Audit Report

OFFICE OF THE INSPECTOR GENERAL

DEFENSE LOGISTICS AGENCY 1995 DEFENSE BASE REALIGNMENT AND CLOSURE DATA COLLECTION PROCESS FOR THE EVALUATION PHASE

Report No. 95-187 May 4, 1995

Department of Defense

Additional Copies

To obtain additional copies of this report, contact the Secondary Reports Distribution Unit, Audit Planning and Technical Support Directorate, at (703) 604-8937 (DSN 664-8937) or FAX (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact the Planning and Coordination Branch, Audit Planning and Technical Support Directorate, at (703) 604-8939 (DSN 664-8939) or FAX (703) 604-8932. Ideas and requests can also be mailed to:

Inspector General, Department of Defense
OAIG-AUD (ATTN: APTS Audit Suggestions)
400 Army Navy Drive (Room 801)
Arlington, Virginia 22202-2884

Defense Hotline

To report fraud, waste, or abuse, contact the Defense Hotline by calling (800) 424-9098; by sending an electronic message to Hotline@DODIG.OSD.MIL; or by writing the Defense Hotline, The Pentagon, Washington, D.C. 20301-1900. The identity of each writer and caller is fully protected.

Acronyms

BRAC	Base Realignment and Closure
DLA	Defense Logistics Agency
COBRA	Cost of Base Realignment Actions

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

Report No. 95-187 May 4, 1994

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit of Defense Logistics Agency 1995 Defense Base Realignment and Closure Data Collection Process for the Evaluation Phase (Project No. 4CG-5015.48)

Introduction

We are providing this audit report for your information and use. This report is one in a series of reports discussing the process that the Defense Logistics Agency (DLA), Alexandria, Virginia, used to collect data to support Defense base realignment and closure (BRAC) recommendations to the 1995 Commission on Defense Base Closure and Realignment (1995 Commission). This report focuses on the adequacy of the process that DLA used to collect and document data for the phase in which DLA evaluated excess capacity, military value, return on investment, and community impact.

Audit Results

The DLA process used during the 1995 BRAC evaluation phases resulted in accurate and supportable data. We verified the computations and sources for the data used to evaluate excess capacity, military value, return-on-investment, and community impact. During the review, we identified nonmaterial deficiencies to management, and management took immediate and appropriate actions to correct the deficiencies.

Audit Objectives

The overall objectives of this program audit were to validate the DLA 1995 BRAC data collection process and the data generated for the 1995 Commission. The specific objective for the audit was to determine whether the evaluation process that the DLA used to develop recommendations reported to the 1995 Commission was consistently applied and adequately supported. The audit also reviewed applicable management controls.

Scope and Methodology

Audit Scope. The audit evaluated the evaluation process to determine whether DLA:

- followed Office of the Secretary of Defense guidance to develop the activity evaluation process,
- adequately documented its analytical evaluation process, and
- effectively implemented management controls over data to ensure complete and accurate evaluations.

Use of Statistical Sampling Methodology. The audit did not rely on statistical sampling procedures to review the evaluation process used by DLA. In 41 prior audit reports, we assessed the accuracy and support for the data provided by 40 DLA activities for use in the evaluation process.

Use of Computer-Processed Data. We relied on computer-processed data when reviewing the DLA evaluation process. We did not establish the reliability of the systems that generated the financial data for DLA activities included in the evaluation process. However, because each activity's data were uniformly produced, each activity verified its own data, and we reviewed all adjustments made by the activity, the reliability of the data was considered adequate.

Audit Period, Standards, and Location. This program audit was conducted from December 1994 through March 1995 and was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls that were considered necessary. We conducted the audit at the Defense Logistics Agency, Alexandria, Virginia.

Management Control Program

We evaluated the DLA management controls for preparing, reporting, and documenting information associated with the DLA 1995 BRAC evaluation process. Specifically, we reviewed procedures that DLA used to develop, report, and document its 1995 BRAC evaluation process. Management controls were adequate as they applied to the audit objectives. We did not review the DLA management control program because its provisions were not deemed applicable to the one-time data collection process.

Audit Background

Policy Guidance. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," Title XXIX, as amended, established requirements and procedures for BRAC within DoD. In addition, the Deputy Secretary of Defense memorandum, "1995 Base Realignment and Closures," January 7, 1994, established policy, procedures, authorities, and responsibilities for selecting bases for realignment or closure under Public Law 101-510, as amended, for the 1995 BRAC. That guidance prescribed procedures, including numerical thresholds for BRAC consideration, grouping installations with like missions, management control procedures, record keeping, and data certification. In compliance with the Deputy Secretary of Defense memorandum, DLA developed a management control plan to ensure that BRAC analyses and recommendations are based on accurate data and that the process is properly documented and verifiable.

A Deputy Secretary of Defense memorandum, "1995 Base Closure and Realignment Selection Criteria," dated November 2, 1994, amplified the 1995

BRAC selection criteria. The memorandum states that the DoD selection criteria will consider excess capacity, military value, return on investment, and various impacts as follows:

- current and future mission requirements and the impact on operational readiness of the total force of the Department of Defense;
- availability and condition of land, facilities, and associated airspace at both the existing and potential receiving locations;
- ability to accommodate contingency, mobilization, and future total force requirements at both the existing and potential receiving locations;
- cost and manpower implications;
- extent and timing of potential costs and savings, beginning with the date of completion of the closure or realignment and extending until the savings to exceed the costs;
- economic impact on communities;
- ability of both the existing and potential receiving communities to support forces, missions, and personnel; and
- environmental impact.

Base Closure Executive Group and Working Group. The Director, DLA, established a BRAC Executive Group as the exclusive deliberative body responsible for BRAC analyses and for compliance with all applicable laws and DoD policies. A BRAC Working Group was responsible for preparing standard and unbiased data for the BRAC effort.

DLA Evaluation Process. To evaluate the DLA infrastructure and activities for potential realignments or closures, activities were divided into categories and subcategories based on similarity of mission, capabilities, and attributes. The enclosure provides a list of the DLA activities, by category, that were evaluated in the 1995 BRAC process. Comprehensive data calls covering costs, personnel, mission performance, technology, infrastructure, facility condition, tenant activities, and services provided or received were designed to support analyses of excess capacity, military value, and community impacts. The data call questions were carefully designed to ensure uniform interpretation, detail, and documentation of questions. Measures of merit were developed for each category and subcategory in order to more specifically evaluate each activity.

Discussion

Management Control Plan. DLA developed a general plan and operating instructions to guide the Executive Group and Working Group in conducting the BRAC 1995 evaluation process. The DLA evaluation process encompassed evaluating excess capacity, analyzing military value, performing return-on-investment analyses, and determining community impacts. The Working Group developed a management control plan to fully document the BRAC process based on certified and verifiable data.

Evaluating Excess Capacity. DLA conducted an excess-capacity analysis for each of the BRAC activity categories and subcategories. The intent of the analysis was to determine the use of physical space and compare it with anticipated requirements. Where significant amounts of excess capacity were found, DLA considered the sites as possible receiving sites in potential realignment recommendations. We verified that DLA properly documented its analysis of capacity requirements and considered the following:

- projections for Military Department drawdown in the DoD Force Structure Plan,

- Military Department basing and operational changes, and

- initiatives expected to improve DLA operational efficiencies and effectiveness.

Analyzing Military Value. The DoD military value selection criteria provided in the Deputy Secretary of Defense memorandum dated November 2, 1994, were designed to cover the many roles and missions of the Military Departments and DoD Components. The DLA Executive Group determined that the same military value selection criteria used in the 1993 BRAC process would be used in the 1995 BRAC process.

The evaluation criteria provided more distinctive measures than DoD selection criteria to assess the military value of DLA activities and met DoD criteria as follows:

- **Mission Scope** (DoD selection criteria 1 and 3). The mission assigned to the installation or activity plays an essential role within DoD and additionally benefits non-DoD customers. The functions performed in accomplishing the missions may be unique. The strategic location of the facility and span of control are important to effective mission accomplishment.

- **Mission Suitability** (DoD selection criteria 1, 2, and 3). The installation or activity supports assigned missions. Suitability includes the age and condition of facilities, quality of life, location, and proximity to transportation links.

- **Operational Efficiencies** (DoD selection criteria 2 and 4). The installation or activity's mission is performed economically. Installation or activity operation costs include costs for transportation, mechanical systems (for example, mechanized material handling equipment), space utilization, personnel, and operating the facility.

- **Expandability** (DoD selection criteria 1, 2, and 3). The installation or activity can accommodate new missions and increased workload, including sustained contingencies. Expandability considerations include requirements for space and infrastructure, community encroachment, and increased workload.

We verified that DLA adequately documented each part of the process, including the formulation and allocations of points to the military value analysis,

the use of the DLA Strategic Plan, concepts of operations, infrastructure reduction and storage management plans, installation analyses, and expanded environmental data call analysis requirements. We identified eight instances for stand-alone distribution depots and seven instances for collocated distribution depots where current certified data were not used for a data element in computations. Also, we identified three instances where the calculation of the points earned was incorrect. Those deficiencies were brought to the attention of management, and management took appropriate actions to correct the deficiencies.

Performing Return-on-Investment Analyses. The DLA Working Group evaluated potential BRAC scenarios that the DLA Executive Group recommended by using the Cost of Base Realignment Actions computer model (COBRA) as directed by DoD BRAC policy. Data for the model consisted of details regarding personnel, military construction or renovation requirements, and specific costs of the individual scenarios. The General Accounting Office reviewed the application of COBRA by DLA and associated DoD standard factors. We verified that the standard factors unique to DLA were documented and that correct information was used for the COBRA analysis. We did identify three insignificant one-time cost errors for the movement of supply equipment. The deficiencies were brought to the attention of management, and management took appropriate actions to correct the deficiencies.

Determining Community Impacts. The scenarios and COBRA results were provided to the Executive Group for approval. The Executive Group considered the economic, infrastructure, and environmental impact on the community for each scenario. We verified that DLA properly documented its analysis and decision process that resulted in the 1995 BRAC recommendations.

Management Comments

Because the draft of this report contained no findings or recommendations, written comments were not required, and none were received.

We appreciate the courtesies extended to the audit staff. If you have any questions on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312), or Mr. Gary R. Padgett, Audit Project Manager, at (703) 604-9304 (DSN 664-9304).

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Enclosure

Defense Logistics Agency Base Realignment and Closure Categories

Command and Control

Contract Management Districts

Defense Contract Management District Northeast, Boston, MA
Defense Contract Management District South, Marietta, GA
Defense Contract Management District West, El Segundo, CA
Defense Contract Management Command International, Columbus, OH

Distribution Regions

Defense Distribution Region East, New Cumberland, PA
Defense Distribution Region West, Stockton, CA

Reutilization and Marketing Service Operations

Defense Reutilization and Marketing Service Operations East, Columbus, OH
Defense Reutilization and Marketing Service Operations West, Ogden, UT

Distribution Depots

Stand-Alone Depots

Defense Depot Columbus, OH
Defense Depot Memphis, TN
Defense Depot Ogden, UT
Defense Depot Richmond, VA
Defense Depot San Joaquin, Lathrop, CA
Defense Depot Susquehanna, New Cumberland, PA

Collocated Depots

Defense Depot Anniston, AL
Defense Depot Albany, GA
Defense Depot Barstow, CA
Defense Depot Cherry Point, NC
Defense Depot Corpus Christi, TX
Defense Depot Hill Air Force Base, Ogden, UT
Defense Depot Jacksonville, FL
Defense Depot Letterkenny, Chambersburg, PA
Defense Depot McClellan, Sacramento, CA
Defense Depot Norfolk, VA
Defense Depot Oklahoma City, OK
Defense Depot Puget Sound, Bremerton, WA
Defense Depot Red River, Texarkana, TX

Collocated Depots (cont'd)

Defense Depot San Antonio, TX
Defense Depot San Diego, CA
Defense Depot Tobyhanna, PA
Defense Depot Warner Robins, GA

Inventory Control Points

Defense Construction Supply Center, Columbus, OH
Defense Fuel Supply Center, Fort Belvoir, VA
Defense General Supply Center, Richmond, VA
Defense Industrial Supply Center, Philadelphia, PA
Defense Personnel Support Center, Philadelphia, PA

Service and Support Centers

Defense Logistics Services Center, Battle Creek, MI
Defense Reutilization and Marketing Service, Battle Creek, MI
Defense Logistics Agency Systems Automation Center, Columbus, OH
Defense Logistics Agency Systems Design Center, Columbus, OH

Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granneto
Wayne K. Million
Gary R. Padgett
A. Christine Grannas
Amy M. Weaver
Eric A. Yungner