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REPORT TO
THE CONGRESS OF THE UNITED STATES

REVIEW OF
METHODS USED
TO PROVIDE TELEPHONE SERVICE
TO MILITARY FAMILY HOUSING OCCUPANTS

DEPARTMENT OF DEFENSE



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BY
THE COMPTROLLER GENERAL
OF THE UNITED STATES

JANUARY 1967

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B- 158469

JAN 23 1967

To the President of the Senate and the
Speaker of the House of Representatives

The General Accounting Office has made a review of the methods **used to provide telephone service** to military family **housing** occupants with a view to determining the reasons why different policies and procedures exist within the three military departments. We also examined into the economy of the methods of providing telephone service. Our findings are summarized in this letter and are described in more detail in the accompanying report.

Congressional policy, as expressed in the United States Code (10 U.S.C. 2481), has not permitted the military departments to sell certain utility services unless it has been determined that the needed services were not available from another local source. Notwithstanding this policy, **we** found that the Departments of the Army, Navy, and Air Force sold telephone service to a substantial number of the military family housing occupants although commercial service was available. We believe that this situation results in large part because the military departments differ in their interpretation of the law and because the Department of Defense has not provided definitive guidance to the military departments to ensure uniform interpretation and compliance with the law,

We brought our findings to the attention of the Secretary of **Defense** and proposed that he review the different interpretations which had been made by the three services of the permissive authority granted under 10 **U.S.C.** 2481 and prescribe uniform procedures and guidelines for use throughout the Department of Defense.

In a letter dated July 20, 1966, commenting on our findings, the Deputy Assistant Secretary of Defense (Logistics Services) stated that the Army, Navy, and Air Force had not been in accord in their interpretation of the law and that Government-operated telephone systems would

be utilized only where commercial service was otherwise unavailable and when it was determined that it was "in the interest of national defense or in the public interest" to provide such service. He stated also that our **proposal** regarding the uniform application of the statute by all the military departments was accepted by the Department of Defense and would be implemented.

Under the procedures that the Department of Defense plans to follow, there is a potential for savings through the elimination of telephone lines, leased at Government expense, presently required where telephone service to housing occupants is provided through telephone company switchboards rather than directly through military installation switchboards. The Deputy Assistant Secretary of Defense stated that the Department of Defense, in order to secure the maximum economic advantage within the existing framework of the law, intends to examine in detail the possibility of allowing commercial companies to connect their systems serving base housing to the Government-controlled administrative systems. We agree that this proposal **has** merit and should be studied further for the purpose of attaining economies.

Although the Department of Defense has accepted our proposal regarding uniform application of the statute and has advised that commercial service will be used where available and that studies will be made to secure the maximum economic advantage within the framework of the existing law, we shall continue to maintain an interest in this matter. We are requesting that the Secretary of Defense keep us advised of future developments.

We are issuing this report to inform the Congress of the results of our review which indicate a need for uniform procedures and guidelines to **carry** out congressional policy in providing telephone service to military housing occupants.

B-158469

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

A handwritten signature in cursive script, reading "James B. Axtell". The signature is written in black ink and is positioned to the right of the distribution list.

Comptroller General
of the United States

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REPORT ON REVIEW OF
METHODS USED
TO PROVIDE TELEPHONE SERVICE
TO MILITARY FAMILY HOUSING OCCUPANTS
DEPARTMENT OF DEFENSE

INTRODUCTION

The General Accounting Office has made a review of telephone services provided to military family housing occupants at military establishments. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our review was directed primarily to examining into the methods used by the military departments to provide telephone service to military family housing occupants with a view to determining the reasons why different policies and procedures exist within the three military departments. We also examined into the economy of the methods used in providing telephone service. Our examination was performed at military field installations, at the headquarters level of the military departments, and at the Department of Defense. Our detailed review was limited to matters apparently needing corrective action and, therefore, did not extend to all aspects of the matter.

Internal audits performed by the Departments of the Army, Navy, and Air Force do not ordinarily include the matters covered by this report.

BACKGROUND

There are two methods used in providing telephone service to occupants of military family housing units at military installations in the continental United States. One is to have the occupants secure commercial service through the facilities of the telephone companies; the other is to provide telephone service to the occupants directly through the installations' administrative telephone switchboards. Service provided by the telephone company is referred to as commercial service; whereas service provided directly through the administrative telephone switchboard for personal use is commonly referred to as Class B or unofficial service.

There are about 255,900 family housing units located at military installations in the continental United States. These units are located within, or in the immediate vicinity of, the military installations. The table below illustrates the approximate number of units and the type of telephone service provided to family housing occupants at the time of our review.

	<u>Family housing units and type of service provided</u>			
	<u>Class B</u>	<u>Commercial</u>	<u>Total units</u>	<u>Percent Class B</u>
Army	53,000	20,900	73,900	72 ^a
Navy	11,500	53,600	65,100	18 ^b
Air Force	<u>11,700</u>	<u>105,200</u>	<u>116,900</u>	10 ^b
Total	<u>76,200</u>	<u>179,700</u>	<u>255,900</u>	30

^aAs of June 30, 1964.

^bAs of March 31, 1965.

At many installations, commercial service is provided to some occupants while at the same installations Class B service is provided to other occupants.

The military departments provide Class B service to military family housing occupants under the statutory authority of section 2481, Title 10 of the United States Code, (See app. I.) The decisions as to what type of service will be offered to occupants of military housing are made by the Army's Chief, Communications-Electronics; the Navy's Commander, Naval Facilities Engineering Command (formerly Bureau of Yards and Docks); and the Air Force's Directorate of Command Control and Communications.

The principal officials of the Department of Defense and the Departments of the Army, Navy, and Air Force responsible for the administration of activities discussed in this report are listed in appendix II.

FINDINGS

NEED FOR DEFINITIVE DEPARTMENT OF DEFENSE GUIDANCE ON THE FURNISHING OF TELEPHONE SERVICE

Since June 1940, congressional policy, as expressed in the United States Code (10 U.S.C. 2481), has not permitted the military departments to sell certain utility services unless it has been determined that the needed services were not available from another local source. Notwithstanding this policy, we found that the Army, Navy, and Air Force sold telephone service to a substantial number of the military family housing occupants although commercial service was available. We believe that this situation results in large part because the military departments differ in their interpretation of the law and because the Department of Defense has not provided definitive guidance to the military departments to ensure uniform interpretation and compliance with the law.

Congressional policy permits sale of utility services by military departments only where local source is not available

Congressional policy of long standing has not permitted the sale of certain utility services by military departments unless it has been determined that the needed services are not available from another local source. The policy, as expressed in 10 U.S.C. 2481 (see app. I), was first enunciated in the act of June 13, 1940 (54 Stat. 383; 34 U.S.C. 553).

Although the policy has been amended from time to time since 1940, the permissive authority to sell utility services has always been restricted to those situations where it has been determined that another local source is not available. Thus, the act of June 13, 1940, contained the words "*** as may not otherwise be locally obtainable ***." The act of July 30, 1947 (61 Stat. 675),

contained the words "*** not available from a private or other public source ***." The Act of August 8, 1949 (63 Stat. 576), used the words "*** not at the time of such sale or contract to sell available from a private or other public source ***." Similarly, the act of August 10, 1956 (70A Stat. 141), and the act of August 14, 1959 (73 Stat. 338), use the words set forth in 10 U.S.C. 2481 "*** not available from another local source ***."

Practices of the military departments
in providing telephone service

The military departments differed in their interpretation of the law. Their interpretations are illustrated below by reference to the practices followed by the three military departments.

Department of the Army

Of the number of military family housing occupants receiving telephone service only 28 percent was received from commercial sources. The remaining 72 percent of the housing occupants received telephone service from the Army, although in many cases commercial service was available. We noted numerous instances where some housing occupants received telephone service from commercial sources while other occupants at the same installation received telephone service from the Army. In fact, at three Army bases, we noted that telephone service to housing occupants from commercial sources had been discontinued in favor of telephone service provided by the Army.

Army regulations and information obtained from Army officials indicated that it was the Army's general policy to provide telephone service to housing occupants through the base switchboard. The Army contended that all elements of any Army establishment should be served by a single system. The Army based this position on considerations of peacetime and emergency military command,

desirable technical conditions, economy, speed and reliability of service, and practical common sense service arrangements.

Army officials told us that 10 U.S.C. 2481 applied to nongovernmental activities and therefore did not preclude the Army from providing telephone service to Government-owned family housing units. Also, Army officials maintained that the telephone service that the Army desires to provide is not available from commercial sources in accordance with its policy as outlined above.

Department of the Navy

In the Navy, relatively more telephone service for military family housing occupants was obtained from commercial sources than in the case of the Army. (See table on p. 2.) Nevertheless, about 18 percent of the Navy housing occupants received telephone service from the Navy.

Navy instructions and information obtained from Navy officials indicated that the determination as to what type of service to provide to military family housing occupants was made by the Naval Facilities Engineering Command (formerly the Bureau of Yards and Docks) and was based on factors considered at each individual installation. These include command requirements for service to occupants, community interest of occupants, relative cost of service to occupants, comparative cost of service to the Government, location of the housing with respect to the installation, and telephone company service policies. Navy officials told us that the law did not prohibit the Government from providing telephone service to military family housing occupants when it was to the advantage of the Government to do so.

Like the Army, the Navy also has many installations where commercial service is provided to some housing occupants while other

occupants at the same installation receive telephone service from the Navy. At one installation where a study had been prepared by the Navy, it was found that commercial service was available to each of the two housing areas at the same price. However, it was decided to provide commercial service to one housing area and to provide service from the Navy to the other housing area.

Department of the Air Force

During the period of our review, the Air Force policy for furnishing telephone service was published in Air Force Manual 100-22 dated November 1, 1963. After the completion of our field work, the Air Force established its current policy which is set forth in Air Force Manual 100-22A dated March 8, 1965. Before any Air Force installation can provide service to 10 or more occupants of its military housing units, the revised policy requires that such a proposal be referred to the Office of the General Counsel of the Air Force which will determine whether the proposal meets the conditions of 10 U.S.C. 2481.

Air Force officials told us that the statute prohibits the Government from providing telephone service where commercial service is available. In large measure, Air Force housing occupants do receive telephone service from commercial sources. Only 10 percent of the occupants receive telephone service from the Air Force; however, the Air Force has not been consistent in its practices.

For example, at one Air Force installation the Government housing was constructed in four increments. Telephone service was provided by the Air Force in the first two increments. The third increment, completed in 1952, was provided telephone service by the local company. The fourth increment, completed in 1960, was provided telephone service by the Air Force.

We discussed this irregular pattern of providing service to housing occupants with Air Force Headquarters officials and asked for explanations to determine why commercial service was not provided to all occupants. Headquarters officials could not provide explanations. The explanation furnished by base officials was that present command and base communication staff were not involved in any of the Government housing projects and the Air Force base files contain no documentary evidence of the elements considered in reaching the final decision to explain why some family housing had Government-provided service while others had commercial service.

In view of this example and numerous other cases where telephone service was provided to some housing occupants from commercial sources while other occupants at the same installation received telephone service from the Air Force, it appears that congressional policy was overlooked when making decisions as to how telephone service should be provided.

Department of Defense guidance

Department of Defense Directive 4640.3 dated July 28, 1955, which implements 10 U.S.C. 2481, was issued to establish interservice standardization of policies associated with the furnishing by the Government of telephone service to purchasers within, or in the immediate vicinity of, military establishments. However, the Directive is, for the most part, merely a restatement of the statute and does not contain specific guidance as to how the statute should be interpreted.

Agency comments and our conclusions

We brought our findings to the attention of the Secretary of Defense and proposed that he review the different interpretations which have been made by the three services of the permissive

authority granted under 10 U.S.C. 2481 and prescribe uniform procedures and guidelines for use throughout the Department of Defense.

In a letter dated July 20, 1966, commenting on our findings (see app. III), the Deputy Assistant Secretary of Defense (Logistics Services) stated that the Army, Navy, and Air Force had not been in accord in their interpretation of the statute and that Government-operated telephone systems would be utilized only where commercial service was otherwise unavailable and when it was determined that it was "in the interest of national defense or in the public interest" to provide such service. He stated also that our proposal regarding the uniform application of the statute by all the military departments was accepted by the Department of Defense and would be implemented.

POTENTIAL SAVINGS THROUGH ELIMINATION
OF TELEPHONE LINES

Under the procedures that the Department of Defense plans to follow, there is a potential for savings through the elimination of lines, leased at Government expense, presently required at locations **where telephone service to housing** occupants is provided through telephone company switchboards rather than directly through military installation switchboards. We did not attempt to estimate these savings because of the varying circumstances existing at each individual location and because the extensive work required to establish a basis for making an accurate estimate was not warranted for the purpose of this report.

At installations where telephone service to military family housing occupants is not provided directly through the installation's switchboard, a call from the military housing occupant to a telephone connected to the installation's switchboard is made in three steps. First, the call must go over a line connecting the housing area and the local telephone company's switchboard. Then, the call is switched automatically to a line, commonly referred to as a commercial trunk and leased at Government expense, connecting the local telephone company's switchboard and the installation's switchboard. After reaching the installation's switchboard, the call is finally switched to the telephone number being called.

On the other hand, telephones in military housing connected directly to the administrative switchboard do not require the use of a commercial trunk to communicate with another telephone connected to the base switchboard. Thus, the necessity of going through the telephone company's switchboard and over a commercial trunk leased at Government expense is avoided.

The Government has to lease commercial trunks to accommodate calls (traffic) to or from an installation. These calls include calls for the transaction of official Government business as well as for personal or unofficial calls, The number of trunks required is directly related to the amount of traffic. A factor having a significant effect on the traffic and consequently the number of trunks required is the community interest of the military housing occupants. At most installations, the community interest of the occupants is centered in the activities which are located at the installation, such as the hospital, fire department, military police, base or post exchange, commissary, recreation facilities, officers' and noncommissioned officers' clubs, as well as the many business organizations serving the military establishment's community. All these activities use telephones directly connected to the administrative switchboard.

Information obtained from the military departments shows that, where community interest is identified with the installation, most telephone calls made or received by housing occupants are between activities directly connected to the administrative switchboard. Therefore, the need is reduced for trunks connecting the base switchboard with the local telephone company when the housing occupants' telephones are connected directly to the administrative switchboard. The cost of these trunks varies from base to base because of different tariff provisions and the distance the base is located from the telephone company.

Army, Air Force, and Navy officials stated that at most installations trunks between the base and telephone company switchboards, leased at Government expense, could be eliminated if telephone service to military family housing occupants were connected directly to the base switchboard. They explained, however, that to

determine the number of trunks which could be eliminated would require engineering studies.

Agency proposed action and our conclusions

The Deputy Assistant Secretary of Defense (Logistics Services) stated that the Department of Defense, in order to secure the maximum economic advantage within the framework of the existing law, intends to examine in detail the possibility of allowing commercial companies to connect their systems serving base housing to the Government-controlled administrative systems. He explained that the company would provide the service to the family housing occupants, but it would connect their systems directly to the administrative systems, reimbursing the Government for the use of Government owned and maintained equipment. We agree that this proposal has merit and should be studied further for the purpose of attaining economies.

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Although the Department of Defense has accepted our proposal regarding uniform application of the statute and has advised that commercial service will be used where available and that studies will be made to secure the maximum economic advantage within the framework of the existing law, we shall continue to maintain an interest in this matter. We request that the Secretary of Defense keep us advised of future developments.

We are issuing this report to inform the Congress of the results of our review which indicate a need for uniform procedures and guidelines to carry out congressional policy in providing telephone service to military housing occupants.

APPENDIXES

Title 10 U.S.C. 2481

2481. Utilities and services: *sale*; expansion and extension of systems and facilities.

(a) Under such regulations and for such periods and at such prices **as** he **may** prescribe, the Secretary concerned or his designee **may** sell or contract to sell to purchasers within or in the **immediate** vicinity of an activity of the Army, Navy, Air Force, Marine Corps, or Coast Guard, as the case **may** be, any of the **following** utilities and related services, if it is determined that they are not available from another local source and **that** the **sale** is in the interest of national **defense** or in the public interest:

- (1) Electric power
- (2) Steam
- (3) Compressed air
- (4) Water
- (5) Sewage and garbage disposal.
- (6) Natural, manufactured, or mixed gas
- (7) Ice
- (8) Mechanical refrigeration
- (9) Telephone service

(b) Proceeds of sales under subsection (a) shall be credited to the appropriation currently available for the supply of that utility or service.

(c) To meet local needs the Secretary concerned **may make** minor expansions and extensions of any distributing system or **facility** within an **activity** through which a utility or service is furnished under subsection (a).

PRINCIPAL OFFICIALS
OF
THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Robert S. McNamara	Jan. 1961	Present
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS) :		
Paul R. Ignatius	Dec. 1964	Present
Thomas D. Morris	Jan. 1961	Dec. 1964
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY:		
Stanley R. Resor	July 1965	Present
Stephen Ailes	Jan. 1964	July 1965
Cyrus R. Vance	July 1962	Jan. 1964
Elvis J. Stahr, Jr.	Jan. 1961	June 1962
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS) :		
Daniel M. Luevano	July 1964	Present
A. Tyler Port (acting)	March 1964	June 1964
Paul R. Ignatius	May 1961	Feb. 1964

PRINCIPAL OFFICIALS
OF
THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

	Tenure of office	
	From	To
<u>DEPARTMENT OF THE NAVY</u>		
SECRETARY OF THE NAVY:		
Paul H. Nitze	Nov. 1963	Present
Fred Korth	Jan. 1962	Nov. 1963
John B. Connally	Jan. 1961	Dec. 1961
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS) :		
Graeme C. Bannerman	Feb. 1965	Present
Kenneth E. BeLieu	Feb. 1961	Feb. 1965
<u>DEPARTMENT OF THE AIR FORCE</u>		
SECRETARY OF THE AIR FORCE:		
Harold Brown	Oct. 1965	Present
Eugene M. Zuckert	Jan. 1961	Sept. 1965
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS) :		
Robert H. Charles	Nov. 1963	Present
Joseph S. Imirie	Apr. 1961	Sept. 1963



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

INSTALLATIONS AND LOGISTICS

20 JUL 1966

Mr. James H. Hammond
Associate Director
Defense Accounting and Auditing
Division
General Accounting Office
Washington, D. C.

Dear Mr. Hammond:

This is in reply to the preliminary GAO draft of Report to the Congress of the United States--Review of Telephone Services Provided to Military Family Housing Occupants--Department of Defense.

[See GAO note on p. 18.1

It was also found that the Army, Navy, and Air Force are **not** in accord in their interpretation of the law which permits the Military Departments to provide telephone service and each Service follows different practices and policies as they pertain to this matter.

GAO recommends that the Secretary of Defense review the different interpretations which have been made by the three Services of the permissive authority granted under 10 USC 2481 and prescribe uniform procedures and guidelines for use throughout the Department of Defense which would assure that consideration is given to the most economical method of providing telephone service to family housing occupants.

Our review supports the GAO finding that the Army, Navy, and Air Force have not been in accord in their interpretation of the statute. To the extent telephone service is provided pursuant to 10 USC 2481, we are prepared to advise that Government-operated telephone systems will be utilized only where commercial service is otherwise unavailable and it is determined that it is "in the interest of national defense or in the public interest" to provide such service.

[See GAO note below.]

In order to secure the maximum economic advantage within the framework of the existing law, we intend to examine in detail the possibility of allowing commercial companies to connect their systems serving base housing to the Government-controlled administrative systems. The company would provide the service to the Government-owned housing, but it would connect this system directly to the administrative systems reimbursing the Government for the use of Government-owned and maintained equipment. Such a policy would require consultation with commercial carriers and would not be feasible at all locations.

The GAO recommendation regarding the uniform application of the statute by all Military Departments is accepted by the DoD and will be implemented.

Sincerely,



ROBERT C. MOOT
Deputy Assistant Secretary of Defense
(Logistics Services)

GAO note: The deleted comments relate to matters which were discussed in the draft report but omitted from this final report.