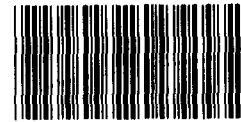


August 1992

DEFENSE PRINTING SERVICE

Relocation of the Southeast Area Headquarters



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**National Security and
International Affairs Division**

B-249545

August 11, 1992

The Honorable Ernest F. Hollings
United States SenateThe Honorable Strom Thurmond
United States SenateThe Honorable Arthur Ravenel, Jr.
House of Representatives

In response to your request, we reviewed the Department of the Navy's decision to relocate the functions of the Defense Printing Service's (DPS) Southeast Area headquarters from Charleston, South Carolina, to Norfolk, Virginia. In a memorandum dated April 9, 1992, the Navy's DPS Management Office in Washington, D.C., notified the Southeast Area headquarters of the decision and set October 1992 as the target date for the relocation.

Results in Brief

The April 1992 memorandum, signed by the DPS Executive Director, stated that the Southeast Area headquarters functions could be more effectively performed in Norfolk because most of the Southeast Area's facilities, work load, and customers are located in Virginia. In another document, the DPS Management Office stated that the relocation would save approximately \$30,000 in annual travel expenses to Norfolk.

The DPS Management Office, however, could not provide us with data supporting its decision. In particular, it did not justify its conclusion that the Southeast Area headquarters personnel could perform their work better if they moved to Norfolk. The DPS Management Office also had not performed a cost analysis to determine whether the relocation would result in savings. Without an analysis of these issues, DPS cannot be reasonably assured that the relocation will result in more efficient and cost-effective operations.

Background

In an effort to reduce staff and achieve cost savings, the Department of Defense consolidated the printing operations of the military services and the Defense Logistics Agency into the Navy's DPS in April 1992. The Navy realigned DPS as part of the consolidation, and the Southeast Area was assigned responsibility for managing additional facilities and meeting the printing requirements of new customers. The Southeast Area,

encompassing West Virginia, North and South Carolina, the central and southern regions of Virginia, and the European commands, has 33 facilities and a work force of 366.

The headquarters office of the Southeast Area, with a staff of 10, is responsible for several administrative functions. These include personnel and other management support services, financial management and control, occupational safety and health services, and security oversight.

DPS Decision to Relocate Southeast Area Headquarters Functions

In his April 1992 memorandum, the DPS Executive Director linked the decision to relocate the Southeast Area headquarters functions with the recently completed consolidation of printing services.

With the consolidation effective 6 April 1992, the realigned Defense Printing Service (DPS) Southeast Area now has 70 percent of its employees, facilities, workload, and customers in Virginia, primarily in the Tidewater area. Therefore, I have determined that you and your staff can best serve your Area customers by having the Area office located in Norfolk.

The DPS Management Office provided us one other document in support of the relocation decision. In this document, which is undated and unsigned, the Management Office states that

the business decision is being proposed to relocate the [Southeast] Area Director to the general Norfolk area where his management expertise is most needed and where he and his staff will expend the majority of their efforts and time. If they remain in Charleston, travel between Norfolk and Charleston would cost approximately \$30 thousand annually.

Navy Did Not Provide Justification for the Transfer

We asked the DPS Management Office to provide data supporting its decision to relocate the Southeast Area headquarters functions, but the Management Office could not provide this data. The Management Office, for instance, did not (1) justify its assertion that the Southeast Area headquarters office could best serve the Southeast Area customers if it moved closer to most of them, (2) explain why the Southeast Area Director's expertise was most needed in Norfolk, or (3) provide a cost analysis of the one-time and recurring cost savings and expenses connected with the relocation. Our review raised questions about the validity of the reasons stated by the DPS Management Office for its decision to relocate the Southeast Area's headquarters functions.

Southeast Area Headquarters Personnel Believe Relocation Would Not Improve Their Performance

Southeast Area headquarters personnel we spoke with were opposed to the relocation decision, and most—8 or 9 of the 10—indicated they would not relocate due to personal hardships. The Southeast Area headquarters personnel disagreed with the DPS Management Office's position that they could perform their work more effectively if they moved to Norfolk. They said that they have very little day-to-day contact with employees in the field, with DPS printing and duplication facilities, or with customers. They also said they are not involved in solving work load problems, which is the responsibility of the Southeast Area's three detachment offices, one of which is located in the Norfolk area. Two former directors of the Southeast Area, both of whom are retired, told us they agreed with these statements.

Southeast Area headquarters personnel told us that they are able to perform their work adequately in Charleston using telephones, facsimile machines, and computer modems and that, with the exceptions of the Director and the security and safety officers, they have little or no need to visit other DPS offices. Further, these personnel said that two Navy offices with which they have a great deal of interaction on financial matters—the Financial Information Processing Center and the Navy payroll office—are both located in Charleston.

Cost Savings May Not Be Significant

Our analysis of available cost data shows that the relocation of the Southeast Area headquarters functions to Norfolk may not result in significant savings. The DPS Management Office stated that the one-time costs of relocating the Southeast Area Director and one staff member would be approximately \$50,000.¹ However, the costs of relocating two other DPS area directors, with no additional staff, were \$41,000 and \$99,000 in 1984 and 1991, respectively. Thus, the \$50,000 estimate appears to understate the relocation costs.

Moreover, information provided by the Southeast Area Director to the DPS Management Office in October 1991 shows that the one-time costs could exceed \$1 million if all 10 personnel choose to relocate. Table 1 summarizes these relocation costs.

¹The Management Office indicated that four of the eight personnel could be transferred to new positions in Charleston and that the remaining four personnel "choosing to remain would receive the full range of assistance available under current regulations."

Table 1: One-Time Costs of Relocating Southeast Area Headquarters Personnel

Cost category	Expenses included	Cost estimate
Employees	Providing for house-hunting trips, temporary quarters and subsistence, guaranteed home sale program, real estate fees	\$750,000
Renovation	Preparing on-base office space for occupancy	250,000 ^a
Staff time and travel	Locating space, planning and monitoring renovation, controlling construction projects, restarting operations	50,000
Other	Shipping existing furniture, files, equipment, and/or purchasing new items	75,000
Total		\$1,125,000

^aThis figure assumes that office space (4,000 square feet) is available on-base. According to the Southeast Area Director, however, such space is at a premium at military locations in the Norfolk area; therefore, DPS may have to rent commercial space. The Director estimated that commercial space, under a yearly lease arrangement, would cost about \$40,000 to \$48,000 a year.

We estimated that expenses for the first cost category (employees) would be reduced to approximately \$400,000 if none of the 10 personnel, including the Southeast Area Director, choose to relocate. This estimate includes the costs of severance pay, unemployment compensation, and lump sum retirement benefits. Thus, on the basis of the information provided by the Southeast Area Director, the one-time costs of the relocation could range from \$775,000 to \$1,125,000.

DPS Management Office officials we met with told us that the Southeast Area Director's estimate of one-time costs was too high. Assuming that 4 of the 10 personnel could be transferred to new positions in the DPS Charleston detachment office and that 2 would relocate to Norfolk, these officials believe the first cost category (employees) could be as low as \$210,000 or less.² Also, Management Office officials believe that there could be available office space at Naval facilities in the Norfolk area that would require no renovation for the Southeast Area headquarters personnel. Thus, they estimate that the second cost category (renovation) could be as low as zero. Specific office space has not been identified, however, and renovation costs are unknown. Assuming that the DPS Management Office officials are correct, best case one-time costs of the relocation could approximate \$335,000.

²The \$210,000 amount includes \$160,000 to release four people from DPS plus \$50,000 to relocate the Southeast Area Director and one staff member to Norfolk.

Our review suggests that the \$30,000 savings in annual travel expenses estimated by the DPS Management Office officials may be too high. The Director and two other personnel, the security and safety officers,³ account for most of the Southeast Area headquarters office's travel. Travel records for March through May 1992 show that the Director's trips cost \$600 on average. Assuming this same average cost for the security and safety officers' trips,⁴ we estimate that the three would have to take a total of 50 trips to the Norfolk area each year to spend \$30,000. We believe 50 trips is unrealistic because records for fiscal years 1990, 1991, and 1992⁵ show that the Southeast Area headquarters personnel average 9 trips to the Norfolk area each year.

Southeast Area headquarters personnel estimated that the relocation would save considerably less in travel costs—about \$1,451 each year. They said that the primary reason travel savings would be minimal is that the safety and security officers are expected to retain their responsibilities for the DPS Southern Area, which extends south to Florida and west to Mississippi. Charleston is located geographically in the center of the Southeast and Southern areas. Therefore, the additional costs for the safety and security officers to cover the Southern Area would nearly offset other travel expenses that would be saved by moving to Norfolk.

Recommendation

We recommend that the Secretary of the Navy cancel the proposed relocation, unless the DPS Management Office can adequately justify its decision to relocate the Southeast Area's headquarters functions to Norfolk. This justification should include a cost analysis and an evaluation of whether Southeast Area headquarters personnel need to be located in Norfolk to perform their work effectively.

³Among their other duties, the safety officer is responsible for conducting on-site inspections of facilities to develop safety training plans, and the security officer is responsible for periodic on-site surveys of component activities.

⁴We believe this assumption is reasonable because the trips for all three people usually last from 3 to 5 days.

⁵Data is through mid-July 1992.

Scope and Methodology

We interviewed officials and obtained pertinent documentation from the Navy, DPS Management Office, and the Southeast Area headquarters about the need and costs to relocate the headquarters functions to Norfolk. We also interviewed two former directors of the Southeast Area about these issues. We collected and analyzed data related to the consolidation of the Department of Defense printing activities, the functional responsibilities and operational results of the Southeast Area, the organizational and geographical rationale for the Southeast Area headquarters, and the estimated costs associated with relocating the headquarters functions.

We performed our work between May and July 1992 in accordance with generally accepted government auditing standards. As requested, we did not obtain written agency comments on this report. However, we discussed the results of our work with Navy and DPS officials, who generally agreed with our observations and recommendation. We have included their comments where appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies to the Chairmen of the House and Senate Committees on Armed Services and on Appropriations, the Secretaries of Defense and the Navy, the Director of the Office of Management and Budget, and other interested parties. We will also make copies available to others on request.

Please contact me at (202) 275-8412 if you or your staff have any questions. Other major contributors to this report were Robert L. Meyer, Assistant Director, and Mark A. Little, Senior Evaluator.



Donna M. Heivilin
Director, Logistics Issues

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