



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
DEPUTY CHIEF OF STAFF, G-8  
700 ARMY PENTAGON  
WASHINGTON DC 20310-0700  
HSA-JCSG-D-05-433

DAPR-ZB

JUL 07 2005

MEMORANDUM FOR DIRECTOR, BASE REALIGNMENT AND CLOSURE

SUBJECT: Response to Analysis of DoD's 2005 Selection Process and Recommendations for Base Closures and Realignments (GAO-05-785), July 2005

1. Reference Analysis of DoD's 2005 Selection Process and Recommendations for Base Closures and Realignments (GAO-05-785), July 2005.
2. Thank you for the opportunity to comment. Below we address issues within the above referenced Government Accountability Office (GAO) report that are applicable to the Headquarters and Support Activities Joint Cross-Service Group (HSA JCSG).
3. While the information provided in the GAO report is largely accurate, it does not always reflect appropriate context. In order to provide balanced perspective throughout the report either corrections, additional verbiage for context, or presenting information that was considered during the deliberative process is necessary in the following instances.
  - a. Transformational Options (page 153). The list of Transformational Options does not match the correct list that was provided in the final BRAC report, as submitted by the Secretary of Defense. The HSA JCSG applied a consistent approach that used a strategy-driven, data-verified method of generating scenarios and recommendations. The transformational options, along with the foundational principles, formed the basis of HSA JCSG's strategy.
  - b. Anti-Terrorism/Force Protection Premium (pages 158-9). While deliberating movement from leased space, the HSA JCSG considered current Department policy for meeting Anti-Terrorism/Force Protection (AT/FP) a necessity.

(1) Costs. It is significant and important to note that the removal of the AT/FP premium does not materially affect any of the HSA JCSG recommendations. Removing 100% of the AT/FP premium only decreases the aggregate 20-year Net Present Value (NPV) savings 4.6%, and the remaining NPV savings still total \$5.546 billion. In the specific Stennis example cited in the GAO report, removal of the AT/FP premium reduces NPV savings from \$196.669 million to \$194.887 million, with no impact on payback years. That said, though the most accurate way to assess the cost of AT/FP compliance is to grade each building in the DoD inventory both leased and owned this approach was not feasible given time and resource constraints. Therefore, the HSA JCSG applied a conservative AT/FP premium to all cases in order to ensure a balanced, equitable, and realistic

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comparison. It was appropriate for the HSA JCSG to apply the premium even in cases where the current leased occupancy represents less than 25 percent of the space in the building (thus currently AT/FP compliant by UFC), as future building occupancy-based compliance could change or the lessee may not remain in place throughout the BRAC horizon.

(2) Threat. The future Pentagon Force Protection Agency (PFPA) study mentioned in the GAO report was and is not available to the HSA JCSG, and is not relevant to the BRAC process. Certainly, threat vulnerability is a dynamic of AT/FP and the PFPA study, when conducted, will be helpful with respect to the threat associated with a specific building. This information may prove useful in the future management of leased space within the department, but could not be a factor in the HSA JCSG recommendations.

c. Joint Basing (pages 161-2). While Joint Basing initiatives may present implementation challenges, these challenges are surmountable and the potential for increased efficiency and effectiveness is significant. At the root, there is no foundational impediment reflected here, other than "trusting" a sister service. The fact is, tenant relationships exist aboard many Bases and Stations today. The period of time preceding implementation allows ample opportunity to develop and refine common terminology and operating standards. Two installations with a common boundary, or in close proximity, are not so unique that one could not arrange and manage common support functions like cutting grass or maximizing efficiency of single support contracts. Leveraging this potential leads to efficiencies that benefit operational forces and the taxpayer.

d. Bundling Costs (pages 162-3). Integration of scenarios was a management tool for the large number of recommendations during the latter stages of deliberations, and generally centered on common closure recommendations or groupings of entities with similar functions. The HSA JCSG provided multiple recommendations to the Army that combined to support the closures of Forts Monroe and McPherson. The movement of Headquarters from the DC area to Fort Sam Houston, one small element from Rock Island, and the Army Materiel Command (AMC) remained. The HSA JCSG grouped these remaining entities as the "Relocation of Headquarters and Field Operating Agencies from the National Capital Region" recommendation. The relocation of AMC fit cleanly into this "grouping." Furthermore, a proposed draft of an upcoming Inspector General report, "DoD Purchases Made Through the GSA," states that AMC pays \$7M/year for temporary buildings at Fort Belvoir. Though these costs were not identified and available to be included in the COBRA analysis, they would have been appropriate. If included, the NPV for the AMC component of the recommendation would have changed from a \$77.3M cost to a \$10.1M savings, and the NPV of the aggregated recommendation would change from a \$122.9M savings to a \$210.3M savings.

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e. Contextual Clarification.

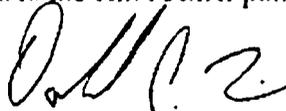
(1) Leased Space (page 158). The report discusses the reduction of leased space within the National Capital Region (NCR) from 8.3 million square feet to 1.7 million, a reduction of 6.6 million square feet. It is important to highlight the relative size of DoD leased space within the commercial real estate sector in the region. There are approximately 369 million square feet of commercial leased space within the DC metro area and 164 million square feet in Northern Virginia. The reduction represents an insignificant percentage of the total commercial real estate market. Historical absorption rates also suggest that recovery is achievable, and the impact is likely insignificant for the NCR.

(2) Rounding and Eliminations (page 152). The HSA JCSG implemented a prudent personnel reduction determination process that began with application of a standard conservative elimination rate based on co-location or consolidation, and followed with negotiating with the affected entities, and exercising military judgment through deliberations. The range of eliminations both reflected and allowed for unique characteristics of each organization involved. While the application of eliminations or rounding may seem nonstandard, that truly reflects the strength of the HSA JCSG approach. Instead of applying a standard and arbitrary factor to every scenario, the HSA JCSG fostered a process to balance (a) obtaining efficiency and shared savings with (b) the operational needs of the entities under consideration. Reflecting this conservative approach, approximately 80 percent of the HSA JCSG recommendations had elimination rates of less than 20 percent.

(3) Fort Belvoir Scenarios (page 160). The GAO report states that HSA JCSG recommendations associated with movement to Fort Belvoir include a \$55 million estimate to improve roads and infrastructure. While this is correct, the estimate is only the HSA JCSG portion. The Army has actually estimated an improvement requirement of approximately \$125 million.

4. The HSA JCSG efforts represent a seminal joint analysis of the functions under its scope within the BRAC process. The HSA JCSG faced significant challenges that may be unique within the BRAC construct. Its methodologies and approaches provide the most fair and accurate representation of the data that is available.

5. Please direct any issues or questions to the HSA JCSG point of contact, COL Carla Coulson at (703) 696-9456.



DONALD C. TISON  
Assistant Deputy Chief of Staff, G-8  
Chairman, HSA JCSG



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

JUL 15 2005

Mr. Barry Holman  
Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Holman,

This is the Department of Defense response to the Government Accountability Office (GAO) final report, GAO-05-785, "Analysis of DoD's 2005 Selection Process and Recommendations for Base Closures and Realignments," dated July 1, 2005.

The Department previously provided technical corrections and oral comments on the draft report during the week of June 20, 2005. The Department appreciates GAO's recognition that "DOD's decision-making process for developing its recommendations was generally logical, well documented, and reasoned." The report also notes that Department was "consistent in adhering to the use of military value criteria, including new considerations introduced for this round, such as surge and homeland defense." Additionally, the Department fully agrees with GAO's finding that audits by the DoD Inspector General and the individual Service Audit Agencies "concluded that the extensive amount of data used as a basis for BRAC decisions was sufficiently valid and accurate for the purposes intended."

The Department generally agrees with GAO's observations on the process, but disagrees with GAO's concerns regarding projected savings. While the report acknowledges that savings would be achieved and that projected savings are large, it expresses concern, however, that much of the savings result from military personnel reductions at BRAC sites. The report states "without recognition that these are not dollar savings that can be readily applied elsewhere, this could create a false sense of savings available for other purposes."

The issue regarding the treatment of military personnel savings represents a longstanding difference of opinion between DoD and GAO. The Department considers military personnel reductions as savings that are just as real as monetary savings. While the Department may not reduce overall end-strength, the reductions in military personnel for each recommendation at a specific location are real. As is the case of monetary savings, personnel reductions allow the Department to apply these military personnel to generate new capabilities and to improve operational efficiencies.



As the Department has indicated in its oral comments, it intends to develop a system for tracking and periodically updating its savings estimates for the BRAC 2005 round as recommended by GAO.

The Department's additional concerns are outlined in the enclosure.

The Department appreciates the work performed by the GAO in this regard and appreciates the opportunity to comment on the final report.

Sincerely,



Michael W. Wynne  
Chairman, Infrastructure Steering Group

Enclosure:  
As stated

**Additional Issues**  
on  
**GAO Report GAO-05-785, "Analysis of DoD's 2005 Selection Process and  
Recommendations for Base Closures and Realignments"**

**Department of Army**

**Issue:** The GAO is concerned that uncertainties regarding the rebasing of Army Overseas Forces to the United States and force structure changes due to modularity may cause projected BRAC costs and savings to be incorrect (pg. 83).

**Response:** The GAO listed three specific areas of concern that contribute to their perceived uncertainties. All three are directly related to the Army's force structure and manpower authorizations. While some uncertainties remain with respect to these areas, the Army's BRAC Recommendations were based on decisions and the Twenty-year Force Structure Plan which are unlikely to change significantly. As stated in the Force Structure Plan, the authorized strength of the Army is expected to remain at 482,400 and includes 43 Brigade Combat Teams (BCTs) through 2011 and beyond. Temporary authorizations have allowed the Army to retain up to approximately 512,000 soldiers in support of the Global War on Terrorism (GWOT). BRAC analysis and the subsequent recommendations considered this temporary increase.

The Army took a holistic approach to the operational Army in its BRAC analysis and accounted for all 43 BCTs. In order to expand the operational Army by an additional 10 BCTs before the end of Fiscal Year 2006, the Army had to account for approximately 3,500 Soldier authorizations per BCT. As the GAO noted on page 84, "over half of the Army's forces returning from overseas are expected to be folded into the new modular brigades being formed in the United States." As the units overseas inactivate over the next few years, their authorizations will be applied to the approximately 35,000 Soldier authorizations required for the 10 additional BCTs. Their return is timed to support the Army force generation cycle in order to meet current and projected operational requirements. If operational requirements delay the inactivation of unit scheduled to return from overseas, this would require a continuation of the Army's temporary over strength which would not impact the BRAC recommendations but could delay the closure of installations overseas.

**Issue:** The GAO is concerned that proposed BRAC actions may overstress already constrained training ranges (pg. 85).

**Response:** The Army's BRAC analysis considered the increase in the number of BCTs and the BRAC recommendations reflect what the Army believes is the optimal solution.

For example, the Army's capacity analysis indicated that Fort Hood did not have the amount of training land to adequately meet the training requirements for six BCTs. Similarly, when the Education and Training Joint Cross Service Group proposed to move the Armor School and Center to Fort Benning, the capacity analysis indicated that Fort Benning could not adequately support the requirements of a second BCT that the Army had previously announced it would activate at Fort Benning in 2006 and the BRAC recommendation would activate it at Fort Knox instead. We also reviewed planned modernization efforts at each installation to determine additional training range requirements at installations included in the BRAC recommendations. This resulted in the inclusion of \$240 million for range construction and upgrades at Fort Bliss and \$40 million at Fort Carson.

**Issue:** GAO reported that most of the Army's reserve component recommendations are contingent upon certain actions that have either yet to take place or be decided (pg. 87).

**Response:** The participation by the States in the Army RC recommendations is voluntary. However, each State that participated in the development of these recommendations did so with the intent to implement them. Where possible, the Army obtained a certified document signed by a representative from the office of the State Adjutant General that supports implementation of these recommendations.

In land acquisition contingent recommendations, a cost to obtain suitable land was included in the analysis. Commercial property is readily available in those locations identified for the new Armed Forces Reserve Centers that require land acquisition.

**Issue:** Bundling of various recommendations reduces visibility of costs (pg. 87).

**Response:** Combining the various recommended actions at a specific installation into one recommendation improves the visibility of the overall cost and savings estimates at that particular installation. This also ensured that excess facilities are considered only once and that the revised requirements for community facilities and installation staff are more accurate. The Cost of Base Realignment and Closure Actions (COBRA) reports for each recommendation break down all costs and savings by location.

**Issue:** GAO indicated that storage capacity at McAlester Army Ammunition may be insufficient to handle Red River's munitions (pg. 89).

**Response:** The Industrial JCSG analysis determined that McAlester Army Ammunition Plant will have sufficient storage space for munitions that will be relocated from Red River Munitions. McAlester Army Ammunition Plant will demilitarize 16 percent of the munitions it is currently storing (102,603 short tons) and this will enable McAlester to store the roughly 77,000 short tons of munitions it will receive from Red River Munitions Center, Texas.

Issue: GAO indicated that the Army and the Navy did not include additional force protection costs in their analysis (pg. 44).

Response: The Army considered standoff distances when establishing the footprint of the new facilities. Additionally, with the exception of the majority of the RC recommendations, the new facilities are built on military installations that provide additional force protection. Therefore, force protection costs were indirectly included in the costs of the recommendations and were considered for all the recommendations.

Issue: The report implies that additional funding was not included for increased housing requirements at gaining installations (pg. 51).

Response: Additional housing costs were included in each of the Army's recommendations where the addition of new personnel exceeded the capacity at the installation based on the current on base housing percentage. For example, at Fort Bliss more than \$587 million was included as a one time cost for RCI housing investment.

Issue: GAO indicated that the Army moved lower value installations "up on the list" (pp 76-77).

Response: The military value of these installations did not change; the installations were forced into the portfolio based on unique capabilities or upon direction of the SRG which caused some installations to move out of the portfolio. The portfolio was the minimum number of installations required to meet the Army's requirements and provided the starting point for analysis. The report also comments that the Army did not establish a 1 to N list for the RC installations. As discussed earlier, this was due to the unique nature of the mission and organization of the RC; establishing a 1 to N list would have no meaning or practical application.

### **Department of Navy**

Issue: GAO states "the recommendations to close Submarine Base New London, Connecticut, and Portsmouth Naval Shipyard, Maine...are based on projected decreases in the number of submarines in the future force structure" (pg. 104).

Response: This statement is not factually correct for Submarine Base New London, and is repeated in substance in the second sentence of the second paragraph in this section ("...the projected 21 percent reduction in the submarine force led the Navy to analyze various proposals to close submarine bases"). The analysis leading to the recommendation to close Submarine Base New London was based on a calculation of aggregate excess capacity for the entire surface/subsurface function derived from the original Force Structure Plan, without regard to type of platform. As the Chief of Naval Operations indicated in his testimony on May 17, 2005, the subsequent reduction of submarine force structure in the revised Force Structure Plan served to confirm the

viability of this recommendation. However, submarine bases were not analyzed as a separate subset of installations, and the details of Force Structure Plan decreases were not used to develop scenarios for analysis. To the extent the decommissioning of ships was reflected in the Force Structure Plan, this was accounted for in scenario analysis, as in the case of Naval Station Ingleside (decommissioning of mine warfare ships). That was not the case for Submarine Base New London: all reported submarines homeported at Submarine Base New London were relocated in the scenario analysis.

**Issue:** Regarding the Submarine School at Submarine Base New London, GAO states “The BRAC Commission may want to assure itself that the Navy has developed a transition plan to satisfy the training and certification requirements until the receiving sites are able to perform this training, without unduly interrupting the training pipeline” (pg. 105).

**Response:** We have already responded to a question from the Commission on this topic and look forward to continuing the discussion.

**Issue:** Regarding Portsmouth Naval Shipyard, GAO states “The Commission may wish to consider the views of the shipyard employees and the results of the Navy's review in their analysis of this recommendation” (pg. 108).

**Response:** We have already responded to a question from the Commission on this topic and look forward to continuing the discussion.

### **Department of Air Force**

**Issue:** GAO states, “Although this [capacity] analysis indicated the ability of bases to bed down additional aircraft, according to Air Force officials, it did not provide a specific excess capacity percentage by installation or major command. Accordingly, an overall capacity analysis report was not made available to us, comparable to that provided by the other military departments” (pg. 114).

**Response:** The capacity of Air Force installations varied depending on the mission design series (MDS) (type of aircraft) assigned. Variables, such as buildable acres, runway, taxiway and ramp dimensions, hangar size and fuel system type and capacity, affect the capacity of a base to house a particular MDS. The Air Force capacity analysis considered these variables and focused on identifying the potential to add force structure of similar MDS to each installation. The intent of the analysis effort was to provide an estimate of total maximum theoretical capacity at each location and across the Air Force by MDS. Assessments were provided by Air Force Major Commands using certified data provided in Data Call #1 and approved weapons systems templates used in initial Major Command capacity briefings (April 2004). The assessments identified each installation's potential to add units of similar force structure considering existing conditions, facilities, additional construction requirements, and operational and

environmental constraints. This information was available and the process used suited Air Force analysis needs exceptionally well.

### **Education and Training Joint Cross-Service Group**

Issue: GAO states, "The group did not analyze the extent to which its proposed recommendations would reduce excess capacity across all education and training functions. Nonetheless, the Air Force estimated that the recommendation to consolidate undergraduate pilot training would reduce excess capacity by 2 percent. At the same time, the excess capacity identified will remain in undergraduate rotary wing training because the Navy could not agree on a scenario to consolidate training (pg. 135)."

Response: The E&T JCSG did analyze the extent to which all scenario options for undergraduate fixed wing and rotary wing would reduce excess capacity across the 12 undergraduate flight training bases. The results were presented to the ISG leadership during their review and evaluation of proposed scenarios.

Issue: GAO states "Our analysis indicates that \$1.3 billion, or over 95 percent, of the group's projected 20-year savings results from two recommendations that involve only the Army—the combat service support center and the air defense artillery center" (pg. 141).

Response: These are not exclusively Army recommendations. Although predominately Army, the Specialized Skill Training portion of the recommendations include the Navy, Air Force and Marine Corps.

Issue: GAO states, "However, the chairman noted that his group could not get the Navy to agree to the consolidation because of the Navy's concerns over how such actions would affect other training schedules, so it was not pursued" (pg. 142).

Response: The Department of the Navy did not support the consolidation because the scenario had a payback that exceeded 100 years. However, if the consolidation at Fort Rucker included a closure of Naval Air Station Whiting Field, or other airfields in related scenarios, a reasonable payback would have been realized. Other scenarios that included rotary wing training consolidation were not approved because of concerns over impact on student production, increased travel costs, and airfield and airspace capacity saturation.

Issue: GAO states, "The Education and Training Joint Cross Service Group also developed a proposal to privatize graduate education that was conducted at the Naval Postgraduate School at Monterey, California, and the Air Force Institute of Technology at Wright-Patterson Air Force Base, Ohio. The group estimated that the proposal would produce \$14 million in 20-year savings, with payback in 13 years, and enable the closure of the Monterey location." (pg. 143).

Response: The E&T JCSG, along with the Department of Navy, estimated the scenario would produce \$1.12 billion in 20-year savings, with payback as immediate, and enable the closure of the Monterey location and the facility supporting graduate education for the Air Force Institute of Technology at Wright-Patterson Air Force Base.

Issue: GAO states, "The group also developed a recommendation to consolidate all the military services' senior war colleges at Fort McNair, Washington, D.C., making them one college of the National Defense University. The group estimated that the proposal would produce \$213 million in 20-year savings, with payback in 2 years" (pg. 143)

Response: The candidate recommendation in question actually called for co-locating all the military services' senior war colleges at Fort McNair, Washington, D.C., making them part of the National Defense University. The E&T JCSG estimated that the proposal would produce \$408 million in 20-year savings, with payback in 1 year.

### **Headquarters and Support Activity Joint Cross-Service Group**

Issue: The GAO report cites concerns the DoD Inspector General's raised about how the Headquarters and Support Activity (HSA) JCSG applied rounding in applying personnel eliminations (pg. 152).

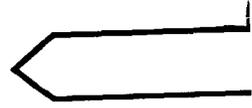
Response: The HSA JCSG implemented a prudent personnel reduction determination process that began with application of a standard, and conservative, elimination rate based on co-location or consolidation, followed with negotiating with the affected entities, and exercising military judgment through deliberations to avoid creating an arbitrary factor. The range of eliminations both reflected and allowed for unique characteristics of each organization involved. While the application of eliminations or rounding may seem nonstandard, that truly reflects the strength of the HSA JCSG approach. Instead of applying a standard and arbitrary factor to every scenario, the HSA JCSG fostered a process to balance (a) obtaining efficiency and shared savings with (b) the operational needs of the entities under consideration. Reflecting this conservative approach, approximately 80 percent of the HSA JCSG recommendations had elimination rates of less than 20 percent.

Issue: The GAO report notes that DoD's recommendations would "reduce total DoD leased space in the National Capital Region from 8.3 million square feet to about 1.7 million square feet, or by 80 percent." The report states "the recommendations related to vacating leased space also raise questions about a limitation in projected savings and impact on local communities," (pg. 158).

Response: It is important to highlight the relative size of DoD leased space within the commercial real estate sector in the region. There are approximately 369 million square feet of commercial leased space within the Washington, DC, metro area and 164 million square feet in Northern Virginia. The reduction represents an insignificant percentage of

the total commercial real estate market. Historical absorption rates also suggest that recovery is achievable, and the impact is likely insignificant for the National Capital Region.

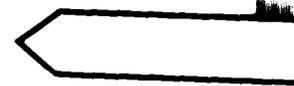
Issue: The GAO discusses the application of one time cost avoidances associated from moving from leased facilities onto government owned and protected facilities. The report notes that HSA applied the cost avoidance factor consistently "but did not collect data that would indicate whether existing leases met" force protection standards (pp. 158-159)."



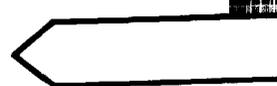
Response: While deliberating movement from leased space, the HSA JCSG considered current Department policy for meeting Anti-Terrorism/Force Protection (AT/FP) a necessity. It is important to note that the removal of the AT/FP premium does not materially affect any of the HSA JCSG recommendations. Removing 100 percent of the AT/FP premium only decreases the aggregate 20-year Net Present Value (NPV) savings 4.6 percent, and the remaining NPV savings still total \$5.546 billion. In the specific Stennis example cited in the GAO report, removal of the AT/FP premium reduces NPV savings from \$196.669 million to \$194.887 million, with no impact on payback years. Although the most accurate way to assess the cost of AT/FP compliance would be to grade each leased and owned building in the DoD inventory, this approach was not feasible given time and resource constraints. Therefore, the HSA JCSG applied a conservative AT/FP premium to all cases in order to ensure a balanced, equitable, and realistic comparison. It was appropriate for the HSA JCSG to apply the premium even in cases where the current leased occupancy represents less than 25 percent of the space in the building (thus currently AT/FP compliant by Uniform Facilities Criteria), as future building occupancy-based compliance could change or the lessee may not remain in place throughout the BRAC horizon.

The future Pentagon Force Protection Agency (PFPA) study mentioned in the GAO report was not available to the HSA JCSG, and is not relevant to the BRAC process. Certainly, threat vulnerability is a dynamic of AT/FP and the PFPA study, when conducted, will be helpful with respect to the threat associated with a specific building. This information may prove useful in the future management of leased space within the Department, but could not be a factor in the HSA JCSG recommendations.

Issue: GAO states, "While the proposal to create joint bases by consolidating common installation management functions is projected to create greater efficiencies, our prior work suggests that implementation of these actions may prove challenging," (pg. 161).



Response: While Joint Basing initiatives may present implementation challenges, these challenges are surmountable and the potential for increased efficiency and effectiveness is significant. The fact is, tenant relationships exist aboard many Bases and Stations today. The period of time preceding implementation allows ample opportunity to



develop and refine common terminology and operating standards. Leveraging this potential leads to efficiencies that benefit operational forces and the taxpayer.

Issue: Under the heading "Bundling Lessens Visibility of Costs," GAO states, "We found that in 7 instances, the more than 10-year payback periods of initially stand-alone proposals tended to be masked after they were combined in such packages," (pg. 162).

Response: Integration of scenarios was a management tool for the large number of recommendations during the latter stages of deliberations, and generally centered on common closure recommendations or groupings of entities with similar functions. The HSA JCSG provided multiple recommendations to the Army that combined to support the closures of Forts Monroe and McPherson. The movement of Headquarters from the Washington, DC, area to Fort Sam Houston, one small element from Rock Island, and the Army Materiel Command (AMC) remained. The HSA JCSG grouped these remaining entities as the "Relocation of Headquarters and Field Operating Agencies from the National Capital Region" recommendation. The relocation of AMC fit cleanly into this "grouping."

Issue: The report indicates that JCSG personnel stated that the Infrastructure Steering Group (ISG) rejected the U.S. Southern Command recommendation because costs associated with the relocation were too high (pg. 164).

Response: For clarity, the reasons why the ISG removed this recommendation from further consideration are as documented in the ISG minutes for March 25, 2005. The ISG agreed that the options presented at that meeting (moving SOUTHCOM to a state-owned leased facility, Patrick AFB, Lackland AFB or Homestead AFB) were not viable because SOUTHCOM can be accommodated locally without a costly relocation. In addition, SOUTHCOM judged Miami to be the best location for its mission for efficiency reasons.

#### **Industrial Joint Cross-Service Group**

Issue: The GAO cites the concerns raised by Red River Army Depot officials about the complexities associated with replicating its rubber production capability, which consists of removing and replacing rubber pads for vehicle track and road wheels, at Anniston Army Depot, Alabama, and points out Red River is currently the only source for road wheels for the Abrams M1 tank (pg. 90).

Response: The Industrial JCSG (IJCSG) did recommend that Red River's Rubber Products capability be realigned to Anniston Army Depot. Anniston responded by estimating the costs to transition this capability during several scenario data calls. In addition, the IJCSG did consider the impact of maintaining current rubber production capacity and capability during this transition period in making its recommendation to realign Red River's depot maintenance activities. There are many historical examples where a Service has successfully implemented

BRAC decisions to disestablish capability at a losing depot and re-establish capability at a gaining depot during periods of high operational tempo without jeopardizing support to the war fighter. The same approaches and several of the same actions can be applied to maintaining rubber production capacity and inventory levels during the transition process. While the certification of the rubber production capability at Anniston Army Depot must be qualified through rigorous testing and is expected to be a time consuming process, production capability will remain at Red River until the certification is complete and transition can occur without negatively impacting the war fighter.

Issue: The GAO states, "no recommendations were developed regarding the Air Force's three relatively large air logistics centers and only Navy-centric recommendations were developed regarding the Navy's three naval air depots, despite that the industrial group had registered scenarios consolidating similar types of work from a naval air depot into air logistics centers." The report states the IJCSG "decided not to propose these as recommendations because of the Navy's desire to combine its aircraft depot and intermediate work into fleet readiness centers and because this recommendation offered greater financial benefits" (pg. 177).

Response: The IJCSG did analyze the depot maintenance workloads remaining at the Naval Air Depots after development of the fleet readiness center scenario construct. Based on the optimization model analysis, which included all aviation depots (including Air Force depots), a potential candidate was identified for realignment. However, further analysis revealed it was not an economically sound scenario.

Issue: The GAO discusses the commercial leases at Army ammunition plants entered into under the authority of the Armament Retooling and Manufacturing Support Initiative (ARMS). The GAO speculates that early lease terminations could cause the Department to incur increased costs should these leases be terminated early. GAO cites an example of Indiana Army Ammunition Plant and increased costs of \$41 million due to early contract termination. They suggest termination costs should be included in the analysis for any contract that extends past the closure date (pp 182-183).

Response: IJCSG officials confirmed through the Joint Munitions Command that all existing ARMS related contracts expire within the BRAC window. Therefore there are no termination costs to include in the analysis. A list of all of the contracts with expiration dates was forwarded to the GAO on June 29, 2005.

#### **Supply and Storage Joint Cross-Service Group**

Issue: GAO reports that the savings projected by the Supply and Storage (S&S) JCSG from the use of performance-based logistics and reductions to duplicate inventories are uncertain. GAO notes that it lacked sufficient time to fully evaluate supporting documentation underpinning the S&S JCSG assumptions for savings. GAO correctly noted, however, that savings would be generated through the increased use of

performance based agreements that leverage the buying power that accrues from combining multi-service purchases under one agency (DLA) and concomitant reductions in inventory requirements (pg. 216).

**Response:** The S&S JCSG based its savings estimates on historically proven and documented results experienced in similar business process improvements such as the Performance Based Agreements currently in use by DLA. The savings projections were incorporated in S&S JCSG recommendations only after military judgment assessment and concurrence by the S&S JCSG Principals representing each Military Service.

**Issue:** GAO reports that the Supply and Storage (S&S) JCSG assumed that vacated infrastructure projected in S&S JCSG BRAC recommendations would remain unused after implementation and that the Defense Department would incur no sustainment or recapitalization costs. GAO states that this assumption was the basis for the approximately \$100M in net annual recurring savings claimed by the S&S JCSG. GAO further notes that the assumption that space vacated as a result of BRAC would remain unused is not necessarily valid and, as a result, savings may be overstated (pg. 217).

**Response:** The S&S JCSG did not make assumptions with respect to the disposition of vacated infrastructure following implementation of BRAC recommendations. S&S is unaware of any approved model or tool that can predict the future use of a structure or decision by an installation commander that would prevent re-occupation of a vacated structure. The savings associated with vacated infrastructure were generated by the Cost of Base Realignment Activity (COBRA) model. The S&S JCSG agrees with GAO that if vacated facility space continues to be used after implementation of the BRAC recommendations then savings estimates may not be achieved. However, if approved and implemented, this recommendation will vacate infrastructure and it is arguable that savings will still accrue to the Department even if the space is reoccupied. This is because once the S&S entities vacate, any other entity requiring infrastructure would otherwise have to create infrastructure and incur the associated costs. The availability of S&S vacated space would serve to offset or avoid those costs that would be incurred elsewhere.

**Issue:** GAO reports that the S&S JCSG had alternative recommendations other than the recommendation that was approved by the IEC for depot level reparable procurement management consolidation to DLA. GAO reports that additional savings could have been generated if Service representatives would have been less risk averse and therefore willing to transfer more responsibility from the inventory control points (ICPs) to DLA using the S&S JCSG alternative recommendations (pg. 217).

**Response:** This recommendation reflects the combined military judgment of the S&S JCSG and Military Services. The S&S JCSG Principals engaged in substantive dialogue on depot level reparable procurement management consolidation in order to ensure that support for the warfighter was in no way compromised by any of the recommendations

that would ultimately be implemented. Maintaining support for the warfighter, especially critical during this period as Military Services are engaged and forward deployed in the global war against terror, was a main tenet of the S&S JCSG throughout this BRAC round. Highly technical functions such as engineering were never envisioned as functionality that should transfer to an agency such as DLA that does not perform weapons systems engineering as a core function. The transfer of other ICP functions as suggested by GAO were also discussed and deliberated. However, the functions that were agreed upon to be transferred, the degree of responsibility that would transfer with them and the associated risk that would accompany implementation of the recommendation were validated as acceptable outcomes by the collective military judgment of the S&S JCSG Principals. As GAO maintains in this GAO report, "GAO believes DLA management of ICPs and DLRs is transformational."

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July 15, 2005

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## **Infrastructure and Environment**

Headquarters and Support Activities  
Joint Cross-Service Group Data  
Integrity and Internal Control Processes  
for Base Realignment and Closure 2005  
(D-2005-090)

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**Acronyms**

AT/FP	Anti-Terrorism/Force Protection
BRAC	Base Realignment and Closure
COBRA	Cost of Base Realignment Actions
DFAS	Defense Finance and Accounting Service
DoD OIG	Department of Defense Office of Inspector General
HSA	Headquarters and Support Activities
ICP	Internal Control Plan
IEC	Infrastructure Executive Council
ISG	Infrastructure Steering Group
JCSG	Joint Cross-Service Group
JPAT 7	Joint Process Action Team Criterion Number 7
OSD	Office of the Secretary of the Defense
SIOR	Society of Industrial and Office Realtors



INSPECTOR GENERAL  
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ARLINGTON, VIRGINIA 22202-4704

July 15, 2005

MEMORANDUM FOR CHAIR, HEADQUARTERS AND SUPPORT ACTIVITIES  
JOINT CROSS-SERVICE GROUP

SUBJECT: Report on Headquarters and Support Activities Joint Cross-Service Group  
Data Integrity and Internal Control Processes for Base Realignment and  
Closure 2005 (Report No. D-2005-090)

We are providing this report for information and use. We considered Headquarters and Support Activities Joint Cross-Service Group comments on the draft of this report when preparing the final report. The complete text of the comments is in the Management Comments section of the report.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) or Ms. Lisa M. Such at (703) 604-9284 (DSN 664-9284). See Appendix D for the report distribution. The team members are listed inside the back cover

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in cursive script, reading "Richard B. Jolliffe".

Richard B. Jolliffe  
Assistant Inspector General  
Contract Management



**Department of Defense Office of Inspector General****Report No. D-2005-090**

(Project No. D2003-D000CG-0135.000)

**July 15, 2005****Headquarters and Support Activities Joint Cross-Service  
Group Data Integrity and Internal Control Processes  
for Base Realignment and Closure 2005****Executive Summary**

**Who Should Read This Report and Why?** Office of the Secretary of Defense personnel, members of the Headquarters and Support Activities (HSA) Joint Cross-Service Group (JCSG), and anyone interested in the Base Realignment and Closure (BRAC) process should read this report. The report discusses the validity, integrity, and documentation of data used by HSA JCSG for BRAC 2005.

**Background.** BRAC 2005 is the formal process outlined in Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," as amended, under which the Secretary of Defense may realign or close military installations inside the United States and its territories. As part of BRAC 2005, the Under Secretary of Defense for Acquisition, Technology, and Logistics issued "Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum One—Policy, Responsibilities, and Procedures," April 16, 2003, to request that the Department of Defense Office of Inspector General review the accuracy of BRAC data and the certification process. In addition, the Department of Defense Office of Inspector General was responsible for validating that the BRAC data used by the JCSGs for developing recommendations were certified by the appropriate authority.

The BRAC 2005 process was mandated for the United States and its territories and was divided into the following data calls: capacity analysis, supplemental capacity, military value, Cost of Base Realignment Actions, Joint Process Action Team Criterion Number 7, and scenario specific. The supplemental capacity, military value, Cost of Base Realignment Actions, and Joint Process Action Team Criterion Number 7 data calls were collectively known as the second data call. This report is one of seven that discusses JCSG involvement in the BRAC 2005 process.

**Headquarters and Support Activities Joint Cross-Service Group.** The HSA JCSG is one of six JCSGs established by the Under Secretary of Defense for Acquisition, Technology, and Logistics as the Chairman of the Infrastructure Steering Group on March 15, 2003. The Infrastructure Steering Group later established a seventh JCSG. Each JCSG was responsible for overseeing the joint cross-service analysis of functions within its area. The Assistant Deputy Chief of Staff, G-8, Department of the Army was appointed to chair the HSA JCSG, which was established to address common business-related functions and processes across DoD, the Services, and the Defense agencies. The HSA JCSG was composed of three functional areas for which separate and distinct

subgroups were formed: the Geographic Clusters and Functional Subgroup, the Mobilization Subgroup, and the Major Administrative and Headquarters Activities Subgroup.

**Results.** We evaluated whether the HSA JCSG used certified data and created an adequate audit trail for capacity analysis and military value analysis. In addition, we evaluated whether the HSA JCSG created an adequate audit trail for the data input to the Cost of Base Realignment Actions model.

The HSA JCSG generally used certified data for capacity analysis and military value analysis; however, it also used data obtained from authoritative sources and derived data. In addition, after corrections were made, the HSA JCSG generally created adequate audit trails for capacity analysis, military value analysis, and Cost of Base Realignment Actions model input. The HSA JCSG complied with the Office of the Secretary of Defense internal control plan and HSA JCSG standard operating procedures. Throughout the BRAC process, the HSA JCSG took action to correct the deficiencies that we identified; however, some data discrepancies and audit trail issues remained uncorrected at the end of our fieldwork. We could not determine the materiality of the unresolved data discrepancies and audit trail issues on the overall HSA JCSG BRAC process.

**Management Comments and Audit Response.** We provided a draft of this report on June 10, 2005. Although no comments were required, the Chairman, HSA JCSG stated that the group continued to work on specific deficiencies, but that it considered those deficiencies to be relatively small because they had no material impact on the recommendations. In addition, the Chairman stated there were six areas in which the HSA JCSG disagreed with the DoD Office of Inspector General: use of authoritative sources, derived data, judgment-based data, Anti-Terrorism/Force Protection Premium, commercial data sources, and eliminations/rounding.

The DoD Office of Inspector General auditors continued to review corrections made by the HSA JCSG between the issuance of the draft and final reports. The HSA JCSG made additional corrections to capacity analysis, military value analysis, and Cost of Base Realignment Actions model input data; however, the HSA JCSG stated that not all of these corrections were forwarded to the OSD BRAC office. In addition, we did not take issue with the six areas that the HSA JCSG identified, but we highlighted them for full disclosure of the HSA JCSG process. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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## Background

**Base Realignment and Closure 2005.** Public Law 101-510, “Defense Base Closure and Realignment Act of 1990,” as amended, establishes the procedures under which the Secretary of Defense may realign or close military installations inside the United States and its territories. Congress authorized a Base Realignment and Closure (BRAC) in 2005. The law authorizes the establishment of an independent Commission to review the Secretary of Defense recommendations for realigning and closing military installations. The deadline for the Secretary of Defense to submit recommendations to the independent Commission was May 16, 2005.

In the Secretary of Defense “Transformation Through Base Realignment and Closure (BRAC 2005) Memorandum,” November 15, 2002, the Secretary of Defense established two senior groups to oversee and operate the BRAC 2005 process. The two senior groups were the Infrastructure Executive Council (IEC) and the Infrastructure Steering Group (ISG). Distinct functional boundaries and levels of authority separated these two groups. The Secretary of Defense established and chartered the IEC and the ISG as the BRAC 2005 deliberative bodies responsible for leadership, direction, and guidance.

**Infrastructure Executive Council.** The IEC was chaired by the Deputy Secretary of Defense and was composed of the Secretaries of the Military Departments and their Chiefs of Services, the Chairman of the Joint Chiefs of Staff, and the Under Secretary of Defense for Acquisition, Technology, and Logistics. The IEC was the policymaking and oversight body for the entire BRAC 2005 process and the approval authority for all BRAC recommendations to the Secretary of Defense.

**Infrastructure Steering Group.** The ISG was chaired by the Under Secretary of Defense for Acquisition, Technology, and Logistics and was composed of the Vice Chairman of the Joint Chiefs of Staff, the Military Department Assistant Secretaries for Installations and Environment, the Service Vice Chiefs, and the Deputy Under Secretary of Defense for Installations and Environment. The ISG oversaw the joint cross-service analyses of common business-oriented functions and ensured that the process was integrated with the Military Department and Defense agency-specific analyses of all other functions. The ISG provided progress reports to the IEC. The Under Secretary of Defense for Acquisition, Technology, and Logistics had the authority and responsibility for issuing the operating policies and detailed direction necessary to conduct the BRAC 2005 analyses.

- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum One—Policy, Responsibilities, and Procedures,” (Policy Memorandum One), April 16, 2003.** Policy Memorandum One applies to the Military Departments, Defense agencies (DoD Components), and Joint Cross-Service Groups (JCSGs) in developing the Secretary of Defense BRAC

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recommendations for submission to the 2005 BRAC Commission for its review. Policy Memorandum One describes policy, responsibilities, and procedures to be followed by participants in the BRAC process. Additionally, Appendix B of Policy Memorandum One is the Office of the Secretary Defense (OSD) internal control plan (ICP) for the BRAC 2005 process, which the JCSGs were to use in order to ensure the accuracy of data collection and analysis.

- **“Policy Memorandum Two—BRAC 2005 Military Value Principles,” October 14, 2004.** Policy Memorandum Two states that all recommendations made by the JCSGs and Military Departments will use military value as the determining factor. When making realignment or closure recommendations, JCSGs and Military Departments were to apply appropriate use of military judgment in order to meet all requirements by the Department. Military judgment is applied through the following principles: Recruit and Train; Quality of Life; Organize; Equip; Supply, Service, and Maintain; Deploy and Employ (Operational); and Intelligence.
- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Three—Selection Criterion 5,” December 7, 2004.** Policy Memorandum Three describes how BRAC Selection Criterion 5 will be implemented during the BRAC process. The JCSGs and Military Departments were to apply Selection Criterion 5 to their scenarios to estimate the projected costs and savings.
- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Four—Selection Criteria 7 and 8,” December 7, 2004.** Policy Memorandum Four provides guidance and clarification on the assessment of communities’ infrastructure and consideration of the environmental impacts of realignment and closure scenarios.
- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Five—Homeland Defense,” December 10, 2004.** Policy Memorandum Five gives guidance that establishes policies and procedures for the Military Departments and JCSGs to ensure that DoD retains the necessary capabilities to support the homeland defense mission.
- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Six—Selection Criterion 6,” December 20, 2004.** Policy Memorandum Six provides guidance that establishes policies and procedures for the Military Departments and JCSGs on how to use the Economic Impact Tool when applying BRAC Selection Criterion 6 to realignment and closure scenarios.

- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Seven—Surge,” January 4, 2005.** Policy Memorandum Seven provides guidance for the Military Departments and JCSGs to meet the DoD statutory requirement to consider surge in realignment and closure scenarios.
- **“Transformation Through Base Realignment and Closure (BRAC 2005) Policy Memorandum Eight—Selection Criterion 8,” January 4, 2005.** Policy Memorandum Eight provides guidance on how to identify the environmental impacts of a particular scenario in order to provide decision makers with the information they need to fully consider the impacts.

**Joint Cross-Service Groups.** In addition to realigning base structure, a primary objective of BRAC 2005 was to examine and implement opportunities for greater joint activity. Prior BRAC analyses considered all functions on a Service-by-Service basis and therefore, did not result in the joint examination of functions that cross Services. The JCSGs addressed issues that affect common business-oriented support functions, examined functions in the context of facilities, and developed realignment and closure recommendations based on force structure plans of the Armed Forces and on selection criteria. The JCSGs reported their results through the ISG to the IEC. The OSD established seven JCSGs: Education and Training; Headquarters and Support Activities (HSA), formerly known as the Administration JCSG; Industrial; Intelligence; Medical; Supply and Storage; and Technical. Each JCSG was responsible for overseeing the joint cross-service analysis of functions within its area.

**Headquarters and Support Activities Joint Cross-Service Group.** The HSA JCSG was one of six JCSGs established by the Under Secretary of Defense for Acquisition, Technology, and Logistics as the Chairman of the ISG on March 15, 2003. The ISG later added a seventh JCSG. Chaired by the Assistant Deputy Chief of Staff, G-8, Department of the Army, the HSA JCSG was composed of six principal members representing each of the four Services, the Joint Staff, and OSD. The HSA JCSG was established to address common business-related functions and processes across DoD, the Services, and the Defense agencies. The HSA JCSG scope was further narrowed into three functional areas for which separate and distinct subgroups were formed: the Geographic Clusters and Functional Subgroup, the Mobilization Subgroup, and the Major Administrative and Headquarters Activities Subgroup.

**Geographic Clusters and Functional Subgroup.** The Administrative Assistant to the Secretary of the Air Force chaired the Geographic Clusters and Functional Subgroup. The Subgroup was divided into teams to further address the following four functions: installation management, personnel, corrections, and financial management. Analysis of the functions included the following:

- **Installation Management.** The installation management function analyzed installations in geographic clusters to evaluate the potential for reducing or eliminating redundant or duplicative support functions.

- 
- **Personnel.** The personnel function analyzed opportunities and possibilities for collocating or consolidating civilian and military personnel functions. The HSA JCSG further broke out the personnel function into the Civilian Personnel Team and Military Personnel Team.
  - **Corrections.** The corrections function analyzed correctional facilities to evaluate the potential for transferring prisoner load or consolidating activities.
  - **Financial Management.** The financial management function analyzed Defense Finance and Accounting Service (DFAS) central and field operating sites to evaluate the potential for combining functions to reduce the size and number of DFAS locations.

**Mobilization Subgroup.** The Deputy Commandant for Manpower and Reserve Affairs, Headquarters Marine Corps chaired the Mobilization Subgroup. Analysis of this function included any activity that is performed to bring Reserve and National Guard members to active military service.

**Major Administrative and Headquarters Activities Subgroup.** The Commandant of Naval District Washington, Department of the Navy chaired the Major Administrative and Headquarters Activities Subgroup. Analysis of this function included the availability and support of common services and facilities within and outside the National Capital Region.

**BRAC Data Calls.** The BRAC 2005 data collection process, which was mandated for the United States and its territories, was divided into the following data calls: capacity analysis, supplemental capacity, military value, Cost of Base Realignment Actions (COBRA), Joint Process Action Team Criterion Number 7 (JPAT 7), and scenario specific. The supplemental capacity, military value, COBRA, and JPAT 7 data calls were collectively known as the second data call. Each JCSG developed data call questions related to capacity analysis and military value to obtain information about the functions that it reviewed. Each JCSG issued a capacity analysis and military value analysis report. Each data call had a specific purpose as follows.

- The capacity analysis data call gathered data on infrastructure, current workload, surge requirements, and maximum capacity.
- The supplemental capacity data call clarified inconsistent data gathered with the initial capacity analysis data call.
- The military value data call gathered data on mission requirements, land and facilities, mobilization and contingency, and cost and manpower.
- The COBRA data call gathered data to develop costs, savings, and payback (formerly known as return on investments) of proposed realignment and closure actions.

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- The JPAT 7 data call gathered data to assess the community's ability to support additional forces, missions, and personnel associated with individual scenarios.<sup>1</sup>
  - The scenario specific data call gathered data related to specific scenario conditions for realignment or closure.

**OSD Master Database.** DoD collected certified data for BRAC 2005 using a mix of automated and manual processes. The Services and six Defense agencies used automated tools to collect the data while the other Defense agencies and organizations collected data in electronic format for the data calls. Portions of that automated data were then transferred to OSD and compiled into Microsoft Access databases called the Capacity Analysis Database and the Military Value Analysis Database. We refer to the Capacity Analysis Database and the Military Value Analysis Database together as the OSD Master Database, which OSD used as the centralized point of data distribution to the JCSGs. However, some data were collected external to the OSD Master Database and provided to the JCSGs separately.

**COBRA Model.** The COBRA model provides a uniform methodology for estimating and itemizing projected costs and savings associated with BRAC scenarios. The COBRA model calculates the costs, savings, and payback of proposed realignment and closure actions. It is not designed to produce budget estimates, but to provide a consistent method of evaluating these actions. The COBRA model calculates the costs and savings of scenarios over a period of 20 years. It models all activities (moves, construction, procurements, sales, closures) as taking place during the first 6 years, and thereafter, all costs and savings are treated at a steady state. The key output value produced is the payback year; which is the point when the realignment or closure has paid for itself and net savings start to accrue. The COBRA model can also be used to compare the relative cost and savings differences among various scenarios.

To perform COBRA analysis, the HSA JCSG loaded scenario-specific data into the COBRA model. These data, used in combination with model algorithms and standard cost factors already developed and pre-loaded into the model, resulted in an estimate of costs, savings, and payback for the proposed realignment or closure scenario. To obtain the necessary COBRA model input, the HSA JCSG developed and issued COBRA-related questions during the scenario-specific data calls. These COBRA-related questions primarily focused on data not previously gathered for specific gaining or losing sites.

**Internal Control Plans.** The OSD ICP was issued as part of Policy Memorandum One. Appendix B of Policy Memorandum One was the ICP for all JCSGs. In addition, each JCSG prepared standard operating procedures that further delineated controls specific to that JCSG.

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<sup>1</sup> A scenario is a description of one or more potential realignment or closure actions identified for formal analysis by either a JCSG or a Military Department.

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In October 2003, the HSA JCSG prepared standard operating procedures and issued the procedures in April 2005 after a series of updates. The standard operating procedures supplemented the OSD ICP in that they addressed HSA JCSG-specific data controls, office and computer security, and included a process for the use of judgment-based data and assumptions.

**DoD Office of Inspector General Responsibility.** Policy Memorandum One requires the DoD Office of Inspector General (OIG) to provide ICP development and implementation advice and review the accuracy of BRAC data and the certification process. In addition, the memorandum requires DoD OIG personnel to assist the JCSGs and DoD Components as needed. This resulting report summarizes issues related to the HSA JCSG BRAC 2005 process.

## Objectives

The overall objective of the audit was to evaluate the validity, integrity, and documentation of data used by HSA JCSG. Specifically, we determined whether the HSA JCSG used certified data and created an adequate audit trail for capacity analysis and military value analysis. In addition, we determined whether the HSA JCSG created an adequate audit trail for its potential candidate recommendations.

We also evaluated whether the HSA JCSG complied with the OSD ICP and the specific HSA JCSG standard operating procedures. This report is one in a series on JCSG data integrity and internal control processes for BRAC 2005. See Appendix A for a discussion of the audit scope and methodology and our review of the management control program related to the objectives. See Appendix B for prior coverage.

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## Headquarters and Support Activities Joint Cross-Service Group Data Integrity and Internal Control Processes

The HSA JCSG generally used certified data for capacity analysis and military value analysis; however, it also used data obtained from authoritative sources and derived data. In addition, after corrections were made, the HSA JCSG generally created adequate audit trails for capacity analysis, military value analysis, and COBRA model input. The HSA JCSG complied with the OSD ICP and HSA JCSG standard operating procedures. Throughout the BRAC process, the HSA JCSG took action to correct the deficiencies that we identified; however, some data discrepancies and audit trail issues remained uncorrected at the end of our fieldwork. We could not determine the materiality of the unresolved data discrepancies and audit trail issues on the overall HSA JCSG BRAC process.

### HSA JCSG Data Integrity and Documentation for BRAC 2005

The HSA JCSG generally used certified data for capacity analysis and military value analysis; however, it also used data from authoritative sources and derived data. Further, after corrections were made, the HSA JCSG generally created adequate audit trails for capacity analysis, military value analysis, and COBRA model input. Public Law 101-510, "Defense Base Closure and Realignment Act of 1990," as amended, section 2903(c)(5) requires that all information used to develop and make realignment and closure recommendations to the Secretary of Defense and the 2005 BRAC Commission must be certified as accurate and complete to the best of the certifier's knowledge and belief. Additionally, the BRAC 2005 OSD ICP states that the BRAC 2005 process will be recorded and clearly documented to ensure the integrity of the process performed by the JCSGs.

**Authoritative Data.** The HSA JCSG used data from authoritative sources for military value analysis and COBRA model input. The OSD ICP states,

Any data file forwarded to the JCSGs by the Military Departments or Defense Agencies must be certified. Data and information gathered from authoritative or official sources external to DoD (such as the Bureau of Labor Statistics national employment data) need only be certified as to the source if the sources' accuracy can be determined by the audit community in accordance with U.S. General Accounting Office (GAO) [agency name changed to U.S. Government Accountability Office on July 7, 2004] guidance.

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Specifically, the HSA JCSG used data from the following authoritative sources: Department of Labor, Federal Emergency Management Agency, Joint Travel Regulation, Office of Personnel Management, and U.S. Census Bureau. The HSA JCSG also used the Defense Technical Information Center, CoStar,<sup>2</sup> and the Society of Industrial and Office Realtors (SIOR) databases; however, those sources are not authoritative as defined by the OSD ICP.

**Derived Data.** The HSA JCSG used derived data for capacity analysis and military value analysis and for COBRA model input. It also developed and applied factors to certified data, which resulted in the derived data that were used in the analytical process. During deliberative meetings and in memorandums, either the principal members or the Chair of the HSA JCSG approved the use of certain HSA JCSG-developed factors, which included, but were not limited to, the following: personnel savings, square footage, lease cost estimates, and Anti-Terrorism/Force Protection (AT/FP) premiums.

**Capacity Analysis.** The HSA JCSG generally used certified data for capacity analysis; however, it also used derived data. In addition, the HSA JCSG generally created an adequate audit trail after corrections were made. An initial validation was performed from November 2004 through February 2005 to determine whether the HSA JCSG used certified data obtained from the OSD Master Database and created an adequate audit trail. Additionally, we validated data collected external to the OSD Master Database and determined whether it was certified by the appropriate designated personnel. A second validation of the capacity analysis data was performed from March 2005 through May 2005. During both validations, we identified data discrepancies and audit trail issues and briefed the results to the HSA JCSG subgroups or teams. The HSA JCSG took corrective action to address most data discrepancies and audit trail issues. After we issued the draft audit report, the HSA JCSG provided additional supporting documentation and we revalidated the discrepancies identified in the draft audit report. The following describes the outstanding data discrepancies and audit trail issues and includes statements which identify where derived data were used for analysis. We could not determine the materiality of the unresolved data discrepancies and audit trail issues on the overall HSA JCSG BRAC process.

**Installation Management Team.** The Installation Management Team did not use the certified data reported in the OSD Master Database for over 90 data elements. After we issued the draft audit report, the Installation Management Team provided supporting documentation to the DoD OIG auditors for the revisions that were made to the identified data elements. The Installation Management Team correctly revised over 65 data elements and stated that the revisions were incorporated into the final Capacity Analysis report. However, the 25 remaining data elements were incorrectly revised. Subsequently, the Installation Management Team corrected the 25 data elements but stated that the revisions were not incorporated into the final Capacity Analysis report. The Installation

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<sup>2</sup> CoStar is an external database of current commercial market-based lease cost information.

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Management Team believes those changes had no effect on the capacity analysis.

**Civilian Personnel Team.** The Civilian Personnel Team used derived data based on HSA JCSG-approved factors for useable and gross square footage to calculate Current Capacity, Maximum Potential Capacity, and Current Usage.

**Military Personnel Team.** The Military Personnel Team used derived data based on HSA JCSG-approved factors for useable and gross square footage to calculate Current Capacity, Maximum Potential Capacity, and Current Usage.

**Financial Management Team.** The Financial Management Team used derived data based on HSA JCSG-approved factors for calculating Current Usage.

**Major Administrative and Headquarters Activities Subgroup.** The Major Administrative and Headquarters Activities Subgroup used derived data based on HSA JCSG-approved factors for useable and gross square footage to calculate Current Capacity and Current Usage.

**Military Value Analysis.** The HSA JCSG generally used certified data for military value analysis; however, it also used data obtained from authoritative sources and derived data. In addition, the HSA JCSG generally created an adequate audit trail after corrections were made. An initial validation was performed from November 2004 through March 2005 to determine whether the HSA JCSG used certified data obtained from the OSD Master Database and whether it created an adequate audit trail. Additionally, we validated data collected external to the OSD Master Database and determined whether it was certified by the appropriate designated personnel. A second validation of the military value analysis data was performed from March 2005 through May 2005. During both validations, we identified data discrepancies and audit trail issues. For example, the Major Administrative and Headquarters Activities Subgroup created a methodology that used a numeric system for converting and analyzing facility condition codes. The Army and Navy do not report facility condition codes in numerals. After corrections were made, the methodology was adequately documented; however, the methodology did not allow the Army or Navy to score as high as Air Force facilities. The Major Administrative and Headquarters Activities Subgroup, the Corrections Team, the Civilian Personnel Team, and the Military Personnel Team used this methodology. The groups did not adequately document the facility codes that each team used for its analysis. Therefore, we could not recreate the facility condition codes for numerous locations in the HSA JCSG military value analysis.

We briefed the results to the HSA JCSG subgroups or teams. The HSA JCSG provided supporting documentation after we issued the draft audit report, and we

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revalidated the issues identified in the draft audit report. The following describes the outstanding data discrepancies and audit trail issues and statements that identify where authoritative and derived data were used for analysis. We could not determine the materiality of the unresolved data discrepancies and audit trail issues on the overall HSA JCSG BRAC process.

**Civilian Personnel Team.** The Civilian Personnel Team had one minor data discrepancy for one location and did not correct this discrepancy after the draft report was issued. The HSA JCSG believes the data element is immaterial and does not affect the military value ranking.

**Financial Management Team.** The Financial Management Team used data from the Office of Personnel Management and Department of Labor Web sites. The Financial Management Team normalized data elements in the "Hiring" column at three locations and in the "On a DoD Installation" column at two locations. The Financial Management Team used two acceptable methodologies to normalize the "Hiring" data. For consistency, we suggested using one methodology.

**Major Administrative and Headquarters Activities Subgroup.** The Major Administrative and Headquarters Activities Subgroup used data obtained from the Office of Personnel Management, the U.S. Census Bureau, the Defense Technical Information Center, and the Federal Emergency Management Agency. The Major Administrative and Headquarters Activities Subgroup also used derived data based on HSA JCSG-approved factors to convert useable square footage to gross square footage. Further, the Major Administrative and Headquarters Activities Subgroup did not use the certified data for about 60 data elements. After we issued the draft audit report, the HSA JCSG revised 30 data elements, but stated that revisions were not incorporated in the final Military Value Analysis report forwarded to the OSD BRAC office. The remaining 30 data elements were not corrected.

**Mobilization Subgroup.** The Mobilization Subgroup used data obtained from the Joint Travel Regulation to determine per diem costs. The Mobilization Subgroup provided inconsistent and unclear written methodologies for the "Total Number of Ranges" and "Total Fire Points" columns. Further, two minor data discrepancies were identified in the data elements. After we issued the draft audit report, the HSA JCSG provided adequate methodologies and corrected the data discrepancies, but it stated that the revisions were not incorporated into the final submission forwarded to the OSD BRAC office.

**COBRA Model Input.** After corrections were made, the HSA JCSG generally created adequate audit trails for COBRA model input. The HSA JCSG used certified data, derived data, and data from authoritative sources for COBRA model input, and also sought approval from the ISG to use commercial data sources. In addition, the principal members deliberated and approved the use of

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factors and methodologies. The following information is included in the COBRA model input.

- **Anti-Terrorism/Force Protection.** The HSA JCSG reported total AT/FP savings of about \$208.8 million for 12 candidate recommendations (HSA-0031, HSA-0045, HSA-0047, HSA-0053, HSA-0071, HSA-0078, HSA-0099, HSA-0108, HSA-0109, HSA-0114, HSA-0132, and HSA-0145). The HSA JCSG assumed that all current leased space is not compliant with AT/FP guidance, and calculated a “One-Time Unique Savings” in the COBRA model by applying an AT/FP premium of \$28.28 per gross square foot to current existing leased space square footage. Based on existing questions that the HSA JCSG asked during the BRAC data calls, information was not obtained to reasonably assess the current state of AT/FP compliance among the existing leased facilities. Specifically, data were not obtained on improvements already made, those required for future compliance, and on the potential for movement into AT/FP-compliant space.
- **Commercial Data Sources.** The HSA JCSG used commercial data sources to calculate “Miscellaneous Recurring Savings” in the COBRA model for potential candidate recommendations reviewed (HSA-0031, HSA-0045, HSA-0047, HSA-0053, HSA-0071, HSA-0099, HSA-0109, HSA-0114, HSA-0132, and HSA-0145) and reported a total savings of about \$493.5 million from FY 2006 through FY 2011. The HSA JCSG considered two commercial sources, the CoStar and SIOR databases, as authoritative data. CoStar is an external database of current commercial market-based lease cost information. The HSA JCSG also used the SIOR database, which provided data for markets not covered in CoStar.
- **Personnel Reductions.** The HSA JCSG developed and applied factors to certified data in scenarios where consolidation of activities with similar common support functions could yield potential savings. The HSA JCSG approved personnel savings factors ranging from about 1 percent to 30 percent, which it applied to specific potential candidate recommendations.

We reviewed the COBRA model input for 15 of 21 HSA JCSG potential candidate recommendations (see Appendix C). We did not fully validate the remaining six potential candidate recommendations because of time constraints or because the potential candidate recommendation was provided to the Military Departments for further analysis. All COBRA validation was performed using COBRA model version 6.10. During our review, we identified data discrepancies and audit trail issues. The HSA JCSG corrected many of the issues identified (see Appendix C); however, some data discrepancies and audit trail issues remained uncorrected at the end of our fieldwork.

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## HSA JCSG Internal Control Processes for BRAC 2005

The HSA JCSG complied with the OSD ICP and the HSA JCSG standard operating procedures. We evaluated whether the HSA JCSG complied with the OSD ICP and the HSA JCSG standard operating procedures during the BRAC process. Specifically, we attended meetings to observe the deliberation process, reviewed meeting minutes used to document the process, and verified that the meeting participants signed nondisclosure agreements. We also reviewed controls such as data transfer, storage, maintenance, and office and computer security for safeguarding the BRAC data.

**Compliance with OSD ICP.** The HSA JCSG generally complied with the OSD ICP procedures during the BRAC process. The ICP procedures required that:

- the BRAC 2005 process be clearly recorded;
- information used in the analysis be certified by the appropriate authority for accuracy and completeness and be used consistently;
- data collected and used for analyses or decision making, or both, be obtained from appropriate sources;
- minutes be recorded for all deliberative meetings;
- oral briefings be captured in minutes;
- outside studies be brought to the attention of any BRAC group;
- technical experts submit information or data in writing with the required certification if the JCSG considers the data relevant;
- nondisclosure agreements be maintained for all participants in the BRAC process; and
- BRAC 2005 documents be marked as draft deliberative and/or sensitive.

**Compliance with Standard Operating Procedures.** The HSA JCSG generally complied with its standard operating procedures during the BRAC process. The HSA JCSG standard operating procedures required that:

- the BRAC information be safeguarded through physical security and computer security;
- release or receipt of the BRAC information be controlled;
- facsimile and e-mail not be used for information dealing with scenarios, alternatives, and recommendations;

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- analysis be performed by specified HSA JCSG staff in the designated space except when external expertise and assistance are needed and approved;
  - data integrity be maintained in three segregated databases with appropriate user-right controls and periodic backups; and
  - judgment-based data and assumptions be limited to substitution for unobtainable certified data, approved by the JCSG principal members, and documented in minutes.

In addition, from June 16, 2004 through June 22, 2004, we conducted a quality control review of the data conversion process performed by the HSA JCSG to test its reliability and accuracy. The data conversion process required the HSA JCSG to convert certified data responses received in Microsoft Word to Microsoft Access. DoD collected certified data for BRAC 2005 using a mix of automated and manual processes. The Services and six Defense agencies used automated tools to collect the data; the other Defense agencies and organizations used an electronic Microsoft Word document format to collect data. The HSA JCSG processed the electronic Microsoft Word documents received from OSD into Microsoft Access files for incorporation into the HSA JCSG Master Database and Capacity Analysis Database. In addition, the HSA JCSG conducted quality assurance reviews by meeting with representatives from the applicable Defense agencies and organizations to review the data conversion process and results. We determined that the HSA JCSG accurately converted the certified data.

## **Conclusion**

The HSA JCSG used certified data, but it also used data obtained from authoritative sources and derived data for capacity analysis and military value analysis. In addition, the HSA JCSG generally created adequate audit trails for capacity analysis, military value analysis, and COBRA model input after corrections were made. The HSA JCSG generally complied with the OSD ICP and HSA JCSG standard operating procedures.

After completing our reviews, we discussed the results with the HSA JCSG, which then took steps to correct most of the data discrepancies and audit trail deficiencies. However, the HSA JCSG stated that not all of the corrections were provided to the OSD BRAC office prior to the Secretary making his recommendations. We could not determine the materiality of the unresolved data discrepancies and audit trail issues on the overall HSA JCSG BRAC process.

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## Management Comments on the Finding and Audit Response

Although not required, the Chairman, HSA JCSG commented on the draft report. For the full text of comments, see the Management Comments section of the report.

**HSA JCSG Comments.** The Chairman, HSA JCSG stated that the HSA JCSG disagreed with the following six areas discussed in the draft report: use of authoritative sources, derived data, judgment-based data (normalized data elements), Anti-Terrorism/Force Protection Premium, market-based leased costs (commercial data sources), and eliminations/rounding (personnel reductions). According to the HSA JCSG, these methodologies were necessary to accomplish their analytical process. The HSA JCSG stated that the data deficiencies identified by the DoD OIG had no material impact on the recommendations.

**Audit Response.** Auditors in the DoD OIG continued to review corrections made by the HSA JCSG between the issuance of the draft and final reports. The HSA JCSG made additional corrections to capacity analysis, military value analysis, and COBRA model input data; but stated that not all of these corrections were forwarded to the OSD BRAC office. In addition, we did not take issue with the six areas that the HSA JCSG identified, but we instead highlighted them for full disclosure of the HSA JCSG process.

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## Appendix A. Scope and Methodology

We evaluated the validity, integrity, and documentation of data used by the HSA JCSG. Specifically, we determined whether the HSA JCSG used certified data and created an adequate audit trail for capacity analysis, military value analysis, and for COBRA model input for its candidate recommendations. We also evaluated whether the HSA JCSG complied with the OSD ICP and HSA JCSG standard operating procedures.

We performed reviews to determine whether the HSA JCSG used certified data or data obtained from authoritative sources for developing BRAC recommendations. We evaluated the integrity of the HSA JCSG BRAC 2005 process. Our evaluation included:

- verifying whether methodologies were sufficiently documented, and
- comparing data used to make deliberative decisions to certified or authoritative data.

From June 2003 through June 2005, we attended the HSA JCSG meetings. We reviewed the formal minutes and briefing charts of the meetings to verify that decisions made by the HSA JCSG were adequately documented. During the period from October 9, 2003, through April 19, 2005, we reviewed elements of the HSA JCSG standard operating procedures to determine HSA JCSG compliance. Our review of the implementation of the standard operating procedures included:

- examining nondisclosure agreements for the attendees of 11 meetings selected for the period from March 19, 2003 through November 2, 2004;
- attending staff calls and working group meetings from August 2003 through May 2005;
- reviewing conversion of non-automated data from June 16, 2004 through June 22, 2004;
- examining document controls including markings, tracking logs, and using e-mail and facsimile; and
- observing office practices and computer security controls.

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**Scope Limitations.** We did not review the use of the Optimization model because it was not required by any of the policy memorandums issued by the Under Secretary of Defense for Acquisition, Technology, and Logistics. In addition, we were unable to fully validate two potential candidate recommendations (HSA-0047 and HSA-0053<sup>1</sup>) developed by the Major Administrative and Headquarters Activities Subgroup because of time constraints. We did, however, review the “One-Time Unique and Miscellaneous Recurring Savings” associated with each of the two potential candidate recommendations. Further, we did not validate four additional potential candidate recommendations (HSA-0065, HSA-0069, HSA-0092, and HSA-0122) because they were provided to the Military Departments for further analysis. We did not verify that the HSA JCSG incorporated issues identified during our data integrity reviews into the final Capacity Analysis and Military Value Analysis reports.

**Capacity Analysis.** We planned to review all data elements that the HSA JCSG used for capacity analysis and the adequacy of the audit trails. From November 2004 through February 2005, we attempted the first validation of the HSA JCSG capacity analysis data; however, because the HSA JCSG did not provide all the data and the initial audit trails were insufficient, we were unable to perform a complete validation. We obtained the HSA JCSG capacity analysis spreadsheets and documented methodologies from subgroup or team leaders and compared them to the certified data in the OSD Master Database or to the data collected external to the database that were to be certified by designated appropriate personnel. Table 1 shows the date we received the data from the HSA JCSG and the date of the OSD Master Database extract that we used for comparison purposes. We discussed the results of the initial capacity analysis validation with the appropriate HSA JCSG subgroup or team and issued eight memorandums summarizing the results.

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<sup>1</sup> The DoD OIG is 1 of 9 Defense agencies or organizations encompassing 35 locations included in this recommendation.

**Table 1. Dates for Comparison of HSA JCSG Capacity Analysis Data and the OSD Master Database–Initial Validation**

Subgroup/Team	Received Initial HSA JCSG Data	OSD Master Database Extract Date
Civilian Personnel	December 16, 2004	November 8, 2004
Corrections	December 17, 2004	November 8, 2004
Financial Management	December 6, 2004	November 8, 2004
Financial Management <sup>1</sup>	December 6, 2004	November 8, 2004
Installation Management	November 8, 2004	November 15, 2004
Major Administrative and Headquarters Activities	December 17, 2004	November 15, 2004
Military Personnel	December 15, 2004	November 8, 2004
Mobilization <sup>2</sup>	November 19, 2004	November 8, 2004

<sup>1</sup> We issued two memorandums for the Financial Management Capacity Analysis data.  
<sup>2</sup> We prepared one memorandum for the Mobilization Team Capacity Analysis and Military Value Analysis data.

We revalidated capacity analysis data from March 2005 through May 2005. The same process used for the initial validation was also used for the revalidation. We discussed the results of the revalidation with the appropriate HSA JCSG subgroup or team and incorporated the results in the Finding section of this report. The table below identifies the dates that we received the HSA JCSG capacity analysis spreadsheets from the HSA JCSG subgroup or team leaders and the date of the OSD Master Database extract that was used for comparison purposes.

**Table 2. Dates for Comparison of HSA JCSG Capacity Analysis Data and the OSD Master Database–Revalidation**

Subgroup/Team	Received Initial HSA JCSG Data	OSD Master Database Extract Date
Civilian Personnel	March 23, 2005	March 21, 2005
Corrections	March 24, 2005	March 21, 2005
Financial Management	March 16, 2005	March 14, 2005
Installation Management	March 16, 2005	March 14, 2005
Major Administrative and Headquarters Activities	March 28, 2005	March 21, 2005
Military Personnel	March 18, 2005	March 14, 2005
Mobilization	March 24, 2005	March 21, 2005

During June 2005, between the issuance of the draft and final reports, we only revalidated data discrepancies and audit trail issues identified in the draft audit report. Specifically, we reviewed corrections made to the Installation Management Team's capacity analysis spreadsheets. We obtained updated HSA

JCSG capacity analysis spreadsheets and documented methodologies from the team leaders on June 9, 2005. We compared them to the certified data extracted from the OSD Master Database (see Table 2). The results of the revalidation were incorporated into the Finding section of this report.

**Military Value Analysis.** We planned to review all data elements that the HSA JCSG used for military value analysis and the adequacy of the audit trails. From November 2004 through March 2005, we attempted the first validation of the HSA JCSG military value analysis data. However, because the HSA JCSG did not provide all of the data and the initial audit trails were insufficient, we were unable to perform a complete validation. We obtained the HSA JCSG military value spreadsheets and documented methodologies from the HSA JCSG subgroup or team leaders and compared them to the certified data in the OSD Master Database or to data collected external to the database that were to be certified by designated appropriate personnel or to authoritative data sources. Table 3 shows the date we received the data from the HSA JCSG and the date of the OSD Master Database extract that was used for comparison purposes. We discussed the results of the initial military value analysis validation with the appropriate HSA JCSG subgroup or team and issued seven memorandums summarizing the results.

**Table 3. Dates for Comparison of HSA JCSG Military Value Analysis Data and the OSD Master Database–Initial Validation**

Subgroup/Team	Received Initial HSA JCSG Data	OSD Master Database Extract Date
Civilian Personnel	December 16, 2004	November 8, 2004
Corrections	December 17, 2004	November 8, 2004
Financial Management	September 7, 2004	November 8, 2004
Installation Management	November 8, 2004	November 8, 2004
Major Administrative and Headquarters Activities	January 6, 2005	November 8, 2004
Military Personnel	December 15, 2004	November 8, 2004
Mobilization*	November 19, 2004	November 8, 2004

\* We prepared one memorandum for the Mobilization Team Capacity Analysis and Military Value Analysis data.

We revalidated military value analysis data from March 2005 through May 2005. The same process used in the initial validation was also used for the revalidation. We discussed the results of the revalidation with the appropriate HSA JCSG subgroup or team and incorporated the results in the Finding section of this report. Table 4 identifies the dates that we received the HSA JCSG military value spreadsheets from the HSA JCSG subgroup or team leaders and the date of the OSD Master Database extract that we used for comparison purposes.

**Table 4. Dates for Comparison of HSA JCSG Military Value Analysis Data and the OSD Master Database–Revalidation**

Subgroup/Team	Received Initial HSA JCSG Data	OSD Master Database Extract Date
Civilian Personnel	March 23, 2005	March 21, 2005
Corrections	March 24, 2005	March 14 and 21, 2005
Financial Management	March 16, 2005	March 14, 2005
Installation Management	March 16, 2005	March 14, 2005
Major Administrative and Headquarters Activities	March 28, 2005	March 21, 2005
Military Personnel	March 18, 2005	March 14, 2005
Mobilization	March 24, 2005	March 21, 2005

During June 2005, between the issuance of the draft and final reports, we only revalidated data discrepancies and audit trail issues identified in the draft audit report. Specifically, we reviewed corrections made to the Civilian Personnel Team, the Major Administrative and Headquarters Activities Subgroup and the Mobilization Subgroup’s military value analysis spreadsheets. We obtained updated HSA JCSG military value analysis spreadsheets and documented methodologies from the subgroup or team leaders on June 15, 2005. We compared them to the certified data extracted from the OSD Master Database (see Table 4). The results of the revalidation were incorporated into the Finding section of this report.

**COBRA Model Input.** We reviewed all COBRA model input for 15 of 21 potential candidate recommendations. We also reviewed the COBRA model input for determining the “One-Time Unique and Miscellaneous Recurring Savings” for two other potential candidate recommendations (HSA-0047 and HSA-0053). We used COBRA model version 6.10, beginning April 2005, for our review. We compared the COBRA model input to certified data, derived data, and authoritative data as identified in the audit trails created by the HSA JCSG subgroups and teams. See Appendix C for additional details regarding the COBRA model input review.

**Use of Computer-Processed Data.** We relied on computer-processed data from the OSD Master Database and the HSA JCSG Master Database. Our review of the controls over the HSA JCSG Master Database provided reasonable assurance of the validity of the data. Assessing the reliability of the OSD Master Database was beyond the scope of our review.

**Use of Technical Assistance.** Statisticians from the Analysis, Planning, and Technical Support, Quantitative Methods Division, Office of the Assistant Inspector General for Auditing provided assistance by reviewing military value calculations in the HSA JCSG military value models.

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**Government Accountability Office High-Risk Areas.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Federal Real Property and the DoD Approach to Business Transformation, DoD Support Infrastructure Management high-risk areas.

**Audit Type, Dates, Standards.** We performed this performance audit from June 2003 through June 2005 in accordance with generally accepted government auditing standards.

**Contacts During the Audit.** We visited or contacted organizations within DoD. Further details are available upon request.

## **Management Control Program Review**

We evaluated the HSA JCSG management controls for documenting and safeguarding information associated with the BRAC 2005 data calls, as directed by the OSD ICP. Specifically, we reviewed nondisclosure agreements, deliberative meeting minutes, proper marking and storage of BRAC data, and supporting documentation for the HSA JCSG BRAC data. Management controls were adequate as they applied to the audit objectives (see the Finding section of this report for specific details). The JCSGs were specifically established as part of the BRAC process and therefore would not have management control programs outside the BRAC process.

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## Appendix B. Prior Coverage

During the last 5 years, the DoD Inspector General and Army Audit Agency issued 17 memorandums and reports related to HSA JCSG and 1 report on the COBRA model for BRAC 2005.

### DoD Inspector General

DoD IG Memorandum, "Re-validation of the Base Realignment and Closure 2005 Specific Capacity Data Used by the Geographic Clusters Subgroup-Financial Management Team," March 9, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Geographic Clusters and Functional Subgroup-Installation Management Team for Military Value Analysis," March 8, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Geographic Clusters and Functional Subgroup-Civilian Personnel Team for Military Value Analysis," March 3, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Geographic Clusters and Functional Subgroup-Corrections Team for Military Value Analysis," March 3, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Geographic Clusters and Functional Subgroup-Military Personnel Team for Military Value Analysis," March 3, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Geographic Clusters and Functional Subgroup-Civilian Personnel Team," March 2, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Geographic Clusters and Functional Subgroup-Corrections Team," March 2, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Geographic Clusters and Functional Subgroup-Military Personnel Team," March 2, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Mobilization Subgroup for Capacity and Military Value Analysis," March 1, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Geographic Clusters Subgroup-Financial Management Team," February 25, 2005

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DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Military Value Data Used by the Geographic Clusters Subgroup-Financial Management Team," February 25, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Geographic Clusters Subgroup-Installation Management Team," February 23, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Capacity Data Used by the Major Administrative Headquarters Subgroup," February 23, 2005

DoD IG Memorandum, "Validation of the Base Realignment and Closure 2005 Data Used by the Major Administrative Headquarters Subgroup for Military Value Analysis," February 23, 2005

### **Army Audit Agency**

Army Audit Agency Report No. A-2005-0169-ALT, "Validation of Army Responses for Joint Cross-Service Group Questions," April 22, 2005

Army Audit Agency Report No. A-2005-0083-ALT, "Army Military Value Data: The Army Basing Study 2005," December 21, 2004

Army Audit Agency Report No. A-2004-0544-IMT, "Cost of Base Realignment Action (COBRA) Model: The Army Basing Study 2005," September 30, 2004

Army Audit Agency Report No. A-2004-0484-IMT, "Validation of Army Capacity Data for Base Realignment and Closure 2005, Headquarters and Support Activities Joint Cross-Service Group," September 2, 2004

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## Appendix C. Review of COBRA Model Input for Potential Candidate Recommendations

We reviewed the COBRA model input for 15 of 21 potential candidate recommendations. We evaluated each of the recommendations using COBRA model version 6.10. All issues identified during the review were brought to the attention of the HSA JCSG subgroups or teams. The HSA JCSG took action to correct most of the DoD OIG issues. In addition, the HSA JCSG sought approval from the ISG to use commercial data sources, and the principal members deliberated and approved the use of factors and methodologies to calculate AT/FP premiums and personnel reductions. After we issued the draft audit report, the HSA JCSG corrected most of the COBRA model input data discrepancies and audit trail issues. However, the HSA JCSG stated that not all of the corrections were forwarded to the OSD BRAC office. The following is a synopsis of our reviews for each potential candidate recommendation.

**Establishment of Joint Bases (HSA-0010).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0010 COBRA model input as of April 27, 2005. The COBRA model input was either judgment based or negotiated data derived from certified data. The methodology reflected a predominant use of subject-matter expertise and judgment, and contained a few numeric errors that had no impact on COBRA model input. The HSA JCSG documented assumptions taken for personnel reduction rates and justifications for the data exclusions. The HSA JCSG principal members reviewed and approved the methodology. The HSA JCSG applied different personnel reduction rates ranging from about 1 to 10 percent within the potential candidate recommendation. The COBRA model input did not include complete costs, savings, or military construction data that the Services provided for scenario specific data calls or allocations resulting from the Army scenario integration review.

**Consolidation of the Defense Finance and Accounting Service (HSA-0018).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, HSA JCSG created an adequate audit trail for HSA-0018 COBRA model input as of May 4, 2005. The COBRA model input was based on certified data and subject-matter expertise. The footnotes contained reasonable and well-documented methodologies. The HSA JCSG entered the certified DFAS response into the COBRA model for the DFAS Lawton site at Fort Sill, which moved six more personnel than authorized. The HSA JCSG erroneously adjusted the DFAS-reported personnel reductions for the DFAS Rock Island site at Rock Island Arsenal, which reduced personnel by three instead of five in FY 2009. After we

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issued the draft report, the HSA JCSG corrected the data discrepancies identified regarding personnel. However, the HSA JCSG stated that the corrections were not included in the submission to the OSD BRAC office.

**Consolidation of Civilian Personnel Offices within the Military Departments and Defense Agencies (HSA-0031).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0031 COBRA model input as of April 27, 2005. The footnotes contained reasonable and well-documented methodologies and COBRA model input was based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$10.6 million; CoStar calculations for “Miscellaneous Recurring Savings,” for COBRA which equated to about \$19.7 million from FY 2010 through FY 2011; and the HSA JCSG applied personnel reduction rates of 12.5 and 17.7 percent, respectively, to each relocating Navy and Army sites considered in the potential candidate recommendation.

**Consolidation of the Defense Information Systems Agency (HSA-0045).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0045 COBRA model input as of May 10, 2005. In most cases, with the exception of a few additional references required to complete the footnotes, the footnotes contained reasonable and well-documented methodologies. COBRA model input was based on certified data, derived data, and subject-matter expertise. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$18.7 million and CoStar/SIOR calculations for “Miscellaneous Recurring Savings,” for COBRA which equated to about \$33.2 million from FY 2010 through FY 2011. After we issued the draft audit report, the HSA JCSG included additional references to complete the footnotes. However, the HSA JCSG stated that the additional references were not included in the submission forwarded to the OSD BRAC office.

**Creation of New Media and Publications Agency (HSA-0071).** We identified a few data discrepancies and audit trail issues; however, HSA JCSG took steps to address most of the issues. After corrections were made, HSA JCSG created a generally adequate audit trail for HSA-0071 COBRA model input as of May 5, 2005. In most cases, with the exception of a few additional references required to complete the footnotes, the footnotes contained reasonable and well-documented methodologies. COBRA model input was based on certified data, derived data, and subject-matter expertise. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” equating to about \$2.6 million and CoStar/SIOR calculations for “Miscellaneous Recurring Savings,” for COBRA, which equated to about \$11.9 million from FY 2008 through FY 2011. Also, the HSA JCSG applied a personnel reduction rate different from the Military Departments to the one Defense organization included in the potential candidate recommendation. After we issued the draft

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audit report, the HSA JCSG included additional references to complete the footnotes. However, the HSA JCSG stated that the additional footnote references were not included in the submission forwarded to the OSD BRAC office.

**Consolidation of Navy Leased Locations (HSA-0078).** We identified many data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail as of June 20, 2005. The COBRA model input was based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$15.3 million and CoStar calculations for “Miscellaneous Recurring Savings,” for COBRA, which equated to about \$38.5 million from FY 2009 through FY 2011. However, the corrections reflected in the June 20, 2005, COBRA model input were not included in HSA JCSG submission to the OSD BRAC office.

**Collocation of Adjudication Activities (HSA-0099).** We identified a few data discrepancies and audit trail issues. The HSA JCSG took steps to address some issues; however, issues remained unresolved for COBRA model input as of May 4, 2005. Specifically, additional references were required to complete footnotes and documentation was needed to support COBRA model input. Although the input was based on certified data, the HSA JCSG also used subject-matter expertise and derived data for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$3.9 million; CoStar/SIOR calculations for “Miscellaneous Recurring Savings,” for COBRA, which equated to about \$11.3 million from FY 2006 through FY 2011; the HSA JCSG application of a 7 percent personnel reduction rate; and abnormal rounding, which overstated personnel reductions and understated personnel movements by three officers, four enlisted personnel, and seven civilians and resulted in an approximate \$509,000 per year overstatement of “Miscellaneous Recurring Savings” from contractor reductions beginning in FY 2009. After we issued the draft audit report, the HSA JCSG included additional references to complete the footnotes and provided additional supporting documentation. However, the HSA JCSG stated that the additional footnote references were not included in the submission forwarded to OSD BRAC office.

**Consolidation of Counterintelligence Field Activity and Defense Security Service and Collocation of Counterintelligence Field Activity Components (HSA-0108).** We identified a few data discrepancies and audit trail issues. The HSA JCSG took steps to address most of the issues; however, issues remained unresolved for COBRA model footnotes as of June 21, 2005. Specifically, additional references were required to complete the footnotes. Although the input was based on certified data, HSA JCSG also used subject-matter expertise and derived data for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$12.1 million; CoStar/SIOR calculations for “Miscellaneous Recurring Savings,” for COBRA, which equated to about

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\$40.9 million from FY 2009 through FY 2011; the HSA JCSG application of a 7 percent personnel reduction rate; and abnormal rounding, which overstated personnel reductions and understated personnel movement by two officers, one enlisted position, and six civilians and resulted in an approximate \$972,000 overstatement of "Miscellaneous Recurring Savings" from contractor reductions beginning in FY 2009.

**Consolidation of the Defense Commissary Agency (HSA-0109).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address most of the issues. After corrections were made, the HSA JCSG created a generally adequate audit trail for HSA-0109 COBRA model input as of April 30, 2005. In most cases, with the exception of a few additional references required to complete footnotes, the footnotes contained reasonable and well-documented methodologies. The COBRA model input was based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for "One-Time Unique Savings," which equated to about \$2.8 million in FY 2009; CoStar/SIOR calculations for "Miscellaneous Recurring Savings," for COBRA, which equated to about \$3.6 million from FY 2009 through FY 2011; and abnormal rounding, which overstated personnel reductions and understated personnel movement by one officer and one civilian. After we issued the draft audit report, HSA JCSG included additional references to complete the footnotes. However, the HSA JCSG stated that the additional footnote references were not included in the submission forwarded to the OSD BRAC office.

**Collocation of U.S. Transportation Command (HSA-0114).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address most of the issues. After corrections were made, the HSA JCSG created a generally adequate audit trail for HSA-0114 COBRA model input as of May 4, 2005. However, the HSA JCSG used the incorrect square footage for the Alexandria/I-395 location. In most cases, the footnotes contained reasonable and well-documented methodologies and the COBRA model input was based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for "One-Time Unique Savings," which equated to about \$5.2 million, and a CoStar calculation for "Miscellaneous Recurring Savings," for COBRA, which equated to \$23.4 million from FY 2008 through FY 2011. After we issued the draft report, the HSA JCSG corrected the square footage data. The change in square footage increased the "One-Time Unique Savings" to about \$6.9 million and increased the "Miscellaneous Recurring Savings" to about \$32.3 million. However, the HSA JCSG stated that the corrections were not forwarded to the OSD BRAC office.

**Relocation of Navy Education and Training Activities (HSA-0130).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0130 COBRA model input as of May 3, 2005. The footnotes contained reasonable and well-documented methodologies

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and COBRA model input was based on certified and derived data. The HSA JCSG applied a personnel reduction rate of 7 percent to personnel moving from Naval Air Station Pensacola.

**Collocation of Miscellaneous Air Force and National Guard Headquarters Leased Locations (HSA-0132).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created a generally adequate audit trail for HSA-0132 COBRA model input as of May 4, 2005. The HSA JCSG entered inaccurate data for moving personnel and equipment from the Alexandria/ I-395 and Rosslyn locations to Andrews Air Force Base and inaccurate cost and savings data for the Alexandria/ I-395 location. In most cases, the footnotes contained reasonable and well-documented methodologies and COBRA model input was based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for “One-Time Unique Savings,” which equated to about \$15.1 million; CoStar/SIOR calculations for “Miscellaneous Recurring Savings,” for COBRA, which equated to about \$50.8 million from FY 2009 through FY 2011; and the HSA JCSG applied a personnel reduction rate of 7 percent to personnel moving from Crystal City, Arlington Hall, and Andrews Air Force Base. After we issued the draft audit report, HSA JCSG corrected the data discrepancies identified, which decreased the “One-Time Unique Savings” to about \$14.6 million and decreased the “Miscellaneous Recurring Savings” to about \$49.6 million. However, the HSA JCSG stated that the corrections reflected in the June 20, 2005, COBRA model input were not forwarded to the OSD BRAC office.

**Creation of Joint Mobilization Sites (HSA-0133).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0133 COBRA model input as of April 21, 2005. The footnotes contained reasonable and well-documented methodologies and COBRA model input was based on certified and derived data. The HSA JCSG applied a 10 percent personnel reduction rate to the losing location.

**Consolidation of Correctional Facilities (HSA-0135).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address most of the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0135 COBRA model input as of May 6, 2005. In most cases, with the exception of a few additional references required to complete footnotes, the footnotes contained reasonable and well-documented methodologies and COBRA model input was based on certified data.

**Consolidation and Collocation of Army and Air Force Personnel and Recruiting Centers (HSA-0145).** We identified a few data discrepancies and audit trail issues; however, the HSA JCSG took steps to address the issues. After corrections were made, the HSA JCSG created an adequate audit trail for HSA-0145 COBRA model input as of April 25, 2005. The footnotes contained reasonable and well-documented methodologies and COBRA model input was

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based on certified and derived data. The HSA JCSG also used subject-matter expertise for COBRA model input. Included in the COBRA model input were the following: an AT/FP premium calculation for "One-Time Unique Savings," which equated to about \$30.3 million in FY 2008, and CoStar/SIOR calculations for "Miscellaneous Recurring Savings," for COBRA which, equated to about \$126.6 million from FY 2008 through FY 2011.

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Director, Base Realignment and Closure (Installations and Environment)  
Chairman, Headquarters and Support Activities Joint Cross-Service Group

### **Non-Defense Federal Organization**

Government Accountability Office



# Headquarters and Support Activities Joint Cross-Service Group Comments



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
DEPUTY CHIEF OF STAFF, G-6  
THE ARMY PENTAGON  
WASHINGTON DC 20315-0700  
NSA-JCSG-D-45-412

DAPR-ZB

20 JUN 2005

## MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

**SUBJECT:** Response to Draft for Headquarters and Support Activities Joint  
Cross-Service Group Data Integrity and Internal Control Processes for Base Realignment  
and Closure 2005

### 1. References

a. Discussion Draft of a Proposed Report, Project No. D2003-D000CG-0135.000, Headquarters and Support Activities Joint Cross-Service Group Data Integrity and Internal Control Processes for Base Realignment and Closure 2005, undated.

b. Response to Discussion Draft for Headquarters and Support Activities Joint Cross-Service Group Data Integrity and Internal Control Processes for Base Realignment and Closure 2005, 27 May 2005.

c. Draft of a Proposed Report, Project No. D2003-D000CG-0135.000, Headquarters and Support Activities Joint Cross-Service Group Data Integrity and Internal Control Processes for Base Realignment and Closure 2005, 10 June 2005.

2. We have reviewed the issues contained within the draft of your audit report for the Headquarters and Support Activities Joint Cross-Service Group (HSA JCSG). We appreciate your efforts to make the process more accurate and defensible, and we feel our recommendations are stronger because of these efforts.

3. Your draft report specifies several specific deficiencies that we have continued to work. We feel the issues that remain are very small in context to the total of well over 15,000 data points under our consideration. In addition, these specific deficiencies have no material impact on our recommendations.

4. There are six areas where we continue to disagree with you: use of authoritative sources, derived data, judgment-based data (normalized data elements), Anti-Terrorism/Force Protection Premium, market-based loaded costs (commercial data sources), and eliminations/rounding (personnel reductions). As explained in detail in Reference 1.b, these methodologies were necessary to accomplish our analytical process, have been deliberated, and remain consistent with requirements of the BRAC process. Use of these methodologies makes our recommendations fair, accurate, and robust.

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DAFR-ZB

SUBJECT: Response to Discussion Draft for Headquarters and Support Activities Joint Cross-Service Group Data Integrity and Internal Control Processes for Base Realignment and Closure 2005

5. Please direct any issues or questions to the HSA JCSG point of contact, COL Carla Coulson at (703) 696-9456.



DONALD C. TISON  
Assistant Deputy Chief of Staff, G-8  
Chairman, HSA JCSG

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**THE FEASIBILITY OF  
CONSOLIDATING  
COMMON SUPPORT  
FUNCTIONS**

White Paper prepared by: Bartlett M. Rhoades  
Headquarters and Support Activities Joint Cross Service Group  
April 8, 2005

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## THE FEASIBILITY OF CONSOLIDATING COMMON SUPPORT FUNCTIONS

**OBJECTIVE:** At the August 12, 2004 meeting of the Headquarters and Support Activities Joint Cross Service Group (HSA-JCSG), the members concluded that functional analysis of the identified 14 common support (CS) functions could not be successfully completed within the BRAC process and directed that work cease in this area. They further directed that a White Paper be prepared to address these functions and the merits of further pursuing consolidation initiatives - thus furthering the investment made to date in this area. This paper satisfies the directive.

A White Paper typically argues a specific position or solution to a problem. Rather than advocate a specific position, this paper will deal with "lessons learned" in the course of this lengthy exercise, the merits of further pursuing consolidation initiatives (in general, and with respect to specific functions), and the best approach to tackling such a task.

**BACKGROUND:** Secretary of Defense Donald Rumsfeld set the tone for our efforts to eliminate redundant processes when he declared in his, "Bureaucracy to Battlefield" speech that our purpose is not to please everybody. "If we are concerned about waste, we must be prepared to advocate changes - even unpopular ones.... Where is our professionalism/our self respect if we fail to correct obvious inefficiencies?"

To address these "obvious inefficiencies," in April of 2003, the Infrastructure Steering Group (ISG) gave the JCSGs, "the 'widest aperture' to reengineer business processes." Thus, BRAC 2005 took on the objective of tying together reengineering and transformation along with the traditional goal of closing down installations. By September of 2003, our HSA-JCSG had taken on the mission of analyzing functions in the DC area (defined as a 100 mile radius of the Pentagon) and reviewing functions performed by Major Headquarters Activities (MHAs) (based on DoD Directive 5100.73, "Major Department of Defense Headquarters Activities," May 13, 1999), with the objective of consolidating what made sense.

Using DoD Directive 5100.73 as the basis to determine what should be examined presented a serious challenge and, perhaps also, reflected a misunderstanding of what this directive was intended to accomplish. From an historical perspective, Congress mandated the promulgation of this directive to create a control mechanism to bring control over the inability of the DoD to reduce the size of its major headquarters commensurate with the reduction in its force structure. By identifying the functions performed by MHAs (and the associated personnel and organizations), Congress would be in a position to mandate personnel reductions (which they repeatedly did over the years).

The challenge presented was that since the 33 functions listed in this directive were found at major headquarters, they were geared towards policy and oversight (not common support functions) and early guidance made it clear that we would not be consolidating these headquarters. Thus, if the MHA functions were excluded from consideration, then the only remaining functions had to be operational/common support functions provided to MHAs. That being the case, we first translated these functions into operational functions and then excluded those functions: that were specifically excluded in the Capacity Analysis Report, those that had been specifically excluded per OSD guidance, those that were being covered by the other teams within our JCSG, functions that were integral to the operations of a MHA, functions that were being covered by other JCS Groups, and functions that are not common support functions to MHAs. This left us with the following CS functions:

- Acquisition and Contracting

- Administration
- Audiovisual Services
- Cost Analysis
- Environmental Services and Safety
- Executive Dining Facilities
- Facilities Management
- Financial Management Services
- Health and Wellness
- Inspections and Evaluation
- Operations Analysis
- Security
- Supply and Support Services
- Transportation

Before very long it was determined that, with a few exceptions, the functions examined would be limited to those performed within specified geographic clusters. These clusters consisted of significant concentrations of DoD installations within a 25 mile radius of specified geographic areas in the U.S. Eleven were identified that included such areas as Hampton Roads, Oahu, National Capital Region (NCR), etc...

**WHAT WENT WRONG?** Following are the main factors that contributed to the decision to cease the investigation into these 14 CS functions within the BRAC process:

- **LACK OF VISIBILITY:** Senior leadership within the DoD has the “sense” that there are transformational opportunities out there, but the “data” to support or refute such inclinations is not readily available.
- **FUNCTIONS TOO BROADLY DEFINED:** In the interest of developing a list that was both “manageable” and comprehensive, similar but discrete functions were not separately identified. Thus, under Administration you will find mail room and library operations. However, when it comes to presenting a consolidation scenario these two distinct operations would not be “consolidated.”
- **FUNCTIONS WITH UNIQUE, UNFAMILIAR DEFINITIONS:** While definitions were provided (it was emphasized that reading them was essential), the terms could lead one to assume that they knew the meaning when they did not (e.g., the term “Financial Management Services” does *not* include Finance and Accounting).
- **LACK OF UNIVERSAL UNDERSTANDING OF EVEN COMMON TERMS:** Some of these 14 CS functions would be classified as base operations support functions (sometimes referred to as commercial activities) that are necessary to support, operate, and maintain DoD installations. Although OMB identifies 29 services as base support functions, DoD does not have a generally accepted definition of base support services, and the military services differ in how they individually define them. Without a common definition it is difficult to accurately determine the size of DoD’s base support workforce. Then there is the additional challenge of normalizing whatever data is received.
- **DIFFICULTY IN DEVELOPING/RESPONDING TO QUESTIONS:** In addition to the challenge (described above) in defining the 14 CS functions, there was the added requirement of developing Military Value questions that would be applicable to all the CS functions throughout all DoD Components. While some activities found that the questions were perfectly understandable, others indicated that those in the field would not understand or know how to respond. To reach a consensus often involved

long and arduous meetings; and even after agreement was reached, there were frequent requests for clarification. This difficulty was compounded by the fact that we were not discussing these questions with people who were functional experts (e.g., finance and accounting) and thus, did not have a mutual understanding of the relevant terms and issues in their area of expertise.

- **TARGETING PROBLEM:** With the focus on MHAs, the initial targeting of activities in response to capacity and military questions was restricted to MHAs. A different subgroup was looking at the potential consolidation of installations (where various CS functions are also performed). It was eventually recognized that there were significant organizations in between these two extremes that were also performing CS functions and the scope was expanded to include them. However, examining the feasibility of consolidating CS functions performed by MHA, but ignoring the performance of the same functions at the installation level, in the same geographic area, was not a logical approach to maximizing efficiencies.

An additional problem was the lack of a simple way to identify organizations performing some of these functions. While Finance and Accounting Centers and Mobilization Centers are clearly identifiable, there is no easy way to ascertain which organizations perform such functions as "administration" and "security."

- **LACK OF BASIC MANAGEMENT INFORMATION:** This problem relates to the above mentioned issues of the lack of common terms and the targeting challenges. The bottom line is, that within limited exceptions, one cannot go to a specific source within DoD to obtain the number of personnel performing a CS function within an identifiable organization. Further, this is basically true across all the Military Departments.
- **RESTRICTIVE BRAC PROCESS:** The rigid BRAC process requires the conduct of investigations at arms length and strict time lines for the conduct of the specified steps in the process (capacity analysis, military value, COBRA, etc.). The in-depth understanding of functions, and related processes, required by Business Process Re-engineering (BPR), cannot be ascertained by determining the number of personnel performing a function and the associated square feet that they occupy.

As the result of these significant obstacles, and others, the JCSG initially considered downscoping the effort (examine only 3 or 4 functions and restrict them to the NCR). Then, they finally concluded that combining the traditional BRAC process with exploratory efforts into BPR would not succeed and that the expenditure of additional resources on this effort would not likely produce an adequate solution.

**WHAT THE REPORTED DATA SHOWS:** Enclosure A contains charts that display some of the information gathered at great effort in response to the Capacity Analysis questions. Note that this information reflects data "as received" that has not been "scrubbed", is not considered comprehensive (due to the problems noted above), nor has it been validated through the rigorous BRAC process. Accordingly, it should not form the basis upon which a decision should be made to either consolidate or not consolidate a particular function. The information has been made available only to provide some limited insight into the comparability of personnel resources devoted to the various CS functions. Thus, as we would intuitively assume, there are far fewer personnel in the NCR supporting executive dining facilities and health and wellness (with its very restricted definition) than are supporting administration and security.

With our understandable desire to obtain "sound" data upon which to make important management decisions, it is probably wise to bear in mind the warning provided by Sir Josiah

Stamp, Inland Revenue Department, 1896-1919, "The Government are very keen on amassing statistics. They collect them, raise them to the Nth power, the cube root, and prepare wonderful diagrams. But you must never forget that every one of those figures comes in the first instance from the village watchman, who just puts down what he damn pleases."

**POSSIBLE TRANSFORMATIONAL OPPORTUNITIES:** Based upon a limited analysis of the 14 CS functions (primarily within the NCR), an assessment is provided for the opportunities to gain greater efficiencies through the consolidation of these functions (See Enclosure B).

**FAILURES IN THE CONSOLIDATION OF COMMON SUPPORT FUNCTIONS:** While it is true that there are some significant examples of successful consolidation of CS functions on a joint basis (as exemplified by many of the Defense Agencies and DoD Field Activities) along with an innumerable number of assignments of Executive Agent Responsibilities; there are, nevertheless, examples of the "failure" of the consolidation of CS functions that opponents are likely to cite. The first example is the San Antonio Real Property Maintenance Agency and the San Antonio Contracting Center (See enclosure C); and the second, more recent example within the NCR, is the Defense Contracting Command-Washington (DCC-W) (See Enclosure D). Our review of the reasons for their failure reveals that the failure was not necessarily in the CONCEPT, but in the IMPLEMENTATION.

**OPPORTUNITIES/CONCERNS WITH THE CONSOLIDATION OF CS FUNCTIONS IN THE PENTAGON/NATIONAL CAPITAL REGION (NCR):** In the course of our interviews we met with Sandy Reilly, the Administrative Assistant to the Secretary of the Army; John La Raia, Assistant for Administration, Office of the Secretary of the Navy; Bill Davidson, Administrative Assistant to the Secretary of the Air Force; and Howard Becker, Deputy Director, Administration and Management, Office of the Secretary of Defense. The first three individuals are frequently referred to as the "three wise men" in the Pentagon since they represent the highest career civilians in their respective Military Departments and continue to occupy their positions when Senior Military Officers and Political Appointees rotate out. The last individual represents the highest career civilian in OSD and he formerly served as the Deputy to the "Mayor" of the Pentagon (the former D.O. Cooke). All four individuals are intimately involved in solving joint problems in the Pentagon, and frequently, also in the NCR. The views of these individuals were solicited with respect to the merits of consolidation of CS functions in the Pentagon/NCR. Their comments are at Enclosure E.

**TRENDS TOWARD CENTRALIZATION/CONSOLIDATION:** Within the NCR, our primary focus of investigation, there are concrete signs of "centralization/consolidation" in addition to the "informal" joint efforts reflected above. Within the Army, the Military District of Washington originally had a large mission to provide services to other Army activities in the NCR, as well as to other DoD components. The Administrative Assistant to the Secretary of the Army has gradually taken on the mission of providing more and more CS functions in the NCR with the establishment of the U.S. Army Resources and Programs Agency, U.S. Army Services and Operations Agency, and the U.S. Army Information and Technology Agency, with combined personnel resources of approximately 2500. In addition to these regional initiatives, the Army has also established Army-wide organizations to manage installations (Installation Management Agency) as well as to provide specific services (e.g., Army Contracting Agency). The Navy's efforts for performance of CS

functions in the NCR are largely reflected in the establishment of the Naval District of Washington. However, their area of responsibility is far greater than just the NCR. The Navy has also moved toward providing CS services on a Navy-wide basis with the establishment of the Naval Supply Systems Command and Naval Facilities Engineering Command; the management of installations is now the responsibility of the Commander, Navy Installations. The Marine Corps has also recognized the benefits of providing CS on a regional basis with the recent establishment of the Marine Corps NCR Command. This command has been established not only to support the Joint Forces Headquarters (JFHQ)-NCR, under USNORTHCOM, primarily in the area of antiterrorism/force protection, but also to “facilitate regionalization and consolidation of support functions by instituting a NCR Base Operating Support (BOS) structure in the NCR.” Within the largely decentralized Air Force structure, the provision of CS is left primarily in the hands of the Installation Commander. Finally, Washington Headquarters Services was created and exists primarily to provide CS services to DoD components in the NCR, though some services are provided on a DoD-wide basis.

Along with the establishment of the JFHQ-NCR is the recognition of the criticality of command and control with respect to employing forces for homeland defense and military assistance to civilian authorities, with a particular emphasis on antiterrorism/force protection. However, *when it comes to CS, there does not appear to be the same urgency to meet the challenge and get it right – demonstrating what a powerful forcing function can accomplish.*

**BENEFITS OF CENTRALIZATION/CONSOLIDATION:** While it is beyond the scope of this paper to provide a business case analysis for the centralization/consolidation of any particular CS function, the Military Departments (MILDEPs) have largely recognized the benefits of such initiatives internal to their own operations. In addition, the concept of gaining efficiencies through consolidation has been around for some time and has engendered a certain level of support, as noted below:

- The Business Initiative Council (BIC), consisting of the highest level officials of DoD, supported the concept of consolidating the DoD Defenses Agency and Field Activities overhead, non-core functions such as PPBS, Human Resources, Information Technology (IT), Legal, Contracting, Facility Management, and Public Affairs in a CS activity, or to outsource.
- The provision of CS at a joint base is not dissimilar to the Navy’s “Shared Services” concept of operation whereby consistent and standard services are provided at a lower cost.
- The GAO determined that another way to reduce Operations and Maintenance (O&M) costs would be to assign one service, command, or Defense Agency the exclusive responsibility for carrying out a particular support function. Such actions “could reduce or eliminate underutilization and inefficiencies in the various support organizations within each service and reduce O&M spending.”
- Due to the scarcity of definitive data documenting savings, opponents of consolidation could argue that reductions in personnel are proportional to decreases in workload (e.g., at depots). The GAO has countered, however, that achieving such decreases in staffing in proportion to workload is more than DoD typically achieved for administrative and service-wide functions that have continued to be managed by the services.
- In a Logistics Management Institute (LMI) study, the authors concluded that consolidation, on a joint regional basis of selected functions at installations located near each other, there would be a savings primarily from two sources: lower labor costs, since redundant management personnel and associated overhead staff would be eliminated, and

greater operational efficiencies, which consolidated activities would achieve through economies of scale.

- While the GAO recognized that the evidence from DoD's recent experience with consolidation is sketchy, they, nevertheless, concluded that consolidation may make it easier for support organizations to decrease staffing to match workload and realize modest savings from the consolidation itself.
- The GAO has determined that the potential for greater savings over the longer term (in addition to those realized with the initial consolidation) may depend on an organization's success in adopting common management information systems and practices as well as reducing overhead and closing facilities.
- The GAO concluded that it appears likely that consolidation, under which a new organization is in charge of staffing, will increase the likelihood that personnel levels will be cut to match workload. Thus, savings may be greater than the modest economies accounted for strictly with the reduction in overhead as a result of consolidation.
- Numerous studies from the 1993 Bottoms-Up-Review, through the Quadrennial Defense Review, Defense Reform Initiative, and National Defense Panel have concluded that DoD could realize significant savings by outsourcing commercially available support services. GAO supported this position with the statement "Consolidation, in advance of contracting out could enhance the potential for greater efficiencies and cost savings through contracting out."
- There are also the BIC initiatives, such as the further expansion of privatization efforts in order to transition non-core competencies to the private sector. An example is the Desktop Management Services initiative under which a Defense Agency will outsource desktop computing hardware, software, and support services as a new requirement and will negotiate with the private sector to accomplish this divestiture.
- In a recent article in GOVEXEC.COM, entitled, "Agencies save by sharing back-office jobs," it was pointed out that the Bush administration has advocated the use of shared services whereby instead of performing back-office functions – accounting, invoicing, and running call centers on their own – agencies are pooling resources and sharing the same providers for those services. Shared services, which became popular in the private sector a decade ago, can save 20-40% of service costs.

While not limiting his comments to strictly the benefits of consolidation, General Boyd (Retired), representing Business Executives for National Security, has offered up the following observations on transformational options for DoD Infrastructure:

- Businesses have transformed by focusing on their core missions, integrating their enterprises, and cutting overhead.
- Congressional legislation may have counter-productive effects by proscribing private sector capabilities, encouraging "complacent/monopolistic" behavior.
- The process of competition has been stunted in the public sector.
- Back office functions – that are not core competencies and are distracting management attention from what is core – should be outsourced. The same should apply to the performance of functions when the organization is not the "best in class."

**THE DOWNSIDE OF MONOPOLISTIC STRUCTURES:** The MILDEPS have recognized the benefits of consolidation of CS and back office functions, and have been moving slowly, but inexorably in this direction. The benefits of moving the process one step further and performing CS functions on a joint basis are discussed above. This movement towards the establishment of one DoD provider – the "best in class" – is not, however,

without potential drawbacks. According to DoD's own assessment, the reality of the Defense Agencies is that, "they exist in a 'monopolistic' environment, are focused on functions not processes, perform many tasks not core to war fighting, and – as across all of DoD – have an aging workforce." The dilemma that needs to be addressed is how to reconcile the benefits of "jointness" and the downside of monopolistic structures. One approach would be to ensure that it is DoD policy that the private sector is the preferred provider of services for its back office functions (IT, document management, auditing, financial management, human resource services, management of commodities, etc.) as well as any other commercially performed function. The spotlight of external reviews (Defense Boards/Commissions) Congressional oversight (GAO), and Congressional mandates (e.g., Biennial Review of Defense Agencies), also offers opportunities to ameliorate the negative affects of monopolistic institutions and the absence of free-market incentives.

**IS REGIONALIZATION THE ANSWER?** The underlying assumption of the review initially undertaken was that the consolidation of CS functions would occur at the regional level. It was understood, and rightly so, that having one joint entity performing a function on a regional basis would produce far greater efficiencies than if every organization performed the same function themselves. Various ISSAs and other cooperative agreements on the local level are a reflection of the benefits of this approach. The fundamental question that needs to be addressed is whether we are creating regional efficiencies at the expense of the whole? This applies to not only regional, joint entities, but also to regional Service entities. The White Paper on Field Contracting hopefully demonstrates that if a function is performed throughout DoD then it needs to be examined holistically, with enterprise-wide solutions. One of the primary failures of the DCC-W experiment was that it was a stand-alone entity. Regionalization makes sense when the functions performed are limited to just a particular geographic area, or when the regional structures are part of a larger whole (e.g., regions within DFAS, DLA, DCMA, etc.). Thus, any recommendations that might be made to look at the feasibility of consolidation of a function at the local/regional level should be viewed as an interim measure until such time as an enterprise wide-review can be conducted.

**BUSINESS PROCESS REENGINEERING (BPR):** A working definition of BPR is the *fundamental* rethinking and *radical* design of business processes to achieve *dramatic* improvements in performance. It requires ignoring what *is* and concentrating on *what should be*. This is obviously what the top-level leadership of DoD was hoping for when the ISG gave the JCSG's "the 'widest aperture' to reengineer business processes." It is also obvious, from the citations in the "WHAT WENT WRONG" section, that a BPR review has not been conducted of the 14 CS functions. Some of the reasons for the failure are in the process pursued; but others have to do with the very nature of DoD, which is exemplified by:

- No central control over the organizational structures, internal processes, and personnel resources;
- No enterprise-wide information system that produces sufficient, accurate, and reliable data; and
- No allocation and assignment of offices and personnel throughout the country based solely upon the CS functions performed, workload requirements, and geographic necessities.

**WHERE DO WE GO FROM HERE AND HOW DO WE GET THERE?** High-level DoD officials intuitively grasped the benefits that would accrue with the performance of CS functions on a joint basis when they approved the charter of our JCSG. We have cited many

of the recognized (both within and outside the Department) benefits of pursuing consolidation/centralization initiatives. Enclosure B identifies those functions where it *appears* that consolidation may make sense. We have grouped our 14 CS functions into the following categories for further investigation by a joint task force considering the merits of consolidation on a joint basis:

**PRIORITY CONSIDERATION:** Facilities Management/Environmental Services and Safety, Administration, Security

**SECONDARY CONSIDERATION:** Transportation, Audio Visual Services, Operations Research

**TERTIARY CONSIDERATION:** Cost Analysis, Executive Dining Facilities, Financial Management Services, Health and Wellness, Inspections and Evaluation, Supply and Support Services

To move from the "possible" to the "practical" will undoubtedly require a business case analysis where an adequate Return on Investment (ROI) can be demonstrated; or, as a minimum, some reasonably good data to determine the magnitude of the resources expended in support of the function(s). In the case of a local/regional solution (e.g., Pentagon/NCR), care should be taken that the transformational scenario does not negatively impact existing regional/Service-wide institutions, does not hamper DoD-wide efforts to develop an enterprise-wide solution, and is only pursued as an interim measure until such time that a DoD-wide solution is implemented.

While some functions may be easy to get your hands around, others are more complex and are performed by a multitude of organizations scattered both organizationally and geographically throughout the U.S./world. Then there is the challenge of dealing with personnel/financial/spending data that is fragmented across multiple information systems. There are also the following obstacles that have impeded past reform efforts and would have to be overcome before "success" could be declared:

- A cultural resistance to change.
- The existence of autonomous operations for decades/centuries.
- Stakeholders who are not able to put aside their particular military services' or agencies' interests to focus on DoD-wide approaches.
- The reluctance of autonomous organizations to share decision making authority.
- The reluctance of staff to communicate with others with whom they have not traditionally communicated.

To ensure "success" the following "critical factors" will have to be addressed in the case of CS functions that are performed throughout DoD:

- Very committed senior executive level support.
  - A willingness to tackle difficult back-room operations over the long haul and put the culture "on notice" that change must occur.
- Sustained "entrepreneurial" executive leadership at DoD, with the possible establishment of a Program Management Office within OSD.
- Resources that are adequate to ensure effective implementation.
- The establishment of a joint task force consisting of experienced, dedicated, functional professionals from within DoD and experts from the private sector.
  - This is a most critical factor. The JCSGs have been able to push the transformational envelope due to their independence from the MILDEPS and Defense Agencies. For this to occur, these functional experts need to be detailed to the task force and receive their personnel evaluations from the leadership of the task force.

- Clearly communicate the rationale, goals, and expected results from the reengineering effort.
  - Communication has to be seen as vital in educating and keeping staff on board with the changes.
- To achieve buy-in, need to make a compelling case to the DoD Components that reengineering would enhance service delivery and reduce costs.
- The possible involvement and support of Congress.
- The essentiality of measuring whether the changes are having their intended effects.

While the above factors are most critical to the success of transformational initiatives, our experience has shown us that frequently it is the mandated budget wedge/reduction target that provides the “fuel” to drive the change. Finally, the efforts it will take to overcome the significant hurdles in the establishment of joint entities to perform any one of these CS functions should in no way be minimized.

# **ENCLOSURES**

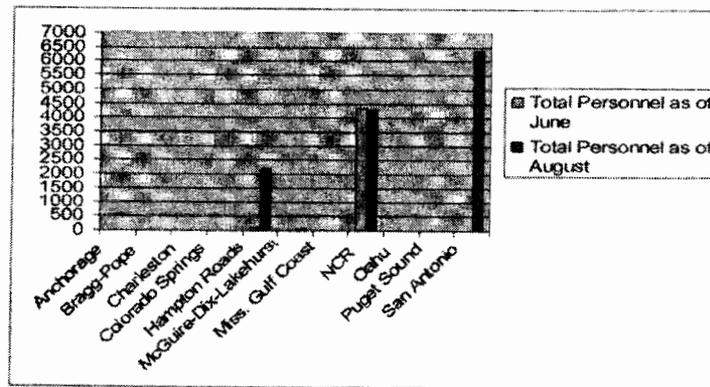
ENCLOSURE A

REPORTED CS DATA

This data reflects information gathered through Capacity Analysis questions on the 14 CS functions performed within the identified geographic clusters, within the NCR, and within the Hampton Roads area. As discussed in the document, it has limited value for analytical purposes.



Total Personnel by Geo Cluster



NCR Total Personnel

Common HQ, Administrative and Business-Related Functions	Military Officers (Jun)	Military Officers (Aug)	Military Enlisted (Jun)	Military Enlisted (Aug)	DoD Civiliane (Jun)	DoD Civiliane (Aug)	On-Board Contractors (Jun)	On-Board Contractors (Aug)	Total Personnel (Jun)	Total Personnel (Aug)
Administration	256	307	150	262	998	698	473	419	1876	1887
Security	10	7	81	87	245	234	140	190	488	525
Acquisition & Contracting	12	7	0	1	426	322	42	41	480	371
Facilities Management	29	25	12	10	218	256	185	54	436	345
Financial Management Services	4	4	7	4	201	203	54	55	268	287
Audiovisual Services	8	4	152	88	459	134	30	51	328	258
Transportation	3	3	60	47	233	126	5	14	301	180
Supply & Support Services	16	11	43	48	121	62	34	59	214	180
Environmental Services & Safety	3	4	1	2	80	81	6	7	70	74
Inspections & Evaluation	0	4	1	2	37	48	0	0	41	55
Executive Dining Facilities	2	1	46	49	0	0	0	0	48	50
Health & Wellness	9	8	6	5	34	50	0	7	56	50
Civil Analysis	1	1	0	0	4	17	0	13	5	31
Operations Analysis	0	4	0	3	7	13	7	0	14	20



## Total Personnel in NCR by Org

Organization (in NCR)	Total Personnel (Avr)	Total Personnel (Aug)
JI ARMY ACTIVITY USARC	1006	1006
JI ARMY ACTIVITY SAAR	1752	170
ONI WASHINGTON DC (Commander Naval Installations)	288	238
MDA - NCR	304	245
Defense Threat Reduction Agency	66	227
Washington Headquarters Services (WHQS)	74	106,215
DLA HD - USA FORT BELVOIR	177	196
Andrews AFB	0	173
HQBN JHMC HENDERSON HALL VA	9	139
COMNAVSEA5300M WNY DC	95	95
JI ARMY ACTIVITY ARMY MATERIAL COMMAND	98	98
Defense Advanced Research Projects Agency	89	89
CSA Manpower and Personnel Systems Division	81	85
COMNAVSECDORI FT GEORGE G MEADE MD	78	78
JI ARMY ACTIVITY LIBASDC	75	75
SMEDC WASHINGTON DC	48	46
DEF Human Resources Activity	37	37
Scott AFB	0	36

**Transforming Through Base Realignment and Closure**

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## continued

Organization (in NCR)	Total Personnel (Avr)	Total Personnel (Aug)
COMNAVADENCOM WASHINGTON DC	55	26
ONI ARLINGTON VA	23	23
COMC WASHINGTON DC	31	31
DOMA HDs	28	28
JI ARMY ACTIVITY INSTALLATION MANAGEMENT AGENCY	26	26
CG MCNCRG WASHINGTON DC	22	21.6
JI ARMY ACTIVITY ATED	16	16
COMNAVSLIPSYS COM MECHANICSBURG PA	16	16
Defense Security Service	15	16
JI ARMY ACTIVITY ARMY CONTRACTING AGENCY	16	16
COMNAVDIRT WASHINGTON DC (NDW)	15	15
USCAI Headquarters	13	13
COMNAVARGYS COM PATUXENT RIVER MD	10	10
Health Management Activity	9	9
FLEDSBPACT WASHINGTON DC (Nav)	7	7
Joint Chiefs of Staff	5	5
Department of Defense Education Activity (DDEA)	4	4
JI ARMY ACTIVITY MEW	4	4
JI ARMY ACTIVITY HQ CRIMINAL INVESTIGATION COMMAND	3	3

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### Hampton Roads Total Personnel by Function

Common HQ, Administrative and Business-Related Functions	Total Personnel
Facilities Management	1272
Transportation	562
Environmental Services & Safety	187
Operations Analysis	101
Administration	20
Inspections & Evaluation	13
Acquisition & Contracting	11
Financial Management Services	7
Health & Wellness	5
Executive Dining Facilities	2
Supply & Support Services	2
Audiovisual Services	1
Cost Analysis	0
Security	0



### Hampton Roads Total Personnel by Org

Organization (in Hampton Roads)	Total Personnel
AEFC	24
AFC2ISRC	62
PWC_NORFOLK_VA	1942
COMNAVNETWARCOM_NORFOLK_VA	125

## ENCLOSURE B

### POSSIBLE TRANSFORMATIONAL OPPORTUNITIES

The purpose of this enclosure is to examine the 14 specified CS functions and to assess the likelihood that a recommendation to pursue further analysis would produce an acceptable ROI. Our recommendations are based on limited research into the specific functions, limited use of the "data" reported, a review of literature on the merits of consolidation/centralization, and interviews with selected DoD officials/functional experts. It provides us with a "sense" of where further investigation (especially into the magnitude of DoD resources consumed) by a joint task force would produce appreciable efficiencies and economies through consolidation.

**ACQUISITION AND CONTRACTING:** Our initial review focused on the performance of this function in the NCR. As such, the DCC-W, with its DoD charter, was of prime interest. However, with the decision to prepare a White Paper on the merits of consolidating field contracting on a DoD-wide basis, the limited focus on the NCR was dropped. (Refer to the White Paper entitled, "The Case for Consolidation of Field (Installation-Level) Contracting" dated April 5, 2005, for further details on the RECOMMENDATIONS made in this area.)

**ADMINISTRATION:** This function was broadly defined to include administrative communications, documentation, publications (to include libraries), and reproduction. It should be noted that there is a DoD-wide recognition that the contracting out for administrative services is a major DoD expenditure that should be examined for an enterprise-wide solution. Specifically, it is one of only three functional areas where Commodity Councils have been established at the OSD level to come up with a joint procurement strategy. Thus, the RECOMMENDED approach would be to first see to what extent these functions could be performed by the private sector. Secondly, to see what remaining functions could be performed on a joint DoD-wide basis (e.g., publications). Finally, for those functions that have to be performed at the local level, the goal should be to have them carried out by one provider in the local geographic area.

**AUDIOVISUAL SERVICES:** These services have been defined as the provision of photographic, television, and graphic arts services. From the limited data that we have at our disposal, it appears that the resources consumed in this area are in the mid range. Our RECOMMENDED course of action would be similar to that for Administration.

**COST ANALYSIS, EXECUTIVE DINING FACILITIES, FINANCIAL MANAGEMENT SERVICES, HEALTH AND WELLNESS, INSPECTIONS AND EVALUATION, and SUPPLY AND SUPPORT SERVICES:** From the limited data that we have at our disposal, it appears that the resources consumed in this area, relative to the other functions, are in the low range. While economies and efficiencies could undoubtedly be obtained through a thorough look at these functions, it is unlikely that the ROI would be that great. Thus, it is NOT RECOMMENDED, at least initially, that these functions be analyzed with the objective of consolidating them regionally or nationally.

**FACILITIES MANAGEMENT/ENVIRONMENTAL SERVICES AND SAFETY:** While the environmental services and safety function is distinct from the facilities management function, there is a close relationship between the two and frequently both functions fall

under the same management structure. Our limited data shows, that in comparison to the other CS functions, the personnel resources consumed in this area are one of the largest. Since both functions are integrally part of the installation management functions, which fall under the purview of the Installation Management Team (IMT), we deferred to them to investigate the merits of consolidating these functions. As a result of their analysis, the IMT put forth a number of recommendations to consolidate public works functions as part of broader installation management consolidations. While the IMT did not separately identify facilities management for consolidation, they did consider having WHS provide installation management services to all of the DoD facilities in the NCR. This proposal never gained traction and was dropped.

However, if one looks at all the CS functions, facilities management is not only substantial but it offers a large degree of commonality and compatibility across all DoD components. Facilities management is a prime candidate for performance on a joint basis throughout DoD. Whether this concept should be expanded to include all installation management functions remains to be seen; but it should be noted that this is a concept that has advocates at the highest levels of DoD. Two possible candidates for provision of facilities management services are the Corps of Engineers and NAVFAC. The NAVFAC is already operating on a regional basis, has a centralized management data base, and maintains visibility over its assets. It is important that this function be examined from an enterprise perspective, so that any solutions proposed consider the implications of the Navy and the Army's efforts to manage their installations; consolidation in this area should not preclude the possible consolidation of all installation functions sometime in the future. It is **RECOMMENDED** that this function be placed high on the list of functions to be examined for potential consolidation on a joint basis.

**OPERATIONS ANALYSIS (OA):** While only 20 personnel were reported to perform this function in the NCR (based on our Capacity Analysis questions) we were informed that the Air Force's Studies and Analysis Agency (AFSAA) and the Army's Concepts Analysis Agency (CAA) utilize approximately 200 and 165 personnel respectively (including contractor personnel). The Navy employs the services of the Center for Naval Analyses (CNA), a Federal Funded Research Development Center (FFRDC). The reasons for opposing the consolidation of these entities into a joint analytical service range from it would create group think; leadership would not have "trust" in the joint activity; if it was taken away, it would be recreated; models are different; to savings would be small. On the other hand, OA is OA; these activities can and do operate in a joint environment (e.g., in support of the JCSGs), increasingly there is need for OA capabilities to address joint problems, and the MILDEPS have utilized the services of other OA activities. While the potential personnel savings would not be monumental ( $365 \times 14\%$  (personnel saving factor) = 51), the synergy, cross fertilization of ideas, and personnel advancement opportunities could produce a more adept workforce. Additionally, the existence of CNA provides a useful counterweight to the dangers inherent in all monopolistic structures. While not high on the list of potential candidates for consolidation, it appears that the advantages outweigh the disadvantages. It is **RECOMMENDED** that this function be placed in the second tier of functions to be examined for potential consolidation on a joint basis.

**TRANSPORTATION:** This function was defined as the provision of military and commercial air, sea, and surface transportation; including motor vehicle management and logistic transportation planning and control. Initially, we were looking at the possibility of consolidating the non-tactical motor pools and executive level aviation resources in the NCR. There are two primary motor pools that provide support to executive-level DoD officials

within the NCR. The Army motor pool provides service to all DoD components with the exception of the Navy; the Navy operates their own motor pool. In addition, both operate scheduled bus service within the NCR. As a result of this arrangement, the customer is directed to call 5 different numbers in three different area codes for inquiries about particular DoD bus routes. The consolidation of these two motor pools, with the creation of a most efficient organizational structure, would increase the possibility that providers in the private sector would compete on the provision of services through the A-76 process. The Air Force is the primary provider of executive-level aviation services. However, the Army has 12 aircraft and 52 personnel performing the same mission. Consolidation of these operations and associated assets offers the possibility for greater efficiencies, personnel (and associated square footage of space) savings, greater flexibility, contract cost savings resulting from economies of scale, and the provision of comparable service to comparably ranked personnel.

While the proposal to consolidate the motor pools has been "studied," and the Navy did not agree with the proposal due to "operationally incompatible missions," one of the primary factors in the turn down appeared to be the fact that the Navy provides services to individuals at a lower rank than what the Army motor pool provides. Thus, if Army policies prevailed in the joint motor pool, certain Navy personnel would be deprived of this service. Of greater importance, however, is the fact that transportation services are provided on the basis of affordability, with no enterprise-wide view of the total costs involved and assets consumed to provide this service. While the personnel resources consumed in support of this CS function are not of the same magnitude as those supporting such functions as administration, security, and contracting, they appear, nevertheless, to be substantial. Accordingly, we would RECOMMEND that this function be examined for possible performance on a joint basis.

**SECURITY:** This term was used to cover the "provision of physical, personnel, information, and communications security, as well as police or guard services, when not covered by one of the other categories of functions." Due to its breadth, it was probably not a very useful definition for determining the merits of consolidation (e.g., a provider of police or guard service may not in anyway be involved with communications security). Early on, the IMT took the lead in examining force protection/law enforcement in the NCR – a major component of our "security" function – and eventually developed a scenario to assign this responsibility to the Pentagon Force Protection Agency.

Force Protection includes but is not limited to Antiterrorism Program Capabilities; Chemical, Biological, Radiological, Nuclear and High-Yield Explosives Program Capabilities; Physical Security Program Capabilities; and Operations Security Program Capabilities. Elements of 16 Defense Agencies, 10 Defense Activities, and four Military Services reside on innumerable installations or off-installation owned or leased facilities performing force protection or law enforcement functions in the NCR. Assigning these functions to a single, joint provider would relieve other agencies of this non-core burden; free military uniformed personnel for war-fighting tasks; concentrate planning, programming, and budgeting for this specialized area to a single entity; produce management efficiencies, economies of scale, and improved continuity of operations; create commonality in standards, training, and safety; and enhance interoperability with the Department of Homeland Security, state, regional, and public safety agencies/activities.

This scenario was dropped NOT because the idea did not have merit, but largely because the impact on "footprint" would be hard to substantiate and the BRAC process was not the appropriate avenue to pursue this proposal. The personnel resources devoted to this function are substantial, second only to administration. Thus, the potential personnel savings would likewise be substantial. While force protection/law enforcement must be applied

locally, and there are considerable complexities and variations (especially jurisdictional issues) that must be addressed in any consolidation scenario, it is a function that has a large degree of commonality and comparability across all DoD components. Accordingly, it should be looked at first from an enterprise-wide perspective, what management structures, information systems, training centers, and "centers of expertise" would be appropriate for performance holistically; secondly, what regional/metropolitan centers could be created to pool resources, create efficiencies, and improve services; and, lastly, what, if any, small, independent operations should be retained. It is RECOMMENDED that this function be high on the list of functions to be examined for potential consolidation on a joint basis.

## ENCLOSURE C

THE SAN ANTONIO REAL PROPERTY MAINTENANCE AGENCY AND THE  
SAN ANTONIO CONTRACTING AGENCY\*

In the mid-to-late 1970s, Air Force and Army installation real property maintenance and contracting services in the San Antonio, Texas, area, were consolidated, creating the San Antonio Real Property Maintenance Agency (SARPMA) and the San Antonio Contracting Center (SACC). Both efforts, to be managed by the Air Force, were expected to save \$2.2 million annually in personnel, supplies, and equipment, or \$24 million over the 11-year life of the program. The DoD agreed to disestablish both efforts in 1989 at the Air Force's request. By the fall of 1989, both efforts had ceased operating and their functions were returned to the control of individual base commanders.

In a 1989 report, GAO stated that DoD approved the request to dissolve the consolidation based on studies performed by it and the Air Force that cited installation commanders' concern over a lack of command and control of their engineering support functions. In its justification, the Air Force cited a September 1986 DoD Directive giving installation commanders broad authority to decide how to accomplish their engineering functions and made them accountable for those resources, and stated that mandating SARPMA was at variance with this authority. One Air Force study questioned SARPMA's customer responsiveness and productivity, yet concluded that it provided services at about the same level as before the consolidation. However, it also noted that customers resented the loss of direct control of the civil engineering work resulting in a negative perception of SARPMA's performance. In retrospect, various service officials suggested that this had been a situation in which DoD had pushed the services toward consolidation that the services had not really bought into.

A December 1990 Defense Management Report Decision concluded that comparisons of SARPMA savings was not possible due to the dramatic differences in program funding, environmental issues, hiring freezes, and other factors that impacted DoD during the period the consolidation existed. Also, the original concept of organization, supply, personnel, procurement support, automated data processing, and the client base SARPMA was to serve never materialized. The report went on to say that, considering the range of fundamental management problems and mistakes, such as under staffing, an inadequate computer system, and not promptly reimbursing vendors that caused them to refuse to deal with SARPMA, **to blame its failure on consolidation alone was unwarranted** (emphasis added).

\* This information was extracted from GAO Report, "Military Bases: Opportunities for Savings in Installation Support Costs Are Being Missed," April 23, 1996, Appendix II

## ENCLOSURE D

### DEFENSE CONTRACTING COMMAND-WASHINGTON (DCC-W)

**BACKGROUND:** The benefits of establishing a joint contracting office in the NCR was recognized several years ago with the establishment of Defense Supply Service-Washington (the name was later changed to Defense Contracting Command-Washington (DCC-W). It was established as a joint activity with executive agency responsibility assigned to the Army (DoDD 5335.2). While the DCC-W is still in existence, their assignment of this joint mission was nullified with OSD's cancellation of DoDD 5335.2 in 2004.

**REASONS FOR FAILURE:** While some may maintain that the very concept of performing this service on a joint basis is flawed; and, that it would be foolish to take on joint contracting on a DoD-wide basis when it has proven to be a failure on a metropolitan basis, we would contend that it was not the CONCEPT that was flawed, but the IMPLEMENTATION. While there was not any one particular causal defect, the combination of the following deficiencies resulted in the demise of DCC-W as a joint institution:

- While all DoD components in the NCR were suppose to utilize the services of DCC-W, there was no enforcement of noncompliance and there was a specific "escape clause" that allowed exceptions to the required use of DCC-W services. Before long the Navy, Air Force, and parts of the 4th Estate were utilizing their own contracting resources to obtain necessary goods and services.
- While established with the best of intentions, there was no consistent, long-term commitment to making it work.
- As one of many Army entities, it was subject to the normal competition for scarce resources and required reductions. It didn't receive the high level attention (and funding) that would occur if it was a DoD Defense Agency/DoD Field Activity. Some would maintain that it was inadequately funded.
- Many of the personnel in DCC-W were hired and promoted with skills as buyers making simplified purchases. They were inadequately prepared to perform more complicated procurement actions. Accordingly, dissatisfied customers took their business elsewhere.
- DCC-W operated as a stand-alone procurement office within the Office of the Administrative Assistant to the Secretary of the Army. Therefore, it didn't have the advantages of being part of a large procurement organization which could provide for:
  - Reallocation of workload and personnel resources as need dictated
  - Centers of expertise in performing more specialized/complicated contracting actions
  - Oversight by procurement professionals and a common set of metrics to compare effectiveness and efficiency throughout numerous contracting offices
- While assignment of executive agent responsibility to a DoD component is not a flawed concept, in this case it was not the most appropriate format.
- The leadership (with its in/out military assignments) did not provide the necessary continuity to ensure implementation of long-range plans.

**The end result is that DCC-W has become irrelevant as a joint institution, but has still retained the illusion of being one.**

## ENCLOSURE E

## COMMENTS OF PENTAGON "WISEMEN"

The following is a collection of relevant comments taken from our numerous interviews. Some are exact quotes; others are paraphrases. We have been careful to retain the meaning while ensuring the confidentiality of the speaker and the context within which the comments were made.

- Contracting out CS functions is not better; can do cheaper/better in house.
- The consolidation of the two motor pools that service the NCR (Army and Navy) makes sense.
- The consolidation of publishing is something that is already being examined (through the BIC process).
- There is no justifiable reason why two military services are necessary to provide executive airline services in the NCR.
- The performance of facilities management functions on a joint basis should be considered.
- The biggest issue to tackle when considering consolidation is funding; reimbursable is best. The cost of providing CS services must be treated like a utility service... must pay bill!
- Any consolidation proposal must recognize not only the different cultures, but their *importance*.
  - For instance, with respect to certain functions (e.g., physical/personnel security) how the organization responds may very well vary depend on whether it is military or civilian.
- The performance of administrative functions in the NCR on a joint basis is an option that should be considered.
- When military personnel are performing CS functions, must consider to what extent consolidation may degrade their combat mission.
- The existence of the "three wise men and mayor of the Pentagon," acting as an informal board of directors, is a very useful forum to resolve problems.
  - Corporate/collaborative values are more important to resolving problems than the formal organizational structure.
  - Informally... can get things done; if have to go through the "formal" route, the process can kill you!
- High-tech functional offices with necessary expertise (e.g., in the area of contracting) can provide adequate services even though far removed from the customer base; geographic factors not that important.
  - Face-to-face contact/liaison personnel are not always necessary.
- The organizational structure of the CS provider, with its resultant grade structure, is a key factor in the quality of service provided.
- Should consider consolidation of the following CS functions: contracting, audio visual, facilities management/environmental services and safety, security, supply and support services, and transportation.
  - Within just the Pentagon, consider consolidation of mailrooms
- Rather than force an organizational structure on us, give us a reduction target.
- **We really ought to address some of these consolidation opportunities, but we never seem to have the time or energy to do so.**

MDS	REIMB RATES FY05		
	(DOD)	(OTH/FMS)	(PUBLIC)
KC-10A	\$7,931	\$8,140	\$8,465
KC-135E	\$5,170	\$5,410	\$5,626
KC-135R	\$4,896	\$5,136	\$5,342
KC-135T	\$5,319	\$5,559	\$5,782

LACKLAND AFB, GAO VISIT (Mr. Roger Tomlinson)  
15 JUN 05  
Concerns/Issues/Questions

1. Define Joint Basing/Installation Management function and its organizational structure?
2. Define and Identify service terminology differences?
3. Priority of funding infrastructure – who would determine it?
4. Will the Wing Commander have control of getting projects done?
5. Who would the personnel work for (Identify command relationships)?
6. What functions would fall under Installation Management Functions i.e., BOS organizations, Wing Staff Agencies?
7. How will this organization be funded?
8. Identify the structure of the organization i.e., how large?
9. Where would the manpower come from?
10. How will this affect the wing structure (would we lose manpower)?
11. How will this organization interface with NAF and MAJCOM?
12. NAF/APF control – will it be controlled at wing/base level or will this organization control it?
13. Will the Head of Contracting activity report to the 4 star (AF)?
14. Will we have to deal with the Pentagon on contract size (funds)? (Contracting requires transition period ref: service FAR differences)
15. How would we integrate Logistics between all services (Personnel Actions/software programs)?
16. How will this affect quality of life i.e., housing?
17. How will this affect AEF BOS UTCs (how will the ARMY fall into AF deployment programming/taskings)?
18. Will we be a Joint Group with squadrons at Ft. Sam and RAFB or will we have even more extended duty hours driving forces to post all over the SA area?

19. What will be the vehicle support, who/what will be the priority?
20. Military Police/Security Forces language differences, mission differences – how will we integrate who's system will take priority?
21. Who is the QAE and who will pay for the contract guards at Ft. Sam and LAFB (one big contract)?
22. Protection Level security and mission differences between Army and Air Force – Army doesn't protect their airframes like we do.

**DRAFT DELIBERATIVE DOCUMENT – FOR DISCUSSION PURPOSES ONLY – DO NOT RELEASE UNDER FOIA**  
**14 November 2004**

**MILITARY JUDGMENT: NECESSARY — BUT NOT SUFFICIENT**  
**Issue # 11-15-04-01**

**Issue:** The Technical Joint Cross Service Group (TJCSG) has registered 29 closure / realignment scenarios on the Department's Scenario Tracking Tool.<sup>1</sup> But 20 months after the TJCSG's first deliberations in March 2003, and with the Cost of Base Closure and Realignment (COBRA) data calls set to launch in a matter of days — not one scenario is the output of the Linear Optimization Model (LOM), not one is driven by data on excess capacity, and not one reflects data-derived military value. *In short, not one scenario is the result of quantitative analysis.* All are instead the product of "military judgment."

Military judgment is a critical part of our process, but it is subjective by nature and strongly dependent on the mix of individuals within the TJCSG. The process was designed to be *data-driven* for those very reasons, but it has drifted into one that will be, at best, *data-validated*, and at worst, *data-rationalized*. Without proactive measures, the scenarios will be difficult to defend before the BRAC Commission.

**Point of Contact:** Don DeYoung, Capabilities Integration Team (Alternate), U.S. Navy

**Issue Summary**

1. *Background*

Military judgment is a filter through which all closure / realignment proposals must pass in order to gauge their practicality and prudence. An extreme hypothetical example would be a scenario that would close Pearl Harbor. Military judgment would doubtless reject it on the grounds of strategic and tactical interests. Strictly speaking, however, *military* judgment is not the province of the TJCSG, whose considerations are different from those that focus on force structure and basing requirements. The TJCSG's area of competence is, instead, *technical* judgment. For simplicity, the phrase "expert judgment" will be used hereafter.

2. *Drifting Away From a Data-Driven Process*

After 20 months, we have not accomplished two critical requirements: (a) confirming the assertion that there is excess capacity within the DoD's in-house system (and if so, where and to what extent), and (b) determining a score for each sites' military value. Both sets of data are needed for the LOM.

As described in the issue paper, "Decision Criteria for Scenario Proposals," (dated 8 September), the LOM has two advantages. The first is as a decision-aid that limits the number of options produced from a very large universe of potential options. For example, given any 10 sites, there are 175 possible alternatives that close 1, 2, or 3 of them.<sup>2</sup> The second advantage is that *the LOM provides an objective means by which to defend our chosen few scenarios when so many other possibilities existed but were never considered.*

The drift away from a data-driven process began on 23 July with the request for notional scenarios by the Infrastructure Steering Group (ISG). The issue paper, "Notional Scenarios," (dated 28 July) argued that the ISG's request would risk fueling perceptions that the Department created the answers before the data was in. In fact, at that time, the field sites were still in the process of responding to the

<sup>1</sup> The Infrastructure Steering Group set 1 November as the deadline for the "vast majority of scenarios declared by JCSGs and MilDeps" (ref: USD(AT&L) memo, subj: "BRAC 2005 Scenario Data Calls and Revised BRAC Timeline", 23 September 2004).

<sup>2</sup> DON IAT Briefing, "Proposed Optimization Methodology: Generating Alternatives."

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military value and capacity data calls. In our 30 July TJCSG meeting, the OSD BRAC Office gave clarifying guidance that these scenarios were to be notional, but nevertheless “useful,” a somewhat mixed message. OSD also asserted that scenario development is “the front-end of the analytical process,”<sup>3</sup> which was a departure from its guidance, issued a year ago, that called it “the final step.”<sup>4</sup>

One month after the ISG’s request, the JCSGs began providing scenarios that identified “gainers” and “losers.”<sup>5</sup> The TJCSG initially kept its scenarios at a general level, specifying only the impacted sites,<sup>6</sup> but soon followed suit when the ISG: (a) required that all JCSGs begin registering scenario proposals into the Scenario Tracking Tool by 20 September<sup>7</sup> and, (b) scheduled the TJCSG to brief its scenarios (with “gainers” and “losers”) to the ISG on 1 October.<sup>8</sup>

The moment we produced our first scenarios without the benefit of capacity and military value data, we lost the right to call the TJCSG process data-driven. It instead became judgment-driven. 

### 3. *Not Mission Impossible*

It is difficult to measure capacity and assign military values, and do it in time to run the LOM — but not impossible, especially in 20 months time. In fact, during BRAC-95, the Navy derived the necessary data and used the LOM to generate scenarios in 10 months’ time,<sup>9</sup> in a process that was data-driven from start to finish. As a member of the Navy’s BRAC-95 Base Structure Analysis Team, I can attest to that fact. The following items give more evidence of the sound, analytical nature of that process:

- During BRAC-95, the General Accounting Office (GAO) examined the closure process and decisions of each Service, including their capacity and military value analyses, and found that the Navy’s data-driven process and recommendations were sound.<sup>10</sup>
- The DoD honored C. P. Nemfakos, the architect of the Navy process, as a “Defense Career Civilian of Distinction.” His plaque, featured in the Pentagon’s A-Ring exhibit, “Career Civil Servants in the Nation’s Defense,” states that he “oversaw the department’s base closure process so effectively that his methodologies were adopted<sup>11</sup> by the GAO and the Base Realignment and Closure Commission.”

Even BRAC-95’s much criticized Laboratory and T&E cross-service studies took only 9 months to produce capacity data and military value rankings (though the military value scoring was flawed by some bizarre results in the T&E arena). The two studies even ran the LOM.

To be fair, ten years later, some profoundly different circumstances have had a significant effect on our current process. First and foremost, the Pentagon is fighting a war. There are three other causes for progress’ glacial pace, of even greater effect than the first, but they lie outside the scope of this paper.

<sup>3</sup> TJCSG Meeting Minutes of 30 July 2004

<sup>4</sup> USD(AT&L) memo, subj: “BRAC 2005 Guidance for the Technical Joint Cross-Service Group”, 16 July 2003.

<sup>5</sup> Briefing to the Infrastructure Steering Group, 27 August 2004

<sup>6</sup> DDR&E memo, subj: “Technical Joint Cross Service Group (TJCSG) Notional Training Scenarios”, 4 August 2004.

<sup>7</sup> USD(AT&L) memo, subj: “BRAC 2005 Scenario Data Calls and Revised BRAC Timeline”, 23 September 2004.

<sup>8</sup> USD(AT&L) memo, subj: “Template and Briefing Schedule for BRAC 2005 Scenarios”, 17 September 2004.

<sup>9</sup> BSAT memo RP-0445-F8, subj: “Report of BSEC Deliberations on 16 November 1994,” 16 November 1994.

<sup>10</sup> GAO, “Military Bases: Analysis of DoD’s 1995 Process and Recommendations for Closure and Realignment”, p.87.

<sup>11</sup> Use of the word “adopted” is probably inaccurate, since neither the GAO of the Commission would have the occasion to employ these closure methodologies. Perhaps the word meant here was “endorsed.”

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4. *The Problem — Defensibility of Our Recommendations*

Lately, our process has been described as “strategy-driven,”<sup>12</sup> because the scenarios generated by that process conform to the TJCSG’s overarching strategy. That strategy is to:

“Reduce excess capacity and reduce the number of technical sites through combined Research, Development & Acquisition, Test & Evaluation Centers aligned for functional and technical efficiency and synergy.”<sup>13</sup>

The epithet, “strategy-driven,” while technically correct at a superficial level, is hard to support. For one, we have not proven there is any excess capacity to reduce, which is one objective of the strategy. The other is to reduce the number of sites in a way that aligns them for efficiency and synergy, but how does one align them successfully without objective data on their military value?

A strategy-driven process would be if we were reducing proven excess capacity while enhancing vertically integrated platform work, or co-locating a broad range of multidisciplinary sciences, at sites *shown by data to possess the best people, state-of-the-art facilities, and an established record of success in making scientific advances and creating new warfighting capabilities*. By contrast, realigning work to sites that merely have the most people working in what are large, wide-ranging technology areas (e.g., Sensors) is not strategy. It is expedience, at best.

Defensibility problems will almost certainly result from the belated use of data because our judgment-driven scenarios now have two sub-optimal futures. The best-case has them data-validated; and in the worst-case, data-rationalized. In either case, without corrective action, notions that we marshaled data to support preexisting judgments, or preferred outcomes, will be difficult to dispel.

5. *A Remedial Plan of Action*

(a) Consult Other DoD Studies

The TJCSG does not have a monopoly on expert judgment, so it will be difficult to explain why we did not calibrate with the findings of high-level expert panels — *especially those that, unlike our study, actually examined projects at the sites*. Fortunately, there is still time to use the expert judgment of other DoD panels as a solution to our problem.

The issue paper, “Decision Criteria for Scenario Proposals,” proposed that we, where possible, assess each scenario for whether it conforms or conflicts with any judgment(s) of a DoD study, like those of the Service Science Boards, Tri-Service RDT&E Panels, or any other DoD/Federal board of scientific and engineering experts. Conformance to other panel findings would enhance the credibility of our judgment-driven scenarios. Conflicts with other findings, while not a show-stopper, should be cause for re-examination.

Some may claim this approach compromises objectivity because such studies can be biased (a legitimate concern), or that such information is not certifiable because it draws from sources outside the closure process. These arguments are not convincing for the following reasons:

<sup>12</sup> TJCSG Meeting Minutes of 25 October 2004.

<sup>13</sup> DDR&E Briefing to the Infrastructure Steering Group, “Technical Joint Cross Service Group (TJCSG): Strategy / Initial Scenarios,” 1 October 2004.

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- Other studies are unlikely to be any more subjective than our judgment-driven process. *The more objective studies will be those that examined the R&D work itself, which we have not done.*
- These would be official reports, authorized and approved by the DoD / Services. *If this information cannot be considered authoritative and certifiable, then why does the DoD continue to charter such studies — at considerable public expense — and provide them to Congress?*
- BRAC-05 will use — for the first time in five rounds — closure ideas proposed by private groups outside the Government, such as the Business Executives for National Security. *Surely, if private sector opinions can be used for generating scenarios, then the official findings of DoD chartered and approved studies, must be acceptable and certifiable.*
- The DoD IG determined, after our 2 December 2003 off-site, when we first began our work on military value, that the use of DoD studies would be auditable, and therefore defensible.

If we can show that other DoD studies made similar judgments to our own, then the credibility, and defensibility, of our proposals are improved. One study of potential use is the Tri-Service “Fixed-Wing Aircraft T&E Reliance Study.” Another is the study by the National Defense University (NDU) on S&T in the areas of sensors, IT, and weapons (three areas we are examining). The NDU team included experts with impressive credentials: former Service Vice Chiefs (one was later appointed Chair of the Columbia Accident Investigation Board), former Commanders-in-Chiefs (one was later appointed as the President’s Special Envoy to the Middle East), a former DDR&E and Secretary of the Air Force, experts from academia, former lab directors, and a former National Security Council Special Assistant to the President.

*In short, what rationale could be offered for why OSD entertained ideas from the private sector, even as the TJCSG ignored expert judgments made in DoD’s own studies — many of which have been provided to Congress and the Secretary of Defense?*

(b) Derive Valid Military Value Scores — ASAP

Even if we decide to consult other DoD studies, the fact remains that judgment alone cannot substitute for the objective data necessary for deriving military value. In fact, OSD policy, established by the Deputy Secretary of Defense (DEPSECDEF), directs us to:

“...determine military value through the exercise of military judgment *built upon a quantitative analytical foundation* (emphasis added).”<sup>14</sup>

\* Deriving scenarios, without the foundation of quantitative analysis, causes problems. First, *it ignores the DEPSECDEF’s policy and risks compromising the integrity of the BRAC process*. It was for this reason, at the 3 November CIT meeting that I abstained from ranking the 31 proposed scenarios by their order of importance.<sup>15</sup> How can one make such determinations, in an objective way, without the analytical foundation provided by military value (MV) scores or capacity data?

\* The second problem is that *accurate MV scores are essential if we are to avoid closing, or realigning work from, sites that have greater value than ones we have selected to be the gainers*. Again, this situation was caused by developing scenarios before the MV scores were available to inform our selection of gainers and losers. The key task after deriving the scores will be to modify any defective scenarios as quickly as possible.

<sup>14</sup> DEPSECDEF memo, subj: “BRAC 2005 Military Value Principles”, 3 September 2004.

<sup>15</sup> D. DeYoung, Memo to DoD IG, subj: “Decision to Abstain from Scenario Prioritization”, 4 November 2004.

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Complicating matters is the fact that the COBRA calls will be launched soon, well before the MV scores are finalized. This is likely to waste dollars, time, and effort. Each defective COBRA squanders resources in the following ways.

- COBRA calls are expensive. Based on the cost of an actual BRAC-95 COBRA call, my estimated cost of a BRAC-05 TJCSG COBRA call, affecting 7 sites, might be roughly \$495,000.<sup>16</sup> Assuming 20-30 COBRA calls, the total price tag could range between 10 and 15 million dollars.
- COBRA calls are labor intensive. Based on an actual BRAC-95 COBRA call, a BRAC-05 TJCSG COBRA call, affecting 7 sites, may generate 375 pages of data.<sup>17</sup> Assuming 20-30 COBRA calls, the sub-groups may be swamped with between 7,500 and 12,000 pages of data. Analyzing this data and resolving the likely conflicts between “gainers” and “losers”, especially the inter-service conflicts, will take time that is in short supply. *Of all phases in our process, this is the most likely to be a “showstopper”* (see issue paper, “Scenario Conflict Adjudication,” dated 13 September).
- COBRA calls disrupt important work. Labs and centers perform critical missions, many in direct support of our armed forces in Iraq and Afghanistan, as well as the global war on terrorism. COBRA calls are major distractions and divert resources away from mission needs. *The fact that we are risking the launch of unnecessary and/or defective COBRA calls, due to a lack of objective data, after 20 months of work, is more than unfortunate. It is inexcusable.*

\* One last issue regarding military value is the question of, “what gets assigned a score?” — i.e., will it be a bin, a group of bins, or an organization? Confining the scores to individual bins makes the least sense because it does not conform to the synergistic nature of how good R&D is conducted. Moreover, our 39 bins do not have clean, mutually exclusive borders — both people and facilities are shared across multiple bins. A bin-to-bin analysis will lead to realignments of workload packets, which will *sever the connectivity of critical multidisciplinary projects and vertically integrated programs*. The way out of this box is to assign MV to groups of bins, or to more meaningful organizational units, such as an activity (e.g., laboratory or center).

(c) Simplify the Capacity Analysis

Every dollar spent on excess infrastructure robs our treasury and burdens our armed forces. Our first task was to determine whether that excess exists, and if it does, where it is and how much there is of it. As with military value, this task must be accomplished *objectively and accurately*, and should have been completed *prior* to the generation of any closure scenarios.

*Reliable capacity data is still needed to confirm assertions made about the existence of excess capacity.* After all, this was the primary reason given to justify another round of closures. Conventional wisdom after the 1995 closures held that substantial excess capacity remained. However the circumstances supporting that contention were profoundly altered by a foreign

<sup>16</sup> The BRAC-95 COBRA call expended 1-2 WYs of effort in 48 hours (plus a weekend) at the “losing” site. Assume the level to be 1.5 WYs, at a fully-burdened compensation rate of a GS-13, and then the “losing” site spent approximately \$225K to respond. Then assume the “gaining” site expended 1/5 the effort, which is probably conservative, and the cost for that site was roughly \$45 K, *making the total for the COBRA call approximately \$270 K.* But, that was a scenario that involved only 2 sites. Our three “notional” scenarios would have affected 7, 9, and 9 sites respectively. Let us assume that our COBRA calls affect an average of 7 sites, with a conservative ratio of 1 “loser” and 6 “gainers” for each. By applying the response costs of \$225 K for the “loser” and \$45 K for each “gainer”, *the estimated cost for each scenario might be \$495 K.*

<sup>17</sup> The BRAC-95 COBRA call generated 165 pages of data from the “losing” site. Again, assuming the “gaining” site expended 1/5 of the effort, about 35 pages may have been produced for a total data call response of 200 pages. Again, assuming the TJCSG data calls affect an average of 7 sites, with a ratio of 1 “loser” to 6 “gainers”, and the total amount of information might be roughly 375 pages.

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attack on our homeland. As a result, (a) the nation's defense budget has risen (with an accompanying increase in DoD lab/center workload),<sup>18</sup> (b) serious Congressional consideration is being given to increasing the size of the force structure, and (c) there are urgent wartime challenges that require extensive levels of RDT&E, such as finding reliable ways to detect, from a distance, everything from conventional explosives, to bio-agents, to nuclear material.

*The TJCSG's approach to determining capacity is overly complicated.* It uses too many metrics of dubious value. One is square footage, which has problems best addressed in the issue paper, "Notional Scenarios." A second, Force Structure Adjustment (FSA), is especially relevant here because of its total reliance on judgment. As explained in the issue paper, "Proposed Contingency Plan" (dated 4 August 2004), the FSA is intended to account for any current capacity that may not be necessary in 2025. Our individual judgments were merged into a collective judgment by means of a Delphi session, but it is unclear how to defend pure speculation about the world 20 years from now. Needless to say, the FSA is not certified data.

To be blunt, the third metric — extramural funding — is absurd. First, dollars given to external organizations is not a measure of on-site capacity. If it were, DARPA, with nearly \$2.7 billion in FY03, should have a sprawling infrastructure, but it occupies an office building.<sup>19</sup> Second, it injects private sector infrastructure into an analysis of the public sector's capacity. Funding that goes outside of an installation's fence-line is immaterial to BRAC. Third, the issue paper, "Proposed Contingency Plan," predicted that we would risk multiple counts of the same dollar as it is passed around different organizations at the same location. The prediction was right. At the 1 November CIT meeting, the Analytic Team reported that a roll-up of capacity measures was necessary in order to compare apples-to-apples, but that this will also ensure double-counting (or worse). The Team's proposal to use only intramural funding, which would eliminate both the multiple-counting and private sector issues, was not adopted.

A fourth metric, ACATs (both count and funding), is analytically unsound. ACAT programs exhibit large variances in cost and complexity. This leads to big differences in personnel, funding, and infrastructure requirements between programs — even at the same ACAT level. ACATs are much too imprecise as a means for measuring capacity. As a diagnostic tool, it is not unlike using an oven thermometer to decide whether your child has a fever.

We need to simplify our analysis. Work-years and test hours were sufficient in BRAC-95's Lab and T&E cross-service analyses. And, work-years alone got the job done in the Navy's BRAC-95 process; a process that the GAO endorsed. The solution is clear. Instead, we are proceeding with COBRA calls — *even though no excess capacity has been proven to exist*. We owe it to the field sites and to our nation's security to determine whether there is in fact any excess capacity, and if so, where and by how much. If we fail to meet that obligation, then we owe it to ourselves to start working on some plausible explanations for the Commission.

### **Conclusion**

There is an enormous difference between a closure process that is data-driven & validated by judgment and one that is judgment-driven & rationalized by data. The first approach, after proving excess capacity does indeed exist, can yield fair outcomes that reduces infrastructure and preserves an in-house system that meets long-term national interests. The second approach can heighten the risk to America's security.

<sup>18</sup> Navy Laboratory Community Coordinating Group data show a 10% increase in the one year from FY01 to FY02 in reimbursable funding, and direct cites (including non-Navy funding sources).

<sup>19</sup> <http://www.darpa.mil/body/pdf/FY03BudEst.pdf>

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While we no longer have a data-driven approach, we may be able to avoid the pitfalls of the latter one. To do this we must first calibrate our judgment-derived scenarios against the findings of other defense studies. This will minimize the risk of errors in judgment and give our proposals more credibility. Then we need to validate those scenarios in two steps: use valid capacity data, derived through a simplified and more analytically sound process, to verify that there is excess capacity within the Department's system of labs and centers, and if such excess is proven, then use accurate MV scores, at a meaningful level of aggregation (e.g., organizations vice the artificial 39 bins) to make the best choices regarding "gainers" and "losers." Accomplishing less than those three steps will create unacceptable risks.

Much has been said about this BRAC being about transforming the Department for future threats. Much less is said about the fact that the very mission of the Department's laboratories and centers is one of constant transformation — both incremental and radical. Whatever we do in this BRAC, *their ability to make technical contributions to national security must be preserved.* One example is the contribution made by world-class chemists with the Navy's laboratory at Indian Head, Maryland, who developed and fielded the thermobaric weapon in only 67 days for use against al Qaeda and Taliban forces holed up in Afghanistan's mountain caves and tunnels. Another is that made by engineers with the Army's laboratory and test center at Aberdeen, Maryland and its Tank Automotive R&D center in Warren, Michigan, who developed and fielded, within two months, the Armor Survivability Kits that are now being rushed into Iraq to better protect U.S. ground forces.<sup>20</sup>

Another in-house ability that must be preserved is its role as a *yardstick*,<sup>21</sup> a term referring to the standard that it sets by providing authoritative, objective advice to governmental decisionmakers. This is critical to good government. The Federal Government must be able to choose among competing options offered by industrial producers. The need for profit makes each company an advocate of its own product, so, given those natural tendencies, the Government "requires internal technical capability of sufficient breadth, depth, and continuity to assure that the public interest is served."<sup>22</sup>

A lot rides on our actions, much more so than ten years ago. America is engaged in a prolonged struggle with an opportunistic, fanatical enemy who has unlimited apocalyptic goals and is not deterred by traditional means. We need to identify and collect any potential BRAC savings — and our country needs all of the technological options it can get.

**Recommendations:** The TJCSG should require that the sub-groups: (a) calibrate the proposed scenarios against the findings of other DoD studies; (b) use capacity data, derived through a simplified and more analytically sound process, to verify that there is excess capacity within the DoD in-house system, and if so, then (c) use MV scores, at a meaningful level of aggregation, to *validate* the scenarios and make the best choices regarding "gainers" and "losers."

**Army Position:** \_\_\_\_\_  
**AF Position:** \_\_\_\_\_  
**Navy Position:** \_\_\_\_\_  
**Marine Corps Position:** \_\_\_\_\_  
**JCS Position:** \_\_\_\_\_

Final Resolution:	
POC Signature: _____	Date: _____
CIT Chair: _____	Date: _____

<sup>20</sup> RDECOM Magazine, "Vehicles in Iraq Go From Workhorse to Warrior with New Kits," February 2004.

<sup>21</sup> H. L. Nieburg, *In the Name of Science* (Chicago: Quadrangle Books, 1966).

<sup>22</sup> William J. Perry, *Required In-House Capabilities for Department of Defense Research, Development, Test and Evaluation* (Washington, DC: Department of Defense, 1980).

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Revision 1 8 November 2004**

ISSUE: Resolution of proposal by W&A for a "platform integration" scenario

POINT OF CONTACT: Karen Higgins

DISCUSSION:

Goals of original proposal:

- 1) Achieve potential efficiencies through a joint and common approach to platform integration and
- 2) Ensure current synergies achieved by current ways of doing business are not unintentionally lost
- 3) Create Transformational path for integration in the Network Centric Warfare future

Background:

Point 1: In addition to desire for greater efficiencies and synergies, part of the impetus was that "integration" has been binned in one of two ways by various organizations. Some put this work in ALSS [as requested by data call] and some put it in W&A. This difference in binning caused a confusion factor that may not be noted in some of the scenarios, resulting in unintended consequences, i.e. undesired breaking of synergies without commensurate benefits. For example, Redstone and Eglin binned weapons integration work for air platforms with W&A, while China Lake binned it with ALSS. In addition, underwater weapons [Newport/ Keyport] and ship surfaced launched weapons [Dahlgren] were binned in W&A--also causing a confusion factor with some scenarios that propose to handle weapons integration separate from some W&A work.

Point 2: The issue has currently taken on an emotional wrap that needs to be removed, so issues [and non-issues] can be clearly seen.

Point 3: Discussion among W&A and ALSS subgroups notes the following:

a) There are many similarities among services in how weapons system integration occurs on platforms.

1) Funding and direction comes from platform program offices.

2) Both contractors and in-house government folks [e.g. Army Weapons Center/ Navy Warfare Centers/ Air Force ALCs] are engaged in all Services.

b) Major differences in how weapons system occurs include: the degree to which prime contractors are involved during the life cycle [more for the USAF in all phases]; and, the location at which integration occurs especially after IOC [Army-Weapons Centers; Navy-Warfare Centers; USAF--Prime Contractor sites, platform sites and ALCs].

c) After discussion and analysis among membership from ALSS and W&A subgroups, consensus was

1) A common process approach could be implemented [NOT part of BRAC] in a joint service environment so that software integration processes could become more efficient.

2) A single organizational solution [i.e. move all integration to either platform or weapons sites] could break more synergies than it could gain efficiencies or other benefits. Scenario proposals need to ensure changes to current integration approach for all services do not have unintentional consequences.

**RECOMMENDATION(s):**

1) W&A remove the encompassing integration scenario from consideration Comments: Concur.

2) ALSS proceed with considering ALCs in their scenarios that consolidate R, D&A, & T&E Mgmt at a few select sites across the services Comments: Concur: Army does not own Air Logistic Centers. However, Army develops missiles at Redstone, and integration on Air platforms occurs there as well. Army ground platform and gun integration is the subject of the Land Warfare scenario. Guns or missiles that cross these platforms are integrated at the platform development site.

3) ALSS ensure movement of platform work does not encompass moving weapons integration. Concur with comment. Unless both move together to the same installation, which is being entertained in the Army LW scenario.

4) W&A proceed with excursions that address ship platform/combat systems integration and underwater weapons system integration. Concur with comment. Do not support excursion for energetics. It appears to be a presolution without at least the 15 Decision Factor analysis, when other scenarios are possible.

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DATE: 17 November 2004, Revision 3

ISSUE: Resolution of proposal by W&A for a "platform integration" scenario

POINT OF CONTACT: Karen Higgins

DISCUSSION:

Goals of original proposal:

- 1) Achieve potential efficiencies through a joint and common approach to Weapons and Platform integration
- 2) Ensure current synergies achieved by current ways of doing business are not unintentionally lost
- 3) Create Transformational path for integration in the Network Centric Warfare future

Background:

Point 1: Inconsistent Binning

In addition to desire for greater efficiencies and synergies, part of the impetus for this issue paper is that "integration" has been binned in one of several ways by various organizations. Some put this work in ALSS [as requested by data call] while some put it in W&A. In addition, others have chosen to place weapon related combat systems work in W&A and higher level platform combat systems and/or Integrated Warfare Systems under Information Systems and thus are part of C4I subgroup scenarios. Given the DTAP structure and the widely varying approach each of the services used in allocating their FTE/workload, this difference in binning has caused a significant confusion factor that for most scenarios, will result in unintended consequences, i.e. undesired breaking of mission critical synergies without commensurate benefits. For example, Redstone and Eglin binned weapons integration work for air platforms with W&A, while China Lake binned it with ALSS. In addition, submarine and underwater weapons, sensors, combat systems and C4I systems [Newport/ Keyport] and ship surfaced launched weapons, sensors, combat systems, C4I and force systems [Dahlgren] were binned in W&A, and C4I

.Point 2: Discussion among W&A and ALSS subgroups notes the following:

a) There are similarities and differences among the services in how weapons system integration occurs on platforms. Some of the similarities include:

1) While often funding and direction comes from platform program offices, this is not always true. Funding and direction for new/upgraded weapon system, combat systems, C4I systems and other related missions systems can come from the weapon or equipment sponsors directly, especially for standardized, cross platform, cross service programs and requires close coordination with platform sponsors.

2) Contractors, University Labs, other FFRDC's, and traditional in-house government R/D&A/T&E personnel [e.g. Army Weapons Center/ Navy Warfare Centers/ Air Force ALCs] are essential elements in this process and are often involved in supporting weapon and platform integration for other Services as well.

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b) Some of the major differences in how weapons and platform development and system integration occurs include:

1) The degree to which prime contractors are involved during the life cycle [more for the USAF in all phases]; and, the location at which integration occurs especially after IOC [Army-Weapons Centers; Navy-Warfare Centers; USAF--Prime Contractor sites, platform sites and ALCs].

2) While there may be similarities for Air platforms (USAF and Navy Air, Navy and USA Helo) and Ground platforms (USA and USMC), Surface Ship and Submarine Weapons and Platform integration is more unique to the Navy and Maritime applications.

3) The hierarchy of systems engineering (element, subsystem, system, system-of-systems, force systems, and joint capability) must be supported by a professional development base of knowledge. To succeed at platform, force and joint levels, extensive professional development and experience must be supported within resident knowledge base extant in both government and industry. Varying models for how this is accomplished exist across the services. After discussion and analysis among membership from ALSS and W&A subgroups, consensus was

1) A common process approach could be implemented [NOT part of BRAC] in a joint service environment so that software integration processes could become more efficient.

2) A single organizational solution [i.e. move all integration to either platform or weapons sites] could break more synergies than it could gain efficiencies or other benefits. Scenario proposals need to ensure changes to current integration approach for all services do not have unintentional consequences.

RECOMMENDATION(s):

1) W&A remove the encompassing integration scenario from consideration

2) ALSS proceed with considering ALCs in their scenarios that consolidate R, D&A, & T&E Mgmt at a few select sites across the services

3) For Air-launched weapons, W&A recommends that other subgroups ensure that weapons/platform integration is not inadvertently relocated, thus breaking synergies referred to above.

4) For surface ship/ underwater platform integration, as part of its primary strategy, W&A has developed options to retain surface ship platform/ combat/weapons systems integration intact. W&A has also developed options to address submarine/underwater platform/combat/weapons systems integration, which may be remanded to the Navy. Gun integration with Navy surface ship platforms will be retained at existing sites.