



Highlights of [GAO-04-555](#), a report to Subcommittee on Military Construction, Committee on Appropriations, U. S. Senate

Why GAO Did This Study

Recent cost increases in renovation projects to general and flag officer quarters raised questions about the services' management of the programs. GAO was asked to determine (1) how actual costs of renovation projects for general and flag officer housing compare to service budget estimates provided to Congress and (2) the primary reasons for any increases and the services' procedures to control cost increases. Additionally, GAO is presenting observations about the services' accountability over gifts provided to help renovate some general and flag officer quarters and the extent to which Department of Defense (DOD) guidance provides visibility and control over costs associated with renovation projects for privatized general and flag officer quarters.

What GAO Recommends

GAO is making several recommendations to the Secretary of Defense to improve controls over renovations to general and flag officer quarters and provide increased visibility and control of renovations to privatized general and flag officer quarters.

In commenting on a draft of this report, DOD concurred with two recommendations and did not concur with the third, while indicating actions to be taken to meet the intent of our recommendation.

www.gao.gov/cgi-bin/getrpt?GAO-04-555.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barry W. Holman at (202) 512-8412 or holmanb@gao.gov.

DEFENSE INFRASTRUCTURE

Issues Related to the Renovation of General and Flag Officer Quarters

What GAO Found

With few exceptions, the services' reported costs for renovation projects for general and flag officer quarters were generally consistent with budget estimates provided to Congress. For fiscal years 1999 to 2003, GAO found that 184, or 93 percent, of the 197 renovation projects over \$100,000 cost less than or the same as budget estimates. While the remaining 13 projects—6 Navy and 7 Marine Corps—exceeded cost estimates, 5 Marine Corps projects exceeded their budgets by more than 10 percent.

Customer-requested changes and unforeseen repairs were the main reasons for cost increases to renovation projects. For 5 of the 7 projects that exceeded their budgets by over 10 percent, about 45 percent of the increased costs was for customer-driven changes, 53 percent for unforeseen repairs, and 2 percent could not be determined. Though the services have guidance to limit customer-requested changes, the Marine Corps approved many such changes that contributed to project costs exceeding budgets. Customer requests included upgraded kitchen and bathroom renovations or initially unplanned work. Unforeseen repairs, such as for termite damage or unexpected historic preservation requirements, occurred because problems were not identified in the inspections on which the estimates were based.

Military services did not properly account for gifts used for general officer quarters in two instances, one involving renovation costs. In that instance, the Marine Corps did not comply with existing regulations to properly accept and account for all gifts used to renovate the Home of the Commandants. The Friends of the Home of the Commandants told GAO it provided about \$765,500 in nonmonetary materials and services (e.g., furnishings and construction labor). However, the Marine Corps could list nonmonetary gifts totaling only \$492,413 because it did not follow specified gift acceptance and accounting procedures. Navy General Gift Fund records show receipt of an additional \$88,300 in monetary gifts from the Friends of the Home of the Commandants. The Marine Corps has receipts for monetary expenditures, but not property records for items purchased with the gift funds. The Navy and Army also accepted gifts to furnish general and flag officer homes. Of those, the Navy did not properly accept and account for about \$3,970 in nonmonetary gifts.

DOD and the military services could lose visibility over housing renovation costs for privatized general and flag officer homes. DOD does not require review of renovation costs for these quarters, such as costs over \$35,000, as required for government-owned quarters. The Navy, Marine Corps, and Air Force are developing guidance to increase visibility and accountability over the spending for these quarters, but the draft guidance is not consistent. Although the services have privatized only 65 of their 784 general and flag officer quarters, they plan to privatize 426 or 54 percent by fiscal year 2008.