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Relocation of the Navy International Logistics Control Office. LCD-77-310; B-168700. December 23, 1976. Released January 19, 1977. 7 pp.

Report to Rep. Dominick V. Daniels; by Elmer B. Staats, Comptroller General.

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Contact: Logistics and Communications Div.

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Organization Concerned: Department of the Navy; Department of Defense; Department of the Navy: International Logistics Control Office.

Congressional Relevance: Rep. Dominick V. Daniels.

The relocation of the Navy International Logistics Control Office from Bayonne, New Jersey to Philadelphia, Pennsylvania was reviewed. The review was limited to an analysis of the Navy's estimates of the savings and costs associated with the relocation. The Navy estimated that the relocation would result in annual savings of about \$632,000 and one-time costs of \$2.7 million. Findings/Conclusions: GAO's estimates are for annual recurring savings of about \$341,000 and one-time costs of about \$3.4 million. The primary reason for the difference is that GAO estimates are based on costs and savings to the Federal Government and the Navy's estimates are based on costs and savings to its budget. The Navy estimated that relocation would eliminate 15 civilian positions, saving about \$184,000 annually; GAO's estimate of this saving is \$185,000. The Navy estimated annual savings for reduced communications costs at about \$155,000; GAO's estimates are for savings of \$36,000. Annual savings of \$544,000 for housekeeping costs were estimated by the Navy and \$221,000 was estimated by GAO. The Navy's estimate for civilian retirement was overstated by \$82,000. The Navy did not include an estimate of the Government's liability for unemployment compensation as a result of the relocation. Costs for equipment relocation and space preparation were understated. (RRS)

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1/19/77



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

B-168700

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DEC 23 1976

The Honorable Dominick V. Daniels
House of Representatives

Dear Mr. Daniels:

In response to your request, we have reviewed the relocation of the Navy International Logistics Control Office. As you agreed on May 19, 1976, we limited our review to an analysis of the Navy's estimates of the savings and costs associated with the Control Office's relocation.

We made our review primarily at the Control Office in Bayonne, New Jersey; the Aviation Supply Office in Philadelphia; and the Department of the Navy in Washington, D.C. We discussed with Navy officials the estimated cost and savings resulting from the relocation and examined records and documents supporting the Navy's estimates.

We also interviewed officials of the Army's Military Traffic Management Command, Eastern Area; the Navy Fleet Material Support Office; and the Defense Industrial Supply Center in Philadelphia to determine the impact the relocation would have on the cost and savings to their agencies. Officials of the State of New Jersey and the General Services Administration helped us estimate unemployment compensation and equipment relocation costs, respectively.

BACKGROUND

On March 17, 1976, the Secretary of the Navy announced that in December 1977 the Control Office would be relocated from the Military Ocean Terminal in Bayonne to the Aviation Supply Office Complex in Philadelphia. The relocation is part of the Navy's effort to reduce support and overhead costs and shift resources to combat activities.

Before making its announcement, the Navy completed an environmental impact assessment on the relocation. The study evaluated five possible locations and concluded that relocation to the Supply Complex would provide the most financial and managerial benefits. The Navy expects the relocation to

- improve communications with the Supply Complex,
- eliminate 15 civilian positions,
- produce annual recurring savings of about \$632,000,
and
- result in one-time costs of about \$2.7 million.

As of June 30, 1976, the Control Office had 469 authorized positions, with 446 civilians and 9 military personnel assigned. All civilian employees will be either relocated, retired, or severed. Military personnel will be reassigned to the Control Office in Philadelphia.

SAVINGS AND COSTS ASSOCIATED
WITH RELOCATION

The Navy estimated that the relocation would result in annual recurring savings of about \$632,000 and one-time costs of about \$2.7 million. We estimate the annual recurring savings at about \$341,000 and the one-time costs at about \$3.4 million. The primary reason for the difference is that our estimates are based on costs and savings to the Federal Government, whereas the Navy's estimates are based on costs and savings to its budget.

The following sections compare the Navy's estimates and our estimates for annual recurring savings and one-time costs.

ESTIMATED ANNUAL RECURRING SAVINGS 1/

	<u>Navy</u>	<u>GAO</u>	<u>Difference</u>
Savings:			
Reduction in personnel cost	\$184,000	\$185,000	\$ 1,000
Reimbursements to Army for communications at Control Office	155,000	0	-155,000
Reduction in Army communications costs	0	36,000	36,000
Reimbursements to Army for housekeeping at Control Office	544,000	0	-544,000
Reduction in Army housekeeping costs	<u>0</u>	<u>221,000</u>	<u>221,000</u>
Total estimated decrease in recurring costs	<u>883,000</u>	<u>442,000</u>	<u>-441,000</u>
Less:			
Reimbursements to Supply Complex for communications	73,000	0	-73,000
Increase in Supply Complex communications costs	0	27,000	27,000
Reimbursements for housekeeping at Supply Complex	178,000	0	-178,000
Increase in Supply Complex housekeeping costs	<u>0</u>	<u>74,000</u>	<u>74,000</u>
Total estimated increase in recurring costs	<u>251,000</u>	<u>101,000</u>	<u>-150,000</u>
Estimated annual recurring savings	<u>\$632,000</u>	<u>\$341,000</u>	<u>-\$291,000</u>

1/On September 9, 1976, the Deputy Secretary of Defense announced plans to establish a Security Assistance Accounting Center in Denver. This would affect Control Office operations, but according to the Department of Defense, the effect on the relocation would be minor.

The Navy estimated that the relocation would eliminate 15 civilian positions, saving about \$184,000 annually. On the basis of more current salary and fringe benefit costs, we estimate these annual savings at about \$185,000.

The Navy estimated annual savings for reduced communications costs at the Control Office to be about \$155,000, but we believe the savings to be about \$36,000. The Navy's figure is based on the premise that payments from its budget to the Army would not be incurred. We do not regard this amount as savings because the payments are an interagency transfer of funds that has no effect on Government savings. Our estimate of \$36,000 is based on the volume of the Control Office's communications traffic and information provided by Army communications officials about the impact the relocation would have on Government costs.

The Navy estimated that \$544,000 in housekeeping costs, representing payments to the Army for space and services, would be eliminated from its budget. However, these payments represent an interagency transfer of funds. Such transfers affect the budgets of the Navy and Army but do not result in savings to the Government. We estimate that annual savings of about \$221,000 in housekeeping costs could be achieved. Our estimate is based on an analysis of services provided to the Control Office and cost reductions the Army could achieve upon relocation.

As a result of the relocation, the Supply Complex and the Defense Industrial Supply Center will have to provide communications services to the Control Office. The Navy estimated communications costs at \$73,000, based on agency charges to handle the Control Office's communications traffic. Although these charges will affect agency budgets, they do not represent incremental costs to the Government. We estimate incremental Government costs to be about \$27,000. We based our estimate on current communications traffic and the impact increased traffic would have on communications operations at the Supply Complex.

The Navy estimated annual housekeeping costs at the Supply Complex to be about \$170,000. This estimate was based on costs to provide services to an activity at the Supply Complex. We estimate incremental Government costs to be about \$74,000, based on the types of services the Control Office would require to accommodate its personnel and equipment at Philadelphia.

ESTIMATED ONE-TIME COSTS

	<u>Navy</u>	<u>GAO</u>	<u>Difference</u>
Personnel relocation:			
Civilian	\$ 835,000	\$1,116,000	\$281,000
Military	9,000	28,000	19,000
Annual leave	82,000	0	-82,000
Severance pay	1,180,000	549,000	-631,000
Unemployment benefits	0	919,000	919,000
Equipment relocation	111,000	103,000	-8,000
Space preparation	174,000	250,000	76,000
Military construction	239,000	<u>a/239,000</u>	0
New hire and retraining	20,000	20,000	0
Environmental impact assessment	1,000	0	-1,000
Other special equipment	<u>0</u>	<u>171,000</u>	<u>171,000</u>
Total	<u>\$2,651,000</u>	<u>\$3,395,000</u>	<u>\$744,000</u>

a/We were unable to evaluate the Navy's estimate because floor plans and plans to consolidate data processing operations were not definite. Original relocation plans did not consider data processing consolidation. As a result of the decision to consolidate, additional one-time costs and recurring savings and/or costs may result.

Our estimate of civilian and military personnel relocation costs exceeds the Navy's by about \$300,000. The Navy estimated, based on fiscal year 1975 staffing levels and relocation costs, that 130 civilians and 7 military personnel would relocate, at a cost of \$844,000. We estimate that 151 civilians and 9 military personnel will relocate, at a cost of \$1,144,000. Our estimate is based on more current staffing levels and relocation costs.

The Navy's estimate for civilian retirement was overstated by \$82,000 because it represented lump-sum annual

leave payments for retiring employees. This is not a cost to the Government as a result of the relocation. If the affected employees had remained with the Government, they would have either used their annual leave or received lump-sum payments for it eventually. In either event the leave was earned before the relocation and was therefore a cost of operating the Control Office. We estimated that 102 employees were eligible for retirement.

The Navy overestimated severance pay by \$631,000. Our estimate varies from the Navy's because:

- We used more current information to determine the number of employees affected by the relocation.
- We computed an average severance settlement of \$4,290 using actual individual entitlements for 128 eligible personnel. The other personnel were not eligible for severance pay.
- We did not include lump-sum leave payments in the average cost of severed employees.

The Navy did not include an estimate of the Government's liability for unemployment compensation as a result of the relocation. Unemployment compensation payments to qualifying Federal employees are completely funded by the Federal Government. We estimate that unemployment compensation could amount to \$919,000 for 280 employees. Our estimate is based on (1) a review of personnel records to estimate the number of employees who will be eligible for benefits and (2) information obtained from State unemployment officials about how long eligible employees would receive payments and how large the payments would be.

The Navy estimated equipment relocation costs of \$111,000, including administrative relocation costs of \$89,000 and computer relocation costs of \$22,000. We estimate that equipment relocation costs could amount to \$103,000, including \$57,000 for administrative equipment and \$46,000 for computers. Our estimate was based on an inventory of administrative and computer equipment and cost estimates on equipment relocation obtained from the General Services Administration and a commercial firm.

At the time of our review, officials had not determined what, if any, equipment is excess or how equipment would be relocated. In the event some equipment is excess and depending on the method of relocation, equipment relocation costs could be lower.

The Navy underestimated space preparation costs at the Supply Complex by \$76,000. After the Navy made its estimate, plans to relocate the Defense Industrial Supply Center to provide space for the Control Office were revised. Based on revised plans and information provided by the Center, we estimate space preparation costs at about \$250,000.

As part of the relocation, the Navy estimated the cost to prepare the environmental impact assessment at \$1,000. We excluded this as a cost of the relocation because we could not identify it as an incremental cost to the Government.

The Navy did not include in its estimate the cost of additional air-conditioning equipment which will be required for the area that the Control Office's computers will occupy. We estimated, based on information provided by Supply Complex officials, that additional air-conditioning equipment and installation will cost about \$171,000.

As requested by your office, we did not obtain agency comments.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "E. A. Stearns".

Comptroller General
of the United States