Otis House, 11,553 square feet, was also built as a private residence and is normally assigned to the Commandant of Cadets. The Otis House includes an attached three-bedroom guest quarters.

Areas in the two houses are designated as “private dwelling” or “public miscellaneous recreation facility.” Maintenance and repairs to areas designated as private dwelling have been generally funded from the military family housing (MFH) appropriation, and areas of the houses designated as public have been funded from the base operation and maintenance (O&M) appropriation. The MFH appropriation limits expenditures to \$25,000 annually for each general officer quarters (GOQs). Funding has been apportioned between the two appropriations for maintenance and repair expenses common to both the private and public areas of the houses, such as exterior walkways, patios, roofs, and interior infrastructure such as the plumbing and heating systems.

The costs to maintain the Carlton House, Otis House, and surrounding grounds from 1987 through June 1999 were \$2.4 million, \$1.4 million, and \$275,000, respectively. Planned future maintenance expenditures are \$1.2 million for the Carlton House through Fiscal Year (FY) 2006 and \$125,000 for the Otis House through FY 2004. (Reference Appendix I for additional background information.)

Executive Summary

OBJECTIVES

We performed this audit to address Secretary of the Air Force concerns regarding maintenance and repair expenditures for Academy GOQs. Our overall objective was to evaluate maintenance and repair expenditures for the Carlton and Otis Houses. Specifically, we evaluated the need for past and planned work, the propriety of space designations, correctness of fund sources used to pay for past work, and the degree of oversight for maintenance and repair expenditures. (Reference Appendix II for detailed audit scope and prior audit coverage information.)

CONCLUSIONS

We believe the Air Force could improve management of the Carlton and Otis Houses. The Academy generally followed Air Force guidance and past practices in funding public areas of the houses with O&M funds and funding private areas with MFH funds. However, we believe the Air Force would be more consistent with congressional expectations if policies were changed so that all maintenance and repair actions exceeding the \$25,000 annual limit, regardless of funding source, required HQ Air Force approval and subsequent congressional reporting. The following are the conclusions we reached in responding to our specific objectives:

The Academy performed renovations and modifications to the Carlton House and planned future renovations and modifications to the Carlton and Otis Houses that were not always warranted. Some of the work exceeded reasonable actions needed to maintain the houses. (Results-A, page 1)

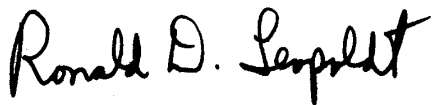
The Air Force needed to redefine those portions of the Carlton and Otis Houses used for the occupants and those areas used for Academy functions because usage patterns had changed for some areas. These designations are important because they determine fund sources. (Results-B, page 9)

The Academy accomplished some prior O&M-funded renovation efforts that reconfigured public areas as office and other space for the primary use of the occupants. Accordingly, the propriety of this funding source was questionable. Also, the Air Force did not have adequate oversight procedures to provide visibility and control over renovations and costs for the two houses. (Results-C, page 11)

At the time of our review, Congress had proposed legislative changes to place additional restrictions on the use of funds to maintain GOQs. If enacted, the legislation could supersede some of our recommendations for corrective actions.

RECOMMENDATIONS We made six recommendations to improve oversight, reevaluate space designations, reimburse O&M funds, establish maintenance plans, and improve congressional reporting. (Reference the individual results sections for specific recommendations.)

MANAGEMENT'S RESPONSE Management officials generally agreed with the audit results, and corrective actions planned or completed are responsive to the issues and to the intent of the recommendations included in this report.



RONALD D. LEOPOLDT
Associate Director
(Engineering and Environment Division)



EARL J. SCOTT
Assistant Auditor General
(Financial and Support Audits)

This Page Intentionally Left Blank

Table of Contents

	<u>Page</u>
EXECUTIVE SUMMARY	i
AUDIT RESULTS	
A Need for Work	1
B Space Designations	9
C Fund Sources	11
APPENDIX	
I Background Information	17
II Audit Scope and Prior Audit Coverage	19
III Major Contributors	21
IV Final Report Distribution	23

BACKGROUND

General officers are usually authorized quarters with up to 2,100 square feet of floor space. If designated a special command position or senior installation commander position, the authorization is 2,310 square feet. However, for GOQs constructed before 1983, the existing floor area is the authorized limit. Floor space for the Carlton House and Otis House is 10,846 square feet and 11,553 square feet, respectively.

The Academy spent at least¹ \$2.4 million, \$1.4 million, and \$275,000 in support of the Carlton House, Otis House, and surrounding grounds,² respectively, from 1987 through 1999 (Schedules A-1, page 5, A-2, page 6, and C-1, page 15). In 1998, the Academy established a future years maintenance and repair plan for Carlton and Otis Houses. Planned expenditures are \$1.2 million for 1999 through 2006 for the Carlton House, grounds and associated facilities; and \$125,000 from 1999 through 2004 for the Otis House (Schedules A-3 and A-4, page 7).

NEED FOR WORK

Renovations and modifications to the Carlton House did not always appear warranted. While complete documentation was not available to evaluate all past work, the Academy accomplished some renovations more often than specified in guidance and could have accomplished renovations more economically. In addition, some planned work for Carlton and Otis Houses was questionable or inadequately justified. These conditions occurred because Air Force guidance did not require HQ Air Force approval of all O&M appropriation-funded maintenance and repairs for Carlton and Otis Houses. As a result, maintenance and repair expenditures may have exceeded the costs necessary to adequately maintain the two houses. Examples of these renovations and modifications include:

Carlton House kitchen renovations were accomplished more often than the norm set in industry standards.³ Although industry standards for family housing kitchens anticipate some renovation (new appliances and countertops) every 15 years and major revitalization every 30 years, the Academy remodeled the Carlton House kitchen in 1958, 1968, 1988, and 1998. Although documentation was not available to assess the need for the prior

¹ Documentation was not available to identify all costs incurred.

² Congressional members expressed interest in the amount of funds expended on Carlton House since 1987.

³ National Association of Home Builders Research Center.

Results - A

Need for Work

kitchen renovations, the 1998 remodeling effort was questionable when compared to the documented justification. Specifically, the work request⁴ stated: “The area is always hot, the lighting is poor, the refrigerator is not functional for a family.” However, rather than improving the ventilation and lighting and replacing the refrigerator, the Academy performed a complete kitchen renovation.

Once started, the 1998 Carlton House kitchen renovation could have been accomplished more economically. The 1998 remodeling cost was originally estimated at \$151,000, but the final cost was \$308,000 (Schedule A-5, page 8), and some of the cost growth appeared avoidable. For example, in November 1997, the Air Force Center for Environmental Excellence (AFCEE) estimated the cost of cabinetry, flooring, and countertops at \$90,000. However, the Academy installed upgraded cabinets, floor tiles, and seamless Corian countertops at a total cost of \$105,000. Given the large size of the kitchen (1,300 square feet, with 120 linear feet of cabinets), these upgrades increased the cost 17 percent. The remodeling project also included \$17,000 to purchase and install a 90-second cycle dishwasher,⁵ although justification for this type dishwasher was not documented. These changes increased costs approximately \$41,000 (Exhibit 1). Further, we believe the short time period (60 days) allowed for this job and the associated expedited contracting process selected⁶ also added to the cost.

Construction Item	AFCEE Cost Validation (\$000s)	Actual Cost (\$000s)	Difference (\$000s)	Percent Increase
Cabinetry, Countertops and Flooring	\$ 90	\$ 105	\$ 15	17%
Appliances and Hardware	19	28	9	47%
Relocate Industrial Dish- washer	0	17	17	100%
TOTAL	\$ 109	\$ 150	\$ 41	38%

Exhibit 1. Estimated Versus Actual Costs of Selected Carlton House Upgrades

⁴ Air Force Form 332, Base Civil Engineer Work Request.

⁵ Originally this cost with installation was \$4,717 but unexpected requirements increased installation costs \$12,479.

⁶ To achieve quick project accomplishment, the Academy used Simplified Acquisition of Base Engineering Requirements (SABER) contracting procedures rather than separate competitive contracting.

Other factors also made the 1998 Carlton House kitchen-remodeling project questionable. For example, a pantry was built in 1995, and new appliances⁷ were installed in 1997. However, the 1998 remodeling project also included another new pantry and replacement of most kitchen appliances (prior appliances were moved to a separate caterer's kitchen).

Another project not associated with the kitchen included other questionable work. For example, at the occupant's request, a fireplace mantel costing \$4,200 was added to the Carlton House grand room in 1998. The Academy accomplished this project using in-house resources. Since no functional requirement was apparent, this project could have been programmed through the 5-year plan to compete with all other projects.

Some planned work for Otis and Carlton Houses appeared questionable or inadequately justified.

The \$125,000 planned work in the Otis House (Schedule A-4, page 7) included a \$40,000 project to move an adjoining bathroom wall to widen the bedroom from 8 feet to 9 feet, in a room currently 8 feet by 13 feet. Planned work also included a \$14,000 conversion of the outdoor barbecue from charcoal to gas.

The \$1.2 million planned work in the Carlton House consisted of 18 separate projects (Schedule A-3, page 7). Of these, we considered three projects questionable: \$9,400 to convert a bedroom to a family room; \$7,900 to replace the floor of the vestibule (previously replaced with concrete and a brick cover in 1988); and \$47,500 to reface the dining room fireplace, including a \$4,800 hand-carved mantel.⁸ During the audit, the Academy Civil Engineer canceled 3 of the 18 projects costing \$139,000.

Two fireplace conversions from wood-burning to gas were planned for the Carlton House. The two planned conversions⁹ and seven previously completed conversions in the Carlton and Otis Houses cost \$16,000. The justification on the DD Form 1391c, FY 2001 Military Construction Project Data, stated "Air pollution requirements in Colorado Springs make the conversion of all fireplaces from wood-burning to gas necessary, so a fire can be enjoyed on any day." Further, the FY 2001 MFH budget request to Congress stated: "Convert wood-burning fireplace to gas per Colorado Springs air pollution control requirements." However, our contacts with Colorado Springs regulatory officials indicated the fireplace conversions were not mandatory.

⁷ A dishwasher and trash compactor.

⁸ These amounts do not include the general and administrative costs that would have been applied.

⁹ Academy Civil Engineer canceled the projects during the audit.

Results - A

Need for Work

AUDIT COMMENT. On 8 July 1999, the Deputy Chief of Staff, Installations and Logistics, Office of the Civil Engineer (AF/ILE), directed the Academy to stop using O&M funding to accomplish work on the Carlton House, Otis House, and surrounding grounds without prior approval from the Air Staff.

RECOMMENDATION.

A.1. The Assistant Secretary of the Air Force (Manpower, Reserve Affairs, Installations and Environment) (SAF/MI) should review and approve all future maintenance and repair projects for the Carlton and Otis Houses and surrounding grounds when total annual expenditures from all appropriations exceed \$25,000 per house.

MANAGEMENT COMMENTS. The SAF/MI concurred and stated: "The Deputy Assistant Secretary (Installations) (SAF/MII) will rescind the approval granted in September 1992 to maintain two category codes in the Carlton and Otis Houses and classify both units as strictly family housing space. Additionally, the Military Construction Appropriations Bill (Public Law 106-52, Section 128) was signed by the President on 17 August 1999. This law limits the Air Force to spending only funds appropriated in Military Construction Appropriations Acts for operation and maintenance of family housing, including flag and GOQs. We will continue to request congressional approval through our annual budget submission for any GOQ unit which exceeds the \$25,000 maintenance and repair threshold. Exceeded threshold projects have been submitted in the Air Force FY 2001 amended budget estimate submission to the Office of the Secretary of Defense (OSD). Closed."

EVALUATION OF MANAGEMENT COMMENTS

Management comments and actions completed (Recommendation A.1) are responsive to the issues and recommendation.

Total Cost to Support Carlton House¹⁰
FY 1987 – 1999

YEAR	MFH	O&M	TOTAL
1987	\$ 271,095	\$ 481,946	\$ 753,041
1988	11,262	145,110	156,372
1989	5,672	130,702	136,374
1990	12,707	122,317	135,024
1991	8,736	84,018	92,754
1992	13,376	39,452	52,828
1993	23,767	60,594	84,361
1994	15,253	23,258	38,511
1995	19,148	88,166	107,314
1996	13,251	60,693	73,944
1997	27,949 ¹¹	130,975	158,924
1998	64,140 ¹²	485,813	549,953
*1999	<u>13,961</u>	<u>79,842</u>	<u>93,803</u>
TOTAL	<u>\$500,317</u>	<u>\$1,932,886</u>	<u>\$2,433,203</u>

*As of 7 June 1999

¹⁰ Documentation was not available to identify all costs incurred.

¹¹ Includes \$3,813 operational costs not charged against the \$25,000 annual limit on MFH expenditures.

¹² Includes \$37,000 architectural and engineering costs and \$4,000 operational costs not charged against the \$25,000 annual limit on MFH expenditures.

Results - A
Need for Work

Total Cost to Support Otis House¹³
FY 1987 - 1999

YEAR	MFH	O&M	TOTAL
1987	Not Available	Not Available	
1988	\$ 3,774	\$ 51,282	\$ 55,056
1989	8,709	521,503	530,212
1990	6,600	116,747	123,347
1991	2,235	54,390	56,625
1992	24,586	92,603	117,189
1993	90,568	159,522	250,090
1994	13,529	25,955	39,484
1995	17,451	38,854	56,305
1996	14,942	55,876	70,818
1997	12,883	17,886	30,769
1998	12,958	28,949	41,907
*1999	<u>5,551</u>	<u>15,263</u>	<u>20,814</u>
TOTAL	<u>\$213,786</u>	<u>\$1,178,830</u>	<u>\$1,392,616</u>

*As of 7 June 1999

¹³ Documentation was not available to identify all costs incurred.

**Carlton House Planned Expenditures
FY 1999 - 2006**

TASK	O&M	MFH	TOTAL
@Overhead	\$ 225,382	\$ 136,429	\$ 361,811
Replace Roof	143,678	95,785	239,463
Replace Exterior Finish System	136,554	91,036	227,590
# Patio Replacement	51,906	34,604	86,510
##*Reface Dining Room Fireplace	47,468	0	47,468
Replace Windows	20,604	13,736	34,340
Public Restroom Modifications	30,221	0	30,221
Replace Rear Awning	16,830	11,220	28,050
Grand Room Lighting	26,762	0	26,762
Second Floor Balcony	8,516	5,678	14,194
Master Bathroom	0	10,072	10,072
Refinish Woodwork/Verandah	6,000	4,000	10,000
*Family Room Modifications	0	9,407	9,407
*Vestibule Floor	7,947	0	7,947
#Two fireplace conversions to gas	2,500	2,500	5,000
Dining Room	3,584	0	3,584
Humidity Control	1,800	1,200	3,000
Perimeter Security Lighting	2,929	0	2,929
Repair Stairway Wall	1,583	1,055	2,638
TOTAL	\$734,264	\$416,722	\$1,150,986

@ This is not a project. It includes bond fees, overhead, profit, and contingency fees.

Academy Civil Engineer canceled the project during the audit.

* Functional need for the project is questionable.

Schedule A-3

**Otis House Planned Expenditures
FY 1999 - 2004**

TASK	O&M	MFH	TOTAL
*Move Bedroom Wall	\$ 0	\$40,000	\$ 40,000
Develop As-Builts	19,500	10,500	30,000
Replace Wall Coverings, Carpet	14,490	15,510	30,000
* Convert Barbecue Grill to Gas	9,100	4,900	14,000
+Contingency	7,150	3,850	11,000
TOTAL	\$ 50,240	\$74,760	\$125,000

* Functional need for the project is questionable.

+ This is not a project but funding for unexpected project requirements.

Schedule A-4

Results - A
Need for Work

Carlton House
Kitchen Remodeling Expenditures
FY 1998

ITEM	AMOUNT
Cabinets	\$ 54,977
Mechanical	36,983
Asbestos/Lead Paint Removal	29,642
Flooring	29,067
Appliances/Sinks/Faucets	27,509
Electrical	23,796
Countertops	19,973
Architecture and Engineering	19,444
Structural	19,409
Site Preparation Work	15,373
Demolition	11,978
Move/Install Phone Lines	4,768
Additional Cabinet Work	1,435
Travel Cost Review	527
Custodial Cleanup	152
Move Stereo Out of Kitchen	150
Subtotal:	\$ 295,183
Move 90-Second Dishwasher	12,119
Evaluate 90-Second Dishwasher	360
TOTAL	*\$ 307,662

*\$7,000 of this total was funded with MFH. The Academy Base Civil Engineer personnel stated the MFH funding was for work on the breakfast nook (private).

BACKGROUND

The SAF/MII issued a policy in October 1992 designating rooms in the Carlton and Otis Houses as either “dwelling area” or “miscellaneous recreation building (public entertainment area).” This policy followed the tradition (established in 1958, 3 years after the houses were acquired) of designating parts of the houses as “public” use, and funding maintenance and repairs of these areas from the O&M appropriation. The policy also stated the Academy should fund maintenance of “private dwelling” areas (e.g., bedrooms) with the MFH appropriation.

SPACE DESIGNATIONS

Currently, the designations of Carlton House areas as either public (used for Academy functions) or private (used as private dwelling) may not be accurate. Designation of Carlton House usage was last determined in 1992 and since that time, renovations and other modifications have changed the usage patterns. Further, compared with other general officer housing, the current Carlton House space designations were inconsistently applied. As a result, Carlton House rooms may not be correctly designated as public areas, which could result in maintenance and repair funding from the O&M appropriation instead of the MFH appropriation. (Results-C further addresses funding sources.) To illustrate:

Six Carlton House rooms¹⁴ designated in 1992 as public areas were reconfigured as office and other space for the primary use of the occupant. However, the Air Force did not change the room designations from public to private. Therefore, maintenance and repair expenditures on these rooms were funded from O&M instead of the MFH appropriation.

The Carlton and Otis Houses' kitchen areas provided support for official functions and also provided the sole source for family food preparation. Because most general officers entertain guests for official functions, Air Force guidance¹⁵ identifies selected areas of all GOQs as public entertainment areas and provides certain allowances¹⁶ associated with entertainment. This guidance does not identify the kitchen as a public area. Consistent with

¹⁴ The sitting room, kitchen, two bedrooms, and two separate basement areas.

¹⁵ Air Force Instruction (AFI) 32-6003, General Officer Quarters, 20 February 1998.

¹⁶ The GOQs are authorized furnishings (i.e., furniture, area rugs, draperies and curtains) and tableware to meet official representation responsibilities. Limits on these furnishing expenditures were established at \$6,000 per GOQ per fiscal year and \$20,000 for any 5-year period.

Results - B

Space Designations

this guidance, the Otis House kitchen area was designated as private. However, the Carlton House kitchen area was designated as public, but documentation did not exist to support the distinction and we found no apparent reason for the inconsistent designation. To illustrate, based on protocol records, the Carlton House hosted official functions at a rate of about 1.4 per month and the Otis House at a rate of 1.2 per month. This inconsistent space designation could result in using inappropriate funding sources.

RECOMMENDATION.

B.1. The SAF/MI should designate as private dwelling the Carlton House rooms reconfigured for primary use of the occupant.

MANAGEMENT COMMENTS. The SAF/MI concurred and stated: “SAF/MII will rescind the approval granted in September 1992 to maintain two category codes in the Carlton and Otis Houses and classify both units as strictly family housing space. Additionally, split designation of housing units is expected to be prohibited in the FY 2000 DoD Appropriations Bill. Section 8117 of the House passed FY 2000 DoD Appropriations Bill prohibits the use of funds appropriated in the DoD Appropriations Acts for ‘...performing repairs or maintenance to military family units of the DoD, including areas in such MFH units that may be used for the purpose of conducting official DoD business.’ Estimated completion date: 15 January 2000.”

EVALUATION OF MANAGEMENT COMMENTS

Management comments and actions planned (Recommendation B.1) are responsive to the issues and recommendation.

BACKGROUND

The Carlton and Otis Houses were used both as quarters for the senior Academy officers and to host official functions. While the size of the houses exceeded the occupants' personal needs, the extra area was used as the principle facilities to host large official Academy functions, such as graduation parties for cadet families, an annual Air Force CORONA conference reception, and other functions. To adequately fund maintenance and repairs, SAF/MII officials designated the area within both houses used for official functions (such as the oversized living room and formal dining rooms) as miscellaneous recreation buildings. This designation allowed the Academy to fund work on the miscellaneous recreation areas from O&M appropriations, while using MFH appropriations to fund work on the areas designated private dwelling.

FUND SOURCES

The O&M appropriation was not always the most appropriate funding source for GOQ maintenance and repairs. We believe some public areas of the Carlton and Otis Houses were reconfigured primarily for occupant requirements and, therefore, the O&M appropriation was not the most appropriate funding source for maintenance and repairs. Specifically, the Carlton House kitchen remodeling project (previously discussed in Results A) was funded with \$301,000 from the O&M appropriation because the area was designated public even though it was necessary for occupant habitation and the documented justification for the renovation appeared to primarily benefit the occupant. Also, five other Carlton House rooms (the sitting room, two bedrooms, and two basement areas previously discussed in Results-B) were designated in 1992 as public areas but have since been reconfigured as office and other space for the primary use of the occupant. Maintenance and repairs to these five rooms since 1998 cost \$1,566 and were funded from O&M. This condition occurred because the Academy did not designate these rooms as "private";¹⁷ therefore, the Academy followed past O&M funding practices.

OVERSIGHT

Because of the unique circumstances associated with the Academy GOQs, the Air Force did not have adequate oversight procedures for the cost of maintaining the Carlton and Otis Houses. Further, the Air Force did not provide congressional notification when funding maintenance and repairs with the O&M appropriation. Specifically:

The Air Force did not have adequate oversight procedures to provide visibility and control over the Carlton and Otis House renovations and costs. This condition existed

¹⁷ The rationale for designating these as private rooms is explained in the previous Results-B section.

Results - C

Fund Sources

because no baseline designs existed to limit facility changes to a specified plan, and the unique circumstances associated with the Academy GOQs impaired oversight and control of significant annual upkeep costs.

The Air Force did not have a final baseline design for the two GOQ houses and associated facilities. Specifically, the Air Force spent approximately \$212,000 annually for Carlton House upkeep and another \$119,000 for the Otis House without a baseline design that defined the general architecture, room layouts, allowable changes, and other associated specifics. Such a design would add criteria and a means to measure the merit of proposed changes such as those previously discussed, as well as the cost reasonableness of any renovation for the GOQ houses and associated facilities. To illustrate, some Carlton House public area renovations included fireplace mantels planned or added, construction of a pantry in 1995, and conversion of a Carlton House foyer closet to a display case. In addition, in 1988 the 2,326 square foot Tea House (one of three guest houses in the Carlton Complex) was remodeled at a cost of \$104,000. These modifications occurred without an overall design plan and could be changed again by a subsequent occupant. (Reference additional associated facility costs at Schedule C-1, page 15). With a final design plan, the Air Force could implement renovation and cost controls over future Carlton and Otis House changes.

The unique circumstances associated with the Academy GOQs impaired oversight and control of significant annual upkeep costs. The Carlton and Otis Houses were partially designated as general purpose Academy facilities in addition to residences, which allowed the use of both O&M and MFH appropriations. Major commands have final approval authority for O&M funded maintenance and repair projects costing up to \$3 million per project. Therefore, since the Academy is equivalent to a major command, higher-level approval of O&M funded projects for the Carlton and Otis Houses was not required. Further, the Superintendent (the Carlton House occupant) chaired the Academy facilities board that was responsible for approving Academy projects, including the Carlton House projects intended to satisfy occupant requirements. Moreover, the Carlton House was on the National Register for Historic Places, and Air Force guidance on historical housing facilities¹⁸ states bases should consider major upgrading, alternate uses, or disposing of historic housing if repair and maintenance costs become excessive. As a result, the cost to maintain the houses was unknown outside the Academy and may have exceeded necessary amounts. To illustrate, the annual operating cost for the swimming pool was \$8,000, and annual grounds maintenance costs were \$41,000 for the Carlton House and \$11,000 for the Otis House. (Recommendation A.1 should provide adequate oversight for future projects.)

¹⁸ AFI 32-6002, Family Housing Planning, Programming, Design, and Construction, 27 May 1997.

The Air Force did not report to Congress most of the Carlton and Otis Houses maintenance and repairs funded from O&M appropriations. The only expenditure of O&M appropriations that we could identify as reported to Congress during the period 1987 to 1999 was the 1992/1993 Otis House roof and stucco repair¹⁹ (\$142,000). Because O&M funds are not generally authorized for GOQs, Air Force policy did not require congressional notification before using the O&M appropriation to fund the maintenance and repairs. However, we believe full disclosure accomplished through reporting on all funds expended on the Carlton and Otis Houses would help alleviate congressional concern over the apportionment of funding.

RECOMMENDATION.

C.1. The SAF/MI should determine total O&M expenditures for maintenance and repair on the Carlton House rooms reconfigured for private use.

MANAGEMENT COMMENTS. The SAF/MI nonconcurred and stated: “Determination of total O&M expenditures in the areas is not required based on management comments for recommendation C.2. Closed.”

RECOMMENDATION.

C.2. The SAF/MI should request the Office of the Assistant Secretary (Financial Management and Comptroller) (SAF/FM) to reimburse the O&M appropriation with MFH appropriation funds for expenses incurred in reconfiguring Carlton House rooms for private use since FY 1997.

MANAGEMENT COMMENTS. The SAF/MI concurred with intent and stated: “While we acknowledge the auditor's findings that some public designated areas were in fact used for private activities, as the auditor also points out, these areas had been designated as non-residential areas. Therefore, the Academy did follow existing policy when deciding which source of funds to use when working in these areas. In addition, reimbursing the O&M appropriation with family housing funds will require the Air Force to spend limited housing dollars on a GOQ instead of fixing our inadequate housing units or making repairs and upgrades to our junior enlisted housing units. We see no benefit to be gained from implementing this recommendation. As noted in the management comments to Recommendation B.1, we will rescind the split designation policy and will fund all future work in both the Carlton and Otis Houses out of the MFH appropriation. Closed.”

¹⁹ Because of limited documentation, we were unable to determine whether the 1987 Carlton House or 1989 Otis House renovations were reported.

Results - C

Fund Sources

RECOMMENDATION.

C.3. The SAF/MI should establish requirements for a final baseline design of the Otis House and Carlton House complex.

MANAGEMENT COMMENTS. The SAF/MI concurred and stated: "The AF/ILE is developing a GOQ Master Plan which will establish a baseline and identify long-range facility requirements for GOQs throughout the Air Force. Improvements above the standard will not be accomplished without SAF/MII approval. Estimated completion date: 1 December 2000."

RECOMMENDATION.

C.4. The SAF/MI should establish policy requiring congressional notification for the proposed use of the O&M appropriation to fund maintenance and repairs for the Carlton and Otis Houses and surrounding grounds. (See also Recommendation A.1)

MANAGEMENT COMMENTS. The SAF/MI concurred and stated: "No additional policy is required since the Military Construction Appropriations Bill (Public Law 106-52, Section 128), signed 17 August 1999, prohibits the use of the O&M appropriation to fund maintenance and repair in housing units. Closed."

EVALUATION OF MANAGEMENT COMMENTS

Management actions planned or taken for Recommendations C.3 and C.4 are responsive to the issues. Management nonconcurred with Recommendation C.1 and concurred with the intent of Recommendation C.2. Specifically, management justified not reimbursing the O&M appropriation from the MFH appropriation as suggested in Recommendation C.2. Accordingly, this preempted the need for Recommendation C.1. Additionally, management is issuing a memorandum discontinuing the split designation policy. This action, in conjunction with the Military Construction Appropriations Bill (Public Law 106-52, Section 128), should preclude future O&M expenditures for private areas of the Carlton and Otis Houses.

Maintenance and Repair Expenditures²⁰
Carlton House
Associated Facilities
FY 1987 – 1999

FACILITY	O&M
Pool	\$ 122,423
Guest House (Tea) ²¹	107,957
Caterer's Kitchen	14,954
Greenhouse	14,052
Bathhouse	9,819
Guest House (Garden)	5,014
Guest House (Doll)	451
TOTAL	<u>\$274,670</u>

²⁰ Documentation was not available to identify all costs incurred.

²¹ These costs include the Tea House remodeling costs expended in 1988 (see discussion, page 12).

This Page Intentionally Left Blank

OVERVIEW

As the Carlton House resident, the Superintendent is normally a lieutenant general who is the senior military commander of the Academy, a position comparable to a university president. The DoD designated the Superintendent a Special Command Position, carrying official and social entertainment responsibilities representing the national interest. The Otis House resident is traditionally the Commandant. The Commandant is a brigadier general who has the operational, administrative, and logistical responsibility for all cadet military training programs.

SPACE DESIGNATIONS

In keeping with the official and social entertainment responsibilities of most general officers, Air Force guidance²² designates some space in all GOQs as “public entertainment areas” which justifies certain allowances. For example, limited furnishings and tableware purchased for these areas will not be recorded against annual GOQ spending restrictions.

Real property records describe most GOQs as single-purpose, single-family dwellings. In contrast, the Carlton and Otis Houses have always been distinguished from other GOQs because of their size and occupants' entertainment responsibilities. For example, initial (1958) real property records show the Carlton House as two buildings, with the second floor designated “officer family housing” and the first floor designated “open mess” (redesignated in 1960 to “public entertainment area”). In 1978, the Carlton House was re-entered into real property records as a multi-purpose, single facility. Finally, in 1992, SAF/MII issued a policy memorandum designating space for both houses. Specifically, the policy designated the Carlton House entire second floor and two first-floor rooms (a bedroom and dining area) as “private dwelling,” and the remaining first floor and basement “miscellaneous recreation buildings (public recreation areas).” The policy designated the Otis House upper floor and kitchen as private and all other areas of the house as public.

²² AFI 32-6003.

Background Information

PROJECT OVERSIGHT

For many years, the MFH authorization act has placed an annual limit (currently \$25,000) on all maintenance, repair, and minor alterations per GOQ.²³ Military organizations cannot exceed this limit without prior congressional authorization, and may only submit one out-of-cycle budget request for urgent situations.²⁴ Therefore, Air Force guidance²⁵ requires that base civil engineers prepare and update a 5-year plan detailing the total cost of projected maintenance and repairs to help identify projects that may exceed the MFH appropriation threshold. Comprehensive planning can prevent unprogrammed and often costly services or maintenance that may exceed budget limits. In addition, the guidance suggests considering major upgrading, alternative use, or disposal of historic housing if repair and maintenance costs become excessive.

FUND SOURCES

The MFH appropriation normally funds GOQ operations (including furnishing public entertainment areas), maintenance, and repairs. In addition, Air Force guidance²⁶ requires use of MFH funds to maintain historic housing units in livable condition. However, because the Carlton and Otis House upkeep and entertainment requirements exceed normal GOQ allowances, the Academy has used the O&M appropriation to supplement maintenance and repair expenses.²⁷

The 1992 SAF/MII policy designating Carlton and Otis Houses space reaffirmed the long-standing practice of using O&M funds for operations, maintenance, and construction work in public areas (miscellaneous recreation buildings) of the houses. In addition, the policy required apportioning funding for expenses common to the dwelling portions and public areas (such as utilities, grounds maintenance, and the facility exterior) between the MFH appropriation and O&M appropriation. For the Otis House, the apportionment was 35 percent to MFH and 65 percent to O&M; for the Carlton House the apportionment was 40 percent to MFH and 60 percent to O&M.

²³ The \$25,000 limit excludes costs for design and operations (utilities, furnishings).

²⁴ Congress limits submission of out-of-cycle GOQ maintenance and repair projects exceeding the \$25,000 threshold to once per year.

²⁵ AFI 32-6003.

²⁶ AFI 32-6002.

²⁷ In 1991, the Academy base civil engineer directed that all maintenance and repair costs be paid from the MFH appropriation, but only costs associated with the private areas be reported against the \$25,000 GOQ limit. However, this policy was superseded by 1992 SAF/MII policy.

AUDIT SCOPE

We performed the review at HQ USAF and the United States Air Force Academy. To accomplish our objectives, we reviewed documentation maintained at the AF/ILE and the Academy Civil Engineering Group. We also reviewed automated information available from the Work Information Management System to identify maintenance and repair expenditures on the Carlton and Otis Houses from 1987 through 1999 to date. Further, we visited the Carlton and Otis Houses and discussed maintenance and repairs with HQ USAF and Academy officials.

We conducted this audit in accordance with generally accepted government auditing standards and, accordingly, included tests of internal controls over justification, approval, and oversight of repair and maintenance expenditures. Although we relied on computer-generated data from the Work Information Management System to support audit findings and recommendations, we did not evaluate the adequacy of the system's general and application controls. However, we performed limited tests comparing the automated data to source documents and found the data sufficiently reliable to support our findings and recommendations. We performed the audit from July to August 1999 and examined records dated from November 1955 through August 1999. We released a draft report to management in September 1999.

PRIOR AUDIT COVERAGE

We did not identify any Air Force Audit Agency, DoD Inspector General, or General Accounting Office reports issued within the past 5 years that addressed the same or similar objectives as this audit.

This Page Intentionally Left Blank

Major Contributors

Engineering and Environment Division (AFAA/FSE)
Financial and Support Audits Directorate
5023 4th Street
March ARB CA 92518-1852

Ronald D. Leopoldt, Associate Director
DSN 947-4929
Commercial (909) 655-4929

LeeRoy H. Waugh, Program Manager

Nyla M. Couturier, Audit Manager

This Page Intentionally Left Blank

Final Report Distribution

SAF/OS
SAF/US
SAF/FM
SAF/IG
SAF/LL
SAF/MI
SAF/PA
AF/CVA
AF/IL
NGB/CF

Army Audit Agency
AU Library
DLSIE
DoD Comptroller
DoDIG-Library
GAO
Naval Audit Service
OAIG-AUD
OAIG-AUD-APTS

ACC
AETC
AFIA
AFMC
AFOSI
AFRC
AFSOC
AFSPC
AMC
ANG
PACAF
USAFA
USAFE
Units/Org Audited

FREEDOM OF INFORMATION ACT

The disclosure/denial authority prescribed in AFPD 65-3 will make all decisions relative to release of this report to the public.

This Page Intentionally Left Blank

To request copies of this report or to suggest audit topics for future audits, contact the Operations Directorate at (703) 696-8026 (DSN 426-8026) or E-mail to reports@pentagon.af.mil. Certain government users can download copies of audit reports from our home page at www.afaahq.af.mil/. Finally, you may mail requests to:

**HQ Air Force Audit Agency
Directorate of Operations (AFAA/DO)
1125 Air Force Pentagon
Washington DC 20330-1125**

