Audit Report

OFFICE OF THE INSPECTOR GENERAL

COST DATA USED IN THE SITE SELECTION OF DEFENSE INFORMATION SYSTEMS AGENCY WESTERN HEMISPHERE OPERATIONS FROM FORT RITCHIE, MARYLAND

Report No. 96-192 July 3, 1996

Department of Defense

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Acronyms

BRAC	Base Realignment and Closure
DISA	Defense Information Systems Agency
DISA-WESTHEM	Defense Information Systems Agency Western Hemisphere

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

Report No. 96-192 July 3, 1996

MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of Cost Data Used in the Site Selection of Defense Information Systems Agency Western Hemisphere Operations From Fort Ritchie, Maryland (Project No. 6CG-5001.46)

Introduction

We are providing this audit report for your information and use. The report resulted from a request by the Army Base Realignment and Closure (BRAC) Office. We originally evaluated the cost data for the three relocation options that the Army BRAC Office offered to accommodate the Defense Information Systems Agency Western Hemisphere (DISA-WESTHEM) resulting from the closure of Fort Ritchie, Maryland. The three relocation options included the Rock Island Arsenal, Illinois; Fort Monmouth, New Jersey; and the Letterkenny Army Depot, Pennsylvania. The Defense Information Systems Agency (DISA) proposed an additional relocation option for the site selection of DISA-WESTHEM. The additional relocation option involved a reduction in staff and relocating the remaining DISA-WESTHEM staff to multiple sites, including the Defense Supply Center Columbus, Ohio; the National Capital Region; the Letterkenny Army Depot; leased facilities in Denver, Colorado; and the Navy Ships Parts Control Center, Mechanicsburg, Pennsylvania. Because of the proposed changes in staffing, DISA also revised the costs applicable to the previous three relocation options that the Army BRAC Office proposed. The Army BRAC Office again requested that we evaluate the cost data resulting from a separate economic analysis that DISA developed to compare the fourth relocation option to the three original relocation options that the Army developed.

Audit Results

DISA consistently and properly applied analytical procedures for the relocation options used in the site selection of DISA-WESTHEM operations from Fort Ritchie. We evaluated the cost data for the items that DISA used to support the cost analysis and tracked the cost data to source documents. DISA properly validated the cost data used to support the cost analysis. DISA applied the criteria for permanent change of station costs, early retirement costs, reduction in force costs, and new hire costs as required by Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," section 2903(b). The cost computations were correct.

Audit Objectives

The objectives of the audit were to determine whether DISA consistently applied procedures to determine the cost of each relocation option, used validated data to support the cost analysis, and ensured the accuracy of the cost computations.

Scope and Methodology

Scope and Methodology. DISA-WESTHEM decided that the administrative and regional control center divisions did not have to be collocated. Therefore, DISA performed a separate analysis for the administrative and regional control center divisions. We evaluated the cost data that DISA used to support the cost analysis. We reviewed the procedures, obtained source documents, and performed the computations to support the results of our audit. We did not rely on computer-processed data or statistical sampling procedures to conduct the audit.

Audit Period, Standards, and Locations. This program audit was performed from March through April 1996 in accordance with the auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Enclosure 3 lists the organizations visited or contacted during the audit.

Prior Audits and Other Reviews

The Inspector General, DoD, issued two prior reports related to the DISA-WESTHEM relocation from Fort Ritchie.

Inspector General, DoD, Report No. 96-117, "Cost Data Used in the Site Selection of Defense Information Systems Agency Western Hemisphere Relocation from Fort Ritchie, Maryland," May 13, 1996, states that the Army BRAC Office consistently applied the cost procedures at each of the three sites selected for the relocation of DISA-WESTHEM from Fort Ritchie. The cost data used to support the cost analysis were properly validated and the cost computations were correct. Therefore, the report made no recommendations.

Inspector General, DoD, Report No. 95-277, "Relocation of the Defense Information Systems Agency Western Hemisphere, Fort Ritchie, Maryland," July 7, 1995, states that the Army did not have valid data on the number of authorized personnel for DISA-WESTHEM for use in the Army 1995 BRAC evaluation of Fort Ritchie. The report recommended that the Army compute the

cost to relocate DISA-WESTHEM based on validated personnel data. The Army concurred with the recommendation and validated 263 authorized personnel for DISA-WESTHEM in its cost analysis.

Discussion

Initial Three Relocation Options. The Assistant Chief of Staff for Installation Management, Facilities Division, Department of the Army, initially determined that DISA-WESTHEM requires 52,600 gross square feet for 263 authorized personnel. The space requirement and authorized personnel are shown in Table 1.

Table 1. DISA-WESTHEM Authorized Space and Personnel

Division	Number of Personnel	Gross Square Feet
Administrative	200	36,900
Regional control center	63	10,000
Raised floor requirement	0	5,700
Total	**263**	**52,600**

The Army BRAC Office applied the cost procedures for the initial three relocation options. The Letterkenny Army Depot relocation option was determined to be the least costly option for the relocation of DISA-WESTHEM from Fort Ritchie.

Fourth Relocation Option. Table 2 shows the authorized personnel levels of the three initial relocation options and the fourth relocation option.

Table 2. Authorized Personnel Levels for Each Relocation Option

		Regional Control Center		Headquarters		
Option	Location	Civilian	Military	Civilian	Military	Total
1	Rock Island	56	7	176	18	257
2	Fort Monmouth	56	7	176	18	257
3	Letterkenny	56	7	174	18	255
4	Multiple Sites	48	4	152	15	219

Table 3 shows the multiple site locations and authorized personnel levels included in the fourth relocation option.

Table 3. Multiple Site Relocations and Authorized Personnel Levels for Relocation Option 4

	Regional Control Center		Headquarters		
Location	Civilian	Military	Civilian	Military	Total
Columbus	48	4			52
National Capital Region			53	13	66
Letterkenny			83	2	85
Denver			10		10
Mechanicsburg			6		6
Total	**48**	**4**	**152**	**15**	**219**

DISA evaluated each relocation option and consistently applied the cost procedures at each site. DISA properly performed the cost analysis at each site to determine the least expensive relocation option for the site selection of DISA-WESTHEM. The following factors were included in the cost analysis:

- design and renovation
- information mission area
- furniture costs
- permanent change of station
- early retirement costs
- change in locality pay
- reduction in force costs
- moving costs
- interservice support agreement
- salaries
- fringe benefits
- new hire costs

DISA properly validated cost data used to support the cost analysis, and the cost computations were correct.

Table 4 provides the 20-year net present value cost reductions for the administrative and regional control center divisions' portions of each relocation option.

Table 4. 20-Year Net Present Value Cost Reductions for Each Relocation Option

		20-Year Net Present Value Cost Reductions			
Option	Locations Compared	Administrative (millions)	Regional Control Center (millions)	Total (millions)	Option Ranking
1	Rock Island Arsenal	3.29	0.33	3.62	3
2	Fort Monmouth	(0.76)	(2.30)	(3.06)	4
3	Letterkenny	6.65	0.79	7.44	2
4	Multiple Site	15.33	2.66	17.99	1

Table 4 shows that the fourth relocation option is the least expensive option for the site selection of DISA-WESTHEM, based on the cost reductions derived using the 20-year net present value factors. The 20-year net present value

factors and the cost reductions based on the factors were reduced by both one-time and recurring costs. The fourth relocation option is the least expensive option because it will eliminate 44 authorized positions for DISA-WESTHEM. The 44 authorized positions are a recurring cost factor, which results in combined 20-year net present value cost reductions of approximately $18 million.

Action Taken by Management. In a memorandum for the Assistant Chief of Staff for Installation Management, Department of the Army, April 15, 1996, DISA stated that the fourth relocation option will be more efficient for computer operations and for the regional control center. Upon approval of the fourth option, DISA will promptly change its Joint Table of Distribution to reflect the elimination of 38 civilian billets and 6 military billets, for a total of 44 billets, in the DISA-WESTHEM organization. See Enclosure 1 for a copy of the memorandum.

Management Comments

We issued a draft of this report on May 29, 1996. We recommended that the Director, DISA, reduce the personnel staffing document, the Joint Table of Distribution, for DISA-WESTHEM by 44 authorized personnel before October 1, 1998. DISA agreed to take action that would resolve the draft recommendation, as discussed in the memorandum dated April 15, 1996 (Enclosure 1), and as discussed in the June 19, 1996, response to the draft report (Enclosure 2). We consider the DISA action appropriate to address the recommendation in the draft report; therefore, we are not including the recommendation in the final report.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Wayne K. Million, Audit Program Director, at (703) 604-9312 (DSN 664-9312) or Mr. Nicholas E. Como, Audit Project Manager, at (703) 604-9303 (DSN 664-9303). Enclosure 4 lists the planned distribution for this report. The team members are listed inside the back cover.

Robert J. Lieberman

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Defense Information Systems Agency - Support for the Fourth Relocation Option

DEFENSE INFORMATION SYSTEMS AGENCY
STRATEGIC PLANS AND POLICY DIRECTORATE
701 S. COURTHOUSE ROAD
ARLINGTON, VIRGINIA 22204-2199

IN REPLY REFER TO: Strategic Plans and Policy (D5) 15 April 1996

MEMORANDUM FOR ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT, DEPARTMENT OF THE ARMY

SUBJECT: BRAC95 Discretionary Move for Defense Information System Agency (DISA) Western Hemisphere (WESTHEM)

Reference: DISA D5 Memo, subject as above, 27 Mar 96

1. DISA Option-4, as described in reference, is our plan to consolidate and become more efficient in computer operations and regional control centers. It is DISA's intention to implement this plan, if approved, as soon as BRAC funding is made available. Upon approval of Option-4 DISA will promptly change its Joint Table of Distribution to reflect the elimination of 38 civilian billets and 6 military billets for a total of 44 billets in the WESTHEM organization.

2. As requested, our study did not count any savings from military salaries and fringe benefits. However, we believe that both should be added to the savings shown in the EA to give a more complete view of the savings to DOD. The DISA WESTHEM at Fort Ritchie, Maryland is a DBOF organization; therefore, all expenses, including military salaries and fringe benefits, are recovered by the DISA operating rates. Please note that DBOF information services rates paid by appropriated funds of all Services and Agencies, will come down as a result.

3. The issue of relocating authorizations into the NCR is being worked with Mr. Cooke's office. Preliminary discussions with that office suggest that this issue is workable.

4. I request your favorable consideration of DISA-Option 4. I also request decisions impacting DISA not be finalized until discussions with DISA have occurred. I look forward to working with you on this initiative.

FOR THE DIRECTOR:

ROBERT W. HUTTEN
Deputy Director for
Strategic Plans and Policy

Quality Information for a Strong Defense

Defense Information Systems Agency Comments

DEFENSE INFORMATION SYSTEMS AGENCY
701 S. COURTHOUSE ROAD
ARLINGTON, VIRGINIA 22204-2199

IN REPLY REFER TO
Inspector General

19 June 1996

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
ATTN: Director, Contract Management

SUBJECT: Comments to Draft Report of Cost Data Used in the Site Selection of DISA WESTHEM Operations from Fort Ritchie, Maryland (Project No. 6CG-5001.46)

Reference: DODIG Report, subject as above, 29 May 96

1. We have reviewed the subject draft and concur with the finding and recommendation. Based on a conversation with the Audit Project Manager on 4 June 1996, we understand that the recommendation contained in the draft report will not be included in the final report because DISA had already agreed to take the action based on our 15 April 1996 memo to the Army Assistant Chief of Staff for Installation Management (enclosure 1 of the draft report). In a letter dated 10 May 1996, the Army gave formal approval to DISA to implement Option 4 (a copy of the letter is enclosed). As a result, DISA will remove the 44 billets from the Joint Table of Distribution. We will provide the DODIG with formal documentation concerning the removal of the billets.

2. We appreciate the opportunity to comment on the draft report. The point of contact for this action is Ms. Sandra J. Sinkavitch, Audit Liaison, on (703) 607-6316.

FOR THE DIRECTOR:

1 Enclosure a/s

RICHARD T. RACE
Inspector General

Quality Information for a Strong Defense

DEPARTMENT OF THE ARMY
ASSISTANT CHIEF OF STAFF FOR INSTALLATION MANAGEMENT
600 ARMY PENTAGON
WASHINGTON DC 20310-0600

REPLY TO ATTENTION OF

10 MAY 1996

DAIM-BO (5-10c)

MEMORANDUM FOR DEPUTY DIRECTOR FOR STRATEGIC PLANS AND POLICY (D5), DEFENSE INFORMATION SYSTEMS AGENCY, 701 S. COURTHOUSE ROAD, ARLINGTON, VA 22204-2199

SUBJECT: BRAC 95: Defense Information Systems Agency Western Hemisphere (DISA WESTHEM) Discretionary Moves

1. Reference: DISA D5 Memo, subject as above, 15 Apr 96.

2. After careful review of the Economic Analysis conducted on four options to relocate DISA WESTHEM from Fort Ritchie, MD, the DISA Headquarters option (#4) will be supported. This option is the most efficient and cost effective in that it consolidates the Regional Control Center with existing offices at Columbus, OH; and co-locates DISA WESTHEM headquarters with existing offices at Denver, CO; at Mechanicsburg, PA; in the NCR; and at Letterkenny Army Depot, PA.

3. While the initial (one-time) implementation costs are slightly higher for this option, it provides the highest annual savings to the Department of Defense over the 20-year life cycle with an earlier payback than any of the other options. The savings are possible in this option only as a result of consolidations and co-locations with existing offices.

4. While the current BRAC budget proposes funds in FY 98 and FY 99 for renovation and relocation, MDW and the DA BRAC office will work closely with your offices to expedite these actions to meet the Oct 98 planned closure date of Fort Ritchie.

5. The DOD Base Closure Office, Office of the Deputy Assistant Secretary of the Army (Installations & Housing), Office of the Army General Counsel; Office of the Judge Advocate General and the Military District of Washington Base Realignment and Closure Office concur with this action.

FRANK L. MILLER, JR.
Major General/GS
Assistant Chief of Staff
for Installation Management

Organizations Visited or Contacted

Department of the Army

Assistant Chief of Staff for Installation Management, Arlington, VA
Army Base Realignment and Closure Office, Arlington, VA
Fort Ritchie, MD

Defense Agencies

Headquarters, Defense Information Systems Agency, Arlington, VA
Defense Information Systems Agency Western Hemisphere, Fort Ritchie, MD

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Audit Team Members

This report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto
Wayne K. Million
Nicholas E. Como
Gopal K. Jain
Sheryl L. Jansen