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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

APRIL 2, 1981

B-202364

The Honorable Barry M. Goldwater, Jr.
House of Representatives

Dear Mr. Goldwater:

Subject: Relocation of AIR-630 from California
to Washington, D.C. (PLRD-81-15)

DLG66437

AGC000455

In response to your November 5, 1980, request, we have inquired into the Naval Air Systems Command's (NAVAIR's) decision to relocate the Target and Range Systems Division (called AIR-630) from Camarillo, California, to NAVAIR headquarters in Washington, D.C. In an October 29, 1980, letter to you, NAVAIR said that it had thoroughly reviewed the AIR-630 mission and operation and had determined that the move to Washington would reduce operational costs. According to NAVAIR, this review showed annual recurring savings of \$234,000 and a maximum one-time cost of \$560,000. NAVAIR officials also said the move would improve management efficiency.

Although NAVAIR considered three alternatives for AIR-630, it did not compare the costs and savings for each nor did it quantify the expected improvement in management efficiency. We found that NAVAIR used incorrect information in computing the \$234,000 estimated savings. For example, NAVAIR did not include savings for eight personnel positions that it says have been eliminated. In addition, some recurring costs were not included and the one-time cost was overstated. We believe that there will be savings from the relocation, but without a complete and accurate cost comparison, we cannot determine that the relocation of AIR-630 to Washington is the most cost-effective alternative.

The Navy completed the relocation of AIR-630 on January 26, 1981. Because of the brief time available for our work, as discussed with your Office, we limited our review to the savings and costs identified by NAVAIR. We reviewed the Office of Test and Evaluation's study and interviewed NAVAIR officials in Washington, D.C. We also requested cost information from the Pacific Missile Test Center and AIR-630, both in California. We made only limited tests of the accuracy of the cost data provided to us.

NAVAIR considers AIR-630 to be primarily a headquarters function that should be a part of its Office of Test and Evaluation.

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(See organization chart in enc. I.) However, AIR-630 was in Camarillo, California, and the Pacific Missile Test Center, which provided general support services for AIR-630, is in Point Mugu, California. AIR-630 is responsible for managing the research, development, test and evaluation, and logistics support for aerial, surface, and seaborne target systems and range instrumentation. At the time NAVAIR announced its relocation decision, 28 full-time, permanent employees were assigned to AIR-630 in California.

THE TEST AND EVALUATION STUDY

On October 9, 1980, the Office of Test and Evaluation sent to the Commander, NAVAIR, the results of its organizational review, addressing whether AIR-630 should continue operations in California or be transferred to the other test and evaluation offices in Washington, D.C. This study was made as a result of the Commander, NAVAIR, stressing the need to economize and to operate more efficiently within present personnel levels.

The study indicated that the geographical separation of AIR-630 from the Office of Test and Evaluation has caused management problems and additional operating costs consisting of (1) frequent travel by AIR-630 personnel to Washington for project and budget reviews and other program functions, (2) difficulties in communications between the Office of Test and Evaluation and AIR-630 that has required the establishment of liaison personnel in Washington and the rental of telecommunications equipment, and (3) duplicate administrative, budget, and support personnel for AIR-630 in California and NAVAIR in Washington.

The study concluded that the relocation of AIR-630 to Washington would improve management efficiency and reduce the cost of operation. On the basis of this study, NAVAIR approved on October 21, 1980, the transfer of AIR-630 to NAVAIR.

The Test and Evaluation study did not include a cost comparison of the three alternatives. Instead, it listed the advantages and disadvantages. (See enc. II.) The three alternatives considered were to:

- Retain AIR-630 in California and provide additional liaison support, improve communications, and increase local control for AIR-630's Director.
- Return AIR-630 to Washington and assign its program execution functions to a field support activity.
- Return all AIR-630 to the Office of Test and Evaluation at NAVAIR and realine the AIR-630 organization.

The Office of Test and Evaluation officials said they did not compare costs because the purpose of the relocation was to improve management efficiency. They also said that, at the time of the study, an organizational realignment review had not been performed to determine the extent of savings in personnel. However, the study was made as a result of NAVAIR stressing the need to economize on the costs of operations as well as to operate more efficiently.

ANNUAL RECURRING SAVINGS

Test and Evaluation officials said they estimated the \$234,000 recurring savings by combining (1) \$134,000--fiscal year 1980 authorized reimbursement to the Pacific Missile Test Center for general support costs for both AIR-630 and the Mobile Sea Range Program Office at Camarillo and (2) \$100,000--annual travel costs by AIR-630 personnel.

At our request, the Office of Test and Evaluation obtained the actual general support costs for fiscal year 1980 for AIR-630 only. By excluding costs associated with the Mobile Sea Range Program Office, the data showed that the Pacific Missile Test Center incurred about \$99,000 for general support costs for AIR-630.

<u>Cost element</u>	<u>Costs</u>
Building upkeep and utilities	\$30,324
Telephone	23,336
Equipment rental	20,488
Supplies	15,000
Training	5,000
Miscellaneous	<u>5,000</u>
Total	<u>\$99,148</u>

AIR-630's personnel said they incurred over \$148,000 in travel in fiscal year 1980. Of this amount, only about half, or \$74,000, was for travel to Washington. The other half was for travel to other military activities and contractor locations throughout the United States. Thus, only about \$173,000, rather than \$234,000, can be expected to discontinue by relocating AIR-630 to Washington.

In addition to incorrectly computing the above costs (and thus the expected cost reductions or savings), the method of estimating the savings did not consider:

--Additional travel costs of AIR-630 personnel from Washington to field support activities and contractor locations.

- Support costs, such as telephone, training, and office space, which AIR-630 would incur by operating in Washington.
- Cost savings from personnel reduction by consolidating with NAVAIR, even though one of the expected results of relocating AIR-630 was the reduction of personnel. NAVAIR told us that eight positions were eliminated by the move.

ONE-TIME COSTS

Test and Evaluation officials said the maximum one-time cost of \$560,000 was based on the assumption that all 28 permanent personnel in AIR-630 would transfer to Washington. They said the costs of moving employees, their dependents and household effects, and other related expenses would be about \$20,000 per employee. The inclusion of costs for all employees does not appear valid since all employees will not be transferring with AIR-630. Only 3 of the 28 personnel were transferred to Washington. The study should have included a better estimate for one-time costs. It should have considered the effect of the decision of the civilian personnel and all other costs which would be incurred by relocating to Washington.

One expected advantage of relocating AIR-630 was the reduction in personnel. Navy officials said that at the time of the cost estimate, the Office of Test and Evaluation had not performed an organizational realignment review to determine the extent of savings in personnel needed. The officials also said that if they had performed a detailed cost study, they would have been better able to estimate the one-time costs associated with the employees.

EFFECT OF DECISION ON CIVILIAN EMPLOYEES

The decision to transfer AIR-630 resulted in notifications sent on October 21, 1980, to the 28 affected employees at Camarillo offering them a transfer to NAVAIR with their functions at the same grade and rate of pay and expenses for relocation. Three employees accepted the transfer and were reassigned to NAVAIR. Of the other employees, 2 have taken early retirement under the discontinued service provisions of the Civil Service Retirement System, 3 have resigned, and the Navy has assisted the remaining 20 to find new employment.

A NAVAIR civilian personnel official recently told us that all of the 20 employees have been placed in equivalent positions at the Pacific Missile Test Center. All employees have been reassigned in the same grade, but two employees are occupying

positions which require a lower grade. These employees are entitled to retain their grades for a 2-year period and pay retention after the 2-year period.

On November 15, 1980, the Office of Test and Evaluation completed a proposed realignment plan to incorporate AIR-630 functions into the Washington office. (See proposed organizational chart in enc. III.) In December 1980 the Office completed a staffing review of the AIR-630 functions to be consolidated. This review identified eight authorized permanent positions which will be saved from the consolidation--four technical, two administrative, one budget analyst, and one program analyst. A Test and Evaluation official said that the Office has reduced its total authorized permanent civilian positions from 106 to 98 for these positions.

CONCLUSIONS

The Office of Test and Evaluation's study did not contain a comparative analysis of the costs, savings, and management efficiencies for the alternatives considered in determining whether to transfer AIR-630 to Washington or to continue operations in California. Without such an analysis, we cannot be sure that the least costly method of operation or the greatest management efficiency has been chosen. Accordingly, we are unable to make a specific recommendation concerning this relocation.

Although the Office did make estimates of the annual recurring savings and the one-time cost associated with the transfer to Washington, we found that these estimates were incorrect because not all savings and costs were included. However, we do believe that some savings will result from the relocation.

After NAVAIR approved the transfer, the Office prepared a proposed realignment plan to transfer AIR-630 to the Washington office and a staffing review to identify positions which would be saved by the consolidation. We believe that these actions should have been a part of the Office's study before NAVAIR approved the transfer.

AGENCY COMMENTS AND OUR EVALUATION

In commenting on a draft of this report, the Department of Defense stated that the AIR-630 relocation decision was done principally to improve management efficiency at NAVAIR's Office of Test and Evaluation in Washington. Defense said that improvements in communications, planning, budgeting, and program management were factors which bore heavily on the decision, and that these factors cannot be empirically evaluated.

Defense also said that cost effectiveness was considered, but that it was not the overriding factor for the decision even though

there has been a savings of personnel and costs. It said that since the AIR-630 relocation was completed on January 26, 1981, NAVAIR's Office of Test and Evaluation has reduced its authorized civilian positions by eight, resulting in fiscal year 1981 estimated salary savings of \$238,000, and has transferred three personnel to Washington at an estimated \$45,000. The Office of Test and Evaluation now estimates the relocation will result in estimated annual recurring savings of \$411,000 and a one-time cost of \$63,000.

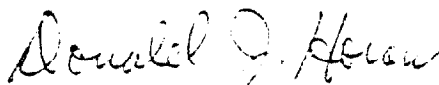
As we have pointed out, the Office of Test and Evaluation did not prepare a comparative analysis of the costs, savings, and management efficiencies for the three alternatives. We believe that the Office should have performed a complete and accurate cost comparison of the alternatives in the Test and Evaluation study. With such a comparison, there would have been a basis for determining whether the AIR-630 relocation was the most cost effective alternative when comparing the costs of each alternative with the management benefits to be gained.

Although the Office has made new estimates of the annual recurring savings and the one-time cost, these were prepared in response to a draft of this report and after the relocation was completed. We did not verify these savings and costs. In addition, the Office has not determined the costs, savings, and management efficiencies associated with alternative II in its study. (See enc. II.) This alternative involved returning AIR-630's headquarters functions to Washington and assigning AIR-630's program execution functions to a lead field support activity. Without a complete and accurate analysis of all the alternatives in its study, we cannot be sure that the AIR-630 relocation is the least costly method of operation or will provide the greatest management efficiency.

Defense's written comments were received on March 20, 1981, and are included as enclosure IV.

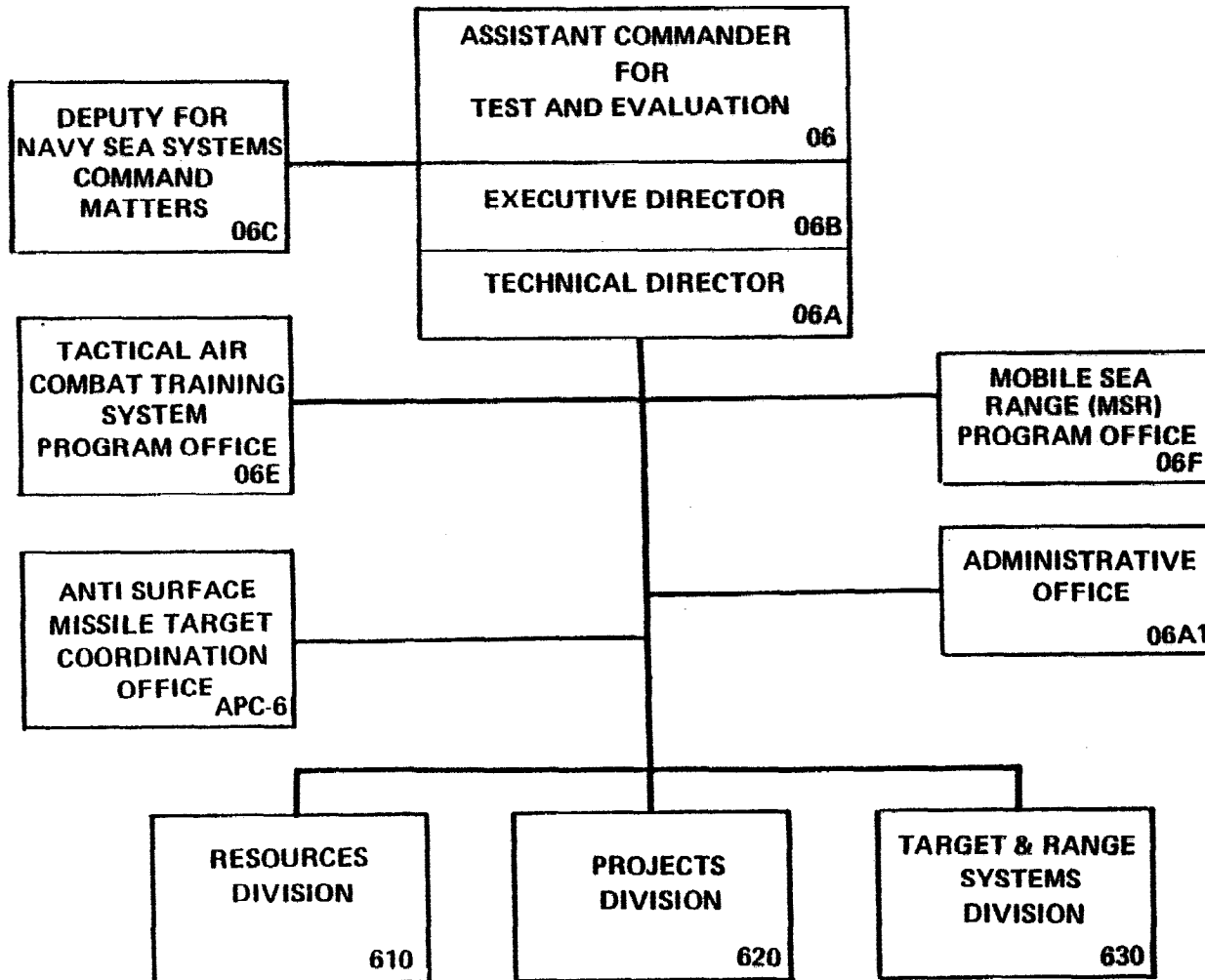
As arranged with your Office, we are sending copies of this report to the Secretaries of the Navy and Defense; the Director, Office of Management and Budget; the Chairmen, Senate and House Committees on Armed Services; and other parties upon request.

Sincerely yours,


Donald J. Horan
Director

Enclosures - 4

ORGANIZATION OF THE OFFICE OF TEST AND EVALUATION



ENCLOSURE I

ENCLOSURE I

ADVANTAGES AND DISADVANTAGES OF ALTERNATIVES LISTED INOFFICE OF TEST AND EVALUATION'S STUDYAlternative I

Retain AIR-630 at Camarillo, California, and provide additional liaison support, improve communications, and increase local authority for AIR-630's Director.

Advantages

Retain continuity of work

Retain AIR-630 personnel

AIR-630 in California provides for close proximity with the field activities and Pacific Fleet

Disadvantages

Additional personnel needed for liaison function between AIR-630 and the Office of Test and Evaluation and support functions

Cost of travel and communications equipment will be higher

Tendency to operate autonomously from NAVAIR control

Delays in responding to NAVAIR and higher organization requirements on program management: planning, programing, budgeting, and management execution

Alternative II

Return all headquarters functions to Washington, D.C., and assign any functions devoted to the execution of the programs to a lead field support activity.

Advantages

Merger of technical personnel into a larger base of support

Reduced turbulence to most AIR-630 personnel

Retention of key personnel on programs assigned to the Pacific Missile Test Center

Transfer of a smaller group to NAVAIR

Savings in personnel positions

Strengthen program management at NAVAIR

Disadvantages

Loss of personnel to NAVAIR

Loss of high grades to NAVAIR

Adverse personnel actions since some positions transferred may be downgraded, resulting in employee appeals and grievances

Alternative III

Return all AIR-630 functions to the Office of Test and Evaluation in Washington, D.C., and realine the AIR-630 organization.

Advantages

Consolidation of AIR-630 with the Office of Test and Evaluation

Improved interface with NAVAIR and higher organizations on requirements concerning program management: planning, programing, budgeting, and management execution

Savings in personnel positions ranging from 12 to 17

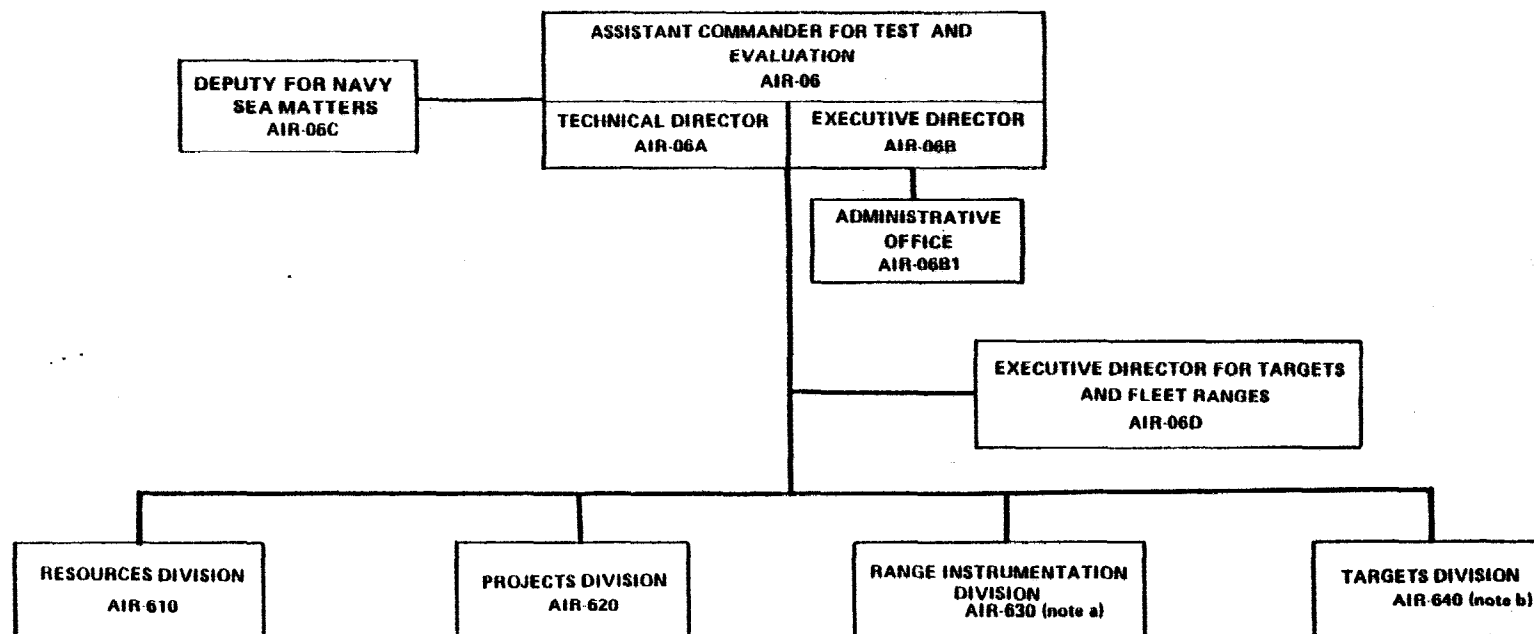
Reduced costs of operations

Disadvantages

Loss of key personnel

Temporary impact on the continuity of work

PROPOSED ORGANIZATION OF THE OFFICE OF TEST AND EVALUATION



a/RANGE INSTRUMENTATION DIVISION INCLUDES AIR-630 RANGE PROGRAMS, THE TACTICAL AIR COMBAT TRAINING SYSTEM PROGRAM OFFICE, AND THE MOBILE SEA RANGE OFFICE PROJECTS.

b/TARGETS DIVISION INCLUDES AIR-630 TARGET PROGRAMS AND THE ANTI SURFACE MISSILE TARGET PROJECT.

ENCLOSURE IV

ENCLOSURE IV



DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20350

20 MAR 1981

Mr. Donald J. Horan
Director, Procurement, Logistics,
and Readiness Division
General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

Dear Mr. Horan:

This is with regard to your letter of February 4, 1981 to the Secretary of Defense concerning your report on "Relocation of AIR-630 Function from California to Washington, D. C." (GAO Code 945462, OSD Case #5629).

The Department of Defense comments to your report are attached.

Sincerely,

A handwritten signature in cursive script that reads "Thomas E. Harvey".

Thomas E. Harvey
Principal Deputy
Assistant Secretary of the Navy
(Logistics)

DOD Comments on
GAO Report dated 4 February 1981 on
Relocation of AIR-630 Function from California
to Washington, D. C.
(OSD Case #5629)

I. Summary of GAO Findings

GAO has inquired into the Naval Air Systems Command's (NAVAIR's) decision to relocate the Target and Range Systems Division (called AIR-630) from Camarillo, California to the NAVAIR headquarters in Washington, D. C. NAVAIR indicated that a thorough review of the AIR-630 mission and operation had determined that cost reductions could be realized by moving the AIR-630 function to Washington, D. C. According to NAVAIR, this review showed annual recurring savings of \$234,000, and one-time costs of \$560,000. In addition, NAVAIR said the move would improve management efficiency.

Although NAVAIR considered three alternatives for AIR-630, it did not compare costs and savings for each and therefore did not determine which alternative would provide the greatest net savings and it did not quantify the expected improvement in management efficiency. GAO found that NAVAIR used incorrect information in computing the savings estimate of \$234,000 and did not include any savings for eight personnel positions that NAVAIR now plans to eliminate. In addition, some recurring costs were not included and one-time costs were overstated. GAO believes that there will be savings from the relocation but in the absence of a complete and accurate cost comparison it is not clear whether the relocation of AIR-630 to Washington is the most cost effective alternative. Accordingly, GAO is unable to make a specific recommendation concerning the relocation.

II. DOD Comments

Transfer and relocation of the AIR-630 function from Camarillo, California, to Washington, D. C., was done principally to improve management efficiency within the T&E Headquarters. Improvements in communications, planning, budgeting, and program management were factors which bore heavily on the decision to relocate and these factors cannot be empirically evaluated.

Cost/effectiveness was considered, however it was not the overriding factor in the near-term decision, even though there has been a savings of personnel and costs. The level of costs for transfer were not the principal criteria for transferring AIR-630 as reported by SECNAV letter to Congressman Goldwater on 30 December 1980.

Finally, since the AIR-630 relocation has been completed effective 26 January 1981, it is recommended that the GAO amend its report to reflect the following factual data:

- Only three personnel transferred to Washington, D. C. out of 28. Cost of moving these personnel is estimated at \$45K. Two other people retired and three people transferred to industry.
- Eight civilian ceiling points were eliminated resulting in \$238K in estimated salary costs in FY 81. (Computed at the mid point of each grade level).
- The remaining 20 employees affected by the relocation have all been placed in other Naval activities in California.
- In view of the above facts, the annual savings and one time costs should be modified as follows:

ANNUAL COST SAVINGS	\$411K
Post tenant support	\$99K
Travel	\$74K
Salaries of 8 ceiling pts	\$238K
ONE TIME COST	\$ 63K
Relocation of employees	\$45K
3 @ \$15K each	
Transfer/shipment of office effects	\$18K