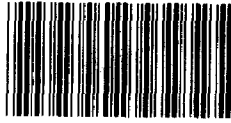


GAO

United States General Accounting Office  
Washington, DC 20548

15915 11417

Logistics and  
Communications  
Division



114177

B-201561

JANUARY 23, 1981

The Honorable Lloyd Bentsen, United States Senate  
The Honorable John Tower, United States Senate  
The Honorable James Collins, House of Representatives  
The Honorable Martin Frost, House of Representatives  
The Honorable Phil Gramm, House of Representatives  
The Honorable Jim Mattox, House of Representatives  
The Honorable Jim Wright, House of Representatives

Subject: [Proposed Consolidation of Defense Contract  
Administration Services Regions in  
St. Louis] (LCD-81-22)

In response to your May 1, 1980, request, [we initiated a review of the Defense Logistics Agency's (DLA's) cost and savings estimates for the proposed consolidation of the Defense Contract Administration Services Regions in St. Louis.]

On March 29, 1979, the Department of Defense announced that as part of DLA's continuing effort to streamline its contract administration field organization, actions would be initiated to consolidate its nine regions into five. Under the realignment plan, the Dallas and St. Louis regional offices would be consolidated into a new west central regional office and would be located in St. Louis. The consolidation was scheduled to begin in April 1981 and to be completed by September 1982.

DLA's support for its estimates was contained in a study report issued in November 1978 and revised in October 1979. DLA estimated that consolidating the Dallas and St. Louis regional offices and locating the new regional office in St. Louis would result in annual savings of \$2.11 million and one-time costs of \$1.27 million; DLA estimated that this would result in net discounted savings over a 6-year period of \$5.486 million. If the regional office was located in Dallas, DLA estimated annual savings of \$1.93 million and one-time costs of \$1.29 million; DLA estimated that this would result in net discounted savings over a 6-year period of \$4.936 million. On this basis, DLA decided that locating the new west central regional office in St. Louis, instead of Dallas, would be more cost effective.



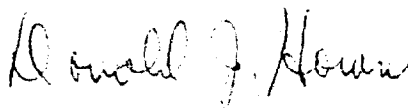
014580

(945450)

In November 1980 DLA initiated certain actions that, in our opinion, significantly affect the planned consolidation. On November 21, 1980, the Department announced that DLA was reviewing all nine Defense Contract Administration Services Regions. As part of this review, DLA is examining (1) costs and benefits associated with alternative organization structures, which include retaining all or major parts of all regional offices, (2) a projected increase in Department contracting, and (3) computer systems that support the regional offices. DLA plans to provide the Secretary of Defense a report on the review's results by April 1, 1981.

In response to our inquiry, DLA stated that the review will include changes in the regions' boundaries, workloads, and organization structures. According to DLA, these changes will significantly alter the cost and savings estimates used in the previous decision to locate the new west central regional office in St. Louis. Consequently, as agreed with your office, we discontinued reviewing the cost and savings estimates upon which the Department made its decision to locate the regional office in St. Louis.

We are sending copies of this report to the Secretary of Defense and to others who have expressed an interest in this matter. Copies will also be made available to others upon request.

  
for R. W. Gutmann  
Director