Report No. D-2008-128 September 10, 2008

Inspector General

United States Department of Defense

Reimbursable Fees at the Major Range and Test Facility Bases

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Acronyms and Abbreviations

AFAA	Air Force Audit Agency
AFB	Air Force Base
DTRMC	Defense Test Resource Management Center
FMR	Financial Management Regulation
MRTFB	Major Range and Test Facility Base
IG	Inspector General
NAVAIR	Naval Air Systems Command
NAWC-AD	Naval Warfare Center-Aircraft Division
NAWC-WD	Naval Warfare Center-Weapons Division
NDAA	National Defense Authorization Act

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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ARLINGTON, VIRGINIA 22202-4704

September 10, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: Report on Reimbursable Fees at the Major Range and Test Facility Bases (Report No. D-2008-128)

We are providing this report for review and comment. We considered comments from the Office of the Under Secretary of Defense (Comptroller)-Deputy Chief Financial Officer, the Assistant Secretary of the Navy (Financial Management and Comptroller), and the Director, Air Force Test and Evaluation when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Deputy Chief Financial Officer's and Assistant Secretary of the Navy (Financial Management and Comptroller) comments were responsive to report Recommendations A. and B.1., respectively. However, comments from the Director, Air Force Test and Evaluation regarding report Recommendation B.2. were only partially responsive. Therefore, we request additional comments from the Air Force regarding Recommendation B.2. by October 10, 2008.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send management comments in electronic format (Adobe Acrobat file only) to AUDACM@dodig.mil. Copies of the management comments must have the actual signature of the authorizing official for your organization. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Benjamin A. Mehlman at (703) 604-9291 (DSN 664-9291) or Mr. Michael E. Simpson at (703) 604-8972 (DSN 664-8972). The team members are listed inside the back cover.

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Assistant Inspector General
Acquisition and Contract Management

Report No. D-2008-128 (Project No. D2007-D000AB-0197.000) September 10, 2008

Results in Brief: Reimbursable Fees at the Major Range and Test Facility Bases

What We Did

Our overall objective was to determine whether the Reimbursable Fees for DoD Major Range and Test Facility Bases (MRTFB) were charged appropriately in accordance with statutory, DoD, and Service requirements.

We analyzed costs charged to MRTFB customers for 74 tests at 5 ranges to evaluate compliance with DoD Financial Management Regulation (FMR) 7000.14-R and Public Law 107-314, Section 232 requirements. These state that institutional and overhead costs be fully funded through "test and evaluation" accounts and charges to DoD customers not exceed the direct cost for the use of the facilities.

We also performed follow-up at five additional ranges previously assessed for compliance with FMR 7000.14-R requirements regarding cost accounting and billing systems and related internal controls by the Defense Test Resource Management Center.

What We Found

- Two Navy ranges were charging customers indirect labor and utility costs because the sites did not use internal Navy guidance and were not in compliance with FMR 7000.14-R.
- Two Air Force ranges were applying reimbursable fees for space launch services because FMR 7000.14-R includes inconsistent language regarding what commercial space activities customers "shall" or "may" reimburse.
- Range testing equipment is, in many cases, left unused when the primary range customer completes a project and leaves the facility, even though the test equipment could be used by other range customers. However, an April 2008 Under Secretary of Defense (Comptroller) revision to FMR 7000.14-R has corrected the problem.

What We Recommend

- The Navy agreed with a recommendation that the Commander, Naval Air Systems instruct the commanders of the Naval Warfare Center-Aircraft Division and the Naval Air Warfare Center-Weapons Division to follow FMR 7000.14-R and discontinue charging range customers for utilities in buildings used by more than one customer where the charges are applied using formulas.
- The Office of the Under Secretary of Defense (Comptroller) agreed with a recommendation that FMR 7000.14-R be revised to make consistent references to Public Law 107-314, Section 232 with regard to space launch activities.
- The Air Force stated neither agreement nor disagreement with a recommendation that the Commander, Air Force Space Command issue a range reimbursement policy for space launch activities based on FMR 7000.14-R.

Client Comments

- We request the Air Force provide further comments on the recommendation to the Air Force Space Command by October 10, 2008.

Recommendations Table

Client	Recommendations Requiring Comment	Additional Comments Required
Under Secretary of Defense (Comptroller)	B.1.	No
Commander, Naval Air Systems Command	A.	No
Commander, Air Force Space Command	B.2.	Yes

Please provide comments by October 10, 2008.

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Introduction

Objective

Our overall objective was to determine whether the Reimbursable Fees for DoD Major Range and Test Facility Base (MRTFB) sites were charged appropriately in accordance with statutory, DoD, and Service requirements.

Background

Major Range Test Facility Base System

The MRTFB system is a national asset that is operated and maintained primarily for DoD test and evaluation support missions under the oversight of the Defense Test Resource Management Center (DTRMC). The MRTFB consists of nine Army activities, six Navy activities, seven Air Force activities, and two Defense agencies. These are managed and operated to provide test and evaluation support to the DoD Components responsible for developing or operating weapons systems. MRTFBs are also available to commercial customers and allied foreign governments when a valid requirement for range capabilities exists. MRTFB missions vary from testing missiles and aircraft to ensuring that electrical components can survive in various environments. The MRTFB system is designed to assure the most cost-effective development and testing of materiel, and provide for inter-Service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

Prior to FY 2006, costs to test and evaluation customers varied among MRTFB ranges, because the ranges used different accounting systems. Consequently, DoD managers could not use comparable data when making investment and funding decisions for the cost of tests and evaluation services performed at available ranges. For example, DoD Inspector General (IG) Report D-2004-035, "Major Range Test Facility Base," December 8, 2003, noted that Army ranges tracked test costs through two accounting systems, while the Navy used three accounting systems, and the Air Force used more than one system.[1]

Statutory Requirements

The FY 2003 National Defense Authorization Act (NDAA), Section 232[2] eliminated the proportional share approach to maintenance of facilities and the practice of passing inequitable charges to MRTFB test customers. For example, NDAA directed the Secretary of Defense to establish the objective of ensuring that, by FY 2006, the institutional and overhead costs of an MRTFB facility or resource of a Military Department or Defense agency are funded fully from that Component's major test and

[1]MRTFB accounting systems included: the Army Standard Operation and Maintenance Army Research and Developmental System, the Army Command Information Management System, the Navy Job Order Cost Accounting System, the Navy System Application and Products Accounting System, the Navy Business Information System, the Air Force Job Order Cost Accounting System, and Microbas.
[2]Codified as Public Law 107-314, Section 232.

evaluation investment accounts. Section 232 further directed that range test and evaluation facilities charge DoD customers only for those costs that are "directly attributable to the use of the facility or resource for testing under a particular program, over and above the institutional and overhead costs with respect to the facility or resource."

DoD Directive and Financial Management Regulation Requirements

In the past, in some cases, under-funding from the Services led some test facilities to circumvent the DoD Financial Management Regulation (FMR) and charge test users inappropriate charges, such as surcharges or general "taxes" to compensate for MRTFB institutional funding shortfalls. In the 1990s, FMR 7000.14-R, "DoD Financial Management Regulation," was changed to allow the charging of incremental costs required to operate test facilities to test users. As DoD components prioritized funds, MRTFB institutional operating funds were decreased, resulting in an increase to the costs charged to the customers.

The Office of the Under Secretary of Defense (Comptroller) developed an MRTFB charge policy that required strict compliance with section 232 of the NDAA, which was incorporated into the FMR on September 20, 2005. Specifically, the charge policy defined MRTFB institutional and overhead costs as the costs of maintaining, operating, upgrading, and modernizing the facility or resource and did not include any incremental cost of operating the facility or resource for testing under a particular program. The term "direct cost," with respect to a facility or resource within the MRTFB, was defined as those costs that are directly attributable to the use of the facility or resource for testing under a particular test over and above the institutional and overhead costs.

DoD Directive 3200.11, "Major Range and Test Facility Base," December 2007, updated policy regarding scheduling and funding for the MRTFB sites. This Directive states the policy and responsibilities for the management and operation of specific DoD test and evaluation ranges. The Directive also states the MRTFB shall be financed through a combination of institutional funds and user charges in accordance with the appropriate provisions of the FMR. In addition, the Directive implements a reimbursement system to define and collect user charges in accordance with the FMR. For instance, the FMR states that DoD customers are charged for direct costs that are identified with a particular program while "indirect costs" for DoD customer programs are funded by the range's institutional appropriations. Non-DoD customers are charged for direct costs and some indirect costs at the discretion of the MRTFB commander.

Defense Test Resource Management Center

DoD Directive 5105.71, "Department of Defense Test Resource Management Center," March 8, 2004, and sections 191, 196, and 113, title 10, United States Code established the DTRMC. The DTRMC plans for and assesses the ability of the MRTFB to provide testing in support of development, acquisition, fielding, and sustainment of defense systems. The DTRMC also maintains awareness of other test and evaluation facilities and resources within and outside the Department and their impacts on DoD requirements.

The Director of DTRMC is responsible for providing reports and recommendations on current and projected MRTFB infrastructure issues to ensure that adequate capabilities exist to support testing of DoD acquisition programs. Another responsibility of the director was to ensure that by FY 2006 MRTFB institutional and overhead costs were fully funded through the Department's major test and evaluation investment accounts and only the direct costs for the use of MRTFBs are charged to DoD customers.

According to DTRMC officials, DTRMC contracted with Whitney, Bradley, & Brown, Inc., to examine nine MRTFB sites and evaluate compliance with the FMR. A contractor team and a representative from DTRMC visited each of the nine MRTFB sites to review cost accounting systems, billing systems, and related internal controls. The Director suspended the contractor assessment visits in May 2007 because of our audit review. We subsequently visited five of the nine MRTFB sites previously reviewed by Whitney, Bradley, & Brown, to determine MRTFB compliance with the findings of the assessments.

Finding A. Naval Warfare Centers' Reimbursement Fee Structure

The Naval Warfare Center-Aircraft Division (NAWC-AD) and the Naval Warfare Center-Weapons Division (NAWC-WD) were improperly charging test customers for indirect labor and utility costs. This occurred because NAWC-AD and NAWC-WD were disregarding internal guidance and not compliant with FMR 7000.14-R, Volume 11A, Chapter 12, "Major Range and Test Facilities," (FMR 11A/12). In addition, the Navy rebuffed Defense Test Resource Management Center (DTRMC) requests to comply with FMR 7000.14-R charging requirements at one of the MRTFB sites. As a result, in FY 2006, MRTFB customers were inappropriately charged utility costs of approximately \$1.2 million (21 percent of total utility costs) and approximately \$0.2 million in indirect labor costs that could not be specifically attributed to a customer order.

Naval Air Systems Command Organization

Naval Air Systems Command (NAVAIR) is composed of six organizations that work together to provide total life cycle support for all naval aviation weapons systems including research, development, test, evaluation, and training. NAVAIR's principal customers are the operating forces of the Navy and Marine Corps, other activities of the U.S. Armed Forces, and foreign allies. NAWC-AD, Patuxent River, Maryland, and NAWC-WD in Point Mugu and China Lake, California, are part of the NAVAIR. The mission of NAWC-AD is to support the Navy by providing the warfighter with technologies that deliver dominant combat effects with aircraft, avionics, shore, air, and ship operations. The NAWC-WD mission is to support the Navy by providing the warfighter with technologies that deliver open air and sea test ranges along with NAVAIR ground test laboratories that allow the customer to accomplish almost any type of testing in one deployment. The NAWC-WD's core capability is integrating a variety of complex weapons systems and electronic warfare equipment into Navy aircraft.

Naval Air Systems Command Reimbursable Fee Guidance

NAVAIR Instruction 7000, "Naval Air Command Financial Policy Guidance for the Management and Operation of Direct Products Accounts," May 10, 2005, discusses the management and operation of direct product (customer) accounts. It also requires NAVAIR MRTFB sites to utilize the cost accounting concept of incremental cost recovery to recover direct costs incurred for the use of the facility or resource in support of operational testing. Furthermore, NAVAIR Instruction 7000 states that direct product accounts have been in existence at NAWC-AD for many years and are described as being advantageous because they align costs by the type of product or service provided to the customer making the financial results measurable. The Instruction clarifies that, although the MRTFB direct product accounts operate under charter of the Navy Working Capital Fund, MRTFB regulations take precedence over the Working Capital Fund policies and procedures. It further states that the Working Capital Fund should use the cost accounting concept of "full cost absorption." The MRTFB is required to utilize the cost accounting concept of "incremental cost recovery" to recoup direct costs incurred for the use of the facility or resource in support of operational testing. NAVAIR Instruction 7000 defines direct costs to include labor, material, contractual support, facilities support, depreciation, and utilities.

NAVAIR Instruction 7000.1, "Aviation Accounting," February 27, 2006, guides the implementation of common aviation accounting procedures throughout NAWC-AD and NAWC-WD and incorporates the FY 2003 NDAA changes outlined in the FMR. The Instruction states that "only direct user-specific costs associated with operations and maintenance of MRTFB support aircraft will be charged to DoD users of these aircraft." Section III of the Instruction further defines direct costs as costs that are easily and directly attributable to the use of the resource for testing under a specific program over and above the institutional costs.

Naval Air Systems Command's Reimbursable Fee Practices

NAWC-AD and NAWC-WD are improperly charging customer utility costs. According to Navy officials at both test ranges, MRTFB customers who require the simultaneous use of test equipment or facilities are being charged for utilities based on a three-part formula to apportion utility costs.

NAWC-WD uses square footage along with direct customer workload metrics to distribute a share of the utility costs to all customers that use numerous resources. When the three-part formula is applied, first, MRTFB square footage is compared to the total Command's square footage. This calculation, along with some unique space engineering estimates, provides the basis for each MRTFB organization's total utility bill from the region. The second calculation provides a percentage of customer workload hours using a ratio of 36 percent for the customer to 64 percent for the MRTFB. The third calculation derives the portion of utilities charged to each MRTFB department. For example, in FY 2007, NAWC-WD utility costs at its China Lake facility was approximately $5.1 million, of which approximately $1.8 million (36 percent) was charged to customers and approximately $3.3 million (64 percent) was charged to the MRTFB institutional and overhead costs. The $1.8 million charged to customers was allocated by the percentage of the MRTFB that each testing department owns. According to Navy officials, NAWC-AD uses the same process as NAWC-WD to charge utility costs to its customers. This process is not in compliance with FMR 11A/12 requirements because the utilities charged to customers based on these calculations cannot be directly attributed to a single customer as required by the FMR.

We concluded that NAWC-AD and NAWC-WD utility and workload hour charging practices appear to have disregarded NAVAIR Instruction 7000.1 guidance, which states that MRTFB regulations be followed and take precedence over the direct product accounts policies and procedures. Instead they are incorrectly using FMR chapters written for Defense Working Capital Fund accounts. The two Navy MRTFB sites should charge all indirect costs, including utilities that cannot be attributed to a single customer and indirect labor, to its institutional account. Such costs should not be subject to customer reimbursement because they cannot be directly attributed to a single customer.

Defense Test Resource Management Center Assessment of Utility Charging and Navy Response

NAWC-AD has rebuffed DTRMC requests to comply with FMR 7000.14-R charging requirements at the MRTFB site.

Defense Test Resource Management Center Assessment

In a September 22, 2006, memorandum and assessment final report, DTRMC cited NAWC-AD for noncompliance with the FMR. Specifically, NAWC-AD had not correctly billed utilities to MRTFB customers, other Federal Government customers, commercial customers, and foreign military customers for the period from October 1, 2005, through April 21, 2006. DTRMC identified customer charges in direct product accounts for the apportionment of utilities in buildings used by multiple customers and the incremental budget and financial management labor costs as areas of concern. DTRMC stated that the cause for the noncompliance was the Navy sites misinterpretation of the FMR and lack of Service-level guidance for MRTFB activities located within a Working Capital Fund organization. DTRMC requested that NAWC-AD take corrective action by November 30, 2006.

Navy's Response to Defense Test Resource Management Center

In a December 15, 2006, memorandum, the Commander, NAWC-AD responded to DTRMC expressing nonconcurrence with the assessment conclusions stating that the assessment report confused the question of what constituted a direct customer charge with how those direct costs are allocated to customers. The commander stated that FMR 11A/12 lists utilities as an example of a direct cost that, "when incremental and directly attributable to the use of the facility or resource for testing under a particular program, should be billed to the applicable customer order." According to the commander, once certain utility costs are determined to be incremental and directly attributable to a particular program, the method for assigning the costs is subject to guidance contained in the book *Statement of Federal Financial Accounting Standards*.

The commander also noted that FMR Volume 11B, "Reimbursable Operations, Policy and Procedures-Working Capital Fund (WCF)," considers the *Statement of Federal Financial Accounting Standards* as generally accepted accounting principles for Federal agencies. He further stated that when direct metering to a specific customer is feasible, customer charges are based on the metering. However, when a customer only occupied a portion of the building, the customer charges were based on a common denominator output, such as "square footage on the office space." The commander stated that NAWC-AD would continue to charge DoD customers in the forementioned manner.

Defense Test Resource Management Center's Response

The Director, DTRMC responded to NAWC-AD on June 21, 2007, noting that the assessment finding was based on DTRMC's inability to determine how NAWC-AD measured the charges to ensure they were directly attributed to that tester in the case of utilities. In addition, the director disagreed with NAWC-AD's interpretation of the assessment stating there was no confusion with what constituted a direct cost.

OIG Analysis of Naval Air Warfare Center-Aircraft Division Charging Practices

Our review of the NAWC-AD practices concluded that the DTRMC's interpretation appeared to be correct. FMR 11A/12 describes direct costs as costs directly attributable to the use of the facility or resource for testing under a particular program that are over and above the institutional and overhead costs with respect to the facility or resource. The direct costs chargeable to DoD Component users include labor, contract labor, material, minor construction, utilities, equipment, supplies, items damaged or consumed during testing, and any resource maintained for a particular program. The FMR further states that indirect costs are overhead costs that cannot directly be attributed to a particular customer, and these costs cannot be charged to DoD Component customers. The two Navy MRTFBs should charge all indirect costs, including utilities that cannot be precisely associated with a customer, and indirect labor, to its institutional account. Such costs should not be subject to customer reimbursement because they cannot be directly attributed to a single customer.

Financial Management Regulation Volume 11B, Chapter 1

The FMR, Volume 11B, Chapter 1, "Defense Working Capital Funds General Policies and Requirements," (FMR 11B/1) states that Defense Working Capital Funds consist of activity groups that are managed by DoD Components for providing goods and services. The DoD Component activity groups financed through Defense Working Capital funds should be chartered under the fund. Volume 11B also states that *Statement of Federal Financial Accounting Standards* shall be considered generally accepted accounting principles for Federal agencies. Although the NAWC-AD and the NAWC-WD are under the Navy Working Capital Fund charter, both ranges should follow the FMR 11A/12.

Inappropriate Naval Air Warfare Center Charges

In FY 2006 MRTFB customers at NAWC-AD were charged utility costs of approximately $1.2 million (21 percent of total utility costs) and approximately $0.2 million for indirect labor that can not be specifically attributed to a customer order. In addition, NAWC-WD customers were inappropriately charged approximately $1.8 million for utilities in FY 2007. NAVAIR officials at both locations provided us the amounts charged to the customers and the methodology used to determine the costs. The methodology was derived and incorporated from Defense Working Capital fund entity requirements of FMR 11B/1. The Navy should charge these costs to institutional accounts because the costs cannot be directly attributed to a single customer.

Conclusion

The NAWC-AD and NAWC-WD are not in full compliance with FMR 7000.14-R when charging DoD customers utility costs for facilities used by multiple customers that cannot be directly attributed to a single test order.

Recommendation, Client Comments, and Our Response

A. We recommend that the Commander, Naval Air Systems Command direct the Commanders of the Naval Warfare Center-Aircraft Division and the Naval Warfare Center-Weapons Division to follow DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 12, "Major Range and Test Facilities," and discontinue charging DoD Component customers for certain utilities and indirect labor.

Navy Comments

Responding for the Commander, Naval Air Systems Command, the Assistant Secretary of the Navy (Financial Management and Comptroller) agreed with the recommendation and stated that the Commander, Naval Air Systems Command would direct the Commanders of NAWC-AD and NAWC-WD to follow DoD FMR 7000.14-R, Volume 11A, Chapter 12. The Assistant Secretary stated that NAWC-AD and NAWC-WD would alter their methodology for determining utility and labor charges such that DoD Component users only reimburse those utility and labor costs readily identifiable with their particular program. The Assistant Secretary also noted that the revised charging practices that would strictly adhere to MRTFB guidelines would be in effect by October 1, 2008.

Audit Response

Navy comments to Recommendation A. were responsive and conform to requirements; thus no additional comments are needed.

Finding B. Air Force Space Command's Launch Reimbursement Fee Structure

Two Air Force Space Command MRTFB sites were not charging test customers for space launch support in a consistent manner. This occurred because the two MRTFBs were hampered by unclear DoD and Air Force financial guidance in establishing a standard reimbursement policy. For example, recent FMR changes made to comply with the FY 2003 NDAA did not include like changes to the FMR chapter on commercial space activities. As a result, Air Force Space Command officials did not establish a uniform command billing policy for MRTFB reimbursement calculations for labor, material, equipment, supplies, and utilities for commercial space users, so that reimbursement fees are not consistently charged.

Commercial Space Activities

Air Force space launch operations on the East and West coasts provide services, facilities, and range safety for the conduct of DoD, National Aeronautics and Space Administration, and commercial launches. Title 15 of the United States Code, section 5807 authorizes DoD to allow commercial activities to use its space-related facilities provided that DoD is reimbursed for its direct costs accrued in supporting the commercial space activities.

Air Force 30th Space Wing

The 30th Space Wing headquartered at Vandenberg Air Force Base (AFB), California, manages and supports space launch operations, including processing and launching space boosters that carry DoD civilian and commercial satellites into polar orbits. The wing provides support through operations at the Western Range, a geographic region consisting of instrumentation sites along the California coast and extending to Hawaii.

Air Force 45th Space Wing

The 45th Space Wing headquartered at Patrick AFB, Florida, oversees the preparation and launching of U.S. Government, civilian, and commercial satellites from Cape Canaveral Air Force Station, Florida. The 45thSpace Wing launches payloads to its required orbits on Delta II, Delta IV, and Atlas V booster rockets. The Atlas V and Delta IV Evolved Expendable Launch Vehicles lift national military space assets along with civilian, commercial, and scientific payloads into space.

Space Launch Contracting Environment

United Launch Alliance, a joint venture between The Boeing Company (Boeing) and Lockheed Martin Corporation (Lockheed Martin) began operations in FY 2007 to perform launch services for the U. S. Government. Prior to the United Launch Alliance arrangement, the Air Force contracted with Boeing to support launches of the Delta rockets and contracted with Lockheed Martin to support launching of the Atlas rockets. For example, Lockheed Martin was awarded a firm-fixed-price contract in February 2007 for $108 million for launch services for the Atlas V launch vehicle.

Lockheed Martin expenses included fees paid to the Air Force MRTFB site for Air Force support of range test customer launch services. Space Command's Space and Missile Systems Center at Los Angeles AFB acquires and oversees launches of Air Force and DoD space systems and acts as the contracting activity for the United Launch Alliance. United Launch Alliance facilities are located at the 45th Space Wing and the 30th Space Wing.

Space Launch Customers

Two Air Force Space Command MRTFB sites are not charging test customers for space launch support in a consistent manner. The two MRTFB sites are hampered by unclear financial guidance in establishing a standard reimbursement policy to charge test customers for space launch support. The primary reason for the variation in space launch charging is inconsistent language between FMR 7000.14-R, Volume 11 A, Chapter12, "Major Range and Test Facilities Bases," (FMR Chapter 12) and Chapter 13, "DoD Support to United States Commercial Space Activities," (FMR Chapter 13). FMR Chapter 12 states that direct costs "shall" include certain items, whereas FMR Chapter 13 states that direct costs "may" include certain items. Recent FMR Chapter 12 changes (issued September 2005 and April 2008) made to comply with the FY 2003 NDAA did not include like changes to FMR Chapter 13 (issued March 1997) on commercial space activities. This resulted in inconsistent guidance and allowed for more MRTFB discretion resulting in less uniform pricing.

DoD Component Customers

FMR Chapter 12 states that DoD Component users shall reimburse MRTFB activities for direct costs identified to a particular program. Further, FMR Chapter 12 chargeable direct costs are defined to include labor, contract labor (which includes a portion of overhead and general and administrative burdens), material, minor construction, utilities, equipment, supplies, items damaged/consumed during testing, and any resource or item maintained for a particular program. FMR Chapter 12 states that indirect costs that fund the overhead costs of the MRTFB such as maintaining, operating, or upgrading the facility are not to be charged to the DoD component user.

Non-DoD (U.S. Government) Customers

FMR Chapter 12 also describes reimbursement policy for non-DoD Component users. [3] FMR Chapter 12 identifies non-DoD Component users including Federal, state, or local government agencies and U.S. commercial users and states that MRTFB commanders "shall" charge all direct costs associated with a customer order. Chargeable direct costs incurred by non-Working Capital Fund activities for other than DoD Components shall include all military personnel costs associated with a customer order.

Commercial Space Launch Customers

FMR Chapter 13 describes the reimbursable policy and procedures for the sale of DoD support to U.S. commercial space activities. FMR Chapter 13 defines direct costs as the

[3] DoD FMR Chapter 12 states that the chapter does not apply to the commercial space launch activities of the 30th and 45th Space Wings.

actual costs associated with a commercial launch effort "or" other commercial space activity that would not be borne by DoD in the absence of the commercial launch effort or other commercial activity. Such costs "may" include labor, material, utilities, equipment, supplies, transportation, mission-specific construction, and any other resources required, consumed, or damaged in providing Government support or services.

The table shows how some basic cost categories are assessed to customers based on the definitions in FMR Chapters 12 and 13. The table provides a basic comparison of fees for different types of customers at the MRTFB sites that provide space launch services.

Reimbursement Guide

	FMR Chapter 12		**FMR Chapter 13**
Cost Category	**DoD Customer**	**Non-DoD U.S. Government Customer**	**Commercial Space Launch Customer**
Direct labor-civilian	Yes	Yes	Some[1]
Direct labor-military	No	Yes	No
Indirect overhead	No	Yes[2]	No

1Space launch customer method direct labor includes only employees wage or salary.
2MRTFB commanders shall charge an appropriate amount of indirect costs.

45th Space Wing Reimbursable Fee Treatment

On August 10, 2007, the 45th Space Wing Commander proactively issued internal guidance to clarify conflicting language between FMR Chapters 12 and 13. The commander's memorandum addressed charging fees to DoD customers and National Aeronautics and Space Administration support contractors (beginning in FY 2008) for MRTFB direct costs incurred for commercial space launches at Patrick AFB.

The charging policy change effectively increased charges for United Launch Alliance launch services by including direct 45th Space Wing charging of Civil service labor, material, equipment, supplies, utilities, and consumed items. Managers at the 45th Space Wing stated that the estimated effect resulting from the revised internal guidance would be to increase overall commercial launch services costs by 0.5 percent and increase billed 45th Space Wing reimbursable fees by 50 percent, or approximately $2.2 million per year. [4]

30th Space Wing Reimbursable Fee Treatment

Officials at the 30th Space Wing acknowledged the difficulty in charging some customers in accordance with the unclear FMR guidance because some missions were considered operational rather than test and evaluation. For example, some Delta II launches were

[4]The 45th Space Wing made seven commercial (Boeing and Lockheed Martin, or United Launch Alliance) launches during FYs 2006 and 2007. Total 45th Space Wing billed costs to the commercial firms for the seven launches was $4.53 million for FY 2006 and $4.63 million for FY 2007. However, our analysis of available 45th Space Wing data indicated that the increase in Wing-reimbursable fees would be about 32 percent above past fee levels.

charged lower range fees than the rate for DoD customers for indirect and overhead contractor costs under FMR Chapter 13 commercial space launch user fee policies because 30th Space Wing considered the launches to be operational missions rather than test missions. Officials advised us that, since January 2007, for the three remaining Delta II missions and all other range customers, range fees would be charged per the FMR Chapter 12 user fee requirements. The 30th Space Wing did not have a written policy to implement the NDAA. However, financial management officials at the 30th Space Wing stated that the wing now uses the August 2007 45th Space Wing guidance reimbursement policy.

Consistent Application of User Fees Needed

Air Force Space Command officials did not establish a uniform command billing policy for MRTFB reimbursement calculations for labor, material, equipment, supplies, and utilities for commercial space users, so that reimbursement fees are not consistently applied between the 30th and 45th Space Wing locations.

Air Force Major Range Test Facility Base Fee Guidance

To facilitate implementation of the MRTFB charging policies required by the FY 2003 NDAA and FMR, the Director of Air Force, Test and Evaluation provided updated guidance in a January 30, 2006, memorandum. The memorandum provided examples of direct costs such as civilian labor that is project-specific, contractor labor for specific customers, and project-specific travel costs and training. The memorandum also gave examples of indirect costs including civilian labor non-project-specific, contractor labor that is non-project-specific, and non-project-specific travel costs. Although the memorandum was applicable to Air Force major commands, including Space Command, the memorandum made no mention of commercial space launch services. The Space Command has not provided subsequent guidance to MRTFB sites.

Rate Determination Procedures Vary

Air Force Space Command commercial space user reimbursement fees are not consistently applied between the 30th and 45th Space Wing locations due to varying procedures to determine rates for labor, material, equipment, supplies, utilities, and consumed items. The Air Force Space Wing locations would benefit from receiving guidance from headquarters on applying the NDAA requirements. This guidance should interpret the FMR reimbursable fee changes and tailor it to Air Force activities so fees could be more consistently determined. Air Force Space Wing financial management personnel are knowledgeable about the reimbursement fee changes brought about by the NDAA.

Air Force Space Command Action

One effect of the August 2007 45th Space Wing policy may be to increase United Launch Alliance, Boeing, and Lockheed Martin costs for commercial space launch support services. However, in a September 12, 2007, staff summary memorandum, the Commander, Air Force Space Command agreed to a Space Command Comptroller proposal to “grandfather” through 2011 the lower (pre-FY 2003 NDAA) range rates for existing fixed-price contracts under which United Launch Alliance, Boeing, or Lockheed Martin perform launch services. The memorandum noted that United Launch Alliance expressed concern about the increase in range fees for commercial launches for which they have signed fixed-price launch contracts for launches through 2011. In addition, it noted that the increased fees could result in further contract negotiations that could adversely impact Space Command funding. However, the Commander, Air Force Space Command agreed to approve an October 1, 2007, "implementation date for new commercial launch user fee policies." We believe that the Commander, Air Force Space Command should supplement the staff summary memorandum by issuing a formal reimbursement policy for space launch activities based on the existing FMR, Chapter 12, "Major Range and Test Facilities."

Conclusion

To improve the clarity of the reimbursable fee guidance, the FMR should be revised to make FMR Chapters 12 and 13 more consistent regarding charging policy. Currently, Chapter 13 says that direct costs "may include labor, material, utilities . . . " while Chapter 12 says that direct costs "shall include labor, material, utilities . . . " Commercial space launch customers should be charged based on the narrower definition of chargeable costs in FMR Chapter 12. Revising FMR Chapter 13 to make it consistent with FMR Chapter 12 would improve the implementation of the reimbursement fee policy.

Recommendations, Client Comments, and Our Response

B.1. We recommend that the Under Secretary of Defense (Comptroller) in coordination with the Director, Defense Test Resource Management Center, revise DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 13, "DoD Support to United States Commercial Space Activities," to make consistent reference to Public Law 107-314, Section 232, "Objective for Institutional Funding of Test and Evaluation Facilities," and the DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 12, "Major Range and Test Facilities," definitions of direct and indirect costs.

Office of Under Secretary of Defense (Comptroller) Comments

Responding for the Under Secretary of Defense (Comptroller), the DoD Deputy Chief Financial Officer agreed with the recommendation and stated that DoD FMR 7000.14-R, Volume 11A, Chapter 13 has been revised to comply with the NDAA of 2003 and will be consistent with Chapter 12. The DoD Deputy Chief Financial officer noted that the revised Chapter 13 has been issued for electronic coordination with an expected completion date of December 31, 2008.

Audit Response

The comments from the Office of the Under Secretary of Defense (Comptroller) to Recommendation B.1. were responsive and conform to requirement; thus no additional comments are needed.

B.2. We recommend that the Commander, Air Force Space Command issue a reimbursement policy for space launch activities based on DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 12, "Major Range and Test Facilities."

Air Force Comments

Responding for the Commander, Air Force Space Command, the Director, Air Force Test and Evaluation stated neither agreement nor disagreement with the recommendation. The Director stated that the Commander, Air Force Space Command issued a reimbursement policy for space launch activities based on DoD FMR 7000.14-R, Volume 11A, Chapter 12. The Director also stated that a June 22, 2008, memorandum supported an Air Force Space Command Comptroller e-mail of September 26, 2007, that adopted Chapter 12 policies for commercial space launch.

Audit Response

The Director, Air Force Test and Evaluation comments were only partially responsive to the intent of the recommendation. The Director's comments regarding a June 22, 2008, memorandum appeared to be referring to a June 22, 2007, Air Force Deputy Assistant Secretary Financial Operations (Financial Management) memorandum to the Space Command Comptroller agreeing with a briefing rationale presented to the Deputy Assistant Secretary's office. However, the Air Force did not further identify the source, date, or contents of the briefing, or support the issuance of an actual Space Command policy for space launch activities based on DoD FMR 7000.14-R, Volume 11A, Chapter 12. While we agree with the contents of the Air Force Space Command Comptroller's September 26, 2007, e-mail, we do not consider the e-mail to suffice as an official Air Force Space Command policy for commercial space launches. Thus, we request further comment from the Air Force regarding this recommendation.

Finding C. Single-Use Facility at the Major Range and Test Facility Bases

MRTFB testing equipment is, in some cases, left unused when the primary MRTFB customer completes a project and leaves the facility, even though the test equipment can be used by other MRTFB customers. This occurred because the prior FMR 7000.14-R, Volume 11A, Chapter 12, “Major Range and Test Facilities,” policy restricted the MRTFB from charging additional customers for usage of the equipment. As a result, valuable test resources were wasted. However, in April 2008, the Under Secretary of Defense (Comptroller) adopted the revision to the FMR 7000.14-R charge policy that will allow MRTFB customers to get the benefit of new testing facilities, or newly modified facilities without an MRTFB using institutional funds to maintain the facility for new customers.

Single User Testing Equipment

MRTFB testing equipment was in many cases left unused when the primary MRTFB customer completed a project and left the facility, even though the test equipment could be used by other MRTFB customers. The AC-130U Gunship Program and the Massive Ordinance Program are examples of testing equipment left unused at MRTFB sites when the customer left the facility after completion of the project.[5]

AC-130U Gunship Program

The AC-130U gunship is a heavily-armed, ground-attack airplane used by the Air Force to provide close air support, air interdiction, and force protection. The testing of the AC-130U prototype gunship program was performed by the 413th Flight Test Squadron, 46th Test Wing at Eglin AFB, Florida. The AC-130U gunship tests required instrumentation (valued at $90,000) to capture a large number of parameters. The AC-130U program bought, used, and left the test equipment at the 46th Test Wing facility. The gunship testing capability is still on hand and could be used by other customers. However, the 46th Test Wing is not able to collect future Operations and Maintenance support costs from the DoD Component customers for future operation of the equipment at the facility because the language in FMR 7000.14-R did not allow fees to be charged. Thus the equipment will likely remain at the facility without being used.

The Massive Ordinance Penetrator Program

The Massive Ordinance Program is a 30,000-pound penetrating bomb with a global positioning system and a navigation system that is designed to defeat hard and deeply buried targets such as bunker and tunnel facilities. The Massive Ordinance Program is funded and managed by the Defense Threat Reduction Agency, a DoD combat support agency. Testing of the penetrator is being performed at the Army MRTFB activity at White Sands Missile Range, New Mexico. The test consisted of a statically emplaced

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[5]The examples were provided to us by DTRMC and were supplemented by our research. We did not validate DTRMC-provided information.

conventional weapon within a Defense Threat Reduction Agency test tunnel. The Defense Threat Reduction Agency would like to leave the crane at the MRTFB activity at the completion of testing. As noted above, prior FMR 7000.14-R language discouraged continued operation of equipment. Thus the MRTFB activity would likely require the customer to dismantle the crane and pay for its disposal.

A May 24, 2007, Director, DTRMC memorandum to the Secretaries of the Military Departments recommended changes to FMR 7000.14-R to clarify how the MRTFB charge policy would address test and evaluation investments. In October 2007, the Under Secretary of Defense (Comptroller) and the Director, DTRMC recognized the shortcomings of the prior FMR regarding single user test equipment by issuing a draft revision to FMR Chapter 12. The proposed revision clarified the criteria for investments paid for by a single customer and used by multiple customers.

Client Corrective Action

In April 2008, the Under Secretary of Defense (Comptroller) adopted the revision to FMR Chapter 12 that clarifies the criteria for investments paid for by a single customer and used by multiple customers. The revision to paragraph 120203.B.1.a.(1) states that, "by mutual agreement, investments in new or existing test and evaluation may be funded, in whole or in part, by one or more DoD customers of an MRTFB activity. This agreement must delineate responsibilities for funding, staffing, operating, and maintaining the facility and must be approved by all parties prior to obligation of any funds for the project."

The revision will correct the prior FMR Chapter 12 policy that restricted MRTFB activities from charging additional customers for usage of equipment paid for by a single program. After a single user testing project was completed, the MRTFB facility was left with no process to collect support costs from the DoD Component customers for any future use of the test equipment. Future test customers were effectively prohibited from having the advantage of using the investment to support testing efforts as the MRTFB activity would have been required by the previous FMR policy to self-finance future test efforts or, conversely, dismantle the capability.

Conclusion

The Under Secretary of Defense (Comptroller) adopted the revision to FMR Chapter 12 to allow MRTFB to use a new or modified test facility constructed or enhanced by a single-use customer once that customer leaves the range. This revision to the FMR 7000.14-R charge policy will allow the 22 existing DoD MRTFB sites and associated DoD and non-DoD customers to get the benefit of new testing facilities, or new modifications to a facility without having to use its MRTFB institutional funds to maintain the facility for other DoD customers. In addition, an MRTFB activity can benefit from an asset paid for by the single-use customer that generates income from reimbursable fees charged to other test users.

Appendix A. Scope and Methodology

We performed this audit from July 2007 through June 2008 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.

We conducted site visits at four Army, two Navy, and four Air Force MRTFB sites to determine whether the sites were in compliance with FMR 7000.14-R, Volume 11A, Chapter 12. We also determined what internal controls were in place and executed by MRTFB sites to implement reimbursable fee determinations and charging.

Five of the 10 MRTFB sites were previously assessed by DTRMC for compliance with the FMR. The five MRTFB sites included the Army Aberdeen Test Center, Army White Sands Missile Range, Navy NAWC-AD, Air Force 30th Space Wing, and the Air Force Arnold Engineering Development Center. We visited the five MRTFB sites to determine what action had been taken by management to address the observations or recommendations made in the reports to the Director. We requested documentation of corrective actions taken by management in response to the recommendations. If management had not taken corrective actions, we requested a written explanation of the reason(s) and consulted with major command or Military Department headquarters test and evaluation representatives.

At the DTRMC headquarters, we obtained and reviewed reimbursable fee assessment reports and supporting documentation for nine MRTFB sites visited by DTRMC and contractor personnel between March of 2006 and April of 2007.[*] We identified similar reimbursement fee issues through analysis and the discussion of assessment reports that included report findings, recommendations, and MRTFB responses with DTRMC and contractor personnel.

We also visited five MRTFB sites not reviewed by DTRMC. At these five MRTFB sites we reviewed a total of 74 tests totaling approximately $104 million performed from FY 2006 through FY 2007 as noted below:

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[*]DTRMC contracted with Whitney, Bradley, & Brown, LLC, Inc. to conduct the MRTFB assessments to determine whether selected MRTFBs were compliant with FMR 7000.14-R, Volume 11A, Chapter 12 requirements.

MRTFB Sites Assessed

	Number of DoD Tests	Number of Tests Reviewed	Dollar Amount of Tests (Millions)
Yuma Test Center	290	25	$42.3
High Energy Laser Systems Test Facility	33	6	3.6
NAWC-WD	3185	15	1.4
45th Space Wing	3	3	2.3
46th Test Wing	1150	25	54.5
Total	**4661**	**74**	**$104.1**

For the five MRTFB sites shown above, we obtained a list of DoD tests and judgmentally selected tests with the highest dollar values from each range based on overall site adherence to internal controls for charging customers and rate development. For each test selected we determined whether the costs charged were valid and properly billed to the test customer. We discussed any invalid charges with appropriate personnel. We periodically accessed the accounting system, the process used to input customer charges in the accounting system, and determined whether or not customer charges were correct. In addition, we reviewed site-specific written procedures, training, and accounting systems used in rate development process.

We visited the Air Force Audit Agency (AFAA) headquarters and base audit offices to review and discuss AFAA reports (see prior coverage in Appendix B.) pertaining to rate structures at Air Force MRTFB sites. We visited the Air Force Space and Missile Command to obtain additional information on rates and contracts supporting space launch services.

Review of Internal Controls

We determined that a material internal control weakness existed at two Navy MRTFB sites as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. The Naval Warfare Center-Aircraft Division (NAWC-AD) and the Naval Warfare Center-Weapons Division (NAWC-WD) were not properly charging DoD customers indirect labor and utility costs. Implementing Recommendation A. will improve reimbursable fee charging practices at the two Navy MRTFB sites. We will provide a copy of this report to the senior Navy official responsible for internal controls in the Department of the Navy.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Appendix B. Prior Coverage

During the last 5 years, the DoD IG and the AFAA have issued 11 reports discussing reimbursable fees at MRTFBs. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports. Unrestricted AFAA reports can be accessed at https://www.afaa.hq.af.mil/afck/plansreports/reports.shtml.

DoD IG

DoD IG Report No. D2007-036, "Report on Contracting Practices at the Major Range and Test Facilities Base," December 27, 2006

DoD IG Report No. D-2004-097, "The Central Test and Evaluation Investment Program," June 30, 2004

DoD IG Report No. D-2004-035, "Major Range and Test Facility Base," December 8, 2003

AFAA

AFAA Report No. F2008-0002-FC3000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management," January 31, 2008

AFAA Report No. F2008-0021-FBM000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management 30th Space Wing Vandenberg AFB, CA," January 17, 2008

AFAA Report No. F2008-0023-FDD000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management Air Armament Center Eglin AFB, FL," December 17, 2007

AFAA Report No. F2007-0063-FBS000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management 98th Range Wing Nellis AFB, NV," September 4, 2007

AFAA Report No. F2007-0050-FDD000, "McKinley Climatic Laboratory Customer Classification and Funding Air Armament Center Eglin AFB, FL," June 12, 2007

AFAA Report No. F2007-0039-FCI000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management 388th Fighter Wing Hill AFB, UT," May 15, 2007

AFAA Report No. F2007-0035-FCI000, "Air Force Major Range and Test Facility Base Customer Rate and Institutional Cost Management Air Force Flight Test Center Edwards AFB, CA," May 9, 2007

AFAA Report No. F2006-0004-FC3000, "Implementation of the Fiscal Year 2003 National Defense Authorization Act, Major Range and Test Facility Base Funding Process," August 23, 2006

Office of the Under Secretary of Defense (Comptroller) Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

JUL 30 2008

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND CONTRACT MANAGEMENT, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Response to Draft Audit Report, "Reimbursable Fees at the Major Range and Test Facility Bases," (Project No. D2007-D000AB-0197.000)

Thank you for the opportunity to review and respond to the subject report. The Office of the Under Secretary of Defense (Comptroller) concurs with the recommendation and the expected completion date for the update to the Financial Management Regulation is December 31, 2008. Attached is our response.

My staff point of contact is Mr. Stewart Petchenick. He can be reached by e-mail stewart.petchenick@osd.mil or telephone at (703) 602-0369.

James E. Short
Deputy Chief Financial Officer

Attachment:
As stated

DOD OIG DRAFT REPORT DATED JUNE 17, 2008
PROJECT NO. D2007-D000AB-0197.000

REIMBURSABLE FEES AT THE MAJOR RANGE TEST FACILITY BASES

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER) (OUSD)(C) COMMENTS TO THE DOD OIG RECOMMENDATION

RECOMMENDATION B.1: We recommend that the Under Secretary of Defense (Comptroller) in coordination with the Director, Defense Test Resource Management Center, revise the DoD Financial Management Regulation 7000.14-R, Volume 11A, Chapter 13, "DoD Support to United States Commercial Space Activities," to make consistent reference to Public Law 107-314, section 232, "Objectives for Institutional Funding of Test and Evaluation Facilities," and the DoD Financial Management Regulation 7000.14R, Volume 11A, Chapter 12, "Major Range and Test Facilities," definitions of direct and indirect costs.

OUSD(C) RESPONSE: Concur. Volume 11A, Chapter 13 has been issued for electronic coordination and has been revised to comply with the National Defense Authorization Act of 2003 and will be consistent with Chapter 12. The expected completion date is December 31, 2008.

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

July 18, 2008

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on Reimbursable Fees at the Major Range and Test Facility Bases (Project No. D2007-DOOOAB-0197.000)

Your letter of June 17, 2008 requested review and comment on the subject report. I concur with the finding and recommendation addressed to the Navy.

The Commander Naval Air Systems Command will direct the Commanders of the Naval Air Warfare Center's Aircraft Division (NAWC-AD) and Weapons Division (NAWC-WD) to follow Department of Defense (DoD) Financial Management Regulation 7000.14-R, Volume 11A, Chapter 12, "Major Range and Test Facility Bases" and discontinue charging DoD Component customers for certain utilities and indirect labor. Specifically, NAWC-AD and NAWC-WD will alter their methodology for determining utility and labor charges such that DoD Component users only reimburse those utility and labor costs readily identifiable with their particular program, over and above the institutional and overhead costs with respect to the facility or resources. Revised charging practices that strictly adhere to the Major Range and Test Facility Bases guidelines will be in effect by October 1, 2008.

Douglas A. Brook

Copy to:
Commander Naval Air Systems Command

Department of the Air Force Comments

Final Report
Reference

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON, DC

JUL 25 2008

MEMORANDUM FOR SAF/AGA

FROM: AF/TE

SUBJECT: Report on Reimbursable Fees at the Major Range and Facility Bases, (Project F2007-D000AB-0197.000)

AF/TE has reviewed the Report on Reimbursable Fees at the Major Range and Facility Bases. Recommendation B.2., Commander, Air Force Space Command (AFSPC) issue a reimbursement policy for space launch activities based on DoD Financial Management Regulation 7000.14-R, Volumes 11A, Chapter 12, has been accomplished. Memo signed, 22 Jun 08, Incremental Cost Range User Fees for Commercial Space Support supports AFSPC Comptroller e-mail dated, 26 Sep 07 adopting Chapter 12 policies for Commercial Space Launch.

Further questions or concerns can be directed to Ms Carolyn Zavadil, AF/TER, DSN 227-0283.

JOHN T. MANCLARK
Director, Test and Evaluation

Attachment:
SAF/FMP Memo
AFSPC/FM e-mail

Attachments not included

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

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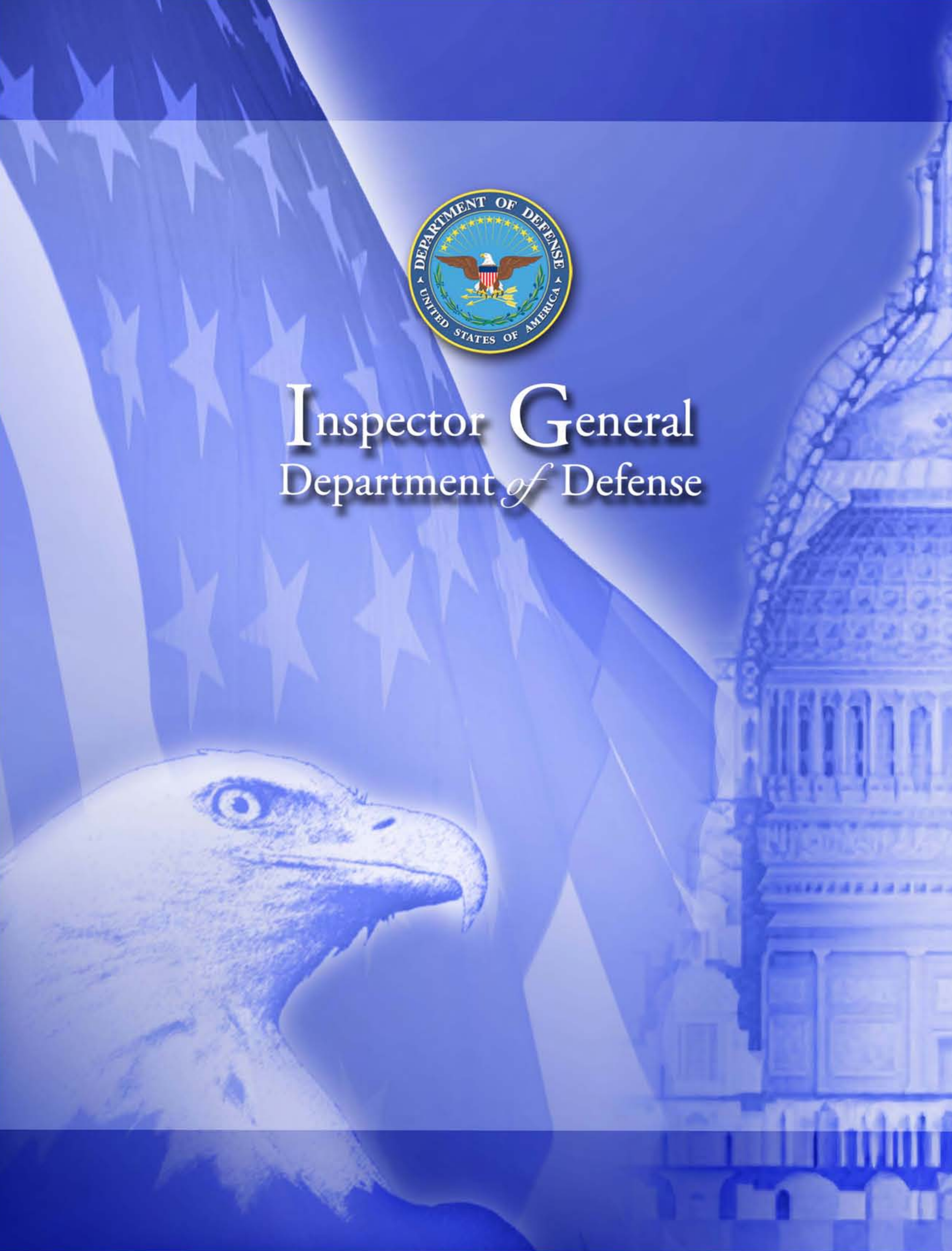
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