



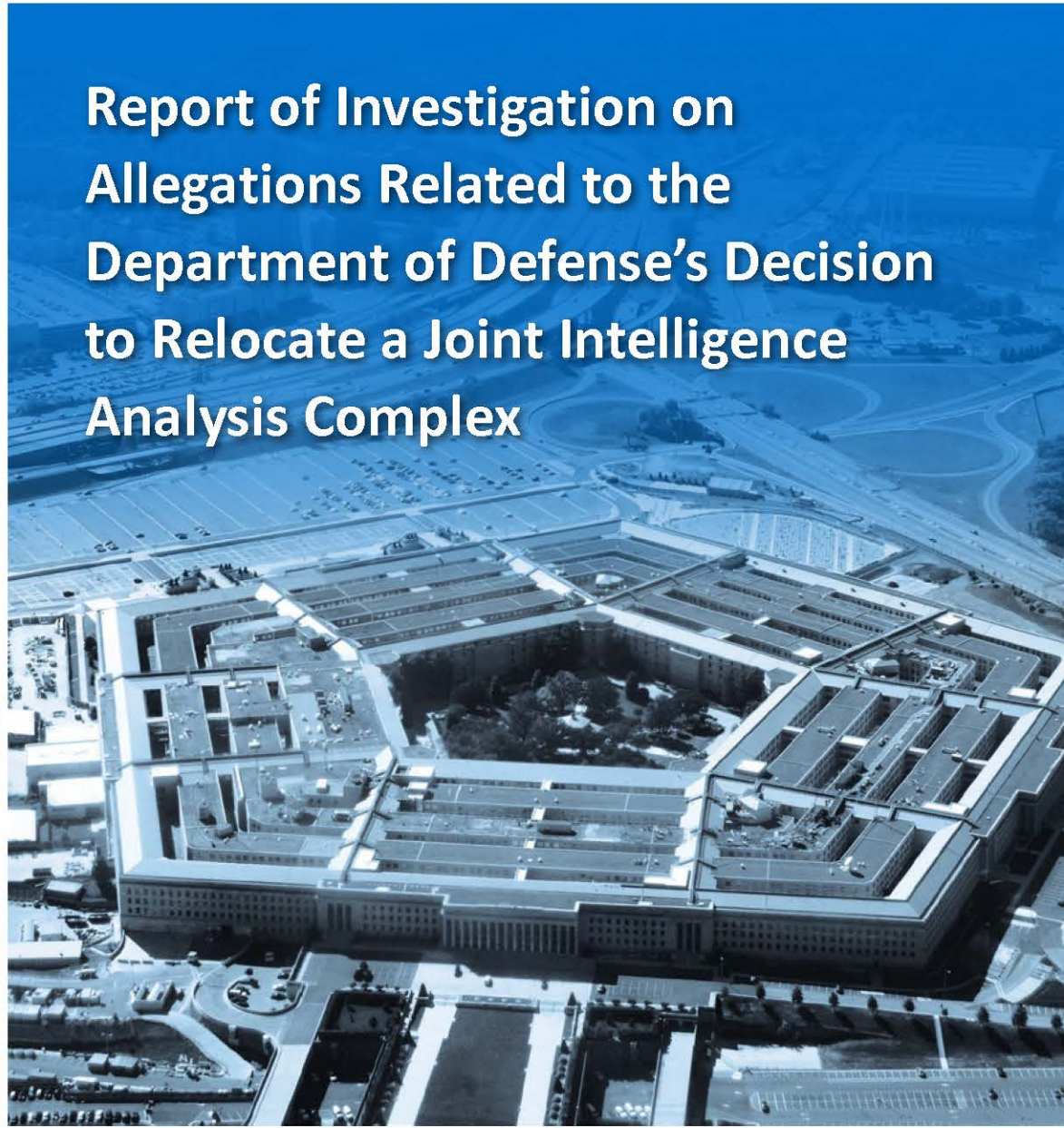
# INSPECTOR GENERAL

*U.S. Department of Defense*

OCTOBER 30, 2017



## Report of Investigation on Allegations Related to the Department of Defense's Decision to Relocate a Joint Intelligence Analysis Complex



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# Frequently Used Acronyms

<b>A-2</b>	Air Staff Intelligence, Surveillance, and Reconnaissance Directorate	<b>EIC</b>	European Infrastructure Consolidation
<b>A-6</b>	Air Staff Communications Directorate	<b>EUCOM</b>	European Command
<b>ABW</b>	Air Base Wing	<b>GAO</b>	Government Accountability Office
<b>ACF</b>	Area Cost Factors	<b>HOCR</b>	House Committee on Government Reform
<b>AF</b>	Air Force	<b>HPSCI</b>	House Permanent Select Committee on Intelligence
<b>AFOS</b>	Azores Fiber Optic System	<b>HRMA</b>	Housing Requirements and Market Analysis
<b>AFRICOM</b>	Africa Command	<b>IMSC</b>	Installation Mission Support Center
<b>AOA</b>	Analysis of Alternatives	<b>IPL</b>	Integrated Priorities List
<b>AOR</b>	Area of Responsibility	<b>IT</b>	Information Technology
<b>AT&amp;L</b>	Acquisition, Technology, and Logistics	<b>J-2</b>	Joint Staff Intelligence Directorate
<b>BENS</b>	Business Executives for National Security	<b>J-4</b>	Joint Staff Logistics Directorate
<b>BICES</b>	Battlefield Information Collection and Exploitation System	<b>JAC</b>	Joint Analysis Center
<b>BRAC</b>	Base Realignment and Closure	<b>JIAC</b>	Joint Intelligence Analysis Complex
<b>CAM</b>	Continent Azores Madeira	<b>JIOC</b>	Joint Intelligence Operations Center
<b>CAPE</b>	Cost Assessment and Program Evaluation	<b>JIOCEUR</b>	Joint Intelligence Operations Center Europe
<b>CENTCOM</b>	Central Command	<b>JROC</b>	Joint Requirements Oversight Counsel
<b>CIO</b>	Chief Information Officer	<b>MFH</b>	Military Family Housing
<b>CLS</b>	Critical Landing Station	<b>MILCON</b>	Military Construction
<b>COA</b>	Course of Action	<b>MOU</b>	Memorandum of Understanding
<b>CODEL</b>	Congressional Delegations	<b>NATO</b>	North Atlantic Treaty Organization
<b>COLA</b>	Cost of Living Allowance	<b>NDAA</b>	National Defense Authorization Act
<b>CS</b>	Communications Squadron	<b>NIFC</b>	NATO Intelligence Fusion Center
<b>DASD</b>	Deputy Assistant Secretary of Defense	<b>OHA</b>	Overseas Housing Allowance
<b>DIA</b>	Defense Intelligence Agency	<b>OSD</b>	Office of the Secretary of Defense
<b>DISA</b>	Defense Information Systems Agency	<b>PDASD</b>	Principal Deputy Assistant Secretary of Defense
<b>DoD</b>	Department of Defense	<b>POLAD</b>	Political Advisor
<b>DoD IG</b>	Department of Defense Inspector General	<b>PT</b>	Portugal Telecom
<b>DoD OIG</b>	Department of Defense Office of Inspector General	<b>RAF</b>	Royal Air Force



<b>RFI</b>	Request for Information	<b>STAFFDEL</b>	Staff Delegation
<b>RJITF</b>	Regional Joint Intelligence Training Facility	<b>STRATCOM</b>	Strategic Command
<b>ROM</b>	Rough Order of Magnitude	<b>TRANSCOM</b>	Transportation Command
<b>RSC</b>	Regional Support Center	<b>U.K.</b>	United Kingdom
<b>SFOC</b>	Submarine Fiber Optic Cables	<b>USAF</b>	United States Air Force
<b>SME</b>	Subject Matter Expert	<b>USAFE</b>	United States Air Forces in Europe
<b>SOCOM</b>	Special Operations Command	<b>USD(I)</b>	Under Secretary of Defense for Intelligence
<b>SSG</b>	Senior Steering Group	<b>USD(P)</b>	Under Secretary of Defense for Policy



# Report of Investigation on Allegations Related to the Department of Defense’s Decision to Relocate a Joint Intelligence Analysis Complex

## I. INTRODUCTION

This Department of Defense Office of Inspector General (DoD OIG) investigation involves allegations related to the Department of Defense’s (DoD) decision to relocate a Joint Intelligence Analysis Complex (JIAC) at Royal Air Force Station (RAF) Croughton, United Kingdom (U.K.).<sup>1</sup> Specifically, concerns were raised by several members of Congress that, allegedly, senior DoD officials intentionally provided inaccurate or misleading information to Congress pertaining to the selection of RAF Croughton as the location for a consolidated U.S. European Command (EUCOM) and U.S. Africa Command (AFRICOM) JIAC. The allegations, in essence, were that inaccurate or misleading information was intentionally provided to Congress to inflate the cost estimates to relocate the JIAC to Lajes Field, Azores, Portugal, as opposed to locating the JIAC at RAF Croughton.

The DoD OIG agreed to investigate these allegations. To conduct this investigation, we assembled a multi-disciplinary team of special agents, investigative specialists, auditors, and attorneys. The team conducted 170 in-person and telephonic interviews with 110 witnesses in the DoD, the Department of State, and private industry. We also obtained, reviewed, and analyzed numerous documents relevant to this investigation, including more than 4,300 e-mails and 2,400 megabytes of data and documents.

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<sup>1</sup> The existing joint intelligence center at RAF Molesworth is called the Joint Analysis Center (JAC), while the new joint intelligence facility will be called the Joint Intelligence Analysis Complex (JIAC). For ease of reference and consistency, this report uses the term JIAC to refer to intelligence entities currently at RAF Molesworth, including EUCOM’s Joint Intelligence Operation Center-Europe (JIOCEUR), AFRICOM’s “J2-M,” the NATO Intelligence Fusion Center (NIFC), the Regional Joint Intelligence Training Facility (RJITF), and Battlefield Information Collection Exploitation System (BICES). The DoD plans to relocate these entities to new facilities at RAF Croughton, where they will be called the JIAC. We therefore use the term JIAC throughout this report.

In addition, “JIAC” should not be confused with “JIOC,” or Joint Intelligence Operation Center. Each combatant command has a “JIOC” that falls under the J2, which is the Directorate for Intelligence, and performs intelligence functions such as collection, analysis, and production. In the case of EUCOM and AFRICOM, their JIOCs are split between Stuttgart, Germany, and RAF Molesworth in the U.K., where the facilities are called JAC and J2-M, respectively. As stated above, however, this report will refer to the JAC, J2-M, RJITF, and BICES collectively as the “JIAC.”

Most of the information related to this investigation was at the unclassified level. However, we also considered information at other classification levels.

This 151-page report provides the results of our investigation and is divided into seven parts. This section, Part I, provides an introduction to this report.

Part II discusses the scope of our investigation, including a description of the initial allegations and the additional allegations raised by congressional members and congressional staff; our investigative process; and a description of the document and e-mail searches we conducted in support of the investigation.

Part III provides detailed background on the DoD organizations that played a significant role in the decision-making process related to the location of the JIAC.

Part IV contains a chronology of the significant events related to this investigation, to place those events in context.

Part V, the main part of this report, describes the evidence we found and our analysis of the specific allegations that we investigated. It is divided into several sections. First, we discuss in detail the cost comparisons that were prepared by the DoD, the House Permanent Select Committee on Intelligence (HPSCI), and the DoD Office of Cost Assessment and Program Evaluation (CAPE) regarding the relative costs of locating the JIAC at RAF Croughton or Lajes Field. We examined the assumptions, methodologies, and results of these various cost comparisons. In addition, based on our interviews and review of the documentation, and our assessment of these cost comparisons, we constructed our own cost comparison, using the most appropriate methodologies and assumptions for determining the costs needed to meet the JIAC's requirements at RAF Croughton or Lajes Field. We present in detail the results of our analysis in Part V.

Next, Part V then details the results of our investigation related to three specific assertions of inaccurate or misleading information that allegedly was provided to Congress. The first allegation was that senior DoD officials made inaccurate representations to Congress about whether RAF Croughton was considered as a possible site for the JIAC during the European Infrastructure Consolidation (EIC) process, when allegedly it was not, and also that Lajes Field would be reviewed during the EIC process as a location for the JIAC, when allegedly it was not. The second allegation was that inaccurate or misleading information was provided to Congress regarding the number of existing submarine fiber optic cables (SFOCs) servicing Lajes Field, which allegedly affected the cost comparisons. The third allegation was

that the DoD used an outdated study to provide information to Congress concerning the amount of off-base housing available near Lajes Field, which also affected the DoD's cost comparisons. In Part V, we address each of these allegations in turn, examining whether the information was inaccurate or misleading and, if so, assessing whether anyone intentionally provided inaccurate or misleading information.

Part VI describes our recommendations to the DoD based on the findings of this investigation.

Finally, Part VII presents our overall conclusions.

## II. OVERVIEW OF ALLEGATIONS AND THE DOD OIG INVESTIGATION

### A. Background and Specific Allegations

The allegations were that inaccurate or misleading information was intentionally conveyed to Congress related to the selection of Royal Air Force Station (RAF) Croughton, as the location for a Joint Intelligence Analysis Complex (JIAC). In general, the allegations related to alleged inaccurate information that impacted cost estimates that U.S. European Command (EUCOM) provided to Congress following EUCOM's decision to close the JIAC, located at RAF Station Molesworth, U.K., and the support base located at RAF Alconbury, U.K., and construct a JIAC at RAF Croughton. This JIAC provides intelligence support for the EUCOM, AFRICOM, North Atlantic Treaty Organization (NATO), and U.S. allies.

In July 2011, the DoD Joint Requirements Oversight Counsel (JROC) supported the consolidation of JIAC assets and relocation to RAF Croughton.<sup>2</sup> In 2011, EUCOM validated the decision to move the JIAC to RAF Croughton. In 2013, the U.S. Air Force submitted a notification under 10 U.S.C. § 2807 to conduct JIAC project planning and included a submission in the FY 2014 President's budget request to fund the JIAC project planning.

In May 2015, HPSCI Chairman Devin Nunes led a congressional delegation (CODEL) to Lajes Field to review the existing infrastructure and to assess whether it could support a JIAC. The CODEL received briefings from DoD personnel concerning Lajes Field infrastructure and toured its housing area and some of the vacant buildings. Chairman Nunes told us that he believed that Lajes Field should have been considered to house the JIAC and its personnel.

In July 2015, in an interview with the National Review, Chairman Nunes reaffirmed his belief that Lajes Field was the optimal location for the JIAC, stating “there is not a better base in the entire DoD” for the intelligence facility. He stated that the \$148 million invested in upgrades at Lajes Field since 2001 makes the airfield an ideal location.<sup>3</sup>

On September 8, 2015, Chairman Nunes sent a letter to Senator John McCain, Chairman, Senate Committee on Armed Services, and Representative William M. (Mac) Thornberry, Chairman, House Committee on Armed Services, in which Chairman Nunes

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<sup>2</sup> The JROC assists the Chairman of the Joint Chiefs of Staff in identifying, assessing, and validating joint military requirements to meet the National Military Strategy.

<sup>3</sup> Brendan Bordelon, "House Intel Chair Devin Nunes' One-Man War on the Pentagon," National Review, July 31, 2015, accessed April 26, 2017, <http://www.nationalreview.com/article/421842/house-intel-chair-devin-nunes-one-man-war-pentagon-brendan-bordelon>.

wrote “that [the] DoD may have furnished Congress with erroneous and misleading information regarding basing issues within the European Theater.”<sup>4</sup> Chairman Nunes stated “I believe this information was intended to influence the outcome of the NDAA [National Defense Authorization Act] conference.” Chairman Nunes further stated in the letter “(l)ocating the planned JIAC at Lajes Field in the Azores instead of at RAF Croughton would save between \$1.1 billion and \$1.4 billion over the facility’s lifespan...When defending these costly decisions, [the] DoD has provided incorrect and misleading information to Congress.”

On April 27, 2016, Chairman Nunes, three other congressional committee chairpersons, and two congressional subcommittee chairpersons sent a letter to Glenn A. Fine, Acting Inspector General, Department of Defense Office of Inspector General (DoD OIG), and Mr. Charles McCullough III, Inspector General, Office of Director of National Intelligence.<sup>5</sup> In their letter, the members of Congress requested that:

your offices initiate one or more inquiries into the allegations that inaccurate or misleading information was intentionally conveyed to Congress in connection with the selection of RAF Croughton, United Kingdom, as the location for a Joint Intelligence Analysis Complex (JIAC).<sup>6</sup>

In May 2016, because HPSCI was the primary committee raising the allegations and seeking information from the DoD regarding the JIAC site selection, DoD OIG staff met with HPSCI staff to clarify the specific allegations and obtain documents related to the allegations. These documents included e-mails, presentations, and witness transcripts at the classified and unclassified levels.

In June 2016, at HPSCI Chairman Nunes’ request, Acting Inspector General Fine and OIG staff met with HPSCI Chairman Nunes and his staff to obtain further clarification about the allegations. During the meeting, Chairman Nunes asserted that:

- the DoD’s estimate to build a JIAC at Lajes Field was approximately \$1 billion more than DoD’s estimated cost to construct a JIAC at RAF Croughton, and Chairman Nunes questioned the accuracy of the DoD cost estimates;

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<sup>4</sup> Chairman Nunes also sent a copy of this letter to Secretary of Defense Ashton Carter.

<sup>5</sup> The letter to the Inspectors General was signed by Representative William M. (Mac) Thornberry, Chairman, House Committee on Armed Services; Representative Jason Chaffetz, Chairman, Committee on Oversight and Government Reform; Representative Devin Nunes, Chairman, Permanent Select Committee on Intelligence; Representative Jeff Miller, Chairman, Committee on Veterans’ Affairs; Representative Rodney Frelinghuysen, Chairman, Committee on Appropriations, Subcommittee on Defense; and Representative Thomas J. Rooney, Chairman, Permanent Select Committee on Intelligence, Subcommittee on Emerging Threats.

<sup>6</sup> The Intelligence Community Inspector General did not join in this investigation but agreed to provide to the DoD OIG any investigative assistance that was required. However, such assistance was not required, and the DoD OIG conducted this investigation on its own.

- despite repeated assurances to Congress from a senior DoD official that during the EIC the DoD would reassess RAF Croughton as the site selection for the JIAC,<sup>7</sup> Chairman Nunes and HPSCI staff said they found no evidence that the EIC had reviewed the decision to locate the JIAC at RAF Croughton or that the EIC had reviewed Lajes Field as a possible location for the JIAC;
- the DoD had provided inaccurate information to Congress about Lajes Field’s communications infrastructure; and
- the DoD had based its housing analysis for Lajes Field on an outdated study.

We investigated each of these allegations. First, we examined cost comparisons (estimates) given to Congress regarding the cost of locating the JIAC at Lajes Field as opposed to RAF Croughton. These comparisons had been provided to Congress in response to claims that the DoD failed to consider significant cost savings from locating the JIAC at Lajes Field as compared to RAF Croughton.

To address the allegations that the cost comparisons were incorrect and misleading, the DoD OIG assessed the accuracy of the methodologies and assumptions that the DoD – specifically EUCOM and CAPE – had used in preparing its cost comparisons. We also assessed the assumptions and methodologies used by HPSCI to determine if it presented a more cost-effective means for meeting the requirements of a JIAC. We also developed our own cost comparisons using what we considered to be the most appropriate assumptions and methodologies for determining the costs needed to meet the JIAC’s requirements.

We then investigated Chairman Nunes’ three specific allegations. First we determined whether senior DoD officials made representations to Congress that, during the EIC initiative, the DoD would reassess the 2012 decision to locate a JIAC at RAF Croughton and would consider Lajes Field as a possible location for the JIAC. The 2014 NDAA, in part, required the DoD to use the EIC process to validate the Lajes Field streamlining efforts, which were previously approved and announced in 2012.<sup>8</sup> During our interview of Chairman Nunes, he asserted that he had several conversations with Mr. James Townsend, the Deputy Assistant Secretary of Defense (DASD) for European and NATO Policy, between 2013 and 2015, and that during those conversations DASD Townsend had assured Chairman Nunes during one of those meetings that the DoD would consider all potential opportunities for Lajes Field.

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<sup>7</sup> In January of 2013, the Secretary of Defense initiated the EIC to eliminate unneeded facilities to create long-term savings, realign infrastructure, and validate the remaining infrastructure for sustaining the DoD’s enduring presence in Europe.

<sup>8</sup> EUCOM Media Library, “DoD Announces European Infrastructure Consolidation Actions and F-35 Basing in Europe” (January 8, 2015).



Specifically, Chairman Nunes said that in January 2015, DASD Townsend briefed him on the results of the EIC. He said he asked DASD Townsend whether the DoD considered locating the JIAC at Lajes Field. The Chairman told us that DASD Townsend responded, “Yes, everything was looked at.” By contrast, DASD Townsend told us that he had only told Chairman Nunes that Lajes Field would be reviewed during the EIC for streamlining. He said that he did not tell Chairman Nunes or any other member of Congress that constructing a JIAC at Lajes Field would be considered.

In our investigation, we discuss these conversations, and we assess what, in fact, the EIC considered regarding the location of the JIAC and the streamlining of Lajes Field.

We also investigated Chairman Nunes’ allegation that DoD officials intentionally provided inaccurate or misleading information to Congress regarding the number of submarine fiber optic cables that serviced Lajes Field. Chairman Nunes told us that the DoD had inflated the cost of communication infrastructure needed to locate the JIAC at Lajes Field as opposed to RAF Croughton by overstating the need for additional SFOCs at Lajes Field.

Third, Chairman Nunes and HPSCI staff asserted that DoD officials intentionally provided inaccurate or misleading information to Congress concerning housing availability for Lajes Field. According to HPSCI staff, they were concerned that when the DoD responded to a 2015 HPSCI request for information on available housing units on and off Lajes Field, the DoD used an outdated 2007 Lajes Field Housing Requirements and Market Analysis (HRMA) report as the basis for its response. HPSCI staff believed that the DoD should have obtained and provided more current (2015) housing requirements data. We examined this issue as well.<sup>9</sup>

## **B. The DoD OIG Investigation**

To conduct our investigation, we formed a multi-disciplinary team of more than 15 DoD OIG employees, including special agents, investigative specialists, auditors, and attorneys. The team conducted over 170 in-person and telephonic interviews with over 110 witnesses in the DoD, the Department of State, and private industry. We interviewed personnel at all levels of the Department, including former Secretaries of Defense Leon Panetta and Charles “Chuck” Hagel, Deputy Secretary of Defense Robert Work, the Office of the Secretary of Defense (OSD) Chief Information Officer, the Directors of Defense

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<sup>9</sup> Another area of disagreement between the DoD and HPSCI concerned whether the JIAC and the NATO Intelligence Fusion Center (NIFC) need to remain collocated when the JIAC is relocated from RAF Molesworth to RAF Croughton. NATO’s NIFC is an intelligence fusion center at which NATO personnel from many different countries share and fuse intelligence related to NATO operations. We did not assess whether the NIFC had to remain collocated with the JIAC because Chairman Nunes and HPSCI staff did not raise this as an issue when he requested the DoD OIG investigate allegations that inaccurate or misleading information was intentionally conveyed to Congress in connection with the selection of RAF Croughton as the location for a JIAC.

Information Systems Agency (DISA) and Defense Intelligence Agency (DIA), and DoD housing and communications subject matter experts. We conducted clarification interviews with HPSCI Chairman Devin Nunes, his staff, and another congressional committee staff member. We also interviewed the U.S. Ambassador to Portugal about his conversations with Chairman Nunes and Deputy Secretary of Defense Work pertaining to the JIAC site selection and the DoD's estimated cost to construct a JIAC on Lajes Field. Most of our interviews were conducted under oath and transcribed.<sup>10</sup>

We developed a three-step approach to gather and evaluate evidence relevant to the allegations: (1) we retrieved data in the form of e-mails and written products from HPSCI staff and DoD personnel; (2) we searched the e-mails and products for relevant evidence by individually reviewing e-mails and searching by key-words and phrases; and (3) we reviewed the results of the searches to incorporate them into our interviews, our investigation, and the report, as appropriate. When witnesses discussed documents or e-mails, we asked for copies, and we discuss relevant documents provided by witnesses throughout the report.

In total, we obtained, reviewed, and analyzed more than 4,300 e-mails and 2,400 megabytes of unclassified, secret, and top secret data and documents relevant to these allegations.

In gathering and analyzing these documents, we also interviewed and consulted with subject matter experts in the DIA, DISA, and non-DoD sources regarding technical matters, such as DoD communication requirements, capacity of transoceanic SFOCs, and housing capabilities at Lajes Field.

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<sup>10</sup> Due to classification levels or location of the interviews, a few of these interviews were not recorded and transcribed.

### III. BACKGROUND

This section of the report provides a brief background on the EUCOM and AFRICOM missions and intelligence infrastructure, and the significant components associated with establishing and locating the JIAC at RAF Croughton. It then discusses the state of intelligence facilities at RAF Molesworth and the dispersed nature of these facilities. Next, it discusses the planned consolidation of these facilities into one complex. Finally, it describes the site selection process and the locations and infrastructure of the potential JIAC sites.

#### A. EUCOM Mission

EUCOM, established on March 15, 1947, is one of the DoD's six geographic combatant commands designated in section 161, title 10, United States Code (10 U.S.C. §161).<sup>11</sup> The EUCOM's area of responsibility (AOR) covers 51 countries and territories throughout Europe. See Figure 1. The EUCOM mission is focused on the European security environment. Its mission is to prepare ready forces, ensure strategic access, deter conflict, support NATO, and counter transnational threats to protect and defend the United States.<sup>12</sup>



**Figure 1. EUCOM's Area of Responsibility**

Source: EUCOM as adapted by the DoD OIG

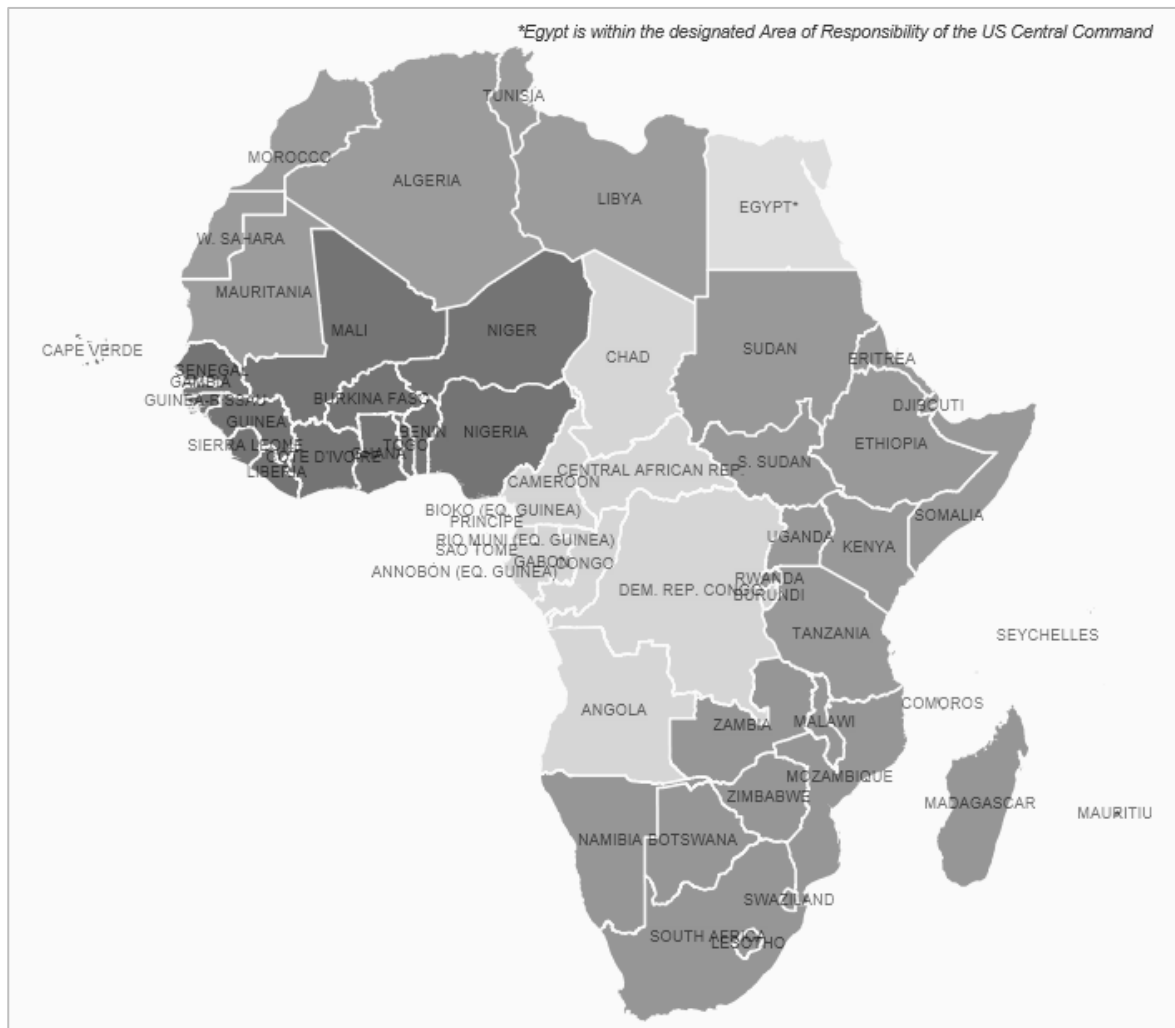
<sup>11</sup> The other geographical combatant commands are the U.S. Central Command, U.S. Pacific Command, U.S. Southern Command, U.S. Northern Command, and U.S. Africa Command.

<sup>12</sup> United States European Command, "Theater Strategy," October 2015, details EUCOM's mission.

## B. AFRICOM Mission

AFRICOM, established on October 1, 2008, is also one of the DoD's six geographic combatant commands designated in 10 U.S.C. §161. There are 53 African countries that fall within the AFRICOM AOR. Egypt is geographically located within the continent of Africa; however, it falls within the U.S. Central Command's (CENTCOM) AOR. See Figure 2.

AFRICOM's stated mission is to work in concert with interagency and international partners, build defense capabilities, respond to crisis, and deter and defeat transnational threats to advance U.S. national interests and promote regional security, stability, and prosperity.<sup>13</sup>



**Figure 2. AFRICOM's Area of Responsibility**

Source: AFRICOM as adapted by the DoD OIG

<sup>13</sup> USAFRICOM mission statement. <http://www.africom.mil/what-we-do>.

## C. Intelligence Activities Supporting EUCOM, AFRICOM, and NATO

Six intelligence activities operate at RAF Molesworth in support of EUCOM, AFRICOM, and NATO. These activities are:

1. Joint Intelligence Operations Center Europe (JIOCEUR) Analysis Center (JAC), which provides finished intelligence products for EUCOM;
2. AFRICOM J2-M, which provides finished intelligence products for AFRICOM;
3. the DIA Regional Support Center (RSC), which provides information technology (IT) services to EUCOM, AFRICOM, and NATO intelligence activities;
4. the NATO Intelligence Fusion Center (NIFC), which provides multinational, all-source intelligence to NATO;
5. the EUCOM Regional Joint Intelligence Training Facility (RJITF), which provides intelligence training to EUCOM and AFRICOM personnel, as well as curriculum development for regional partner nations; and
6. the Under Secretary of Defense for Intelligence (USD[I]) Battlefield Information Collection and Exploitation System (BICES), which facilitates multinational intelligence information sharing.

According to EUCOM officials, these six intelligence activities are housed:

in 21 undersized, widely dispersed facilities including a WWII [World War] B-17 hangar, several Cold War Cruise Missile facilities, and leased re-locatable facilities [at RAF Molesworth.] [The dispersed nature of these facilities and] shortfall of space constrains Geographic Combatant Command decision making processes and collaborative intelligence analysis and, degrades the reliability of theater and national communications and intelligence assets.<sup>14</sup>

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<sup>14</sup> Report on the Joint Intelligence Analysis Complex Consolidation at RAF Croughton, United Kingdom. December 13, 2013.

## D. The DoD’s Need to Consolidate EUCOM Intelligence Facilities

The Joint Intelligence Operations Center Europe and its planned replacement, the JIAC at RAF Croughton, are central to this report because of congressional inquiries concerning the selection of the location of the JIAC, as well as the selection process for that location. The following is a brief description of the establishment of the JIAC at RAF Molesworth and the circumstances surrounding the planned consolidation of intelligence activities into a JIAC at RAF Croughton.<sup>15</sup>

The Goldwater-Nichols Department of Defense Reorganization Act of 1986 directed that each combatant command would have a dedicated intelligence element. In 1991, the EUCOM JIAC was established at RAF Molesworth, U.K. The JIAC was the Joint Staff Intelligence Directorate (J-2) analytical element that provided finished intelligence support for the EUCOM and AFRICOM Combatant Commanders’ decisions.

According to a former EUCOM Military Construction (MILCON) Planner and Facility Engineer for the JIAC, who was the author of a document titled “JAC MILCON Transition,” three principal factors supported the decision to locate the JIAC at RAF Molesworth: (1) space restrictions precluded locating the JIAC at EUCOM in Stuttgart, Germany, (2) the DoD wanted to locate strategic U.S. intelligence assets far from adversaries, and (3) the Intermediate-Range Nuclear Forces Treaty of 1987, which ended the Ground Launch Missile mission at RAF Molesworth, resulted in the availability of vacant facilities ready for immediate occupancy.<sup>16</sup>

On April 3, 2006, Secretary of Defense Rumsfeld approved a Joint Intelligence Operations Center (JIOC) Execute Order directing the creation of joint intelligence operations centers at all combatant commands “to operate as a cohesive team.”

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<sup>15</sup> The classified “Report on the Joint Intelligence Analysis Complex Consolidation at RAF Croughton, United Kingdom,” September 18, 2013, states that JIOCEUR Analytic Center personnel, JAC facilities, and operations will be consolidated into a new facility, and it will be known as “the JIAC.” The JIAC will serve as the focal point for intelligence planning, collection management, analysis, and production by supporting two geographical combatant commands and other defense organizations. The JIAC will include elements of three intelligence operations centers – one supporting EUCOM, a second supporting AFRICOM, and a third supporting the NATO, as well as several other organizations that perform intelligence-related functions.

<sup>16</sup> “JAC MILCON Transition,” undated, prepared by a former EUCOM MILCON Planner and Facility Engineer for the JIAC between July 2005 and October 2011.

Between 1991 and 2008, the establishment of AFRICOM<sup>17</sup> and its intelligence mission, coupled with the addition of new intelligence organizations,<sup>18</sup> caused the JIAC to occupy an increasing number of facilities at RAF Molesworth.<sup>19</sup>

In January 2009, the DIA Deputy Director for Mission Support visited the JIAC facilities at RAF Molesworth and recognized the potential for mission failure because of facility deficiencies – especially an inadequate building which houses the JIAC’s data center. The DIA Deputy Director for Mission Support told us in an interview that he assessed the building which was housing the Regional Service Center as “the worst and highest risk facility for a [Regional Service Center] in the entire global enterprise.” He also said that, “[a]ging and inefficient primary power, back-up power, and cooling systems critical to the intelligence mission are not able to be economically upgraded, due to the nature of existing facilities.”

During an interview with us, the Commanding Officer of the JIAC at RAF Molesworth from May 2007 through July 2010 told us that in 2009, the operational capability of the JIAC’s intelligence facilities at RAF Molesworth were undersized, degraded, and in need of replacement. He noted that the JIAC buildings were built during World War II and were not equipped to house the heating, ventilation, and cooling systems designed to support modern IT systems for an intelligence center.

In 2009, EUCOM J-2 and Joint Staff Logistics Directorate (J-4) staff, supported by DoD contractors assigned to the JIAC, drafted a MILCON project proposal to address the deteriorating JIAC facilities at RAF Molesworth. In 2010, Admiral James G. Stavridis Commander, EUCOM (2009-2013), added the replacement of the JIAC to his Integrated Priorities List (IPL).<sup>20</sup> The EUCOM J-4 solicited Program Objective Memorandum support from the Military Services to determine which Military Service would take the lead on the construction of the proposed JIAC. In July 2011, the DoD JROC approved the consolidation of JIAC assets.

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<sup>17</sup> AFRICOM began initial operations on October 1, 2007, and became an independent command on October 1, 2008.

<sup>18</sup> NIFC was added to the JIAC in 2006, BICES was added in 2005, RJITF was added in 2008, and a Defense Intelligence Agency Regional Support Center was added in 2006.

<sup>19</sup> EUCOM and USAFRICOM also have some J-2 staff at EUCOM Headquarters, Stuttgart, Germany.

<sup>20</sup> The IPL is submitted annually to the Joint Staff by each combatant command, and the IPL details the prioritized capability gaps associated with validated or proposed capability requirements that limit combatant command ability to successfully achieve assigned roles, functions, and missions. The Joint Staff reviews the IPLs under the capability gap assessment process.

## **E. The DoD’s JIAC Site Selection Process and the DoD’s Alternative Courses of Action for the Consolidation and Relocation of the JIAC**

In May 2010, the EUCOM J-4 developed a briefing, “Intelligence Analysis Complex: Recapitalizing JIAC and Related Facilities,” that described: (1) the importance of the intelligence missions supported at the JIAC; (2) the impact of the degraded and undersized facilities at RAF Molesworth on those missions; (3) the preliminary outcome of EUCOM J-4 JIAC facilities recapitalization analysis; and (4) a proposed way ahead for replacing the JIAC. The briefing provided a preliminary analysis of cost estimates for five potential courses of action (COAs) to select a site to consolidate and relocate the JIAC.

The five potential COAs were: (1) build new facilities at RAF Molesworth; (2) have a blend of new facilities and repair of existing facilities; (3) build new facilities at RAF Alconbury; (4) build new facilities at U.S. Army Garrison Stuttgart, Germany; and (5) build new facilities at U.S. Army Garrison Benelux, Belgium.

This preliminary analysis recommended that building new JIAC facilities at RAF Alconbury was the best course of action. In July 2010, Admiral Stavridis, the EUCOM Commander, approved the recommendation to build the new JIAC at RAF Alconbury.

The EUCOM MILCON Planner and Facility Engineer (EUCOM Planner and Engineer) told us that on November 12, 2010, the EUCOM J-4 chaired a senior official-level meeting concerning the JIAC’s relocation to RAF Alconbury.<sup>21</sup> At the meeting, the EUCOM MILCON Planner and Engineer provided a briefing recommending the relocation of the JIAC to RAF Alconbury, but also suggested that “...other U.K. alternatives should be explored.”

In March 2011, the EUCOM MILCON Planner and Engineer attended the United States Air Force annual MILCON Planning Board and discussed exploring alternatives to RAF Alconbury for the location of the JIAC with a United States Air Forces Europe (USAFE) MILCON Planner. The USAFE MILCON Planner returned to USAFE and started to review alternatives.

The USAFE MILCON Planner told us that following his return to USAFE he developed a decision brief for General Mark Welsh, Commander, USAFE. The decision brief provided a preliminary analysis of cost estimates for five COAs developed by the EUCOM J-4 in May 2010, to select a site to relocate the JIAC.<sup>22</sup> This preliminary analysis came to

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<sup>21</sup> The General-level officers and members of the Senior Executive Service representing EUCOM J-2, EUCOM Force Structure, Resource, and Assessment Directorate, USAFE, and the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (Energy, Installations, and Environment) attended either in-person or by video teleconference.

<sup>22</sup> RAF Alconbury, RAF Croughton, RAF Feltwell, RAF Mildenhall, and RAF Fairford.



the conclusion that building new facilities at RAF Croughton was the best course of action because: RAF Croughton is a communications base with an enduring mission; the relocation to RAF Croughton had the potential to save the U.S. Air Force \$35 million per year; and the relocation would have no impact to the current mission at RAF Croughton.<sup>23</sup>

On July 11, 2011, General Welsh recommended to Admiral Stavridis that he approve relocating the JIAC to RAF Croughton. However, Admiral Stavridis wanted to broaden the consideration of the five locations in the U.K. and encouraged his staff to include other locations in Europe. This led to the development of the analysis of alternatives (AOA)<sup>24</sup> study for the replacement and consolidation of JIAC assets.<sup>25</sup>

In July 2011, the DoD JROC supported the consolidation of JIAC assets. In August of 2011, EUCOM led the AOA process to select a site for the consolidation of the current JIAC into a new JIAC. DoD personnel representing EUCOM, AFRICOM, the Office of the Secretary of Defense, and Military Service stakeholders analyzed 14 sites (8 sites in the U.K., 4 sites in Germany, 1 site in Belgium, and 1 site in the United States).<sup>26</sup>

The AOA was conducted using the following assumptions: (1) the U.S. location would be generic (no specific location); (2) new facilities and a communications hub would be built; (3) existing land (approximately 6 acres) needed to be available for facilities and parking; and (4) no residual value would remain for returned facilities.

The AOA evaluation criteria, in order of importance and based on U.S. operational requirements, were: (1) effect on intelligence operations (critical criterion); (2) impact on bilateral and multinational intelligence collaboration (critical criterion); (3) impact on international agreements and relationships; (4) impact on community quality of life; and (5) the results of the business case analysis.

Applying these criteria, the AOA process considered: (1) a location in Europe best suited to enable JIAC, NIFC, and J-2M (RAF Molesworth) synchronization with higher headquarters, delivery of regional intelligence training and access to non-U.S. regional subject matter experts; (2) a location best suited to preserve the JIAC's current international collaborative relationships and networks; (3) a location that would likely eliminate the need to

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<sup>23</sup> JIOCEUR Analytic Center (JAC) Relocation/Consolidation Decision Brief.

<sup>24</sup> The AOA process is an analytical study that is intended to compare the operational effectiveness, cost, and risks of a number of potential alternatives to address valid needs and shortfalls in operational capability. This process helps ensure that the best alternative that satisfies the mission need is chosen on the basis of the selection criteria, such as safety, cost, or schedule.

<sup>25</sup> Admiral Stavridis wanted to ensure that all potential locations in Europe were considered, not just potential locations in the U.K.

<sup>26</sup> The sites considered were **U.K.**—RAF Alconbury, RAF Croughton, RAF Molesworth, RAF Fairford, RAF Feltwell, RAF Menwith Hill, RAF Mildenhall, and RAF Wyton; **Germany**—Baumholder Kaiserslautern, Stuttgart, and Wiesbaden; **Belgium**—Benelux; and **United States** (no specific location).

modify the NIFC Memorandum of Understanding; (4) a location that would provide mission and services on the same installation, provide efficiencies through elimination of redundant services, and optimize the greatest economies of scale; and (5) a location presenting a good business case. The alternatives were assessed and compared using a relative stoplight chart “scoring” construct. Based on the criteria-based comparison of alternatives, in August 2011 the AOA process concluded that constructing new facilities at RAF Croughton was the best alternative.<sup>27</sup> The top six locations were summarized in the report, and notable savings associated with the proposed consolidation were highlighted.

## **F. The DoD’s European Infrastructure Consolidation**

The EIC initiative was the DoD’s effort to assess European facilities for consolidation or closure as a cost-saving measure. As discussed below, during the EIC the DoD validated prior decisions to streamline Lajes Field and to relocate and consolidate the JIAC from RAF Molesworth to a JIAC at RAF Croughton.

In January 2013, Secretary of Defense Panetta had signed a memorandum, “European Infrastructure Consolidation,” directing the DoD to conduct a comprehensive review of its European Infrastructure. The EIC’s goal was:

[r]educing long-term expenses through footprint consolidations. This effort will eliminate excess capacity while ensuring our infrastructure properly supports our operational requirements and strategic commitments.

Secretary Panetta also directed that the DoD’s Deputy’s Management Action Group would have executive oversight and responsibility to provide recommendations to him for final approval not later than December 1, 2013.

In the summer of 2013, Secretary Hagel announced a 20-percent cut in the DoD’s major headquarters operating budgets. He also focused on reducing infrastructure. In February 2014, during a press briefing about the Fiscal Year Budget Preview, Secretary Hagel stated:

DoD has already been reducing infrastructure where we can. In Europe, where BRAC [Base Realignment and Closure] authority is not needed, we have reduced our infrastructure by 30 percent since 2000, and a European Infrastructure Consolidation Review this spring will recommend further cuts which DoD will pursue.

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<sup>27</sup> DoD officials later provided the results of its AOA to Congress in a classified report titled, “Report on the Joint Intelligence Complex Consolidation at RAF Croughton, United Kingdom,” December 13, 2013.

The Under Secretary of Defense for Acquisition, Technology, and Logistics (USD [AT&L]) chaired a Senior Steering Group (SSG) that directed and had oversight of two distinct analytical efforts.<sup>28</sup> The first effort, co-chaired by USD(AT&L) staff and senior EUCOM representatives, focused on common support functions (for example, logistics, training, and fuel ordnance consolidation). The second effort, led by the Military Services with support from EUCOM, focused on Service-unique operational functions, which had no corresponding effort in another Military Service, such as naval port requirements or unique operational aircraft maintenance. These two groups provided recommendations to the SSG for maintaining the status quo, consolidation, or divesture of installations.

These two working groups had approximately 40 meetings from February 2013 through November 2014 and included representatives from EUCOM, AFRICOM, Transportation Command (TRANSCOM), Strategic Command (STRATCOM), Special Operations Command (SOCOM), its supporting components, the Joint Staff, and the Office of the Secretary of Defense.

According to the May 2013 EIC Process Briefing, the DoD undertook the EIC initiative in a manner similar to the Base Realignment and Closure (BRAC) process, with military value as the prime consideration. The EIC process started with a capacity analysis, followed by a military values analysis, to rank facilities from least to most valuable.

In November 2013, Ms. Allison Sands, Deputy Assistant Secretary of Defense for Basing (then a program manager in the Office of the Assistant Secretary of Defense for Energy, Installations, and Environment), provided the “European Infrastructure Consolidation (EIC) Update Briefing” to professional staff members of the Senate Armed Services Committee and the House Armed Services Committee.

In the briefing, DoD officials described how members of the EIC team used the Defense BRAC Commission's analytical construct and applied the following selection criteria to determine its recommendations to the Secretary of Defense:

- current and future mission capabilities and impact on operational readiness of the total force of the DoD, including joint warfighting, training, and readiness;
- availability and condition of land, facilities, and associated airspace (including training and staging areas);

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<sup>28</sup> The SSG was composed of: the Vice Chairman of the Joint Chiefs of Staff; the Principal Deputy Under Secretaries of Defense for Policy, Personnel, and Readiness, Comptroller and Intelligence; the Director, Cost Assessment and Program Evaluation; Military Department Assistant Secretaries for Installations and Environment; Service Vice Chief; the Deputy Under Secretary of Defense for Installations and Environment; and the Deputy Commander EUCOM.

- ability to accommodate contingency, mobilization, surge, and future force requirements to support operations and training;
- cost of operations and manpower implications;
- impact on regional security relationships, Allies, and partners (including treaty commitments, perceptions of assurance or deterrence, theater security cooperation, and flexibility of operational access);
- extent and timing of potential costs and savings;
- economic impact on existing communities;
- ability of the infrastructure to support forces, missions, and personnel; and
- environmental impact, including the impact of costs related to potential environmental restoration, waste management, and compliance activities.

The EIC initiative took 2 years to complete, from January 2013 to January 2015. Upon completion of the EIC, Secretary of Defense Hagel stated in a January 6, 2015, letter to four congressional Chairmen that, “the actions approved and validated by the EIC process would generate \$1.2 billion in annual reoccurring savings following an upfront investment of \$1.6 billion.”<sup>29</sup>

In addition, the EIC final report, issued in January 2015, also validated the DoD’s decision to select RAF Croughton as the site for the consolidation and relocation of the JIOCEUR JIAC because RAF Croughton, as an enduring communications installation, offered more efficient operational mission support and allows for the divestiture of RAF Alconbury and RAF Molesworth, saving the DoD the reoccurring costs to operate these air stations.

In a later DoD letter to Chairman Nunes, in May 2015, Ms. Christine Wormuth, Under Secretary of Defense for Policy (USD[P]), wrote that the EIC had considered completely removing the U.S. presence at Lajes Field, but that the EIC concluded that the U.S. should maintain a presence at Lajes Field for assured access. The EIC also supported the 2012 Lajes Field streamlining decision, which was based on operational requirements.<sup>30</sup> USD(P) Wormuth wrote that on average, Lajes Field had fewer than two U.S. military flights a day, so the streamlining decision allowed operations to maintain a more sustainable presence.

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<sup>29</sup> The January 6, 2015, letter was addressed to: Chairman Mac Thornberry, House Armed Services Committee; Chairman John McCain, Senate Armed Services Committee; Chairman Harold Rogers, House Appropriations Committee; and Chairman Thad Cochran, Senate Appropriations Committee.

<sup>30</sup> On September 11, 1993, President Clinton signed a memorandum, “Streamlining the Bureaucracy,” directing that each Executive department and agency prepare a streamlining plan consistent with National Performance Review recommendations. The DoD submitted its first streamlining plan to the Office of Management and Budget, “Defense Streamlining Plan: Charting a New Course,” in October 1994.

According to DASD Sands and a former 65th Civil Engineer Squadron Commander at Lajes Field, the streamlining of Lajes Field was intended to reduce the number of personnel and the support functions necessary to support the mission, such as airfield operations, dining facilities, child care centers, and schools, as well as the personnel associated with those functions.

## **G. EUCOM Locations Central to the Investigation**

In this section, we provide further background on the four locations in the EUCOM area of responsibility that are central to this investigation. The first, RAF Molesworth, is the current site of the JIAC; the second, RAF Alconbury, was the first site considered as the location to consolidate the JIAC facilities; the third, RAF Croughton, was the site selected by the DoD for the location of the new JIAC; and the fourth, Lajes Field, Portugal, was the site that some members of Congress favored for the location of the JIAC.

### **1. Royal Air Force Station Molesworth, United Kingdom**

RAF Molesworth is the current home of the JIOCEUR JIAC. RAF Molesworth, operated by the United States Air Force, is located approximately 70 miles north of London. In addition to being the home of the JIAC, it contains AFRICOM's J2-M, Defense Intelligence Agency's Regional Support Center, NATO's Intelligence Fusion Center, Regional Joint Intelligence Training Facility, and the Under Secretary of Defense for Intelligence's BICES. RAF Molesworth is supported by the United States Air Force 423rd Air Base Group, located at RAF Alconbury, 11 miles to the east. RAF Molesworth employs approximately 459 active duty military and DoD civilian employees that support both the EUCOM JIAC and AFRICOM J-2M.

### **2. Royal Air Force Station Alconbury, United Kingdom**

In 2009, RAF Alconbury was the first site considered by EUCOM for relocation of the JIOCEUR JIAC. RAF Alconbury, operated by the United States Air Force, is located approximately 60 miles north of London (approximately 11 miles east of RAF Molesworth) and is home to the 423rd Air Base Group, a component of the 501<sup>st</sup> Combat Support Wing headquartered at RAF Alconbury. The Air Base Group is staffed by approximately 277 active duty military, 140 DoD civilians, 170 nonappropriated fund employees, and 255 U.K. Ministry of Defense employees. The Air Base Group's mission is to provide mission support services to the JIOCEUR JIAC, NIFC, Joint Warfare Center, and the RAF Alconbury, RAF Molesworth, and Stavanger Air Base, Norway, communities.

### **3. Royal Air Force Station Croughton, United Kingdom**

As noted previously, in 2011, the DoD selected RAF Croughton as the site for the new JIAC. RAF Croughton, operated by the United States Air Force, is located 70 miles northwest of London and is home to the 422nd Air Base Group, a component of the 501st Combat Support Wing headquartered at RAF Alconbury. The Air Base Group is made up of approximately 600 people assigned to the various squadrons throughout the group, and staffed by approximately 265 active duty military, 140 DoD civilians, and 200 U.K. Ministry of Defense employees. The 422nd Air Base Group provides command, control, communications, and computer support to DoD and civilian agencies across Europe, as well as base-level functions and services, such as fire protection and emergency services. The Air Base Group also supports NATO, EUCOM, U.S. CENTCOM, U.S. Air Force Special Operations Command, U.S. Department of State operations, and the U.K. Ministry of Defense operations. The Air Base Group provides global communication facilities and maintains more than 410 command and control communication circuits, which supports 25 percent of all European Theater to continental United States (CONUS) communications.

### **4. The 65th Air Base Group and Streamlining of Lajes Field, Portugal**

Lajes Field is located on Terceira Island, Azores Archipelago, Portugal, in the North Atlantic Ocean. It is approximately 900 miles from Portugal and about 2,200 miles from New York City. Lajes Field is home to the United States Air Force 65th Air Base Group, which is the American unit stationed on Lajes Field. Lajes Field is operated by the Portuguese Air Force. The 65th Air Base Group is one of seven Air Base Groups that comprise the 86th Airlift Wing. The 86th Airlift Wing's home is at Ramstein Air Force Base, Germany, which serves as headquarters for USAFE and is also a NATO installation.

According to the USAFE and Air Forces Africa website, the 65th Air Base Group plays a vital role in combat operations by enabling the expeditionary movement of war fighters, warplanes, and global communications to combatant commanders and supporting joint, coalition, and NATO operations as part of U.S. and Allied Air Expeditionary Forces.<sup>31</sup> Before 2010, Lajes Field was staffed by approximately 751 (620 military and 131 civilian) U.S. personnel. In 2010, the U.S. Air Force recommended a plan to reduce personnel and operations at Lajes Field and reduce staffing by approximately 500 U.S. military billets and

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<sup>31</sup> 65th Air Base Wing redesignates at Lajes Field, 65th Air Base Group Public Affairs, August 14, 2015, <http://www.usafe.af.mil/News/Article-Display/Article/748155/65th-abw-redesignates-at-lajes-field/>.

civilian positions.<sup>32</sup> This downsizing resulted in the 65th Air Base Wing being redesignated as an Air Base Group, leaving approximately 161 U.S. military billets and civilian positions at Lajes Field today.<sup>33</sup>

## H. Communications Infrastructure Serving Lajes Field

Transoceanic submarine fiber optic cables (SFOCs) are also central to this investigation. In particular, the communications requirements needed to support a JIAC at Lajes Field and the communication infrastructure at RAF Molesworth, the current home of the JIOCEUR JIAC, are important to this investigation and are discussed in this section.

Between May and July 2015, DISA and DIA reviewed the communications infrastructure of the RAF Molesworth JIAC.<sup>34</sup> DISA and DIA determined it would take three SFOCs with a capability of 56 gigabytes per second to transmit and receive data at multiple levels of classification to support the same operations now performed at the RAF Molesworth JAC at a new JIAC facility at Lajes Field.

An SFOC is a cable laid on the seabed between land-based stations to carry telecommunication signals across stretches of ocean. There are five distinct SFOC systems below the ocean surface around the islands of the Azores. Lajes Field is located on one of those islands known as Terceira. There is only one SFOC, the Azores Fiber Optic System (AFOS),<sup>35</sup> with a landing point<sup>36</sup> on Terceira Island. This SFOC lands at Angra do Heroismo, on the southern portion of the island. The AFOS indirectly connects to one transatlantic SFOC, Columbus III. Columbus III, built in 2009 extends from Florida to Portugal. A branching leg of Columbus III also lands in the Island of Sao Miguel, where it indirectly connects to AFOS.

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<sup>32</sup> As noted above, in October 2012, Secretary of Defense Panetta approved the recommendation and announced his decision to streamline Lajes Field, well before the commencement of the EIC initiative in January 2013.

<sup>33</sup> Lajes Field no longer met the criteria to be classified as a “wing” because of the downsizing of both personnel assigned and mission requirements. An air base wing usually maintains and operates a base, often providing functional support to a major command headquarters. A “group” is an Air Force command below the wing level. This downsizing at Lajes Field resulted in the 65th Air Base Wing being redesignated as an Air Base Group, leaving approximately 161 U.S. military billets and civilian positions.

<sup>34</sup> “DISA Azores Telecommunication Feasibility Report,” dated July 15, 2015.

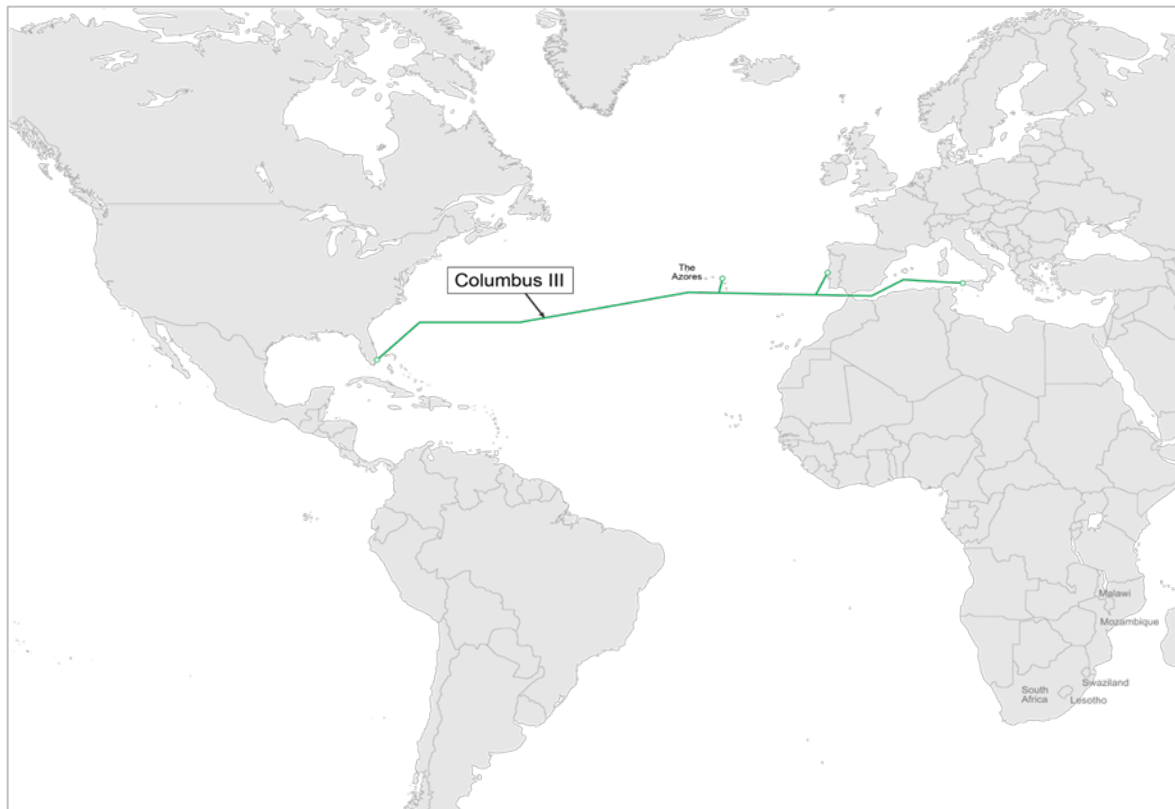
<sup>35</sup> The AFOS is an inter-island SFOC system connecting seven islands in the Azores. The AFOS is serviced by Portugal Telecom, which is owned by the Altice Group, a multinational cable, fiber, telecommunications, content, and media company.

<sup>36</sup> A cable landing point is the location where a submarine or other underwater cable makes landfall.

Another transatlantic SFOC, Atlantis 2, extends from Africa to Europe. Atlantis 2 does not directly land in the Azores. However, it indirectly connects to the Continent, Azores Madeira (CAM) Cable System,<sup>37</sup> which does land in the Azores.

As a result, two transatlantic cables, the Columbus III and the Atlantis 2, which must use the CAM to connect to the Azores, have landing points that connect to the Azores. The AFOS then completes the connection to the island on which Lajes Field is located.

Figure 3 depicts the Columbus III SFOC, which connects the U.S. with Europe and has a branching element that provides IT connectivity to the Azores Islands



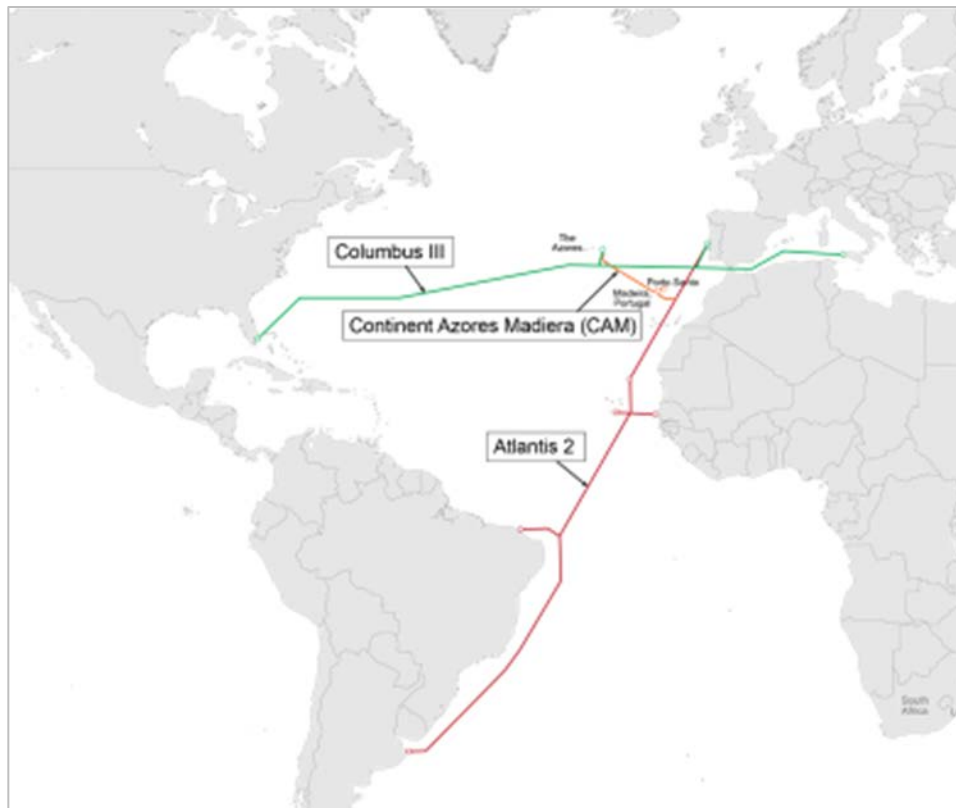
**Figure 3. Columbus III SFOC**

Source: Telegeography (submarinecablemap.com) as adapted by the DoD OIG.

<sup>37</sup> The “Continent” referred to in the CAM is the European continent. In addition to the AFOS, Columbus III, and the Atlantis 2, there are two other SFOCs that provide communications capability and serve the Azores Islands. CAM connects Atlantis 2 with the islands of Sao Miguel Island and Madeira in the Azores; and Flores-Corvo Submarine System is an inter-island domestic SFOC system connecting four islands in the Azores.



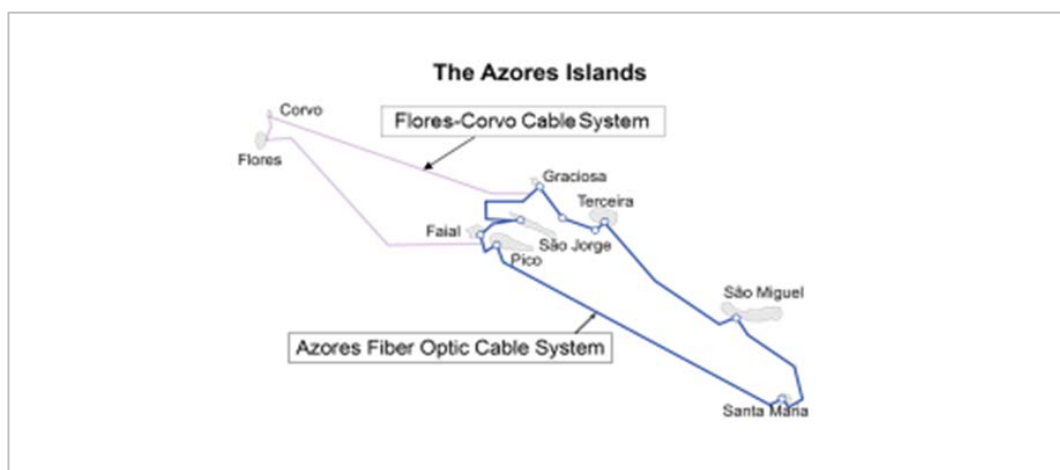
Figure 4 depicts the SFOCs discussed in this report – the Columbus III SFOC, which connects the U.S. to Europe and the Azores Islands; Atlantis 2 SFOC, which connects Europe, Africa, and South America; and the CAM SFOC, which connects the Atlantis 2 SFOC to the Azores Islands.



**Figure 4. SFOCs Discussed in this Report**

Source: Telegeography (submarinecablemap.com) as adapted by the DoD OIG.

Figure 5 depicts the Azores Fiber Optic Cable (AFOS) SFOC, which connects the Azores Islands in a domestic cable loop.



**Figure 5. The Azores Fiber Optic Cable SFOC**

Source: Telegeography (submarinecablemap.com) as adapted by the DoD OIG.

The Columbus III and the Atlantis 2 (through the CAM) SFOCs are both important to this investigation because those SFOCS are indirectly connected to the AFOS, which has landing points in the Azores. Columbus III and Atlantis 2 also have landing points in Europe, which enables information from Lajes Field to be received from and transmitted to EUCOM in Europe.

As discussed in the sections below, misunderstandings regarding the number of SFOCs supporting Lajes Field caused miscommunication and confusion among DoD personnel. The use of various terms such as “transatlantic,”<sup>38</sup> “transoceanic,”<sup>39</sup> and “landing”<sup>40</sup> further complicated the understanding of information concerning the SFOCs. In addition to the confusion about the number of SFOCs serving Lajes Field, the capacity of the existing SFOCs serving Lajes Field was also not well-understood. The costs of building SFOCs are also discussed in detail in Section V of this report.

## **I. The Government Accountability Office’s Reports to Congress**

In September 2016 and November 2016, the Government Accountability Office (GAO) issued two separate reports describing the results of its reviews related to the decision to locate the JIAC at RAF Croughton.

The GAO’s first report 16-853, titled “DoD Partially Used Best Practices for Analyzing Alternatives and Should Do So Fully for Future Military Construction Decisions,” dated September 30, 2016, reviewed the DoD’s process in deciding to consolidate and relocate the JIAC to RAF Croughton. Specifically, the GAO reviewed key considerations that influenced DoD’s decision and evaluated the extent to which DoD’s AOA process for the JIAC consolidation project aligned with 22 GAO-developed best practices for such analyses. The GAO determined that the DoD partially met these best practices. Among the 22 best practices, the GAO scored the AOA process high for defining the mission need, functional requirements, and selection criteria. However, the GAO determined that the DoD minimally met best practices for describing, comparing, and assessing alternatives. The GAO recommended that the DoD develop guidance to require the use of AOA best practices and to define in that guidance the types of military construction decisions for which these AOA best practices should be required. The DoD did not concur with the recommendation, stating that the GAO best practices were not universally applicable, particularly to basing decisions that included subjective factors such as military judgement.

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<sup>38</sup> Transatlantic: crossing or reaching across the Atlantic. <http://www.dictionary.com/browse/transatlantic>.

<sup>39</sup> Transoceanic: extending across or traversing the ocean. <http://www.dictionary.com/browse/transoceanic>.

<sup>40</sup> Landing is an informal term for landing point, which is the location where a submarine or other underwater cable makes landfall.

The GAO's second report 17-29, titled "DoD Needs to Fully Incorporate Best Practices into Future Cost Estimates," dated November 3, 2016, reviewed the DoD's analysis associated with consolidating and relocating the JIAC to RAF Croughton. The GAO assessed the extent to which DoD's cost estimate for the JIAC consolidation at RAF Croughton aligned with the four characteristics/standards of a reliable cost estimate, as suggested by GAO best practices. The GAO compared the Air Force's February 2015 JIAC cost estimate with GAO best practices for developing federal cost estimates. The GAO assessed four standards for developing cost estimates and determined that the DoD partially met criteria for three standards (comprehensive, well documented, and accurate) and minimally met criteria for one standard (credible) for developing reliable cost estimates. The GAO also determined that multiple DoD cost assessments related to Lajes Field were different because EUCOM, CAPE, and DISA used different assumptions. The GAO recommended that the DoD use the GAO-developed best practices in future cost estimates related to the JIAC. The DoD did not concur with the recommendation, stating that the "reviews were not conducted with the same level of rigor as formal cost estimates, because DOD had concluded its analysis of alternatives and no credible new evidence had been produced to indicate the department should revisit its initial decision to consolidate the JIAC at RAF Croughton." In its review, the GAO did not make any recommendations related to the Lajes Field cost comparisons.

We coordinated our investigation, particularly our review of the DoD cost comparisons, with the GAO to avoid duplication of oversight. The GAO assessed the assumptions used in the various JIAC cost comparisons to determine why there were differences. Considering the GAO's analysis, we also analyzed the various cost comparisons conducted by EUCOM, HPSCI, and the DoD's CAPE, assessing the assumptions and methodologies of each analysis and whether the information included in each analysis was accurate. We also developed our own cost comparisons, based on our review of the various cost comparisons and other information we obtained during our investigative interviews and review of documents, which we believe presents the most accurate cost comparisons and the most cost-efficient methods for meeting the JIAC's requirements.

## IV. CHRONOLOGY OF SIGNIFICANT EVENTS

Table 1 lists a chronology of key events that are related to this investigation. Although this table does not contain every event, it provides a general timeline of key events that are relevant to the allegations we investigated.

**Table 1. Chronology of Events**

Date	Events
<b>August 1990</b>	Lajes Field, located on Terceira Island, Azores Archipelago, Portugal, in the North Atlantic Ocean, and home to the U.S. Air Force's 1605th Military Airlift Support Wing, plays a vital role as a key logistical site during Operation Desert Shield.
<b>1991</b>	The EUCOM Joint Analysis Center (JAC) is established at Royal Air Force Station (RAF) Molesworth, United Kingdom, with a mission to conduct intelligence analysis and collection management to enhance planning and sustain security engagement activities within EUCOM. RAF Alconbury, approximately 14 miles east of RAF Molesworth, serves as a support base for RAF Molesworth, providing additional housing, medical facilities, and other logistics.
<b>January 17, 1991</b>	The U.S. begins Operation Desert Storm with a massive bombing campaign against Iraqi targets, and over 90 aircraft transit through Lajes Field daily.
<b>January 1992</b>	The U.S. Air Force reorganizes to meet evolving mission requirements. As a result, Lajes Field base command is redesignated from the 1605th Military Airlift Support Wing to the 65th Support Wing.
<b>1994</b>	With the drawdown of U.S. military forces after the Gulf War, the U.S. military manning levels at Lajes Field drops below 1,000.
<b>October 1999</b>	The U.S. Air Force transitions into an aerospace expeditionary force, and Lajes Field supports the aerospace expeditionary force movements and contingencies across the Atlantic.
<b>October 29, 2003</b>	The U.S. Air Force completes the 2003 Housing Requirements and Market Analysis (HRMA) for Lajes Field. The HRMA assesses both the suitability and availability of community housing, including privatized housing on and off base that satisfies DoD suitability criteria.

Date	Events
<b>2004</b>	General James L. Jones, Supreme Allied Commander Europe, seeks to establish an intelligence center exclusively dedicated to NATO Headquarters. Analysis of the options eventually leads to the formation of the NATO Intelligence Fusion Center (NIFC), located at RAF Molesworth, which achieves full operational capability in 2007. In the NIFC, 26 participating NATO partners and 3 non-NATO partners collaborate to develop a common intelligence picture. Each nation participating in the NIFC signs a memorandum of understanding (MOU) that establishes the United Kingdom as the host nation, and the United States as the framework nation. As framework nation, the United States is responsible for coordination, facilitation, and implementation of the MOU. Any changes to the MOU, such as relocating from the U.K, require renegotiation and a new agreement between all signatory nations.
<b>2004 – 2005</b>	The EUCOM JIAC intelligence mission grows as it supports ongoing military operations across Europe. The EUCOM J-2 plans to consolidate all Joint Intelligence Operations Center Europe (JIOCEUR) functions, including the JIAC, and personnel at the RAF Molesworth JIAC.
<b>2005</b>	Because of deteriorating conditions at the RAF Molesworth JIAC facilities, such as sewage backups, mold, insufficient cooling for computer systems, as well as increased personnel assignments to the JIAC which resulted in the JIAC personnel working in several facilities, EUCOM recommends consolidating the JIAC functions and personnel into better facilities at RAF Molesworth.
<b>Fall 2005</b>	EUCOM J-2 abandons its consolidation plan after determining that insufficient facilities exist to support all JIAC functions at RAF Molesworth.
<b>April 3, 2006</b>	Secretary of Defense Rumsfeld approves a Joint Intelligence Operations Center (JIOC) Execute Order directing the creation of JIOCs at all combatant commands.
<b>January 16, 2007</b>	The U.S. Air Force completes a regularly scheduled HRMA for Lajes Field. The HRMA reflects no significant change in the available suitable local rental housing market between 2003 through 2007 (313 available in 2003 and 343 available in 2007.) The on-base housing unit availability also did not significantly change between 2003 through 2007 (468 in 2003 and 452 in 2007). The next Lajes Field HRMA is scheduled to be conducted in approximately 2011.
<b>October 1, 2008</b>	AFRICOM is created. Intelligence sections of the EUCOM JIAC, previously dedicated to the Africa intelligence analysis mission, transition to AFRICOM's newly-formed J-2 at RAF Molesworth (J-2M). AFRICOM's intelligence analysis mission is located at RAF Molesworth. The remainder of AFRICOM's J-2 directorate is located alongside EUCOM's J-2 directorate, in Stuttgart, Germany.
<b>January 2009</b>	The DIA Director for Mission Support visits the JIAC facilities at RAF Molesworth and notes the potential for mission failure because of facility deficiencies, especially at the building housing the JIAC's data center.

Date	Events
<b>July 2009</b>	The EUCOM J-2 and J-4 conduct a preliminary analysis to move the JIAC from deteriorating facilities at RAF Molesworth to new facilities at RAF Alconbury. They prepare draft military construction (MILCON) documents.
<b>2010</b>	The U.S. Air Force recommends a plan to reduce (streamline) operations at Lajes Field and reduce staffing by approximately 500 U.S. military billets and civilian positions.
<b>May 2010</b>	The EUCOM JIAC Commander emphasizes to the EUCOM Commander that the facilities housing the EUCOM JIAC, the NIFC, the Regional Joint Intelligence Training Facility (RJITF), and AFRICOM's Information and Knowledge Development Directorate, all operating at RAF Molesworth, are undersized, degraded, and in need of replacement facilities. The EUCOM JIAC is the oldest of the five DoD JIACs worldwide, operating in World War II-era buildings. The facilities were originally designed to operate with 700 personnel, but due to increasing intelligence mission requirements, contain approximately 1,400 personnel.
<b>May 2010</b>	The EUCOM Commander approves the recommendation to move the EUCOM JIAC from RAF Molesworth to RAF Alconbury.
<b>July 2010</b>	The EUCOM Commander adds the movement of the JIAC from RAF Molesworth to RAF Alconbury to his Integrated Priorities List, and the EUCOM J-4 solicits Program Objective Memorandum support for the move from the Military Services.
<b>November 12, 2010</b>	The EUCOM J-4 chairs a meeting concerning the JIAC's relocation to RAF Alconbury. The EUCOM MILCON Planner and Facility Engineer provides a briefing that recommends the relocation of the JIAC to RAF Alconbury, but also suggests that other U.K. alternatives be explored. Due to budget constraints across the DoD, the EUCOM J-4 does not further explore the idea of alternative locations for the JIAC relocation until March 2011.
<b>March 2011</b>	The EUCOM MILCON Planner and Facility Engineer attends the U.S. Air Force annual MILCON Planning Board and discusses exploring alternatives to RAF Alconbury for the location of the JIAC with a U.S. Air Forces Europe (USAFE) MILCON Planner. The USAFE MILCON Planner returns to USAFE and starts to review alternatives.
<b>June 2011</b>	A USAFE Senior Program Analyst, who conducts long range planning, performs an analysis to determine the best relocation site for the JIAC. He develops a decision brief for the USAFE Commander, which provides a preliminary analysis of cost estimates for five courses of action (five locations in the U.K.) to select a site to relocate the JIAC. This preliminary analysis concludes that building new facilities at RAF Croughton is the best course of action.
<b>June – July 2011</b>	USAFE Housing decides to postpone the regularly scheduled 2011 HRMA for Lajes Field due to the instability of personnel from a proposed reduction of force, known as streamlining, at Lajes Field.

Date	Events
<b>July 11, 2011</b>	The USAFE Commander (General Welsh) recommends to the EUCOM Commander (Admiral Stavridis) that he approve relocating the JIAC to RAF Croughton. At the time, the only potential JIAC sites considered were in the U.K. and Admiral Stavridis directs his staff to broaden the consideration of the five locations in the U.K. to include other locations in Europe. This led to the development of the analysis of alternatives (AOA) study for the replacement and consolidation of JIAC assets.
<b>July 2011</b>	The DoD Joint Requirements Oversight Counsel (JROC), which assists the Chairman of the Joint Chiefs of Staff in identifying, assessing, and validating joint military requirements to meet the National Military Strategy, supported the consolidation of EUCOM and AFRICOM JIAC assets, which include the JIOCEUR, DIA’s RSC, the NIFC, the RJTF, the USD(I) BICES and AFRICOM’s J-2M.
<b>July - August 2011</b>	The EUCOM J-4 leads an AOA to select a site for consolidating and moving the EUCOM JIAC into a new JIAC. The AOA analyzes 14 sites (8 sites in the U.K., 4 sites in Germany, 1 site in Benelux, Belgium, and 1 in the United States). The AOA evaluation criteria, in order of importance, are: (1) U.S. operational requirements, (2) effect on intelligence operations (critical criterion); (3) impact on bilateral and multinational intelligence collaboration (critical criterion); (3) impact on international agreements and relationships; (4) impact on community quality of life; and (5) the results of the business case analysis. The AOA considers RAF Croughton the best location to move the JIAC. Lajes Field is not considered during the AOA as a potential location for the JIAC.
<b>December 13, 2012</b>	Due to the Budget Control Act of 2011, the DoD assesses multiple options to save operating costs across the DoD. In one initiative, Secretary of Defense Panetta announces a plan for streamlining Lajes Field. The number of personnel at Lajes Field, before streamlining, includes 620 military members, 131 DoD civilians, and approximately 1,500 DoD dependents and approximately 625 host nation support personnel. Savings from the Lajes Field streamlining process is estimated at approximately \$35 million annually.
<b>January 25, 2013</b>	Secretary Panetta directs a capacity analysis, called the European Infrastructure Consolidation (EIC), of U.S. infrastructure in Europe. Secretary Panetta states in the announcement letter that “This effort will eliminate excess capacity while ensuring our infrastructure properly supports our operational requirements and strategic commitments.” Secretary Panetta designates Frank Kendall, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]), to lead, direct, and oversee the EIC initiative and chair the EIC’s Senior Steering Group (SSG).

Date	Events
<b>February 2013</b>	A delegation from Business Executives for National Security (BENS), a private industry group that is used to identify possible economic development opportunities and strategies for mitigating the impact to the local economy from any streamlining changes, visits Lajes Field and Terceira Island. In preparation for the visit, the Lajes Field 65th Communication Squadron (CS) Commander develops a Lajes Field communications infrastructure point paper to assist the BENS group with its assessment. The paper states that there are two submarine fiber optic cables (SFOCs) serving Lajes Field – the Columbus III and the Continent Azores Madeira (CAM). The number of SFOCs serving Lajes Field will later become important because two 65 CS Commanders would later brief congressional delegations that only a single SFOC served Lajes Field.
<b>February 22, 2013</b>	Six U.S. congressional representatives from the Congressional Portuguese-American Caucus, including Representative Devin Nunes, at the time a member of the House Permanent Select Committee on Intelligence (HPSCI), write a letter to Secretary Panetta raising concerns regarding DoD’s December 13, 2012, decision to adjust the force structure at Lajes Field, and asking him to maintain the strategic capabilities at Lajes Field.
<b>February 26, 2013</b>	Frank Kendall issues guidance to the SSG members and identifies the key elements for the SSG to consider as: (1) an assessment of capacity, comparing the current facility inventory to the requirements of planned force structure and (2) determination of the military value of existing infrastructure. Mr. Kendall establishes December 1, 2013, as the milestone schedule date to deliver final recommendations to the Secretary of Defense.
<b>March 2013</b>	The Office of the Secretary of Defense (OSD) approves the consolidation of the EUCOM new JIAC as a MILCON project at RAF Croughton, based upon the August 2011 AOA to determine the best facilities. Planning and design are scheduled to occur in FY 2014, with construction in 3 phases scheduled to occur in FY 2015 through FY 2017. The new complex will include the EUCOM JIOCEUR, DIA’s RSC, the NIFC, the RJITF, the USD(I) BICES, and AFRICOM’s J-2M.
<b>May 15, 2013</b>	Eight members of Congress, including Representative Nunes and five other members of the Congressional Portuguese-American Caucus, send a letter to the Chairman and Ranking Member of the House Committee on Armed Services, encouraging the inclusion of language in the FY 2014 NDAA prohibiting a reduction in the force structure at Lajes Field until the Secretary of Defense concludes the EIC.
<b>June 14, 2013</b>	The FY 2014 NDAA is approved by the House of Representatives. Section 341 states “[t]he Secretary of Defense shall certify to the congressional defense committees, prior to taking any action to realign forces at Lajes Air Force Base, Azores, that the action is supported by a European Infrastructure Consolidation Assessment initiated by the Secretary of Defense on January 25, 2013. The certification shall include a specific assessment of the efficacy of Lajes Air Force Base, Azores, in support of the United States overseas force posture.”



Date	Events
<b>July 11, 2013</b>	Jim Miller, Under Secretary of Defense for Policy (USD[P]), sends a letter to Representative Nunes in response to the February 22, 2013, letter from him and five other Members of Congress to Secretary Panetta. Miller’s letter states that the DoD has conducted comprehensive reviews of the DoD’s global force posture, the DoD had to make difficult choices, and the planned modification at Lajes Field was a result of the DoD’s analysis. Miller’s letter also states that the U.S. Air Force plans to remain at Lajes Field even as the DoD faces significant budgetary challenges.
<b>November 2013</b>	A Program Manager in the Office of the Assistant Secretary of Defense (OASD) for Energy, Installations, and Environment provides the Senate Armed Services Committee and the House Armed Services Committee the “European Infrastructure Consolidation (EIC) Update Briefing.” In the briefing, DoD officials discuss how the EIC team used the Defense Base Realignment and Closure (BRAC) Commission’s analytical construct and applied the basing selection criteria to determine its basing recommendations to the Secretary of Defense.
<b>December 13, 2013</b>	To illustrate the reasons for the decision to construct the JIAC at RAF Croughton, as well as to obtain appropriations through the NDAA, DoD officials provide the results of the AOA to Congress in a classified report, “Report on the Joint Intelligence Complex Consolidation at RAF Croughton, United Kingdom.” According to the report, new intelligence facilities at RAF Croughton would replace the previous JIAC facilities at RAF Molesworth, and the U.S. facilities at RAF Molesworth and RAF Alconbury would then be closed, saving the DoD approximately \$74 million a year in operating costs.
<b>Early 2014 – 2015</b>	The DoD begins transitioning to unaccompanied tours for Military Service members at Lajes Field due to streamlining, and the number of Service members at Lajes Field declines further. Military Service members residing in the local community are moved into on-base housing, moving out of the off-base rental units. Post-streamline personnel numbers at Lajes Field are reduced to approximately 168 military members, 3 DoD civilians, no military dependents, and 375 host nation support personnel. Airfield operations and support services such as elementary schools, day care, dining facilities, medical clinics, recreation centers, and Fire and Police are either reduced or eliminated.
<b>2013 - 2015</b>	According to Representative Nunes, between 2013 and 2015, he has several conversations with James Townsend, Deputy Assistant Secretary of Defense for European and NATO Affairs (DASD), during which DASD Townsend assured Representative Nunes that during the EIC the DoD would consider all possibilities for Lajes Field. DASD Townsend disputed telling this to Representative Nunes.
<b>January 2015</b>	Representative Nunes becomes HPSCI Chairman.

Date	Events
<b>January 6, 2015</b>	<p>In a letter to Representative Mac Thornberry, Chairman of the House Committee on Armed Services; Representative Harold Rogers, Chairman, House Committee on Appropriations; Senator Thad Cochran, Chairman, Senate Committee on Appropriations; and Senator John McCain, Chairman, Senate Committee on Armed Services, Secretary of Defense Hagel announces the DoD’s completion of the EIC and its results. Among other decisions, the EIC confirms DoD’s AOA decision to close RAF Molesworth and RAF Alconbury, and build the JIAC at RAF Croughton. It also validates the December 2012 decision to streamline Lajes Field.</p>
<b>January 7, 2015</b>	<p>An HRMA for RAF Croughton is completed, detailing housing availability on base and in the local community. The HRMA reports that 299 housing units are available on RAF Croughton and approximately 69,364 rental units are available around RAF Croughton that are suitable to house service members and meet DoD’s housing standards. The HRMA results indicate the local rental housing community, combined with on-base housing, would support the housing needs required to house an influx of 1,200 - 1,800 personnel which would staff a JIAC.</p>
<b>January 21, 2015</b>	<p>DASD Townsend provides a briefing regarding Lajes Field to Senate and House members of the Congressional Portuguese-American Caucus. According to Chairman Nunes, DASD Townsend stated during the briefing that the DoD considered all potential opportunities for Lajes Field and that the DoD “looked at everything” for Lajes Field. Chairman Nunes also told us he asked DASD Townsend whether the DoD considered locating the JIAC at Lajes Field and DASD Townsend responded, “Yes, everything was looked at.” DASD Townsend told us that he had previously told Chairman Nunes that Lajes Field streamlining decision would be reviewed during the EIC process, but that he did not tell Chairman Nunes, his staff, or any other member of Congress, during this briefing or previously, that constructing a JIAC at Lajes Field would be considered. DASD Townsend also told us he informed Chairman Nunes that he (DASD Townsend) could not speak to any matters involving the JIAC selection criteria, because his office was not involved with intelligence matters or facilities.</p>
<b>May 9-10, 2015</b>	<p>Chairman Nunes travels to Lajes Field with a congressional delegation (CODEL). Chairman Nunes asks Lieutenant General (Lt Gen) Vincent Stewart, the DIA Director, to accompany him to survey Lajes Field as a potential site for the JIAC. Lt Gen Stewart has a prior commitment and instead sends three senior DIA logistics and infrastructure subject matter experts to accompany the CODEL. During the visit, the new 65th CS Commander briefs Chairman Nunes that there is one SFOC, the Columbus III, serving Lajes Field. This information is contrary to information included in the January 29, 2013, Lajes Field communications infrastructure point paper that was prepared for the BENS delegation, which described two SFOCs serving Lajes Field.</p>

Date	Events
<b>May 27, 2015</b>	The EUCOM Chief of Posture and Analysis Division (J-4) completes the first iteration of an internal working paper titled “Analysis of Locating Joint Intelligence Analysis Center (JIAC) at Lajes Field, PT vs. RAF Croughton, U.K.” (This document is referred to as EUCOM Document 1.) The purpose of the internal work paper is to provide cost comparison for constructing and operating a JIAC at Lajes Field versus RAF Croughton. The J-4 prepares the paper at the suggestion of EUCOM Legislative Affairs, which identifies a need for EUCOM to be better prepared for JIAC briefings to Congress. The J-4 obtains input for the work paper from communication and housing personnel within USAFE and EUCOM. In addition, DISA and DIA provide input and a cost estimate of \$400 million to construct three new SFOCs to the Azores, and for additional communications infrastructure on Lajes Field, which is included in this version of the paper on May 28, 2015 (although the date of the paper remains May 27, 2015). EUCOM Document 1 is the building block for two subsequent iterations. EUCOM Document 1 is not provided to Congress.
<b>May – July, 2015</b>	DIA and DISA communication experts research the SFOCs serving Lajes Field. They note that only the Columbus III traverses the Atlantic Ocean from the U.S. to Portugal and has a branching segment which serves the Azores. The DIA and DISA experts also create a rough order of magnitude estimate of what it could cost to bring the Lajes Field communication infrastructure up to the current standards of RAF Molesworth.
<b>June 5, 2015</b>	EUCOM Commander General Phillip Breedlove and AFRICOM Commander General David M. Rodriguez send a letter to Chairman Thornberry and Representative Adam Smith, House Armed Services Committee Ranking Member, to “reiterate our requirement for the consolidation of the U.S. European command, U.S. Africa Command, and NATO intelligence resources into the Joint Intelligence Analysis Complex (JIAC).” The letter states that the business case to locate both AFRICOM J2-M (from RAF Molesworth) and the EUCOM JIAC to RAF Croughton was validated through the EIC as the best financial and strategic course of action, and that it is imperative that the facilities be collocated with the NIFC.
<b>July 6-13, 2015</b>	A HPSCI Staff Delegation (STAFFDEL) visits EUCOM Headquarters in Stuttgart, Germany, and tours facilities at RAF Molesworth, RAF Croughton, and Lajes Field.
<b>July 8, 2015</b>	The EUCOM J-4 and the EUCOM J-4 staff briefs the HPSCI STAFFDEL about the housing, communications infrastructure, and various cost analyses conducted by EUCOM that compare RAF Croughton to Lajes Field. During the briefing the STAFFDEL notices the EUCOM J-4 referring to a briefing paper and requests a copy of the document. (We call this EUCOM Document 2.)

Date	Events
<b>July 10, 2015</b>	EUCOM Document 2 is provided to the STAFFDEL. It was drafted between June and July 2015 by the EUCOM J-4. The document is the second iteration of EUCOM JIAC Cost Analysis Document. This document states that Lajes Field does not have adequate bandwidth to support communications requirements of the JIAC. It further states that a single (SFOC) cable would be a critical vulnerability to the JIAC and a second line is needed for redundancy. It also states that the 2007 HRMA for Lajes Field indicates an inadequate supply of community (on or off base) housing. The document states there are 456 on-base housing units in various conditions of usage and the streamlining will leave the housing largely unoccupied. The document estimates that new housing (approximately 1,100 units) and whole house renovations will cost \$390 million in order to accommodate an influx of approximately 1,600 to 1,800 personnel that will staff a JIAC.
<b>July 12, 2015</b>	The newly arrived 65th CS Commander briefs the STAFFDEL about the communications capabilities at Lajes Field. The Commander briefs that a single SFOC, Columbus III, serves Lajes Field. This information was the same information briefed by the previous 65th CS to the Chairman Nunes CODEL in May 2015. However, this information is also contrary to information included in the January 29, 2013, Lajes Field communications infrastructure point paper, prepared by a previous 65th CS Commander, for the BENS delegation, which indicated that two SFOCs serve Lajes Field.
<b>July 15, 2015</b>	In response to a request from EUCOM J-4 to verify the communication capabilities for Lajes Field, DISA prepares a report titled “DISA Azores Telecommunication Feasibility Report,” dated July 15, 2015. The report states, in part, “[t]he Azores does not lend itself to being a robust or suitable telecommunications hub.” The report further states, “Only one international cable system landing in the Azores provides fiber optic cable international connectivity.” The report goes on to state, “There are no proposed or planned additional international cable systems for the Azores to improve diversity and improve the probability of telecommunications survivability.” (This report is included in the third, subsequent, iteration of the EUCOM cost analysis document, referred to as “EUCOM Document 3,” which, as discussed below, is provided to the House Committee on Armed Services in September 2015 and to HPSCI in May 2016.)
<b>July 15 - 25, 2015</b>	A whistleblower contacts HPSCI four times during this period and provides it with a copy of the 65th CS slide briefing given to the July 12, 2015, STAFFDEL. The whistleblower tells HPSCI staff that before the 65th CS Commander provided the briefing to the STAFFDEL a slide that depicted undersea cables was removed from the briefing. The employee also provides HPSCI a copy of the BENS delegation point paper from January 2013, which stated that two SFOCs serve Lajes Field, and a copy of a Portugal Telecom slide deck which depicted multiple undersea cables supporting Lajes Field.

Date	Events
<b>July 16, 2015</b>	A STAFFDEL from the House Appropriations Committee, Subcommittee for Military Construction/Veterans Affairs, visits Lajes Field to assess the current and future MILCON needs of the base. The STAFFDEL receives the communication infrastructure briefing by the 65th CS Commander for Lajes Field, which states there is one SFOC serving Lajes Field.
<b>July 20, 2015</b>	In response to EUCOM Document 2, which the EUCOM J-4 provided to the HPSCI STAFFDEL on July 10, 2015, HPSCI staff prepares a “JIAC Lajes/Croughton Comparison Infrastructure Executive Summary,” which contains HPSCI’s own analysis and cost comparisons if the JIAC was relocated to Lajes Field as opposed to RAF Croughton.
<b>July 20, 2015</b>	Representative Jason Chaffetz, Chairman, House Committee on Oversight and Government Reform (HOCR), sends a letter to Secretary of Defense Carter expressing the Committee’s concern that the Department’s plan to reassign “various NATO, EUCOM, and AFRICOM intelligence activities...to RAF Croughton was improperly conceived, and that it [the DoD] did not consider the availability of existing facilities, including those at Lajes Field.” The Committee requests the DoD to provide all documents and communications regarding the DoD’s decision to consolidate intelligence activities at RAF Croughton; all analyses regarding the DoD’s decision to reduce the U.S. Air Force presence at Lajes Field; and all internal communications with EUCOM, AFRICOM, and the U.S. Embassy in Lisbon regarding Lajes Field, RAF Molesworth, RAF Alconbury, and RAF Croughton.
<b>July 21, 2015</b>	Representatives Jim Costa and David G. Valadao send a letter to Representatives Mac Thornberry and Adam Smith, the Chairman and Ranking Member of the House Committee on Armed Services, and Senators John McCain and Jack Reed, the Chairman and Ranking Member of the Senate Armed Services Committee, stating, “DoD’s decision to create a JIAC at RAF Croughton at an estimated cost of \$317 million did not take into account major cost savings that could be realized by locating the JIAC at existing facilities such as those at Lajes Field in the Azores.”
<b>July 12 - 25, 2015</b>	The whistleblower provides HPSCI staff with a copy of the Portugal Telecom slides, which include a chart that depicts more than one SFOC serving Lajes Field. The whistleblower also provides the HPSCI staff with a copy of the complete 65th CS communication briefing provided to the HPSCI STAFFDEL when the staff visited Lajes Field on July 12, 2015. The 65th CS briefing slides include a chart that depicts one SFOC serving Lajes Field.
<b>August 6, 2015</b>	LtGen Stewart meets with Chairman Nunes to discuss the JIAC site selection of RAF Croughton versus Lajes Field. LtGen Stewart tells Chairman Nunes that an additional SFOC would need to be installed to serve Lajes Field since there is only a single SFOC serving Lajes Field. According to LtGen Stewart, he based this information on a briefing he received from his legislative affairs representative after the DIA team had returned from the CODEL visit to Lajes Field in May 2015.

Date	Events
<b>August 7, 2015</b>	The DIA Congressional Liaison provides Congress and the EUCOM Congressional Affairs Deputy Director a report titled “DIA Azores Communications Cost Estimate.” The report states, “The Azores Islands are fed by a single transoceanic Submarine Fiber Optic Cable System (SFOC) – Columbus III...” The report details DIA’s findings regarding the Lajes Field communication infrastructure, including an estimate of initial build-out costs of \$449 million to improve the infrastructure enough to support a JIAC and sustainment costs of \$32.67 million annually.
<b>August 7, 2015</b>	The President of the Regional Government of the Azores sends Chairman Nunes a letter pertaining to the availability of housing on Terceira Island (where Lajes Field is located). The President’s letter, which is supplemented by two additional letters from the Mayors of the island’s two municipalities, states “there are, at least, 1693 houses available today in the island that have the conditions to be rented or used by interested parties.”
<b>August 9, 2015</b>	A CODEL from the House Appropriations Committee visits Lajes Field to assess the base infrastructure and discuss the suitability of Lajes Field for the JIAC relocation. The CODEL receives a communications infrastructure briefing from the 65th CS Commander which states that one SFOC serves Lajes Field. The U.S. Ambassador to Portugal, Robert Sherman, accompanies the CODEL from Lisbon for the visit.
<b>August 14, 2015</b>	As a result of the EIC revalidation of streamlining Lajes Field, the 65th Air Base Wing is redesignated as the 65th Air Base Group.
<b>August 17, 2015</b>	The EUCOM Congressional Affairs Deputy Director provides the DIA assessment dated August 7, 2015, to the EUCOM J-4 Chief, Posture and Analysis Division.
<b>August 22, 2015</b>	A STAFFDEL from the Senate Armed Services Committee visits Lajes Field, focusing on the JIAC consolidation at RAF Croughton versus Lajes Field. The CODEL receives a communications infrastructure briefing from the 65th CS Commander, which states that one SFOC serves Lajes Field.
<b>August 26 – 28, 2015</b>	A House Committee on Oversight and Government Reform STAFFDEL visits Lajes Field. The 65th CS Commander briefs the STAFFDEL about the communications capabilities at Lajes Field. The Commander briefs that a single SFOC cable serves Lajes Field.
<b>August 28, 2015</b>	A Lajes Field employee informs the 65th CS Commander that the information concerning the number of SFOCs he briefed to the CODELs and STAFFDELs was not accurate. The employee tells the Commander that there is more than one SFOC serving Lajes Field. The Commander directs the employee to provide proof of his assertions.
<b>August 31, 2015</b>	The 65th CS Commander notifies the 65th Air Base Wing Political Advisor (POLAD) of the potential inaccuracy regarding the number of SFOCs serving Lajes Field. The POLAD, in turn, notifies the USAFE Chief of Legislative Affairs about the inaccurate information, who then notifies the EUCOM Chief of Legislative Affairs.

Date	Events
<p><b>September 1 – 9, 2015</b></p>	<p>The Lajes Field employee provides the 65th CS Commander with a series of charts, which the employee received from his point of contact at Portugal Telecom (PT), regarding SFOCs serving Lajes Field and the Azores. The charts show two SFOCs serving Lajes Field. The charts also include the SFOCs’ bandwidth and the upgradeable capacity to support Lajes Field communications infrastructure. The Commander forwards the charts to the POLAD who, in turn, forwards the charts to the USAFE Chief of Legislative Affairs and the EUCOM Chief of Legislative Affairs. The EUCOM Chief of Legislative Affairs requests that DISA subject matter experts review the data and provide an assessment of the SFOCs’ capability and capacity to service Lajes Field.</p>
<p><b>September 3, 2015</b></p>	<p>In response to HPSCI’s July 20, 2015, Lajes Field versus RAF Croughton analysis of cost comparison, EUCOM J-4 updates EUCOM Document 2 and creates EUCOM Document 3. EUCOM Document 3 provides greater detail on the analysis of the cost comparisons for constructing and operating the JIAC at Lajes Field versus RAF Croughton. Included in this document is the DISA report titled “DISA Azores Telecommunication Feasibility Report,” dated July 15, 2015, which states “[t]he Azores does not lend itself to being a robust or suitable telecommunications hub...Only one international cable system landing in the Azores provides fiber optic cable international connectivity...There are no proposed or planned additional international cable systems for the Azores to improve diversity and improve the probability of telecommunications survivability.”</p> <p>Also included in this document is an undated DIA report titled “DIA Azores Communications Cost Estimate,” which states, “[t]he Azores Islands are fed by a single transoceanic Submarine Fiber Optic Cable System (SFOC) – Columbus III...” The report details DIA’s findings regarding the Lajes Field communication infrastructure, including an estimate of initial build-out costs of \$449 million to improve the infrastructure enough to support a JIAC and sustainment costs of \$32.67 million annually.</p>
<p><b>September 8, 2015</b></p>	<p>Chairman Nunes sends a letter to Senator John McCain and Representative Mac Thornberry, the Chairmen of the Senate Armed Services Committee and the House Armed Services Committee, stating “DoD may have furnished Congress with erroneous and misleading information regarding basing issues within the European Theater.” Chairman Nunes writes, “I believe this information was intended to influence the outcome of the NDAA conference. The House Intelligence Committee and the House Committee on Oversight and Government Reform are both conducting on-going investigations into this matter.” Chairman Nunes writes further “Locating the planned JIAC at Lajes Field in the Azores instead of at RAF Croughton would save between \$1.1 billion and \$1.4 billion over the facility’s lifespan, including \$39 million to \$46 million in annual reoccurring savings...When defending these costly decisions, [the] DoD has provided incorrect and misleading information to Congress.” The letter also attaches a document containing highlights of HPSCI’s review of the JIAC location selection. The highlights state that there are more than 1,600 housing units available for rent in the local community surrounding Lajes Field.</p>

Date	Events
<b>September 11, 2015</b>	Chairman Nunes responds to General Breedlove and General Rodriguez's June 5, 2015, letter regarding the NIFC and writes "Locating the core EUCOM and AFRICOM JIAC functions at Lajes Field while moving the NIFC and a dedicated collaboration component to RAF Wyton provides significant savings on the U. S. taxpayer and also improves collaboration with the U.K."
<b>September 14, 2015</b>	The DoD meets with the HOGGR staff members and briefs them on, among other things, the consolidation efforts at RAF Croughton and the streamlining of operations at Lajes Field. During the meeting, a DIA representative tells the HOGGR staff members that according to DISA, there is one SFOC serving Lajes Field. A HOGGR staff member shows the DIA representative an illustration that depicts two SFOCs serving Lajes Field.
<b>September 14, 2015</b>	The EUCOM Chief of Legislative Affairs forwards the Portugal Telecom slide deck sent to him by the United States Air Force (USAF) Chief of Legislative Affairs, which depicts two SFOCs serving Lajes Field to the Office of the Assistant Secretary of Defense for Legislative Affairs. The EUCOM Chief of Legislative Affairs requests that the information be forwarded to DISA to incorporate the information into any analysis DISA prepared.
<b>September 21, 2015</b>	DISA prepares an estimate of the cost to construct three new SFOCs from Lajes Field to: (1) New York, (2) Miami, and (3) the U.K, which it believes would be required if the JIAC was moved to Lajes Field. The rough order of magnitude cost estimate for the three new cables is approximately \$387 million, with an additional \$211 million required to sustain the cables for 25 years.
<b>September 30, 2015</b>	In response to HOGGR's July 20, 2015, and September 14, 2015, requests for information, the Assistant Secretary of Defense for Legislative Affairs sends HOGGR several documents and briefings. Among the documents and briefings forwarded to HOGGR, he provides a copy of the Portugal Telecom slide deck that depicts two SFOCs serving Lajes Field.
<b>November 16, 2015</b>	The EUCOM Chief of Legislative Affairs sends a response to HPSCI staff which answers various Requests for Information (RFI) that HPSCI staff made during the July 2015 STAFFDEL as well as additional HPSCI questions raised in late August 2015. The response includes notification that EUCOM was made aware of a second SFOC serving Lajes Field. This is the first instance that the DoD stated to HPSCI that two SFOCs serve Lajes Field. The EUCOM Chief of Legislative Affairs also informs HPSCI staff that DISA is evaluating the capability, cost, and necessary approvals required for the DoD to use non-dedicated, commercially owned and operated [transoceanic] SFOCs (Columbus III and Atlantis II) if the JIAC was relocated to Lajes Field. In addition, EUCOM provides the HPSCI staff with a copy of the 2007 HRMA detailing the housing assessment for Lajes Field and the 2010 HRMA for RAF Croughton detailing the housing assessment for RAF Croughton; EUCOM's estimated cost savings to build the JIAC at RAF Croughton; and information on the number of support personnel at RAF Molesworth and RAF Alconbury.



Date	Events
<b>March 18, 2016</b>	Deputy Secretary of Defense Robert Work sends memorandums to Chairman John McCain, Chairman of the Senate Committee on Armed Services; Chairman Mac Thornberry, Chairman of the House Armed Services Committee; Senator Thad Cochran, Chairman, Senate Committee on Appropriations; Representative Harold Rogers, Chairman, House Committee on Appropriations; Senator Richard Burr, Chairman, Senate Select Committee on Intelligence; and Chairman Nunes responding to requirements in the FY 2016 NDAA and the DoD Appropriations Act. Deputy Secretary Work certifies that he determined, based on an analysis of U.S. operational requirements, that RAF Croughton remains the optimal location for the EUCOM JIAC; that Lajes Field is not an optimal location for the JIAC; and that barring any significant changes to operational mission requirements there is no military need to relocate mission activities to Lajes Field.
<b>March 21, 2016</b>	Deputy Secretary Work and Director of National Intelligence James Clapper meet with Chairman Nunes, Chairman Thornberry, and Chairman Rodney Frelinghuysen (Chairman of the House Appropriations Committee) to discuss Deputy Secretary Work’s certification that RAF Croughton remained the optimal location for construction of the JIAC. Chairman Nunes states that he believes the DoD provided false information to Congress regarding communication infrastructure, housing capabilities, and cost analysis used in the DoD’s comparison between RAF Croughton and Lajes Field. During the meeting, Deputy Secretary Work provides Chairman Nunes the July 15, 2015, report “DISA Azores Telecommunication Feasibility Report,” which depicts one transoceanic cable serving the Azores. HPSCI staff later notes that the document also contains some information copied from Wikipedia that depicts one SFOC, the Columbus III, serving Lajes Field.
<b>March 26, 2016</b>	Chairman Nunes is told by a former Lajes Field housing official that in 2013 DoD personnel began destroying Lajes Field off-base housing records that were maintained at the Lajes Field Housing Office. HPSCI staff later allege that they believe the records destruction is “obstruction” because without the records an accurate count of the number of available local rental housing could not be made.
<b>March 31 – April 1, 2016</b>	Deputy Secretary Work travels to Lajes Field and RAF Croughton because he was alarmed by the representations from Chairman Nunes during their March 21, 2016, meeting about Lajes Field and RAF Croughton. Deputy Secretary Work wants to see what Lajes Field looks like and the condition of the housing, which was an important point for Chairman Nunes. Deputy Secretary Work also travels to RAF Alconbury and RAF Molesworth to see the conditions of the current JIAC facilities and then travels to RAF Croughton to assess the potential JIAC location.
<b>April 2016</b>	DISA updates its September 2015 cost estimate for the construction of three new SFOCs from Lajes Field with one to the U.S. and two to Europe, resulting in a decrease of construction costs to \$288.7 million and an annual sustainment cost of \$6.8 million.

Date	Events
<b>April 27, 2016</b>	The DoD OIG receives a letter from Chairman Nunes and several other committee chairs requesting an investigation “into the allegations that inaccurate or misleading information was intentionally conveyed to Congress in connection with the selection of RAF Croughton, United Kingdom, as the location for a Joint Intelligence Analysis Complex (JIAC).”
<b>May 2016</b>	DISA prepares a briefing titled “JIAC Communications Infrastructure Requirements” to provide to Chairman Nunes. The briefing details technical requirements for a JIAC to be placed at RAF Croughton or Lajes Field, communications capabilities at Lajes Field and RAF Croughton, and the estimated cost to provide communications infrastructure to support a JIAC at Lajes Field versus RAF Croughton. This briefing is later revised in September 2016 to further detail the communication infrastructure currently in place at Lajes Field, as well as the capacity of the SFOCs in the Azores.
<b>May 2016</b>	The Regional Government of the Azores sends HPSCI a report on the quality and availability of housing in the local community around Lajes Field on Terceira Island. The report states that there are at least 1,693 houses available to be used or rented, and includes photographs of many houses available for rent.
<b>May 10, 2016</b>	DoD’s Cost Assessment and Program Evaluation (CAPE) completes an assessment, directed by Deputy Secretary Work, of the cost comparisons created by DoD and HPSCI regarding the potential placement of the JIAC at either RAF Croughton or Lajes Field. CAPE analysts conclude that locating the JIAC at Lajes Field would increase the one-time costs by \$1.1 billion and increase the reoccurring costs by \$6 million per year than if the JIAC was located at RAF Croughton.
<b>May 13, 2016</b>	The EUCOM Deputy Commander approves release of EUCOM Document 3, dated September 3, 2015, to HPSCI. This document contains the “DISA Azores Telecommunication Feasibility Report,” dated July 15, 2015, which depicts a single SFOC serving Lajes Field.
<b>May 23, 2016</b>	The DoD OIG initiates an investigation into the congressional allegations.
<b>August – September 2016</b>	DISA conducts a Critical Landing Station (CLS) Assessment at Lajes Field, which examines the locations where the SFOCs (Azores Fiber Optic System [AFOS], Columbus III and CAM) come out of the Atlantic Ocean and connect at the CLSs on the Azorean Islands of Terceira and Sao Miguel. During the CLS assessment, DoD officials coordinate with Portugal Telecom representatives and verify that there are two transoceanic SFOCs serving the Azores – the Columbus III and the CAM – as well as the AFOS, which connects communications amongst the islands in the Azores.

Date	Events
<b>August 2016 – January 2017</b>	Tressa Guenov, Acting Assistant Secretary of Defense for Legislative Affairs, sends a series of letters to Chairman Nunes, dated August 30, 2016, September 16, 2016, September 28, 2016, October 14, 2016, January 5, 2017, and January 18, 2017, responding to Chairman Nunes’ requests for information, documents, and access to DoD personnel pertaining the congressional review of the decision to locate the JIAC at RAF Croughton.
<b>September 7, 2016</b>	Chairman Nunes writes to Secretary of Defense Carter that he remains concerned that the DoD’s plan to release funding for Phase II of the JIAC project at RAF Croughton, asserting that the DoD is relying on “substandard analysis and faulty data regarding the infrastructure supporting Lajes Field, Portugal, and the lack of documented requirements for the JIAC.”
<b>September 2016</b>	DISA updates its May 2016 briefing titled “JIAC Communications Infrastructure Requirements” to provide to Chairman Nunes to further detail the communication infrastructure currently in place at Lajes Field, as well as the capacity of the SFOCs in the Azores.
<b>September 30, 2016</b>	GAO issues report GAO-16-853, which assesses the DoD’s AOA process. (Discussed in Section III, Background of this report)
<b>November 3, 2016</b>	GAO issues report GAO-17-29, which assesses military construction estimates. (Discussed in Section III, Background of this report)
<b>November 14, 2016</b>	The DISA Director and the DoD Chief Information Officer (CIO) brief HPSCI staff on the communication capabilities of Lajes Field and RAF Croughton. The DISA Director states that even with knowledge that two SFOCs (Columbus III and CAM) serving Lajes Field, the communications infrastructure at Lajes Field still does not meet the redundancy requirement required by a JIAC.
<b>November 15, 2016</b>	The DoD CIO, the DISA Director, and the DIA CIO testify at a HPSCI Committee hearing. Their testimony relates to JIAC communications requirements.
<b>November 17, 2016</b>	At a HPSCI hearing on the Intelligence Community’s support for the DoD Deputy Secretary Work testifies about DoD’s certification that RAF Croughton remains the best site for the location of the JIAC.
<b>January 5, 2017</b>	The U.S. Air Force relinquishes responsibility for now vacant buildings at Lajes Field to the government of Portugal, including about half of the available military family housing units, an elementary school, the youth center, a medical clinic and dental clinic, a dining hall, radio station building, as well as other smaller buildings.
<b>March 17, 2017</b>	Chairman Nunes writes Secretary of Defense Mattis that HPSCI has strong reservations regarding the U.S. military’s drawdown at Lajes Field, Portugal, and the DoD’s plans to establish a JIAC at RAF Croughton in the United Kingdom.”

## V. INVESTIGATION OF ALLEGATIONS

As noted previously, our investigation focused on four issues, principally raised by Chairman Nunes, regarding the cost analysis conducted by the DoD, decisions made during the EIC, the DoD’s communication requirements for the JIAC at Lajes Field, and the housing availability at Lajes Field. Specifically, these four allegations were that:

1. The DoD provided inaccurate and misleading cost estimates to Congress in the DoD’s analysis of locating the JIAC at Lajes Field instead of RAF Croughton, in an effort to make locating the JIAC at RAF Croughton appear to be a better business case than locating it at Lajes Field.
2. Despite repeated assurances to Congress from a senior DoD official that during its European Infrastructure Consolidation (EIC), it would reassess (a) RAF Croughton as the site selection for the JIAC and (b) Lajes Field would be considered as a possible location for the JIAC, but that the EIC did not do either.
3. The DoD provided inaccurate information to Congress about the communication infrastructure at Lajes Field.
4. The DoD based its housing analysis for Lajes Field on an outdated study.

The following sections address each of these issues in turn.

### A. RAF Croughton and Lajes Field Cost Comparisons

In this section we examine three main issues. First, we analyze the various cost comparisons conducted by EUCOM, HPSCI, and the DoD’s Cost Assessment and Program Evaluation (CAPE). We assess the assumptions and methodologies of the analyses and whether the information included in those comparisons was accurate. We also developed our own cost comparisons, based on our review of the various cost comparisons and other information we obtained during our investigative interviews and review of documents, which we believe presents the most accurate cost comparison and the most cost-efficient method for meeting the JIAC’s requirements.

#### 1. Analysis of Cost Comparisons for Locating the JIAC at RAF Croughton or Lajes Field

HPSCI alleged that inaccurate and misleading information was contained in the cost comparisons completed by EUCOM and CAPE, who assessed the costs of building the JIAC at either RAF Croughton or at Lajes Field. Specifically, HPSCI expressed concern that these cost comparisons:

- did not address the lower cost of living at Lajes Field when compared to RAF Croughton in its analysis;

- incorrectly assumed that operational efficiencies already identified and being implemented at Lajes Field would be negated if the JIAC was located at Lajes Field; and
- relied on faulty information relating to the communications infrastructure at Lajes Field and the number of existing houses available for rent near Lajes Field.

We therefore first conducted an analysis of the cost comparisons prepared by the DoD to determine if they contained inaccurate and misleading information. We concluded that the DoD cost comparisons generally contained accurate information based on the assumptions of the personnel completing the assessments. However, DoD personnel initially relied on inaccurate information related to the number of submarine fiber optic cables (SFOCs) serving Lajes Field and lost design funds already spent, and the DoD had a minor mathematical error related to the housing sustainment costs, which affected its cost comparisons.

We also concluded that the methods and assumptions contained in the DoD cost comparisons were not always based on the most cost-efficient way to obtain the required support for the JIAC. Additionally, we determined that the analysis that the DoD conducted regarding the JIAC location lacked certain cost factors that would have enabled DoD leadership and Congress to more accurately assess the impact that potentially locating the JIAC at Lajes Field would have on the DoD's operating costs.

We determined that the EUCOM, HPSCI, and CAPE cost comparisons were prepared using differing assumptions and methodologies to calculate the costs, which resulted in significant differences in the estimated costs to build the JIAC at Lajes Field versus RAF Croughton. In addition, our analysis indicated that the DoD may have overstated the cost differences between RAF Croughton and Lajes Field. However, we concluded that the inaccuracies in the DoD cost comparisons would not have impacted the DoD's assessment that RAF Croughton was the preferred location for the JIAC.

In short, while our cost comparison analysis indicated that the DoD may have overstated the cost differences between RAF Croughton and Lajes Field, we determined, like the DoD's assessment, that because of the significantly greater initial costs of moving the JIAC to Lajes Field, and the relatively close annual operating costs at both locations, it would take many years before the higher initial cost to move to Lajes Field would be offset by lower annual operating costs there. Based on our comparisons, we concluded it would take 97 years before the higher initial costs to move to Lajes Field would be offset by lower annual costs there. As a result, we agree with the DoD's decision that RAF Croughton presented a better business case – based on cost comparisons – for the JIAC location.

The following sections provide details of this analysis and conclusions regarding the cost comparisons completed by EUCOM, HPSCI, and CAPE. Specifically, these sections discuss:

- the results of the various cost comparisons by EUCOM, HPSCI, and CAPE and whether the results were presented to Congress;
- an assessment of the assumptions within each cost comparison that resulted in significant differences in the conclusions of EUCOM, HPSCI, and CAPE;
- our assessment on the accuracy of the EUCOM and CAPE cost comparisons;
- our independent cost comparison of the cost differences between RAF Croughton and Lajes Field.

**a. Six Cost Comparisons for Locating the JIAC at RAF Croughton or Lajes Field**

Based on requirements in the National Defense Authorization Act (NDAA) and congressional concerns, the DoD and HPSCI prepared five separate cost comparisons of RAF Croughton and Lajes Field between May 27, 2015, and April 2016: three by the EUCOM J-4, one by CAPE, and one by HPSCI. We also constructed a cost comparison.

***1. EUCOM Document 1***

On May 27, 2015, the EUCOM J-4 NATO Programs Director completed an assessment that concluded that constructing the JIAC and necessary support at Lajes Field would cost about \$1.1 billion more than it would at RAF Croughton and that the JIAC would cost about \$43 million per year more to operate at Lajes Field. The EUCOM J-4 NATO Programs Director told us that the analysis was initiated at the request of the EUCOM Congressional Affairs Office to conduct a “quick comparison cost estimate” to support the Secretary of Defense’s certification, required by Section 2310(a) of the FY 2016 NDAA, that RAF Croughton remained the optimal location for the JIAC. The results were published in a May 27, 2015, document titled “Analysis of Locating Joint Intelligence Analysis Center (JIAC) at Lajes Field, [Portugal] [versus] RAF Croughton, [United Kingdom],” referred to as “EUCOM Document 1.” EUCOM Document 1 was a comparison of the Military Construction (MILCON) cost estimates for a JIAC at RAF Croughton and MILCON cost estimates for a JIAC at Lajes Field.

In completing this cost comparison, the EUCOM J-4 NATO Programs Director told us that he used cost estimates and outputs from the European Infrastructure Consolidation (EIC) and Analysis of Alternatives (AOA). He further stated that the communications costs for Lajes Field were provided by DIA through the EUCOM J-2, and that information pertaining to housing costs was provided by United States Air Forces in Europe (USAFE).

We determined that the information contained in EUCOM Document 1 was not directly provided to Congress; therefore, we did not assess the information and calculations within this document for accuracy. We relied on information in this document only when it clarified or explained the methods and calculations in subsequent cost comparisons because the current EUCOM J-4 Chief, Posture and Analysis Division, stated that he used this document as a basis for his cost comparisons.

## **2. *EUCOM Document 2***

EUCOM refined the May 27, 2015, assessment in a document that was the second iteration of the EUCOM cost assessment. This second document was used to brief a HPSCI STAFFDEL during a videoconference call on July 8, 2015, about the housing, communications infrastructure, and cost analysis conducted by EUCOM relating to locating the JIAC at RAF Croughton rather than Lajes Field. HPSCI asked for this document, which we call EUCOM Document 2, and it was provided to the STAFFDEL on July 10, 2015.

EUCOM Document 2 concluded that constructing the JIAC and necessary support at Lajes Field would cost about \$1.14 billion more than at RAF Croughton, and that the JIAC would cost about \$43 million per year more to operate at Lajes Field than at RAF Croughton. The EUCOM J-4 Chief told us that he relied on the May 27, 2015, analysis as the basis for his cost comparison but that he refined the information to reflect updates that he received from DoD components that supported the initial analysis. According to the EUCOM J-4 Chief, EUCOM Document 2 was intended to be supplemental documentation for the briefers and was not a properly vetted document that was intended to be provided to HPSCI, which it subsequently was provided to HPSCI on July 10, 2015.

We analyzed EUCOM Document 2 to determine if it presented inaccurate or misleading information to congressional staff. The results of this analysis are discussed in section 2.a, “Assessment of EUCOM Document 2” below.

## **3. *HPSCI Cost Comparison***

In response to the EUCOM Document 2 cost analysis, on July 20, 2015, HPSCI completed a cost comparison which contained its own analysis and cost comparisons if the JIAC was constructed at Lajes Field as opposed to RAF Croughton. The HPSCI comparison concluded that constructing the JIAC and necessary support at Lajes Field would cost about \$410 million more than at RAF Croughton, but that the JIAC would cost about \$35 million per year less to operate at Lajes Field. HPSCI analysis projected approximately a \$500 million savings to the DoD over a 33-year life cycle of the JIAC facilities if the JIAC were constructed at Lajes Field. HPSCI calculated the cost savings based on lower cost of living and housing rates at Lajes Field.

By contrast, EUCOM Documents 1 and 2 calculated operating costs based on the reversal of the Lajes Field streamlining efficiencies. As noted in the introduction to this report, the streamlining of Lajes Field reduced the mission, and the support functions

necessary to support the mission, such as airfield operations, dining facilities, childcare centers, and schools as well as the personnel associated with those functions. By discussing costs in this manner, EUCOM was not assessing the operating costs of the JIAC at either RAF Croughton or Lajes Field. Instead EUCOM considered the effect of efficiencies lost by the reversal of streamlining at Lajes Field.

The EUCOM cost comparisons assumed that streamlining would need be fully reversed and that the support functions returned to its original state if the JIAC was located at Lajes Field. HPSCI, by contrast, assumed that only a partial reversal of the streamlining would be necessary if the JIAC was located at Lajes Field, and that only some extra support would be needed.

We assessed the HPSCI overall cost comparisons to determine if the analysis presented information that conflicted with DoD cost comparisons. We also assessed whether the HPSCI cost comparison presented methods which could reasonably be implemented by the DoD that would result in more efficient ways to support the JIAC at Lajes Field than those calculated by the EUCOM. We also determined if the savings of operating the JIAC at Lajes Field presented by the HPSCI analysis met the needs of the JIAC, or if the more costly solutions presented by the EUCOM or CAPE analysis would be required.<sup>41</sup>

#### **4. *EUCOM Document 3***

On September 3, 2015, EUCOM updated its cost comparison based on the HPSCI cost comparison. In this updated document (EUCOM Document 3), EUCOM concluded that constructing the JIAC and necessary support at Lajes Field would cost about \$1.3 billion more than at RAF Croughton, and that the JIAC would cost about \$7.09 million per year less to operate at Lajes Field than at RAF Croughton.

According to the EUCOM J-4 Chief, Posture and Analysis Division, in developing this analysis he first assessed long-term operational cost differences between RAF Croughton and Lajes Field. The Chief told us that he included this information in his analysis to create an equivalent cost comparison to the HPSCI analysis and not as an assessment of the life-cycle costs of the JIAC over an extended period. He also noted that EUCOM had conducted previous analyses as comparisons between two MILCON projects, and not an assessment of the life-cycle costs of the JIAC over an extended period.

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<sup>41</sup> In a September 8, 2015, letter to the Chairmen of Senate Committee on Armed Services and the House Committee on Armed Services, Chairman Nunes updated the HPSCI cost comparison information. Chairman Nunes stated that the HPSCI analysis estimated that between \$1.1 and \$1.4 billion could be saved over the facility's lifespan by locating the JIAC at Lajes Field. We were not able to use this letter as a basis for our analysis of the HPSCI cost comparison because it did not contain sufficient details on the assumptions and calculations used by HPSCI. However, we identified information in this letter that elaborated on the HPSCI assumptions related to the housing near Lajes Field, and we considered that information as part of our assessment of the housing costs required to locate the JIAC at Lajes Field.



EUCOM Document 3 was originally provided to several committees of Congress in September 2015, and specifically to HPSCI in May 2016. We also analyzed this document to determine if it contained inaccurate or misleading information. The results of our analysis and cost comparison are discussed in section 2.b, “Assessment of EUCOM Document 3” below.

### **5. CAPE Cost Comparison**

At the direction of the Deputy Secretary of Defense, CAPE performed an independent assessment of the EUCOM and HPSCI cost analyses in March and April 2016. CAPE personnel told us they had about a 2-week deadline to complete their analysis of cost estimates between EUCOM’s July 10, 2015, EUCOM Document 2 and HPSCI’s July 20, 2015, analysis document. CAPE assessed the comparison of initial and annual operating costs to locate the JIAC at RAF Croughton and Lajes Field.

On May 10, 2016, CAPE presented the results of its cost comparison to HPSCI. CAPE concluded that relocating the JIAC to Lajes Field would cost \$1.07 billion more than at RAF Croughton and would cost \$6 million more per year to operate at Lajes Field than at RAF Croughton. CAPE relied on the data presented within EUCOM Document 3 and HPSCI cost comparison reports to assess the different assumptions used by EUCOM and HPSCI. CAPE also developed its own calculations for costs that it believed were applicable to an assessment of the cost differences at RAF Croughton and Lajes Field, which were not included in the previous EUCOM and HPSCI analyses.

We analyzed the CAPE assessment to determine whether inaccurate or misleading information was provided to Congress in this assessment. We also assessed the methodologies and calculations used in CAPE’s assessment to determine if its approach presented a more cost-efficient method to obtain the required JIAC support than the approach identified within either the EUCOM or HPSCI comparisons. We also assessed whether the additional costs identified by CAPE should be included in our cost comparisons to more accurately reflect the cost impact of relocating the JIAC to Lajes Field. The results of our analysis related to the CAPE cost comparison are discussed below.

### **6. DoD OIG Cost Comparison**

Finally, we conducted our own comparisons of the cost of locating the JIAC at RAF Croughton or Lajes Field. We relied on knowledge gained from the interviews conducted during our investigation and on documentation obtained from DoD, congressional, and public sources. We also reviewed the assumptions, methodologies, and calculations included in cost comparisons completed by EUCOM, HPSCI, and CAPE to determine if they were logical and justifiable. Our analysis presents an independent assessment of the cost comparisons between RAF Croughton and Lajes Field. We developed our cost comparison using information that would have been readily available to EUCOM and HPSCI during the July 2015 timeframe.

## 2. Assessment of Cost Comparison Assumptions

In general, we found significant differences in the assumptions used by EUCOM, HPSCI, and CAPE in the respective cost assessments, and these differences affected the cost comparisons. For example, EUCOM completed EUCOM Documents 2 and 3 based on the assumption that the benefits of the streamlining efforts at Lajes Field would have to be completely reversed if Lajes Field needed to support the JIAC and personnel. This assumption resulted in assuming a larger population of people would be necessary at Lajes Field than projected in the other cost comparisons. EUCOM’s assumption of a higher population resulted in a need for additional housing, more robust support facilities, and increased sustainment costs that were higher than the estimates in the other comparisons.

By contrast, HPSCI assumed that much of the existing infrastructure at Lajes Field would be able to support the JIAC there; therefore, HPSCI calculated that less construction of new facilities, SFOCs, and housing would be required to support the JIAC and additional personnel at Lajes Field. CAPE also assumed that a required increase in logistical flights to service Lajes Field would have a significant impact on the reoccurring costs to support the JIAC at Lajes Field, and CAPE calculated those costs within its analysis.

Table 2 summarizes what we identified as the most significant differences in the assumptions of the EUCOM, HPSCI, and CAPE cost comparisons. We discuss these assumptions and how they affected the calculated costs in section 3, “Comparison of EUCOM Document 3, HPSCI, and CAPE Analysis,” below.

**Table 2. Underlying Assumptions of Cost Comparisons if the JIAC Moved to Lajes Field**

	EUCOM Document 2 July 10, 2015	EUCOM Document 3 September 3, 2015	HPSCI July 20, 2015	CAPE May 10, 2016
Total U.S. Population at Lajes Field (not including dependents)	Not discussed	168 existing +1200 JIAC mission +330 JIAC support +583 for reversal of streamlining  <b><u>2281 total personnel</u></b>	168 existing +1250 JIAC mission <u>+500 JIAC support</u>  <b><u>1918 total personnel</u></b>	168 existing +1200 JIAC mission <u>500 JIAC support</u>  <b><u>1868 total personnel</u></b>
Lajes Field Streamlining Efficiencies	\$35 million annually in identified efficiencies are fully lost.	Streamlining efficiencies are fully lost, but did not include a summary cost. Lost efficiencies were discussed in various sections of the analysis.	\$35 million in annual savings is retained, but JIAC support costs include 170 more personnel than assumed by EUCOM.	\$35 million in annual savings is retained, but JIAC support costs include 170 more personnel than assumed by EUCOM.

	EUCOM Document 2 July 10, 2015	EUCOM Document 3 September 3, 2015	HPSCI July 20, 2015	CAPE May 10, 2016
Existing Infrastructure at Lajes Field	Unable to support the JIAC mission, new construction required. Most support facilities need expanded.	Unable to support the JIAC mission, new construction required. Most support facilities need expanded.	Able to be repurposed to meet the JIAC mission, substantial savings for JIAC construction identified. Some support facilities need expanded.	Unable to support the JIAC mission, new construction required. Most support facilities need expanded.
Existing Housing Capabilities	456 units available on base. Approximately 1100 new homes needed to support JIAC at Lajes Field.	456 units available on base. Rental market remains near levels stated in the 2007 HRMA (225 suitable units). Accounted for slight expansion to 325 units suitable for DoD use based on HPSCI report.	550 units available on base. Rental market is expanded to 500 units available for JIAC personnel (based on input from local authorities and interviews with Lajes Field housing personnel).	550 units available on base. Agreed with expanded rental market assessment identified in EUCOM Document 3. Included costs for an additional 200-unit dormitory.
Existing Communication Capabilities	Relied on DIA assessment that existing infrastructure could not be used. Assumed 3 new cables would be required.	Relied on DIA assessment that existing infrastructure could not be used. Assumed 3 new cables would be required.	Assumed existing cables could be upgraded and that one new cable would be required.	Relied on DIA assessment of existing infrastructure and a September 2015 DISA estimate for 3 cables.
Delay to Shift Project From RAF Croughton	3 years	3 years	1 year	4 years

	EUCOM Document 2 July 10, 2015	EUCOM Document 3 September 3, 2015	HPSCI July 20, 2015	CAPE May 10, 2016
Reoccurring Costs	Not assessed	Assessed in response to HPSCI report. Concluded that reoccurring savings at Lajes Field were not enough to offset increased initial costs. Used published personnel allowance rates.	Identified significant reoccurring savings at Lajes Field, such as housing and cost of living allowances, that would offset the increased construction costs over the 33-year life cycle of the facility. Adjusted published housing allowance rate based on interviews with Lajes Field housing personnel.	Determined that the DoD would incur additional costs at Lajes Field that were not assessed by HPSCI or EUCOM. Concluded that JIAC would be more expensive to operate at Lajes Field than RAF Croughton. Used published personnel allowance rates.

Unlike a standard MILCON project where specific criteria exist, the cost comparisons completed by EUCOM, HPSCI, and CAPE included many other factors not traditionally included in a MILCON project, such as acquiring SFOCs and assessing reoccurring costs to operate the facility. Therefore, EUCOM, CAPE, and HPSCI used their own assumptions of what should also be included in the cost comparisons for the JIAC.

The EUCOM J-4 Chief stated that EUCOM attempted to remove any subjectivity from its analysis in Documents 2 and 3. In general, EUCOM relied on published studies and historical information to complete its cost comparisons. When rates or reports were not available, it relied on subject matter experts, such as network engineers, JIAC component commanding officers, and housing officials, to estimate costs.

HPSCI attempted to adjust these historical figures based on interviews and analyses of what it believed were most accurate at the time of its cost comparison. CAPE used the tools and processes developed by the DoD during past base realignment decisions, such as the Office of the Deputy Under Secretary of Defense for Installation and Environment Business Case Analysis Tool, to develop its cost comparison, but it also added costs it believed would reflect the true costs of operating the JIAC.

We concluded that each cost comparison contained some inaccurate information or did not always use the best data to calculate costs. For example, as discussed in more detail below, EUCOM Documents 2 and 3 both contained inaccurate information regarding the

number of SFOCs servicing the Azores. EUCOM Documents 2 and 3 based its estimates on the belief that there was only 1 SFOC landing at the Azores that could service Lajes Field, when as discussed below, there were two. Additionally, EUCOM relied on the Defense Intelligence Agency (DIA) Rough-Order-of-Magnitude (ROM) estimate to determine the costs involved with installing adequate SFOCs to support the JIAC, but EUCOM did not coordinate the estimate with Defense Information Systems Agency (DISA). As a result, EUCOM reported a higher cost for necessary communications cables based on the information from DIA, rather than the lower cost that DISA later estimated after it became more involved in calculating the costs to add SFOCs to support the JIAC at Lajes Field.

We also determined that the omission of overseas cost of living allowance (COLA)<sup>42</sup> and Overseas Housing Allowance (OHA) in EUCOM Document 2 did not adequately depict the overall annual costs of operating the JIAC at both RAF Croughton and Lajes Field.

The following sections provide more detail regarding what we considered to be inaccurate or omitted information in each cost comparison.

***a. Assessment of EUCOM Document 2***

We identified the following four areas where information included in EUCOM Document 2 was inaccurate or omitted from the analysis concerning the costs of operating the JIAC.

- The omission of COLA and OHA costs in EUCOM Document 2 did not provide an accurate depiction of the reoccurring costs of the JIAC at either RAF Croughton or Lajes Field.<sup>43</sup>
- Information on the incorrect number of SFOCs servicing the Azores. As noted in the Chronology above, in many instances before September 2015, documents and briefings represented that only one SFOC served the Azores. In November 2015, EUCOM Congressional Affairs first notified Congress that, in fact, two SFOCs serviced the Azores. We discuss this issue in detail in the communications section below.
- The cost for obtaining three new cables to service Lajes Field was calculated by DIA instead of DISA. We discuss the circumstances relating to the estimate being prepared by DIA instead of DISA in the communications section below. We determined that DISA has expertise that allows it to better assess and estimate costs of SFOCs than DIA.

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<sup>42</sup> OHA and COLA are paid to DoD personnel to offset the higher costs of living overseas and are based on the duty station of the personnel. As the rates fluctuate, the reoccurring costs of operating the JIAC would also fluctuate.

<sup>43</sup> EUCOM addressed this omission by including an analysis of COLA and OHA costs in EUCOM Document 3.

- The methodology for the calculations concerning how EUCOM determined the number and costs of three new SFOCs and newly constructed houses at Lajes Field was not sufficiently discussed within EUCOM Document 2. Instead, EUCOM concluded that almost \$800 million was needed for the SFOCs and housing at Lajes Field, with little justification on why it was necessary.<sup>44</sup>

We analyzed how these areas affected the cost comparisons contained in EUCOM Document 2. The EUCOM J-4 Chief, Posture and Analysis Division, stated that he did not include COLA and OHA rates in EUCOM Document 2 because he was completing the document as a comparison between two MILCON projects and did not want to speculate on long-term costs of the project.

EUCOM Document 2 stated that \$400 million was needed for 3 new SFOCs and \$390 million was needed to build about 1,100 houses and renovate existing houses at Lajes Field. However, the document did not provide sufficient details to assess how the number of new houses was determined or the accuracy of the costs. By adding these details into EUCOM Document 2, EUCOM could have better explained the need for the SFOCs and housing at Lajes Field and the substantial costs the DoD would incur to obtain this support. EUCOM Document 3 provided more details for these calculations. However, as noted earlier, EUCOM originally prepared EUCOM Document 2 as a supplemental document to use during a briefing and not directly for congressional use.

***b. Assessment of EUCOM Document 3***

By creating EUCOM Document 3, EUCOM addressed two of the deficiencies in EUCOM Document 2; however, other deficiencies were not addressed.

Specifically, EUCOM addressed the omission of COLA and OHA costs by including reoccurring costs as part of the analysis and including an adequate narrative to support the methodologies and calculations used throughout the cost comparison. Yet, the deficiencies remained regarding the incorrect number of SFOCs and costs calculated by DIA rather than DISA.

In addition, we could not determine how the DoD calculated \$25 million as lost savings if the JIAC was located at Lajes Field, which related to a design cost-sharing agreement with the U.K. The DoD has an agreement with the U.K. to share the design costs of the JIAC if it was relocated at RAF Croughton; however, DoD was unable to provide adequate documentation for us to verify that \$25 million would be lost if the JIAC were instead located at Lajes Field. We agree that some cost-share savings would be lost if the JIAC was not located in the U.K., but the \$25 million could not be adequately supported by the DoD personnel we interviewed.

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<sup>44</sup> EUCOM addressed this deficiency by including details of the assumptions and methodologies used for the calculations in EUCOM Document 3.

We also found a minor mathematical computation error in the analysis of housing sustainment costs at RAF Croughton, which resulted in an understatement of reoccurring operating costs at RAF Croughton of \$17,000 per year.

We determined that these last two inaccuracies did not significantly impact the EUCOM cost comparisons. In its cost comparison, HPSCI concurred that \$20 million of the \$25 million in lost design costs was valid, and we also used \$20 million in our cost comparison. The additional \$5 million added less than 1 year to the calculated project payback in the EUCOM cost comparison and the \$17,000 increase in reoccurring costs at RAF Croughton because of the mathematical error had no material effect on the calculations.<sup>45</sup>

As noted above, we developed our own cost comparisons, based on our review of the various cost comparisons and other information we obtained during our investigative interviews and review of documents, which we believe is the most accurate comparison and most cost-efficient method for meeting the JIAC's requirements. We concluded that more cost-efficient methods of obtaining the personnel, communications, and housing necessary to support the JIAC were included in cost comparisons completed by CAPE and HPSCI, than by EUCOM. We therefore used those assumptions in our analysis. The details regarding our assumptions and methods we used present the most cost-efficient methods to meet the JIAC requirements are discussed in the one-time and reoccurring cost later in this section.

*c. Assessment of CAPE Cost Comparison*

We determined that the CAPE cost assessment was generally accurate, with the exception of its reliance on the number of existing military family housing (MFH) units at Lajes Field than was reported in the HPSCI cost comparison. CAPE personnel stated that the objective of their efforts was to assess the EUCOM and HPSCI cost comparisons before the Deputy Secretary of Defense's visit to Lajes Field. EUCOM had reported that 456 units existed at Lajes Field, and HPSCI reported that the figure was 550 units. Based on documentation we reviewed, we concluded that the more accurate number was 456 MFH units.<sup>46</sup> Through conversations with HPSCI staff members, we determined that its 550 figure was based on an interpretation of a statement made during a visit to Lajes Field. HPSCI staff members subsequently concurred with us that the accurate figure was 456 MFH units. However, the CAPE analysis was completed based on 550 MFH units used by HPSCI.

Similar to our assessment of the EUCOM comparisons, while information in the CAPE analysis was generally accurate, we do not agree that all CAPE assumptions presented the most cost-efficient methods for obtaining the required support to operate the JIAC in either RAF Croughton or Lajes Field. Conversely, we determined that some of the costs included within the CAPE analysis more accurately reflected the costs that the DoD would

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<sup>45</sup> Project payback is a calculation of how long it would take to recoup the initial costs of the project considering any savings that result from lower annual operating expenses of the project.

<sup>46</sup> According to the 65th Civil Engineering Squadron's records, 456 units existed at Lajes Field in June 2015.

incur at Lajes Field than those determined by EUCOM or HPSCI. For example, we concluded that CAPE accurately represented the savings from maximizing the use of dorms in its analysis and correctly identified that communication cable sustainment costs should be included in the analysis.

### **3. Comparison of EUCOM Document 3, HPSCI, and CAPE Analysis**

We conducted our own, overall cost analysis of the EUCOM, HPSCI, and CAPE cost comparisons. Each completed a cost comparison of the one-time costs to construct, and the reoccurring costs to operate the JIAC at both RAF Croughton and Lajes Field. HPSCI completed its cost comparison, including the reoccurring costs, in July 2015. In September 2015, EUCOM issued EUCOM Document 3, a refinement of EUCOM Document 2, which included a reoccurring cost comparison similar to the HPSCI comparison. CAPE conducted an independent analysis in April 2016 comparing the EUCOM and HPSCI analyses.

We started with EUCOM Document 3 for our cost analysis in this investigation because it contained the most updated cost information and included the most details on EUCOM's assumptions and methodologies for its calculations.

EUCOM calculated that the increased costs of relocating the JIAC and necessary supporting facilities to Lajes Field instead of RAF Croughton would be about \$1.3 billion, but the annual operating costs of the JIAC would be about \$7 million less at Lajes Field than at RAF Croughton. EUCOM engineers also calculated that the projected payback period from moving the JIAC to Lajes Field instead of RAF Croughton would be over 100 years.

HPSCI calculated that the increased costs to move to Lajes Field would be about \$410 million and annual operating costs would decrease by about \$35 million, providing a project payback of less than 12 years.

CAPE projected that the increased costs to move to Lajes Field would be almost \$1.1 billion and annual operating costs would be \$6 million more at Lajes Field than at RAF Croughton; therefore, a project payback of the increased initial investment for locating the JIAC at Lajes Field instead of RAF Croughton would never occur.

We calculated that a relocation to Lajes Field would cost an additional \$821.6 million more than a move to RAF Croughton and would result in an annual savings of about \$8.4 million per year, providing a project payback of over 97 years.

The total one-time and reoccurring costs associated with locating the JIAC at RAF Croughton and Lajes Field, as calculated by EUCOM, HPSCI, CAPE, and the DoD OIG are depicted in Table 3.



**Table 3. One-Time and Reoccurring Costs Associated With the JIAC Relocation, as Calculated by EUCOM, HPSCI, CAPE, and DoD OIG<sup>1</sup>**

Type of Cost	EUCOM		HPSCI		CAPE		DoD OIG	
	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field
One-time cost	\$357	\$1,657.5	\$404.1	\$817.4	\$356	\$1,427	\$359	\$ 1,180.6
Annual cost <sup>2</sup>	68.3	61.2	83.4 <sup>3</sup>	48	53	59	73.3	64.9
Payback period for Lajes Field <sup>4</sup>	183.4 years		11.7 years		Never		97.5 years	

<sup>1</sup> Costs expressed in millions rounded to 1/10th of a million.

<sup>2</sup> Annual costs discussed within the cost comparisons are not the full costs to operate the JIAC. The cost comparisons only addressed the costs that were location-dependent, such as COLA and OHA allowances, or costs that would be incurred at one location and not the other. The cost comparisons did not include costs that would be the same regardless of location, such as base salaries for employees or supplies and equipment to perform the JIAC's mission.

<sup>3</sup> EUCOM identified an apparent mathematical error in the HPSCI calculation for the annual costs at each location. The information in Table 3 reflects the adjustment in EUCOM Document 3.

<sup>4</sup> For consistency, we calculated the payback period for each comparison by taking the difference in costs to move to Lajes Field instead of RAF Croughton, divided by the difference in annual costs at Lajes Field instead of RAF Croughton. EUCOM and HPSCI used different methods to calculate the payback period within their respective cost comparison. In the CAPE cost comparison, the calculated annual costs at Lajes Field are higher; therefore, CAPE did not discuss a payback period. Our calculation of the payback period reflects minor adjustments for rounding.

We discuss in more detail the specifics of our analysis in the following sections, and how we compared the assumptions in the EUCOM and HPSCI cost comparisons. Generally, we do not specifically discuss the assumptions of CAPE because it decided to use either the EUCOM or HPSCI analysis for its calculations. However, we include the results of the CAPE analysis for comparison purposes. We only included discussion of the CAPE assumptions when required for clarification, to address costs that were unique to the CAPE analysis, or when necessary to explain our own cost comparison.

#### **a. Comparison of One-Time Cost to Relocate the JIAC**

EUCOM calculated that the one-time costs to locate the JIAC at Lajes Field would be approximately \$1.65 billion. HPSCI calculated that locating the JIAC at Lajes Field would cost approximately \$817 million. HPSCI also calculated that locating the JIAC at RAF Croughton would cost about \$50 million more than estimated by EUCOM. The difference between the EUCOM and HPSCI one-time costs was approximately \$887 million. EUCOM and HPSCI significantly disagreed in many areas, some of which include:

- the initial construction costs of the JIAC buildings,
- the cost to obtain communication capabilities to support the JIAC,

- the cost to provide housing to authorized JIAC personnel, and
- the lost savings of closing RAF Alconbury and RAF Molesworth because of the delay in shifting the project to Lajes Field.

Table 4 summarizes the one-time costs calculated by EUCOM (in EUCOM Document 3) (September 2015), HPSCI (July 2015), and CAPE (April 2016). In addition, Table 4 summarizes the one-time costs calculated by the DoD OIG using only information that would have been available in July 2015, when the HPSCI analysis was completed.

**Table 4. One-Time Costs for Locating the JIAC at RAF Croughton Verses Lajes Field, as Calculated by EUCOM, HPSCI, CAPE, and DoD OIG<sup>1</sup>**

Cost	EUCOM		HPSCI		CAPE		DoD OIG	
	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field
JIAC Project <sup>2</sup>	\$240	\$364.2	\$240	\$265.3	\$240	\$372	\$240	\$341
Communications	21	449	21	150	21	408	21	297.7
Housing	5	390.5	7	238.1	7	188	7	147.5
Opportunity costs <sup>3</sup>	0	342.9	0	94	0	312	0	286.9
Other costs not originally included in the DoD analysis <sup>4</sup>	91	110.9	136.1	70	88	147	91	107.5
<b>Total</b>	<b>\$357</b>	<b>\$1,657.5</b>	<b>\$404.1</b>	<b>\$817.4</b>	<b>\$356</b>	<b>\$1,427</b>	<b>\$359</b>	<b>\$1180.6</b>

<sup>1</sup> Costs expressed in millions rounded to 1/10th of a million.

<sup>2</sup> “JIAC Project” refers to the cost to build the JIAC facilities that would directly support the mission, such as the offices, warehouses, and data centers.

<sup>3</sup> Opportunity costs refer to the savings the DoD would forfeit by delaying the closure of RAF Molesworth and RAF Alconbury and relocating the JIAC to Lajes Field.

<sup>4</sup> Other costs are defined as costs not included in EUCOM Document 1 or Document 2. HPSCI first calculated some of these costs in its cost comparison, and additional costs were addressed in the EUCOM analysis after the inclusion by HPSCI. These costs consist of a main gate project at RAF Croughton, schools at both locations, and additional support facilities that EUCOM did not include in EUCOM Document 1 or Document 2. CAPE also added costs for land acquisition and increased supply flights to Lajes Field in its analysis.

### **1. Project Costs**

EUCOM and HPSCI disagreed on the method to calculate the difference in construction costs of RAF Croughton and Lajes Field. HPSCI calculated costs using existing buildings at Lajes Field. EUCOM disagreed that existing structures could be reused for the JIAC because the JIAC would require additional secure facilities, and EUCOM concluded that new construction would be required. EUCOM calculated the JIAC project costs by adjusting the costs at RAF Croughton using DoD standard planning factors and then projecting that cost to Lajes Field. JIAC project costs also included estimates for either constructing or expanding support facilities, such as a post office, fitness center, and commissary, at both RAF Croughton and Lajes Field.

Both EUCOM and HPSCI calculated that the cost for the JIAC facility at RAF Croughton would be \$240 million. This amount was in line with the MILCON planning documents that were prepared for the JIAC at RAF Croughton. This amount covered costs necessary to build the facilities that would allow the JIAC to perform its essential mission, not costs that would be needed to support JIAC personnel.

However, EUCOM and HPSCI did not agree on multiple elements of the cost comparison for the JIAC facilities. With regard to these costs, EUCOM used the costs for RAF Croughton and adjusted them for Lajes Field using the Area Cost Factors (ACFs) published in May 2015. These ACFs are used by the DoD to estimate labor rates and material costs for MILCON at installations throughout the world.

EUCOM also assumed that ongoing streamlining efforts at Lajes Field would need to be fully reversed, increasing the number of personnel assigned to Lajes Field that were not directly supporting the JIAC. EUCOM also assumed that an existing warehouse at Lajes Field would not meet the needs of the JIAC and that new construction would be required.

HPSCI did not use a published ACF and, instead, considered the changes in the exchange rates between the U.S. dollar and the euro to calculate the difference in MILCON costs between RAF Croughton and Lajes Field. HPSCI also concluded that the streamlining would not need to be fully reversed, thus retaining operational efficiencies and reducing the number of support personnel needed to support a JIAC at Lajes Field. Additionally, HPSCI concluded that a warehouse could be repurposed for the JIAC at Lajes Field rather than having to construct a new building there.

EUCOM and HPSCI also disagreed on the extent of lost funds that the DoD would incur because of a cost-sharing agreement related to design costs between the United States and the U.K. that would apply to a JIAC at RAF Croughton but would not be applicable to the JIAC at Lajes Field.

We agree with EUCOM that published ACFs should be used for the project costs comparison. While a change in the exchange rate may affect the costs, revising the ACFs solely based on the exchange rate would not accurately reflect construction costs because the ACFs involve more elements, such as labor rates and material costs, than exchange rates.<sup>47</sup> Therefore, we agree with EUCOM's use of the published ACFs for calculating the JIAC project costs.

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<sup>47</sup> The Area Cost Factor for Lajes Field published in ACF, change 9 (May 2016) was incorrect. DoD officials identified and corrected this error by issuing ACF, change 10 later that month.

Although HPSCI identified cost savings related to repurposing buildings in its report, EUCOM stated that repurposing the existing buildings at Lajes Field was not sufficient to meet the needs of the JIAC's requirements. For example, a DIA facilities manager stated that the existing warehouse that HPSCI proposed could be repurposed was not large enough to support the entire JIAC. Instead, he stated multiple buildings would be needed to house the elements of the JIAC, which would hinder collaboration.

Additionally, the DIA facilities manager stated that the warehouse did not have the necessary features and equipment to ensure the safety of the personnel and DoD assets that would be contained in the warehouse. The existing warehouse would also require major renovations to ensure that it met the security standards required by this type of facility. Based on these statements, we used the costs calculated by EUCOM for new facilities in our analysis.

Locating the JIAC at Lajes Field would also increase demands for support services there. To account for this increased demand, EUCOM assumed a full reversal of streamlining, which required adding about 400 more personnel (not including dependents) to the Lajes Field population than projected by HPSCI. HPSCI accounted for this increased need for support services by adding 250 more personnel to the total number of JIAC support personnel at Lajes Field than would be needed if the JIAC was located at RAF Croughton. We agree with HPSCI's assumption that the streamlining efficiencies would not have to be fully reversed in the cost comparison.

EUCOM did not indicate that the basic mission at Lajes Field would increase in any manner other than the additional support for the JIAC. Therefore, we believe that the costs would be more accurately considered support specific to the JIAC and not related to other missions on Lajes Field.

We agree with HPSCI analysis that no major improvements to the fitness center would be needed. EUCOM estimated that \$18.2 million would be needed for a new fitness center to support the increased population. E-mail communications between the 65th Civil Engineering Squadron and USAFE were forwarded to EUCOM about how the current fitness center at Lajes Field "feels oversized" and that the fitness center manager believed the fitness center could support a population size of 2,000 in the current configuration. The 65th Civil Engineering Squadron noted that the size of the fitness center was smaller than Air Force Manual 32-1084, "Facility Requirements," size standards for an installation with a population of 2,000. EUCOM calculated renovation and expansion costs for the fitness center in its analysis, based on the sizes noted in Air Force Manual 32-1084 and the Unified Facilities

Criteria Program.<sup>48</sup> However, evidence exists that the current fitness center could support the projected JIAC population at Lajes Field; therefore, we concluded that the cost to increase the size of the fitness center should be removed from this analysis.

We agree with statements made by DoD personnel that current construction designs for JIAC facilities at RAF Croughton, and the cost related to those designs, would be lost if the JIAC was relocated to Lajes Field. Design costs are separate line items on each of the MILCON planning documents for the three phases of the JIAC. The DoD has an agreement with the U.K. to share the design costs of the JIAC if it was relocated to RAF Croughton; however the DoD was unable to provide adequate documentation for us to verify that \$25 million would be lost if the JIAC were instead located at Lajes Field. We agree that some cost-share savings would be lost if the JIAC was not located in the U.K., but the \$25 million could not be adequately supported by the DoD personnel we interviewed. Therefore, we accepted the lower HPSCI figure of \$20 million to cover all design-related costs identified in the MILCON planning documents and the other costs related to design not included in those MILCON planning documents.

By adjusting the EUCOM and HPSCI figures using what we concluded the most cost-efficient way to meet the JIAC project requirements at Lajes Field, we calculated the MILCON costs to be \$341 million, as shown in Table 5. The amount we calculated falls between HPSCI and EUCOM estimates, but is closer to the cost projected by EUCOM.

**Table 5. EUCOM, HPSCI, and the DoD OIG Calculated MILCON Costs for Relocating the JIAC to Lajes Field (in millions)**

Project*	EUCOM	HPSCI	DoD OIG
EUCOM JAC/Warehouse	\$99	\$78.8	\$99
Data Center # 1	41	34.5	41
U.S. AFRICOM	50	42.1	50
NIFC	31	25.5	31
Dorm	38	10	38
Child Development Center / Post Office	5	3.8	5
Data Center # 2	11	8.9	11
Regional Joint Intel Training Facility	26	21.7	26
Commissary	20	20	20
Fitness Center	18.2	0	0
Loss of funds from U.K. design cost-share	25	20	20
<b>Total</b>	<b>\$364.2</b>	<b>\$265.3</b>	<b>\$341</b>

\* CAPE did not separate specific JIAC MILCON costs by building in its cost estimate. However, CAPE added a 200-person dormitory at Lajes Field to support unaccompanied personnel raising the CAPE MILCON estimate for Lajes Field to \$372 million.

<sup>48</sup> The Unified Facilities Criteria Program allows for flexibilities considering budget constraints and controlling cost while providing adequate support. Facilities Criteria, "Air Force Fitness Centers," FC 4-470-02F, establishes standards for fitness centers based on the population of Air Force Installations.

## 2. *Communications Costs*

EUCOM and HPSCI disagreed on the costs required to obtain adequate communication capabilities at Lajes Field to support the JIAC. EUCOM concluded that the existing cables and infrastructure near Lajes Field could not support the JIAC and that three new cables would be needed, at a cost of \$449 million. EUCOM estimated the cost of the three new required SFOCs in EUCOM Document 2 to be \$400 million, and increased that estimate in EUCOM Document 3 to \$449 million. By contrast, HPSCI projected that the JIAC communication requirements could be met by installing one new cable at a cost of \$100 million, while other improvements to the existing communication infrastructure could be made at a cost of \$50 million, for a total of \$150 million.

As noted in the chronology, and as discussed in detail in the communications section below, for several months EUCOM had inaccurately reported that there was only one international cable system landing in the Azores to provide fiber optic cable international connectivity, when in fact we concluded that two such cables landed in the Azores. This inaccurate information was included in all three EUCOM cost comparisons.

After EUCOM Document 3 was issued, EUCOM recognized that two SFOCs rather than one landed in the Azores and reported this information to Congress in November 2015.

However, even when it was recognized that more than one SFOC serviced the Azores, DIA and DISA concluded the current communication infrastructure at Lajes Field could not support the communication requirements of the JIAC and that the communication needs for a JIAC at Lajes Field could only be fulfilled by additional new cables.<sup>49</sup> DIA reported to EUCOM that the DoD would need to install three cables from Lajes Field to sites in Portugal, the U.K., and the United States. DIA used historical costs from a similar project to calculate that it would cost \$449 million for adequate communication cables at Lajes Field. DIA costs also included about \$50 million for the installation of additional cable landing stations, surveys, and permits. EUCOM included the DIA calculated cost information and a DISA assessment of the communication capabilities near Lajes Field as appendixes in EUCOM Document 3.

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<sup>49</sup> DISA indicated in briefing slides dated May 2016 that bandwidth speeds, redundancy, assured access, and high availability could not be met with the existing cables in the Azores. This briefing correctly depicts the cables around Lajes Field. This briefing was also provided to the GAO in June 2016. The DISA Director stated that DISA prepared the slides to brief Chairman Nunes on the communications at Lajes Field.

We obtained documentation that indicated similar statements from this briefing were provided to EUCOM on July 29, 2015, between the issuance of EUCOM Documents 2 and 3. The July 29, 2015, document stated that the existing infrastructure was unable to support any portion of the JIAC's needs, but did not include costs to obtain the support. We did not independently assess the capabilities of the existing infrastructure as part of our investigation.

Subsequent to EUCOM conducting the RAF Croughton and Lajes Field cost comparisons, DISA provided input on the cable costs. DISA initially calculated the costs for running a cable from Lajes Field to the U.K. and two SFOCs from Lajes Field to the United States to meet the JIAC's needs. DISA's initial scenario resulted in a cost of approximately \$400 million. DISA later revised the calculations to reflect three SFOCs from Lajes Field to the same locations identified in the DIA analysis, resulting in revised estimated costs of about \$290 million. As part of this estimate, DISA estimated that a single SFOC from Lajes Field to the United States would cost \$141 million.

By contrast, HPSCI calculated the cost of communications for a JIAC at Lajes Field under the assumption that only one additional cable needed to be built. HPSCI obtained a rough order of magnitude (ROM) from private industry for a single cable from Lajes Field to the United States for \$100 million to support its cost estimates for obtaining cable communications capabilities. The ROM noted that the cost was non-binding and based on an un-engineered route. HPSCI also noted that the ability to leverage existing cables around Lajes Field was part of its analysis, and they therefore only identified the costs to build one cable into the analysis.

EUCOM and HPSCI both calculated that the communication costs for the JIAC at RAF Croughton would be \$21 million; therefore, we used the \$21 million for our calculations.

We calculated the one-time communication cable improvements costs at Lajes Field to be approximately \$298 million. We also calculated the costs for three unique communication routes that DISA determined are required for the JIAC to ensure consistent communication capabilities. Therefore, our analysis includes the \$100 million ROM obtained by HPSCI for the SFOC from Lajes Field to the United States. However, the HPSCI estimate would not meet the full communication requirements for the JIAC at Lajes Field because it did not meet the redundant cable requirements of the JIAC.

DISA determined that three unique cable routes are required from either the U.S. or Europe to the Azores, each fully capable of supporting the JIAC bandwidth needs without assistance from the other two cables. This three-cable requirement exists so that the JIAC can continue to operate during cable outages caused by breakage or scheduled maintenance. We agree with this redundancy requirement because of the importance of the JIAC mission. However, we also agree that HPSCI calculated a cost-efficient method to obtain a Lajes Field-to-United States cable. We therefore supplemented HPSCI's estimate with the costs required for two additional SFOCs to Europe. We also included the DIA estimated costs for additional cable landing stations, surveys, and permits so that the JIAC communication requirements would be met.

We also agree with HPSCI that a more detailed assessment of the existing infrastructure and exploration of partnership opportunities with industry to upgrade existing equipment could reduce the potential costs for communication infrastructure to Lajes Field. Specifically, costs could be reduced by entering partnerships to upgrade existing infrastructure rather than building new SFOCs to support the JIAC. However, we did not include these cost savings in our analysis because no assurance exists that industry would collaborate or desire to complete these partnership opportunities.<sup>50</sup>

Finally, we believe that EUCOM should have obtained cost estimates from DISA on SFOCs and related infrastructure before providing its cost estimate to Congress. EUCOM should have better coordinated an assessment of the current communication capabilities and costs to support a JIAC before reporting the information to Congress. DIA and DISA personnel we interviewed also stated that DISA was the more appropriate DoD component to assess SFOC capabilities and calculate SFOC costs.

Table 6 contains a breakdown of what we concluded would be the costs of new cables, using a combination of HPSCI, DISA, and DIA estimates.

**Table 6. DoD OIG Calculation of Communication Cable Costs\***

Item	Source	Cost
Cable from Lajes Field to U.S.	HPSCI ROM	\$100
Cable from Lajes Field to Portugal	DISA ROM	56.7
Cable from Lajes Field to U.K.	DISA ROM	70
DISA hub	DISA ROM	21
Additional cable landing stations	DIA ROM	20
Upgrades to existing land cables	DIA ROM	20
Surveys and permits	DIA ROM	10
<b>Total</b>		<b>\$297.7</b>

\* Costs expressed in millions rounded to 1/10th of a million.

<sup>50</sup> In written comments we received from Chairman Nunes in response to a draft of this report, as well as in comments from a subsequent meeting with HPSCI staff members, the Committee requested that the DoD OIG conduct an additional investigation of these potential cost-saving opportunities, including the upgrade of existing equipment and a new cable, the MAREA cable, currently being installed and activated from the United States to Spain by Facebook and Microsoft. In our investigation, we did not assess the potential savings of such upgrades or a new cable, and we do not believe we should conduct an additional investigation now. The responsibility for such a review, and the expertise to conduct it, resides within the DoD, in particular, DISA, not the DoD OIG. It is also not certain that the new cable would be available for lease by the DoD. Additionally, the scope of this DoD OIG investigation was to assess DoD's past actions to determine whether the DoD had made any intentional inaccuracies in their assessments and communications to Congress, and to examine whether the DoD's assumptions and methodologies in its previous analysis were reasonable. It is well beyond the scope of the allegations, or the scope of our already extensive investigation, to assess ongoing and future technical developments in communications capabilities. Therefore, we believe that, if such an assessment of ongoing or new communications systems is requested or required, DISA or others within the DoD are the appropriate entities to conduct such a review.



### 3. *Housing Costs*

EUCOM and HPSCI disagreed on the costs required to obtain sufficient housing for JIAC personnel at or around Lajes Field. Calculating these costs is dependent on assumptions about several factors, including the total population of Lajes Field, the number of personnel needed to support the JIAC, the ability to use dorms for housing, the number of houses that already exist on-base, and the number of rental units in the local area that could house Lajes Field personnel.

Table 7 illustrates the differences in assumptions relating to the housing costs in the EUCOM, HPSCI, CAPE, and DoD OIG cost comparisons. We compare and analyze these different cost comparisons in the following section.

**Table 7. Housing Requirements, Existing Inventory, and Shortfall Comparison**

	EUCOM	HPSCI	CAPE	DoD OIG
Total Lajes Field Population Eligible for Housing (MFH or Dorms) <sup>1</sup>	2281	1918	1868	1868
Total Existing On-base Units	456	550 <sup>2</sup>	550	456
Total Existing in Local Area <sup>3</sup>	325	500	325	479
Total Dorms Occupied	249	200	517	517
Shortfall <sup>4</sup>	1,251 (including 220 dorms)	668	476 (including 91 unaccompanied civilians)	416 (including 91 unaccompanied civilians)
New MFH Units in Cost Calculation	1,000 <sup>5</sup>	668 <sup>6</sup>	385	325
New MFH Costs <sup>7</sup>	\$360 million	\$230.5 million	\$138.6 million	\$117 million

<sup>1</sup> EUCOM assumed fully reversed streamlining, resulting in a larger population at Lajes Field than calculated by the other three groups.

<sup>2</sup> HPSCI staff later stated that the 550 existing units was an error and that the actual number was 450, but did not conduct an updated cost comparison. CAPE also relied on this information.

<sup>3</sup> EUCOM and CAPE used the 2007 HRMA number and added 100 new units to reflect larger market. HPSCI projected based on discussions with the Lajes Field Housing Office and Portuguese officials and believed the number could be as high as 1,000 units. The DoD OIG used information from December 2012 provided by Lajes Field Housing Office personnel showing that they were tracking 479 rental units near Lajes Field.

<sup>4</sup> EUCOM did not address the cost related to the 220 dorm shortfall in EUCOM Document 3. CAPE and the DoD OIG assumed building dorms to meet the projected level of all unaccompanied personnel except 91 civilians renting small apartments near Lajes Field.

<sup>5</sup> EUCOM projected a shortfall of 1,031 MFH units, but only included costs for 1,000 new units in EUCOM Document 3.

<sup>6</sup> Chairman Nunes' September 8, 2015, letter regarding the savings at Lajes Field states that the rental market near Lajes Field can support the JIAC and that no additional housing would be required, thus, eliminating the need for the 668 houses in the July HPSCI cost comparison.

<sup>7</sup> All cost comparisons used a cost of \$345,000 per unit for new construction. EUCOM, CAPE, and DoD OIG added \$15,000 per unit to account for community costs such as establishing water, sewer, and electrical services.

EUCOM and HPSCI both concluded that an adequate rental market exists to cover the additional housing needs for RAF Croughton. The only one-time cost for housing requirements would be for renovations of existing military family housing (MFH) units. HPSCI assessed that 116 units would need renovated at a cost of \$60,000 per unit or about \$7 million. We used that assessment.

EUCOM assumed that streamlining at Lajes Field would be fully reversed. Consequently, that reversal would result in a greater requirement for housing than estimated in other cost comparisons. EUCOM calculated that 2,281 personnel would require some form of housing at Lajes Field. EUCOM used numbers from the 2007 HRMA for Lajes Field to conclude that 456 MFH units were available on base and that the rental market would need to provide an additional 325 units after a 100-unit expansion from the 2007 HRMA. After accounting for the use of the existing dorm and the one dorm that was already planned as part of the JIAC project, EUCOM predicted that 1,000 MFH units would need to be constructed at Lajes Field at a cost of \$360 million. EUCOM also estimated that \$30.5 million was needed to renovate the existing MFH at Lajes Field.

HPSCI calculated that 1,918 personnel would require some form of housing at Lajes Field. This number was lower than EUCOM's estimate because it assumed that the streamlining efficiencies would be retained. HPSCI assessed the housing market around Lajes Field as it was in 2015. HPSCI also received input from Lajes Field Housing Office personnel and local government officials, and HPSCI calculated that 550 MFH units were at Lajes Field and that 500 units would be obtained through the rental market. HPSCI also stated that its assumption of 500 rental units could increase significantly, depending on further analysis. After accounting for the use of the existing and planned dorms, HPSCI determined that 668 MFH units would need to be constructed, at a cost of \$230.5 million, to support JIAC personnel at Lajes Field. HPSCI also estimated that only \$8 million was needed to renovate the existing MFH units at Lajes Field.

CAPE calculated that 1,868 personnel would require some form of housing at Lajes Field. CAPE also assumed that the streamlining efficiencies would be retained, but also concluded that 50 less personnel would be required for the JIAC than estimated by HPSCI. CAPE relied on the HPSCI figure of 550 MFH units at Lajes Field for its analysis. CAPE relied on the EUCOM analysis for the number of rental units that would be available to support the JIAC. CAPE also determined that building a second dorm in addition to the one that was already planned as part of the JIAC project would result in fewer houses being required at Lajes Field. CAPE estimated the additional dorm would cost \$28 million. CAPE calculated that 385 MFH units would be needed at a cost of \$138.6 million. CAPE also concluded that \$49 million was also needed to renovate the existing MFH units at Lajes Field. CAPE assumed that the DoD would need to acquire land at a cost of \$15 million to build the additional houses.

We developed our own cost comparison, using portions of the EUCOM, HPSCI, and CAPE comparisons. We reached our own determination of the size of the rental market near Lajes Field. We accepted HPSCI's assumption that streamlining efficiencies could be retained and the CAPE assumption regarding the number of support personnel needed to support the JIAC at Lajes Field. As a result, we calculated that 1,868 personnel would require housing at or around Lajes Field. We concluded that the EUCOM assessment that 456 MFH units were available at Lajes Field was accurate based on our review of documents and interviews of USAFE housing personnel.<sup>51</sup>

For off-base housing, we estimated there were 479 available rental units, based on Lajes Field housing records from December 2012 that we obtained. These records showed that 316 units were rented at that time, and 163 more units were vacant but still being tracked by Lajes Field housing personnel. Subsequent data indicated that fewer units were being tracked by Lajes Field housing personnel, because the need for rental housing near Lajes Field was reduced through streamlining, not necessarily because a different number of rental units were available near Lajes Field.

We also agree with the CAPE conclusion that an additional dorm would need to be built, and we included \$28 million in the other costs sections of our analysis for this dorm. In total, we concluded that 325 MFH units would be needed at a cost of \$117 million.

We agreed with the EUCOM estimate of \$30.5 million to renovate the existing MFH units at Lajes Field.

We eliminated the cost that CAPE projected for land acquisition required for new MFH units. We obtained evidence from EUCOM documentation indicating that the land use could be granted by the Portuguese government and would not represent an added expense to the DoD.

As a result, we determined that \$7 million in one-time costs would be needed for housing if the JIAC was located at RAF Croughton and \$147.5 million would be needed for housing at Lajes Field. Table 8 summarizes the one-time housing costs at Lajes Field as estimated by EUCOM, HPSCI, CAPE, and the DoD OIG.

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<sup>51</sup> Interviews of HPSCI personnel revealed that they mistakenly added 100 extra MFH units based upon their notes from a July 2015 visit to Lajes Field and that they agreed with the EUCOM MFH figure of 456 MFH units.

**Table 8. EUCOM, HPSCI, CAPE, and DoD OIG Calculated One-Time Housing Costs\***

Cost	EUCOM		HPSCI		CAPE		DoD OIG	
	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field
New Construction	NA	\$ 360	NA	\$ 230.5	NA	\$ 139	NA	\$ 117
Renovations	\$ 5	30.5	\$ 7	7.6	\$ 7	49	\$7	30.5
<b>Total</b>	<b>5</b>	<b>390.5</b>	<b>7</b>	<b>238.1</b>	<b>7</b>	<b>188</b>	<b>7</b>	<b>147.5</b>

\* Costs expressed in millions rounded to 1/10th of a million.

Although HPSCI concluded in its analysis that 668 units were required at Lajes Field, HPSCI also noted that more rental units might be available. HPSCI subsequently concluded that there would be no need to build additional housing at Lajes Field. Because we could not determine with certainty the number of rental units near Lajes Field, we conducted additional analysis on both the EUCOM data and our data, based on HPSCI's assumption of a sufficient rental market near Lajes Field. The results of those additional calculations are discussed below.

HPSCI estimated that 500 rental units were available near Lajes Field based on discussions with Lajes Field housing officials. Based on information provided by local officials, it stated that, pending additional analysis, as many as 1,693 rental units could be available. HPSCI did not update its July 2015 analysis based on the determination that the additional units were available. However, the Chairman's letter dated September 8, 2015, stated that additional housing was not required at Lajes Field. HPSCI originally projected that 668 MFH units were required at a cost of \$230.5 million in its July 20 cost comparison.

As discussed later in the housing section, we interviewed several officials with knowledge of the rental market near Lajes Field. The size of the market near Lajes Field has not been officially assessed since the completion of the 2007 HRMA. These officials estimated that the number of rental units available near Lajes Field in the 2012 to 2015 timeframe ranged from about 100 to 500 units. These estimates were more in line with the HRMA (469 units in total and 229 available for DoD use) than the number estimated by HPSCI (1,693). However, we were not provided sufficient evidence to support any those estimates.

Therefore, we also constructed alternate cost comparisons using information from a HPSCI letter in September 2015 that 1,693 units were available off-base to rent, which would result in no need to construct additional housing at Lajes Field. However, HPSCI did not use the 1,693 available off-base units figure in its July 2015 cost comparison; rather it used 500 units but stated that it was investigating the amount of available off-base housing at Lajes Field, and subsequently, in August 2015, the Portuguese government provided information to HPSCI that 1,693 units were available near Lajes Field.

By revising the assumptions to reflect that 1,693 rental units were available around Lajes Field, we calculated a cost comparison by no longer assuming that any additional housing would need to be built at Lajes Field to support the JIAC.

We therefore recalculated the EUCOM and DoD OIG cost comparisons based on accepting the determination that 1,693 rental units were available near Lajes Field.<sup>52</sup> This recalculation was based on EUCOM not needing to build additional on-base units because the existing on-base housing plus the 1,693 off-base rental units would completely satisfy the requirement for housing. Therefore, under the assumption that there were 1,693 available off-base houses, we took out the costs of construction for new housing on base from our one-time cost calculation.<sup>53</sup> However, this assumption increased the amount of annual costs that would be necessary to locate the JIAC at Lajes Field, because the additional personnel housed off base would require additional OHA payments. In other words, this recalculation shifts some costs from one-time costs (constructing new houses) to reoccurring costs (increasing the OHA required for personnel obtaining off-base housing).<sup>54</sup>

The net effect of these adjustments in the EUCOM cost comparison was that \$360 million in one-time costs at Lajes Field would be saved by not having to construct 1,000 new houses, but the annual costs at Lajes Field would increase by \$13.4 million. In this scenario, the higher one-time cost to relocate the JIAC to Lajes Field would never be offset, because the reoccurring costs at Lajes Field would be \$6.2 million more than at RAF Croughton.

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<sup>52</sup> The original CAPE analysis resulted in reoccurring costs at Lajes Field being higher than RAF Croughton.

Therefore we did not do the alternative analysis for the CAPE cost comparison assuming that 1,693 rental units were available because this analysis would have further increased the reoccurring costs at Lajes Field.

<sup>53</sup> DoD Manual 4165.63-M states for overseas locations, using off-base housing rather than MFH is encouraged but not mandatory. Following this manual for our cost comparison would have resulted in 456 houses sitting vacant at Lajes Field and 456 more personnel receiving OHA than necessary, raising the annual reoccurring costs for the JIAC. Therefore, we assumed that the available on-base housing would be used first, and then the remaining personnel would be housed in the available off-base housing.

<sup>54</sup> In comments we received from Chairman Nunes in response to a draft of this report, as well as in a subsequent meeting with HPSCI staff members, the Committee pointed to what it considered an inconsistency in DoD housing policies. The Committee asserted that DoD policy requires the DoD to rely on the private sector as the primary source of housing for DoD personnel, but that our report indicated that the DoD would achieve maximum cost savings in housing costs at Lajes Field by relying on on-base housing. The Chairman's letter requested that our investigation should specifically address "[a]ny necessary updates to DOD policy that would achieve savings, assuming construction of new on-base housing is cheaper than relying on the local rental market at Lajes Field." However, we did not find an inconsistency in the policy. As noted in the previous footnote, the policy pertaining to overseas housing encourages the use of off-base housing, but does not require it. In the case of Lajes Field, at the time of the DoD's 2015 cost analysis, available on-base housing was less expensive than off-base housing, and the use of on-base housing was not prohibited by DoD policy.

For the EUCOM cost comparison, we adjusted its figures to assume that all personnel supporting a JIAC at Lajes Field would use off-base housing. Although we determined that the most cost-efficient method would be to use the 456 existing houses at Lajes Field for the JIAC personnel, EUCOM's assumption is that the 456 existing houses would be required for personnel returning to Lajes Field as a result of the streamlining reversal.

In the DoD OIG cost comparison, the changes in the calculations based on the assumption of 1,693 rental units available near Lajes Field significantly lengthened the period of time that lower annual costs at Lajes Field would pay back the higher initial costs to locate the JIAC there. Specifically, in this analysis, we eliminated the need to build 325 new houses at Lajes Field, which translated to a savings of \$117 million in one-time costs to locate the JIAC at Lajes Field. However, reoccurring costs at Lajes Field would increase by \$4 million at Lajes Field because of higher OHA payments, resulting in annual costs at Lajes Field of \$68.9 million and \$73.3 million at RAF Croughton, or a difference of \$4.4 million. As a result, under this scenario, in the DoD OIG's calculations, it would take over 161 years for the lower annual costs at Lajes Field to offset the higher initial investment (\$1.063 billion at Lajes Field and \$359 million at RAF Croughton) to locate the JIAC at Lajes Field.

Table 9 shows our estimated adjustments to the cost comparisons, based on 1,693 rental units being available around Lajes Field. In sum, although this assumption would decrease the gap in one-time costs between RAF Croughton and Lajes Field, it would also decrease the calculated annual reoccurring savings for the JIAC at Lajes Field, resulting in a different project payback than originally calculated. However, the offset period for the higher initial costs for locating the JIAC at Lajes Field remains long – over 160 years.

**Table 9. Estimated Changes to Costs in EUCOM and DoD OIG Analysis With 1,693 Rental Units Available at Lajes Field<sup>1</sup>**

	EUCOM		DoD OIG	
	Initial Estimate	Adjusted Estimate <sup>2</sup>	Initial Estimate	Adjusted Estimate <sup>3</sup>
Initial One-Time Cost Increase to Build at Lajes Field (Table 3)	\$ 1,300.5		\$ 821.6	
New Housing Costs at Lajes Field	360	\$ 0	117	\$ 0
Adjusted One-Time Cost Increase at Lajes Field		940.5		704.6
Initial Reoccurring Costs Savings at Lajes Field (Table 3)	7.1		8.4	
OHA Costs <sup>4</sup>	1.85 (for 100 JIAC personnel)	20.33 (for 1100 JIAC personnel)	4.9 (for 264 JIAC personnel)	10.6 (for 571 JIAC personnel)
OHA Cost Increase		18.48		5.7
Housing Sustainment Costs	5.14	0	4.02	2.35
Housing Sustainment Decrease		5.14		1.67
Net Increase in Reoccurring Costs		13.34		4.03
Adjusted Reoccurring Costs Savings at Lajes Field		(6.24) (Increased reoccurring costs to operate at Lajes Field instead of RAF Croughton)		4.37
Project Payback	183 years	Never	97.5 years	161.2 years <sup>5</sup>

<sup>1</sup> Costs expressed in millions rounded to 1/10th of a million.

<sup>2</sup> 1,000 new houses not constructed, resulting in 1,000 more personnel receiving OHA and 1,000 fewer houses sustained.

<sup>3</sup> 325 new houses not constructed, resulting in 307 more personnel receiving OHA and 325 fewer houses sustained. 325 more personnel receiving OHA is not used because adjustments we made to CAPE data to calculate our initial estimate would not be applicable if the larger rental market is assumed.

<sup>4</sup> Monthly weighted average OHA cost of \$1,540 per person, for 12 months based on the July 2015 OHA rates used in the original analysis.

<sup>5</sup> \$704.6 million in one-time costs increase at Lajes Field divided by 4.37 in reoccurring savings.

#### **4. Opportunity Costs**

We also examined the costs used by EUCOM, HPSCI, and CAPE to account for the costs to continue operating the JIAC at RAF Alconbury and RAF Molesworth until the JIAC at Lajes Field is constructed. Moving the JIAC to Lajes Field would extend the time that the JIAC would have to operate at RAF Alconbury and RAF Molesworth than if the original timeline was maintained to move the JIAC to RAF Croughton.

For example, if the JIAC was relocated to Lajes Field rather than to RAF Croughton, the transition of personnel from RAF Alconbury and RAF Molesworth would need to be delayed to re-plan the project, although EUCOM and HPSCI disagreed on the length of the delay. In addition to the personnel costs of operating the JIAC at RAF Alconbury and RAF Molesworth bases for additional years, the existing infrastructure at these two locations would require additional funds to keep them usable for this extended time period. By delaying the closure of RAF Alconbury and RAF Molesworth, the DoD would not realize projected savings of approximately \$74 million per year.

The DoD-calculated closure savings were validated by the EIC process and used by EUCOM, HPSCI, and CAPE in their cost comparisons. We used it as well. The DoD estimated that a \$191 million maintenance backlog existed at RAF Alconbury and RAF Molesworth because only essential maintenance work was being conducted because of the scheduled closures. If the installations remained operational for an additional 3 years, EUCOM estimated that half of the maintenance backlog would need to be accomplished, at a cost of \$95 million, to extend the life of the facilities. EUCOM assumed that construction costs would rise in the future and added an amount for inflation resulting from a 3-year delay in constructing the JIAC to its estimate.

EUCOM also considered the loss of design funds spent towards placing the JIAC at RAF Croughton in its analysis. EUCOM estimated the total delay to be 3 years because of the time needed to move a JIAC to Lajes Field, which included the need to reprogram funds and redesigning the JIAC facilities based on a new location with different geological and environmental traits. EUCOM estimated that the total cost of that delay would be \$342.9 million.

HPSCI projected that the delay would only be 1 year, did not account for inflation or lost design funds, and estimated a lower annual cost of \$20 million to sustain infrastructure at RAF Alconbury and RAF Molesworth. HPSCI based the 1-year delay on the ability of the JIAC to use temporary facilities at Lajes Field before the JIAC facilities there were fully constructed, and the belief that the DoD would be able to obtain congressional approval to reprogram funds already approved for the JIAC at RAF Croughton. HPSCI estimated the total cost of the 1-year delay to be \$94 million.

We concluded that a 3-year delay was more likely because of the new communications cables required at Lajes Field, as well as the time needed for construction planning of both the cables and the JIAC facilities. Based on information provided by DISA, the length of time required to plan, conduct surveys, award contracts, and build three new SFOCs would be approximately 3 years. We also agree with EUCOM that design funds related to a JIAC at RAF Croughton would be lost and that the JIAC construction planning would need to be redone to account for the environmental differences between the two locations.



However, we agree with the HPSCI analysis regarding the lower annual estimate of sustainment funds required to keep RAF Alconbury and RAF Molesworth open for the additional time period. We therefore used HPSCI’s estimate of the sustainment cost to keep those bases open, and multiplied that figure by three to reflect a longer delay before their closure.

Table 10 shows our estimate that \$286.9 million in opportunity costs would be lost related to a potential move to Lajes Field.

**Table 10. DoD OIG Calculation of Opportunity Costs<sup>1</sup>**

Area	Cost
Delay in RAF Alconbury and RAF Molesworth closure	\$222
Sustainment of RAF Alconbury and RAF Molesworth	60
Inflation	0
Expended design funds <sup>2</sup>	4.9
<b>Total</b>	<b>\$286.9</b>

<sup>1</sup> Costs expressed in millions rounded to 1/10th of a million.

<sup>2</sup> The expended design funds figure of \$4.9 million increased to about \$9 million since EUCOM originally calculated this figure in July 2015. However, we did not consider this additional amount in our analysis because the additional costs would not have been able to be calculated when EUCOM and HPSCI completed their analysis.

## 5. Other Costs

HPSCI identified other factors that it believed should have been analyzed as part of a comparison between Lajes Field and RAF Croughton. These factors consisted of a main gate area upgrade that would be required if the JIAC relocated to RAF Croughton and various support facilities (including health clinics, schools, dining facilities, chapels, and others) that may need to be expanded at either location to support the increase in population size resulting from the JIAC placement. These factors were not originally included in the EUCOM analysis.

HPSCI estimated these additional costs to be \$114.1 million at RAF Croughton and \$70 million at Lajes Field. Once EUCOM were made aware that the HPSCI analysis included these costs it also included them in its calculations. However, EUCOM and HPSCI disagree as to whether the main gate upgrade at RAF Croughton is related to the JIAC and also the extent of expansions required at many of the support facilities.

### a. Main Gate Upgrade

We concluded that the main gate upgrade at RAF Croughton should not be considered as a JIAC-related expense based on our review of the MILCON justification data submitted by the Air Force to Congress in April 2013. The Air Force justified a need for the main gate upgrade based on RAF Croughton’s security requirements and not whether the JIAC was consolidated there. The main gate upgrade was needed to allow for vehicle searches without impeding traffic flows and other base operations. Therefore, we removed this cost from our analysis.

*b. Health Clinic Expansion*

EUCOM and HPSCI agreed that a health clinic expansion would be required at RAF Croughton, but disagreed on whether a similar expansion would be needed at Lajes Field. EUCOM and HPSCI estimated it would cost an additional \$12 million for the RAF Croughton clinic expansion, and we accepted this figure as valid. Because EUCOM assumed a larger overall population at Lajes Field than estimated by HPSCI, EUCOM estimated that \$4.1 million would also be needed to expand the clinic at Lajes Field to meet the requirements for the additional JIAC personnel. HPSCI disagreed that this expansion was necessary.

According to e-mails we reviewed, the 65th Civil Engineering Squadron concluded the current clinic at Lajes Field would be able to support a population size of 2,000. We therefore agree with HPSCI that expansion of the clinic would not be required to meet the potential increase in personnel at Lajes Field.

We also accepted the HPSCI assumption that streamlining would not need to be fully reversed to accommodate the less than 2,000 total personnel assigned to Lajes Field if the JIAC were moved there.

*c. Renovation of Existing Facilities*

EUCOM estimated that \$12.85 million would be needed to renovate and expand additional facilities at Lajes Field if the JIAC was located there. Most of this cost (about \$9.5 million) related to renovation and expansion of a dining facility that had not been used since 2009 and that was sized to support an installation of 1,000 personnel. EUCOM estimated that the remaining funds would be needed to renovate basic services and quality of life facilities that would need upgrades, such as a library, community center, and theater, but were correctly sized to support an installation of approximately 2,000 personnel.

We agreed with EUCOM regarding the need for the dining facilities upgrades at Lajes Field because a streamlined Lajes Field would not require renovation of the dining facilities that would be required with the increase of personnel for the JIAC. Additionally, a portion of the existing facilities at Lajes Field will require the regularly scheduled renovation for continued use in a post-streamlining environment, regardless of whether the JIAC was located at Lajes Field. HPSCI did not calculate these costs as part of its analysis.

*d. Schools*

EUCOM and HPSCI also disagreed on the cost estimates to upgrade the school at RAF Croughton or to build a school at Lajes Field. EUCOM used the amount of \$79 million from the DoD Education Activity's (DoDEA) FY 2016 Program Objective Memorandum as the cost for the school at RAF Croughton. HPSCI estimated a cost of \$94 million and attributed this to Air Force budget estimates. We accepted the EUCOM's use of the DoDEA figure because DoDEA is the component that programs and budgets for school

construction for the DoD. We also note that the entire cost of building a school at RAF Croughton should not be attributed directly to the JIAC; however, EUCOM simplified its analysis and included the full cost in its analysis, so we have also adopted that approach. EUCOM stated that it did not want to speculate what portion of the new school costs should be attributed to the existing population at RAF Croughton instead of the JIAC. This decision resulted in higher costs attributed to the JIAC, and EUCOM Document 3 disclosed that the higher costs were used in its cost comparison.

EUCOM concluded that it would cost \$94 million to build a school at Lajes Field. EUCOM adopted the same costs for constructing a school at RAF Croughton and adjusted that cost using Lajes Field ACFs, to arrive at the \$94 million figure. We disagreed with this calculation because the school at RAF Croughton would not only support the additional JIAC population, but it would also support RAF Croughton’s current population. The entire costs of any school at Lajes Field should be attributed to the JIAC because a need would not exist otherwise. HPSCI calculated a cost of \$70 million, based on a USAFE estimate, to build a school at Lajes Field. We accepted the HPSCI cost as more logical because it was based on an estimate specifically for construction of a school at Lajes Field.

*e. Our Assessment of the Additional Costs*

As discussed above, we concluded that RAF Croughton would require a clinic expansion and an upgraded school to support the JIAC population. We did not agree that the main gate construction project at RAF Croughton should be included in the costs associated with the JIAC. We concluded that Lajes Field would require either new construction or major renovation of the dining facility to meet the increased JIAC population. We also concluded that Lajes Field would require the construction of a new, but smaller, school than the one planned for RAF Croughton. We also added the cost to build an additional dorm at Lajes Field as the most cost efficient method to meet the JIAC housing requirements.

Table 11 shows that our estimate for these additional costs would be \$91 million at RAF Croughton and \$107.5 million at Lajes Field.

**Table 11. DoD OIG Analysis of Additional Costs Not Included in EUCOM Documents 1 and 2\***

Area	RAF Croughton Cost	Lajes Field Cost
Main gate construction	\$0	N/A
Clinic expansion	12	\$0
Supporting facilities	0	9.5
Schools	79	70
Additional dorm construction	N/A	28
<b>Total</b>	<b>\$91</b>	<b>\$107.5</b>

\* Costs expressed in millions rounded to 1/10th of a million.

## 6. *Conclusions Regarding One-Time Cost Comparison*

In sum, as shown in Table 3, we estimated that the one-time cost to locate the JIAC at Lajes Field would be \$821.6 million more than if the JIAC were located at RAF Croughton.

### ***b. Comparison of Reoccurring Costs to Operate the JIAC***

In addition to the differences regarding the one-time cost to locate the JIAC at Lajes Field, EUCOM and HPSCI disagreed on the annual reoccurring costs to operate the JIAC, whether it was located at RAF Croughton or at Lajes Field. This section discusses those differences, and our analysis of the most appropriate method to compare annual reoccurring costs to support the JIAC at Lajes Field and RAF Croughton.

EUCOM Document 3, created in response to the HPSCI review, calculated that the annual reoccurring costs to locate the JIAC at Lajes Field would be about \$7 million less than at RAF Croughton. EUCOM Document 3 concluded that the annual savings would take about 183 years to recoup higher initial cost estimates to locate the JIAC at Lajes Field.

HPSCI calculated that locating the JIAC at Lajes Field would cost about \$35 million per year less than at RAF Croughton. In addition, HPSCI estimated that the initial investment costs could be recouped in about 12 years, saving the DoD over \$500 million based on the 33-year projected lifespan of the facilities.

EUCOM and HPSCI generally agreed that significant cost savings for off-base housing and COLA allowances for personnel living off-base would occur at Lajes Field compared to the allowances required in the U.K. COLA is an amount paid to DoD personnel to offset the higher price of goods at overseas locations and is dependent on cost of living in the local area of the installation.

However, EUCOM and HPSCI did not agree on personnel cost savings at Lajes Field because EUCOM assumed that the Lajes Field streamlining would be fully reversed and HPSCI did not. EUCOM and HPSCI also had different assessments of sustainment costs for JIAC buildings and sustainment costs of MFH at Lajes Field.

CAPE also considered other annual costs, such as the need for logistical flights and communication cable sustainment, which were not included in the HPSCI analysis but would increase if the JIAC was located at Lajes Field.

We assessed each of these costs and also included two additional costs – logistical flights and communication cable sustainment – identified by CAPE that were not included in either the EUCOM or HPSCI analysis.

In total, we estimated that, including these additional costs, would make the annual reoccurring costs at Lajes Field be about \$8.4 million less than at RAF Croughton.

Table 12 identifies the annual cost differences between the two locations as calculated by EUCOM, HPSCI, CAPE, and the DoD OIG, when the additional costs are included.

**Table 12. Annual Reoccurring Cost Differences as Calculated by EUCOM, HPSCI, and CAPE<sup>1</sup>**

Cost	EUCOM		HPSCI		CAPE		DoD OIG	
	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field	RAF Croughton	Lajes Field
JIAC Complex sustainment	\$7	\$15	\$7	\$15	\$ 8.2	\$ 16.3	\$7	\$15
Lost efficiencies	N/A	20	8.67	21.4	– <sup>2</sup>	– <sup>2</sup>	1.17	6.4
Housing allowance (off base)	35.45	1.85	35.45	1.32	29	5.8	35.45	4.9
Housing sustainment (on base)	0.393	5.14	– <sup>2</sup>	– <sup>2</sup>	0.4	2.1	0.41	4.02
COLA & utilities <sup>3</sup>	16.42	5.48	16.42	5.48	5.7	3	16.42	5.48
Contractor costs (300 personnel)	12.06	5.76	15.83	4.81	13.0	5.8	15.38	6.75
Additional personnel (80 civilians' pay and benefits)	0	8	– <sup>2</sup>	– <sup>2</sup>	0	5.5	0	5.5
U.K. cost obligation	(3) (savings)	0	– <sup>2</sup>	– <sup>2</sup>	(3) (savings)		(3) (savings)	0
Supply and logistical flights	– <sup>2</sup>	– <sup>2</sup>	– <sup>2</sup>	– <sup>2</sup>	0	10	0	10
Communication cable sustainment	– <sup>2</sup>	– <sup>2</sup>	– <sup>2</sup>	– <sup>2</sup>	0	10.8	0	6.8
<b>Total</b>	<b>\$68.323</b>	<b>\$61.23</b>	<b>\$83.37</b>	<b>\$48.01</b>	<b>\$53.3</b>	<b>\$59.3</b>	<b>\$73.28</b>	<b>\$64.85</b>

<sup>1</sup> Costs expressed in millions.

<sup>2</sup> Not in analysis.

<sup>3</sup> CAPE included the cost allowance for utilities with the housing allowance rather than the COLA allowance.

The following sections explain each of the calculations contained in the reoccurring costs in Table 12 regarding the EUCOM, HPSCI, CAPE, and DoD OIG cost comparisons and how we arrived at our cost comparison.

### **1. *JIAC Sustainment Costs***

EUCOM and HPSCI agreed that sustainment costs to maintain the JIAC office spaces, warehouse, and data center would be higher at Lajes Field than at RAF Croughton, by about \$8 million per year, because of the difference in ACFs between RAF Croughton and Lajes Field. Because their estimates were in agreement, we did not further assess this area of the analysis.

### **2. *Lost Personnel and Infrastructure Efficiency Savings***

EUCOM and HPSCI's conflicting assumption regarding the need to reverse the streamlining at Lajes Field caused a difference in the cost comparison analysis related to efficiencies previously identified by the decision to streamline Lajes Field. EUCOM assumed that the full reversal of the Lajes Field streamlining would need to occur. EUCOM therefore initially calculated, in EUCOM Documents 1 and 2, these lost savings to be \$35 million per year. To mirror the HPSCI cost assessment, EUCOM also separated the \$35 million into a \$20 million cost for lost infrastructure efficiencies and discussed the lost personnel efficiencies elsewhere in EUCOM Document 3.

HPSCI started with the initial EUCOM estimate of \$35 million in lost savings and adjusted the costs associated with RAF Croughton upwards to reflect an increase in support personnel also necessary if the JIAC was added there. In addition, HPSCI eliminated much of the infrastructure sustainment costs from the analysis at Lajes Field, stating that the DoD did not justify why the efficiencies identified as part of the streamlining would be lost if the JIAC moved to Lajes Field. HPSCI calculated that only \$3.2 million would be needed to sustain facilities because of a partial reversal of the Lajes Field streamlining efficiencies. HPSCI also included costs to expand and operate the medical clinics at both locations in this section of its analysis.

In EUCOM Documents 1 and 2, EUCOM calculated that \$35 million annually would be lost by locating the JIAC at Lajes Field because the benefits of personnel and infrastructure reductions through streamlining at Lajes Field would be lost. In EUCOM Document 3, this cost was dropped to \$20 million and attributed entirely to infrastructure streamlining and not personnel. Instead, EUCOM included the costs for an additional 80 civilians elsewhere in its analysis of the cost of locating the JIAC at Lajes Field to account for the lost personnel efficiencies. EUCOM made this adjustment to its calculation in response to a section of the HPSCI cost comparison. The 80 personnel that EUCOM included in EUCOM Document 3 would perform duties in the school, day care, and similar positions that would not be required at Lajes Field if the population was entirely unaccompanied personnel. EUCOM's costs for these personnel are discussed later in this section.

Based on the information in EUCOM Document 2, HPSCI concluded that the \$15 million in lost efficiencies identified by EUCOM was based on the JIAC requiring additional support at Lajes Field and estimated that RAF Croughton would also experience a similar increase in support costs equal to \$7.5 million. However, EUCOM Document 3 noted that the increased support to operate the JIAC at RAF Croughton was already included in the original basing decision. The lost efficiencies EUCOM originally identified were the result of fully reversing streamlining that would not affect the reoccurring costs of the JIAC at RAF Croughton.

CAPE generally agreed with the HPSCI assumption that minimal lost efficiency costs should be included in the location comparison.

We concluded that, as first included in EUCOM Document 3, EUCOM correctly determined that the costs to expand existing service to support a surge of JIAC personnel were already included in the decision to move the JIAC to RAF Croughton. We also concur with the HPSCI assumption that the full reversal of the streamlining at Lajes Field would not be required. Therefore, we eliminated the lost personnel efficiencies costs identified in the EUCOM and HPSCI cost comparisons from our analysis and aligned our calculations to the EUCOM method of estimating the costs of 80 additional personnel to support the JIAC at Lajes Field. We concluded that a relocation to Lajes Field would require a greater increase in support personnel than the increase that would be required at RAF Croughton. We determined that the increase of personnel would be a direct result of the JIAC relocation to Lajes Field and not associated with other non-JIAC missions on Lajes Field.

We used HPSCI calculations for lost infrastructure sustainment efficiencies and costs for expanded services in our analysis. We agree that some costs in these categories are logical; however, we believe that the actual costs may not be limited to medical clinics at the two locations. Most service-related infrastructure, such as a medical clinic, fire station, police station, chapel, and recreational facilities, would have needed to remain and operate at Lajes Field in some manner to support the personnel remaining after the streamlining approved under the EIC was completed.

We also reviewed documentation showing that most of the facilities at Lajes Field are built to size standards that supported the larger historical populations at Lajes Field, including the medical clinic. Therefore, the overall increase in sustainment to support the JIAC at Lajes Field would be minimal. However, we concluded that updated dining services is one area would be required at Lajes Field to support the JIAC; therefore, sustainment of those facilities should be included in the analysis. We included the costs identified by HPSCI to sustain an expanded medical clinic as the cost to sustain a new dining facility. Although we determined that the infrastructure for the clinic would not expand, we agree with HPSCI analysis regarding the increased costs for clinic operations and patient travel at both RAF Croughton and Lajes Field.

Table 13 summarizes our analysis of the lost personnel and infrastructure efficiencies we identified based on the location of the JIAC.

**Table 13. DoD OIG Calculation of Cost for Lost Personnel and Infrastructure Efficiencies\***

Cost	RAF Croughton	Lajes Field
Lost Efficiencies – Personnel	0	0
Lost Efficiencies – Infrastructure	0	\$3.2
Clinic Expansion and Operation	\$1.17	3.2
<b>Total</b>	<b>\$1.17</b>	<b>\$6.4</b>

\* Costs expressed in millions.

### 3. *Off-Base Housing Allowances*

Both EUCOM and HPSCI analyses showed that substantial savings would occur if the JIAC was located at Lajes Field because of the lower off-base housing costs; however, the capacity of the housing market around Lajes Field may not be sufficient to fully support the JIAC.<sup>55</sup> As discussed in the one-time cost section, DoD personnel would require new MFH units to fully support the JIAC requirements. Additionally, as discussed in the Housing Sustainment (on-base) section, DoD would incur costs to maintain these houses. In contrast, RAF Croughton has a higher cost for the monthly housing allowance, but could also support the entire JIAC population without the need to build additional MFH units at RAF Croughton.

EUCOM first assessed housing allowance costs in EUCOM Document 3 based on the HPSCI cost comparison. EUCOM did not initially capture reoccurring housing costs in its cost comparisons in EUCOM Documents 1 and 2. HPSCI attempted to capture these costs in its report. To calculate the costs, HPSCI determined the number of JIAC and supporting personnel that would be authorized a housing allowance and projected the ranks of these personnel and the number of their dependents. HPSCI referenced the Overseas Housing Allowance (OHA) rates for RAF Croughton and Lajes Field and calculated a weighted average monthly allowance. Using this information, HPSCI calculated a weighted average monthly cost per person for the housing allowance ceiling.

HPSCI projected that annual costs for the estimated 934 personnel living around RAF Croughton after the JIAC would be completed would cost \$35.5 million, based on the full housing allowance. However, for Lajes Field, HPSCI did not use the weighted average rate, but instead capped the housing allowance at \$1,000 per month. HPSCI also projected an increase to 500 units in available rental housing above the units reported to be available based

<sup>55</sup> Overseas military personnel not living in on-base housing are authorized an OHA to obtain housing in the local area. OHA rates are based on rank, tenure, and number of dependents and are determined by the DoD based on analysis of the installation's local economy. Civilian personnel may be authorized to receive a similar allowance, called a Living Quarters Allowance, which is determined by the Department of State using similar criteria. The published OHA and Living Quarters Allowance are ceiling prices, and only actual eligible expenses (for instance, rent, utilities, and move-in fees) are reimbursed to the personnel. It is generally accepted that contractor personnel receive a similar housing allowance built into the contract price.



on the 2007 HRMA study for Lajes Field. HPSCI calculated that 300 of these units would be occupied by contractor personnel and 90 by NATO; therefore, 110 units would be available for JIAC personnel.

Using this reduced rate, HPSCI estimated that \$1.3 million would be needed annually to obtain 100 units in the local housing market in support of the JIAC. HPSCI did not explain the difference between the 110 units available and 100 units that were used for the cost calculation; however, the difference of 10 units had minimal effect on the annual calculated costs.

In its EUCOM Document 3 cost estimates, EUCOM concurred with the HPSCI analysis in determining the weighted average and application of the OHA rates at both locations, with the exception of using a reduced rate for Lajes Field. Using the weighted average rate, EUCOM concluded that the cost providing OHA to 100 JIAC personnel at Lajes Field would be \$1.85 million annually.<sup>56</sup>

For our analysis, we used the amount of \$35.5 million for 934 JIAC personnel at RAF Croughton as calculated by HPSCI because EUCOM concurred with the HPSCI methods. For Lajes Field, we believe that the published OHA and Living Quarters Allowance rates should be used for the analysis, rather than using a \$1,000 capped rate, because DoD and Department of State consider the local rental rates when publishing the allowances.<sup>57</sup>

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<sup>56</sup> The reoccurring housing costs for Lajes Field and RAF Croughton differ significantly because of the housing allowance rates and the number of personnel receiving the allowance. At RAF Croughton, the DoD would not incur upfront costs to construct new homes, but would pay housing allowances to approximately 934 JIAC personnel on a monthly basis. At Lajes Field, the DoD would have a substantial one-time cost to construct new houses (based on the assumption that the rental market could not support the JIAC personnel), but pay housing allowances would be made to fewer JIAC employees, depending on the number of rental units assumed to be available.

<sup>57</sup> In an October 13, 2017, letter to us in response to a draft of this report, Chairman Nunes asserted that the published allowance rates for Lajes Field drastically overstate the actual cost of off-base housing. He reported that individuals with current and long-time knowledge of the housing market around Lajes Field confirm that the published housing rates are significantly higher than the commercial rental rate for even the nicest homes on the island. He also asserted that the average market price for the approximately 2,000 houses available for rent range from \$415 to no more than \$1,066 per month. Although we did not confirm these rates or the number of rental units available, our review showed that the DoD housing allowance is less than the authorized Department of State housing allowance for the Azores. With a diminished U.S. military presence in the Azores now, it is likely that housing costs are different from what they were at the time of the DoD's cost analysis that was the subject of our investigation. Moreover, if Lajes Field were in fact used for a JIAC, and additional military were posted there, the housing costs could rise. Even assuming the housing costs asserted by HPSCI are correct, that would not significantly change the cost comparisons. For example, Chairman Nunes' letter asserted that housing rates now ranged from \$415 to \$1,066 per month. If we used the midpoint of that range as the average cost of housing, or \$741, the ultimate outcome of the cost comparison would not change. By assuming a reduced OHA rate of \$741 in our cost comparison analysis, and with a calculation based on 264 personnel receiving OHA, the recurring costs at Lajes Field would decrease by \$2.5 million per year. However, the project payback period to cover the higher initial costs to locate the JIAC at Lajes Field would decrease from 97.5 years to 75.2 years, which is still a long period. We therefore do not believe our conclusions would change, even

Although some rental units may be available at a cost below this allowance, the average amount of housing expenses is already reflected in the calculated allowance. Using the HPSCI formula for the weighted average, EUCOM estimated the average allowance for Lajes Field to be \$1,540 per month. Because we assumed a larger rental market of 479 units instead of the 325 units estimated by EUCOM, we calculated that 264 personnel would need to obtain off-base housing.<sup>58</sup> Therefore, for 264 personnel at \$1,540 per month, we estimated the annual cost of renting all suitable off-base housing to support the JIAC at Lajes Field would be about \$4.9 million.

#### 4. *On-Base Housing Sustainment Costs*

In EUCOM Document 1 and 2 cost comparisons, EUCOM did not consider the sustainment costs for the new housing at Lajes Field that would support the JIAC. HPSCI staff did not include this cost in their analysis either. EUCOM first calculated this cost in the EUCOM Document 3 cost comparison.<sup>59</sup>

We agree with EUCOM's methodology for calculating the housing sustainment costs, but, based on our analysis, make the assumption that only the 456 existing houses and the 325 newly constructed houses that we identified during our one-time housing cost analysis would be required to support the JIAC at Lajes Field.<sup>60</sup> Therefore, we calculated that annual sustainment costs for 781 houses would be \$4.02 million.

At RAF Croughton, JIAC personnel would occupy 116 existing on-base houses. EUCOM calculated the annual sustainment costs at \$393,000, based on a replacement cost of \$237,000 for these houses. However, we noted a math computation error in the officials' calculation. Using the formula, which EUCOM derived from the DoD Facility Sustainment Model, we calculated this annual cost to be about \$410,000, and we used this figure for our analysis.

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based on the rates provided by HPSCI. For all these reasons, we believe that a new cost analysis would not affect the reasonableness of the previous analysis, and we do not believe we should conduct further investigation of this issue.

<sup>58</sup> The difference in total rental units used by JIAC personnel and the number of units used for the OHA calculation is attributed to contractor personnel. Contractor personnel are considered when determining the need for housing; however, they are not provided a housing allowance.

<sup>59</sup> To determine this cost, EUCOM used a sustainment model formula that was 1/67th the replacement value of the house per year. Based on that, EUCOM calculated that the 1,000 new houses with a replacement value of \$345,000 would require about \$5.14 million per year for sustainment (number of units multiplied by replacement cost divided by 67 years equals annual sustainment costs) ( $1,000 \times \$345,000 / 67 = \$5,149,254$ ).

<sup>60</sup> We concluded that JIAC personnel would occupy the 456 existing houses on Lajes Field and that a shortfall of 325 houses would need to be constructed to fully support the JIAC; therefore, 781 MFH would need sustained and attributed to the reoccurring costs of the JIAC.

## 5 *Living Allowances and Utilities Costs*

HPSCI calculated a weighted average per person for Cost of Living Allowances (COLA) and utilities that would have to be paid to military and U.S. citizens working directly for or supporting the JIAC. At RAF Croughton, HPSCI projected a weighted average monthly allowance of \$858 for each of the 1,110 JIAC employees that would be entitled to this living allowance, for an annual cost of \$11.4 million per year. HPSCI also added an allowance for utilities to these rates, bringing the total calculated annual cost for the 1,110 staff to \$16.42 million per year. For Lajes Field, HPSCI determined the average monthly allowance to be \$229; an estimated 1,360 personnel would receive the allowance at a cost of \$3.7 million per year. After adding a similar allowance for utilities, HPSCI calculated that the annual cost for 1,360 personnel would be \$5.48 million per year.

EUCOM Document 3 agreed with HPSCI's weighted average rates and method to calculate these costs and included HPSCI's calculated costs in its third analysis. Because EUCOM and HPSCI agreed on this cost, we also used HPSCI estimates.<sup>61</sup>

## 6. *Contractor Costs*

HPSCI concluded that the DoD would also incur housing and COLA costs for 300 contractor employees in support of the JIAC. Although the contract employees would not receive the published rates for OHA and COLA, the increased costs would likely be built into any contract in support of the JIAC mission. Therefore, HPSCI included OHA and COLA rates for the additional 300 people at both RAF Croughton and Lajes Field in its cost comparison. EUCOM agreed that DoD would incur these costs, but disagreed with the HPSCI methodology to calculate these costs. HPSCI staff calculated the additional cost allowance for 300 contractor personnel by using the same average calculated rates for housing, cost of living, and utilities allowances previously discussed, including the \$1,000 per month cap on the OHA rate at Lajes Field. HPSCI calculated these annual costs to be \$15.83 million at RAF Croughton and \$4.81 million at Lajes Field.

EUCOM attempted to calculate the cost based on contracts currently in place at each installation, but did not provide details in its cost comparison. EUCOM calculated the annual costs to be \$12.06 million at RAF Croughton and \$5.76 million at Lajes Field.

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<sup>61</sup> In his October 13, 2017, letter in response to a draft of this report, Chairman Nunes asserted that HPSCI was informed by certain individuals that “the utility allowance of \$683.37 each month is more than double what an airman would reasonably expect to spend on utilities in any given month.” He asserted that our analysis therefore overstated the true cost of housing at Lajes Field. However, we used in our analysis the costs that HPSCI had used in its calculations for utilities. EUCOM used the same costs. In addition, neither the DoD OIG nor EUCOM relied on the full utility allowance for the cost comparison. Moreover, HPSCI made its calculated costs for all JIAC personnel stationed at Lajes Field as one lump sum in its cost analysis and did not identify a rate for individuals. Therefore, it is difficult to compare HPSCI's newly asserted utility rates for individuals, to the calculated cost of utilities in the previous comparisons. In addition, similar to changes in housing costs on the Azores now, we do not believe that any such differences in calculated utility rates would dramatically change the cost comparison and associated payback period.

Both HPSCI and EUCOM used commonly accepted methods to determine the contractor costs in their analysis. The results are different because HPSCI calculated the allowance costs for Government JIAC personnel and assumed that contractors would receive a similar allowance, while EUCOM calculated the allowance rates based on historical contracts in place at both locations. We concluded that the HPSCI method for calculating this cost was more logical for contractors supporting the JIAC because the EUCOM calculation used historical rates for a contractor workforce that does not reflect the specific staff supporting the JIAC. Therefore, we accepted the HPSCI calculation of \$15.83 million per year at RAF Croughton. However, we do not agree with the housing allowance being capped at \$1,000 per month for the reasons previously stated. Instead, by using the weighted average costs, we calculated that the increased costs for housing and living allowance of 300 contractor personnel at Lajes Field would be about \$6.75 million annually.<sup>62</sup>

### **7. Additional Civilian Pay and Benefits**

We performed our analysis under the assumption that a full reversal of the streamlining at Lajes Field would not be required if the JIAC was relocated to Lajes Field. As a result of that assumption, we also concluded that Lajes Field would have no requirement for many family-related services unless the JIAC was located there. We agree with the EUCOM analysis that some personnel efficiencies resulting from the streamlining would need to be reversed to reestablish these services if the JIAC was located at Lajes Field. At RAF Croughton, these services already exist but would need to be expanded to meet the needs of the JIAC personnel. Using information from the EIC, EUCOM calculated that approximately 80 extra support personnel would be needed at Lajes Field to support the JIAC. EUCOM calculated that the additional personnel would increase the cost at Lajes Field by \$8 million per year using an estimated annual amount of \$100,000 per person to cover wages and benefits of this staff.

CAPE agreed with EUCOM regarding the need for the 80 additional personnel at Lajes Field. CAPE determined that the total cost would be \$5.5 million per year because it revised the per-person cost to reflect what CAPE believed were more accurate rates based on the work that personnel would be performing.

We agree that additional personnel would be needed at Lajes Field because some services would be newly established at Lajes Field, while the existing capabilities at RAF Croughton would only need to be expanded. We used the costs calculated by CAPE in our analysis.

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<sup>62</sup> Three hundred contractor personnel receiving an increase in contract price equivalent to a monthly allowance of \$1,875 for cost of living, housing, and utilities at Lajes Field and \$4,396 at RAF Croughton.

## **8. *United Kingdom's Cost Sharing Obligation***

EUCOM identified savings of \$3 million per year that would not occur if the JIAC was relocated outside of the U.K. EUCOM calculated these savings based on its ability to hire U.K. citizens to fill about 25 intelligence analyst positions within the NIFC that the DoD projected would be filled by contractors if the JIAC was at Lajes Field. The U.S. and U.K. governments have agreements in place that allow cleared personnel to access and share sensitive information. According to the EUCOM cost comparison, similar agreements are not in place for this arrangement to occur at Lajes Field; therefore, this support would be obtained through contractors at Lajes Field at an increased cost.

HPSCI did not include this savings as part of its analysis.

We interviewed the current NIFC Commander in October 2016 and his predecessor in January 2017 to determine the accuracy of the statements regarding EUCOM's ability to fill the positions with only U.K. or U.S. personnel and the costs savings associated with directly hiring U.K. analysts instead of contractors. These interviews confirmed the EUCOM analysis regarding the need, ability to fill, and costs related to these positions. We therefore included the \$3 million savings in the cost comparisons between RAF Croughton and Lajes Field.

## **9. *Logistical Flight Costs***

CAPE included an annual cost of \$10 million for supply and logistical flights to Lajes Field in its analysis that was not included in either the EUCOM or HPSCI analysis. CAPE noted that the cost of the flights was unique to Lajes Field because of its remoteness and the relatively small local economy. CAPE calculated the cost based on historical flight information before the Lajes Field streamlining occurred. Based on the information contained within the CAPE analysis, we included this cost in our analysis.

## **10. *Communication Cable Sustainment Costs***

CAPE included an annual cost of \$10.8 million in its analysis to account for the sustainment of the additional communication cables that would be required at Lajes Field. CAPE calculated the sustainment cost amount as equal to the amount originally calculated by DISA during its assessment of the costs to obtain adequate communication capabilities for a JIAC at Lajes Field. Subsequent to the CAPE analysis, DISA revised its assessment since fewer miles of cable would be required at Lajes Field due to rerouting of cables. DISA revised assessment therefore included a lesser sustainment cost for new cables. Because there would be fewer miles of cables to maintain, the sustainment cost in the DISA estimate was reduced to \$6.8 million per year.

HPSCI did not include cable sustainment cost in its analysis.

EUCOM did not calculate sustainment costs in EUCOM Document 3, which referenced an estimate by the DIA regarding cable sustainment costs of about \$33 million per year. However, DIA stated that building and sustaining communication cables outside a DoD installation was not its area of expertise and that DISA had the expert knowledge and contracts in place to more effectively sustain cables.

We therefore used the DISA updated cable sustainment costs in our analysis.

**c. Conclusions Regarding Comparison of Reoccurring Cost to Operate the JIAC**

In summary, as shown in Table 12 above, we calculated that the annual reoccurring costs would be approximately \$8.4 million less at Lajes Field than at RAF Croughton.<sup>63</sup> As depicted in that table, the DoD would realize substantial savings in personnel costs related to a lower COLA and OHA for the JIAC personnel at Lajes Field. However, DoD would incur increased costs for sustainment of base infrastructure and communication cables as well as an increased cost for logistical supply flights at Lajes Field.

Based on our calculations, we compared initial and reoccurring costs of locating the JIAC at RAF Croughton and Lajes Field. We calculated that the one-time cost increase to build and support the JIAC would be \$821.6 million more at Lajes Field than at RAF Croughton. We also calculated savings of approximately \$8.4 million per year in reduced reoccurring costs, based on the lower COLA and OHA, if the JIAC was located at Lajes Field.

As a result, as shown in Table 3, we determined that it would take approximately 97.5 years for the reoccurring cost savings at Lajes Field to cover the increased initial investment required to build the JIAC at Lajes Field.

**4. Overall Conclusions Regarding RAF Croughton and Lajes Field Cost Comparisons**

In the sections of the report, we analyzed the various comparisons conducted by EUCOM, HPSCI, and CAPE when they assessed the relative costs of operating the JIAC at Lajes Field or RAF Croughton. We examined the methodologies and assumptions used in the comparisons by these three entities, for both the one-time cost of moving the JIAC and the annual costs of operating the JIAC. We also constructed our own cost comparisons, using what we concluded were the most appropriate assumptions, methodologies, and numbers, based on our analysis of the various assessments as well as the knowledge we gained from the interviews we conducted during our investigation and on documentation obtained from DoD, congressional, and public sources.

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<sup>63</sup> The total reoccurring costs difference was calculated by subtracting the annual Lajes Field reoccurring costs of \$64.85 million from the RAF Croughton reoccurring costs of \$73.28 million, as shown in Table 12.

We concluded that the assumptions and methodologies used by the DoD were reasonable and generally contained accurate information, based on the assumptions of the personnel conducting the comparisons. However, the DoD comparisons did rely on some inappropriate assumptions and inaccurate information. For example, the EUCOM comparisons were based on inaccurate information about the number of SFOCs that serviced Lajes Field. EUCOM also did not include in its initial cost comparisons calculations for COLA and housing allowances that accurately reflected the reoccurring costs for supporting additional personnel needed to operate a JIAC at Lajes Field. We identified other inaccuracies relating to design cost and housing sustainment, which had minor impact on the cost comparisons.

In addition, as noted above, we believe that EUCOM should have obtained cost estimates from DISA on the number of SFOCs and related infrastructure issues before providing its cost estimate to Congress. EUCOM should have coordinated its assessment of the communication capabilities and costs to support a JIAC with DISA before reporting the information to Congress.

HPSCI also identified other factors that it believed should have been analyzed as part of the cost comparison between Lajes Field and RAF Croughton, such as the cost of a main gate area upgrade that would be required if the JIAC relocated to RAF Croughton and various support facilities (including health clinics, schools, dining facilities, chapels, and others) that would need to be expanded at these locations to support the increased personnel necessary for the JIAC. These costs were not originally included in the EUCOM analysis.

Yet, overall, we concluded that any inaccuracies and omissions in the DoD cost comparisons would not have changed the overall conclusions of the cost comparisons. Specifically, when correcting for any inaccuracies, omissions, and faulty assumptions, we determined that the one-time costs to move the JIAC to Lajes Field were significantly higher than a move to RAF Croughton. As shown in Table 3, we estimated that the one-time cost to build the JIAC at Lajes Field would be \$821.6 million more than if the JIAC were located at RAF Croughton. On the other hand, we determined that the reoccurring costs of operating the JIAC at Lajes Field was approximately \$8.4 million less than at RAF Croughton.

As a result, as shown in Table 3, we determined that it would take approximately 97.5 years for the reoccurring cost savings at Lajes Field to cover the increased initial investment required to build the JIAC at Lajes Field.

However, we did not find any evidence to conclude, and we do not believe, that any DoD personnel involved in the various cost comparisons calculated them in bad faith, attempted to distort the numbers, or intentionally relied on inaccurate information or assumptions. They presented their comparisons, and the assumptions on which they were based, transparently and without any subterfuge. The mistakes they made were just that – mistakes rather than any intentional effort to deceive.

We also recognize that the assumptions and methodologies in constructing cost comparisons – both the ones we reviewed and the one we constructed ourselves – rely to some extent on some subjective judgment, and that the best approach can be subject to dispute. However, we calculated the cost comparisons independently, based on what we considered the best and most supportable assumptions from each of the various analysis, and from our own assessments and information gained through this investigation. Based on our analysis, we believe that the DoD calculated its cost comparisons in good faith, without any intent to mislead or skew the numbers. We also concluded that that the cost comparison of operating the JIAC at RAF Croughton versus Lajes Field favored RAF Croughton, given the large difference in one-time costs to locate the JIAC at Lajes Field and the smaller reoccurring savings from locating the JIAC at Lajes Field.

Finally, it is important to note that other factors than cost, such as intelligence gathering capabilities and the benefits of international collaboration related to the JIAC were other critical factors in determining the JIAC location. Also, the effect on international agreements needs to be considered. The cost comparisons only addressed the business case of the JIAC location, but did not assess these other factors, which also were relevant. We now turn to the other allegations raised by HPSCI.



## **B. The DoD’s European Infrastructure Consolidation (EIC) Process**

In June 2016, Chairman Nunes provided a memorandum to OIG investigators that described one of his allegations:

Despite repeated assurances to Congress that it [the selection of RAF Croughton for the JIAC] would be reassessed during the EIC the Committee has found no evidence that the JIAC location was substantively reviewed or that Lajes was considered as a possible location [for the JIAC].

We examined Chairman Nunes’ allegations, and present them as two issues – first, that locating the JIAC at RAF Croughton was not substantively reviewed by the EIC, and second, that the EIC did not consider Lajes Field a possible relocation site for the JIAC.

### **1. Allegation that the Selection of RAF Croughton as the Site for the Joint Intelligence Analysis Complex Was Not Substantively Reviewed During the European Infrastructure Consolidation**

As noted in the Background section of this report, the EIC was the DoD’s effort to reduce long-term expenses through consolidations of U.S. military infrastructure in EUCOM. By eliminating excess infrastructure capacity, the DoD sought to ensure the remaining facilities properly support operational requirements and strategic commitments. The EIC was a 2-year process beginning with the issuance of a January 2013 Policy Memorandum by Secretary of Defense Panetta, which stated:

I am directing a European capacity analysis to provide the basis for reducing long-term expenses through footprint consolidations...The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) will chair a Senior Steering Group (SSG), which will direct and oversee the work of two distinct analytical efforts.<sup>64</sup>

Following Secretary Panetta’s memorandum, USD (AT&L) Frank Kendall issued guidance through EIC Policy Memorandum #1, which established the methodology for the EIC and the approach for identifying excess European infrastructure within the DoD<sup>65</sup>

The DoD established the EIC Senior Steering Group (SSG) to oversee the work of two groups performing two distinct analytical efforts relating to the consolidation initiative. One group focused on examining common support functions, such as logistics, training, fuel and ordnance consolidation efforts. The other group focused on Military Service-unique

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<sup>64</sup> January 25, 2013, Secretary of Defense Memorandum for Secretaries of the Military Departments, titled “European Infrastructure Consolidation.”

<sup>65</sup> February 26, 2013 memorandum from Under Secretary of Defense for Acquisition, Technology, and Logistics titled, “European Infrastructure Consolidation –Policy Memorandum 1.”

operational functions, which had no corresponding effort in another Military Service, such as naval port requirements or unique operational aircraft maintenance. These two groups provided recommendations to the SSG for maintaining the status quo, consolidation, or divestiture of installations.

These two working groups had approximately forty meetings and included representatives from EUCOM, AFRICOM, Transportation Command (TRANSCOM), Strategic Command (STRATCOM), and Special Operations Command (SOCOM), its supporting components, the Joint Staff and the Office of the Secretary of Defense.

Peter J. Potochney, the Principal Deputy Assistant Secretary of Defense (PDASD) for Energy, Installations, and Environment, was the SSG Chairman's point of contact for the EIC initiative. He told us that the EIC process was modeled after the Base Realignment and Closure (BRAC) process. He noted that the purpose of the EIC was not to conduct another Analysis of Alternatives (AOA) for the selection of the JIAC site because the JIAC site selection had already been decided before the EIC began. Rather, the AOA assessed more alternative locations for the JIAC than would have typically been reviewed for relocations of many other overseas facilities. He also said that the decision to move the JIAC to RAF Croughton was decided before the EIC, but that it was reassessed again during the EIC. PDASD Potochney told us RAF Croughton was selected for the JIAC because, from a facilities perspective, it met operational requirements.

At the time of the EIC, Allison Sands, the Deputy Assistant Secretary of Defense (DASD) for Basing, was a basing program manager whose primary responsibility was to provide installation and basing expertise to the SSG concerning global posture (overseas basing) issues. She was the DoD official who prepared the EIC SSG decision brief slides for each SSG meeting. She told us that the EIC examined U.S. military infrastructure across Europe in an effort to create more efficient use of resources. The EIC's examination included, if necessary, recommendations to maintain the status quo, consolidation or divestiture (closures) of installations. DASD Sands told us that the DoD's pre-EIC decision to consolidate and locate the JIAC at RAF Croughton was substantively reviewed and validated during the EIC. She stated:

The consolidation at Croughton was already part of the Department's program... during the [EIC], what was specifically looked at was a refinement of the project itself... And the ultimate disposition of Alconbury and Molesworth... the closure of those sites were also validated through the EIC.

She described the EIC process as a robust and thorough review of all installations within EUCOM to maintain the status quo, consolidation, or divestiture of installations. She characterized the EIC as modeled after the BRAC's analytical process. DASD Sands stated that the selection of RAF Croughton as the location for the JIAC was part of the EIC review, and that the EIC validated the results of the 2013 EUCOM AOA.

DASD Sands also told us that concerning criteria used for basing decisions:

from a global posture perspective ... operational concerns are the drivers...we make decisions based on operational concerns that are cost informed, but not cost driven...and in this case it [the decision to locate the JIAC at RAF Croughton] was a good business decision because it allows[ed] us to close two bases and still meet all of our [DoD's] operational requirements.

DASD Sands provided us with the EIC SSG decision brief slides that she prepared for the SSG meetings. These slides show that the SSG met from June 2013 through June 2014. The slides for each military installation under review contained the following headings: Scenario Description, Analysis Summary, Military Value, Pol-Mil Assessment, Payback, Impacts, and Recommendation. Each of the headings were followed by classified comments for the SSG's consideration.

The SSG decision slides showed:

- June 26, 2013, one slide reflected the criteria required to revalidate previous infrastructure decisions;
- September 12, 2013, slides demonstrated senior DoD official consideration of the proposal to close RAF Alconbury and RAF Molesworth and realign [activities] to RAF Croughton;
- November 14, 2013, slides reflected that the U.S. Air Force's priority was to relocate the JIAC; and
- March 20, 2014, slides highlighted the request for final approval of the realignment of EUCOM intelligence functions to RAF Croughton and the closing of RAF Alconbury and Molesworth.

We also reviewed the classified EIC final report dated January 2015. The report contains 26 approved actions, one of which was a review of the decision to locate the JIAC and related actions. According to the report, the EIC review revalidated the DoD's decision to locate the JIAC at RAF Croughton and the related divestiture of RAF Alconbury and RAF Molesworth.

In sum, we determined that the EIC did, in fact, review and reassess RAF Croughton as the site for the JIAC.

## **2. Allegation That Lajes Field Was Not Considered as a Possible Site for the JIAC During the European Infrastructure Consolidation**

We also investigated whether Lajes Field was considered as a location for the JIAC during the EIC. When we interviewed Chairman Nunes in September 2016, he told us that when the EIC was announced, Congress became aware of the possibility that Lajes Field was

going to be “downgraded.”<sup>66</sup> He said that he did not understand why Lajes Field, which had a lot of capability, was not being considered by the EIC for alternative missions.

Chairman Nunes alleged that despite assurances from the DoD that Lajes Field would be considered as a possible location for the JIAC, Lajes Field was never substantively reviewed as a location for a JIAC. Specifically, he stated that during several conversations, James Townsend, the DASD for European and NATO Policy between 2013 and 2015, had assured him that the DoD would consider all potential opportunities for Lajes Field. Chairman Nunes stated that over the course of several meetings with DASD Townsend regarding Lajes Field and the EIC, DASD Townsend had stated, “We’re going to follow the law. We’re going to look at everything. We’re going to look at all of the potential opportunities for Lajes.” Chairman Nunes said that he assumed that consideration of Lajes Field as a location for the JIAC was included in the EIC.

Chairman Nunes also said that his meetings and telephone calls with DASD Townsend culminated in a presentation given by DASD Townsend, which we determined to be a briefing on January 21, 2015, to several members of the Congressional Portuguese-American Caucus, including Chairman Nunes.<sup>67</sup> Chairman Nunes asserted that during that presentation, DASD Townsend said “We looked at everything for Lajes,” and that Chairman Nunes asked, “Well, wait a second here. Did you look at the JIAC?” Chairman Nunes said the response was, “Yes everything was looked at.” Chairman Nunes also said he expressed surprise and asked to see the numbers showing that the DoD had evaluated Lajes Field for the JIAC.<sup>68</sup>

We interviewed DASD Townsend about the streamlining of Lajes Field, the EIC, and the allegation that he represented to Chairman Nunes that the EIC looked at everything, including Lajes Field, as a location for the JIAC. As the DASD for European and NATO Policy, he was responsible for managing the day-to-day defense relationships between the United States, NATO, the European Union, and the non-European Union nations of Europe. DASD Townsend told us that his concerns for several years relating to Lajes Field were its impact on the bilateral relations between Portugal and the United States, the political and military implications of streamlining Lajes Field, as well as the effects that streamlining Lajes Field would have on Terceira Island’s population.

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<sup>66</sup> Letter to the Chairman and Ranking Member, House Committee on Armed Services from Representative Nunes, Representative Costa, Representative Keating, Representative Valadao, Representative Cicilline, Representative McGovern, Representative Denham, and Representative LaMalfa stating concerns about the U.S. Air Force moving forward with its decision to adjust the force structure and operational capability at Lajes Field.

<sup>67</sup> On January 21, 2015, DASD Townsend, provided a briefing on Lajes Field to Senate and House members of the Congressional Portuguese-American Caucus in the Senate Russell Office Building.

<sup>68</sup> We determined that an analysis of Lajes Field as a location for the JIAC was never included in the AOA. Chairman Nunes’ allegation was that despite assurances from the DoD official that during the EIC– not during the AOA– the DoD would reassess whether to locate the JIAC at Lajes Field, that did not occur. We therefore did not review the analysis conducted by the AOA.

DASD Townsend said that he did not recall the exact date of the January 2015 briefing to Chairman Nunes and the Portuguese Caucus, but the content of the briefing he provided concerned the DoD's efforts to minimize the impact of the streamlining upon Lajes Field. We asked him if Chairman Nunes had asked, "Did you look at the JIAC?" DASD Townsend stated, "No," Chairman Nunes did not ask him that question, and DASD Townsend did not recall anyone else being asked that question. When we asked DASD Townsend whether he recalled telling Chairman Nunes, "Yes, everything was looked at" [during the January 2015 briefing], DASD Townsend responded, "I don't...I wasn't involved in looking at the JIAC..." DASD Townsend told us the JIAC was a decision for AT&L and the Intelligence Community. DASD Townsend said that the JIAC was an intelligence-related matter and that he was not involved in the discussions regarding the JIAC. He said that such a decision was not in his lane and "I've been around long enough to know where my lane is."

We also specifically asked DASD Townsend whether he had communicated to Chairman Nunes or Congress in any way that the JIAC location would be substantively reviewed during or after the completion of the EIC, and he responded, "No." DASD Townsend said he had informed Chairman Nunes, however, that the streamlining of Lajes Field would be reviewed during the EIC, which it was.

DASD Townsend told us that he believed there may have been a misunderstanding between him and Chairman Nunes over the course of their communications about Lajes Field. DASD Townsend said that "because we both wanted something to go over there [Lajes Field]...he was thinking about the JIAC, but I was not thinking about the JIAC."

Chairman Nunes told us that he believed that, although DASD Townsend had made the January 2015 presentation, DASD Townsend was just providing information he had been given. Chairman Nunes said that, during his interactions with DASD Townsend, he did not believe DASD Townsend intended to provide false information.

We also interviewed other DoD officials who attended the January 2015 briefing, and they had similar recollections to those of DASD Townsend. For example, DASD Sands told us that DASD Townsend had asked her to attend the briefing because the EIC report and its recommendations had just been released and there might be questions about it. DASD Sands said that the briefing focused on the DoD streamlining of Lajes Field, the Business Executives for National Security (BENS) assessment of Lajes Field, and how the DoD might assist Lajes Field during the streamlining. She said she did not recall DASD Townsend telling Chairman Nunes during the briefing that Lajes Field was reviewed as a potential location for a JIAC. She also said that DASD Townsend was not involved in the JIAC process at all. She said he would not have told Chairman Nunes, "everything was looked at" and that she "would have corrected him because that was my lane [EIC review of Lajes Field] and not his." DASD Sands also said she did not recall Chairman Nunes talking about the JIAC during the briefing, but she did remember him talking about what DoD assets, such as AFRICOM and SOCOM, might be relocated to Lajes Field.

In addition, DASD Sands affirmed to us that Lajes Field was never considered as a site for the JIAC during the EIC. She stated that:

the siting of the JIAC was not an issue in the EIC. That was not a question that ever came up. The analysis of alternatives was conducted well before the EIC was ever born... Lajes was never even in the mix... if we were to start all over [EIC] again today, it still wouldn't be in the mix.

She said Lajes Field was originally looked at as a possible divestiture, but was ultimately validated for streamlining. She added “The EIC allowed the opportunity to once again revalidate the Lajes Field streamlining decision that had already been made but not implemented.”

The former Special Assistant for European and NATO Policy, OSD Legislative Affairs, had similar recollections. He told us that DASD Townsend's briefing was an update on DoD activities related to minimizing the impact streamlining was having on Lajes Field. The former Special Assistant said that he did not recall any communication during the briefing pertaining to the JIAC.

We also interviewed other DoD and State Department officials who attended the briefing, and none of whom recalled anyone discussing the JIAC.

We also asked these and other DoD officials for notes relating to this meeting. Only one had notes from the meeting. A U.S. Air Force official provided us with notes he took during the briefing. The notes indicated that Chairman Nunes asked the DoD to, “find a solution to the problem set” and that Chairman Nunes asked the DoD to “go back and look at Lajes for some other mission.” The notes do not contain any reference to the JIAC. No other attendees that we interviewed said they had notes from this meeting.

We also searched for documents in the DoD Policy Correspondence and Task Management System (CATMS) for correspondence, briefings, memorandums, or other documents related to the meeting, and none were found in this system.

Chairman Nunes told us that Congress had sent multiple letters to the DoD regarding EIC consideration of Lajes Field. He specifically cited a February 2013 letter he sent to Secretary Panetta, which related to the Air Force's decision to adjust the force structure and operational capability at Lajes Field and which provided potential alternative missions for Lajes Field.<sup>69</sup> He said that this letter suggested examining the intelligence value of Lajes Field

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<sup>69</sup> Letter to Secretary Panetta, dated February 22, 2013, signed by Representative Devin Nunes, Representative Jim Costa, Representative Bill Keating, Representative David G. Valadao, Representative David Cicilline, and Representative James P. McGovern

and that the Under Secretary of Defense for Policy USD(P), James N. Miller, responded to the letter. However, when we reviewed USD(P) Miller’s July 2013 letter, we did not find any reference to an intelligence mission for Lajes Field. Rather, USD(P) Miller wrote:

The Department is reviewing several locations to base rapid reaction forces. I thank you for your recommendation, and will ensure that Lajes is considered as a potential location as the Department conducts its analysis.

We also reviewed other documents, reports, briefings, memoranda, correspondence, and relevant sections of the FY 2016 National Defense Authorization Act (NDAA) to determine if Lajes Field had been considered as a location for the JIAC during the EIC. None of them contained any reference that Lajes Field would be considered for the JIAC or that it had been considered.

For example, we reviewed the classified EIC final report, published in January 2015, which reported that that the EIC had considered the realignment of intelligence missions to RAF Croughton. It did not suggest that Lajes Field was considered for those missions, or that Lajes Field had been considered as a location for the JIAC.<sup>70</sup>

However, it is clear that the EIC assessed the closing of Lajes Field, as well as its streamlining. The EIC SSG slides showed that:

- On October 25, 2013, the streamlining of Lajes Field was characterized as a “Quick Win” and the recommendation was to approve the streamlining because it was previously ratified by the SSG;
- On November 14, 2013, the U.S. Air Force nominated the divesture of Lajes Field as one of its priorities during the EIC; and
- On March 20, 2014, the SSG published its January 2014 decisions concerning the disapproval of the divesture of Lajes Field, but validating and approving the streamlining of Lajes Field.

We also reviewed a bullet point paper, dated February 4, 2015, that Under Secretary of Defense for Policy (USD[P]) Wormuth provided to Chairman Nunes titled, “Defense Department Analysis – Lajes Field,” which discussed the EIC results related to Lajes Field. The paper stated:

The EIC considered 12 main operating bases (MOBs) in Europe, nine of which have associated airfields, as part of its review. ...Lajes Field scored the lowest of all nine bases with associated airfields. The EIC considered closing the U.S. presence at Lajes. Lajes Field was a regular point of discussion as the DoD considered closing the U.S. mission there and also looked for a meaningful mission for the air field. Operationally, the EIC review deemed no other missions suitable for a mid-Atlantic location.

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<sup>70</sup> The specific section of the EIC report pertaining to Lajes Field was classified and therefore, not further explained in this report.

A May 13, 2015, letter from USD(P) Wormuth to Chairman Nunes expressed the DoD’s continued effort to find a use for Lajes Field, but the letter stated, “Unfortunately, its geography and unpredictable severe weather patterns make Lajes an unsuitable place for many defense activities, particularly those related to intelligence or crisis-response.”

The presence and level of DoD personnel assigned to Lajes Field has been the subject of inquiry during several DoD and U.S. Air Force reorganizations, drawdowns, and mission transitions, as well as at the EIC. Our review showed, as detailed in the chronology, potential uses for Lajes Field other than for a JIAC, and whether to streamline Lajes Field, had been considered on several occasions before the EIC. For example, in 1992, the U.S. Air Force redesignated the Lajes Field 1605th Military Airlift Support Wing as the 65th Support Wing to meet evolving mission requirements; in 1994, after the Gulf War the DoD directed a drawdown of U.S. military forces and military personnel levels at Lajes Field dropped below 1,000; in 2010, the U.S. Air Force recommended a plan to reduce staffing at Lajes Field by 500 positions; and in 2013, the DoD considered Lajes Field as a potential location to base rapid reaction forces. But we found no indication that it was considered as a location for the JIAC during the EIC or before that time.

### **3. Conclusions Regarding the DoD’s European Infrastructure Consolidation Process**

We investigated HPSCI’s allegations that locating the JIAC at RAF Croughton was not substantively reviewed by the EIC, and that that the EIC did not consider Lajes Field as a possible relocation site for the JIAC despite DoD assurances that the EIC would do so.

With regard to the first allegation, the evidence clearly showed that, in fact, the EIC did review and reassess RAF Croughton as the site for the JIAC. Several witnesses connected to the EIC stated that the EIC did reassess RAF Croughton, and EIC briefing slides, as well as the EIC final report, confirmed that the EIC did reassess RAF Croughton as the location for the JIAC.

With regard to the second allegation, the evidence is less clear. According to Chairman Nunes, he was informed by DoD officials that “everything” would be considered for Lajes Field, and he indicated that he was led to believe on multiple occasions that the EIC would consider Lajes Field for various uses, including as a location for the JIAC. He pointed specifically to a briefing by DASD Townsend for the congressional Portuguese Caucus in January 2015. Chairman Nunes asserted that, during that presentation, DASD Townsend said “We looked at everything for Lajes,” and that Chairman Nunes asked, “Well, wait a second here. Did you look at the JIAC?” and the response was “Yes, everything was looked at.”



The DoD participants remembered that presentation differently. DASD Townsend told us that Chairman Nunes did not ask him that specific question about the JIAC and that he would not have had stated to Chairman Nunes that Lajes Field would be considered for the JIAC because that was a decision for AT&L and the Intelligence Community. DASD Townsend said that the JIAC was an intelligence-related matter and that issue was not in his lane.

Other DoD officials, such as DASD Sands, said that the briefing focused on the streamlining of Lajes Field and how the DoD might assist Lajes Field related to the proposed streamlining. DASD Sands said she did not recall DASD Townsend telling Chairman Nunes during the briefing that Lajes Field was reviewed as potential location for a JIAC, and that if he had told Chairman Nunes “everything was looked at,” she would have corrected him “because that was my lane [EIC review of Lajes Field] and not his.” We also found no written evidence or correspondence in which the DoD stated that the EIC would consider everything for Lajes, or more specifically that the DoD would consider Lajes Field as a location for the JIAC.

We asked DoD officials for notes of the meeting, and only one provided such notes. Those notes did not contain any reference to the JIAC. A U.S. Air Force official provided us with notes that he recorded during the briefing and his notes show that Chairman Nunes asked the DoD to, “find a solution to the problem set.” The notes also reflect that Chairman Nunes asked DoD to “go back and look at Lajes for some other mission.” The Air Force official told us that he thought both of Chairman Nunes’ comments articulated his desire that the DoD continue to seek a mission to put at Lajes Field to offset streamlining. No other attendees that we interviewed had notes from this meeting.

In sum, we cannot be certain of what was said by DoD officials about Lajes, either at the briefing or in other conversations between Chairman Nunes and DASD Townsend. However, we did determine, with certainty, that the EIC did not consider Lajes Field as a location for the JIAC. The EIC did assess the streamlining of Lajes Field, but it did not consider whether the JIAC should be located there.

DASD Townsend told us he believed there may have been a misunderstanding between him and Chairman Nunes over the course of their communications about Lajes Field. DASD Townsend said that both wanted something to be placed at Lajes Field and that Chairman Nunes “was thinking about the JIAC, but I was not thinking about the JIAC.”

We believe that to be the most likely explanation for the misunderstanding. While DASD Townsend may have unintentionally left Chairman Nunes with the impression that the EIC considered many options for Lajes Field, including locating the JIAC at Lajes Field, we do not believe he directly stated that the EIC would consider the JIAC for Lajes Field, and we do not believe he intended to mislead Chairman Nunes into thinking one of those options considered was the JIAC. Chairman Nunes also stated that he did not believe DASD Townsend intended to mislead him. We agree. We found DASD Townsend to be credible in his assertion that he believed the problem was a miscommunication.

In short, we found no evidence that DASD Townsend – or anyone else – intended to mislead Chairman Nunes about whether Lajes Field would be considered as the location for the JIAC.<sup>71</sup>

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<sup>71</sup> In comments we received from Chairman Nunes in response to a draft of this report, as well as in a subsequent meeting with HPSCI staff members, the Committee requested that the DoD OIG conduct a separate, further investigation into deficiencies in the EIC process. However, the HPSCI staff did not identify specific deficiencies in the EIC process or how that would have changed the outcome. More important, our extensive and lengthy investigation, which we discussed with HPSCI at the outset, did not examine the EIC process or any potential deficiencies in it. Rather, we focused on HPSCI's allegations and whether there were any intentional inaccuracies in DoD's assessments and communications to Congress. It was beyond the scope of the allegations to us, and the scope of our investigation, to assess the EIC process, and we do not believe it would be appropriate for us to do so now.

### **C. Allegation that DoD Officials Intentionally Conveyed Inaccurate Information Pertaining to the Communication Infrastructure at Lajes Field**

We also investigated the allegation that DoD officials intentionally provided inaccurate information to Congress concerning the number of submarine fiber optic cables (SFOCs) serving Lajes Field.

HPSCI staff told us that between May and August 2015, DoD officials reported to them on several occasions that there was only one SFOC serving Lajes Field. HPSCI staff said that, in fact, multiple SFOCs served the Azores and Lajes Field. HPSCI staff said that DoD officials had also informed them that the one SFOC serving Lajes Field did not meet the basic communications bandwidth requirements for a JIAC. HPSCI staff alleged that DoD's inaccurate reporting of the number of SFOCs was an intentional attempt by the DoD to influence the business case for not placing the JIAC at Lajes Field. They said that the requirement for additional SFOCs to upgrade Lajes Field's communications infrastructure inflated the cost estimate, undercutting the business case for Lajes Field as a desirable option for a JIAC.

In September 2016, we spoke further with Chairman Nunes to obtain additional clarity concerning HPSCI's allegations. He stated that between May and August 2015, EUCOM officials and Lajes Field communications squadron leadership briefed congressional delegations (CODEL) and congressional staff delegations (STAFFDEL) that there was only a single SFOC (the Columbus III) serving Lajes Field. Chairman Nunes told us that shortly after the July 2015 STAFFDEL visit to Lajes Field, a 65th CS employee contacted him and provided a Portugal Telecom slide presentation depicting two SFOCs that serve Lajes Field.<sup>72</sup> Chairman Nunes also asserted that the DoD's inaccurate reporting of the number of transoceanic SFOCs was an attempt by the DoD to influence the business case for locating the JIAC at Lajes Field.

In addition to the allegation that DoD officials intentionally conveyed inaccurate information regarding the number of SFOCs serving Lajes Field, HPSCI staff questioned the information that the DoD provided regarding available bandwidth capacity of the SFOCs serving Lajes Field, and its capacity to support the JIAC.

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<sup>72</sup> Portugal Telecom (PT) (PT Portugal Shareholding Management Company PLC (PT Portugal)) is a global telecommunications and multimedia operator based in Portugal. It is a wholly owned subsidiary of the Altice Group. The company's activities include telecommunications services such as fixed line, mobile, multimedia, data, and business solutions. <http://altice.net/brands/Portugal-telecom/>.

To investigate these allegations, we interviewed witnesses from EUCOM, the Office of the Secretary of Defense (OSD), the Defense Information Systems Agency (DISA), the Defense Intelligence Agency (DIA), and elsewhere. We also asked witnesses for e-mails, presentations, documents, and other records related to the communications infrastructure at Lajes Field as well as the development of reports and the transmission of information to Congress about the SFOCs and the communications infrastructure serving Lajes Field.

The following sections provide the results of our investigation regarding these allegations. We first provide background on the SFOCs serving the Azores. We then discuss various communications, beginning in May 2015, from the DoD to Congress about the number of SFOCs and their capacity to service a potential JIAC at Lajes Field. Finally, we provide our analysis and conclusions regarding the accuracy of that information provided to Congress, and whether anyone attempted to intentionally mislead Congress.

## **1. Submarine Fiber Optic Cables in the Azores**

We determined that there are five SFOCS that either directly or indirectly serve the Azores archipelago: the Columbus III, Atlantis 2, AFOS, Continent Azores Madeira (CAM) and the Flores-Corvo Submarine System. We met with subject matter experts from DISA, DIA, and Atlantic Telegraph and Telephone (AT&T) regarding these SFOCs. We also reviewed documents and commercial internet-based SFOC maps to gain an understanding of the location, purpose, and capability of each system.

We narrowed our inquiry to two SFOC systems, the Columbus III and Atlantis 2, for two reasons. First, these two are the only transoceanic SFOCs with connections, or what is referred to as “landing stations,” in Europe that enable data to be transmitted between the Azores and EUCOM in Europe over commercial SFOC lines. Second, HPSCI staff cited the Columbus III and Atlantis 2 as the two primary SFOCs that DoD officials had provided inaccurate information about and that had the potential to serve a JIAC at Lajes Field.

The Columbus III SFOC lies on the seabed of the Atlantic Ocean and carries data between the United States and Europe. It is the primary SFOC providing connectivity between Lajes Field and EUCOM. The Columbus III has landing stations in the United States, Italy, Spain, and two locations in Portugal. One of the two locations where Columbus III connects in Portugal is the island of Sao Miguel in the Azores. Once data traveling through the Columbus III lands on the island of Sao Miguel, it can then be transferred at the landing station to another SFOC, called the Azores Fiber Optic System (AFOS). The AFOS was constructed in a ring-like formation and allows for data to travel throughout the Azores Islands. For data to go from Sao Miguel to Terceira Island, where Lajes Field is located, it travels through the AFOS.

A second transoceanic SFOC, the Atlantis 2 SFOC, also lies on the seabed of the Atlantic Ocean. It carries data between Europe, Africa, and South America. The Atlantis 2 has landing stations in Portugal, Spain, Africa, Brazil, and Argentina. Unlike the Columbus III, the Atlantis 2 does not connect directly to the island of Sao Miguel in the Azores. Its connection to the Azores is through another cable system called the Continent-Azores-Madeira (CAM).

The CAM connects the Azores to the Portuguese island of Madeira, then connects with another branching segment to the Atlantis 2. Similar to the Columbus III, data can travel from Lajes Field to Sao Miguel through the AFOS in the Azores. On Sao Miguel, the data can then be transferred to the CAM SFOC and travel to the island of Madeira. From Madeira, the data then travels through a branching segment to the Atlantis 2 and onto a landing station in Portugal. In the event the Columbus III experiences a cable break or malfunction, data could still travel from Lajes Field on Terceira Island through the CAM, to the Atlantis 2.

The following graphics depict the SFOCs in the Azores and where the Columbus III, CAM, and Atlantis 2 connect in the United States, the Azores, and Europe.

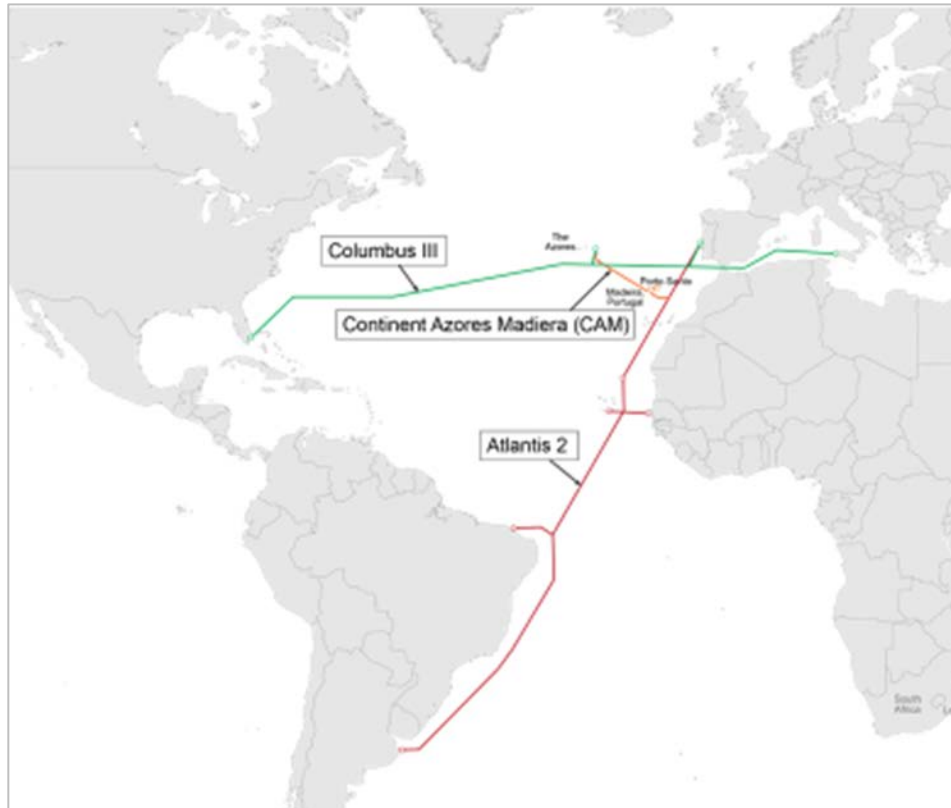
Figure 6 first depicts the Columbus III SFOC, which connects the U.S. with Europe and has a branching element that provides IT connectivity to the Azores Islands.



**Figure 6. The Columbus III SFOC (Connects the U.S. with Europe)**

Source: Telegeography (submarinecablenmap.com) as adapted by the DoD OIG.

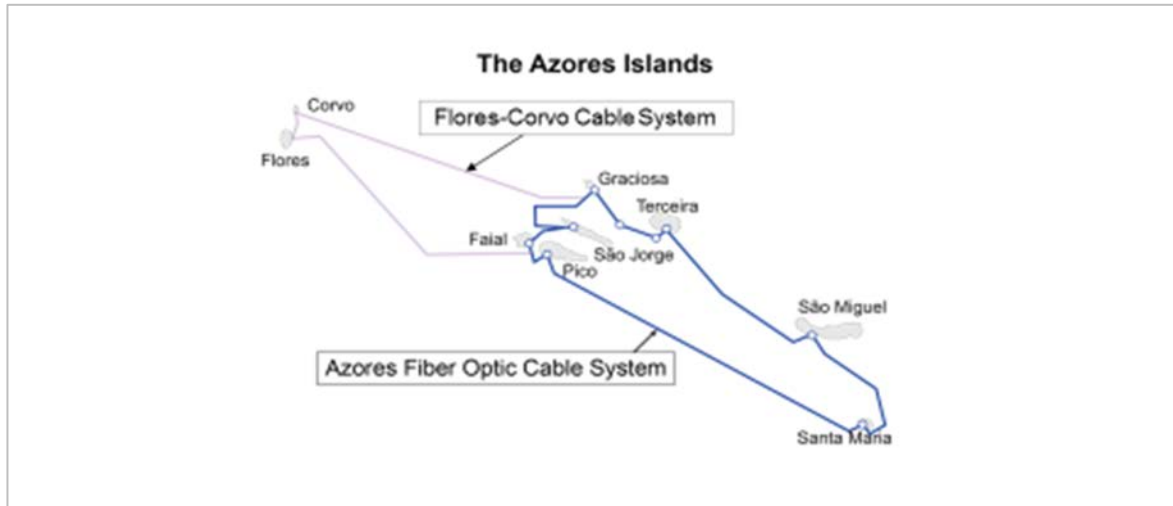
Figure 7 then depicts the Columbus III SFOC, which connects the U.S. to Europe and the Azores Islands; the Atlantis 2 SFOC, which connects Europe, Africa, and South America; and the CAM SFOC, which connects the Atlantis 2 SFOC to the Azores Islands.



**Figure 7. The Columbus III SFOC (Connects the U.S. to Europe and the Azores Islands)**

Source: Telegeography (submarinecablemap.com) as adapted by the DoD OIG.

Figure 8 depicts the Azores Fiber Optic Cable (AFOS) SFOC, which connects the Azores Islands in a domestic cable loop.



**Figure 8. AFOS SFOC**

Source: Telegeography (submarinecablenmap.com) as adapted by the DoD OIG.

## 2. Lajes Field Communications Infrastructure Briefings by 65th Communications Squadron Commander 1

In February 2013, a Business Executives for National Security (BENS) delegation visited Lajes Field. The purpose of this BENS delegation was to identify possible economic development opportunities and strategies for mitigating or offsetting the impact to the local economy from the streamlining changes proposed for Lajes Field.<sup>73</sup>

In preparation for the BENS delegation visit to Lajes Field, the 65th CS Commander (65th CS Commander 1) at the time, who served in that position between 2011 and 2013, and his staff prepared point papers to inform the delegation members about the Lajes Field communications squadron mission, and the communications capabilities and infrastructure serving Lajes Field.

The 65th CS Commander 1 told us that at various times when he was in command at Lajes Field, both he and the Branch Chief of Cyber Transport Systems (Branch Chief) spoke with Portugal Telecom personnel about the commercial communication infrastructure serving Lajes Field and how Portugal Telecom supported the DoD with communications capability. The 65th CS Commander said that on one occasion, Portugal Telecom personnel provided to

<sup>73</sup> According to its website, BENS is a nonprofit organization composed of more than 450 senior business and industry executives who volunteer their time and expertise to address the national security community's most pressing challenges. The BENS group prepared a public report discussing business opportunities in the Azores dated March 15, 2013. <https://www.bens.org/OurWork>.

him and Branch Chief proprietary SFOC information depicting two SFOCs, the Columbus III and the CAM, which connect to the Atlantis 2 SFOC, as landing in Sao Miguel and serving the Azores through the AFOS SFOC.

The 65th CS Commander told us that on January 29, 2013, he developed a Lajes Field communications infrastructure point paper to assist the BENS group with its assessment. He said that the information he included in the point paper was based on the information that Portugal Telecom had provided to him and that the information included the depiction of two SFOCs landing at Sao Miguel in the Azores.

We reviewed the point paper prepared for the BENS group, titled “Bullet Background Paper on Azores Communications Infrastructure,” January 29, 2013. It provided an overview of the telecommunications infrastructure throughout the Azores and as it pertained to Terceira Island, including Lajes Field. The paper depicted two SFOCs – the Columbus III and the CAM – serving the Azores. This is the first instance where we found a DoD document referencing two SFOCs serving Lajes Field. The point paper stated specifically:

Azores Global Communications Connectivity – Sao Miguel [Island]

- Connectivity through Columbus III submarine fiber optic cable (Florida to Italy (Europe))
- Redundant transmission over Continent Azores Madeira (CAM) submarine cable.

Terceira Off-Island Connectivity

- Terceira Island is connected to a Synchronous Digital Hierarchy submarine fiber ring. The ring currently connects seven of the nine [Azores] islands. Ring construction assures redundancy.
- Connection to the rest of the world is through Sao Miguel Island on Columbus III and CAM.

As noted in the below, however, the two succeeding 65th CS Commanders would brief CODELs and STAFFDELS that there was only a single SFOC, the Columbus III, serving the Azores. When we asked 65th CS Commander 1 if he informed his replacement that there was more than one SFOC serving the Azores and Lajes Field, he initially told us that he was “pretty sure” that the point paper for the BENS delegation, which depicted two SFOCs serving



Lajes Field, was in the packet of information that he gave his replacement. However, during a subsequent interview of the 65th CS Commander 1, when we again asked whether he had informed the new Commander about the Lajes Field communications infrastructure, he said:

So we did talk a lot. I'm not sure that that ever came up... I do remember we sat down in the office and went over the stuff that I had for her and -- and, uh -- but it would have been very cursory. We didn't go into any depth on it... I can't say that I ever did.

The 65th CS Commander 1 said that the major points of discussion during the exchange focused on the Lajes Field streamlining and reductions in unit personnel.

### **3. 65th Communications Squadron Commander 2 Assumes Command**

The new 65th Communications Squadron Commander (65th CS Commander 2) assumed her duties in June 2013 and served at Lajes Field until June 2015. She told us that she spoke with the previous Commander mostly about the unit's mission, staffing, and personnel deployments. She said she did not recall them speaking specifically about SFOCs. She said:

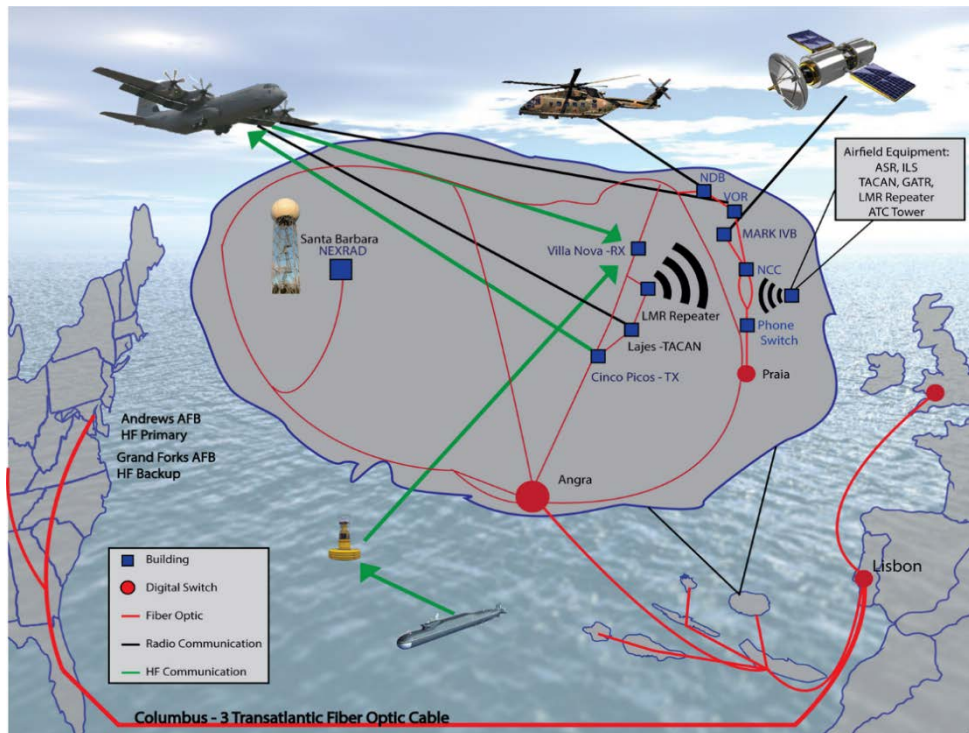
[The former Commander] and I, we never really talked about all of the intricacies in the 4 days or so that we had turnover... Basically, we -- we didn't really go into -- from my recollection, we didn't go into detail as far as how we were connected to the outside world from our tiny island... No specifics on exactly what fiber and how large the pipes were or anything of that nature.

We also asked her if she had received any briefing slides, work products, or point papers from her predecessor that depicted or explained the communication capabilities at Lajes Field, and she stated, "No, not to my recollection." The 65th CS Commander 2 said also that although she spoke with personnel from Portugal Telecom on a few occasions while she was the Commander, she did not receive a briefing from Portugal Telecom, similar to what the CS Commander 1 had received, describing the SFOCs in the Azores.

The 65th CS Commander 2 told us that the Branch Chief of Cyber Transport System (Branch Chief), who she identified as her unit's subject matter expert on Lajes Field communications based on his 35 years of experience working in the communications squadron, had briefed her that there was only one transatlantic cable that serviced Lajes Field. She said:

So basically what I had, I didn't know how we were connected to the outside world... So I had my folks put together a slide showing here's our islands, here's the States, here's Europe, how are we connected? ... And so, there were many iterations, but [the slide] was put together by my folks, [the Branch Chief] being one of them, my transport guys being the [Subject Matter Experts]. And so, we had a slide built that showed how we were connected to Europe, how we were connected to the United States as well. We have from our point on Lajes...it goes off the island. And there were like two spots on the island. And then it would go off and then go on the transatlantic cable. So -- so I was briefed by them on that... I was briefed that there was one transatlantic cable [that serviced Lajes Field].

We reviewed the slide created by the Branch Chief (see Figure 9 below). The slide was created to provide an illustration during executive briefings by DoD personnel to show how Lajes Field was connected through communications to the United States and Europe. Figure 9 depicts a single SFOC, the Columbus 3 [III], and, although not marked, the Columbus III submarine fiber optic cable branching unit, connecting the Columbus III to the Azores Islands and Lajes Field. The graphic also depicts additional communication capabilities, such as satellite and high frequency radio.



**Figure 9. Lajes Field Communications Connections to the United States and Europe as reported by the 65th CS**

Source: 65th CS Commander 3.

The 65th CS Commander 2 told us that neither the former Commander nor the Branch Chief ever told her there were additional SFOCs that serviced Lajes Field. When asked if she was aware of the CAM SFOC, and if it was connected to the Azores, she stated:

I don't remember that. And we didn't have that depicted in the slide that we had put together showing how we were connected. It would have been...it would have been in the slide, I'd imagine, because I'd go to my subject matter experts, my SMEs, saying, hey, show me how we're connected. And that was not a part of it.

#### 4. HPSCI Visit to Lajes Field

From May 9 to May 10, 2015, a congressional delegation (CODEL) led by Chairman Nunes visited Lajes Field to view its facilities and the supporting infrastructure relating to the feasibility of repurposing the base, in light of the streamlining process, to potentially support a JIAC.

Chairman Nunes told us that during his visit, the 65th CS Commander 2 provided him with a briefing on Lajes Field communications capabilities. He said the Commander reported that Lajes Field had bandwidth limitations, but was not able to tell him how many cables (SFOCs) were connected to Lajes Field. Chairman Nunes said as he was leaving the briefing he noticed a graphic on the wall that depicted an SFOC. He said when he asked about the SFOC in the graphic, the Commander told him she was not familiar with the SFOCs, but would obtain the information for him. The graphic that Chairman Nunes described was the same graphic created by the Branch Chief for the 65th CS Commander 2 (Figure 9).

The 65th CS Commander 2 told us that in May 2015, she prepared to brief the entire CODEL, but rather than the entire delegation, just Chairman Nunes and one or two members of his staff arrived at her office for the briefing. She said she was told by her boss that the Lajes Field communications infrastructure briefing for the entire CODEL was postponed. She said she showed Chairman Nunes Figure 9 and they spoke for about 10 minutes, but she did not provide the formal CODEL briefing. She stated that one of her non-commissioned officers briefed Chairman Nunes that there was one SFOC, the Columbus III, serving Lajes Field. She said:

It was probably about 10 or 15 minutes, and they wanted to know about how we were connected. So my airmen did a kind of preliminary briefing of what they would have provided to the CODEL. We told them about the inner circle in the Azores [the AFOS]... and that we were connected to the Columbus III transatlantic line and that's how we had our comm support.

## **5. Interview of the Director of the Defense Intelligence Agency**

Chairman Nunes had invited DIA Director Stewart to accompany the delegation to Lajes Field, but he was unable to attend. When we interviewed Lt Gen Stewart, he said that Chairman Nunes believed Lajes Field was a more suitable location to put the JIAC. Lt Gen Stewart said he could not make the trip with Chairman Nunes, but he sent DIA infrastructure personnel with the HPSCI CODEL to Lajes Field to assess if it could support a JIAC. Lt Gen Stewart told us that Chairman Nunes also approached him with a proposal that the DIA create a JIAC on Lajes Field and asked the DIA to look at the possibility.

Lt Gen Stewart told us that three DIA personnel traveled with the CODEL to Lajes Field to conduct an assessment of the base infrastructure. The personnel included a DIA communications engineer from the DIA's Chief Information Office, a Congressional Affairs Officer, and an Engineer from Asset Management and Planning. Lt Gen Stewart told us that the DIA communication engineers, in cooperation with DISA engineers, provided research information to DISA and EUCOM which indicated that there was only one SFOC, the Columbus III, and that the information was used not only in internal EUCOM briefing documents but was also used for other cost estimates.

Lt Gen Stewart also said that to the best of his recollection, the team told him upon returning from the CODEL that Lajes Field was not a suitable location for a JIAC, and that Lajes Field would require significant investment in order to make it a feasible site. Lt Gen Stewart said that he did not subsequently share his team's assessment with Chairman Nunes or HPSCI:

near as I can tell, [DIA] did not communicate to the HPSCI anything more than the decision as to where the site -- the center is created. It is a decision that is made by EUCOM, USAFE [U.S. Air Forces Europe], who did the initial assessment, and the Department, and we stand behind the decision of the Department.

Lt Gen Stewart also said that Chairman Nunes discussed the Lajes Field issue with him on numerous occasions, including during a trip to Australia in August 2015, where Chairman Nunes accused the DoD of "not being honest with the figures." He said that Chairman Nunes continued to push Lajes Field as an alternative site for the JIAC. Lt Gen Stewart said that regarding the SFOCs serving Lajes:

I was aware there was a single fiber cable and the idea was whether or not it [the SFOC] had both the capacity and whether it was secure enough for what we needed to do... And the security was a significant concern...there was some doubt as to who controlled that cable.

Lt Gen Stewart also said Chairman Nunes thought that the DoD did not do enough homework in reviewing alternatives and the security issues could be mitigated. Lt Gen Stewart said he told Chairman Nunes several times that the DIA would staff a JIAC wherever the DoD decided to place the complex.

We reviewed the document titled, "DIA Azores Communication's Cost Estimate," that was prepared by DIA and DISA employees as a result of their visit to the Azores with the CODEL. The document, created in July 2015, stated:

The Azores Islands are fed by a single transoceanic Submarine Fiber Optic Cable System (SFOC) – *Columbus III*, which is owned and ran by a consortium of U.S. and European companies. This provides a single feed to the island group, off of a branching unit off of the undersea system some 300km away. Within the Azores Islands, a series of local undersea systems provide connectivity between the islands, to the island of Terceira [sp], where the DoD installations reside, the service is provided by the Azores Fiber Optic System (AFOS). Columbus III was upgraded in 2009 to 320 GB of capacity. On the island of Teceria, there is a single cable landing station and approach for the AFOS system, on island fiber optic systems operated by the host nation telecommunications provider.

This document was sent to EUCOM and appended to EUCOM Document 3, which was later provided to Congress.

## 6. EUCOM Documents 1 and 2

After the May 2015 CODEL visit to Lajes Field, the EUCOM Chief of Legislative Affairs became the main conduit for communications and correspondence between EUCOM and Congress. During our interview with him, he told us that in May 2015 he had asked the EUCOM J-4 to prepare a work paper that provided a cost comparison for constructing and operating a JIAC at Lajes Field versus RAF Croughton. The EUCOM Chief of Legislative Affairs said he wanted to be prepared to respond to anticipated congressional requests for information and to respond to any requests for JIAC-related briefings to Congress. As discussed above in Section V, Part A, his request resulted in several iterations of a cost comparison document, which we call EUCOM 1, 2, and 3.

On May 27, 2015, the EUCOM J-4 completed this first iteration of the paper (EUCOM Document 1). This first iteration was not provided to Congress, but the two subsequent versions were provided to Congress. Regarding the Lajes Field communications infrastructure, EUCOM 1 stated:

Lajes does not have adequate bandwidth to support the communications requirements of the JIAC. A new fiber optic cable would need to be run to the island to meet the additional demand, which would be entirely a U.S. bill since Lajes does not have a commercial requirement for increased communications capacity. Additionally, a single cable would be a critical vulnerability to the JIAC. A second line could be run to provide redundancy, but it would significantly increase the cost of the project. The current ROM for communication infrastructure is \$400 million.

The J-4 told us that for estimates of communication capabilities for Lajes Field in the paper, he conferred with the EUCOM J-2 as well as the DIA. The EUCOM J-4 said he provided EUCOM Document 1 to his EUCOM J-4 supervisor in May 2014. The EUCOM J-4 continued to revise the document over the next month, updating cost comparisons and verifying housing and communication information.

A new EUCOM J-4 began in June 2015 and served until July 2017. He told us that EUCOM Document 2 was developed to further prepare EUCOM to respond to ongoing HPSCI requests for information for comparisons between RAF Croughton and Lajes Field. EUCOM Document 2 was created in July 2015. The new EUCOM J-4 told us that the information and data was revised from EUCOM Document 1 and based on additional detail and analysis from subject matter experts. He said that he relied on DISA for the communication information included in the documents, but he could not recall specifically who within DISA provided the information.

On June 17, 2015, a new 65th CS Commander (65th CS Commander 3) assumed command and served through June 24, 2016. He told us that his predecessor briefed him that there was one SFOC coming off Terceira Island where Lajes Field is located. This referred to the AFOS intra-island SFOC system. The 65th CS Commander 3 added that he had no reason to doubt the information provided to him by the 65th CS Commander 2 regarding the number of cables. He told us:

It was a specific point that there was only one fiber... cable coming off the island, one undersea cable. That was it. That was very specific. It was pointed out because it's — it's a -- an extreme [limiting factor], because there's no other way to communicate were that facility that it connects to that's owned by Portugal Telecom.

The 65th CS Commander 3 said he did recall that he received a briefing from Portugal Telecom within the first few days of taking command in June 2015, but he did not recall any details of the meeting.

## **7. Congressional Staff Delegation Visits to EUCOM and Lajes Field**

On July 6, 2015, a HPSCI STAFFDEL, led by the HPSCI Staff Director, visited EUCOM Headquarters in Stuttgart, Germany; JIAC facilities at RAF Molesworth in the United Kingdom; the proposed JIAC location at RAF Croughton; and Lajes Field.

On July 8, 2015, the EUCOM J-4 briefed the HPSCI STAFFDEL about the Lajes Field communications infrastructure and housing availability, and various cost analyses conducted by EUCOM which compared locating a JIAC at RAF Croughton versus Lajes Field. During the video teleconference briefing, the STAFFDEL noticed the EUCOM J-4 staff referring to a document (EUCOM Document 2). The STAFFDEL requested the EUCOM J-4 staff provide it with a copy of the document, and EUCOM Document 2 was provided to the STAFFDEL on July 10, 2015.

The EUCOM J-4 told us that when he briefed the HPSCI STAFFDEL via video teleconference on July 8, 2015, the comparison between RAF Croughton and Lajes Field included the communications infrastructure. The EUCOM J-4 said that he briefed the STAFFDEL that there was only one SFOC, the Columbus III that serviced Lajes Field.

We reviewed EUCOM Document 2, which stated regarding Lajes Field's communications capabilities to support a JIAC:

Lajes does not have adequate bandwidth to support the communications requirements of the JIAC. The two 32 megabyte circuits provided by the USAF are maxed out with no expansion capability, and there is no Joint Worldwide Intelligence Communications System (JWICs) access. A single cable would be a critical vulnerability to the JIAC, and a second line is needed to provide redundancy. The estimate to provide the communications architecture to Lajes is \$400M and includes the cables, buildout, networking, and comm nodes.

After HPSCI staff returned from the STAFFDEL, they conducted their own analysis of the data provided in EUCOM Document 2. The HPSCI staff documented their analysis in a report titled, “HPSCI Staff Review – Joint Intelligence Analysis Complex Consolidation,” July 20, 2015. The HPSCI report disputed the DoD’s cost estimate of approximately \$400 million to improve the Lajes Field communications infrastructure to support a JIAC. The report stated:

The DOD estimate included \$300-400 million for communications infrastructure upgrades to Lajes to support the JIAC mission, though the EUCOM personnel admitted the value was a rough estimate. The Study Team recognizes that additional communications infrastructure upgrades would be required at Lajes, and includes \$50 million for IT equipment and base infrastructure modifications to account for the necessary upgrades. While the Study Team understands there is already access to commercial fiber lines to mainland Europe for communications, the Study Team’s analysis also includes \$100 million to cover the cost of a dedicated fiber line from CONUS directly to Lajes to support the JIAC mission. The Study Team believes the \$100 million to be a conservative estimate, since various commercial trans-Atlantic undersea cables are currently planned to run in close proximity to the Azores, and the DOD could leverage these commercial cables as well... The Study Team is still investigating the available communications infrastructure at Lajes. If a dedicated cable is not required, this would save an additional \$100 million.

During the summer of 2015, several other CODELs and STAFFDELS visited Lajes Field to observe the infrastructure at Lajes Field and receive briefings about the capabilities of Lajes Field. On July 16, 2015, a STAFFDEL from the House Committee on Appropriations, Subcommittee on Military Constructions, Veterans Affairs, and Related Agencies, visited Lajes Field. During this visit, the STAFFDEL received a communication infrastructure briefing from the 65th CS Commander 3, who stated that there was one SFOC serving Lajes Field.

On August 9, 2015, another CODEL from the House Committee on Appropriations, Subcommittee on Military Construction, Veterans Affairs, and Related Agencies visited Lajes Field to assess the base infrastructure and discuss the suitability of Lajes Field for a JIAC. This CODEL received the same communications infrastructure briefing from the 65th CS Commander 3, who briefed that one SFOC served Lajes Field.

On August 22, 2105, a Senate Armed Services Committee STAFFDEL visited Lajes Field and focused on the JIAC consolidation at RAF Croughton as opposed to Lajes Field. The STAFFDEL received the same communications infrastructure briefing from the 65th CS Commander 3, who again briefed that one SFOC served Lajes Field.

Between August 26 through 28, 2015, a House Committee on Oversight and Government (HOCR) STAFFDEL visited Lajes Field. The 65th CS Commander 3 again briefed congressional representatives that one SFOC served Lajes Field.

## 8. Allegation that Communication Slides Were Hidden During Congressional Visits to Lajes Field

HPSCI staff told us that during the summer of 2015 a whistleblower from Lajes Field contacted HPSCI several times and said that before the 65th CS Commander 3 had briefed the first STAFFDEL in the summer of 2015, a presentation slide that depicted undersea cables (Figure 9 above) as well as four presentation slides with technical communication information specific to Lajes Field were removed from the briefing.<sup>74</sup> The whistleblower provided HPSCI with copies of the 65th CS Commander’s communications infrastructure briefing that had been given to the HPSCI STAFFDEL, a copy of the background paper on Azores telecommunications infrastructure that was given to the BENS delegation in January 2013, and a copy of Portugal Telecom presentation slides depicting the communications infrastructure for Lajes Field and SFOCs connecting Lajes Field and the Azores. The background paper that had been provided to the BENS delegation, as well as the Portugal Telecom presentation slides, both indicate that there were two SFOCs serving the Azores, contrary to what the 65th CS Commander 3 briefed to the CODEL and STAFFDELS.

We interviewed the whistleblower, who told us that at some point after the July STAFFDEL visit, he became aware that the 65th CS Commander 3 had briefed the STAFFDEL that one cable served Lajes Field and that there were limitations on the available bandwidth supporting Lajes Field communications capabilities. He said that at that point he decided to notify Congress about the inaccurate information.

When we interviewed the 65th CS Commander 3 about his briefings, he said he briefed the communications capabilities to five CODELs and STAFFDELS from July 12, 2015, through August 28, 2015, and that his briefing always included Lajes Field communications capabilities. He said that he briefed the CODELs and STAFFDELS the same information provided to him by 65th CS Commander 2 when he arrived on station – that there was only one SFOC, the Columbus III, serving Lajes Field. He also told us that he used one slide showing the graphic of the SFOC serving Lajes Field (Figure 9) to brief the CODELs and STAFFDELS. He said, in his opinion, the slide was confusing and, in the limited time allotted to brief the delegations, he wanted to concentrate on information he thought was relevant.

The 65th CS Commander 3 said that for the August 26 to 28, 2015, HOG STAFFDEL briefing he “hid” a slide depicting a satellite, helicopter, and submarine communications (Figure 9), which was intended to show the communication capabilities and facilities for Lajes Field. He said he replaced the Figure 9 slide, which depicted only one SFOC, with a different slide depicting the communication connections to the Azores, but also

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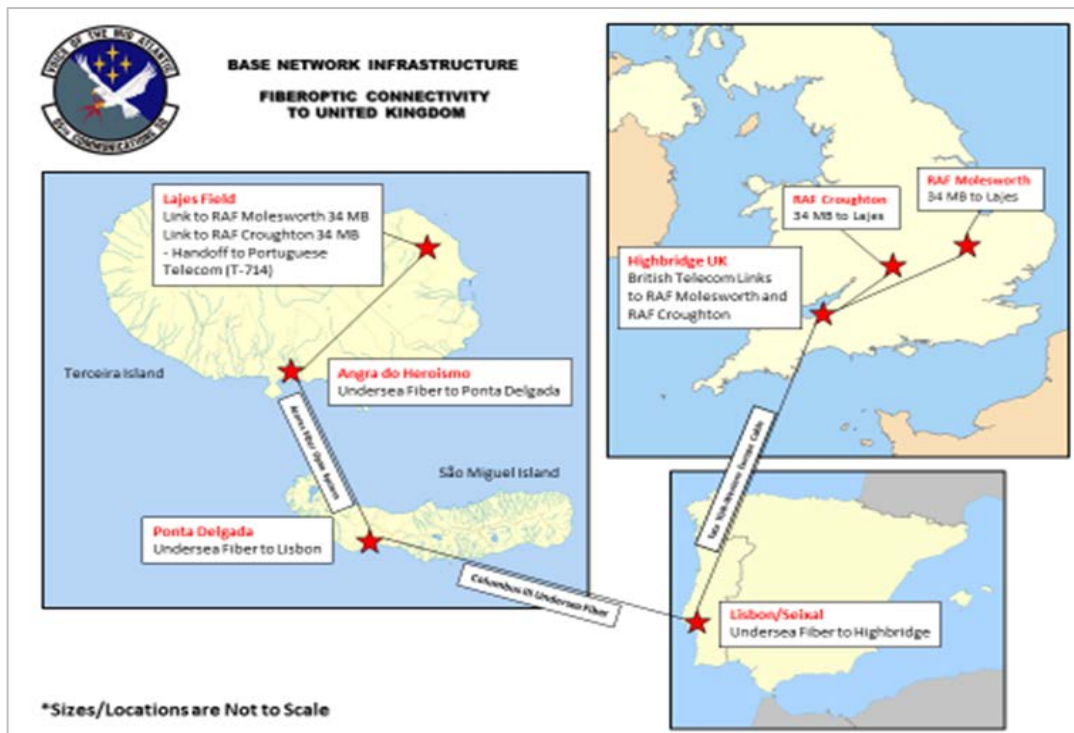
<sup>74</sup> The exact timing of each of these contacts between the whistleblower and HPSCI during the summer of 2015 is unclear. HPSCI told us the contacts between the whistleblower and their office occurred in July 2015, but other information, such as testimony from 65th CS Commander 3, a Lajes Field communications specialist, and the leadership within USAFE, as well as e-mails to 65th CS personnel about when certain briefings and meeting occurred, suggest that the contacts were in August 2015.



depicted only one SFOC serving Lajes Field. This new slide is represented in Figure 10 below. The first time it was used was during the HOGR STAFFDEL. The 65th CS Commander 3 said he believed Figure 10 was a better representation of the SFOCs which served Lajes Field and the new chart was easier for him to explain. He said Figure 9 was too “busy” and confusing and that he had spent almost all of his allotted briefing time in previous briefings attempting to answer questions about the Figure 9 slide. He said:

prior to that [August 26, 2015] briefing, there had been a slide, it was a horrible slide. It was confusing. It was busy. It was awful in every way. And it was a slide that had been provided to me, uh, by [the 65th CS Commander 2], showing the connectivity of the island. I used it three times. Every time I briefed it, it caused confusion, far more questions.

The 65th CS Commander 3 also told us that because it was taking him too long to brief the slides, he had his infrastructure shop and the Branch Chief recreate the slide, without all of the helicopters and submarines, to provide a clean version that showed the Azores and the Columbus III. He told us the infrastructure shop created a more succinct slide with the same information depicting one SFOC serving Lajes Field. The revised slide is Figure 10, which is depicted below.



**Figure 10. Revised briefing slide without helicopters and submarines**

Source: 65th CS Commander 3

To determine what information was provided to the CODELs and STAFFDELs, we reviewed the EUCOM files that contained memorandums, slide briefings, and correspondence pertaining to CODEL and STAFFDEL visits to Lajes Field from May 9 through August 28, 2015. Three of these files contained a copy of a 65th CS Commander 3’s

briefing. We reviewed the three slide briefings and determined that five slides previously identified by the 65th CS Commander 3, were marked “hidden.”<sup>75</sup> One slide marked “hidden” was Figure 9. The four additional slides that were “hidden” depict base network infrastructure and provide no information as to the SFOCs serving the Azores.

In sum, we determined that the 65th CS Commander 3 did remove slides from the communications infrastructure briefing, as indicated by the whistleblower. However, the 65th CS Commander 3 said he did so to simplify the communications infrastructure briefing, and he created a new, simpler slide depicting the SFOC serving Lajes Field. That new slide also continued to depict that one SFOC served the Lajes Field.

## **9. EUCOM Realization that Two SFOCs Serve Lajes Field**

The 65th CS Communications Infrastructure Branch Chief told us that around July 2015, he observed that a new graphic (see Figure 10) was being created by a 65th CS Infrastructure Shop member and that depicted only one SFOC serving the Azores. The Branch Chief said his Infrastructure Shop member was only depicting the Columbus III SFOC serving the Azores and connecting to Lisbon, Portugal. He said his employee, whose identity he said he could not recall, told him that this was the information that the 65th CS Commander 3 told him to prepare, so he was following his Commander’s orders. The Branch Chief said he realized, however, that the information on the slide was inaccurate – because there were in fact two SFOCs serving Lajes Field. He said he told his employee that he needed to correct the information and tell the 65th CS Commander 3 of the incorrect information.

The Branch Chief stated that several weeks after realizing the information in the briefing slides did not depict two SFOCs serving Terceira Island (AFOS), in August 2015 he notified the 65th CS Commander 3 that the information on the slide was not correct. The Branch Chief said he told the 65th CS Commander 3 that there were, in fact, two SFOCs serving Lajes Field, as opposed to a single SFOC that the 65th CS Commander 3 had briefed to the CODEL and STAFFDELS during the summer of 2015.

The Branch Chief told us he was very familiar with the communications capability at Lajes Field because he was an employee at Lajes Field for over 30 years, with the last 11 years working at the 65th CS. He said whenever a new 65 CS Commander assumed command, the Branch Chief arranged for Portugal Telecom employees to brief the new Commanders about the communications infrastructure at Lajes Field and the Azores Islands. He said he clearly recalled that the 65th CS Commanders 1 and 3 were briefed about the available bandwidth and that two SFOCs serve Lajes Field. He said that 65th CS Commander 2 attended the briefing by Portugal Telecom, but he believed she may have departed for the last 10 minutes of the

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<sup>75</sup> PowerPoint software has an option to “hide” selected slides from view but preserves all the slides in the electronic file.

briefing and he was not certain whether she received the information that two SFOCs serving the Azores. He said that Portugal Telecom also left a compact disc with the information they briefed to the Commanders with 65th CS Commanders 1 and 2, but he did not recall Portugal Telecom leaving a disc with the 65th CS Commander 3.

The Branch Chief told us he was sure that 65th CS Commander 1 was aware that two SFOCs served Lajes Field because that Commander wrote a point paper for the BENS delegation highlighting the two cables. The Branch Chief also said he believed the 65 CS Commander 2 was aware two SFOCs served Lajes Field but he was not positive, because she departed the briefing by Portugal Telecom personnel early.

He said that in July 2015, he realized that 65th CS Commander 2 was briefing congressional delegations that one cable served Lajes Field. He said he thought 65th CS Commander 2 may have believed there was one SFOC serving Lajes Field. He told us that based on a conversation he had with his subordinate around July 2015 he realized that the 65th CS Commander 3 was briefing Congress that only one SFOC served Lajes Field.<sup>76</sup>

The Branch Chief said that on August 28, 2015, he told the 65th CS Commander 3 that the information he had briefed to the STAFFDELS was not accurate and that there was not one, but two SFOCs serving Lajes Field. The Branch Chief told us he informed the 65 CS Commander 3 that the 65 CS unit previously provided information to the BENS group, about a year earlier, that there were two SFOCs and that now the 65th CS unit was briefing the CODELS and STAFFDELS that there was only one SFOC.

The Branch Chief said the 65th CS Commander 3 asked him whether he was sure there were two SFOCs serving Lajes Field. The Branch Chief stated:

I said, "Sure, we were at the same briefing." So that's when I found that he was missing information because of ignorance there. So -- and I told him, "Sir, there is clearly two cables. And that's what we have."

The Branch Chief said that he did not believe the 65th CS Commander 3 intended to mislead Congress but that the Commander did not understand the SFOC systems.

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<sup>76</sup> The Branch Chief originally told us he believed his first communication to 65th CS Commander 3 about the incorrect SFOCs was in May 2015; however, 65th CS Commander 3 did not arrive to Lajes Field until June 2015. Our review of e-mails and the timelines HPSCI provided indicates the slide was made in July 2015.

The 65th CS Commander 3 told us that on August 28, 2015, the Branch Chief approached him and informed him that the information he had briefed to previous CODELs and STAFFDELS about the number of SFOCs serving Lajes Field was incorrect. He said that after his Branch Chief told him the briefing contained incorrect information about the number of SFOCs, the 65th CS Commander 3 said:

that's the drawings that I've been given. That's what I've briefed. I said there's only one. Show me that there's two... We have to get that up to, um, the CODEL - STAFFDEL, uh, as fast as possible because if this is wrong information, we have to correct it.

The 65th CS Commander 3 also asked the Branch Chief to provide him proof that there were two SFOCs serving Lajes Field.

## **10. Notification to DoD Officials that Two SFOCs Serve Lajes Field**

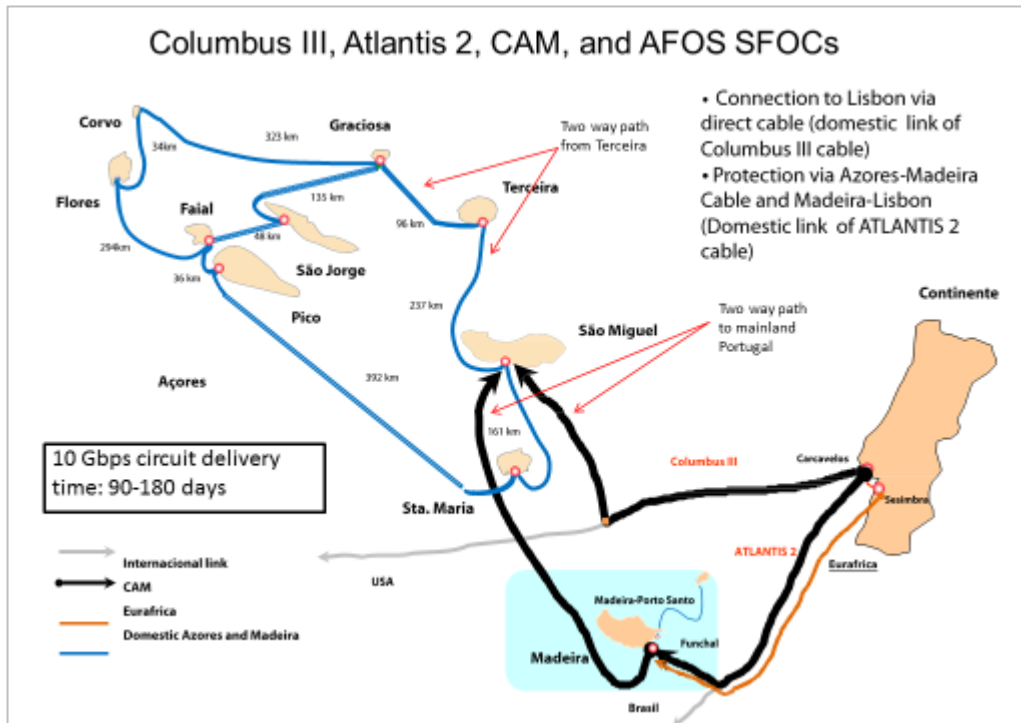
The 65th CS Commander 3 said that immediately following this conversation with the Branch Chief, he notified the Lajes Field base Commander and the 65th Air Base Wing (ABW) Political Adviser (POLAD) at Lajes Field that inaccurate SFOC information had been briefed to the STAFFDELS.

On August 31, 2015, the 65th CS Commander 3 also e-mailed the Branch Chief asking whether he had obtained the Portugal Telecom presentation slides. The Commander's e-mail to the Branch Chief stated:

Do you have the connectivity slide for PT [Portugal Telecom] so we can route it up to the STAFFDELS who visited. We can't wait long on this, I want to ensure they have the correct info as soon as possible.

On September 1, 2015, the Branch Chief forwarded an e-mail copy of the Portugal Telecom slides to the 65th CS Commander 3 depicting two SFOCs leaving the island where Lajes Field is located. These two SFOCs are part of the AFOS intra-island cable system. The 65th CS Commander 3 said one of the slides not only indicated there were two SFOC cables leaving Terceira Island (cables which are part of the AFOS), but the slide also depicted two transatlantic SFOCs (Columbus III and CAM) leaving the Azores going to Lisbon, Portugal (Figure 11).

The 65th CS Commander 3 told us he immediately notified his Commander and forwarded the Portugal Telecom slides to the 65th ABW POLAD so that the correct information could be provided to the CODELs and STAFFDELS he had briefed. He said that he forwarded the slides to the POLAD, and "it flowed up through DoD channels all the way up to Congress, but I - once it left my inbox, it was -- I was no longer involved in it."



**Figure 11. Columbus III, Atlantis 2, CAM, and AFOS SFOCs**

Source: 65th CS Commander 3

We reviewed the Portugal Telecom slides and verified that they depict two SFOCs, the Columbus III and the CAM (which connects to the Atlantis 2). The slides also depict the AFOS intra-island SFOC; graphics depicting the SFOCs' bandwidth capacity; and the upgradeable capacity to support the Lajes Field communications infrastructure.

We also reviewed the 65th CS 3 Commander's e-mails and confirmed that on September 1, 2015, he notified his Commander at Lajes Field and USAFE Chief of Legislative Affairs of the inaccurate SFOC information.

On September 9, 2015, the USAFE Chief of Legislative Affairs forwarded an electronic version of the Portugal Telecom slides to the EUCOM Chief of Legislative Affairs. Another e-mail shows that on the same day, the USAFE Chief of Legislative Affairs asked the USAFE Air Staff Intelligence, Surveillance, and Reconnaissance Directorate (A-2), and the USAFE Air Staff Communications Directorate (A-6), to review the information provided in the Portugal Telecom slides to determine whether the existence of the second SFOC serving Lajes Field was new data that had not been previously reported and whether the two SFOCs, Columbus III and the Atlantis 2, provided sufficient bandwidth to support the JIAC needs.

In an e-mail response to EUCOM Chief of Legislative Affairs on September 10, 2015, the USAFE A-2 and A-6 stated they had completed an informal analysis of the Portugal Telecom slides and that:

A6 and A2 subject matter experts (SMEs) reviewed the attachment [Portugal Telecom slides] and concluded that the bandwidth and circuit/path diversity are not sufficient to ensure survivability of ISR [Intelligence, Surveillance and Reconnaissance] data to the mainland for JIAC information distribution

-- JIAC bandwidth requirements are significant, as most any Intel [Intelligence] organization

-- Bandwidth diversity is not robust enough to ensure unrestricted availability to Patch Barracks, Wiesbaden, Ramstein, and USAFRICOM

-- Circuit latency is also a factor due to distance, which could add a significant price tag to the equation in terms of speed/responsiveness.

We interviewed the USAFE A-6, who leads the division that conducted the analysis, and he verified that the USAFE Chief of Legislative Affairs requested that the USAFE A-6 Division assess whether the USAFE A-6 was aware of the second SFOC and whether it could support a JIAC. The USAFE A-6 said that he tasked USAFE A-2 and A-6 subject matter experts to review the information contained in the Portugal Telecom slides. The USAFE A-6 told us the second SFOC (the CAM, which connects to the Atlantis 2) was not previously known to the USAFE A-6 Division. He also said, based on the USAFE A-2 and A-6 subject matter expert's opinions, the bandwidth or path diversity was not robust enough to support a high bandwidth intelligence organization such as the JIAC.

The USAFE A-6 added that the subject matter experts thought that diversity and bandwidth latency were also an issue. When asked to explain latency, he said the newly identified SFOC (Atlantis 2) went from Portugal in mainland Europe, which is hundreds of miles from the Azores. The distance that large volumes of data would have to travel causes circuit latency and a delay in the data reaching the CLS occurs. In describing diversity, which is also sometimes referred to as "availability" or "redundancy," DISA representatives and the USAFE A-6 told us this refers to the actual number of cables or paths which the data can travel to reach the final destination. Therefore, the more paths available at a location, the higher the diversity. The USAFE A-6 noted that his division's assessment was informal and that he reported his findings in an e-mail to the USAFE Chief of Legislative Affairs.

We discuss in the next sections how long it took before Congress was notified that, in fact, two SFOCs served the Azores, rather than the one SFOC that had been discussed with the congressional delegations.

## 11. EUCOM Document 3

The EUCOM J-4 told us that after he received the “HPSCI Staff Review – Joint Intelligence Analysis Complex Consolidation, July 20, 2015,” he had begun to update EUCOM Document 2, to create a third iteration of the original document. This third iteration, EUCOM Document 3, was completed on September 3, 2015. It is significantly more detailed in terms of data and charts detailing the communications capabilities and estimated cost to upgrade the communications infrastructure in order to support a JIAC. However, EUCOM Document 3 still reflected only one SFOC serving Lajes Field. This report was completed on September 3, 2015, just after the information was received by 65th CS Commander 3 that two SFOCs served Lajes Field.

EUCOM Document 3 also contained an analysis from DIA that it did not concur with the HPSCI estimate of \$100 million as the cost for necessary communications infrastructure to support a JIAC at Lajes Field. DIA’s estimate for the required communication infrastructure cost at Lajes Field, if the JIAC was to move there, was around \$449 million and an additional \$32.67 million per year to maintain the new communication infrastructure. DIA’s estimate was based on the assumption that there was only one SFOC serving Lajes Field.

The report stated that the telecommunications infrastructure of the Azores does not lend itself to being a robust or suitable telecommunications hub, and that only one international cable system landing in the Azores to provide fiber optic cable international connectivity. The report added that “one or two strategically located cable cuts on Columbus III could isolate the island from all but the lesser-performing satellite services.”

Appendix 6 of EUCOM Document 3 contained DISA’s feasibility report on communications infrastructure serving the Azores, dated July 15, 2015. That report stated that international telecommunications for Lajes Field was provided by satellite services and a single, submarine fiber optic cable system called “Columbus III,” which was installed in 1999.

Appendix 7 of EUCOM Document 3 contained DIA’s report on communication cost estimates if the JIAC was to be placed at Lajes Field. The DIA report titled, “The DIA Azores Communication’s Cost Estimate Report,” also stated that the Azores Islands are fed by a single transoceanic SFOC– the Columbus-III.

In addition, EUCOM Document 3 contained graphics of a map of the Columbus III SFOC (see Figure 12) that was later learned to be copied from Wikipedia. To determine the origin of the Wikipedia information included in the EUCOM Document 3, Appendix 6, we interviewed the DIA Network Architect for the Joint Worldwide Intelligence Communications System, who had assisted DISA personnel in preparing the information contained within Appendix 6 and obtained the graphic from Wikipedia.



**Figure 12. Columbus III SFOC from Document 3**

Source: DIA Network Architect

We asked him why he used Wikipedia as a source when there were other sources available for this information references at his disposal. He stated that he was attempting to answer a request from his leadership for a request for assistance from HPSCI to determine the transoceanic SFOCs that connect in the Azores. He also said he was working over the weekend to get the information, and he needed to get a graphic of the SFOCs in the area because it was a “quick turn.” In addition, he said he did not have access to his government terminal, and because this was not his area of expertise, he did not know what “system” to query. He said that he found the graphic of the Columbus III on Wikipedia and added it to his response to the request for information. He also referenced Wikipedia as the source of the graphic in his response to his supervisor. He said, from his knowledge, the graphic of the Columbus III from Wikipedia was an accurate depiction of the SFOC. He said that his reference to Wikipedia must have been removed at some point before the graphic was placed into EUCOM Document 3.

## 12. DoD Informs Congress of the Two SFOCs Serving Lajes Field

The EUCOM Chief of Legislative Affairs told us that in the middle of September 2015 the Department provided EUCOM Document 3 to the House Armed Services Committee, the Senate Armed Services Committee, and the House Appropriations Committee. He did not provide EUCOM Document 3 directly to HPSCI because, he said, it “was not a committee of jurisdiction” for the DoD.<sup>77</sup>

<sup>77</sup> That is incorrect. HPSCI is a committee of jurisdiction for the DoD, particularly regarding DoD intelligence matters, such as the location of a JIAC. See “Rules of the House of Representatives,” 114th Congress, Rule X.



There were various communications during this time period between HPSCI and the EUCOM Chief of Legislative Affairs. In an August 31, 2015, e-mail communication between a HPSCI staff member and the EUCOM Chief of Legislative Affairs, HPSCI inquired about the status of several Requests for Information (RFIs) from HPSCI to the DoD during the July 2015 STAFFDEL. The RFIs from July 2015 concerned topics such as housing assessments, cost analysis documentation, and personnel numbers of the JIAC. However, HPSCI asked a new question within the August 31, 2015, e-mail, which stated, “There have been conflicting reports regarding the levels of communication infrastructure at Lajes. Can you please confirm the number of undersea cables that service Terceira island?”

The EUCOM Chief of Legislative Affairs responded to the HPSCI staff member on September 2, 2015:

I have researched the status of the questions you have asked about. Apparently there was a belief that because you had asked the same questions during your staffdel that you had asked the DoD folks you have met with, that your questions had been answered. That is apparently not the case. I would only note that these answers are in Air Force channels and we are working with them and coordinating a response with OSD and (Joint Staff). We will get you the answers as soon as we can.

In his e-mail, the EUCOM Chief of Legislative Affairs referred to the question posed by the HPSCI staff member pertaining to the number of undersea cables that service Terceira Island and asked if that question could be sent to DIA to answer and that, “These are not EUCOM questions.”

The HPSCI staff member responded on September 4, 2015, with continued concerns of the EUCOM analysis on SFOCs serving the Azores:

regarding undersea cables at Lajes, I am concerned that EUCOM would not be prepared to respond to this question. The EUCOM analysis of costs at Lajes (dated 10 July) that was provided to the Committee included \$400 million in costs for undersea cables; if EUCOM does not have the answer to this question, what did they base their analysis on? If EUCOM is not the authoritative source we are happy to reach out to DIA and the Air Force as well, but I would still request EUCOM provide the basis/justification they used for the \$400 million in communication infrastructure costs in their analysis.

On September 11, 2015, the EUCOM Chief of Legislative Affairs responded with an email to the HPSCI staff member stating:

regarding the undersea cables: The information you were provided regarding undersea cables was not a dodge or an effort to hide the ball. The basis of the information we provided came from information we received from DIA. EUCOM merely incorporated their information into our own dataset. We did so because we had no reason to doubt the integrity of their information. Hence, if you want the underlying basis for the analysis on this matter, I recommend you reach out to DIA.

As noted above, in early September 2015, USAFE personnel obtained information from the 65th Communications Squadron Branch Chief, that, in fact, two SFOCs served the Azores, contrary to what had been briefed to Congress. On September 14, 2015, the USAFE Chief of Legislative Affairs forwarded to the EUCOM Chief of Legislative Affairs the USAFE A-2 and A-6 analysis that two SFOCs served the Azores. The analysis also stated that the bandwidth of the SFOCs were not sufficient to support the JIAC. The USAFE Chief of Legislative Affairs stated in his e-mail to the EUCOM Chief of Legislative Affairs:

This is a follow-up to our conversation last week and USAFE-AFAFRICA's official input, on the Commercial Infrastructure brief in the Azores and Terceira Island (the Portugal Telecom slides). The 65th ABG received this briefing from Portugal Telecom on 28 Aug 15 and HQ USAFE has done a very brief assessment. BLUF: Data obtained by 65th ABG is new data previously not divulged to DOD. Recommend requesting DISA's input for any future mission basing needs.

The EUCOM Chief of Legislative Affairs told us that on September 14, 2015, he received the corrected SFOC information and the Portugal Telecom slides from the 65th ABW POLAD and the USAFE Chief of Legislative Affairs. The EUCOM Chief of Legislative Affairs said that he forwarded the Portugal Telecom slides and the USAFE A-2 and A-6 information to the Office of the Assistant Secretary of Defense for Legislative Affairs on the same day, September 14, 2015. The EUCOM Chief of Legislative Affairs also requested the information be forwarded to DISA to incorporate the information into any analysis DISA prepared. The EUCOM Chief of Legislative Affairs told us that after he received confirmation from USAFE A-2 and A-6 on September 14, 2015, of the presence of a second SFOC, which was the CAM, he continued to attempt to have DIA or DISA verify the information from the Portugal Telecom slides.

We were informed by OSD Legislative Affairs that on September 14, 2015, OSD Legislative Affairs, DASD Sands, EUCOM J-4, DIA personnel, as well as other DoD officials, briefed staff members of the House Committee on Oversight and Government Reform (HOCR) in a HOCR conference room at the Rayburn Building, Washington, D.C. The briefing included details on the consolidation of the JIAC at RAF Croughton, the streamlining of Lajes Field, and the DoD's consideration of locating a U.S. Navy mission at Lajes Field.

During the briefing to the HOCR, a DIA representative discussed the communication capabilities required of a JIAC at RAF Croughton. The HOCR staff asked the DIA representative how many cables served Lajes Field. The DIA representative indicated that, according to DISA, there was one SFOC (the Columbus III) which supported the Azores. The DIA representative told HOCR staff that he could not independently verify the information or the capacity of the SFOCs.

On September 30, 2015, the DoD sent a letter to HOCR Chairman Jason Chaffetz, which memorialized information briefed to HOCR on September 14, 2015. The letter included several attachments, one of which was the same Portugal Telecom slides provided by the 65th CS Branch Chief, depicting two SFOCs serving the Azores (Columbus III and CAM).

The EUCOM Chief of Legislative Affairs told us that as late as October 2015, he was still attempting to confirm through DIA representatives the actual number of SFOCs. In an e-mail dated October 22, 2015, the EUCOM Chief of Legislative Affairs informed the DIA Deputy Director of the Office of Corporate Communications:

as you know one of the questions we are dealing with is the identification of how many undersea cables are available to the Azores. USAFE is preparing what they know into an initial answer. I believe it will be necessary for DISA to weigh in on this answer as well.

On November 3 and November 10, 2015, the EUCOM Chief of Legislative Affairs sent additional e-mails to the HPSCI staff member about its request for information. The November 3, 2015, e-mail stated, “We have also completed the follow up questions you sent in September at EUCOM. They were sent at the end of last week to the Pentagon for coordination across OSD/JS. We hope to get them to you by early next week.” The November 10, 2015, e-mail stated, “I recognize the RFIs are slow going. We received final inputs back from the Pentagon late yesterday. I've submitted for final approval and plan to send you the answers to the RFIs.”

On November 16, 2015, the DoD responded to HPSCI's outstanding requests for information. The November 16, 2015 response also included answers to previous requests for information from HPSCI. The November 16 response contained information pertaining to communications capability and housing availability at Lajes Field, personnel and staffing information for the JIAC at RAF Molesworth and RAF Alconbury, justification for cost estimates for the JIAC, and details of the facilities necessary to support the JIAC, AFRICOM J2-M, and the NATO Intelligence Fusion Center.

However, for the first time, the response stated that there were two SFOCs serving Terceira Island. Specifically, the response stated:

according to HQ DISA Europe in Stuttgart, there is one undersea communication cable servicing Terceira Island (Columbus III). However, in late Aug 2015, a local national DoD employee (in USAFE) received indications from Portugal Telecom that a second undersea communication cable (Atlantis 2) existed. Portugal Telecom provided additional details to Lajes AB communication personnel on 1 Sep 2015, which was in turn provided to European Command and the HOCR on 14 Sep 2015.<sup>78</sup> DoD was unaware of the second cable before late August 2015, and this information has been passed to DISA for validation of the Portugal Telecom claim. DISA will need to determine the capability, cost of use, and approval for DoD use. For further questions regarding this estimate, please reach out to DISA.

We asked the EUCOM Chief of Legislative Affairs to explain the 2-month delay between the date he received notification, on September 9, 2015, of the second SFOC serving Lajes Field, and November 16, 2015, when he transmitted the information to HPSCI, and if he believed there was an obligation to immediately report the new SFOC information to HPSCI. He replied:

No. Because the HPSCI was investigating the Department's decision to streamline Lajes, we knew the information would need to get to them. What was most important at the time was to ensure that this new "fact" was appropriately vetted and validated through the Department before sharing the information with Congress. We did not want, nor is it appropriate, to push unvalidated [sic] information to the hill, especially in a scenario where there were three ongoing and overlapping Congressional investigations with frequent news articles coming out claiming DoD was lying to Congress on the intelligence center construction. DISA and DIA were unaware of the existence of this alleged second sea cable. Once the information came to EUCOM, we sent the request to both DISA, DIA and OSD for vetting.

The EUCOM Chief of Legislative Affairs also stated that the time delay in notifying HPSCI occurred because when he found out that the 65th CS had been briefing incorrect information to multiple congressional delegations, he decided the new information needed to be better verified than through one set of slides from Portugal Telecom before he responded to HPSCI.

### **13. Deputy Secretary Of Defense Meeting with the HPSCI Chairman**

We were also told by Chairman Nunes that the DoD continued to provide incorrect information to Congress on the number of SFOCs serving Lajes Field while answering requests from the FY 2016 NDAA, both in letters and during meetings, even after November 2015. We discuss those communications next.

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<sup>78</sup> We were not able to validate the EUCOM Chief of Legislative Affairs statement that the information was forwarded to HOCR on September 14, 2015. We interviewed the EUCOM and USAFE Chiefs of Legislative Affairs and both said they did not recall forwarding the PT slide deck to HOCR. Additionally we reviewed e-mails and correspondence and could not find a transmittal document showing the information was forwarded to HOCR.

The FY 2016 NDAA required the Secretary of Defense to submit to the congressional defense committees a determination of the operational viability of the use of Lajes Field. Specifically, the Secretary was required to certify that RAF Croughton remained the optimal location for the JIAC; that the DoD would determine the operational viability of using Lajes Field for DoD intelligence functions or the rotational presence of fighter aircraft for air-to-air training or naval forces; and if Lajes Field was determined to be a viable option for one or more of those uses, then the DoD would submit plans for those operational or rotational uses.

On March 18, 2016, Deputy Secretary of Defense Robert Work certified that pursuant to the FY 2016 NDAA, RAF Croughton remained the optimal location for the JIAC. Deputy Secretary Work also certified that Lajes Field was not an optimal location for the JIAC, and that there was not a military need to relocate mission activities to Lajes Field.

On March 21, 2016, Deputy Secretary Work, along with Director of National Intelligence James Clapper, met with Chairman Nunes; House Armed Services Committee Chairman Thornberry; and Representative Rodney Frelinghuysen, Chairman of the House Appropriations Committee to discuss Deputy Secretary Work's certifications. During the meeting, Deputy Secretary Work gave Chairman Nunes a copy of the DISA Azores Telecommunication Feasibility Report,<sup>79</sup> which was from Appendix 6 of EUCOM Document 3, and the DIA Azores Communication's Cost Estimate report, from Appendix 7 of EUCOM Document 3. As noted previously, EUCOM Document 3 was created on September 3, 2015, and had incorrectly stated there was one SFOC serving Lajes Field.

We interviewed Deputy Secretary Work about this congressional meeting and the information he provided regarding how many SFOCs served the Azores. He said that during his meeting with Chairman Nunes, he told Chairman Nunes that one cable served Lajes Field because:

as I understand it, there's one transoceanic cable, which is defined as a cable that hits a landing point in the United States and has a landing point in continental Europe that passes by the Azores. There is a ring that connects them. And there are other -- other types of cables that are available... I always use the word "one" cable...

I had a two-page or four-page little DISA summary. And, it said quite clearly on the summary that there was one cable that serviced the Azores. And that's the information I provided.

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<sup>79</sup> "The DISA Azores Telecommunication Feasibility Report," July 15, 2015, was the same document that contained information that was copied from Wikipedia.

Deputy Secretary Work said that a yearly review of communications infrastructure is completed for all DoD installations and that the last report prepared for Lajes Field was the document “The DISA Azores Telecommunication Feasibility Report,” dated July 15, 2015. He said this report was provided to him through his staff, which he then provided to Chairman Nunes during the meeting. He told us he believed the information pertaining to one SFOC serving Lajes Field was correct when he provided it to Chairman Nunes.

However, Deputy Secretary Work said he became alarmed at an allegation raised by Chairman Nunes during the meeting:

So I was quite surprised when Chairman Nunes said, “Look, I think we were lied to.” This is the first time that he ever told me face to face. And I was shocked. He said, “I think Congress has been misled. I think we’ve been intentionally lied to. I’m going to start an investigation. I’m going to subpoena -- uh, a subpoena.” He used words like “criminal.”

And the -- the chairman believes that I misled him, uh, because he said, “Hey, there’s more than one cable.” ... And this came out in my [House Intelligence Committee] hearing in November [2016]. He asked me, “Do you remember telling me there was one cable?” And I said, “Yes, I do.” ... I showed him a document that said there was one cable. It ...didn’t say, “one transoceanic cable” on the document. And I think that was cause for confusion. And I am absolutely certain after talking with everyone that no one was intentionally trying -- because it would have been easily found out. I mean, no communication specialist is going to say there’s one cable and then knowing that they could be found out.

Deputy Secretary Work told us that he considered the documents he gave to Chairman Nunes rudimentary and he said that from his perspective:

there is one person in the Department of Defense responsible for all DOD communications architectures, and that is the chief information officer of the Department of Defense. I turned over to the CIO, and I said, “You need to help me understand the arguments for the cables that the chairman is making.” ... [I] asked him to personally do an analysis and provide that analysis to the HPSCI that became the guiding document...

Deputy Secretary Work therefore directed the DoD Chief Information Officer (CIO) and the DISA Director to conduct a detailed analysis of the JIAC communications infrastructure requirements.

#### **14. DISA Conducts a JIAC Communications Infrastructure Requirements Analysis**

Mr. Terry Halvorsen, the former OSD CIO, told us that he was the Principal Staff Assistant to the Secretary of Defense on all matters pertaining to communications and had direct oversight of DISA. Mr. Halvorsen said that he did not have a role in the selection of RAF Croughton for the JIAC.

Mr. Halvorsen said that in March 2016, Deputy Secretary of Defense Work directed him and Lieutenant General (LTG) Alan Lynn, the DISA Director, to conduct an assessment of the communications infrastructure at RAF Croughton as compared to Lajes Field. Mr. Halvorsen said the guidance from Deputy Secretary Work was to ensure the correct information was forwarded to HPSCI, the Government Accountability Office, and any other congressional committees that may request the information.

Mr. Halvorsen said that DISA then conducted additional research of the communication infrastructure and capabilities in the Azores, and the results were used to prepare a joint DoD CIO and DISA briefing intended to provide answers directly to Congress. The briefing confirmed there are two SFOCs serving Lajes Field, the Columbus III and the CAM, and that the CAM is connected to the Atlantis 2.

However, Mr. Halvorsen said that DISA concluded that none of the SFOCs were capable of supporting a JIAC. He said “no way this area [Lajes] can meet any of the requirements.” Mr. Halvorsen said it would take at least 2 years to install the additional cables and landing station in the Azores required to support a JIAC. When asked whether RAF Croughton met the requirements to support a JIAC, he said, “RAF Croughton is one of the best connected places in the world” and that if extra cable capacity were needed to support a JIAC in the U.K., it can be obtained within a few hours.

LTG Lynn told us he did not have any involvement with the JIAC site selection and did not become involved with JIAC communications infrastructure until requested to do so in March 2016. He said that he and the DISA infrastructure executive then developed a JIAC Communications Infrastructure briefing based upon site assessments in the Azores and requirements cited by DISA and DIA, as well as standard industry requirements.<sup>80</sup>

LTG Lynn said they concluded that a JIAC located at Lajes Field would require three distinct and separate ways (SFOCs) for data to travel off the island. He said that Portugal Telecom claimed that there were two ways for data to travel off the island (the Columbus III and the CAM cables); however, this did not meet the National Institute of Standards and Technology requirements for availability, capacity, and security.

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<sup>80</sup> In May 2016, DISA completed the JIAC Communications Infrastructure Requirements. The analysis considered the intelligence mission in Europe, the intelligence mission support in other Combatant Commands, the RAF Croughton communications infrastructure, the Lajes Field communications infrastructure, and a comparison of the communications infrastructure of RAF Croughton and Lajes Field.

LTG Lynn said that DISA updated the JIAC Communications Infrastructure briefing in September 2016, following a DISA assessment by DISA employees who traveled to the Azores Islands and met with Portugal Telecom employees. The updated information related to available bandwidth capacity for the SFOCs serving Lajes Field. LTG Lynn said that 56 gigabytes per second is the minimum bandwidth capacity needed to support JIAC communications and the existing SFOCs serving Lajes Field did not meet this minimum 56 Gbps technical requirement.

LTG Lynn added that security of a section of the AFOS SFOC that served Lajes Field was another concern. He said that based on the DISA assessment conducted in September 2016, the AFOS SFOC that served the Azores Island could be accessed by employees of a foreign telecommunications company at two of the cable landing stations on two of the islands in the Azores.

LTG Lynn concluded that based on the lack of three distinct and dedicated SFOCs in the Azores and supporting Lajes Field, the insufficient bandwidth capacity of the current SFOCs in the Azores, and the SFOC security concern, the existing Lajes Field communications infrastructure could not support a JIAC.

When we asked why DISA originally reported only one SFOC, the Columbus III, serving the Azores (in the DISA Azores Telecommunication Feasibility Report, dated July 15, 2015), LTG Lynn replied:

So first off, DISA didn't report anything. There's no reports coming from DISA. I saw working papers, and they were marked as working papers, that said there was one [the Columbus III SFOC] that they [EUCOM] cared about. And that's how I interpreted it... [That] was a contractor providing kind of what he thought. It wasn't anything that came directly out of and approved by our organization. It wasn't signed out by me and it wasn't signed out by the former Director, the Vice Director, or anybody you would expect this kind of level of work to come from... But, you know, when you got to the work that we did (the JIAC Communications Infrastructure briefing), which was we talked about being a deep dive, that's where the really hard, good work was done that we stand by.

We also reviewed DISA's JIAC Communications Infrastructure briefing, which compared RAF Croughton and Lajes Field communications infrastructures and which concluded that:

1. RAF Croughton cost-effectively provides much higher overall capacity and capability to support multiple missions than does Lajes
2. Lajes is an isolated location
3. Upgrading Lajes requires three undersea cable solution to meet the COCOM (Combatant Command)-set requirement of 99.999% availability



4. This investment would only support the JIAC mission and not provide the U.S. or its allies flexibility and added resiliency to support other critical current and wartime missions.

On November 14, 2016, LTG Lynn and Mr. Halvorsen briefed the HPSCI staff on the communication capabilities of Lajes Field and RAF Croughton based on their review. LTG Lynn said that he informed the HPSCI staff that even though two SFOCs (Columbus III and CAM) served Lajes Field, the communications infrastructure still did not meet the redundancy requirement required to support a JIAC. LTG Lynn also stated that none of the SFOCs serving the Azores Islands, the Columbus III or CAM, nor the AFOS serving the Azores Islands, meet the bandwidth requirement of 56 Gbps for a JIAC.

On November 15, 2016, LTG Lynn and Mr. Halvorsen testified during a closed-door HPSCI Committee hearing. LTG Lynn told us that he and Mr. Halvorsen were not provided the opportunity to give the JIAC communications capabilities briefing which was briefed to the HPSCI staff the previous day. However, he said that the majority of the questions asked by Chairman Nunes involved the JIAC communications requirements.

On November 17, 2016, HPSCI held an open hearing on the Intelligence Community's support for the DoD. Deputy Secretary of Defense Work testified about the DoD's certification that RAF Croughton remained the optimal site for the location of the JIAC. During the testimony, Chairman Nunes provided Deputy Secretary Work with a copy of "The DISA Azores Telecommunication Feasibility Report," dated July 15, 2015, which Deputy Secretary Work had given to Chairman Nunes during their March 21, 2016 meeting. Chairman Nunes asked Deputy Secretary Work whether he was aware that a significant portion of information contained in the document came directly from Wikipedia, and Deputy Secretary Work replied he was not aware that information came from Wikipedia.

## **15. Conclusions on the Allegation that DoD Officials Intentionally Conveyed Inaccurate Information Pertaining to the Communication Infrastructure at Lajes Field**

In this section of the report, we provided the results of our investigation of the allegations that DoD officials intentionally provided inaccurate information to HPSCI and several congressional delegations concerning the number of SFOCs serving Lajes Field. HPSCI staff alleged that the DoD's inaccurate reporting of the number of SFOCs was an intentional attempt by the DoD to influence the business case for not placing the JIAC at Lajes Field. HPSCI staff also questioned the information that the DoD provided regarding available bandwidth capacity of the SFOCs serving the Azores and its capacity to support the JIAC.

Our investigation determined that beginning in May 2015, on at least 10 separate occasions, DoD officials reported to congressional delegations and staff that there was one SFOC serving Lajes Field, when, in fact, as detailed above, there are two SFOCs serving Lajes Field.

We determined that these inaccuracies were primarily caused by miscommunications and misunderstandings by EUCOM officials, particularly the 65th CS Commanders. Various DoD officials also believed there was only one cable serving Lajes Field because only one SFOC (the Columbus III) directly “landed” in the Azores. However, as discussed previously, another SFOC (the Atlantis 2) connected to the Azores through another regional cable system (the Continent-Azores-Madeira or CAM), which also landed on the Azores. As a result, the accurate answer to the question of how many transoceanic SFOCs served Lajes Field was two, even if only one directly landed there.

We believe the inaccuracies occurred because of inadequate briefing and communication among EUCOM staff, particularly between the various 65th CS Commanders, about the communications capabilities serving Lajes Field. We determined that the 65th CS Commander 1, who served from 2010 to 2013, knew that two SFOCs service Lajes Field. For example, he provided that information to a non-profit group assessing business opportunities in the Azores in 2013. However, accurate information about the SFOCs was not adequately conveyed to, or understood by, his replacement, the 65th CS Commander 2, who assumed command in 2013. She believed only one SFOC served Lajes Field.

On June 17, 2015, when a new Commander, the 65th CS Commander 3, assumed command, his predecessor briefed him that there was only one SFOC coming off Terceira Island where Lajes Field is located. The 65th Commander 3 said that he had no reason to doubt that information. He said that he recalled receiving a briefing from Portugal Telecom within the first few days of taking command in June 2015, but he was taking in a lot of information during the changeover period, and he did not recall any briefing describing the number of SFOCs serving the Azores. We determined that other officials, including the EUCOM J-4, also erroneously believed that only one SFOC served Lajes Field.

As a result, when the congressional delegations were briefed about Lajes Field from May through August 2015, they were all told that only one SFOC served the Azores. Similarly, DIA employees who travelled to the Azores in July 2015 believed there was only one SFOC serving the Azores, and they included that information in their assessment of Underseas Infrastructure in the Azores Islands. This DIA information formed the basis of EUCOM’s subsequent JIAC cost comparisons regarding SFOCs, including the inaccurate information about the number of SFOCs in EUCOM Documents 1, 2, and 3.

In the summer of 2015, however, a 65th CS Infrastructure Branch Chief noticed that the briefing slides for congressional delegations depicted only one SFOC serving the Azores, and he recognized that this information was inaccurate. On August 28, 2015, he notified the 65th CS Commander 3 that two SFOCs served the Azores. The 65th CS Commander 3 was surprised at this information and asked the Branch Chief if he was sure, which the Branch Chief said he was. The Branch Chief also showed the 65th CS Commander 3 the Portugal Telecom slides depicting two SFOCs leaving the island on which Lajes Field was located (cables which are part of the AFOS), which connected to two transoceanic SFOCs.

The 65th CS Commander 3 immediately notified the USAFE Chief of Legislative Affairs of this information, who notified the EUCOM Chief of Legislative Affairs on September 9, 2015, forwarding the Portugal Telecom slides showing two SFOCs serving the Azores.

The EUCOM Chief of Legislative Affairs forwarded the Portugal Telecom slides to OSD Legislative Affairs on September 14, 2015, and the Assistant Secretary of Defense for Legislative Affairs forwarded the slides to HOCR on September 30, 2015. However, this new information was not passed in a timely fashion to HPSCI or to several other congressional committees who had previously received the inaccurate information that only one SFOC served Lajes Field. Rather, the EUCOM Chief of Legislative Affairs began to attempt to determine whether the two SFOCs had sufficient bandwidth to support a JIAC, instead of notifying HPSCI of the new information and checking on the capacity of the two SFOCs.

The DoD eventually provided this information to HPSCI 2 months later, in response to a specific question in an RFI from HPSCI about the number of SFOCs that serviced Lajes Field. Therefore, the DoD waited until November 2015 to inform HPSCI that, in fact, there were two SFOCs serving Lajes Field.

When we asked the EUCOM Chief of Legislative Affairs about the 2-month delay—from the beginning of September to November—to notify HPSCI about the new information about the number of SFOCs serving Lajes Field, he replied that it was important that the new “fact” be appropriately vetted and validated before sharing it with Congress. Yet, the DoD discussed with HOCR of the new fact in September, but it waited 2 more months to respond to an RFI before it notified HPSCI.

We believe that the DoD should have more promptly corrected the inaccurate information that had been previously provided to HPSCI and other congressional delegations about the number of SFOCs serving Lajes Field, even while it took more time to determine the bandwidth and capacity of those cables. This 2-month delay before the DoD corrected the inaccurate information was unfortunate and unnecessary, and it led to further suspicions about whether the DoD had intentionally provided inaccurate information about the cables serving Lajes Field.

However, we concluded that the DoD officials who provided the initial inaccurate information did not do so intentionally. The evidence showed that the briefers of the congressional delegations believed – erroneously – that only one SFOC served Lajes Field. When the 65th Communications Squadron Commander 3 was first alerted that this information was incorrect, he was surprised, asked for confirmation, and quickly passed on the new information to his superiors. We saw no evidence that he, or anyone else, intended to provide inaccurate information to Congress, that any of the briefers knew the information was inaccurate, or that anyone participated in any scheme to keep information from Congress. Rather, they were not focused on the issue of the number of SFOCs that landed in the Azores during their briefings, and they did not fully comprehend the framework of the different cables that landed directly or indirectly at Lajes Field. Their mistakes were unfortunate but unintentional.

We also investigated subsequent communications to HPSCI where the DoD again provided inaccurate information about the number of SFOCs landing in the Azores. In connection with a FY 2016 NDAA requirement, Deputy Secretary of Defense Work certified that RAF Croughton remained the optimal location for the JIAC, that Lajes Field was not an optimal location for the JIAC, and that there was not a military need to relocate mission activities to Lajes Field. On March 21, 2016, he along with Director of National Intelligence Clapper met with HPSCI Chairman Nunes and others to discuss the certifications. During that meeting, Deputy Secretary Work gave Chairman Nunes a copy of a previous DISA Azores Telecommunication Feasibility Report, which had been created on September 3, 2015, before EUCOM recognized that two, not one SFOC, served the Azores. This report contained the inaccurate information about the number of cables serving the Azores. Deputy Secretary Work also told Chairman Nunes that one cable served Lajes Field. He told us that he believed that there in fact was only one transoceanic cable that serviced the Azores, based on a short DISA summary he received. Deputy Secretary Work told us that he believed the information pertaining to one SFOC serving Lajes Field was correct when he provided it to Chairman Nunes. When Chairman Nunes contested this information, and raised allegations of being lied to, Deputy Secretary Work directed the DoD Chief Information Officer and the DISA Director to conduct a detailed analysis of the JIAC communications infrastructure requirements, which confirmed that two SFOCs served Lajes Field.

We did not find any evidence that Deputy Secretary Work intentionally misled Chairman Nunes, or provided information that he knew to be inaccurate. Rather, his briefing was a result of inadequate staff work by those who provided the summary to him, and the information that only one SFOC served Lajes Field.

We also consider it unfortunate, and bad staff work, that EUCOM Document 3 contained a map of the Columbus III SFOC that was copied from Wikipedia, and without even any attribution to Wikipedia, as Chairman Nunes pointed out in a subsequent hearing. The DIA Network Architect who had obtained the graphic acknowledged that he used Wikipedia for the graphic. He said that he was attempting to answer a request to determine

which transoceanic SFOCs connected in the Azores, was working over the weekend to get the information, and needed to find a graphic of the SFOCs in the area because it was a “quick turn.” He said he did not have access to his government terminal, and he found the graphic of the Columbus III on Wikipedia and added it to his response to the request for information from his leadership. He stated he had referenced Wikipedia as the source of the graphic in his response to his supervisor, but that his reference to Wikipedia must have been removed at some point before the graphic was placed into EUCOM Document 3. This, too, was unfortunate and sloppy staff work, which heightened HPSCI’s skepticism of the thoroughness and quality of the DoD’s assessments and information.

Finally, it is important to note that DISA subsequently determined that the two SFOCs servicing Lajes Field did not have sufficient bandwidth to support the JIAC. Terry Halvorsen, the DoD’s CIO, said that he and the DISA Director were directed by Deputy Secretary Work to conduct an assessment of the communications infrastructure at RAF Croughton as compared to Lajes Field and to ensure the correct information was forwarded to HPSCI, the Government Accountability Office, and any other congressional committees that requested the information. The results of their assessment, contained in a joint DoD CIO and DISA briefing, confirmed that there are two SFOCs serving Lajes Field, the Columbus III and the CAM, and that the CAM is connected to the Atlantis 2. This assessment also concluded that neither one of the SFOCs were capable of supporting a JIAC and that it would take at least 2 years to install the additional cables and landing station in the Azores required to support a JIAC.

This conclusion does not, in our view, excuse the inaccurate information provided to Congress, the delay in correcting that information, or the bad staff work that resulted in Deputy Secretary Work providing outdated information to HPSCI. However, we do not believe that fully accurate information, or more timely correction, would have changed the outcome of the DoD’s analysis.

## **D. Allegations Regarding the DoD Housing Analysis for Lajes Field**

We also investigated the allegation that the DoD used an outdated study to provide information to Congress concerning the off-base housing rental market near Lajes Field, which affected the DoD's cost comparisons.

In June 2016, we met with Chairman Nunes and he provided to us a memorandum stating that “the DoD based its housing analysis for Lajes Field on an outdated study.” Chairman Nunes and his staff also told us that between February and September 2015, the DoD had informed HPSCI that Lajes Field had an inadequate supply of community housing. HPSCI alleged that because the DoD underreported the availability of off-base housing, the cost estimate for building on-base housing to remedy the housing shortfall was inflated, and as a consequence made the cost estimate of building the JIAC at Lajes Field more expensive and less attractive.

After meeting with Chairman Nunes, we met with HPSCI staff to clarify these allegations. The HPSCI staff stated that in its 2015 cost comparisons, the DoD used outdated data from a 2007 Lajes Field Housing Requirements Market Analysis (HRMA) to perform its analysis of housing requirements for Lajes Field and that the DoD failed to ascertain current housing data before transmitting the outdated housing requirement information to Congress. As a result, according to HPSCI staff, at the least the DoD exhibited a lack of due diligence by using outdated housing information in its cost comparisons or, at worst, intentionally provided inaccurate or misleading information to inflate the costs of housing that would be needed to support a JIAC at Lajes Field.

In this section, we examine whether the information in the HRMA was outdated and why another HRMA was not conducted. We also assess the evidence relating to available off-base housing near Lajes Field in 2015, and how that evidence would have affected the cost comparison. Finally, we address an allegation from HPSCI that DoD staff intentionally and improperly destroyed Lajes Field housing records.

### **1. Lajes Field Housing Requirements and Markets Analysis**

The background to DoD housing assessments is important in understanding the issues relating to these allegations.

The DoD’s policy is to rely on the private sector as the primary source for housing accompanied DoD personnel stationed at locations within the United States. The term “accompanied” means that DoD personnel may have a family member with them at their duty location. However, in overseas locations where an overseas housing allowance is provided as reimbursement for housing costs, DoD policy states “...off-base first is not mandatory, but should be encouraged where appropriate.”<sup>81</sup>

The DoD determines an installation’s housing requirements through the HRMA process. According to DoD Manual 4165.63-M, an “HRMA is a structured analytical process that assesses both the suitability and availability of the private sector’s rental market, assuming specific standards related to affordability, location, features, and physical condition, and the housing requirements of the installation’s total military population.” In addition, an HRMA “must be performed within a minimum 4-year interval and must be updated as necessary to reflect major changes in military force structure or changes to the local community that could significantly alter the interaction of supply and demand forces.”<sup>82</sup> The HRMA is one of many factors that the DoD uses when making decisions for future missions and personnel basing.

The two most recent HRMAs conducted for Lajes Field were in 2003 and 2007. At the time these two HRMAs were conducted, Lajes Field’s operational flying support mission required over 700 military and DoD civilian personnel. Because HRMAs are generally scheduled to be conducted approximately every 4 years at a minimum, the next Lajes Field HRMA was scheduled to be conducted in 2011. However, in 2010 the U.S. Air Force submitted a streamlining proposal for Lajes Field which would effectively reduce the number of personnel to less than 200.

In June 2011, as the U.S. Air Force was preparing to conduct the next HRMA for Lajes Field, the USAFE A7 Housing Branch, in coordination with the USAFE A5 Plans and Requirements Office, delayed the HRMA because of the Lajes Field streamlining proposal. Because Lajes Field was in a state of transition due to the anticipated streamlining, USAFE postponed the HRMA until the Lajes Field streamlining decision was finalized.

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<sup>81</sup> DoD 4165.63-M, “DoD Housing Management,” October 28, 2010.

<sup>82</sup> DoD 4165.63-M, “DoD Housing Management,” October 28, 2010.

Our review of e-mail communications between the USAFE A7 and Headquarters USAF A7 disclosed that on June 27, 2011, the USAFE Chief, Asset Management Branch, the branch that oversees USAFE housing assets, notified the USAF A7 Deputy Division Chief for Housing that after discussing the Lajes Field streamlining plan with USAFE A5 Plans and Requirements Office:

It is clear that we should at least delay the Lajes HRMA by a year or more. There is too much volatility (instability) in possible missions at this location to make proceeding with an HRMA at this time useful or cost effective.

We also asked the USAFE Chief for Bases and Forces Division, who was responsible for assessing the conditions to consolidate Lajes Field, planning the streamlining execution, and reducing of forces, to explain why a HRMA was not completed after 2007. He also pointed to the plan to streamline Lajes Field around the time a new HRMA study was to be completed as a reason the HRMA was not conducted. He also said that the U.S. Air Force at Lajes Field transitioned to unaccompanied tours, moving all assigned personnel into dormitories and on-base housing, and therefore there was no requirement for a housing study regarding off-base housing.

We verified that no further HRMAs were conducted at Lajes Field after 2007.

## **2. Housing Information in EUCOM Documents 2 and 3**

As discussed previously in detail, in 2015 EUCOM created two cost comparisons regarding locating the JIAC at RAF Croughton and Lajes Field. These comparisons, EUCOM Documents 2 and 3, both had sections on housing costs. EUCOM Document 2 stated that the 2007 HRMA for Lajes Field indicated there was an inadequate supply of community (on or off base) housing.<sup>83</sup> EUCOM Document 2 stated that the existing Military Family Housing (MFH) inventory located on base at Lajes Field (456 units) was in various conditions and usage and that streamlining had left the units largely unoccupied. EUCOM Document 2 added that by 2023 most MFH units would need a “whole house” renovation. EUCOM Document 2 estimated the cost to renovate existing housing and construct approximately 1,100 MFH units to support JIAC staff and their families would be \$390 million. However, EUCOM Document 2 did not contain any cost computations explaining how this estimated cost was calculated. EUCOM Document 2 also did not contain any information pertaining to the availability of off-base rental housing.

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<sup>83</sup> The Lajes Field HRMA began in 2005, was completed in 2006, and was published in 2007. The HRMA is referred to in EUCOM Document 2 as the HRMA published in 2007.



EUCOM Document 3 contained the same information as EUCOM Document 2 regarding how many MFH units were on base at Lajes Field.<sup>84</sup> EUCOM Document 3 also contained a detailed analysis of housing requirements needed to support accompanied and unaccompanied JIAC personnel and their families, projected through 2025. EUCOM Document 3 contained the criteria that EUCOM officials used to calculate the housing requirements, the cost computations for MFH unit renovations, and the cost of constructing new MFH units.

In addition, EUCOM Document 3 included an estimate of available suitable off-base rental units, again using the 2007 HRMA.<sup>85</sup> EUCOM Document 3 stated specifically:

The Lajes [2007] Housing Requirements Market Analysis (HRMA) indicates only 225 suitable rental units are available on the economy for DoD families. The capacity for rental housing construction to keep pace with DoD's construction and mission timeline is unknown. Due to the uncertainty of future housing construction and availability, and since housing is needed for mission FOC [full operational capability], EUCOM concluded that 1,000 housing units for US and NATO personnel must be US-built or provided.

We asked the EUCOM J-4 Chief, who was responsible for EUCOM Documents 2 and 3, why he used the 2007 Lajes Field HRMA to estimate how much off-base housing was available when the cost comparisons were done in 2015 for EUCOM Documents 2 and 3. He responded that the 2007 HRMA data were quantifiable, validated, and it was the approved U.S. Air Force assessment of the housing inventory at Lajes Field. He stated the HRMA data were the best empirical data EUCOM had available at the time of the request for information from Congress in 2015. He stated:

So at the time, we were dealing with a report that was out of date by a couple of years but not irrelevant for producing a [rough order of magnitude] estimate.

He also stated that there was no reason to think that the local housing market around Lajes Field would fluctuate. He said the U.S. Air Force was working with the Portuguese Government on the streamlining options and there were no known major activities driving the local economy to build more housing. He added that in 2015 when he was answering congressional requests for information regarding Lajes Field, there was not sufficient time to conduct another HRMA, nor was there sufficient funding budgeted to conduct a study. He said as a result, the Air Force determined that a new HRMA was not needed.

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<sup>84</sup> EUCOM Document 3's estimated number of MFH units that needed to be built (1,000 to support a JIAC) differed slightly from the EUCOM Document 2, which estimated 1,100 MFH units needed to be built.

<sup>85</sup> According to the DoD and the U.S. Air Force, housing is considered "suitable" if it meets the minimum DoD and Air Force standards on the basis of cost, number of bedrooms, proximity to the major work centers in the market area, health and safety concerns, construction quality, and environmental factors.

He also stated that a newer HRMA study was not conducted because at the time of the congressional request for information in 2015, Lajes Field was streamlining and the plan was to make the assignment to Lajes Field an unaccompanied tour, so all personnel would reside on Lajes Field. Therefore, he said, an HRMA, which determines off-base rental housing availability would serve no purpose.

We also asked the EUCOM J-4 Chief whether he validated the housing data contained in EUCOM Document 3 with the 2007 Lajes Field HRMA and, if so, how the validation was conducted. He told us that in 2015 he asked the USAFE Installation Mission Support Center (IMSC) Civil Engineer Division Chief to validate with Lajes Field personnel that the off-base rental housing data captured in the 2007 HRMA were still accurate. The EUCOM J-4 Chief stated that through the IMSC Chief, Lajes Field concurred that the housing data in the 2007 HRMA were still accurate. The EUCOM J-4 Chief also told us that he did not tell the IMSC Chief how to validate the housing data, but he presumed that the validation included contacting Lajes Field personnel.

We interviewed the IMSC Division Chief, who stated that in July 2015 the EUCOM J-4 Chief requested that he and his USAFE staff validate the on-base and off-base housing data contained in EUCOM Document 3. The IMSC Division Chief further said that he thought he was only being asked to compare the numbers of EUCOM Document 3 with the data contained in the 2007 HRMA. Specifically, he said that the EUCOM Document 3 reflected the Lajes Field on-base housing inventory was 456 military family housing units and that 450 off-base housing units were listed in the 2007 HRMA. He said he forwarded the information to his staff, and they compared the Lajes Field on- and off-base housing data contained in the EUCOM Document 3 with the data contained in the 2007 HRMA, and his staff determined the data were accurate.

The IMSC Division Chief stated that in addition, the EUCOM J-4 Chief asked him to validate the estimated costs cited in EUCOM Document 3 pertaining to refurbishing of inadequate and adequate on-base quarters and the cost to build new on-base housing units at Lajes Field. He stated his staff validated the costs through databases and historical contracts they had on file at the A-4 staff. The IMSC Division Chief stated that through those resources, his staff determined the estimated costs in EUCOM Document 3 were also accurate. The IMSC Division Chief said he told the EUCOM J-4 Chief the data were accurate.

The IMSC Division Chief also stated that he spoke with the Lajes Field 65th Civil Engineer Squadron Commander on several occasions between 2015 and 2016 about the streamlining and the potential that a JIAC would be built at Lajes Field. The IMSC Division Chief stated that their conversations involved discussions about the Lajes Field streamlining process and the divestiture of the Lajes Field housing area. He stated that they also talked about the difficulty Lajes Field would have absorbing an influx of personnel to staff a JIAC. He said they discussed the potential of having to reverse the Lajes Field operations to pre-streamlining levels to support JIAC operations for more than 1,000 personnel and

the improvements that would need to be made, including renovating housing and improving the medical facilities and the DoD schools. The IMSC Division Chief stated their conversations did not involve specific numbers of houses on Lajes Field or housing in the local area, because the housing numbers have remained essentially the same since the completion of the 2007 HRMA. He also said that the 65th Civil Engineer Squadron Commander did not mention any significant change in the economy and business industry that was taking place in the Lajes Field area that would have increased or decreased the number of off-base housing units.

We also asked IMSC Division Chief whether he and his staff inquired directly with Lajes Field personnel regarding recent actual housing data. The IMSC Division Chief stated that all he was asked to do was validate the 2007 HRMA numbers against the data in the EUCOM Document 3 and that he was not asked to provide actuals; therefore, no inquiries were directed to Lajes Field personnel. We asked him to explain, then, how he was certain that off-base housing data collected during the 2007 HRMA were still accurate in 2015. The IMSC Division Chief stated that he and his staff were keenly familiar with the conditions on and around Lajes Field and those conditions had not changed over time. He said his staff interacted on a regular basis with all USAFE installation housing offices and they, too, were not aware of construction taking place in the local Lajes Field area that may have changed the off-base housing numbers significantly from the data contained in the 2007 HRMA. He said that neither he nor his staff made inquiries with the Lajes Field Housing Office on the actual off-base housing availability on Lajes Field. He said that if he required specific data points, such as location of off-base housing or square footage, he may have contacted the Lajes Field Housing Office, but in his opinion the housing data available to him at USAFE were sufficient to respond to questions or validate information from EUCOM.

We also interviewed the two members of the IMSC Division Chief's staff who were asked to verify the housing numbers. They stated they were provided data from the EUCOM Document 3 that had specific Lajes Field Housing information included in the document. They said they were asked by the IMSC Division Chief to reference the existing 2007 HRMA data against the data provided to them from the IMSC Division Chief. They said they compared the housing data from EUCOM Document 3 with data from the 2007 HRMA and real property records on file in their office for the on-base MFH units and found that the numbers were accurate. The staff members stated they did not verify this information with the Lajes Field housing personnel, nor were they asked to do so.

We also interviewed the Lajes Field Housing Office Superintendent. He told us he was not contacted by anybody on the EUCOM or USAFE staff inquiring about the on- or off-base housing unit numbers. He provided us with actual off-base housing use spreadsheets, dated from January 2012 through September 2015, which came from a database at the Lajes Field Housing Office. These spreadsheets were continuous accounts of the actual off-base housing occupied by Lajes Field personnel around Lajes Field. Through December 2012, the spreadsheets included information on the rental properties that were both occupied and

vacant (but available for rental) and the time they could be rented during a particular month. Beginning in January 2013, the spreadsheets did not track both occupied and vacant rental properties and only included information on occupied rental properties.

These spreadsheets indicated that as of December 2012, there were a total of 479 off-base rental properties listed as available: 316 occupied and 163 vacant but available for occupancy. This total of 479 available off-base housing units differs from the 2007 HRMA data, which reflected 450 off-base rental units available, but only 225 suitable for occupancy.

Beginning in January 2013, the spreadsheets indicated that only 307 off-base rentals were occupied, and the occupied rental units decreased on a monthly basis through September 2015. In September 2015 the spreadsheet indicated a total of 133 rentals were occupied. This decrease in off-base rental housing occupancy corresponded with the decrease of personnel assigned to Lajes Field resulting from the streamline process.

### **3. The Government of the Azores' Rental Market Assessment**

HPSCI staff gave us a letter, dated August 7, 2015, sent to Chairman Nunes from the President of the Regional Government of the Azores. HPSCI staff contended that based on the letter, there were more off-base housing units available than the amount being reported by EUCOM. The letter stated:

As the statements by the Mayors of the [Terciera] island's two municipalities...there are, at least, 1693 houses available today in the island that have the conditions to be rented or used by interested parties. In fact, at least up to 400 of them have until recently been at the use of US military placed at Lajes and their families and with regular renting contracts.<sup>86</sup>

As previously discussed, we determined through our analysis that both the DoD and HPSCI overestimated the number of additional houses needed to support a JIAC based on the number of available on- and off-base units and dorm units. We estimated that only 325 new units would need to be constructed at a one-time cost of \$117 million.

Subsequent to its initial cost estimates, HPSCI provided an updated number of 1,693 available units off base, based on the letter that HPSCI obtained from the Azores' government. We examined how this number of off-base housing would have affected the cost comparisons by EUCOM and the DoD OIG. If this amount of off-base housing was available, the rental market was adequate to support the JIAC, and no newly constructed housing at Lajes Field was required. We recalculated our cost comparisons based on this

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<sup>86</sup> As noted above, the DoD and the U.S. Air Force have specific guidance pertaining to rental housing suitability. For example, housing is considered "suitable" if it meets the minimum DoD and Air Force standards on the basis of cost, number of bedrooms, proximity to the major work centers in the market area, health and safety concerns, construction quality, and environmental factors. Although the letter states that 400 units were, until recently, rented by military members, we could not validate the suitability of 1,693 houses.

assumption. We determined that, although the difference in the one-time cost to relocate the JIAC between RAF Croughton and Lajes Field decreased from approximately \$822 million to \$705 million, the annual reoccurring costs at Lajes Field increased. Under this assumption, the savings in the annual reoccurring costs from operating at Lajes Field compared to RAF Croughton decreased from approximately \$8.4 million to approximately \$4.4 million. This resulted in a longer projected payback period for Lajes Field, of more than 160 years instead of 97.5 years.

#### **4. Allegation of Destruction of Lajes Field Off-Base Housing Records**

HPSCI also told us it received information that Lajes Field off-base rental housing documents had been destroyed by personnel at the Lajes Field Housing Office.

Chairman Nunes said that around March 2016, he was informed by a former Lajes Field housing official that in 2013 DoD personnel began destroying Lajes Field off-base housing records that were maintained at the Lajes Field Housing Office. When we spoke with HPSCI staff, they told us they believe the destruction of the records was “obstruction” because without the housing records an accurate number of available local rental housing could not be established. The HPSCI staff considered the off-base housing documents important because the data contained in the records would be essential to DoD’s future analysis of housing availability for Lajes Field if the JIAC were moved there.

As part of this investigation, we visited the Lajes Field Housing Office. We were given access to the file cabinets where off-base housing rental records were stored. We found 12 housing folders containing complete and current off-base records. The Lajes Field Housing Office filing system was set up so that each folder represented one off-post house which was, or could be, rented. The folders contained documents titled Rental Listing Information, Rental Registration, Energy Certificate, Rental Description, Owner’s Information, and Property Certificate. There were also approximately 120 empty folders stored in the file cabinets. Each folder had an off-post address written on the tab for each folder.

We reviewed the specific guidance relevant as to the disposition of rental records, Air Force Manual 37-139, “Records Disposition Schedule,” March 1, 1996, which states:

If the records are or pertain to rental records consisting of applications for quarters, contracts, leases, and supporting records relating to rental of living quarters in rental housing, then destroy 1 year after termination of AF [Air Force] occupancy, provided no claims actions are pending.

We also interviewed a former Lajes Field Housing Office Superintendent who was assigned to the Lajes Field in 2011 and had assumed duties as the Housing Superintendent from 2013 through 2016. When he was initially assigned to the housing office he was responsible for unaccompanied housing for personnel residing both on and off Lajes Field. He said that in the last 3 months of his assignment he assumed responsibility for accompanied and unaccompanied housing for on and off base because the Lajes Field Housing Office

personnel transferred out of Lajes Field. He said he was not thoroughly familiar with the housing records disposition policy, but believed that 1 year after personnel vacated the off-base rental unit the file would be destroyed. However, he said he did not personally destroy any records and he was not aware of any housing employee who had destroyed any housing records.

We also interviewed the current Lajes Field Housing Superintendent, who assumed his duties in January 2016. He said he did not know about the disposition of the Lajes Field housing records. He stated that he had not personally disposed of any off-base housing rental documents, nor did he know of any employee that disposed of any Lajes Field housing records. He stated he knew there was a records retention policy, but was not familiar with the specific provisions.

We also interviewed a Housing Management Assistant who was employed at Lajes Field for 19 years, 1998 to present. She had worked in various positions at Lajes Field, including off-base housing inspections and as the housing records custodian from 2012 through 2015. She told us that the Lajes Field housing records were maintained in individual rental files in the housing office. She said that during her time in the housing office, Lajes Field usually maintained files for about 500 off-base rental properties. She stated that once the off-base house was vacated, if after a year the folder was still an inactive file the file would be disposed of.

We asked her what documents in the file would be destroyed after the file was deemed inactive, and why those specific documents would be destroyed. She said that the files contained housing rental contracts, housing allowance forms, and notes written by a housing official.<sup>87</sup> She stated that once the files met the 1-year inactive requirement, the contents would be shredded. She stated that because she was the records custodian, she would shred the documents in accordance with U.S. Air Force guidance. She said this was especially important because documents in the file contained personally identifiable information pertaining to personnel who had already transferred from Lajes Field.

We also interviewed one current and one former Lajes Field Housing Office Assistant. They told us that each off-post rental property had a folder that contained four main documents: (1) energy certificate, (2) gas certificate, (3) location plans, and (4) registry of the house. They told us the housing folders remained active and the associated property was ready to be rented unless the property owners or landlords withdrew the property from the rental market. If the housing record was listed as inactive, it was because the property had not been rented for at least 1 year or the rental property was no longer required. However, they did not recall disposing of, or shredding, any records.

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<sup>87</sup> AF 594, "Basic Allowance for Quarters (BAQ)," AF 1357, "Temporary Living Allowance (TLA)," AF 1746, "Application for Housing," and DD 2367, "Overseas Housing Allowance (OHA)." These documents, when populated, contain Personally Identifiable Information.

In addition, we interviewed a former Lajes Field Housing Supervisor and asked her about the filing and destruction of housing documents and folders. She said that unless the landlord was withdrawing the property from the housing rental list, the housing documents would stay in the files. If the rental property was not going to be rented, then the property documents, which were not the property of the U.S. Government, would have been offered back to the owner of the property and the DoD-related forms would be destroyed. However, she could not recall the length of time the records were retained until destruction. The Housing Supervisor said that the only document that would stay in the folder was the final inspection report, which was completed when the resident moved out of the rental property.

In sum, we found that when an off-base property was withdrawn from the rental market, the file was deactivated and the physical folder along with the final inspection was retained for 1 year in the Lajes Field Housing Office. After 1 year, the documentation, which contained personally identifiable information, would be destroyed consistent with document destruction policies.

## **5. Conclusions on Allegations Regarding the DoD Housing Analysis for Lajes Field**

This section of the report discussed the results of our investigation regarding allegations that the DoD used an outdated, inaccurate study regarding off-base housing available for Lajes Field personnel in the DoD's cost comparisons of operating a JIAC at RAF Croughton and Lajes Field. We determined that when calculating its cost comparisons in 2015, the DoD relied on a 2007 Lajes Field Housing Requirements Market Analysis (HRMA), which was the most recent HRMA conducted related to Lajes Field housing. According to DoD Instructions, HRMAs are a structured analytical process to assess housing markets, and they should be performed at a minimum of every 4 years. However, the DoD did not conduct another HRMA study after 2007 because of the Lajes Field streamlining proposals and the transition of Lajes Field to unaccompanied assignments for military personnel there. These changes reduced the staff at Lajes Field and the need for off-base housing. We agree that the DoD's decision to not conduct another HRMA study after 2007 was appropriate, given the changes facing Lajes Field and the likely reduction in staffing.

However, we also concluded that the DoD should not have simply used the 2007 HRMA, an 8-year-old study, when assessing housing costs in its 2015 cost comparisons, without any attempt to seek updated numbers. EUCOM officials simply incorporated the 8-year-old data in their analyses, without even contacting the Lajes Field Housing Office to determine if more recent data were available. We believe this exhibited a lack of initiative and due diligence.

The EUCOM J-4 Chief said he relied upon the data from the 2007 HRMA because it was “quantifiable, validated, and approved.” However, it was outdated. We agree with him that there was not sufficient time to conduct another HRMA in 2015 when he was calculating EUCOM’s cost comparisons, but neither he, his subordinates, nor anyone else checked to see if more up-to-date and usable information was available regarding the rental market around Lajes Field, and whether those numbers had changed significantly in those 8 years.

We also found a disconnect between what the EUCOM J-4 Chief told us he had asked his subordinate staff to check regarding more up-to-date housing information and what the subordinates said they were asked to do. The EUCOM J-4 Chief said he had asked his Installation Mission Support Center Civil Engineer Chief to validate with Lajes Field that the off-base rental housing data captured in the 2007 HRMA were still accurate. However, the Civil Engineer Chief and his subordinates said they were only asked to validate that the 2015 EUCOM cost analysis accurately reported the housing numbers that were contained in the 2007 HRMA. The subordinates also told us that they believed there had not been a significant change in the economy and business industry near Lajes Field since 2007, and the HRMA housing numbers were likely still accurate in 2015. However, no one checked further or even asked the Lajes Field Housing Office whether it had any updated numbers.

When we made those inquiries in connection with this investigation, we determined that additional data were available in the Lajes Field Housing Office. The Lajes Field Housing Superintendent provided us with actual off-base housing use spreadsheets, dated from January 2012 through September 2015, which were routinely kept in a database at the Lajes Field Housing Office. Through December 2012, the spreadsheets included information on the off-base rental properties that were both occupied and vacant (but available for rental) near Lajes Field. These spreadsheets indicated that as late as December 2012, there were a total of 479 off-base rental properties available – 316 occupied and 163 vacant but available for occupancy – although the spreadsheets did not indicate whether the units were considered suitable for occupancy. This total of 479 available off-base housing units differed from the 2007 HRMA data that were used in the EUCOM cost comparisons, which reflected 450 off-base rental units available but only 225 suitable for occupancy.

Moreover, HPSCI staff obtained a letter, dated August 7, 2015, that had been compiled by the Regional Government of the Azores. This letter indicated that 1,693 rental units were available around Lajes Field. Similarly, we found no evidence that EUCOM staff ever checked with the local government to obtain housing information when constructing its cost comparisons, as HPSCI did.

We recognize that the information from the Lajes Field Housing Office, or from the Azores government letter, was not vetted in the same way as HRMA data, and that the raw, unvetted numbers do not mean that all the housing reflected in those numbers was suitable for U.S. military members. However, the more recent information would have been a useful data point to consider in the cost comparisons, and would have also avoided the uncertainty and



concern about using outdated 2007 data. We believe that EUCOM's lack of due diligence in even checking for available housing data in 2015 when constructing cost comparisons, and simply relying on an old HRMA, was an avoidable problem with EUCOM's analysis.

However, we did not substantiate the allegation that DoD's reliance on outdated numbers was part of any attempt by anyone to intentionally provide inaccurate or misleading information to inflate the costs of housing to support a JIAC at Lajes Field. We saw no evidence to suggest an improper motive, or an intentional attempt to distort the cost comparisons, as opposed to a lack of initiative and due diligence in seeking updated numbers.

Moreover, it is important to note that even the updated numbers that we collected from the housing office in 2012, or that were reflected in the Azores government letter that HPSCI obtained, would not have changed the results of the overall cost comparisons between RAF Croughton and Lajes Field. In fact, increased off-base housing would not have improved the cost comparison in favor of Lajes Field. Specifically, more off-base housing available for use around Lajes Field would have decreased the one-time costs to relocate the JIAC at Lajes Field, but it would have also increased the reoccurring costs to operate the JIAC at Lajes Field. Overall, the increased reoccurring costs because of more off-base housing would have made the relocation of the JIAC even more costly than projected in the EUCOM cost comparisons.

Finally, we did not substantiate the allegation that any housing records at Lajes Field were intentionally destroyed in an improper attempt to obstruct or distort the housing analysis. We determined that Lajes Field housing records, which contained personally identifiable information, were regularly destroyed in accordance with Air Force document destruction policies. We also determined that the files for off-base rental properties were destroyed by lower level housing employees once the property was vacated and the file became inactive 1 year later. This was done in the normal course of operations, consistent with document destruction policies, not in connection with any cost comparisons related to Lajes Field.

## VI. RECOMMENDATIONS

### A. Inaccurate Information Provided to Congress

#### *Recommendation 1*

**The EUCOM Commander and other DoD officials should ensure that when responding to congressional requests and inquiries, DoD personnel provide accurate information, and if any inaccuracies are discovered, those inaccuracies are promptly corrected with the appropriate committees.**

#### *Recommendation 2*

**The EUCOM Commander, the DIA Director, and the DISA Director should ensure that when providing information to Congress, particularly technical information, the information is reviewed and validated by appropriate offices who have technical expertise or primary area of responsibility and the authority to approve such a release on behalf of the DoD organization.**

As discussed in Part V of this report, our investigation identified at least 10 separate occasions when DoD officials reported to congressional delegations that there was only one transoceanic cable (SFOC) serving Lajes Field, Azores, when, in fact, two SFOCs served Lajes Field. We determined that these inaccuracies were primarily caused by miscommunications and misunderstandings between OSD, EUCOM, DISA and DIA officials.

Between May and July 2015, DISA and DIA employees researched the number and capacity of SFOCs serving the Azores. In addition DIA personnel visited Lajes Field to create a rough order of magnitude cost estimate to determine what would be needed to upgrade the Lajes Field communication infrastructure to the current standards of RAF Molesworth. The DISA and DIA personnel believed there was only one SFOC serving the Azores, and included that information in the July 2015, assessments titled “DISA Azores Telecommunication Feasibility Report,” and “DIA Azores Communication’s Cost Estimate.” However, we found that the personnel who conducted the research were not well versed in the actual SFOCs which traverse the Atlantic Ocean and did not identify that the Continent Azores Madeira (CAM) SFOC also connected the Azores to the Atlantis 2 SFOC. If, in July 2015, EUCOM, DISA, or DIA personnel had fully researched and validated their information with communication experts or their commercial or industry counterparts, we believe the correct number of SFOCs serving the Azores would have been identified sooner.

In the late summer of 2015, this inaccuracy was discovered. The 65th Communication Squadron (CS) Infrastructure Branch Chief informed the 65th CS Commander that the 65th CS Commander had briefed incorrect information to the congressional delegations. In early September 2015, the 65th CS Infrastructure Branch Chief provided the 65th CS Commander the Portugal Telecom slides that depicted two SFOCs serving the Azores. The 65th CS Commander immediately notified the USAFE Chief of Legislative Affairs of this information, who notified the EUCOM Chief of Legislative Affairs on September 9, 2015, by forwarding the Portugal Telecom slides showing two SFOCs serving the Azores to the EUCOM Chief of Legislative Affairs.

The EUCOM Chief of Legislative Affairs forwarded the Portugal Telecom slides to the Office of the Secretary of Defense for Legislative Affairs on September 14, 2015, and the Assistant Secretary of Defense for Legislative Affairs forwarded the slides to HOCR on September 30, 2015.

However, this new information was not passed in a timely manner to HPSCI and other congressional committees who had previously received the inaccurate information that only one SFOC served Lajes Field. Instead, the EUCOM Chief of Legislative Affairs attempted to determine whether the two SFOCs had sufficient bandwidth to support a JIAC, rather than notifying HPSCI of the new information while he was still assessing the bandwidth and capacity of the two SFOCs. As a result, the DoD waited until November 2015 to inform HPSCI that, in fact, there were two SFOCs serving Lajes Field.

We believe that the DoD should have more promptly corrected the inaccurate information provided to HPSCI and other congressional committees concerning the number of SFOCs that served Lajes Field. This 2-month delay in providing the corrected information also contributed to HPSCI's belief that the DoD had intentionally provided inaccurate information about the SFOCs serving Lajes Field.

## **B. DoD Documentation of Cost Comparisons**

### ***Recommendation 3***

**The Office of the Assistant Secretary of Defense for Energy, Installations, and Environment should review the records retention standards used by the DoD during basing decision processes, including those used in the Base Realignment and Closure (BRAC) 2005 process, and publish guidelines to ensure that the methodologies, decision processes, and supporting documentation used are retained for future overseas basing decisions.**

As discussed in Part V of this report, EUCOM did not retain all supporting documentation for its cost comparisons between RAF Croughton and Lajes Field. For example, we were unable to validate the design cost-share savings between the United States

and the United Kingdom that were discussed within the EUCOM documents because records of EUCOM's calculated savings based on this agreement, were not available. Furthermore, to validate other numbers contained in the cost comparisons, we interviewed numerous personnel from other DoD components to discuss the costs calculated by EUCOM. In many cases, these personnel were not in the same position or employed by the same organizations as they were when they originally provided the support to EUCOM. In some cases, records were not available or able to be located to assist us with cost comparisons. As a result of the inconsistent records retention and the lack of documentation to support some of the cost comparison decisions, we had difficulty validating some of the cost comparisons. A documentation standard similar to the standards in the BRAC process would improve the DoD's ability to validate and support its basing decisions.

In this regard, the GAO has issued reports concerning the selection of the JIAC relocation and which found weaknesses in the documentation retained by the DoD for both the analysis of alternatives and for the military construction planning processes. We believe that better retention of documentation also would have assisted the DoD in responding to Congressional requests with accurate information.

The DoD used the EIC as a method to consolidate military infrastructure and reduce long-term expenses. The EIC was a process similar to a previous BRAC process conducted in the U.S. During the 2005 BRAC, the DoD issued Policy Memorandum 1, which required that all documentation related to the BRAC decision process, including all data, information, analyses, and minutes of all deliberative meetings, be retained. However, no guidance was issued for the EIC discussing retention of documentation related to that process. We recommend that a similar document retention policy to the BRAC policy be instituted for overseas basing decisions such as the EIC.

## **C. Performance of DoD Personnel**

### ***Recommendation 4***

**We recommend that the DoD, including the Office of the Deputy Secretary of Defense, the EUCOM Commander, the DIA Director, and the DISA Director review this report, the facts described in it, and any other relevant factors to assess the overall performance of the individuals described in this report during the time period of this investigation.**

As noted in this report, we did not find intentional misconduct by any DoD personnel. However, several congressional delegations received briefings about Lajes Field from May through August 2015 that contained inaccurate information. In addition, these inaccuracies were not promptly corrected when discovered. We also detailed examples of poor staff work,

such as a report using information from Wikipedia without attribution, and DoD staff providing a report containing dated and inaccurate information to the Deputy Secretary of Defense, which was then transmitted to HPSCI.

We believe that these and other deficiencies noted in this report involve some performance deficiencies by DoD personnel, which DoD officials should review and consider when assessing the overall performance of the individuals discussed in this report.

## VII. DoD OIG's OVERALL CONCLUSIONS

This DoD OIG investigation examined allegations, raised primarily by HPSCI, that DoD officials intentionally provided inaccurate or misleading information to Congress relating to the determination whether to relocate the JIAC to RAF Croughton rather than at Lajes Field in the Azores. At their core, the allegations were that the DoD provided inaccurate information intentionally to bolster the business case for placing the JIAC at RAF Croughton rather than at Lajes Field.

Because of the serious nature of these allegations, we expended significant resources to investigate the specific allegations raised by HPSCI. We visited Lajes Field, RAF Molesworth, RAF Alconbury, DoD's European Command (EUCOM) Headquarters, and USAFE Headquarters. We conducted over 170 interviews of more than 110 witnesses, including HPSCI staff members, DoD officials, other Government officials, technical experts, and private individuals. We collected and reviewed numerous documents, large amounts of data, and many emails. In total, we obtained, reviewed, and analyzed more than 4,300 e-mails and 2,400 megabytes of unclassified, secret, and top secret data and documents. We also constructed a detailed chronology of the events related to these allegations and the information provided to Congress.

We examined in detail the cost comparisons regarding the relative costs of locating the JIAC at RAF Croughton or Lajes Field that were prepared by EUCOM, by HPSCI, and by the DoD Office of Cost Assessment and Program Evaluation (CAPE). We assessed the specific assumptions, methodologies, and results of these various cost comparisons. In addition, based on our independent analysis, we constructed our own cost comparisons, using what we believed to be the most appropriate methodologies and assumptions for determining the costs needed to meet the JIAC's requirements at RAF Croughton or Lajes Field.

In short, we found that DoD officials did provide some inaccurate information to Congress, particularly with regard to the number of transoceanic cables (SFOCs) serving Lajes Field. The DoD officials also did not correct errors in a timely manner, and they used some deficient or sloppy practices when providing information to Congress and addressing its questions. However, we concluded that the DoD's cost comparisons were done in good faith, and reached reasonable conclusions. In addition, we found that none of the mistakes affected the ultimate conclusion of the cost comparisons.

Specifically, with regard to the DoD's cost comparisons, we concluded that while the assumptions and methodologies used by the DoD were reasonable and generally contained accurate information, the DoD did rely on some inappropriate assumptions and inaccurate information. For example, the DoD's initial cost comparisons were based on inaccurate information that only one SFOC served Lajes Field, when, in fact, two did. In addition, the

DoD did not include in its initial cost comparisons calculations for COLA and housing allowances that accurately reflected the reoccurring costs for supporting additional personnel needed to operate a JIAC at Lajes Field. We also identified other inaccuracies relating to design cost and housing sustainment, which had a minor impact on the cost comparisons.

However, we did not find any evidence to conclude, and we do not believe, that any DoD personnel involved in the various cost comparisons calculated them in bad faith, attempted to distort the numbers, or relied on inaccurate information or assumptions with the intent to mislead Congress. They presented their comparisons, and the assumptions on which they were based, transparently and without any subterfuge.

Moreover, we concluded that any inaccuracies and omissions in the DoD cost comparisons would not have changed the overall conclusions of the cost comparisons. When correcting for any inaccuracies and omissions, we determined that the one-time costs to move the JIAC to Lajes Field were significantly higher than to locate it at RAF Croughton. We estimated that the one-time costs to locate the JIAC at Lajes Field would be \$821.6 million more than if the JIAC were located at RAF Croughton. On the other hand, we determined that the reoccurring annual costs of operating the JIAC at Lajes Field was approximately \$8.4 million lower than at RAF Croughton. As a result, as shown in Table 3 in our report, we determined that it would take approximately 97 years for the reoccurring annual cost savings at Lajes Field to offset the increased initial investment required to build the JIAC at Lajes Field. It is also important to note that cost is not the only factor that is considered when deciding where to locate a JIAC.

Regarding the specific allegations of inaccurate information was provided to Congress we reached a similar conclusion – that the DoD provided some inaccurate information, but it was not done to intentionally mislead. First, we investigated HPSCI's allegations that locating the JIAC at RAF Croughton was not substantively reviewed by the DoD's European Infrastructure Consolidation (EIC) process, despite DoD assurances to HPSCI that the EIC would do so. Several witnesses connected to the EIC stated, and the evidence clearly showed, that the EIC did review and reassess RAF Croughton as the site for the JIAC. Additionally, the EIC briefing slides, as well as the EIC final report, confirmed that the EIC did reassess RAF Croughton as the location for the JIAC.

With regard to the allegation that DoD officials assured HPSCI that the EIC would consider Lajes Field as the location for the JIAC, the evidence is less clear. Chairman Nunes reported that the DoD – specifically, the Deputy Assistant Secretary of Defense (DASD) for European and NATO Policy – assured him in conversations and in a briefing that the EIC had reviewed Lajes Field as a location for the JIAC. DoD officials, and the DASD, said they did not make that assurance. Based on our investigation, we cannot be certain of what exactly was said by DoD officials about reviewing Lajes Field as the location for a JIAC, either at the specific briefing in question or in other conversations. We do know that the EIC reviewed the streamlining of Lajes Field, but it did not consider whether the JIAC should be located there.

The DASD told us he believed there may have been a misunderstanding between him and Chairman Nunes over the course of their communications about Lajes Field. Based on our investigation, we believe that to be the most likely explanation for the disconnect. While the DASD may have unintentionally left Chairman Nunes with the impression that the EIC considered many options for Lajes Field, including locating the JIAC at Lajes Field, we do not believe the DASD directly stated that the EIC would consider the JIAC for Lajes Field. In short, we found no evidence that the DASD – or anyone else – intended to mislead Chairman Nunes about whether Lajes Field had been considered as the location for the JIAC.

Second, our investigation addressed allegations that DoD officials intentionally provided inaccurate information to HPSCI and several congressional delegations concerning the number of SFOCs serving Lajes Field. We determined that beginning in May 2015, on at least 10 separate occasions, DoD officials reported to congressional delegations and staff that one SFOC served Lajes Field, when, in fact, as detailed in our report, two SFOCs served Lajes Field. We determined that these inaccuracies were primarily caused by miscommunications and misunderstandings among EUCOM officials.

However, we concluded that the DoD officials who provided the initial inaccurate information did not do so intentionally. We saw no evidence that any of the briefers knew the information was inaccurate or that anyone participated in any scheme to keep information from Congress. Rather, the DoD officials were not focused on the issue of the number of SFOCs that landed in the Azores, and they did not fully comprehend the framework of the different cables that landed directly or indirectly at Lajes Field. Their mistakes were unfortunate but unintentional.

Eventually, when the inaccuracy was detected, the DoD corrected the information, although it took over 2 months to notify HPSCI of the accurate information about the number of SFOCs serving Lajes Field. We believe that the DoD should have more promptly corrected the inaccurate information previously provided to HPSCI and other congressional delegations about the number of SFOCs serving Lajes Field.

In subsequent communications to HPSCI, the DoD again provided inaccurate information regarding the number of cables to Congress. However, we did not find any evidence that any DoD officials, including the Deputy Secretary of Defense, intentionally misled Chairman Nunes or provided information that they knew to be inaccurate.

We also consider it bad staff work that a EUCOM cost comparison contained a map of an SFOC serving Lajes Field that was copied from Wikipedia, and without any attribution to Wikipedia.



It is also important to note that the DoD subsequently determined that the two SFOCs servicing Lajes Field did not have sufficient bandwidth to support the JIAC. This conclusion does not, however, excuse the inaccurate information provided to Congress, the delay in correcting that information, or the bad staff work.

Third, we investigated the allegation that the DoD used an outdated, inaccurate study regarding off-base housing available for Lajes Field personnel in the DoD's cost comparisons. We determined that when calculating its cost comparisons in 2015, EUCOM relied on a 2007 Lajes Field Housing Requirements Market Analysis (HRMA), which was the most recent HRMA conducted related to Lajes Field housing. We agree that the DoD's decision to not conduct another HRMA study after 2007 was appropriate, given the changes facing Lajes Field and the likely reduction in staffing. However, we also concluded that the DoD should not have simply used the 2007 HRMA, an 8-year-old study, when assessing housing costs in its 2015 cost comparisons without any attempt to seek updated numbers, such as contacting the Lajes Field Housing Office to determine if more recent data were available.

However, we did not find that the DoD's reliance on outdated numbers was part of any attempt by anyone to intentionally provide inaccurate or misleading information to inflate the costs of housing to support a JIAC at Lajes Field. We saw no evidence to suggest an improper motive, or an intentional attempt to distort the cost comparisons, as opposed to a lack of initiative and due diligence in seeking updated numbers. Moreover, even the updated numbers that we collected from the Lajes Field Housing Office as part of our investigation, or that were reflected in the Azores government brochure that HPSCI obtained, would not have changed the results of the overall cost comparisons between RAF Croughton and Lajes Field.

Finally, we did not substantiate the allegation that any housing records at Lajes Field were intentionally destroyed in an improper attempt to obstruct or distort the housing analysis. We determined that Lajes Field housing records, which contained personally identifiable information, were regularly destroyed in accordance with Air Force document destruction policies.

In sum, we found inaccuracies in the information provided by the DoD to Congress, but none of these inaccuracies were intentional. We also concluded that these inaccuracies would not have changed the ultimate conclusion of the cost comparisons that it would take many years before lower operating costs at Lajes Field would offset the significantly higher initial costs of locating the JIAC there. However, this does not excuse or justify the inaccuracies. The DoD should ensure that it provides accurate information to Congress, and if any inaccuracies are discovered, they are promptly corrected. We made several recommendations to address the deficiencies noted in the report, which we believe can help prevent these problems from recurring in the future.



# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at [www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/](http://www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/).*

### **For more information about DoD OIG reports or activities, please contact us:**

**Congressional Liaison**

703.604.8324

**Media Contact**

[public.affairs@dodig.mil](mailto:public.affairs@dodig.mil); 703.604.8324

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4800 Mark Center Drive  
Alexandria, VA 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
Defense Hotline 1.800.424.9098

