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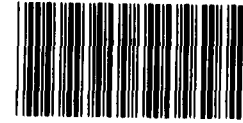
PROCUREMENT, LOGISTICS,
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OCTOBER 12, 1982

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RELEASED



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The Honorable Allen E. Ertel
House of Representatives

Dear Mr. Ertel:

Subject: Planned Realignment of Fort Indiantown Gap,
Pennsylvania (GAO/PLRD-83-1)

In your November 18, 1981, letter, you asked us to continue our audit of the Army's proposed realignment of Fort Indiantown Gap. Specifically, you wanted to know to what extent the Army's current alternative--the consolidation of the Fort Indiantown Gap Comptroller's mission at Fort Drum, New York--had altered the estimated costs and savings associated with the proposed realignment.

As you know, our last report to you on this subject 1/ concluded that savings were possible if the Army chose either of two alternatives studied. However, our report disclosed significant concern within the Army's Forces Command about the potential deterioration of financial support to Reserve units if the Army consolidated the Fort Indiantown Gap Comptroller's mission at Fort Meade, Maryland, as previously proposed under both alternatives.

As a result of this concern, the Army is now considering revisions to the two alternatives: (1) consolidating a part of the Fort Indiantown Gap Comptroller's mission--the Finance and Accounting Office--with a similar function at Fort Drum under alternative I or (2) retaining the entire Comptroller function, as is, at Fort Indiantown Gap under alternative II. The Army estimates that implementing the revised alternative I would result in one-time costs of \$1.83 million and annual savings of \$2.68 million and that the revised alternative II would result in one-time savings of \$1.19 million and annual savings of \$2.08 million.

In preparing the latest study revision, the Army did not include the adjustments suggested in our prior report. Also,

1/Planned Realignment of Fort Indiantown Gap, Pennsylvania
(PLRD-82-11, Oct. 21, 1981.)

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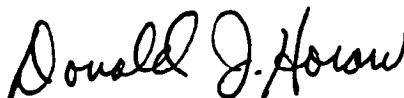
we found several omissions and errors in the Army's adjustments to its own figures in revising its earlier study. (See pp. 9 and 12 of this report.) Despite these deficiencies in the latest study, we believe that savings are possible if the Army implements either alternative. We estimate that under the revised alternative I, the Army would incur one-time costs of \$5.47 million and save \$2.06 million annually. We estimate that under the revised alternative II, the Army would incur one-time costs of \$0.79 million and save \$2.19 million annually. Thus, from an economic standpoint, alternative II, which would retain the entire Comptroller function at Fort Indiantown Gap, is more favorable. Our questions on the Army's current cost and savings items, including the impact of our prior report suggestions, are shown in enclosures II and III.

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As your Office agreed, we did not obtain written comments from the Army on our findings. However, we discussed our findings with Army Headquarters and Forces Command officials, and neither expressed any disagreement with them.

Also, as your Office agreed, we will restrict release of this report for 3 days, after which it will be released to the Chairmen of the Senate and House Committees on Armed Services, the Secretaries of Defense and the Army, and the Adjutant General of Pennsylvania. Copies will also be made available to other interested parties upon request.

Sincerely yours,



Donald J. Horan
Director

Enclosures - 3

REVISED PROPOSAL TO REALINE
FORT INDIANTOWN GAP, PENNSYLVANIA

INTRODUCTION

On October 21, 1981, we issued a report on the Army's study justifying its planned realignment of Fort Indiantown Gap, Pennsylvania (PLRD-82-11). ^{1/} In that report, we concluded that either of the Army's proposals--alternative I or II--was economically justified. However, the report disclosed significant concern within the Army's Forces Command (FORSCOM) about the potential deterioration of financial support to Reserve units if the Fort Indiantown Gap Comptroller's mission is consolidated at Fort Meade, as proposed under both alternatives. As a result of FORSCOM's concern, the Army revised its study to determine the impact of modifications to the two alternatives previously studied. The disposition of personnel spaces in the two alternatives is shown in the table that follows.

^{1/}Enclosure I of our October 1981 report describes Fort Indiantown Gap and its mission and the Army's plans for its realignment.

Fort Indiantown Gap Realignment
Disposition of Personnel Spaces

	<u>Army (note a)</u>		<u>GAO</u>	
	<u>Military</u>	<u>Civilian</u>	<u>Military</u>	<u>Civilian</u>
Before realignment (baseline)	218	658	209	658
After realignment:				
Alternative I (revised):				
Fort Meade	12	169	13	158
Fort Drum	-	110	-	114
Remain at Fort Indian-				
town Gap	75	90	75	90
Eliminated	131	289	121	296
Alternative II (revised):				
Fort Meade	1	67	1	72
Remain at Fort Indian-				
town Gap	184	474	184	479
Eliminated	33	117	24	107

a/The figures shown under "Army" above differ from those the Army submitted to Congressman Ertel because the Army included garrison positions only. Positions for other units at Fort Indiantown Gap were included in the original study. Although they are not affected by the Army's latest revision to the proposed realignment, we have included the positions for those units in the table above to be consistent with the Army's original study.

DESCRIPTION OF REVISED ALTERNATIVE I

Using the same baseline positions and costs in its revised study as it used in its previous study, the Army assumed that under the revised alternative I:

- Fort Meade would take over the area support mission, excluding the Reserve component pay function, from Fort Indiantown Gap.
- Fort Drum would take over the Reserve component pay function.
- The Pennsylvania National Guard would operate Fort Indiantown Gap as a training site for Reserve units and maintain the facilities required by Reserve units and Active Army tenants.

- The current lease for Fort Indiantown Gap would be renegotiated to provide for the Commonwealth of Pennsylvania to operate the base and support the Active Army tenants.
- Certain Reserve component schools would remain at Fort Indiantown Gap.

The only change in the Army's assumptions for alternative I is the location of the Reserve component pay function performed by the Finance and Accounting Office. Therefore, changes we suggested during our prior review and which related to activities other than the Finance and Accounting Office apply also to revised alternative I.

DESCRIPTION OF REVISED ALTERNATIVE II

With one exception, the revised study used the same basic assumptions as contained in its prior study for alternative II. Those assumptions were that Fort Indiantown Gap would be reduced to a semiactive status as an installation subordinate to Fort Meade and Fort Meade would assume the mission of providing logistical and administrative support to Reserve units in the area. The exception in the revised study is that the entire Comptroller function would remain at Fort Indiantown Gap. All other garrison activities would be reduced to that size necessary to operate the installation as a Reserve component training site.

SCOPE OF REVIEW

Our review was designed primarily to respond to Congressman Ertel's request. We reviewed the Army's prior studies and the changes made following our October 1981 report. We also reviewed background data used by the Army Audit Agency to support its review of the revised alternatives.

We reviewed the extent to which the revisions to the Army's previous alternatives would affect the suggested changes as discussed in our prior report.

We also assessed the appropriateness of study procedures, the reasonableness of assumptions, and the adequacy of the Army's documentation of its revised figures.

We did not try to devise realignment alternatives different from those considered by the Army but limited our review to revised alternatives I and II. Also, we did not review the Army's environmental impact statement since no revision to it has been made to reflect the revised alternatives.

We discussed the revised alternatives and related documentation with Army officials at Department of the Army and FORSCOM Headquarters, Fort Drum, and Fort Indiantown Gap.

GAO REVIEW OF REVISED ALTERNATIVE I

The Army estimates that implementing revised alternative I would result in one-time costs of \$1.83 million and annual savings of \$2.68 million. We believe the Army can expect one-time costs of \$5.47 million and annual savings of \$2.06 million. Thus, under alternative I, the Army would recover its one-time costs in about 2 years and 8 months. The savings would result from eliminating civilian and military personnel spaces.

The following table summarizes the costs and savings in the revised study and changes we believe should be made. The footnotes to the table (1) explain changes we are suggesting to the Army's latest revisions or (2) refer to our prior report for an explanation of changes previously suggested which are not affected by the latest revision.

Revised Proposal To RealineFort Indiantown GapCosts and Savings EstimatesAlternative I

<u>Annual operating costs</u>	<u>Army</u>	<u>GAO</u>	<u>Difference</u>
----- (000 omitted) -----			
Before realinement (baseline):			
Personnel costs:			
Military	\$ 1,929	\$ 1,841	a/- \$ 88
Civilian	15,834	15,834	-
Nonpersonnel costs	<u>79,747</u>	<u>79,747</u>	-
Total	<u>97,510</u>	<u>97,422</u>	<u>-88</u>
After realinement:			
Personnel costs:			
Military	280	340	a/60
Civilian	10,950	10,817	b/-133
Pennsylvania National Guard	3,961	4,250	a/289
Nonpersonnel costs:			
Federal	77,891	77,832	c/-/59
Pennsylvania National Guard	<u>1,750</u>	<u>2,127</u>	a/377
Total	<u>94,832</u>	<u>95,366</u>	<u>534</u>
Annual savings	<u>2,678</u>	<u>2,056</u>	<u>-622</u>
One-time costs	<u>\$ 1,831</u>	<u>\$ 5,471</u>	<u>\$3,640</u>

a/These adjustments are contained in our prior report and relate to activities which are not affected by the proposed revision.

b/Our review of the proposed revision disclosed a need for an increase in the proposed staffing level at Fort Drum (\$73,500) and a decrease in estimated personnel costs due to errors in the Army's computations (\$166,100). Also, a \$40,000 decrease recommended during our prior review would not be affected by the proposed revision. Therefore, we suggest a net decrease of \$133,000 to the Army's revised estimate of civilian personnel costs.

c/This decrease of \$59,000 in nonpersonnel costs is composed of a \$51,000 decrease from our prior review and an \$8,000 decrease in projected utility costs for support of the Finance and Accounting function at Fort Drum rather than at Fort Meade.

PERSONNEL IMPACTS

The revised study projects annual savings of \$2,572,000 in personnel costs by

- eliminating 131 military positions (saving \$1,654,000),
- increasing quarters allowance payments to military personnel by \$5,000,
- eliminating 289 full-time civilian positions and 65 staff-years related to temporary positions (saving \$4,884,000), and
- adding 182 full-time positions and 26 staff-years related to temporary positions to the Pennsylvania National Guard (increasing costs by \$3,961,000).

We believe the Army's estimated personnel savings should be reduced by \$304,000 to \$2,268,000. Our suggested changes to military and Pennsylvania National Guard costs were discussed in detail in our prior report (pp. 6 to 9) and reduced the savings by a total of \$437,000. This amount is offset by a \$133,000 increase in savings in civilian personnel costs (as explained in footnote b on page 7 of this report) to arrive at the \$304,000 reduction. On the basis of our current review, we believe the Army could save \$2,268,000 in personnel costs under alternative I by

- eliminating 121 military positions (saving \$1,555,000),
- increasing quarters allowances by \$54,000,
- eliminating 296 full-time civilian positions and 65 staff-years related to temporary positions (saving \$5,017,000), and
- adding 197 full-time positions and 25 staff-years related to temporary positions to the Pennsylvania National Guard (increasing costs by \$4,250,000).

The table on page 4 of this report summarizes the disposition of personnel spaces as shown in the Army's study and as we projected.

NONPERSONNEL COSTS

The Army's revised study projects annual savings of \$106,000 related to nonpersonnel costs. This is composed of a net savings of \$171,000 contained in the previous study and a decrease in savings of \$65,000 resulting from the proposed revision.

During our previous review, we suggested that the Army's net savings (\$171,000) be decreased by \$326,000 resulting in a net

increase in recurring costs of \$155,000. Except for an \$8,000 decrease in utilities costs, our suggested changes are not affected by the proposed revision. Therefore, we believe the revised proposal would result in a net increase of \$212,000 in recurring nonpersonnel costs.

ONE-TIME COSTS

The Army's \$1,831,000 estimate of one-time costs to implement revised alternative I is understated by about \$3,640,000 because the Army included as savings (cost avoidance) the \$4,311,000 estimated cost to construct an administrative facility at Fort Indiantown Gap should the proposed realignment not be implemented. The Army overstated other one-time costs by \$671,000.

Construction costs avoidance

Our prior report explains (on p. 12) our justification for rejecting the Army's construction cost avoidance and why Army officials disagreed with our views. That report also explains that including or excluding the cost avoidance would not affect the economic justification of the proposed realignment. The Army's revised proposal does not alter this conclusion.

Other one-time costs

The revised proposal overstates other one-time costs by a net \$671,000. This overstatement resulted from understatements in costs for travel (\$1,044) and the transfer of military personnel (\$72) and overstatements in costs for (1) constructing a new Finance and Accounting building at Fort Drum (\$520,342), (2) rehabilitating and modifying buildings at Forts Meade and Drum (\$83,946), (3) transporting supplies and equipment (\$54,352), and (4) mothballing buildings vacated at Fort Indiantown Gap (\$13,408).

GAO REVIEW OF REVISED ALTERNATIVE II

The Army's revised study estimates that implementing the revised alternative II would result in net one-time savings of \$1.19 million and annual savings of \$2.08 million. We believe the Army could expect one-time costs of \$786,000 and annual savings of \$2.19 million. Thus, under alternative II, the Army would recover its one-time costs in less than 5 months. Most of the savings would result from eliminating civilian and military personnel spaces.

The following table summarizes the costs and savings in the Army's study and the changes we believe should be made. The footnotes to the table (1) explain changes we are suggesting to the Army's latest computations or (2) refer to our prior report for an explanation of changes previously suggested which are not affected by the proposed revision.

Revised Proposal To RealineFort Indiantown GapCosts and Savings EstimatesAlternative II

<u>Annual operating costs</u>	<u>Army</u>	<u>GAO</u>	<u>Difference</u>
----- (000 omitted) -----			
Before realinement (baseline):			
Personnel costs:			
Military	\$ 1,929	\$ 1,841	a/- \$ 88
Civilian	15,834	15,834	-
Nonpersonnel costs	<u>79,747</u>	<u>79,747</u>	-
Total	<u>97,510</u>	<u>97,422</u>	<u>-88</u>
After realinement:			
Personnel costs:			
Military	1,378	1,420	b/42
Civilian	14,463	14,186	c/-277
Nonpersonnel costs	<u>79,588</u>	<u>79,630</u>	d/42
Total	<u>95,429</u>	<u>95,236</u>	<u>-193</u>
Annual savings	<u>2,081</u>	<u>2,186</u>	<u>105</u>
One-time costs (savings)	<u>\$(1,193)</u>	<u>\$ 786</u>	<u>\$1,979</u>

a/Our prior report contained this baseline adjustment for both alternatives. The baseline is not affected by the Army's proposed revision.

b/The proposed revision understated military personnel costs by \$43,000 by omitting costs for retaining two military positions (officers) at Fort Indiantown Gap. This understatement was offset by \$1,000 due to a rounding error, leaving a net increase of \$42,000 in costs for military personnel after realinement.

c/The Army's limited documentation contained several errors in computation which overstated civilian personnel costs by about \$445,000. However, on the basis of our prior and current reviews, we believe proposed staffing levels at Forts Meade and Indiantown Gap should be increased by five positions each for a total increase of \$168,000. Combining these two adjustments (-\$445,000 + \$168,000) yields a net decrease of \$277,000.

d/Correction of a mathematical computation error increased projected nonpersonnel costs by \$52,000, but lower estimated costs for utilities at Fort Indiantown Gap decreased these costs by \$10,000, yielding a net increase of \$42,000.

PERSONNEL IMPACTS

The Army's study projects that revised alternative II would save \$1,922,000 annually in personnel costs by eliminating 33 military positions (saving \$551,000) and 117 full-time civilian positions (saving \$1,371,000). We believe the personnel savings would be \$147,000 greater, or \$2,069,000. The savings should be

- \$87,000 less because the Army's baseline included nine military positions which have been eliminated due to reductions unrelated to the proposed realignment,
- \$43,000 less because the Army omitted costs for retaining two military positions in Fort Indiantown Gap's Comptroller function,
- \$168,000 less because we believe five additional staff members should be assigned each to Fort Indiantown Gap and Fort Meade, and
- \$445,000 more because the Army double-counted several positions and used incorrect average salary rates in estimating personnel costs at Forts Meade and Indiantown Gap.

We believe the personnel savings of \$2,069,000 would result from the elimination of 24 military positions (\$421,000) and 107 full-time civilian positions (\$1,648,000). The table on page 4 of this report summarizes the disposition of personnel spaces as shown in the Army's study and as we projected.

NONPERSONNEL COSTS

The Army did not adjust its projections for nonpersonnel costs and savings resulting from alternative II. The Army estimated that \$159,000 of the projected savings in alternative II would result from nonpersonnel costs. During our prior review, we suggested a \$52,000 decrease in those savings to correct an error in addition. On the basis of our current review, we believe that adjustment would be partially offset by a \$10,000 increase in savings resulting from reduced costs for utilities projected for Fort Meade. Therefore, we believe the Army's projected savings from nonpersonnel costs should be reduced by \$42,000 to \$117,000.

ONE-TIME COSTS

The Army reported that revised alternative II would result in net one-time savings of \$1.19 million. This net savings resulted from including (1) a cost avoidance of \$2,571,000 for constructing an administrative facility (reduced in size and costs from the previous study and alternative I due to the exclusion of the

Comptroller's staff) that would no longer be required and (2) miscellaneous one-time costs totaling about \$1,378,000 for items such as severance pay; terminal leave; and transportation, relocation, and minor construction costs.

We believe that instead of net one-time savings of \$1.19 million, the Army could expect net one-time costs of \$786,000, because

--the \$2,571,000 for the smaller administrative facility should not be considered a cost avoidance and

--the Army overstated its total one-time costs by a net \$592,000 due to miscellaneous errors in computing severance pay; terminal leave; and transportation, relocation, and minor construction costs.

Construction costs avoided

The administrative facility for which the Army showed a \$2,571,000 cost avoidance is the same potential facility included in the Army's previous study (and in alternative I) except that the Army reduced its size proportionately to represent administrative space requirements for the Comptroller's staff. As discussed on pages 12 through 14 of our prior report, this facility should not be considered a saving because it does not meet the requirements of Army Regulation 5-10. Also, as stated in our prior report, Army officials disagreed with us about excluding the cost avoidance, but its inclusion or exclusion would have little impact on the economic justification of the proposed realignment. Neither GAO nor the Army has changed its position on this issue as a result of the proposed revision.

Other one-time costs

The Army overstated miscellaneous one-time costs by a net of \$592,000. This overstatement resulted from understatements in building modification costs at Fort Meade (\$20,000) and a computation error (\$1,000) and overstatements in costs related to (1) the transfer of personnel to Fort Meade (\$356,247), (2) severance pay and terminal leave (\$209,000), (3) mothballing vacated buildings at Fort Indiantown Gap (\$14,609), and (4) transportation of supplies and equipment (\$32,728) and a computation error (\$100).