CED-77-55

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REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES

Evaluation Of Forest Service Plans For Carrying Out Activities Of The Stockton, California, Regional Equipment Depot

Department of Agriculture

Before a final decision is made on the future of the Stockton Depot, the Forest Service needs to develop better estimates of the costs involved under various alternatives.

CED-77-55

MARCH 23, 1977

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-125053

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The Honorable John J. McFall
House of Representatives

Dear Mr. McFall:

This report is in response to your September 20, 1976, request that we review the Forest Service's plan to close its Regional Equipment Depot in Stockton, California. The activities of the Stockton depot, located in the Forest Service's Region 5, include equipment fabrication--the assembly and/or final preparation of model 41 and 51 firetrucks, utility trucks, and other special trucks used in the region--and the operation of a central spare parts inventory.

Before our review, the depot was also responsible for providing automotive repair accounting services to the 17 forests in Region 5 and for maintaining a subsidiary fire cache--storage of fire suppression supplies and equipment--for the region's North Zone Fire Cache. Shortly before our review, however, decisions were made to transfer those activities to other Forest Service units in the region.

On the basis of a June 1976 study report on ways to provide equipment servicing in Region 5, the Forest Service developed the following three alternatives and related cost estimates to carry out the depot's remaining activities--equipment fabrication and operation of the central parts inventory.

--Alternative I provided for continuing the activities at the Stockton depot. The estimated annual cost was $437,150.

--Alternative II provided for (1) continuing to fabricate model 41 firetrucks and operate the central parts inventory at the Stockton depot, (2) contracting, on a trial basis, for fabrication of model 51 firetrucks, and (3) transferring

the assembly of utility truck bodies to the individual forests. The estimated annual cost was $442,145.

--Alternative III provided for phasing out all activities at the Stockton depot and (1) contracting for the fabrication of both model 41 and 51 firetrucks, (2) transferring the assembly of utility truck bodies to the individual forests, and (3) transferring the central parts operation to the Forest Service center at Redding, California. The estimated annual cost was $333,305, or $103,845 less than that of alternative I.

In addition, the Forest Service estimated that a one-time cost of $49,500 would be incurred in closing the Stockton depot and that $253,000 would be realized from disposal of the Stockton site.

After an August 9, 1976, meeting between regional officials and National Federation of Federal Employees representatives, the Regional Forester directed a further study of the alternatives. As a result of that study, the Forest Service revised the cost estimates for the three alternatives to $436,450, $459,670, and $352,930, respectively. This resulted in a $20,325 decrease in the estimated annual savings between alternatives I and III--from $103,845 to $83,520.

In discussions with your office, we agreed to

--review the validity of the Forest Service's cost estimates,

--inquire into whether the individual forests could assemble utility truck bodies with existing personnel,

--inquire into what would happen to the employees who would have their jobs eliminated if the Stockton depot were closed, and

--inquire into certain other matters related to the Stockton depot's operations.

Our review included an analysis of data supporting the revised cost estimates and interviews with Forest Service officials at the regional office in San Francisco,

California; at the Stockton depot; and at 11 of the 17 local forests in Region 5. We also interviewed representatives of the National Federation of Federal Employees.

In summary, we found that (1) the Forest Service estimates do not accurately reflect the annual or one-time costs which would be incurred under the alternatives, (2) some of the forests do not have ample staffs to assemble utility truck bodies, and (3) jobs were planned for 6 of the 12 employees who would be affected by closing the Stockton depot, and an action plan was drafted for placing the other 6 employees. These matters are discussed in more detail in appendix I.

We believe that, before the future of the Stockton depot is decided, the Forest Service needs to develop better cost estimates under each alternative. The information in this report, as well as any other useful information for developing accurate cost estimates, should be considered in any further study.

The Forest Service agreed that there were inaccuracies in the cost estimates for the three alternatives but said that their net effect did not significantly change the savings which could be realized through closing the Stockton depot. It also said that factors other than cost were involved in the recommendation to close the Stockton depot. (See app. II.) Among these were:

--The need to certify, as the final manufacturer of the model 41 and 51 firetrucks, that all safety requirements have been met. The Forest Service does not know the ramifications of this certification or whether it can make the certification without additional training.

--Problems in meeting authorized personnel ceilings. The Forest Service said this was a prime concern in determining the disposition of the Stockton depot.

--The Government's general policy of relying on private enterprise to supply its needs whenever possible.

We recognize that such other factors could affect the decision to close the Stockton depot. However, because cost is an important factor in the decision and the estimates were inaccurate and did not include all pertinent cost factors,

we are recommending to the Chief of the Forest Service that, before deciding the future of the Stockton depot, the Service develop accurate cost estimates of the various alternatives for carrying out the depot's activities.

As requested by your office, copies of this report will be sent to the Department of Agriculture 7 days after the issuance date.

Sincerely yours,

Comptroller General
of the United States

Contents

EVALUATION OF FOREST SERVICE PLANS FOR CARRYING OUT ACTIVITIES OF THE STOCKTON, CALIFORNIA, REGIONAL EQUIPMENT DEPOT

ANALYSIS OF THE VALIDITY OF ESTIMATED ANNUAL COSTS UNDER THE THREE ALTERNATIVES

Our analysis of data supporting the latest Forest Service estimates of annual costs under the three alternatives showed that (1) improper factors were used in computing some of the costs, (2) some costs included in alternatives I and II should not have been included, (3) some costs which should have been included in alternatives I, II, and III were not included, and (4) latest cost data was not used in some cases. In addition, we noted other factors which could affect the validity of the cost estimates but adequate information was not readily available to determine the net effect of these factors on the alternatives' costs.

Forest Service cost estimates

The following table shows the Forest Service's latest cost estimates for each of the three alternatives.

Cost category	Alternative I	Alternative II	Alternative III
Annual payroll cost	$153,200	$153,200	$ 55,180
Annual facility cost	15,000	15,000	2,300
Cost for fabricating fire-trucks at Stockton depot:			
Model 41 and 51 trucks	197,500	-	-
Model 41 trucks only	-	46,020	-
Cost for fabricating fire-trucks under contract:			
Model 51 trucks only	-	171,700	-
Model 41 and 51 trucks	-	-	221,700
Cost for assembling utility truck bodies:			
At Stockton depot	70,750	-	-
At individual forests	-	73,750	73,750
Total	$436,450	$459,670	$352,930

Our analysis of the estimates

Payroll costs

The estimated payroll cost of $153,200 for alternatives I and II represents salaries and fringe benefits--retirement, health benefits, and life insurance--for nine full-time employees and three part-time employees. Our analysis showed that the Forest Service had not properly computed this estimate. Some items were overstated and some were understated.

The wrong base pay was computed for 7 of the 12 employees. In each instance, the Forest Service's figure was less than it should have been.

Also, the estimate included 50 percent of a mechanical engineer's salary, 50 percent of a shop foreman's salary, and 100 percent of two journeyman mechanics' salaries. According to a June 10, 1976, memorandum by Region 5's Staff Engineer for Equipment Management, however, only 20 percent of the mechanical engineer's workload was directly related to Stockton depot work. Also, Forest Service officials told us that (1) based on the depot's present workload, the shop foreman was not needed and the position would be eliminated and (2) the two journeyman mechanics would be needed only 50 percent of the work year. They said that during the past year, the mechanics were detailed to individual forests on other work when they were not needed at the Stockton depot.

The Forest Service used 10 percent of base pay to compute the cost for fringe benefits. According to an October 18, 1976, revision to Office of Management and Budget Circular No. A-76, the cost of fringe benefits for civilian personnel should be computed by multiplying base pay by 28.7 percent. The Forest Service officials were not aware of the revision at the time they revised the estimates.

As a result of the above items, payroll costs under alternatives I and II, on a net basis, could be overstated by as much as $4,240.

The payroll cost of $55,180 for alternative III--representing salaries and fringe benefits for three employees

to operate the central supply operation at the Redding, California, center and three employees, working part-time, to help administer the contracts for fabricating model 41 and model 51 firetrucks--was also inaccurate. The supporting data showed a payroll cost of $56,094, or about $920 more than the figure used. Also the Forest Service used 10 percent of base pay, rather than 28.7 percent, in computing the cost of fringe benefits. On a net basis, the payroll costs under alternative III could be understated by as much as $11,217 because of these factors.

Facility costs

The estimated facility cost of $15,000 for alternatives I and II represents (1) depreciation costs of buildings, equipment, and furniture, (2) maintenance costs of real property and shop equipment, and (3) miscellaneous expenses. The supporting data showed that these items had been estimated at $15,420, or $420 more than the figure used. Also, the estimate did not include a cost for telephone and utilities. These had been budgeted at about $22,320 for fiscal year 1977.

Firetruck fabricating costs

The estimates of $197,500 for alternative I and $46,020 for alternative II for fabricating firetrucks at the Stockton depot represent the costs of component parts, unskilled labor, transportation, and miscellaneous tools and supplies. The estimates of $171,700 for alternative II and $221,700 for alternative III represent the costs of component parts and fabrication and transportation of firetrucks acquired, under contract, through commercial sources. Under each alternative, it was assumed that 34 firetrucks, 17 of each model, would be fabricated annually. Our analysis showed the following shortcomings in the cost estimates.

In computing the cost of component parts for the model 51 firetrucks, the Forest Service used a per-truck cost of $8,000. The depot's records, however, showed that each of the last three sets of component parts purchased for the model 51 firetruck cost about $9,620. The use of the lower cost understated the cost in each alternative by about $27,540.

The Stockton depot used employees on detail from other Forest Service units to assist in fabricating model 41 and 51 firetrucks. Assuming continuation of this practice, the Forest Service computed its costs using 65 hours at $8 an hour for fabricating each firetruck. The supporting data showed that (1) 80 detailer hours were needed for a model 51 firetruck, (2) 24.6 detailer hours were needed for a model 41 firetruck, and (3) the average cost for a detailer hour was about $9. As a result, the cost under alternative I was overstated by about $2,000 and under alternative II by about $5,240.

The estimate for alternative I included $6,500 for transportation of the completed firetrucks. The supporting data showed this figure to be $6,120, or about $380 less than the figure used.

Utility truck body assembly costs

The estimates of $70,750 for alternative I and $73,750 for alternatives II and III represent the costs of the truck bodies, unskilled labor, transportation, and miscellaneous tools and supplies needed for truck body assembly by the Stockton depot and by the individual forests, respectively. Under each alternative, it was assumed that 75 utility truck bodies would be assembled annually. Shortcomings in the cost estimates were as follows.

In computing the cost of utility truck bodies, the Forest Service used a per-truck factor of $700, although it purchases several different types of utility truck bodies at different costs. According to depot records, the last 82 truck bodies had cost from $576 to $1,480 each and averaged about $800. Using the lower figure understated the cost of each alternative by about $7,500.

Under alternatives II and III, the Forest Service estimated transportation costs of $7,500, or $100 for each truck body. According to a Forest Service official, about $30 to $35 of the $100 was already included in the estimated truck body cost. Accordingly, the estimate could be overstated by as much as $2,625.

Employees were also detailed from other Forest Service units to assist Stockton depot employees in assembling utility truck bodies. In computing the cost for the employees on detail, the Forest Service used 17 hours at $10 an hour for each truck. The supporting data showed that 14.4 detailer hours were needed for assembling a utility truck body and that the average hourly cost was about $8. As a result, the cost under alternative I was overstated by about $4,110.

Travel costs

The estimated costs for alternatives II and III did not include travel costs that would be incurred to administer the contracts for firetruck fabrication even though the Forest Service had projected that two to three trips would be necessary each year. The supporting data estimated the cost of these trips at about $1,000 annually.

Other factors which affect the cost estimates

In addition to the shortcomings noted in the various cost estimates, we noted other factors which may further affect the estimates. However, data was not readily available to determine the total impact of these factors.

Under alternatives I and II, the Forest Service included the salary cost for a supply technician position. According to a Forest Service official, 50 percent of the supply technician's duties were eliminated when the fire cache was transferred from the Stockton depot and the position may no longer be needed if the Stockton depot were to remain in operation.

Under alternatives II and III, the Forest Service cost estimates for contracting for the fabrication of firetrucks were based, in part, on verbal quotes from a private contractor. The contractor said he prepared the quotes without formally analyzing the required work and that his quotes may be from $100 to $200 higher than necessary. He said that, although he was generally familiar with the work required, he would need to analyze the specifications before making formal bids.

The cost estimate for utility truck body assembly under alternatives II and III was based, in part, on an assumption that the individual forests would use relatively unskilled employees on detail from their normal jobs--the method followed at the Stockton depot--to do the work. As discussed on page 8, some forests do not have ample staff to do the assembly work and, if it were assigned, additional staff would be needed or work now being done in-house would have to be contracted. Also, some of the forests indicated that the work would be done without the assistance of detailed employees.

Except for the payroll cost for alternatives I and II, the Forest Service estimates did not include the costs which would be incurred in fabricating special trucks. The following table shows the number of special trucks fabricated at the Stockton depot during fiscal years 1975 and 1976--including the 3-month transition period--and the number scheduled for fabrication during fiscal year 1977.

Truck type	Fiscal year 1975	1976	1977
Garbage compactor	3	-	-
Dump truck	2	2	-
Water trailer	1	-	-
Crew truck	2	-	11
Water truck (2,500 gallon)	-	1	-
Water truck (1,500 gallon)	-	1	1
Heavy duty utility truck	-	1	-
Flat bed truck	-	1	-

Under alternatives I and II, the Forest Service did not include cost estimates for (1) taxes lost because commercial services would be provided by the Government, (2) risk for uninsured losses, (3) interest on the capital investment required to renovate or replace Stockton's paint shop in compliance with occupational health and safety standards, and (4) depreciation of the new or renovated paint shop.

Under alternatives I, II, and III, the Forest Service did not include estimates of the costs which would be incurred for indirect support activities, such as accounting and legal services.

ANALYSIS OF THE VALIDITY OF THE ESTIMATED ONE-TIME COSTS IF THE STOCKTON DEPOT WERE CLOSED

The Forest Service estimated that a one-time cost of $49,500 would be incurred if the Stockton depot were closed. This consisted of (1) $19,000 for modifying space at the Redding center to accommodate the central parts inventory, (2) $24,000 in personnel transfer costs for 6 of the 12 employees at the Stockton depot, and (3) $6,500 for moving the parts inventory to Redding. Our review showed that the figure did not include all potential costs which could be incurred.

The personnel transfer cost of $24,000 was based on an estimated $4,000 for each of the six employees. According to information furnished by a Forest Service personnel official, the expenses to be paid to an employee for the sale and/or purchase of a house, only one of several cost elements involved in relocation, would be about $4,000. The information also indicated that the typical cost associated with transferring a family of four a distance of 209 miles--the approximate distance between Stockton and Redding--would be $6,465.

Also, the estimate did not include job termination or other costs for the other six employees. Depending on the decision of each employee, costs would be incurred for relocation, unemployment compensation, or severance pay.

In addition, the estimate did not include a cost for building and equipment depreciation during the period between the depot closing and the facility and equipment disposal.

ABILITY OF INDIVIDUAL FORESTS TO ASSEMBLE UTILITY TRUCK BODIES WITH EXISTING PERSONNEL

Under alternatives II and III, the Forest Service assumed that the individual forests would use relatively unskilled employees on detail from their normal jobs to assemble utility truck bodies. It estimated that each assembly job would require the same number of labor hours as had been spent at the Stockton depot.

We discussed the assembly of utility truck bodies with maintenance officials at 11 of the Region's 17 local forests. Officials at six of the forests said they did not have the personnel to do the assembly work and, if it were assigned, they would need additional people or would have to contract for work now being done in-house. Officials at four of the forests said they could do the assembly work with existing personnel. For the remaining forest, we were told that the assembly work could either be done in-house or under contract depending on the shop's workload at the time the truck bodies were scheduled for assembly.

Officials at six of the forests said they would not use detailed employees to do the assembly work. Officials at the other forests did not comment on this matter.

EMPLOYMENT STATUS OF PERSONNEL WHO WOULD BE AFFECTED IF THE DEPOT WERE CLOSED

As of November 1976, there were 17 employees assigned to the Stockton depot. Of these, 12 would be affected if the depot were closed. The need for the other five employees was eliminated when the Forest Service decided to phase out the accounting operations performed by the Stockton depot and use unskilled employees on detail from their normal jobs in the fabrication work.

The job titles and grades of the 12 employees who would be affected if the Stockton depot were closed are as follows.

Job title	Grade
Depot superintendent	GS-11
Inventory management specialist	GS- 9
Mechanical engineer	GS- 7
Purchasing agent	GS- 5
Supply technician	GS- 5
Clerk typist	GS- 4
Shop foreman	WG-10
Journeyman mechanic (2)	WG-10
Welder	WG-10
Maintenance worker	WG- 7
Warehouseman	WG- 5

Forest Service officials told us that current plans provide for (1) creating two regional equipment specialist positions, (2) retaining the mechanical engineer position, with minor modifications, and (3) transferring the positions of inventory management specialist, purchasing agent, and warehouseman to Redding, along with the central parts inventory function. They indicated that the depot superintendent and the shop foreman would probably be selected for the two new equipment specialist positions and that the employees currently in the four positions to be retained would choose to relocate and remain employed in those positions.

The officials also said that placing the remaining six employees in other Forest Service jobs would greatly depend on whether the employees decided to relocate, stay in the area, or retire. They said that an action plan for placing these employees had been drafted and sent to the Regional Forester for approval. The draft plan states that:

--A general notice of the reduction-in-force will be sent to each of these employees at least 30 days before scheduled closing.

--Profiles will be developed on the employees to identify (1) their willingness to move out of the area, (2) the type of jobs and grades they would be willing to accept, and (3) their retirement plans, if eligible.

--Full-time employees who will not relocate will be placed on a displaced employees list. Job applications will be sent to other Federal agencies in the general area. Displaced employees must be considered for all civil service jobs for which they are qualified before other civil service employees and other applicants.

--Full-time employees who will relocate will receive priority consideration for all Forest Service jobs for which they qualify.

--Temporary employees will be placed on a separate register for seasonal employment.

APPENDIX II

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE

Washington, D.C. 20013

REPLY TO: 1420 GAO Audit
(6500)

March 8, 1977

SUBJECT: GAO Report - Evaluation of Forest Service Plans for Carrying Out Activities of the Regional Equipment Depot in Stockton, California

TO: Brian Crowley, Assistant Director in Charge
Community and Economic Development Division
U.S. General Accounting Office
Room 6639-S. Bldg.

The Forest Service agrees there are some inaccuracies of the estimated costs for the three alternatives to provide equipment servicing in Region 5. However, when the quantified omission and/or cost statements identified in the GAO report are taken in consideration, the relative relationship of the alternatives remains the same. Thus, the cost savings of contracting does not change in any significant degree. Furthermore, the cost savings were only one of several factors that went into our recommendation to close the equipment depot at Stockton.

Among these factors were:

A. If we continue to mount Model 41 and 51 bodies, we would have to certify as a final manufacturer, that all safety requirements in manufacture have been met. We do not know what the ramifications of this certification would be and whether indeed we could even make that certification without additional training.

B. The personnel ceiling problem has been with us for some time and continues to be of concern in the assignment of personnel and the priorities of all programs to be undertaken. This was a prime concern when determining the disposition of the Stockton depot.

C. We are in the process of reviewing commercial operations carried on by the government as directed by OMB Circular A-76. Since there is general direction to use contracting whenever possible, we are only following that direction by recommending closure of the Stockton depot.

In our opinion, to summarize a slight change in the cost relationships of our alternatives as developed would not bear significantly on the decision to close the depot. Therefore, we suggest that the recommendation for further study be modified to allow us to proceed with our plan.

Chester A. Shields

CHESTER A. SHIELDS
Associate Deputy Chief

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