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

REPORT
NO. 90-061

April 20, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)

SUBJECT: Report on the DoD Hotline Allegation Concerning the Use of Long Beach Naval Shipyard Personnel to Repair Ships at San Diego (Project No. 0CD-8002)

Introduction

This is our final report on the DoD Hotline allegation concerning the use of Long Beach Naval Shipyard (Long Beach) personnel to perform ship repairs at San Diego, California. The audit was initiated in response to an August 21, 1989, letter sent to the DoD Inspector General. The complainant alleged that during the period January through May 1989, Long Beach exported "temporary" Government employees to perform routine repairs on eight U.S. Navy ships physically located in San Diego. The complainant contended that the practice was avoidable, expensive and wasteful. The audit objective was to determine whether the Navy used the most economical method, consistent with operational requirements, to repair the eight ships named in the letter.

Scope of Audit

We reviewed ship repairs performed by Long Beach personnel at San Diego for the eight ships identified in the allegation during the period January through May 1989. The audit consisted of interviews with Navy personnel, reviews of applicable regulations and instructions, and reviews of documentation provided by the Commander, Naval Air Force, U.S. Pacific Fleet (COMNAVAIRPAC); Commander, Naval Surface Force, U.S. Pacific Fleet (COMNAVSURFPAC); Combat Logistics Group One (COMLOGGRUONE); and Supervisor of Shipbuilding (SUPSHIP) Conversion and Repair, San Diego. We also interviewed the president of Pacific Ship Fabrication & Repair, Inc.

This performance audit was made in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. We included the tests of the internal controls that we considered necessary. The audit was conducted from November 1989 through January 1990. The activities visited or contacted are listed in Enclosure 1.

Background

Chief of Naval Operations (OPNAV) Instruction 4700.7H establishes the policies and procedures for maintenance of Navy ships. This Instruction requires the fleet to be combat ready, fully capable of meeting the expected threat, and in a condition that allows it to accomplish its mission. The Instruction further requires the fleet commander (Commander), or his designated subordinates, to determine the maintenance actions required to maintain or restore the ship or equipment to its intended condition. The Commander is also authorized to make cost, schedule, and mission trade-offs in the assignment of repair and modernization availabilities and to make expenditure of the funds required to maintain material readiness. The anticipated threat, system command technical requirements, and established policy and procedures are major considerations used in making such trade-offs.

Naval Sea System Command (NAVSEA) Instruction 4710.10 establishes the policies, procedures, and responsibilities for private sector depot-level availability planning for naval surface ships. The Commands responsible for depot-level availability planning provide an operational schedule for each available ship and recommend assignments to relieve home port overloads after reviewing the industrial workload forecast. SUPSHIP is responsibile for providing current and future shipyard workload and capacity forecasts and predicting the level of potential competition from private repair activities.

Prior Audit Coverage

We identified no prior audits that specifically addressed the use of Long Beach personnel to repair ships physically located at San Diego.

Discussion

In our opinion, COMNAVAIRPAC, COMNAVSURFPAC, and COMLOGGRUONE made the appropriate repair decisions for the eight ships questioned in the Hotline allegation. We reviewed the supporting documentation on the ship repairs, and we found that Long Beach personnel performed guarantee work on four of the eight Navy ships reviewed. The Navy identified deficiency items during the guarantee period that required rework of previous Long Beach repairs. The Navy issued ship repair work on the four remaining ships to Long Beach because Navy records and forecasts showed that the private shipyards and the home port were operating at peak capacity. Additionally, the Navy chose to use Long Beach because some repairs were urgent, some required the expertise of Long Beach personnel, and some required performance to meet critical deployment dates. We were also informed by the complainant that when he had an opportunity to submit a bid for repair of the USS Ranger, one of the four ships in this category,

he submitted a "high bid" because his facility was full and he would have had to accomplish all the repairs using overtime.

Based on the policies and practices examined during the audit, we concluded that the Navy activities adhered to the applicable regulations and mission statements. These regulations and statements clearly provide the Navy with the authority to have the repairs for these ships done by Long Beach. The Hotline complainant alleged that the Navy's practice of placing work with Long Beach Naval shipyard was avoidable, expensive and wasteful. In the eight cases mentioned by the complainant, we found that the practice was not avoidable or wasteful. The Navy confirmed that it generally costs more to use Long Beach Naval shipyard personnel to perform ship repair work in San Diego than it costs to have the repairs done in San Diego by contractors. However, OPNAV Instruction 4700.7H permits the Navy to make cost, schedule, and mission trade-offs in the assignment of repair and modernization availabilities in order to meet its assigned missions. In our opinion, the Commands made the appropriate decision in accordance with Navy instructions. We believe the maintenance actions assigned to Long Beach Naval Shipyard were necessary to accomplish the assigned mission. Therefore, we concluded that further audit effort was not required and that the complaint was without merit for the eight ships named.

The audit did not identify any problem areas or internal control weaknesses related to the performance of the repairs on these eight ships. We provided a draft of this report to the addressee on March 7, 1990. Because there were no findings or recommendations, management response was not required, and no response was received. Therefore, we are publishing this report in final form. If you desire to provide comments on this final report, please do so within 60 days of the date of this memorandum.

We appreciate the courtesies and cooperation extended to the auditors during this project. If you have any questions please contact Mr. Andrew Nickle at (202) 693-0575, (AUTOVON 223-0575) or Mr. Wayne K. Million at (202) 693-0593, (AUTOVON 223-0593). Copies of the final report are being provided to the activities listed in Enclosure 2.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

Enclosures

cc:
Secretary of the Navy

ACTIVITIES VISITED OR CONTACTED

Department of the Navy

Commander Naval Sea Systems Command, Arlington, VA
Commander Naval Air Force, U.S. Pacific Fleet, San Diego, CA
Commander Naval Surface Force, U.S. Pacific Fleet, San Diego, CA
Combat Logistics Group One, Oakland, CA
Supervisor of Shipbuilding, Conversion and Repair, San Diego, CA

Non-Government Activities

Pacific Ship, Repair and Fabrication, Inc., San Diego, CA

FINAL REPORT DISTRIBUTION

Office of the Secretary of Defense

Comptroller of the Department of Defense
Assistant Secretary of Defense (Production and Logistics)

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office, NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations