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GAO

United States General Accounting Office
Washington, DC 20548

Logistics and
Communications
Division

B-198208

APRIL 14, 1980

The Honorable Willis D. Gradison, Jr.
House of Representatives

Dear Mr. Gradison:

Subject: [Consolidation of the Cincinnati and Dayton
Defense Contract Administration Services
Management Areas] (LCD-80-50)

Your February 4, 1980, letter asked us to review a proposed Defense Logistics Agency (DLA) plan to consolidate the Cincinnati and Dayton, Ohio, Defense Contract Administration Services Management Areas (DCASMAS) at Dayton. Your letter expressed concern that this consolidation would reduce service to Government contractors in southern Ohio and Kentucky and increase contractors' costs to conduct Government business, which would be reflected in greater expense to the Government.

AGC 00378
DLG 043/57
DLG 043/58

In a meeting with members of your office on February 22, 1980, we agreed to focus on (1) the impact of the realignment on operations at Cincinnati and Dayton and (2) the most cost-effective approach to consolidation from the Government's point of view. Therefore, we examined records pertaining to the consolidation, including Cincinnati's and Dayton's workloads, and discussed the consolidation with officials at DLA headquarters in Washington, D.C.; the Defense Contract Administration Services region in Cleveland, Ohio; and the DCASMAS in Cincinnati and Dayton. We also met with Government contractors serviced by the Cincinnati DCASMA and a representative of the National Federation of Federal Employees.

Because of your desire for us to provide your office with a briefing prior to April 1, 1980, the consolidation implementation date, we limited the scope of our work to the areas described above.

We found the consolidation would result in savings to the Government, and such savings would be greater by consolidating at Dayton. Further, contractors in southern Ohio and Kentucky should not experience serious reductions in service nor incur increased operating costs since a Cincinnati residency will be retained.



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BACKGROUND

A November 1977 DLA preliminary organization study of the Defense Contract Administration Services indicated that staff reductions and field office consolidations could be made without mission degradation. The study was undertaken in response to:

- Recommendations by the House Committee on Appropriations' surveys and investigations staff.
- Defense directions to review activities for base realignment.
- Defense's "Forward Look" study.

The DLA detailed study, issued in November 1978, proposed consolidating the number of DCASMA's from 47 to 37. The consolidation is expected to save \$2.4 million annually and to incur one-time costs of \$1.5 million. Five military and 80 civilian positions are to be eliminated.

The Department of Defense announced the planned consolidation in March 1979. Implementation is scheduled to begin April 1980 and to be completed October 1980.

1978 CONSOLIDATION PLAN

The 1978 DLA study indicated neither Cincinnati nor Dayton met the minimum criteria for retention of a management area office, although Dayton was borderline. DLA selected Dayton as the consolidated office due to its central location, larger workload, proximity to the Air Force Logistics Command, and occupancy of Defense workspace.

DLA estimated this consolidation would save \$224,732 annually and would incur one-time costs of \$214,642. (See enc. I.) Planned net personnel reductions were three military and five civilian. Forty-two civilian personnel spaces would be transferred from Cincinnati to Dayton.

Information enclosed with your request letter disputed the findings based on assertions that:

- Cincinnati is more centrally located within the proposed area.
- Comparative workload statistics are incomplete or unreliable.

--Proximity to the Air Force Logistics Command is not relevant.

--Both offices occupy Government space.

--Cost estimates for future travel, communication, and training are understated.

REVISED CONSOLIDATION PLAN

DLA approved a revised plan in August 1979 which would leave more employees in the Cincinnati office--only 17 civilian positions would be transferred to Dayton. This has since been reduced to 15 because 2 civilian industrial security positions are scheduled for transfer to the Defense Investigative Service. These two positions will likely remain in Cincinnati. Of the 15 civilian positions to be transferred to Dayton, 7 are technical and 8 are clerical. (See enc. II.)

The revised plan will abolish four military and nine civilian positions in Cincinnati ^{1/} and will increase Dayton's staff by two civilian and one military positions. (See enc. III.)

DLA indicates the revised plan is expected to save \$243,557 annually and to incur one-time costs of about \$65,931. (See enc. I.) Under the revised plan, 10 contract administration and 10 production personnel will remain in a Cincinnati residency along with quality assurance personnel to provide for administration and surveillance of contractors in southern Ohio and Kentucky. Also, a multifunctional plant residency will be established at the Cincinnati Electronics Corporation to serve only that company.

SELECTION OF LOCATION

DLA did not develop a cost comparison for moving the Dayton DCASMA to Cincinnati because Dayton met more of the basic organization, staffing, and workload criteria. For example, Dayton:

--Has a larger number of employees which would entail greater moving costs and larger personnel disruptions.

^{1/}We determined 10 civilian positions will actually be abolished and 3 will be added to Dayton's staff. This does not change the savings shown in enclosure III.

- Occupies Defense facilities. •
- Serves a larger number of contractors.
- Is centrally located for a greater number of contractors.

DLA believes these factors effectively preclude consolidation at Cincinnati.

RESULTS OF OUR REVIEW

Overall, as illustrated in enclosure I, it appears the current plan to consolidate the Cincinnati and Dayton DCASMA's will reduce DLA's operating costs, primarily through staffing and rent reductions. Our analysis indicates Dayton's workload is larger than Cincinnati's and Dayton is more centrally located in relation to contractor dispersion. A detailed comparison of workload statistics is in enclosure IV.

Most abolished personnel positions will be military, civilian supervisors, or clerks, which duplicate positions in Dayton. (See enc. III.)

A DLA official said about 6,100 of the 10,560 square feet of space occupied in the Cincinnati Federal Office Building will be released to the General Services Administration under the revised consolidation plan. The building is currently about 97 percent occupied. General Services officials stated a demand exists for more space than is currently available. Dayton currently has 29,000 square feet of space which will accommodate the additional 15 personnel spaces to be transferred.

DCASMA officials advised us that additional costs or savings for travel, communication, and training will be minimal under the revised plan. Dayton's proximity to the Air Force Logistics Command does not appear to be relevant because few contacts with the command are necessary.

Some Cincinnati metropolitan area contractors believe their service from the Defense Contract Administration Services will be reduced since they often visit the Cincinnati office, on short notice, to obtain shipping instructions from the transportation staff being transferred. Outlying contractors will not be affected because such service is convenient only to contractors in the immediate vicinity of a DCASMA. We believe contractors will not incur increased operating costs as a result of the consolidation.

Some contractors also expressed concern over a possible future transfer of the remaining contract administration and production surveillance personnel to Dayton. These contractors believe such a transfer would reduce the current level of personal contact with DCASMA officials, which is necessary for timely problem resolution.

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We discussed a draft of this report with DLA officials and they concurred with its contents.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; the Director, Defense Logistics Agency; and other interested parties upon request.

Sincerely yours,



R. W. Gutmann
Director

SUMMARY OF SAVINGS AND COSTS

	1978 <u>plan</u>	1979 revised <u>plan</u>
Annual recurring savings:		
Personnel (net savings)	\$157,912	\$226,572
Facilities	37,470	<u>a/11,689</u>
Communications	26,158	3,000
Travel	<u>3,192</u>	<u>2,296</u>
Total	<u>\$224,732</u>	<u>\$243,557</u>
One-time costs:		
Permanent change of station	\$ 52,328	<u>b/\$13,082</u>
Severance	52,600	<u>b/13,150</u>
Training	102,238	<u>b/39,091</u>
Facilities	5,775	-
Transportation of equipment	<u>1,701</u>	<u>608</u>
Total	<u>\$214,642</u>	<u>\$65,931</u>

a/DLA computed facility savings based on standard space allowances per employee. The Defense Contract Administration Services region in Cleveland computed the savings--\$50,655 annually--based on actual space scheduled for release to General Services.

b/DLA estimated 15 percent of the 15 positions transferred would require permanent change-of-station allowances, another 15 percent would require severance pay, and the remaining 70 percent will obtain positions with other government agencies or retire. These estimates are based on DLA's past experiences.

POSITIONS TRANSFERRED
FROM CINCINNATI TO DAYTON

Command Support Office

Office Services Clerk, GS-05
Contract Data Control Clerk, GS-05
General Communications Operator, GS-04
Supply Clerk, GS-04

Contract Administration Division

Procurement Clerk, GS-04

Production Division

Preservation Packaging Specialist, GS-11
Traffic Management Specialist, GS-11
Freight Rate Specialist, GS-07
Procurement Clerk-Typist, GS-05
Shipment Clerk-Typist, GS-04

Quality Assurance (QA) Division

General Engineer, GS-12
QA Specialist/Elec, GS-11
QA Specialist/Mech, GS-11
QA Specialist, GS-11
Procurement Clerk, GS-04

PERSONNEL SAVINGS

<u>Savings</u>	<u>Grade</u>	<u>Annual savings</u>
Military:		
Commander	MIL-05	\$ 35,819
Chief, Contract Administrator	MIL-04	30,733
Assistant Chief, Production	MIL-03	26,894
Assistant Chief, Production	MIL-03	<u>24,312</u>
		117,758
Civilian:		
Supervisory Contract Administrator	GS-13	41,754
Supervisory QA Specialist	GS-12	35,116
Administrative Officer	GS-09	24,215
Industrial Specialist	GS-09	24,215
Contract Data Clerk	GS-06	17,811
Contract Data Clerk	GS-05	15,979
Secretary Stenographer	GS-05	15,979
Secretary Stenographer	GS-05	15,979
Secretary Stenographer	GS-05	<u>15,979</u>
		<u>207,027</u>
Total		<u>324,785</u>
<u>Costs</u>		
Added personnel in Dayton:		
Management Analyst	GS-11	29,297
Clerk Stenographer	GS-04	14,271
Added personnel in Cincinnati:		
Officer-in-charge	MIL-04	30,552
Upgrade existing positions in Dayton:		
Four positions		<u>24,095</u>
Total		<u>-98,215</u>
NET SAVINGS		a/ <u>\$226,570</u>

a/Base figure provided by the Defense Contract Administration Services region in Cleveland adjusted by 7 percent (Oct. 1980 pay raise) and 6.2 percent (Oct. 1981 pay raise) projected in the President's budget.

COMPARATIVE STATISTICS--JANUARY 1980

	<u>Cincinnati</u>	<u>Dayton</u>
Employees (note a):		
Authorized	126	213
Physically located in DCASMA	75	152
Prime and support contracts:		
Total number of contracts	1,653	6,412
Received during January	172	699
Closed during January	188	794
Obligated value of contracts	\$422.2 million	\$378.4 million
Unliquidated value of contracts	\$151.3 million	\$147.6 million
Contracts over \$100,000	673	2,312
Number of contractors on master list	926	1,109
Number of contractors with an active contract (note a)	202	434
Contracts under production surveillance:		
Number of category I contracts	139	357

	<u>Cincinnati</u>	<u>Dayton</u>
Number of category II and III contracts	1,089	4,758
Number of product line items:		
Category I contracts	<u>a/2,395</u>	<u>b/1,388</u>
Category II and III contracts	<u>a/2,562</u>	<u>b/9,873</u>
Percent of contracts delinquent	16.2	15.7
Preaward surveys completed	15	18
Technical analysis of cost proposals completed	2	9
Contracts onhand for quality assurance action:		
Total contracts onhand	1,923	5,538
Contracts received during January	208	814
Contracts completed during January	163	843
Value of contract backlog	\$262.2 million	\$278.4 million
Value of material inspected and released for shipment	\$13.9 million	\$24.8 million
Number of shipments	691	2,600
Value of new business during January	\$20.9 million	\$45.1 million

a/As of March 1980.

b/As of February 1980.