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Audit Report



Prioritization and Selection of Navy Military Construction Projects for Program Objectives Memorandum 2010 Funding

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**N2010-0047
12 August 2010**

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**MEMORANDUM FOR DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET
READINESS AND LOGISTICS (N4)**

**Subj: PRIORITIZATION AND SELECTION OF NAVY MILITARY
CONSTRUCTION PROJECTS FOR PROGRAM OBJECTIVES
MEMORANDUM 2010 FUNDING (AUDIT REPORT N2010-0047)**

Ref: (a) NAVAUDSVC letter 7510/N2009-NIA000-064.000, dated 4 Nov 08
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

Encl: (1) Background
(2) Projects Ranked Separately by the Shore Mission Integration Group (SMIG)
After the Projects Were Ranked by the Decisionmaking Software
(3) Projects Ranked by Decisionmaking Software and Submitted by DON
for FY 2010 Funding
(4) Projects Not Ranked by Decisionmaking Software But Submitted by DON
for FY 2010 Funding
(5) Projects Ranked by Decisionmaking Software and the SMIG and
Submitted by DON for FY 2011 Funding

1. Introduction.

a. We have completed the subject audit, announced by reference (a), and are providing this report in accordance with reference (b). This is the second of two reports issued regarding the Navy's process for prioritizing military construction (MILCON) projects. In an earlier audit report, N2010-0033, "Prioritization of Navy Military Construction Projects for Research, Development, Test, and Evaluation Facilities," published 10 June 2010, we concluded that MILCON projects for Research, Development, Test, and Evaluation (RDT&E) facilities are given appropriate consideration in OPNAV N46/CNIC's prioritization process for all MILCON projects, and that the RDT&E projects are properly aligned with the appropriate Warfare Enterprise strategic plan. This report is to inform you that the results of Chief of Naval Operations N46, Ashore Readiness Division (OPNAV N46) / Commander, Navy Installations Command's (CNIC's) process for scoring and ranking military construction (MILCON) projects using decisionmaking software does not appear to have been given significant weight as a basis for deciding what projects the Department of the Navy (DON) submitted to Congress for

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funding in Fiscal Year 2010. The decisionmaking software did provide an inventory of potential projects and, if additional MILCON funds become available, could be an important tool for quickly deciding how to spend the additional funds. However, limited MILCON funding, and the fact that a large portion of MILCON projects that OPNAV N46 / CNIC submitted for funding was directed by senior Department of the Navy and Department of Defense officials, appears to limit the value of using decisionmaking software to rank MILCON projects for possible placement on the funding submission list.

b. We are making no recommendations in this report. CNIC chose the decisionmaking software to answer CNO's call for a top-down, data-driven, capabilities-based process that OPNAV N46/CNIC was required to implement to provide a quantitative model to support investment decisions. CNIC should continue to use the decisionmaking software to score and rank MILCON projects because ranking the complete inventory of MILCON projects is of some value to OPNAV N46/CNIC.

c. Although the Navy established an elaborate process using decisionmaking software to score and prioritize Navy MILCON projects, the rankings ultimately had little impact on what projects were actually submitted by the Navy for funding in the 2010 Program Objectives Memorandum (POM) for Fiscal Year 2010 (POM 2010). We found that the projects submitted for funding were not always scored or ranked by the Shore Mission Integration Group (SMIG) Working Group (SMIG WG) using decisionmaking software, nor were the projects submitted for funding consideration always the highest scoring projects as determined by the SMIG WG.

2. Reason for Audit. Our original objective was to verify that MILCON projects for RDT&E facilities are properly aligned with the appropriate Warfare Enterprise strategic plan and that OPNAV N46/CNIC's prioritization process used to score and rank MILCON projects gives appropriate consideration to MILCON projects for RDT&E facilities. This topic was suggested by the Office of Naval Research (ONR) in response to the Department of the Navy's (DON's) Risk and Opportunity Assessment for Fiscal Year (FY) 2009 audit planning. ONR's concern was that OPNAV N46/CNIC's new MILCON prioritization process places emphasis on current and near-term readiness missions, and deemphasizes investment in research facilities for next-generation technological advancement. While addressing the original objective, we also determined: (1) whether the 38 MILCON projects submitted for funding in the Navy's POM 2010 were ranked by the prioritization process; (2) the significance of the ranking given to a project in determining if the project was submitted for funding; and (3) what factors led OPNAV N46/CNIC to request POM 2010 funding for the projects that were submitted.

3. Communication with Navy Management. We communicated with representatives from the OPNAV N46/CNIC N4 MILCON team to provide continuous communication regarding the results of the audit on 3 June 2009, 21 July 2009, and 14 August 2009.

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We provided a pre-utilization discussion draft to OPNAV N46/CNIC N4 on 13 May 2010 and we met with them on 7 June 2010 to discuss the report. We also discussed these issues with OPNAV N46/CNIC N4 personnel when briefing the results of our audit of Prioritization of Navy Military Construction Projects for Research, Development, Test, and Evaluation Facilities.

4. Background, Scope, Methodology, and Pertinent Guidance.

a. Background.

i. Prior to the preparation of the POM 2010 budget for the MILCON program, the process used by the Navy to select MILCON projects for funding was an “advocacy based, bottom up, Integrated Priority List (IPL)-driven investment process.” But beginning with the preparation of the POM 10 budget, according to information provided by CNIC, the old process was to be “replaced with a top-down, data-driven, capabilities-based process that aligns investments with: (1) Warfighter Enterprise Outputs; (2) Improved Quality of Service; and (3) Joint Capability Requirements.”

ii. The 10 September 2007 Chief of Naval Operations (CNO) Navy Shore Investment Strategic guidance directed OPNAV N46 to use CNO’s strategic guidance to prioritize MILCON projects with the intention of arresting and reversing the decline in capability, condition, and readiness of the Navy infrastructure. To do so, the charter directed OPNAV N46 to create a group (the Shore Readiness Board of Directors, later called the Shore Mission Integration Group (SMIG)) to govern the Shore Investment Process. To assist in governing the process, OPNAV N46 was directed to develop quantitative models to score and rank the projects.

iii. OPNAV N46/CNIC chose commercial off-the-shelf (COTS) decisionmaking software to score and rank MILCON projects in answer to CNO’s call for a top-down, data-driven, capabilities-based process to provide a quantitative model to support investment decisions. The decisionmaking software uses an analytic hierarchy process that allows OPNAV N46/CNIC to create weights, score projects, and rank them in order. Using parameters defined by OPNAV N46/CNIC and weights and scores assigned to each of those factors provided by OPNAV N46/CNIC, the decisionmaking software scored the MILCON projects to three decimal places between 0 and 1, with 1.000 being the highest score. More information about the scoring model and the weighted priorities can be found in Enclosure 1.

iv. See Enclosure 1 for additional background information.

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b. Scope.

i. For this audit report, we focused on the 38 Navy MILCON projects valued at about \$1.13 billion that were included in the Department of the Navy Fiscal Year 2010 Budget Estimates Program submitted to Congress in May 2009.

ii. We obtained scores and rankings for all projects considered by OPNAV N46/CNIC for FY 2010 funding and scored by the decisionmaking software (additional information regarding the projects that were scored and the scores and rankings received is reported in a separate report).

iii. We conducted this audit between November 2008 and 12 August 2010. Because this was the first audit of the process used to identify MILCON projects for funding consideration, there were no prior audits on which to follow up.

c. Methodology.

i. We obtained the DON Budget Estimates for FY 2010 Military Construction and Family Housing Programs and the Justification Data submitted to Congress in May 2009 to identify the MILCON projects submitted for funding. We compared this list to the OPNAV N46/CNIC prioritized list of MILCON projects ranked by the decisionmaking software that were considered for POM 2010 funding to determine the ranking of the MILCON projects that were actually submitted for funding.

ii. We identified projects that were not ranked by OPNAV N46/CNIC using the decisionmaking software but were submitted for funding. We also identified MILCON projects that OPNAV N46/CNIC ranked very high using the decisionmaking software that were not submitted for POM 10 funding consideration.

iii. Based on discussion with OPNAV N46/CNIC and documentation obtained from senior officials, we determined OPNAV N46/CNIC and DON's rationale for selecting the 38 Navy MILCON projects that were submitted to Congress for POM FY 2010 funding.

iv. We obtained the DON FY 2011 Budget Estimates for FY 2011 Military Construction and Family Housing Programs and the Justification Data submitted to Congress in February 2010 to identify the MILCON projects submitted for funding. We compared this list to the OPNAV N46/CNIC prioritized list of MILCON projects ranked by the decisionmaking software considered for POM 2011 funding to determine the ranking of the MILCON projects submitted for funding

v. We identified one project submitted for FY 2011 funding that was not ranked by OPNAV N46/CNIC using the decisionmaking software. We also identified MILCON projects that OPNAV N46/CNIC ranked very high using the decisionmaking software, but were not submitted for POM 11 funding consideration.

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vi. Based on discussions with OPNAV N46/CNIC and documentation obtained from senior officials, we determined OPNAV N46/CNIC and the Department of the Navy's rationale for selecting the 29 Navy MILCON projects that were submitted to Congress for POM FY 2011 funding.

vii. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

d. **Pertinent Guidance.** The SMIG had not issued guidance governing their POM 10 MILCON Project Prioritization Process when we conducted our audit. Therefore, we used the following documents to evaluate the MILCON Project Prioritization Process:

1) The Action Memo from the Deputy Chief of Naval Operations (DCNO) (Fleet Readiness and Logistics) of 30 August 2007, POM 2010 Investment Guiding Principles. It indicates that the current advocacy based, bottom-up IPL driven system is to be replaced with a top-down, data driven capabilities based system.

2) CNO Shore Investment Strategic Guidance of 10 September 2007 states that shore investments shall be prioritized and targeted to selected categories of the Navy shore infrastructure portfolio to optimize readiness, mission, and quality of service.

3) The Charter for the Shore Readiness Board of Directors (SRBOD) of 20 November 2007. It requires, among other things, the Navy to develop and implement specific quantitative models to support/justify all investment decisions.

4) POM 2010 Strategic Alignment/Guiding Principles provide objective criteria to assist in the assessment of a project's strategic alignment to the CNO's Guiding Principles.

5. Federal Manager's Financial Integrity Act. The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal agency head to annually certify the effectiveness of the agency's internal and accounting system controls. In our professional judgment, the issues identified do not warrant consideration for inclusion in the Auditor General's annual FMFIA memorandum identifying material management control weaknesses to the Secretary of the Navy.

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6. Audit Results.

a. Although the Navy established an elaborate process using decisionmaking software to score and prioritize Navy MILCON projects, OPNAV N46/CNIC could not ultimately show what impact that ranking had on what MILCON projects were actually submitted by the Navy for POM 2010 funding. Overall, OPNAV N46/CNIC's process for scoring and prioritizing MILCON projects for the POM 2010 budget submission appeared to have little impact in determining which projects would be submitted for funding.

1. Nineteen of the 38 MILCON projects submitted for POM 2010 funding were not ranked by OPNAV N46/CNIC's process using the decisionmaking software.
2. Of the 19 MILCON projects ranked by the SMIG Working Group (WG) using decisionmaking software that were submitted for POM 2010 funding, 14 were re-ranked from the decisionmaking software results by the SMIG, which factored in Navy priorities. The final ranking of these 14 projects by the SMIG was much higher than the original software ranking.
3. MILCON projects with the highest software ranking were frequently not submitted for funding, and some projects that were scored low and ranked near the bottom of the list by OPNAV N46/CNIC's prioritization process were nevertheless submitted for FY 2010 funding.

b. Therefore, it does not appear that the decisionmaking software prioritization process was a major consideration in selecting projects that would be submitted for FY 2010 funding.

c. In addition to the score from the decisionmaking software, the SMIG was apparently aware of other Navy priorities that contributed to their final ranking. We could not determine what these other factors were, or why projects were subsequently ranked higher by the SMIG. Other projects submitted for funding were "directed" by the Office of the Secretary of Defense, Office of the Secretary of the Navy (SECNAV), and CNO. As a result, we could not reconcile the ranking of the decisionmaking software with the projects that were actually submitted by the Navy for POM 10 funding.

**Significance of Decisionmaking Software Ranking
on Whether a Project was Submitted by the
Department of the Navy to Congress for Funding in FY 2010**

d. The scores and ranking calculated by the SMIG WG using the decisionmaking software had little impact on the final list of projects actually submitted to Congress for FY 2010 funding. Of the 38 MILCON projects¹ (estimated to cost about \$1.13 billion)

¹ Two of 38 (P-210) projects listed were Congress approved. Funds to be utilized under Title 10 USC 2807 for architectural and engineering services and construction design in connection with military construction projects including regular program projects, unspecified minor construction, emergency construction, land appraisals, and special projects as directed.

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submitted by OPNAV N46/CNIC for FY 2010 funding, 33 projects (worth about \$777 million) were directed by senior DoD and DON leadership for FY 2010 funding, and their ranking by SMIG WG was of no apparent consideration when their placement on the funding request list was directed. Only five projects worth about \$352 million were submitted for funding based on their being ranked as a top priority of OPNAV N46/CNIC. These five projects were not the projects receiving the highest score from the decisionmaking software, but they were the top-ranked projects of the SMIG. This information is presented in Table 1. See Enclosures 3 and 4 for the complete list of MILCON projects submitted for FY 2010 funding.

Table 1. MILCON Projects Submitted for FY 2010 Funding.

38 MILCON PROJECTS SUBMITTED FOR FY 2010 FUNDING			
Category	Number of Projects	Average Decisionmaking Software Rank	Value (\$000)
Top Priority of SMIG	5	50th	351,838
Projects Ranked by Decisionmaking Software and Directed for FY 2010 Funding	14	274th	321,711
Projects Not Ranked by the Decisionmaking Software but Directed for FY 2010 Funding	19 ²	Not Ranked	455,261
Total Projects Submitted for FY 2010 Funding	38		1,128,810

Second Ranking of Projects by the SMIG

e. Using the list of projects ranked by the decisionmaking software as well as other projects (projects may be identified and added after completion of the ranking process), the SMIG identified and ranked its top 14 MILCON projects (see Table 2 and Enclosure 2). Twelve of the top 14 projects had been ranked by CNIC's prioritization process and the average ranking was 67th. The other two of the SMIG's 14 top-ranked projects had not been considered by OPNAV N46/CNIC's prioritization process. One unranked project was a subsequent phase to a ranked project, and the other project had been added by the SMIG. Five of the top six SMIG-ranked projects were submitted for POM 2010 funding, and the sixth was moved to an out-year for later funding consideration. The value of these five projects was about \$352 million and their average OPNAV N46/CNIC prioritization rank was 50th. We were told by senior SMIG officials that the remaining nine SMIG-ranked projects were not submitted for POM 10 funding due to lack of sufficient funds in FY 2010. We could not determine what factors were used by the SMIG to re-rank the projects from their positions on the decisionmaking software list.

²Two of these projects (P-210: \$166,896; P-210:\$12,483) were not directly related to any location. See Footnote 1 for further explanation.

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Table 2. SMIG Top Projects Ranked for Funding Submission.

Category	Number of Projects	Average Decisionmaking Software Rank
Projects Submitted in POM 10	5	50 th
Projects not submitted in POM 10 but Ranked by Decisionmaking Software	7	79 th
Subtotal: Projects Ranked by the Decisionmaking Software and the SMIG	12	67 th
Decisionmaking Software Unranked Projects not Submitted	2	N/A
Total Projects Ranked by SMIG	14	

**Ranked Projects Directed
for POM 2010 Funding**

f. In addition to the five projects identified by the SMIG and submitted for POM 2010 funding, another 14 projects worth about \$322 million were submitted for POM 2010 funding that were ranked lower than at least 11 other higher-ranked projects by OPNAV N46/CNIC's decisionmaking software (see Table 3 and Enclosure 3). The 14 lower-ranked projects that were submitted ranged in rank from 16th to 732nd, and the average rank of those projects by the CNIC decisionmaking software was 274th. One project worth \$69 million was a follow-on increment to a project that was partially funded and started in a previous year. Three projects worth about \$85 million and ranked 364th, 410th, and 732nd, were directed by the Office of the Secretary of Defense via a Program Decision Memorandum. Five projects worth about \$47 million and ranked 40th, 90th, 107th, 150th, and 616th were directed by OPNAV N8F to support the Initial Operating Capability of new systems. Two projects worth about \$68 million and ranked 29th and 70th were selected because they were Quality of Life projects directed by CNO. One project worth about \$13 million and ranked 16th was directed because a facility had been condemned and one project worth about \$9 million and ranked 476th was directed as part of the CNO Footprint reduction goal. One project worth about \$29 million and ranked 38th was directed by the Office of the Secretary of the Navy (SECNAV).

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Table 3. FY 2010 Projects Directed for Funding.

14 PROJECTS RANKED BY CNIC'S DECISIONMAKING SOFTWARE & SMIG AND SUBSEQUENTLY DIRECTED FOR FY 2010 FUNDING			
Reason Project was Directed for FY2010 Funding	Number of Projects	Average Decisionmaking Software Rank	Value (\$000)
Incrementally Funded (2nd Increment of 2 increments)	1	691	69,064
OSD Program Decision Memorandum	3	502	85,356
Initial Operating Capability of a New System (OPNAV N8F Directed)	5	201	47,031
Quality of Life	2	50	68,753
Replace Condemned Facility	1	16	13,095
Footprint Reduction	1	476	8,730
SECNAV Directed	1	38	29,682
TOTAL	14	274	321,711

**Unranked Projects Directed
for POM 2010 Funding**

g. In addition to the 19 projects that were ranked by the OPNAV N46/CNIC's decisionmaking software, another 19 projects worth about \$455 million were also submitted for POM 2010 funding even though they were not ranked (see Table 4 and Enclosure 4). Three projects worth about \$163 million were incrementally funded follow-on projects. Another five projects worth about \$55 million were directed by the Office of the Secretary of Defense via Program Decision Memorandum. Six projects worth about \$25 million were directed by OPNAV N8F to support the Initial Operating Capability of a new joint Department of the Navy-Air Force system. Two projects worth about \$7 million were directed by OPNAV N8F to support the Initial Operating Capability of a new system. One project worth about \$26 million was selected because it was a Quality of Life project and CNO said that Quality of Life projects are a top priority. The other two projects, worth about \$179 million, are for planning and design and unspecified minor construction at various locations.

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Table 4. Unranked Projects Submitted for FY 2010 Funding.

19 PROJECTS NOT RANKED BY CNIC DECISIONMAKING SOFTWARE OR SMIG BUT SUBSEQUENTLY DIRECTED FOR FY 2010 FUNDING		
Reason Project was Directed for FY 2010 Funding	Number of Projects	Value (\$000)
Incrementally Funded (2nd Increment of 2 increments) (Mandatory to fund follow-on increments)	3	163,356
OSD Program Decision Memorandum	5	54,552
Initial Operating Capability of a New Joint Air Force System (N8F Resourced)	6	24,560
Quality of Life	1	26,287
Initial Operating Capability of a New System (N8F Resourced)	2	7,127
Planning and Design	1	166,896
Unspecified Minor Construction	1	12,483
TOTAL	19	455,261

**Significance of Decisionmaking Software
Ranking on Whether a Project is Submitted
to Congress for Funding in FY 2011**

h. We performed a cursory review of projects submitted for FY 2011 funding to verify whether there was a correlation between the decisionmaking software score and the projects submitted for FY 2011 funding. Our review showed that although the decisionmaking software is effective in ranking projects based on input criteria, senior DON and DoD officials do not use its results as a determining factor for directing the placement of projects onto the funding submission list; and when SMIG re-ranked projects for submission for the funding in FY 2011 that remained after the listing of directed projects, they appeared to give little weight to the software scores. Of the 29 MILCON projects (estimated to cost about \$1.185 billion) submitted for funding approval, 22 projects were directed by OSD, SECNAV, or OPNAV N88 (see Enclosure 5), and 4 of the 29 projects worth about \$135 million were selected based on their rank by the SMIG and taking into account the amount of MILCON funds still available after placement of directed projects onto the funding submission list. Two of the 29 projects had been previously incrementally funded and one project worth about \$147 million was selected for funding because it supported the Guam relocation effort.

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Table 5. MILCON Projects Submitted for FY 2011 Funding.

29 MILCON PROJECTS SUBMITTED FOR FY 2011 FUNDING			
Category	Number of Projects	Average Decisionmaking Software Rank	Value (\$000)
Top Priority of SMIG	4	26th	135,151
Projects Ranked by Decisionmaking Software and Directed for FY 2011 Funding	24	372nd	902,971
Projects Not Ranked by the Decisionmaking Software but Directed for FY 2011 Funding	1	Not Ranked	147,210
Total MILCON Projects Submitted for FY 2011 Funding	29		1,185,332

Effect of Not Using Ranking Results in Selecting Projects for Submission for Funding

i. A great deal of time and resources were spent preparing documentation, analyzing the documents and scoring more than 800 MILCON projects, many that had little or no chance of being funded. Activity personnel prepared the supporting documentation for the 800-plus projects. After that, the appropriate region or warfare enterprise analyzed the documentation and scored each of the projects. Ultimately, the SMIG WG also evaluated the documentation, held hearings and scored each of the 800-plus potential MILCON projects. funding. However, limited MILCON funding, and the fact that a large portion of MILCON projects that OPNAV N46 / CNIC submitted for funding was directed by senior Department of the Navy and Department of Defense officials appears to limit the value of using decisionmaking software to rank MILCON projects for possible placement on the funding submission list.

j. In addition, the Navy could not show that the criteria used to select the 38 projects submitted for funding were based on the CNO-requested “top-down, data-driven, capabilities-based process that aligns investments with: (1) Warfighter Enterprise Outputs; (2) Improved Quality of Service; and (3) Joint Capability Requirements.” Nor could the Navy show that the quantitative model, which included the decisionmaking software, supported and/or justified the investment decisions that were made by placing low ranked MILCON projects on the funding submission list.

Other benefits of Ranking Projects Using the Decisionmaking Software

k. According to OPNAV N56/CNIC, one of the goals of the new system was to identify a universe of valid MILCON projects and to assess their contribution to achieving Navy goals. And according to CNIC/OPNAV N46, one of the benefits of

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having this comprehensive list became apparent when Congress asked the Navy to identify certain categories of MILCON projects to be paid for with money from the American Recovery and Reinvestment Act (ARRA) of 2009. Without knowing all the valid projects and knowing how well these might address Navy goals, a data call to the field would have been required to respond to the Congressional request for information. We were told by OPNAV N46/CNIC that, with the new system in place, the MILCON program manager was able to screen all the projects for those that matched the vague description in about 2 hours. Because the inventory of projects was available, the list of possible ARRA projects was “solid,” according to OPNAV N46/CNIC, and was quickly vetted through Navy leadership and sent to Congress in less than 3 days.

7. Conclusions.

a. OPNAV N46/CNIC’s process for scoring and ranking MILCON projects using decisionmaking software did not appear to be a significant basis for deciding what projects the DON submitted to Congress for funding. According to CNIC personnel, the decisionmaking software provided an inventory of potential projects and, if additional MILCON funds become available, could be useful as a tool for quickly deciding how to spend the additional funds. However, placement on the funding submission list of a large number of MILCON projects that OPNAV N46 / CNIC was directed to fund limited the MILCON funds available for projects that were ranked by the decisionmaking software, and we could not determine what criteria SMIG was using when it re-ranked the list of projects that were processed by the decisionmaking software.

b. We are making no recommendations in this report. CNIC chose the decisionmaking software to answer CNO’s call for a top-down, data-driven, capabilities-based process that OPNAV N46/CNIC was required to implement to provide a quantitative model to support investment decisions. CNIC should continue to use the decisionmaking software to score and rank MILCON projects because ranking the complete inventory of MILCON projects is of some value to OPNAV N46/CNIC. For example, Enclosure 3 shows that projects ranked as low as 616, 691 or 732 can end up being submitted for funding. Therefore, having the supporting documentation related to the project and decisionmaking software score provides CNIC useful information regarding the project. If the universe of projects to be scored and ranked is reduced, many projects would not be evaluated, scored, and ranked though they could subsequently be submitted for funding. Also, although OPNAV N46 / CNIC does not strictly follow the decisionmaking software’s scores to prioritize projects, they do consider the decisionmaking software score as they establish their final prioritized list of projects that becomes their basis for selecting projects submitted for funding. However, we cannot tell to what extent the rankings are considered.

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9. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

10. We appreciate the cooperation and courtesies extended to our auditors.



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Background

MILCON Prioritization Process

The Office of the Chief of Naval Operations (OPNAV) Director, Shore Readiness Division (N46) and the Office of the Commander, Navy Installations Command (CNIC) (OPNAV N46/CNIC) uses a well-defined regimen for prioritizing military construction (MILCON) projects. The MILCON prioritization protocol is based on a scoring model devised by the Shore Mission Integration Group. The scoring model replaced the bottom-up, advocacy Integrated Priority List (IPL)-based shore investment process.

To assist with this process, OPNAV N46/CNIC selected a decisionmaking and budget allocation software application for enterprise alignment of shore installation support for all Navy installations globally. OPNAV N46/CNIC uses the decisionmaking software to prioritize all of their identified military construction projects and base of service activities to align investments and budget requests to strategic priorities and capabilities in support of Navy operations. The decisionmaking software is a commercially available software package used to implement the Analytic Hierarchy Process (AHP).

Decisionmaking Software/Analytic Hierarchy Process

Decisionmaking software is a computer program that uses the analytic hierarchy process to quickly synthesize qualitative and quantitative information from multiple stakeholders for prioritization and/or resource allocation decisions. Prioritization determines the relative merit of a set of alternatives. The analytic hierarchy process involves the use of subject-matter experts develop criteria; pair-wise comparisons are then used to derive relative weights for the criteria. Rating scales are built for each criterion, using the criteria weights, to rate initiatives on both quantitative and qualitative metrics. The rating scales are then used to rate each project on the value it delivers for each criterion. After the projects have been rated, they are displayed with their rating scores, indicating alignment to the pre-determined priorities.

Enclosure 2:**Projects Ranked Separately by SMIG After
Projects Were Ranked by Decisionmaking
Software**

Project No.	Project Name	Location	SMIG Rank	Decisionmaking Software Rank	Appropriation Request (\$000)
P516	Ship Repair Pier Replacement	NSA NORFOLK NSY	1	1	226,969
P928	Waterfront Development Phase 2	NSA BAHRAIN	2	9	41,526
P182	Missile Magazines (5), West Loch	NAVSTA PEARL HARBOR HI	4	50	22,407
P465	Consolidated SLC Training & CSS-15 HQ Fac.	NAVBASE GUAM	5	84	45,309
P528	Torpedo Exercise Support Building	NAVBASE GUAM	6	106	15,627
5 Projects Ranked by SMIG and Submitted				Average = 50	351,838
P182	Wharf Upgrades NSF	Diego Garcia, BIOT	3	11	
P561	Combat Training FAC	NAVBASE Ventura County, Pt. Mugu	7	224	
P559	Aircraft Prototype Facility Phase 2	NAS PAX RIVER	8	146	
P383	Controlled Industrial Facility	NS NORFOLK	11	4	
P425	NonPropagation Wall Magazines	NAVBASE GUAM	12	45	
P862	Pier 1 Upgrades to Berth USNS Confort	NS NORFOLK	13	93	
P583	Construct CVN Capable Berth, Polaris Point	NAVBASE GUAM	14	27	
7 Projects Ranked by SMIG and Decisionmaking Software but not Submitted for POM 10 funding				Average = 79	
P162	Aircraft Prototype Facility Phase 2	NAS PAX RIVER	9		
P200	Andros Bachelor Quarters	ANDROS	10		
2 Projects Ranked by SMIG and not by Decisionmaking Software and not Submitted for POM 10 funding					

Enclosure 3:**Projects Ranked by Decisionmaking Software
and Submitted by DON for FY 2010 Funding**

Project No.	Project Name	Location	Rationale for Selection	Decisionmaking Software Rank	Appropriation Request (\$000)
P356A	CVN Maintenance Pier Replacement Incr 2 of 2	NAVAL BASE KITSAP BREMERTON WA	Incrementally Funded	691	69,064
P004	APCSS Conference & Technology Learning Center	NAVSTA PEARL HARBOR HI	OSD Directed (PDM)	364	12,775
P898	Reception Airfield Facilities	NS ROTA	OSD Directed (PDM)	410	26,278
P187	Channel Dredging	NAVSTA MAYPORT FL	OSD Directed (PDM)	732	46,303
Subtotal 3 Projects			OSD Directed (PDM)	Average 502	85,356
P630	(MMA) Facilities Modification	NAS JACKSONVILLE FL	New System IOC	40	5,917
P782	Simulator Addition for UMFO Program	NAS PENSACOLA FL	New System IOC	90	3,211
P016	E-2D Training Facility	NS NORFOLK	New System IOC	107	11,737
P838	E-2D Facility Upgrades for E-2D Program	NS NORFOLK	New System IOC	150	6,402
P437	Operational Facilities for T-6	NAS CORPUS CHRISTI TX	New System IOC	616	19,764
Subtotal 5 Projects			New System IOC	Average 201	47,031
P451	Officer Training Command (OTC) Quarters	CPNS NEWPORT RI	Quality of Life	70	45,803
P724	Corry 'A' School BEQ	NAS PENSACOLA FL	Quality of Life	29	22,950
Subtotal 2 Projects				Average 50	68,753
P851	Naval Construction Div Operations Facility	NAVPHIBASE LTRK	Replace Condemned Facility	16	13,095
P129	Public Works Shops Consolidation	SUBASE SAN DIEGO CA	Footprint Reduction	476	8,730
P777	Wharf Charlie Repairs	NAVSTA MAYPORT FL	SECNAV Directed	38	29,682
14 Projects				Average 274	321,711

Enclosure 4:**Projects Not Ranked by Decisionmaking Software But Submitted by DON for FY 2010 Funding**

Project No.	Project Name	Location	Rationale For Selection	Appropriation Request (\$000)
P587B	Sub Drive-In MSF, Beckoning Point Inc 3 of 3	NAVSTA PEARL HARBOR	Incrementally Funded	8,645
P973E	Limited Area Prod & Strg Complex Incr 6 of 7	NAVAL BASE KITSAP BREMERTON WA	Incrementally Funded	87,292
P977A	Enclave Fencing/Parking	NAVAL BASE KITSAP BREMERTON WA	Incrementally Funded	67,419
3 Projects			Incrementally Funded	163,356
P220	Ammo Supply Point	CAMP LEMONIER DJIBOUTI	OSD Directed PDM	21,689
P235	Security Fencing 1	CAMP LEMONIER DJIBOUTI	OSD Directed PDM	8,109
P237	Fire Station	CAMP LEMONIER DJIBOUTI	OSD Directed PDM	4,772
P702	Specialized SERE Training Area	NAVAL STATION EVERETT	OSD Directed PDM	12,707
P916	Interior Paved Roads	CAMP LEMONIER DJIBOUTI	OSD Directed PDM	7,275
5 Projects			OSD Directed PDM	54,552
P902F	Hydrant Refueling System Phase 1	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	6,208
P905F	JP8 West Side Bulk Tank Upgrades	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	621
P906F	POL Operations Facility	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	2,056
P907F	35 JP8 Flightline Fillstands	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	3,492
P909F	35 Parallel Taxiway Ladder	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	931
P918F	35 A/C Parking Apron	EGLIN AFB EOD SCHOOL	IOC New Joint Air Force System	11,252
6 Projects			IOC New Joint Air Force System	24,560
P925	BEQ, EOD School Phase 2	EGLIN AFB EOD SCHOOL	Quality of Life	26,287
P273	JPATS Training Ops Paraloft Facility	NAS WHITING FLD MILTON FL	IOC New System	4,120
P908F	F-35 Edwards Ramp Extension	NAWS CHINA LAKE	IOC New System	3,007
2 Projects			IOC New System	7,127
P210	Planning & Design	VARIOUS LOCATIONS	Planning and Design	166,896
P210	Unspecified Minor Construction	VARIOUS LOCATIONS	Unspecified Minor Construction	12,483
19 Projects				455,261

Enclosure 5:

Projects Ranked by Decisionmaking Software and SMIG and Submitted by DON for FY 2011 Funding

Project No.	Project Name	Location	SMIG Rank ³	Decisionmaking Software Rank	Appropriation Request (\$000)	Rationale for Selection
P162	Agile chemical Facility-Phase 2	NSA SOUTH POTOMAC	1	1	34,238	SMIG rank and Funds Available
P954	Waterfront Development, Phase 3	NAVSUPPAC T BAHRAIN	4	5	63,871	SMIG rank and Funds Available
P068	Electromagnetic sensor Facility	NAVSTA NEWPORT	6	31	27,007	SMIG rank and Funds Available
P862	Pier 1 Upgrades to Berth USNS Comfort	NAVSTA NORFOLK	8	66	10,035	SMIG rank and Funds Available
4 Projects Selected based on SMIG rank					135,151	
P405	Bachelor Enlisted Quarters, Homeport Ashore	NAVBASE SAN DIEGO	247	246	75,342	CNO Directed – Homeport Ashore Deficit Elimination
P601	Security Enclave & Vehicle Barriers	SUBASE KINGS BAY GA	27	19	45,004	CNO Directed – Nuclear Weapon Security Deviation Elimination
P620	Waterfront Emergency Power	SUBASE KINGS BAY GA	292	291	15,660	CNO Directed – Nuclear Weapon Security Deviation Elimination
P910	Waterfront Restricted Area Emergency Power	NAVBASE KITSAP	221	220	24,913	CNO Directed – Nuclear Weapon Security Deviation Elimination
P987	Limited Area emergency Power	NAVBASE KITSAP	368	367	15,810	CNO Directed – Nuclear Weapon Security Deviation Elimination
P263	Broad area Maritime Surveillance T & E Fac	NAS PAX RIVER	0	548	42,211	CNO Directed – Quality of Life Fenced Funding
6 Projects					218,940	CNO Directed
P973F	Limited Area Prod & Strg Complex, Incr 7 of 7	NAVBASE KITSAP	0	545	19,116	Follow-on Increment to earlier project – Not resubmitted
P516A	Ship Repair Pier Replacement Inc 2	NSA NORFOLK NAVY SHIPYARD	0	546	100,000	Follow-on Increment to earlier project – Not resubmitted
2 Projects					119,116	Follow-on Increment
P828	Piers 9 and 10 Upgrades for DDG 1000	NAVSTA NORFOLK	152	151	2,400	N88 Directed – New System Project due to IOC Requirement
P203	MH-60R/S Trainer Facility	NAF ATSUGI JA	24	3	6,908	N88 Directed – New System Project due to IOC Requirement
2 Projects					9,308	N88 Directed

³ Note: The SMIG re-ranked 23 projects. All other projects have similar SMIG and Decisionmaking Software Rank.

P266	T-6 Solo Capable Outlying Landing Field	NAS Whiting Field	0	549	29,082	OSD Directed – Deferred from POM10 after PR11 Projects Submitted
P750	Rotary Hangar	NAVBASE CORONADO	0	550	67,160	OSD Directed – Deferred from POM10 after PR11 Projects Submitted
P327	Berthing Pier 12 Repl & Dredging, Ph 1	NAVBASE SAN DIEGO	0	547	108,414	OSD Directed – Deferred from POM10 after PR11 Projects Submitted
P114	JCSE Vehicle Paint Facility	NAVSUPACT ORLANDO	501	500	2,300	OSD Directed – COCOM Support
P056	Center for Disaster Management/ Humanitarian Assistance	NAVSTA PEARL HARBOR	554	544	9,140	OSD Directed
P005	Joint POW/MIA Accounting Command	NAVSTA PERAL HARBOR	291	290	99,238	OSD Directed – COCOM Support
P908	Operations and Support Facilities	NAVSUPACT BAHRAIN	138	137	60,002	OSD Directed – COCOM Support
P219	General Warehouse	CAMP LEMONIER DJIBOUTI	363	362	7,324	OSD Directed – COCOM Support
P230	Horn of Africa Joint Operations Center	CAMP LEMONIER DJIBOUTI	37	32	28,076	OSD Directed – COCOM Support
P232	Camp Lemonier HQ Facility	CAMP LEMONIER DJIBOUTI	308	307	12,407	OSD Directed – COCOM Support
P843	CSDS-5 Laboratory Expansion Phase 1	NAVBASE KITSAP	544	544	16,170	OSD Directed – Requirement identified after PR11 submission
P958	NAVCENT Ammunition Magazines	NAVSUPACT BAHRAIN	541	540	89,280	OSD Directed – Project identified after PR11 submission
P912	Pave External Roads	CAMP LEMONIER DJIBOUTI	542	541	3,824	OSD Directed – Not submitted for PR11 Assessment
P897	Air Traffic Control Tower	NAVSTA ROTA SP	543	542	23,190	OSD Directed – Project identified after PR11 submission
14 Projects					555,607	OSD Directed

P110	Finegayan Site Prep and Utilities, Phase 1	NAVBASE GUAM	0	0	147,210	Supports Guam Relocation Effort
1 Project					147,210	
P211	Planning & Design	Various Locations	0	0	120,050	
P211	Unspecified Minor Construction	Various Locations	0	0	20,877	
31 Projects					1,326,349	