

RELEASED



090570
Not to be released outside the General
Office except on the basis of specific
approval of Congressional Relations
Office
Kept by the Distribution Section, Publications Branch, CAS
IS KEPT BY THE COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

RELEASED

74-0236
JUN 21 1974 090570

B-168700

The Honorable Paul G. Rogers
House of Representatives

Dear Mr. Rogers:

Enclosed is a summary of our inquiry into the validity of statements and figures supplied to you by the Department of the Navy in support of its plan to relocate the headquarters detachment of the Atlantic Undersea Test and Evaluation Center (AUTEC) from West Palm Beach to Fort Lauderdale, Florida. This report is in response to your request of October 1, 1973.

As you are aware, the Navy has twice revised its original plan for relocating AUTEC since your initial inquiry. As a consequence, the estimated one-time costs and savings resulting from the move have also changed. According to a Navy official, because the original estimate was developed before the plan to relocate AUTEC was announced, a degree of secrecy had to be maintained and the cost data was developed without the active participation of the individuals affected. Consequently, according to this official, "the accuracy of the original estimate was limited."

In response to questions you raised on several occasions, the Navy has amplified the supporting data it initially presented and has provided more information, particularly on the current plan. For instance, in a letter dated July 3, 1973, to the Secretary of Defense, you questioned crediting the relocation with savings in personnel costs for positions already vacated. The Navy has since determined that it can effectively accomplish its mission in West Palm Beach with its present complement; therefore, it no longer attributes to the relocation the savings relating to the positions you questioned.

As we discussed with you on March 11, 1974, we have not validated the various elements which make up the Navy's current plan because this would be time consuming and of doubtful value in view of possible further changes and the Navy's strong desire to relocate AUTEC.

Although we have reviewed each plan, our comments and conclusions are directed to those statements and figures which support the Navy's current plan to relocate. The Navy appears to have identified the principal areas where major costs are likely to be incurred and savings realized as a result of the planned relocation, and this information appears reasonable.

904476 090570

B-168700

However, a conflict as to whether building 15 in Fort Lauderdale can house AUTEK and RCA Service Company personnel without being structurally repaired has not been completely resolved, in our opinion. We also question whether the savings from eliminating the hospital corpsman position at West Palm Beach can properly be attributed to the planned relocation.

Finally, from a cost-effectiveness standpoint, the Navy's failure to make a comprehensive review of potential savings available by remaining in West Palm Beach makes the advisability of proceeding with the move uncertain.

A factor which also appears to be pertinent in reaching a decision is that keeping the detachment in West Palm Beach would avoid possible hardship on Navy and contractor personnel which might result from the move to Fort Lauderdale. Our conclusions and observations begin on page 6.

In accordance with your wishes expressed at the meeting on March 11, 1974, we have not obtained comments from the Department of the Navy on matters discussed in the summary because of your desire to obtain the results of our review as soon as possible.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,



Comptroller General
of the United States

Enclosure

SUMMARY OF GAO INQUIRY INTO THE NAVY DECISION
TO RELOCATE THE HEADQUARTERS DETACHMENT
OF THE ATLANTIC UNDERSEA TEST AND EVALUATION CENTER
FROM WEST PALM BEACH TO FORT LAUDERDALE, FLORIDA

Congressman Paul G. Rogers asked GAO to review the validity of statements and figures provided to him by the Department of the Navy in support of its plan to relocate the headquarters detachment of the Atlantic Undersea Test and Evaluation Center (AUTEK) from West Palm Beach to Fort Lauderdale, Florida.

CHARACTERISTICS OF WEST PALM BEACH
AND FORT LAUDERDALE

The headquarters detachment, principally an administrative activity, is responsible for planning, developing, and evaluating tests conducted by the testing facility located on Andros Island in the Bahamas. This detachment, which consists of 45 Navy employees, leases space in the old airport terminal building. The prime contractor to AUTEK, RCA Service Company, also has about 45 employees at West Palm Beach and leases space in another commercial building about 2 miles across town from the terminal building. AUTEK is the only Navy activity in West Palm Beach at this time.

At Fort Lauderdale the Navy owns approximately 20 acres and leases another 9.6 acres. Located on the Navy-owned property is a large administrative building (building 15) and several smaller shop and range buildings. This property is under the command of the Naval Ordnance Laboratory, where a 70-man detachment conducts field trials of mines and other underwater ordnance. Because of the research and development activities conducted by the Laboratory, building 15 is fenced and is secured by guards.

In addition to the Laboratory detachment, the Naval Underwater Systems Center (NUSC), of which AUTEK is a part, has a sonar optics group (approximately eight employees) at Fort Lauderdale. The Naval Ship Research and Development Center also has a research ship tied up at Port Everglades and draws some support services from the Fort Lauderdale contingent. These are the only Navy activities at Fort Lauderdale.

SCOPE OF REVIEW

We examined available documentation and interviewed various military and civilian officials of the Laboratory Management Division, Headquarters, Naval Material Command. This division prepared the statistics supporting the cost effectiveness of the planned move and is generally responsible for long-range planning within the command. We also met with an official of the Office of the Under Secretary of the Navy, which is reviewing the reasonableness of the planned move.

REASONS FOR WANTING TO RELOCATE AUTECH

The Navy originally said two principal factors influenced its decision to relocate AUTECH to Fort Lauderdale. First, it considered the Navy-owned property in Fort Lauderdale very valuable for meeting long-range research and development requirements primarily because the 100-fathom curve comes within 3 miles of the shoreline at that location. Moreover, the relocation would provide better use of that property and hence a better justification for its retention if the Navy were faced with encroachment pressures at that location.

Second, it expected a reduction in operating costs, which could be brought about by consolidating some activities which the AUTECH detachment and the laboratory had in common, such as guard service.

In reply to inquiries by Congressman Rogers and GAO as to the reasonableness of the move from an economic standpoint, the Navy cited other reasons for wanting to relocate to Fort Lauderdale. One reason was that AUTECH uses the Fort Lauderdale area (Port Everglades) for the dockside phases of weapon system accuracy trials and fleet operational readiness tests. According to the Navy, these efforts are expected to be intensified in the future and cannot be accommodated in West Palm Beach.

Another reason was that, due to the favorable climatic and oceanographic conditions of the Fort Lauderdale area, the Navy anticipates that more NUSC projects will be located there in the future, which will increase NUSC support requirements at Fort Lauderdale and possibly lead to the creation of a formal detachment with an administrative staff. According to the Navy, relocating the AUTECH detachment to

Fort Lauderdale would provide such a support staff and any requirements for further administrative support as the NUSC project workload increased would be minimized.

Navy officials told us that the economies they expected to achieve at Fort Lauderdale were the most compelling reason cited in their initial decision to relocate AUTECH. Our analysis of these expected savings, as well as the costs of achieving them, is presented below.

ESTIMATED COSTS AND SAVINGS ASSOCIATED
WITH THE PLANNED RELOCATION

The Navy estimated on January 10, 1973, that relocating AUTECH would cost \$931,604 and would reduce operating costs by \$227,000 annually. This estimate was developed before the plan to relocate AUTECH was announced; according to a Navy official, because a degree of secrecy had to be maintained, it was developed without the active participation of the individuals affected. Consequently, according to this official, "the accuracy of the original estimate was limited."

In response to questions raised by Congressman Rogers, the Navy has amplified the supporting data initially presented and has provided more information, particularly on the current plan. In one instance the Navy initially estimated that it could save \$110,000 annually in civil service salaries by not filling positions as they became vacated. Congressman Rogers questioned these savings because essentially these positions had already been vacated and therefore the reduction in personnel apparently was possible at West Palm Beach as well as at Fort Lauderdale. The Navy initially did not agree that it could operate AUTECH in West Palm Beach and effectively accomplish its mission with the reduced employment level. However, a Navy official advised us that the project manager at West Palm Beach subsequently determined that the reduced staff was sufficient. Accordingly, the Navy no longer takes credit for the savings in its current plan.

Since previous estimates are no longer relevant, only the most recent are discussed below. A description of how each was derived is also given.

Estimated One-Time Costs

Relocate civil service employees	\$113,975
Relocate military personnel	8,771
Separations, civil service employees	73,375
Relocate contractor personnel	312,107
Facilities	325,500
Relocate furniture and equipment	<u>2,000</u>
 Total	 <u>\$835,728</u>

Estimated Annual Savings

Military salaries	\$ 66,557
Civil service salaries	24,326
Leases-utilities	103,220
Contractor security	<u>60,000</u>
	254,103
Less contractor's recurring expenses	<u>85,959</u>
 Total	 <u>\$168,144</u>

Estimated one-time costs

The estimate of \$113,975 to relocate civil service employees is based on indications that 25 of the 45 civil service employees at West Palm Beach may relocate their households to Fort Lauderdale at an average cost of \$4,559. Of the 20 remaining employees, 10 have indicated that they will resign; 8 prefer to commute from West Palm Beach rather than relocate their households; and 2 will not be eligible for relocation allowances because their residences are near Fort Lauderdale. The estimated average cost to relocate each family is based on the costs associated with house sale and purchase, relocation of household effects, and a miscellaneous dislocation allowance.

The Navy expects to relocate seven military personnel at an average cost of \$1,253, or a total of \$8,771. This cost is based on the additional expense that would be incurred by accelerating the 3-year normal rotation period.

The Navy expects to pay \$73,375 in separation allowances to 12 civil service employees. These employees include the 10 previously mentioned who indicated that they would resign

and 2 employees at Fort Lauderdale whose positions will be eliminated as a result of the planned consolidation.

In November 1973, RCA Service Company and the World Aviation Corporation, contractors to AUTEK, estimated that it would cost approximately \$312,107 to relocate their West Palm Beach operations to Fort Lauderdale. This estimate was based on a comprehensive line-item account of all costs related to the move. According to the Navy, RCA has indicated that it considers this to be the maximum cost which might be incurred and that it could be less.

The Navy has estimated it will cost \$325,500 to provide the facilities necessary for relocating AUTEK and contractor personnel. Included in this amount is the cost for renovating a building in Fort Lauderdale (building 15), constructing a parking lot and warehouse, and relocating a decompression facility located in building 15.

The estimate of \$2,000 to relocate furniture and equipment considers only the cost of relocating the Navy's furniture and equipment. When questioned on the cost of relocating RCA's furniture and equipment, a Navy official found that this expense had inadvertently been left out and that about \$3,150 should be added to the overall cost. This is based on moving 70,000 pounds of furniture at \$4.50 per 100 pounds.

Estimated annual savings in operating costs

The estimated annual savings represent the difference between reductions in certain operating costs and increases in others as a result of the planned move. The estimated savings of \$66,557 in military salaries is based on a planned reduction of five enlisted billets in addition to the officer in charge at Fort Lauderdale. The five enlisted billets include a hospital corpsman and a quartermaster assigned to West Palm Beach and an engineman and two boatswain mates assigned to Fort Lauderdale. The duties performed by the engineman and boatswain mates are to be performed by two public works employees who will be hired. The salaries of the public works employees have been subtracted from the estimated savings in civil service employee salaries discussed below.

The estimated savings of \$24,326 in civil service employee salaries are based on the specific identification of

those positions which the Navy expects to eliminate as a direct result of the move. The positions of a supply clerk, two telephone operators, a secretary, and an administrative assistant are to be eliminated. The total salaries for these positions is \$58,765. However, as a result of the relocation, the Navy expects that it will have to hire two public works employees, previously discussed, and one guard. The salaries of these employees are estimated at a total of \$34,439. The net savings resulting from this personnel re-alignment are \$24,326.

At present, the Navy leases the first floor of the old airport terminal building in West Palm Beach at an approximate cost of \$63,000 a year while the space leased by RCA costs about \$50,000 a year. In both cases utility costs are included in the lease cost. The Navy expects that, by relocating both groups into building 15 at Fort Lauderdale, it can save \$103,220 in lease and utility expenses.

It has been necessary to provide eight security guards for the two buildings at West Palm Beach. By relocating to Fort Lauderdale in an already secured area, the Navy will be able to eliminate these positions. The \$60,000 in contractor security costs includes the salaries of the guards whose services will no longer be needed.

The Navy has determined that an additional annual cost of \$85,959 will be incurred for contractor services because of increases in cost for airline services and in salaries paid to RCA personnel. The increases in cost for airline services reflect the salaries of two additional support employees, a parts man and a clerk, who must be hired to operate the service in Fort Lauderdale, as well as additional utility expenses. Increases in salaries payable to RCA personnel represent compensation for relocating in a higher cost-of-living area.

CONCLUSIONS AND OBSERVATIONS REGARDING THE REASONABLENESS OF THE PLANNED MOVE

The Navy appears to have identified the principal areas where major costs are likely to be incurred and savings realized as a result of the planned relocation; this information appears reasonable. However, reports on the structural condition of building 15 conflict, some of the savings in personnel salaries are questionable, and the Navy did not adequately review

possible economies which might be effected by remaining in West Palm Beach. We believe these questions should be resolved before concluding that the proposed consolidation is economically sound.

Conflict regarding structural soundness
of building 15

In 1966, the Navy formed a study group to find a suitable location for AUTECH headquarters. West Palm Beach was ultimately selected. In choosing a site, the group evaluated the suitability of four buildings in the Fort Lauderdale area-- building 15, which was located on the base, and three commercial buildings.

In its report dated October 7, 1966, the group stated, with respect to building 15, that:

"* * * frame construction in fair to good condition but structural condition questioned. Space is partitioned into various size rooms. Lighting, heating and air conditioning will have to be installed and utility connections thereto. Also, extensive structural renovation would be required to provide for office floor loads. Ceilings and renovation of partitions would also be required in the majority of rooms."

The group also stated that, if AUTECH headquarters were to be located in the Fort Lauderdale area, it would be more desirable to place the activities in one of the three commercial buildings instead of in building 15.

Building 15 is a two-story wood structure built during World War II. The Navy currently plans to use the second floor, which is presently vacant, for the AUTECH headquarters and RCA personnel after making certain repairs and alterations costing about \$150,000.

Some of the more costly line items making up this estimate include interior painting, floor covering, replacement of lights, and installation of new partitions and a suspended ceiling. Some \$1,200 is allotted for miscellaneous structural repairs.

In view of the Navy's intentions regarding its use of building 15, we asked division officials whether any major structural improvements had been made to it since the 1966 study and, if not, whether any were contemplated. They replied "No" except for the \$1,200 allotted for miscellaneous structural repairs mentioned above. They said that the \$1,200 would cover the structural repairs now contemplated because a Navy engineer of the Navy Material Command recently found building 15 to "be structurally in good shape notwithstanding its age and capable of supporting light R&D [research and development] functions on the second floor."

Although we did not inspect building 15, it strikes us as odd that a building said in 1966 to require major structural improvements, were it to house AUTECH headquarters activities, no longer requires such improvements 8 years later. This fact, together with the building's rejection as a suitable structure in 1966 when location of AUTECH headquarters was being considered, suggests to us a need for further study of the structural suitability of building 15 before the planned relocation takes place.

Salary of hospital corpsman questioned

The Navy has estimated that it can save approximately \$90,000 in military personnel and civil service employee salaries as a direct result of the planned relocation. Generally these salaries are for positions in areas where consolidation normally would result in savings. However, we have some question regarding inclusion of a hospital corpsman whose annual salary is about \$13,300.

A navy official told us that the corpsman's major duties are to provide backup service to personnel located on Andros Island. However, he is assigned to West Palm Beach because of the availability of housing there and renders some nominal service to people at this location.

If the move is made to Fort Lauderdale, the Navy would eliminate the corpsman position at West Palm Beach and have the one at Fort Lauderdale assume the duties at Andros. If this is feasible, we question whether the "savings" can be attributable to the move since, presumably, the position could be eliminated now and the service provided from Fort Lauderdale.

Economies of relocating in
West Palm Beach not explored

We asked Navy officials whether, in addition to studying the advantages to be gained by moving to Fort Lauderdale, they had considered the economic advantages, if any, of remaining at West Palm Beach. In response, the Navy explored the cost effectiveness of collocating the AUTEK detachment and RCA personnel into the old airport terminal building in West Palm Beach.

The Navy's review indicated that about \$65,000 could be saved annually after an initial investment of about \$310,000. The investment for the most part represents expenses for renovating and expanding the old airport terminal building and for constructing a small, preengineered warehouse. The savings would result from terminating the lease for space currently occupied by RCA and from eliminating three guard positions. We were advised that the results of the study, however, had not changed the Navy's decision to move.

Although the estimated rate of recovery by collocating in the old airport terminal building would be substantially the same as the reported rate of recovery in moving to Fort Lauderdale (about 5 years), it seems prudent for the Navy to make a thorough study of the alternatives available which, in addition to collocating the Navy and RCA personnel at the old airport terminal building, include selecting another location in West Palm Beach which might substantially meet AUTEK requirements without requiring major alterations, particularly since a Navy official told us that AUTEK's mission could be accomplished equally well at either location. Consequently, moving the AUTEK detachment from West Palm Beach to Fort Lauderdale is questionable from an economic standpoint until the foregoing issue is resolved.

A factor which also appears to be pertinent in reaching a decision is that keeping the detachment in West Palm Beach would avoid possible hardship on Navy and contractor personnel which might result from the move to Fort Lauderdale.