



Highlights of [GAO-09-703](#), a report to congressional committees

Why GAO Did This Study

As a result of a 2005 Defense Base Realignment and Closure (BRAC) recommendation, the Defense Logistics Agency (DLA) is charged with consolidating supply, storage, and distribution functions at 13 military service depot maintenance locations to streamline operations and save money. The BRAC Commission data indicate that these consolidations would generate net savings of nearly \$1 billion through 2011 and about \$137 million annually thereafter.

Because these actions could affect depot maintenance operations, the conference report accompanying the National Defense Authorization Act for Fiscal Year 2008 directed GAO to assess implementation issues associated with the consolidations. GAO's objectives were to assess (1) DLA's progress and challenges to implement these consolidation actions and (2) the extent to which DLA's most recent cost and savings estimates related to these consolidations differ from those of the BRAC Commission. To meet these objectives, GAO visited three depot locations where consolidation actions had begun, interviewed service and DLA officials, and analyzed estimated cost and savings data.

What GAO Recommends

GAO recommends that the Department of Defense (DOD) improve the accuracy of its savings estimates by taking a number of steps, including updating inventory data and removing savings not clearly the result of 2005 BRAC actions. DOD concurred.

View [GAO-09-703](#) or [key components](#). For more information, contact Brian J. Lepore at (202) 512-4523 or leporeb@gao.gov.

MILITARY BASE REALIGNMENTS AND CLOSURES

DOD Needs to Update Savings Estimates and Continue to Address Challenges in Consolidating Supply-Related Functions at Depot Maintenance Locations

What GAO Found

While DLA has made progress to consolidate supply-related functions at the 13 depot maintenance locations recommended by BRAC and has taken steps to minimize the risk to ongoing operations, some of the most difficult tasks are yet to be undertaken and pose implementation challenges for DLA. For example, the Army and DLA officials are still negotiating what specific functions and personnel will transfer to DLA and the information technology interfaces needed to consolidate DLA's and the services' supply inventories continue to evolve and have experienced delays. Nevertheless, DLA anticipates that the consolidation actions will be completed by the mandated September 2011 BRAC deadline for completing recommended actions. For the actions to be complete, DLA officials told GAO the military services must have transferred all related personnel positions to DLA and physically consolidated all applicable inventories with DLA. While personnel transfers are under way, DLA has not begun physically consolidating inventories. And, although DLA has taken several steps to mitigate risk to ongoing depot operations such as involving stakeholders in the decision-making process, ensuring high-level leadership to drive these transformational actions, and employing time-phased transfers, continued collaboration between the services and DLA and periodic monitoring by DOD are critical to ensure the timely completion of these BRAC actions.

Compared to the BRAC Commission's 2005 cost and savings estimates, DOD expects to spend more and save significantly less by implementing the supply-related consolidation actions. DLA's current data indicate that the cost to implement the recommended consolidation actions has increased by about \$158 million (378 percent) while estimated savings have decreased by \$753 million (73 percent). Consequently, estimated net savings of about \$82 million over the 2006-2011 BRAC implementation period are considerably less than the BRAC Commission's estimate of about \$993 million. Further, net annual savings beyond 2011 are projected to be \$52 million per year, rather than the Commission's \$137 million estimate—an annual decrease of about \$85 million (62 percent). Moreover, GAO found that DLA's most recent savings estimates are unrealistic because they are based on practices that count some savings that GAO believes are not attributable to BRAC actions, use 4-year-old data, assume an inventory reduction scenario that is unlikely to occur, and employ an overall methodology that has not been approved by senior-level officials. DOD's financial management regulation requires BRAC savings estimates to be based on the best projection of savings that will actually accrue, but GAO's analysis indicates that DLA could actually incur a net cost of \$22 million during the implementation period if non-BRAC-related savings were removed from the estimate, compared to the \$82 million in net savings that DLA currently projects. Although the potential exists for DLA to eventually realize savings over time as it assumes control over supply-related operations, updated savings estimates based on sound estimating practices would provide better information for congressional oversight and help maintain public confidence in the BRAC process.