

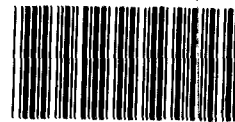
GAO

Fact Sheet for the Honorable
Charles Bennett, House of
Representatives

December 1992

PUBLIC WORKS CONSOLIDATION

Jacksonville Naval Public Works Consolidation



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**National Security and
International Affairs Division**

B-251022

December 15, 1992

The Honorable Charles Bennett
House of Representatives

Dear Mr. Bennett:

As you requested, we reviewed the Navy's plans to consolidate public works departments at three of its facilities in the Jacksonville, Florida, area—Mayport Naval Station, Jacksonville Naval Air Station, and Cecil Field Naval Air Station. This consolidated office—which took effect on October 1, 1992—is known as the Jacksonville Public Works Center and is located at the Jacksonville Naval Air Station. Although most employees eventually will be organizationally assigned to the Jacksonville Public Works Center, they will remain at the three facilities to help manage the public works services, the vast majority of which are contracted out. We obtained information about the (1) cost of public works operations before and after consolidation, (2) changes to authorized personnel levels and the impact of consolidation on employee relocation, and (3) cost of renovating office space at Jacksonville Naval Air Station to accommodate the new Public Works Center.

The information in this fact sheet was presented to you in a briefing on September 25, 1992.

Results in Brief

In fiscal year 1991, the last year before consolidation took effect, the Navy spent about \$83.1 million for public works services at its three Jacksonville bases. The new Public Works Center's fiscal year 1994 budget projects costs at about \$97.3 million for services at the Center and the three facilities after consolidation. The increased cost is largely the result of a Department of Defense-wide accounting change unrelated to creation of the Public Works Center. This change, called Defense Business Operations Fund accounting, requires the cost of items such as depreciation on capital equipment and military salaries to be included in the rates charged for business type activities, such as public works services. With this accounting change, which took place concurrently with consolidation, the Center will pay for certain expenses it previously did not and pass these costs on to its customers—bases and other installations.

Authorized personnel for public works functions decreased by 19 as a result of the consolidation when compared to fiscal year 1991. While the consolidation has created some higher graded positions, the Navy believes the increase in pay grades will be offset by the decrease in personnel.

The cost to renovate and furnish a pre-World War II building (Building 902) at the Jacksonville Naval Air Station as office space for the Public Works Center is estimated at about \$1.2 million. An additional \$150,000 is estimated to modify another smaller building to house the current occupants of Building 902.

Background

A December 1990 Defense Management Review Decision requires the Navy to consolidate base engineering services at three of its facilities in the Jacksonville, Florida, area. The decision also directs the Center to use Navy Industrial Fund or Defense Business Operation Fund accounting methods. These accounting methods account for the total cost of business operations, including capital cost and depreciation. All costs of operation and maintenance, military personnel, major construction and repair projects, procurements and depreciation of capital assets associated within the functions, or business areas, are to be included in cost accounts in order to accumulate the total cost of providing services. This is intended to give visibility at all levels of command of the true cost implication of management decisions.

The Jacksonville Public Works Center will provide centralized planning and management for public works, public utilities, public housing maintenance, transportation support, engineering services, shore facilities planning, and corresponding logistical support required by the three bases themselves, as well as for other activities such as hospitals located on the bases. The Center will be located at Jacksonville Naval Air Station; however, certain public works personnel will remain on site at their respective base.

Consolidation's Effect on Overall Navy Public Works Costs

In fiscal year 1991, the Navy spent about \$83.1 million for public works services at the three locations. The fiscal year 1994 Public Works Center budget projects the cost for these services at about \$97.3 million. Table 1 shows the cost of the public works departments at the three facilities at the close of fiscal year 1991 and the estimated public works cost after consolidation.

Table 1: Cost of Public Works Before and After Consolidation

Dollars in millions

Facility	Before consolidation	After consolidation
Jacksonville Air Station	\$32.6	\$ 1.3 ^a
Cecil Field Air Station	19.4	1.2
Mayport Naval Station	31.1	1.2
Public Works Center	0	93.6
Total	\$83.1	\$97.3

^aAmounts recorded for Mayport, Cecil Field, and Jacksonville represent residual public works department staff who will report to the facility commander.

According to the commander and officials at the three Jacksonville locations, the cost difference is due to inflation and to the new accounting method, under which amounts are included in the Center's budget that were not directly funded by the facilities in prior years. In estimating its fiscal year 1994 budget, the Center added over \$6 million to adjust the three facilities' fiscal year 1991 operating budgets for inflation. The fiscal year 1994 budget also includes \$7.6 million for costs to be paid under the new accounting method, such as military salaries, depreciation for capital equipment, and administrative overhead.

Personnel Levels Decreased Slightly

Consolidation of the public works departments decreased authorized personnel by 19; however, the average grades of the personnel have increased. According to the Center business manager, increases in the pay grades are offset by the decrease in personnel. In fiscal year 1991, the public works departments of all three naval stations were authorized 344 positions and 316 of these positions were filled. After consolidation, the authorized positions were reduced to 325 personnel, and 308 positions were filled.

Nearly 200 positions will be filled by transferring civilian personnel from the public works departments of the three bases and about 125 public works personnel will remain at the three bases.

Building Renovation Costs

The Navy is renovating Building 902, a pre-World War II building at Jacksonville Naval Air Station, to house Center employees at a cost of about \$1.2 million.

The Center commander stated that these renovations were more cost effective than constructing a new facility and that parts of the renovation were required to meet fire code and handicapped access violations unrelated to establishment of the Center. The Navy will spend about \$939,040 to renovate the building and \$300,000 for furnishings. Construction estimates showed that a new facility would have cost about \$2.1 million. In addition, the Navy will spend \$150,000 to modify another building at Jacksonville Naval Air Station to relocated previous occupants of the Center building.

Scope and Methodology

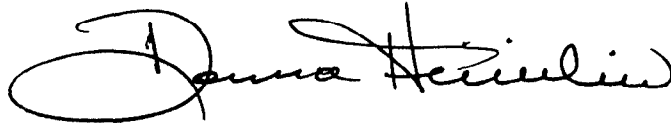
We collected information and performed limited reviews on the costs of public works departments and on the number of authorized and filled personnel positions before consolidation at Mayport Naval Station, Jacksonville Naval Air Station, and Cecil Field Naval Air Station. We compared that information to the projected cost of the consolidated operation and its personnel levels.

We discussed the consolidation with officials and public works officers at the three facilities as well as with the Commander, Public Works Center, Jacksonville. We did not obtain written comments on a draft of this fact sheet; however, we discussed the facts with the Center commander and with the public works officers and have included their comments as appropriate. We performed our work in accordance with generally accepted government auditing standards between July and August 1992.

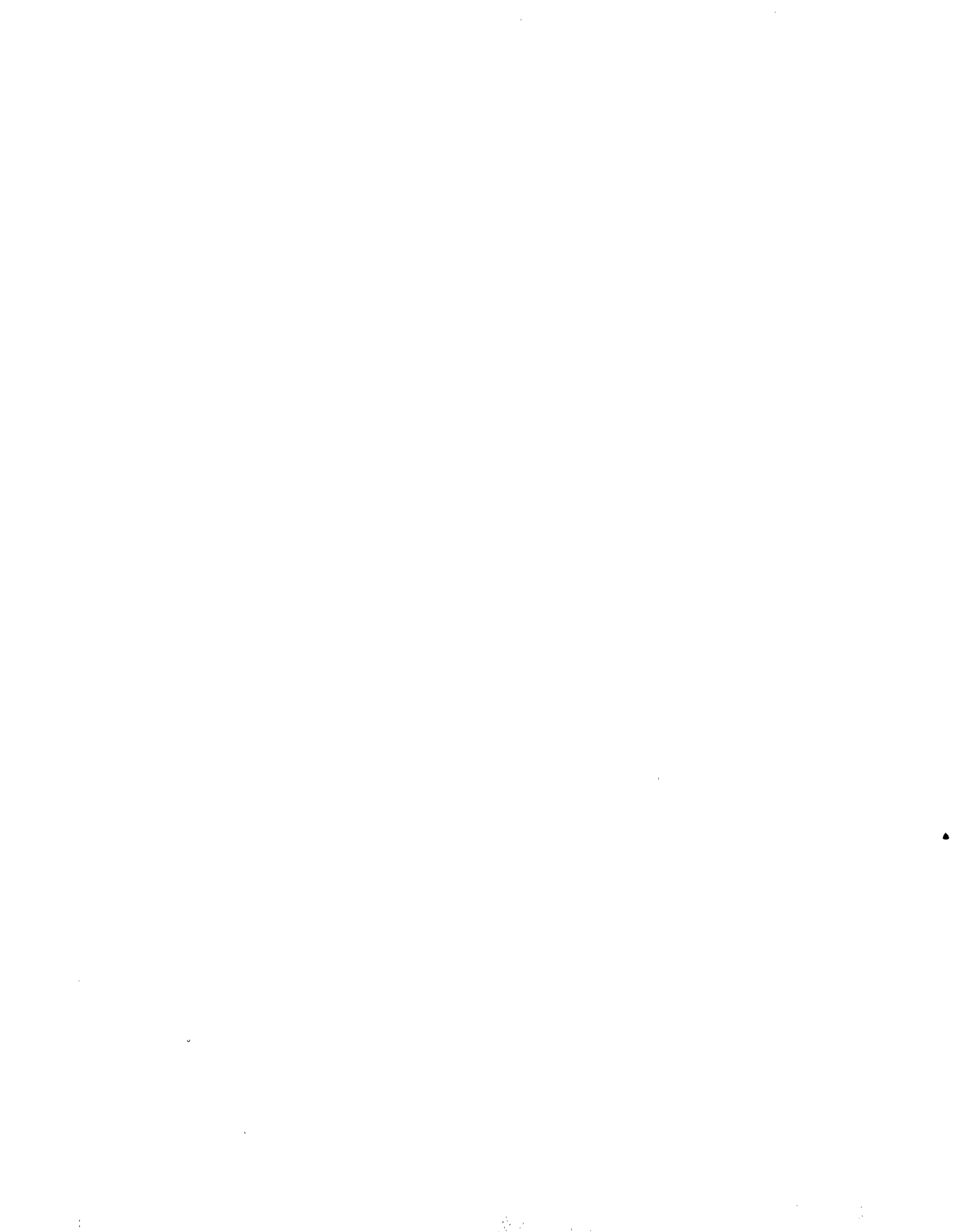
As agreed with your office, unless you publicly its contents earlier, we plan no further distribution of this fact sheet until 5 days from its issue date. At that time, we will send copies to interested congressional committees, government agencies, and other parties upon request.

Please contact me on (202) 275-8412 if you or your staff have any questions concerning this fact sheet. The information for this fact sheet was developed by Bob Meyer, Assistant Director; Carol Mebane, Evaluator; and Regina Grider, Evaluator, Logistics Issues.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Donna Heivilin". The signature is fluid and cursive, with a large loop at the beginning of the first name.

Donna M. Heivilin
Director, Logistics Issues



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