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United States General Accounting Office
Washington, DC 20548

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Logistics and
Communications
Division

B-168700

RELEASED

AUGUST 15, 1979

The Honorable Gordon J. Humphrey
United States Senate

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Accounting Office except on the basis of specific approval
by the Office of Congressional Relations.**

Dear Senator Humphrey:

Subject: Review of the Merger of Navy Sea Systems
Command Automatic Data Support Centers
(LCD-79-328)

This is in response to your May 11, 1979, letter,
requesting us to evaluate the economic elements behind the
Navy's decision to move the Computer Application Support and
Development Office, located at the Portsmouth Naval Shipyard,
New Hampshire, and merge it with the Central Naval Ordnance
Management Information Systems Office, located at Indian Head,
Maryland. *-AGC 78*

DLG 2582

The Navy has been considering the merger of these activ-
ities since 1976. (A July 1977 Navy report showed that con-
solidation of these activities could eliminate 37 positions
at an estimated annual savings of \$905,600. The Navy then
studied the alternatives of locating the consolidated activ-
ity at either Portsmouth or Indian Head to determine which
of the two sites would result in the least costs.)

From In a ~~July 1978 report~~, the Navy concluded that it would
incur less investment costs by locating at Indian Head. We
reviewed the cost elements supporting that decision and agreed
that it is economically more favorable to locate at Indian
Head. *what is*

The Navy estimated that the move to Indian Head would be
\$615,000 less than at Portsmouth, *whereas GAO* but we estimated *the amount would be* \$678,000
less. The Navy also estimated that the annual operating
costs at Indian Head would be \$38,000 greater than at Ports-
mouth; however, *GAO* we estimated *the amount would be* \$2,000 greater. Details of our
cost estimates, compared with the Navy's, are shown in enclo-
sure I.

Since 1976 the Navy has reduced the authorized personnel
for these two activities by 81 positions, a level where it



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can no longer effectively operate in two locations.)^{Final} Details of the reduction are shown in enclosure II.

Subsequent to your May 11 letter, your office requested that we also provide information on (1) the "on-board" strength at specific dates for both activities and (2) actions expected to be taken by personnel at Portsmouth. This information is shown in enclosure III.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of the report until 30 days from the date of the report. At that time we will send copies to the Director, Office of Management and Budget; the Secretaries of Defense and the Navy; and other interested parties upon request.

Sincerely yours,



R. W. Gutmann
Director

Enclosures - 3

COMPARISON OF NAVY AND GAO COST ESTIMATE
TO LOCATE AT INDIAN HEAD AND PORTSMOUTH

	1978 Navy report		GAO		GAO increase or decrease (-)	
	Merge at Indian Head	Ports- mouth	Merge at Indian Head	Ports- mouth	Merge at Indian Head	Ports- mouth
------(000 omitted)-----						
Investment costs:						
Facilities rehabili- tation/construction	\$ -	\$ 272	\$ -	\$ 272	\$ -	\$ -
Deinstallation and relocation computer and office equipment	3	54	3	54	-	-
Personnel relocation	253	594	253	594	-	-
Recruiting and training	16	78	97	222	a/81	b/144
Severance pay	<u>230</u>	<u>119</u>	<u>230</u>	<u>119</u>	-	-
Total	<u>\$502</u>	<u>\$1,117</u>	<u>\$583</u>	<u>\$1,261</u>	<u>\$81</u>	<u>\$144</u>
Difference		<u>\$615</u>		<u>\$678</u>		<u>\$63</u>
Annual operating costs:						
Occupancy	\$ 640	\$ 602	\$ 588	\$ 586	c/\$-52	d/\$-16
Salaries	4,408	4,408	3,887	3,887	e/-521	e/-521
Computer	648	648	648	648	-	-
Other	<u>663</u>	<u>663</u>	<u>663</u>	<u>663</u>	-	-
Total	<u>\$6,359</u>	<u>\$6,321</u>	<u>\$5,786</u>	<u>\$5,784</u>	<u>-\$573</u>	<u>-\$537</u>
Difference		<u>\$38</u>		<u>\$2</u>		<u>\$36</u>

a/Training and recruiting funds for nine professionals at Indian Head not included in Navy's 1978 report.

b/Training and recruiting funds for 16 professionals at Portsmouth not included in Navy's 1978 report.

c/A reduction in tenant costs. The Navy estimated tenant costs of \$198,000 for 36,000 gross square feet for 208 employees. A revised estimate of \$146,000 is needed because the Navy has reduced its requirements to 28,000 gross square feet for 164 employees.

d/\$7,000 in travel costs not included in Navy's 1978 report, -\$6,000 in tenant costs at Portsmouth due to staff reduction from 208 to 164, and -\$17,000 in utility costs overstated in Navy's 1978 report.

e/Result of a reduction in staff from 208 to 164.

INDIAN HEAD AND PORTSMOUTH
COMBINED AUTHORIZED STRENGTH

Combined authorized positions of both activities prior to preliminary review in 1976		245
Positions eliminated as a result of the 1976 report recommendations	-37	
Additional reduction of positions as a result of a 1977 budget review	-40	
Additional budget cuts of two positions in 1978 and two positions in 1979	<u>-4</u>	<u>-81</u>
Total as of July 13, 1979		<u>164</u>

ON-BOARD STRENGTH AT PORTSMOUTH ANDAT INDIAN HEAD

	<u>Sept. 1976</u>	<u>July 1977 report</u>	<u>July 1978 report</u>	<u>July 1979</u>
Portsmouth	97	91	83	69
Indian Head	<u>139</u>	<u>133</u>	<u>131</u>	<u>111</u>
Total	<u>236</u>	<u>224</u>	<u>214</u>	<u>180</u>

EXPECTED ACTIONS BY PERSONNEL AT PORTSMOUTHAS OF JULY 13, 1979

<u>Plan to retire</u>	<u>Declined transfer (note a)</u>	<u>Accepted transfer (note b)</u>	<u>Total</u>
6	37	26	69

a/These personnel will either be placed in other government positions or be terminated. Costs for severance pay as of July 13, 1979, have not been estimated.

b/Personnel at Portsmouth estimated that only 17 persons will eventually transfer to Indian Head.