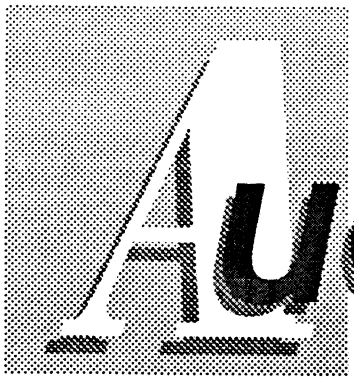

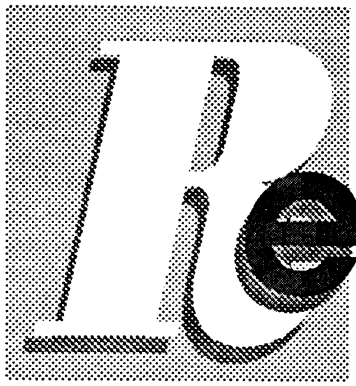

OFFICE OF THE INSPECTOR GENERAL

PROCUREMENT ITEMS FOR BASE REALIGNMENT AND CLOSURE AT THE DEFENSE INFORMATION SYSTEMS AGENCY

Report No. 96-133 May 28, 1996

Department of Defense

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

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Acronyms

BRAC	Base Realignment and Closure
DISA	Defense Information Systems Agency

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

May 28, 1996

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (COMPTROLLER)
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Procurement Items for Base Realignment and Closure at the Defense Information Systems Agency (Report No. 96-133)

We are providing this report for information and use. We considered comments on a draft of this report from the Under Secretary of Defense (Comptroller) when preparing the final report.

Management promptly implemented one draft recommendation and the outcome of that action rendered the other draft recommendation unnecessary, so it was deleted. Comments received conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Henry P. Hoffman, Audit Project Manager, at (703) 604-9269 (DSN 664-9269). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

Robert J. Lieberman
Assistant Inspector General
for auditing

Office of the Inspector General, DoD

Report No. 96-133
Project No. 6CG-0003.01

May 28, 1996

Procurement Items for Defense Base Realignment and Closure at the Defense Information Systems Agency

Executive Summary

Introduction. The 1993 Commission on Defense Base Closure and Realignment recommended that the Defense Information Systems Agency execute a DoD-wide Data Center Consolidation Plan by closing 43 major data processing centers and transferring their information processing workload to 16 newly designated megacenters.

Audit Objectives. The audit objective was to determine whether procurement items obtained by Military Departments and Defense agencies for Defense base realignment and closure were fully supported and based on valid requirements. Another objective was to evaluate the management control program related to the overall objective. This report discusses the use of Defense Base Closure Account funds for the Defense Information Systems Agency realignment and closure of data processing centers. We did not review the management control program because conditions noted during the audit necessitated the prompt issuance of this report.

Audit Results. Our draft report questioned the Defense Information Systems Agency Defense base realignment and closure plan that provides for improvements to computer and software systems to complete the realignment of the data processing centers. The Defense Information Systems Agency planned to use $65 million in Defense Base Closure Account funds for computers and software that were not clearly appropriate uses of those funds.

Summary of Recommendations. We recommended that the Under Secretary of Defense (Comptroller) obtain a binding legal opinion on the propriety of Defense Information Systems Agency use of Defense Base Closure Account funds for optimization efforts.

Management Comments. The Under Secretary of Defense (Comptroller) concurred with the legal opinion of the DoD Office of General Counsel that the Defense Information Systems Agency use of Defense Base Closure Account funds for the optimization phase of the data processing center realignment is appropriate. We invited the Defense Information Systems Agency to comment on the draft report. The Defense Information Systems Agency disagreed with the finding, but agreed to take whatever action necessary based on the results of the legal opinion. See Part I for a summary of management comments and Part III for the full text of management comments.

Audit Response. As a result of management comments that included the results of the legal opinion, we deleted a draft report recommendation that encouraged the use of alternate funds to pay for optimization efforts. This report presents our draft report finding questioning the use of funds, but all issues are considered resolved and no further comments are required.

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Part I - Audit Results

Audit Background

Defense Management Report Decision 918, September 15, 1992, transferred control of Defense data processing centers from the Military Departments and Defense agencies to the Defense Information Systems Agency (DISA). Defense Management Report Decision 918 projected that reducing data processing costs and eliminating excess facility capacity would yield savings to the Government. A major portion of the projected savings was to come from realignment of the data processing centers. DISA submitted a realignment plan to the Office of the Secretary of Defense in February 1993 for inclusion in the DoD submission to the 1993 Commission on Defense Base Closure and Realignment.

The 1993 Commission on Defense Base Closure and Realignment recommended that DISA execute a DoD-wide data center realignment plan by closing 43 major data processing centers and transferring their information processing workload to 16 newly designated megacenters. DISA estimated the realignment would achieve a net savings of $436 million in FYs 1994 through 1999, with a one-time investment of $309 million.

Audit Objectives

The overall audit objective was to determine whether procurement items obtained by Military Departments and Defense agencies for Defense base realignment and closure (BRAC) were fully supported and based on valid requirements. The audit was also to evaluate the management control program related to the overall objective.

This report discusses only the audit of BRAC procurement items requested by DISA in the FYs 1996 and 1997 budgets. We limited the scope of this audit to a review of the use of Defense Base Closure Account funds for the closure and realignment of DISA data processing centers. We did not review the management control program because conditions noted during the audit necessitated the prompt issuance of this report.

See Appendix A for a discussion of the audit scope and methodology and prior audit coverage.

Realignment of Data Processing Centers

The DISA base realignment and closure plan provides for improvements to DISA computer and software systems that are not needed to complete the realignment of its data processing centers. That situation has occurred because the DISA submission to the 1993 Commission on Defense Base Closure and Realignment identified nonessential improvements as an integral part of the realignment process. As a result, DISA will use $65 million in Defense Base Closure Account funds for computers and software that may not be appropriate uses of those funds.

Accounting for Defense Base Closure Account Funds

Public Law. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," November 5, 1990, establishes funds to be used for the closure and realignment of military units and support facilities. Section 2905 of Public Law 101-510 states that funds from the Defense Base Closure Account should be used only for actions that may be necessary to close or realign any military installation, including the construction of replacement facilities.

Procurement items. Base Closure Account funds are distributed and controlled by subaccounts. The procurement subaccount is used for purchasing equipment and services with a unit cost greater than $50,000.

DISA BRAC Plan Provides More Than Realignment

The DISA plan for realigning the data processing centers includes improvements that will occur after the BRAC realignment has been completed. The DISA Data Center Consolidation Plan, February 18, 1993, includes requirements for improved computers and software at the 16 newly designated megacenters. The Data Center Consolidation Plan identified those improvements as upgrades in computers and software that would be necessary before the existing data processing centers could be closed. Although implementing such improvements may be a sound business decision, those improvements are separate from the efforts to realign data processing centers. That the improvements were not needed to close the data processing centers was not apparent until DISA prepared the DISA Baseline Implementation Plan, January 31, 1994. The Baseline Implementation Plan provided a three-phase approach for executing the realignment. Elements of that plan follow.

Transition Phase. During the transition phase of realignment, equipment at the data processing centers was inventoried and the information processing workloads that would transfer to the 16 megacenters were quantified.

Migration Phase. The migration phase accomplishes the actual realignment. Forty-three data processing centers will close during the migration phase, and their information processing workloads will be transferred to the DISA megacenters. As of October 1995, 28 sites had been successfully closed, with the remaining 15 data processing centers scheduled to close by September 1996.

Optimization Phase. Optimization will begin at each megacenter only after the migration phase has been completed. The optimization phase is planned to provide a standard operating environment at the 16 megacenters by spending $42 million in FY 1996 and $23 million in FY 1997 on improved automation (computers) and standardized software. Optimization will be implemented as an operation separate from the successful realignment of data processing centers.

The table shows the DISA FYs 1996 and 1997 budgets for optimization.

DISA Optimization Budget for FYs 1996 and 1997

Megacenter	Number of Centers Realigned to that Megacenter	Optimization Costs ($000)
Dayton	0	0
Huntsville	0	11,030
Oklahoma City	0	1,307
Rock Island	0	18,701
Sacramento	0	850
Warner Robbins	0	501
Subtotal	**0**	**32,389**
Denver	1	9,786
Montgomery	1	0
Ogden	1	1,105
San Antonio	2	0
Chambersburg	3	5,854
St. Louis	3	12,676
Columbus	4	1,107
Mechanicsburg	6	1,809
San Diego	10	1,111
Jacksonville	12	0
Total	**43**	**$65,837**

The table shows the lack of correlation between realignments and planned funding for optimization. Of the 16 megacenters, 6 are not involved in the realignments, but are budgeted to receive $32 million (almost 50 percent) of the optimization budget. Megacenters Montgomery, San Antonio, and Jacksonville will receive 15 of the 43 realigning sites, yet will receive no optimization funding.

Funding Issue

Realignment of the 43 data processing centers will be completed in September 1996 at a total cost of $317 million. However, after the BRAC realignment has been completed, DISA will spend an additional $65 million on optimization. Defense Base Closure Account funds should be used only to fund those actions that contribute directly to closing the 43 data processing centers and transferring their workloads. The $65 million budgeted for optimization is not clearly an appropriate use of Defense Base Closure Account funds because the optimization phase arguably is not integral to the BRAC realignment effort. We discussed our concerns about this use of Defense Base Closure Account funds with DISA officials. DISA suspended further use of Defense Base Closure Account funds for the optimization effort until a determination could be made as to whether it is an appropriate use of Defense Base Closure Account funds.

Recommendations, Management Comments, and Audit Response

We recommended the Under Secretary of Defense (Comptroller) obtain a binding legal opinion on the propriety of Defense Information System Agency use of Defense Base Closure Account funds for the optimization phase of the data processing center realignments.

Deleted Recommendation. The draft report also included a recommendation that, if the legal opinion sought in the recommendation included here determined that the use of Defense Base Closure Account funds was not appropriate, the Under Secretary of Defense (Comptroller) should reduce funding for procurement items by $65 million. A second part of the recommendation was that the Under Secretary should work with DISA to expedite alternate funding for the optimization. Based on the comments providing results of the legal opinion, we deleted the recommendation.

Under Secretary of Defense (Comptroller) Comments. The Under Secretary of Defense (Comptroller) referred the matter to the Office of General Counsel for a legal determination as to the propriety of using Defense Base Closure Account funds to pay for expenses incurred in the optimization phase of the DISA consolidation. The Office of General Counsel concluded that the expense of optimization may be properly funded by the Defense Base Closure Account. The Under Secretary of Defense (Comptroller) determined that the costs programmed by DISA in carrying out the optimization phase of the consolidation are necessary to achieve an operable, efficient, and effective consolidation of the information processing workload at the megacenters. Accordingly, Defense Base Closure Account funds may be properly used to fund the efforts.

Defense Information Systems Agency Comments. We invited the Defense Information Systems Agency to comment on the draft report. DISA disagreed with the finding because it believes Defense Base Closure Account funds were appropriately programmed for use in the optimization efforts. DISA stated that it would take whatever action necessary based on the results of the formal binding legal opinion.

Audit Response. We accept the legal opinion as dispositive of the issue and appreciate management's quick response to the draft audit finding.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope

We reviewed the DISA BRAC realignment plans and the corresponding use of Defense Base Closure Account funds for FYs 1996 and 1997. This report is specifically limited to a review of $65 million in Defense Base Closure Account funds used for improvements to hardware and software.

Methodology

We performed audit steps to determine whether the DISA plan to use Defense Base Closure Account funds for procurement items was valid. This audit did not rely on computer-processed data or statistical sampling procedures. We reviewed documentation dated from 1993, when the proposal was made to use Defense Base Closure Account funds, through 1995. We reviewed the DoD Data Center Consolidation Plan, Baseline Implementation Plan, Baseline Optimization Plan, budget data, and other data provided from DISA in Denver, Colorado.

Audit Period, Standards, and Location

This economy and efficiency audit was made from October 1995 through January 1996 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Appendix B lists the organizations visited or contacted during this portion of the audit.

Prior Audits and Other Reviews

No prior audits or other reviews related to the Defense Base Closure Account for procurement items for the Defense Information Systems Agency had been conducted.

Appendix B. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC

Other Defense Organizations

Defense Information Systems Agency, Western Hemisphere, Fort Ritchie, MD
Defense Information Systems Agency, Denver, CO
Defense Megacenter, Denver, CO
Management Analysis and Internal Review Division, Arlington, VA

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Deputy Under Secretary of Defense (Industrial Affairs and Installations)
  Principal Assistant Deputy Under Secretary of Defense (Industrial Affairs and Installation)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Under Secretary of Defense (Comptroller) Comments

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

APR 26 1996

COMPTROLLER

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DOD IG

SUBJECT: DoD IG Draft Quick-Reaction Report on Procurement Items for Base Realignment and Closure (BRAC) at the Defense Information Systems Agency (DISA)

This responds to your memorandum of March 19, 1996, requesting my comments on the subject draft quick reaction report.

The draft audit report contends that the DISA BRAC plan provides for improvements to DISA computer and software systems that are not needed to complete the realignment of its data processing centers. As a result, the audit states that DISA will spend $65 million for computers and software that are not appropriate uses of BRAC funds. The audit recommends that I obtain a binding legal opinion on the propriety of using BRAC funds for the optimization phase of the data processing center realignment.

Upon receipt of the subject report, my office referred the matter to the Office of General Counsel for a legal determination as to the propriety of using BRAC funds to pay for expenses incurred in the optimization phase of the DISA consolidation. The Office of General Counsel has concluded that, "to the extent that optimization is determined to be reasonably necessary to achieve an operable, efficient, and effective consolidation of the information processing workload at the 16 megacenters directed by the BRAC Commission, the expenses of optimization may properly be funded by the BRAC account."

I have determined that the costs programmed to be incurred by DISA in carrying out the optimization phase of the ongoing consolidation effort in compliance with the BRAC Commission's recommendation are, in fact, reasonably necessary to achieve an operable, efficient, and effective consolidation of the information processing workload at the 16 megacenters. Accordingly, BRAC funds may properly be used to fund these efforts. I note that this determination is consistent with the Department's budget submissions for both FY 1995 and FY 1996/1997, and on both occasions Congress authorized and appropriated funds to the BRAC account based on these submissions.

Thank you for this opportunity to comment on the subject draft report.

John J. Hamre

cc:
Director, DISA

Defense Information Systems Agency Comments

DEFENSE INFORMATION SYSTEMS AGENCY
701 S. COURT HOUSE ROAD
ARLINGTON, VIRGINIA 22204-2199

IN REPLY REFER TO: Inspector General

3 APR 1996

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
ATTN: Director, Contract Management Directorate

SUBJECT: Quick-Reaction Report on Procurement Items for Base Realignment and Closure at the Defense Information Systems Agency (Project No. 6CG-0003.01)

Reference: DODIG Report, subject as above, 19 March, 1996

1. In response to the DODIG draft report, DISA nonconcurs with the finding as we believe that we have appropriately utilized BRAC funds. Resolution of this issue as soon as possible is critical to successful completion of our Defense Megacenters (DMC) consolidation as the BRAC savings for the DMCs are predicated on optimization.

2. We have previously provided our rationale to the DODIG and we are presently providing additional supporting materials to the DOD Comptroller and General Counsel. As recommended in the DODIG Draft Audit Report, a formal binding legal opinion is presently being prepared by the DOD General Counsel. DISA will take whatever action is necessary based on the results of this legal opinion.

3. The point of contact for this action is Mr. Philip D. Lavietes, Assistant Inspector General for Audits. For additional information, Mr. Lavietes may be reached on (703)607-6312.

DAVID J. KELLEY
Major General, USA
Vice Director

Quality Information for a Strong Defense

Audit Team Members

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

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