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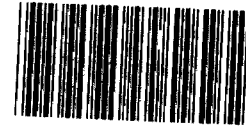
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

B-214536

APRIL 5, 1984

The Honorable Caspar W. Weinberger
The Secretary of Defense



123840

Dear Mr. Secretary:

Subject: Consolidation of Personal Property Shipping
Offices (GAO/NSIAD-84-81)

In a 1981 report, the Defense Audit Service (DAS) estimated that about \$3 million could be saved annually by consolidating selected Personal Property Shipping Offices within the continental United States. At the request of members of Congress, we reviewed the Department of Defense's (DOD's) recent efforts to consolidate these offices.

Although some consolidation action was taken in 1981 and 1982, the consolidation plan implemented by DOD was more limited in scope than recommended by DAS and did not achieve the savings expected. Consolidation generally was limited to booking outbound personal property shipments, including administering non-temporary storage and the Carrier Evaluation Reporting System. Other functions, including management of inbound shipments; local moves; "do-it-yourself" moves; inspections of personal property shipments for quality assurance, both outbound and inbound; and personal property shipments by the direct procurement method, remain fragmented among the shipping offices.

Also, in several instances, the booking workloads of larger shipping offices were transferred to smaller offices which, although employing limited automation, had neither the staff nor the equipment to handle the increased workloads. Although some staffing authorizations were transferred from the losing to the gaining offices with the workloads, more staff had to be added.

CONCLUSIONS AND RECOMMENDATIONS

We believe the 1982 consolidations were useful if viewed as a first step in overcoming the military services' reluctance to consolidate; however, they did not achieve the expected savings because they were not complete. They did not result in any

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identifiable savings in administrative costs and in some instances resulted in increased costs because of the need for more staff. Our findings are discussed in more detail in enclosure I.

We therefore recommend that you direct the Assistant Secretary of Defense (Manpower, Installations and Logistics) to reassess the merit of these consolidations. In so doing, he should consider the potential for savings through economies of scale that could result through better and more complete consolidations as well as the need to provide adequate services to the users in various geographic locations.

AGENCY COMMENTS AND OUR EVALUATION

On February 9, 1984, we met with DOD officials to obtain DOD's official oral comments on our draft report. Although they did not concur in our conclusion that the consolidations, as implemented, did not reduce costs, they concurred in our recommendation that the consolidations be reassessed.

The officials said that although consolidation of the booking function had not resulted in the staffing reductions projected by the Defense Audit Service for more complete consolidations, they believed that it was beneficial and had reduced costs. They are now developing a refined consolidation plan, which is expected to attain an enhanced and optimum level of consolidation of all personal property functions.

We believe consolidation of the booking function was beneficial if viewed as a first step toward complete consolidation; however, we found no evidence of resulting overall cost savings. While we found two instances when transportation costs had been reduced as a result of a smaller shipping office's outbound shipments being taken over by much larger offices with lower transportation rates, we believe these cost reductions were offset by the cost increases resulting from increased overall staffing.


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As you know, 31 U.S.C. § 720 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

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We are sending copies of this report to the requesting congressional members, Senator Alan Cranston and Representative Fortney H. Stark, Jr.; the Chairmen of the above Committees; the Chairmen, House and Senate Committees on Armed Services; and the Director, Office of Management and Budget.

Sincerely yours,


for Frank C. Conahan
Director

Enclosures - 3

REVIEW OF CONSOLIDATION OF
PERSONAL PROPERTY SHIPPING OFFICES

BACKGROUND

Personal property is moved at DOD expense for eligible personnel in accordance with DOD Joint Travel Regulations. Personal property includes household goods, unaccompanied baggage, house trailers, mobile homes, and privately owned vehicles.

The types of costs associated with moving and storing personal property include (1) payments to domestic household goods van carriers and household goods forwarders and their agents for packing, marking, storing, and shipping household goods and unaccompanied baggage, (2) payments to the service member for "do-it-yourself" moves, (3) costs incurred by DOD for the airlift and sealift of personal property, and (4) DOD's cost of administering and managing its Personal Property Movement and Storage Program.

During the year ended June 30, 1983, DOD incurred costs of about \$1.3 billion for the worldwide movement and storage of personal property. These costs included about \$770 million for moving 718,558 individual shipments of household goods weighing 1.7 billion pounds for an average cost per hundred weight of \$44.42.

The types of DOD offices involved in administering and managing the personal property for all military installations include (1) Joint Personal Property Shipping Offices (JPPSOs), (2) Consolidated Personal Property Shipping Offices (CPPSOs), (3) Personal Property Shipping Offices (PPSOs), and (4) Personal Property Processing Offices (PPPOs). The first two types provide the personal property services for all military installations within a geographic area. They are the single point of contact with the carrier/agent and arrange for the movement. They also inspect shipments, arrange for storage (temporary and nontemporary) of household goods, inspect storage sites, and perform all duties in connection with incoming shipments. JPPSOs are jointly staffed with personnel from all services, whereas CPPSOs are staffed by the service that is the dominant shipper in the area. There are seven JPPSOs and CPPSOs worldwide.

Personal Property Shipping Offices perform the same duties as the JPPSOs and CPPSOs, but generally service only the installations on which they are located. At the end of fiscal year 1980, there were 299 Personal Property Shipping Offices worldwide. Personal Property Processing Offices are located on

installations served by JPPSOs/CPPSOs and assist these offices by counseling the service members on their movement entitlements and helping them complete the necessary paperwork for shipping and/or storing their personal property.

Factors considered in deciding on the most cost effective office for a particular geographic area include the number of military installations in the area, the branches of the military services represented, and the total number of military personnel to be served. For example, in an area where there are a number of military installations representing the various services, it is generally more economical to have a JPPSO at the largest installation and PPPOs at all the others, rather than PPSOs at all installations. This type of arrangement could result in the following benefits.

- Lower transportation rates and better service due to the elimination of competition among the installations in the area for the services of the same carriers and their agents.
- The elimination of duplicate office and automatic data processing equipment at each installation.
- A reduction of the total number of personnel at all installations who deal with personal property matters. This reduction results from the elimination of the need to perform all the personal property functions at each installation, thus permitting the achievement of economies of scale with respect to personnel.
- Improved service resulting from the greater impact of punitive action against carriers and their agents.
- Lower transportation costs resulting from the creation of a practical means for increasing shipment consolidations.

DAS RECOMMENDED CONSOLIDATIONS TO
SAVE MONEY

At the request of the Assistant Secretary of Defense (Manpower, Installations and Logistics), the Defense Audit Service evaluated the need for the many separate Personal Property Shipping Offices at military installations close to each other, both in the continental United States and overseas. In a report dated February 9, 1981, DAS identified a potential for eliminating 357 personnel spaces with savings of \$4.8 million annually through consolidation of selected Personal Property Shipping Offices.

The report identified 31 such offices in the continental United States that could be consolidated into 9 primary offices for a total reduction of 204 personnel spaces and annual savings of about \$3 million. The nine primary offices would be either CPPSOs or JPPSOs. Thirty-five PPSOs were similarly identified in Europe and the Pacific Commands for an additional staff reduction of 153 and estimated annual savings of about \$1.8 million.

DAS determined that the PPSOs it reviewed were similar in operation regardless of service affiliation. They all performed similar duties and, consequently, duplication of effort and competition for resources existed wherever more than one military installation with a PPSO was located in the same geographic area. For example, it found the following:

- "Competition resulting between the PPSOs, each vying for the services of the same commercial carriers and/or facilities, particularly during the heavy summer shipping season."
- "Inconsistencies among PPSOs for suspending a carrier. This resulted when one PPSO suspended a carrier for poor performance and another PPSO in the same geographic area, without knowledge of the suspension, contracted with the carrier for its services."
- "Independent inspection, by each of the PPSOs, of the same temporary storage facilities located within the same geographic area."
- "There was also a potential for greater utilization of automated data processing for such systems as the Carrier Evaluation Report, the Traffic Distribution Report, and the Nontemporary Storage Report. At some PPSOs, data processing equipment was not available, while in the same geographic area, other PPSOs had this capability."
- "Combining and/or consolidating the 66 PPSOs we visited into 18 primary shipping offices would result in substantial reduction of personnel spaces."

The DAS report pointed out that the services basically did not concur in the DAS recommendation concerning consolidation of the 66 PPSOs because of individual service parochialism. Accordingly, DAS recommended that the Assistant Secretary of Defense (Manpower, Installations and Logistics) decide on the course the implementation of the recommendations should take.

After the DAS report was issued, the Assistant Secretary developed a plan for consolidating PPSOs within the continental United States. The plan, dated August 11, 1981, called for 18 PPSOs to assume a consolidated role in handling certain traffic management responsibilities for 23 other shipping activities.

Unlike the DAS study, the plan did not call for establishing either JPPSOs or CPPSOs, but instead established Consolidated Booking Offices (CBOs). These were to assume responsibility for only the outbound booking, carrier facility inspection, and storage functions. All other functions of a PPSO remained divided. In presenting the plan, the Assistant Secretary acknowledged that "economy of scale benefits associated with volume" would not be completely realized because the performance of many common administrative services was left fragmented among the individual offices.

OBJECTIVES, SCOPE, AND METHODOLOGY

After implementation of the DOD plan, Senator Alan Cranston and Representative Fortney H. Stark, Jr. asked us to review the validity of complaints by carrier agents in California that certain changes in that area were not cost effective. Our review in California disclosed that due to the method of implementation, the consolidation had resulted in increased costs. (See p. 10.) For this reason, we decided to expand the scope of our review to include other consolidations that had occurred as a result of the plan.

Fieldwork on this assignment was done from June 1982 through February 1983. Our audit included interviews with officials from the Office of the Assistant Secretary of Defense (Manpower, Installations and Logistics), the Military Traffic Management Command (MTMC), the Navy Supply Systems Command, and 41 installations visited or contacted within the continental United States. We collected workload, staffing, and other data from most of these sources. We met with representatives of two carrier agents in northern California and reviewed several studies of personal property performed by various DOD organizations.

We contacted officials at all 41 PPSOs (see enc. II) involved in the DOD consolidation plan to determine the specific functions which had been consolidated and the impact of the consolidation on staffing and other costs. Our review was performed in accordance with generally accepted government audit standards.

CONSOLIDATIONS WERE LIMITED IN SCOPE

Except for the consolidation of the Marine Corps Base-Quantico with the Joint Personal Property Shipping Office, Cameron Station, only the booking of outbound shipments and the

administration of nontemporary storage were consolidated. (See enc. II.) Other functions, including managing inbound shipments, local moves, do-it-yourself moves, counseling members on outbound moves, and most quality control inspections, were not consolidated. In the case of Quantico and Cameron Station, management of both outbound and inbound shipments was consolidated.

We found no instances when the consolidation of booking had resulted in a reduction in overall staffing but instead found some instances when personnel costs had increased. For example, instead of retaining only counselors at Travis Air Force Base (AFB) to handle applications for household goods shipments, Travis AFB retained all but two of its staff because it transferred to McClellan AFB only responsibility for the booking and storage of outbound shipments. Travis was given the responsibility for performing quality control inspections for all military services in its area for both inbound and outbound shipments. Travis also retained responsibility for tracing, monitoring, placing into storage, and setting up deliveries of all inbound personal property shipments, as well as controlling all "do-it-yourself" and local moves, plus administering its own packing and crating contract under the direct procurement method. Thus, complete management of personal property at Travis was not assumed by McClellan, but rather it was split between the two installations, precluding the achievement of potential savings from a more complete consolidation. In a management assistance visit report, MTMC Western Area officials estimated that McClellan would require five staff members besides the two transferred at the time of the consolidation to handle its increased workload.

This matter was discussed with officials at McClellan. One told us that had the bases been authorized to implement a more complete consolidation and obtain some needed equipment, about half the personal property staff at the affected installations could have been eliminated. We noted that by applying staffing standards to the combined workloads of McClellan, Travis, and Beale AFBs, a revised staffing pattern close to that mentioned by this official might have resulted. These installations had a total of 71 personnel to handle their combined workload. Applying the standards to this workload showed a need for only 41 persons.

PROBLEMS WITH IMPLEMENTATION

A DOD official told us that when planning the consolidation of Personal Property Shipping Offices, a number of factors should be considered, including the volume of traffic handled by and the degree of automation existing at each office. Generally, in the absence of overriding circumstances, such as a high degree of automation or some other factor which might cause a smaller office to be more efficient than a larger office included in a

consolidation plan, it is usually more efficient to allow the larger office (or dominant shipper) to assume the workload of the smaller office than vice versa.

Review of the DOD implementation plan and contact with officials at the shipping offices showed that in several instances, the outbound workloads of the dominant shippers, usually the Army, were merged with those of smaller offices, usually Air Force offices. The implementation plan and other documentation indicated that the smaller offices had been selected because it was believed that the automation capabilities of the smaller Air Force offices outweighed the volume of shipments generated by the larger offices.

However, at two of the five gaining installations we visited, the gaining shipping offices had extreme difficulty in handling the increased workload during the heavy shipping season and had been required to use more staff to accomplish the task than that transferred from the losing offices. For example, although Fort Lewis, Washington, processed 14,493 outbound shipments during 1981, or about eight times the 1,812 shipments processed by McChord AFB, Washington, the Fort Lewis workload of outbound bookings and nontemporary storage was transferred to McChord. Before the consolidation, Fort Lewis had multiservice responsibility for 32 counties in Washington and Oregon while McChord was responsible for Air Force shipments in only 1 Washington county. We were informed by officials at McChord that when the consolidation was effected on May 1, 1982, they had neither the staff nor the equipment (desks, typewriters, telephones, etc.) to handle the increased workload. In addition to filling three personnel spaces transferred from Fort Lewis, McChord diverted staff from other jobs on the base and brought in staff on temporary duty from Norton and Travis AFBs. Also, personnel worked over 5,000 hours of overtime during the busy summer season.

Although McChord was selected as the consolidated office based on the availability of automation, except for the nontemporary storage program we found the automation to be of little value as a labor-saving device. The automated traffic distribution register, for example, required most of the manual posting of a manual system plus preparation of coding sheets and keypunching of cards to input the shipment data to the computer. None of the data processing equipment was located in the shipping office. In contrast to Fort Lewis, where government bills of lading (GBLs) were prepared on a word processor, McChord prepared its GBLs on typewriters.

According to the DOD implementation plan, before the consolidation, Fort Lewis processed nearly 30,000 total shipments annually with 46 staff members, or about 652 shipments per staff

member, while McChord processed about 4,000 shipments with 15 staff members for only 267 shipments per staff member. This indicates that the office at Fort Lewis was more efficient, automation notwithstanding.

In a second example, the outbound workloads of Fort Dix; Fort Monmouth; and the Naval Air Engineering Center, Lakehurst, New Jersey, were consolidated at McGuire AFB, New Jersey, even though this increased its workload by about 300 percent. Fort Dix, the largest of the four offices, could have absorbed the workload with an increase of less than 120 percent.

As in the case of McChord, when the consolidation was effected, McGuire had neither the staff nor the equipment to handle the increased workload. Before the consolidation, McGuire had been responsible for Air Force shipments in only one New Jersey county. In order to handle the shipments generated during the peak shipping period, in addition to filling the transferred spaces, McGuire had to divert staff from other jobs on the base and bring in personnel on temporary duty from other bases. Despite the augmentation of staff, McGuire had a minimum backlog of 350 shipment applications throughout the busy season, and at the time of our visit, 8 months after the effective date of the consolidation, it still did not have copies of all the pertinent regulations for the other services.

Different problems resulted from the consolidation in northern California. There were no identifiable savings in personnel or administrative costs. Instead costs were increased due to higher shipping costs. In this instance, the outbound workloads from Napa, Solano, and Yolo Counties were transferred from the Naval Supply Center, Oakland, California, to McClellan AFB, California. Applying the weighted averages of the rates used by the 2 shipping offices to domestic van shipments from the 3 counties to 10 selected states for a 1-year period showed that the cost of shipment at the McClellan rates would have exceeded the cost at the Oakland rates by about \$90,000. Moreover, by applying shipping rates that went into effect in November 1982, a 5,000-pound household goods shipment out of the area near Mare Island Naval Shipyard to the Washington, D.C., area cost about \$2,260. If Oakland had continued booking these shipments, the cost would have been about \$1,590, which would have provided a savings of about \$670, or 30 percent. Oakland has lower shipping rates because its volume of shipments has continued to be greater than McClellan's, even after the consolidation at McClellan. (See comparison of rates in enc. III.)

When the above cost increase was brought to the attention of DOD officials, they reassigned management responsibility for shipments originating in the three counties to Oakland. This change was effective June 1, 1983.

INSTALLATIONS CONTACTED DURING REVIEW

Naval Supply Center, Oakland, Calif.^{a,d}
 McClellan AFB, Calif.
 Beale AFB, Calif.
 Travis AFB, Calif.
 JPPSO Cameron Station, Alexandria, Va.^a
 Marine Corps Development and Education Command,
 Quantico, Va.^b
 Naval Surface Weapons Center, Dahlgren, Va.^b
 Hanscom AFB, Mass.^a
 Ft. Devens, Mass.
 Naval Air Station, South Weymouth, Mass.
 Naval Supply Center, Charleston, S.C.^a
 Charleston AFB, S.C.
 Ft. McPherson, Ga.^a
 Naval Air Station, Atlanta, Ga.
 Peterson AFB, Colo.^a
 Ft. Carson, Colo.
 McChord AFB, Wash.^a
 Ft. Lewis, Wash.
 Carlisle Barracks, Pa.^a
 Ships Parts Control Center, Mechanicsburg, Pa.
 Ft. Indiantown Gap, Pa.
 McGuire AFB, N.J.^a
 Ft. Dix, N.J.
 Ft. Monmouth, N.J.
 Naval Air Engineering Center, Lakehurst, N.J.
 Tyndall AFB, Fla.^a
 Naval Coastal Systems Center, Panama City, Fla.
 Naval Training Center, Great Lakes, Ill.^a
 Ft. Sheridan, Ill.
 Carswell AFB, Tex.^a
 Naval Air Station, Dallas, Tex.
 Williams AFB, Ariz.^a
 Luke AFB, Ariz.
 Naval Supply Center, Long Beach, Calif.^a
 Marine Corps Air Station, El Toro, Calif.^c
 Ft. Ord, Calif.^a
 Navy Post Graduate School, Monterey, Calif.
 Marine Corps Base, Camp Pendleton, Calif.
 Marine Corps Logistics Base, Barstow, Calif.
 George AFB, Calif.
 Norton AFB, Calif.

^aRecommended for CBO status in DOD's plan. In all instances, except for those noted below, only the outbound booking function, including management of nontemporary storage, was transferred to the indicated office. There was no reduction in overall staffing.

^bManagement of both outbound and inbound shipments was transferred to JPPSO Cameron Station.

El Toro retained all functions.

^dCommencing August 1, 1982, McClellan AFB was the CBO. However, on April 13, 1983, the Naval Supply Center at Oakland was designated by DOD as the consolidated Personal Property Shipping Office for Napa, Solano, and Yolo Counties, as originally stipulated in DOD's plan.

COMPARISON OF MCCLELLAN AFB WEIGHTED
AVERAGE SHIPPING RATES WITH
RATES AT NAVAL SUPPLY CENTER OAKLAND,
BASED ON ACTUAL VAN SHIPMENTS
FOR PERIOD NOVEMBER 1, 1981, TO OCTOBER 31, 1982

| <u>Destination state</u> | <u>Average line haul rates^a</u> | | <u>Average packing rate^a</u> | |
|--------------------------|--|----------------|---|----------------|
| | <u>McClellan</u> | <u>Oakland</u> | <u>McClellan</u> | <u>Oakland</u> |
| Michigan | 74 | 66 | 76 | 75 |
| Illinois | 74 | 69 | 78 | 72 |
| Virginia | 72 | 66 | 64 | 66 |
| Texas | 73 | 67 | 70 | 70 |
| Colorado | 75 | 70 | 86 | 88 |
| District of Columbia | 73 | 67 | 81 | 74 |
| Washington | 77 | 66 | 81 | 74 |
| Florida | 72 | 68 | 76 | 70 |
| Ohio | 72 | 67 | 76 | 71 |
| New York | 73 | 68 | 76 | 76 |
| Overall average | 73 | 67 | 76 | 74 |

^aExpressed as a percentage of the rates contained in the military basic tenders.