

## **JOINT PROCESS ACTION TEAM 6 ECONOMIC IMPACT**

### **INTERNAL CONTROL PLAN FOR THE 2005 BASE REALIGNMENT AND CLOSURE PROCESS**

#### **PURPOSE**

This guidance establishes the policies and responsibilities that constitute the Internal Control Plan (ICP) for Joint Process Action Team 6 (JPAT 6) and all contractors supporting its BRAC 2005 efforts. It is to be used to implement the Defense Base Closure and Realignment Act of 1990 (P.L.101-510 as amended) (BRAC) and the Secretary’s November 15, 2002, “Transformation Through Base Realignment and Closure” memorandum and all subsequent policy memoranda outlining the DoD BRAC 2005 process. It is designed to delineate the policies and procedures that will ensure data integrity for JPAT 6 actions during the BRAC 2005 process.

JPAT 6 developed a methodology and information technology tool that facilitate consideration, Department of Defense-wide, of the economic impact on existing communities in the vicinity military installations that could be affected by closures, realignments, or other BRAC actions. In accordance with P.L. 101-510 as amended, the Department of Defense published the final selection criteria for BRAC 2005 in the **Federal Register** on February 12, 2004.<sup>1</sup> In selecting military installations for closure or realignment, the Department of Defense, giving priority consideration to military value, must also consider: “The economic impact on existing communities in the vicinity of military installations.” A goal of JPAT 6 is to develop a common methodology and an associated information tool for BRAC 2005, for use by the Office of the Secretary of Defense, Military Services, Defense Agencies, and Joint Cross Service Groups (DoD Components).

#### **AUTHORITY**

JPAT 6 operates as an integral part of the Department’s BRAC 2005 process under the oversight of the Infrastructure Executive Council and Infrastructure Steering Group.

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<sup>1</sup> See **Federal Register** , Vol. 69, No. 29, February 12, 2004, page 6948.

## **GENERAL**

JPAT 6 recommends using three types of information to estimate the potential economic impact of BRAC actions on existing communities in the vicinity of military installations. The different types of data require different treatment under this ICP.

- (1) **Direct job changes.** The number of military personnel, DoD civilian employees, and contract mission support employees that would be directly affected by a potential BRAC action is required to estimate economic impact.<sup>2</sup> DoD Components will develop direct job changes as part of the scenarios they develop and review. The scenario data calls that are required as part of the BRAC 2005 scenario development process will require the submission of certified data for direct job changes.

Because data elements for military personnel and civilian employees will be certified and entered into the Cost of Base Realignment Alternatives (COBRA) model, actions taken under this ICP need only to ensure that DoD Components, and the information tools that they use, copy these data elements without change from COBRA to the economic impact information tool.

DoD Components will enter direct changes for contract mission support employees directly into the economic impact tool.

- (2) **Indirect and Induced job changes.** JPAT 6 recommends estimating the number of indirect and induced job changes associated with a particular BRAC action by applying a multiplier value to the number of direct job changes. JPAT developed the BRAC 2005 multiplier values on the basis of the multiplier values provided by MIG, Inc., which is the supplier of IMPLAN, a commercial-off-the-shelf input-output economics model of local economies.

This ICP needs to ensure that the correct IMPLAN values are used as the basis for the calculations used to derive the BRAC 2005 indirect multipliers, and that the resulting calculations were performed correctly.

- (3) **Official Federal Government Economic data.** JPAT 6 recommends that the DoD Components view direct and indirect job changes in the context of official federal government economic data for economic areas in the vicinity of military bases. This data includes employment levels, unemployment rates, and per capita personnel income. JPAT obtained the data from the U.S. Departments

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<sup>2</sup> ‘Contractor mission support employees’ are contractor employees who perform one or more of the *military* missions on the base and whose work tasks are virtually identical to government civil servants or military personnel.

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of Labor and Commerce, the official data sources. Actions under this ICP need to ensure that the official data has been obtained correctly from the official source (via Internet, CD-ROM, etc.) and mapped to the correct economic area in the information tool, and that reports from the information tool accurately display to correct information.

The remainder of this ICP discusses issues specific to the three types of data.

## **INTERNAL CONTROL MECHANISMS**

The objective of the internal control mechanisms is to ensure the accuracy, completeness, and integrity of the information upon which the Secretary of Defense recommendations for base realignments and closures will be based. The two principal control mechanisms are organization and documentation.

### **Organization Controls**

Under the oversight and guidance of the Secretary, there are two groups within the DoD which have primary responsibilities for assisting the Secretary: the IEC, chaired by the Deputy Secretary of Defense and the ISG, chaired by the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)). JPAT 6 operates under the direction of these two bodies. The ISG and IEC will review and approve the final methodology for economic impact for BRAC 2005.

The DoD Inspector General advises the IEC, ISG, and JPAT 6. The Government Accountability Office (GAO) is an observer to the JPAT 6 decision-making process.

JPAT 6 also conducted a review by independent economists of its general methodology for addressing economic impact on August 25, 2004.

### **Documentation Controls**

The following outlines document controls for data to perform analyses related criterion 6, “The economic impact on existing communities in the vicinity of military installations.” The goal of documentation controls is to ensure that the information used is certified for accuracy and completeness, where appropriate, and that the information is used consistently by OSD, the Military Departments, the Defense Agencies, and the Joint Cross Service Groups throughout the BRAC 2005 process. (The JPAT’s work, the technical expertise of its contractor support, and the review by independent economists will help ensure that the information will be used in appropriate ways to evaluate economic impact.)

To protect the integrity of BRAC 2005 documentation prepared, handled, or processed, the economic impact methodology will adhere to the control elements described below.

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Representatives from the DoDIG and GAO may observe or validate these procedures, as appropriate.

**Data collection and handling:**

(a) Direct job changes. To begin the process of calculating the potential economic impact of a BRAC action or scenario, DoD Components will input direct job changes for military personnel, civilian employees, contractors, and students into the web-based economic impact information tool. These direct job changes will originate in a scenario data call and will be certified before they are entered into COBRA. For these data elements, therefore, the economic impact process need only ensure that the data are being entered correctly from the COBRA model into the economic impact information tool.

- ◆ To validate that COBRA data and economic impact data match, users of the information tool will visually compare and review COBRA and economic impact data.

(b) Indirect job changes. JPAT 6 will create multipliers for indirect job changes for each economic area based on calculations on multipliers from the IMPLAN input-output model.

To assure the integrity of the multiplier data provided by IMPLAN, JPAT 6 representatives:

- ◆ Reviewed the IMPLAN data when it is first received from MIG, Inc., to check for general reasonableness of the multiplier values using professional judgment.
- ◆ Reviewed the IMPLAN multipliers to identify multiplier values, if any, that are clearly in error, i.e., too high, too low, a negative number, etc.
- ◆ Resolved any discrepancies or questions directly with MIG.

To ensure the integrity of the calculations performed (i.e., the calculations that will be performed on the IMPLAN data), JPAT 6 conducted a review of the calculations is performed by qualified analysts who did not participate in the initial calculations. Calculations were performed in spreadsheets and databases. As part of the review, a small sample of parallel calculations were performed in a separate spreadsheet or database to confirm the calculations in the “production” spreadsheet or database.

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Analysts ensured that all of the multiplier data is uploaded correctly from spreadsheets or database tools into the economic impact information tool. They spot checked a small number of entries to ensure that all numerical entries have migrated correctly.

(c) Official Federal Government Economic Data. Data for the BRAC Economic Impact Analysis was obtained from a various federal government agencies. It is therefore important that a plan be in place to assure quality and accuracy of such data. The following explains the approach used by JPAT 6 to insure data integrity. Sources for historical data that will be used to describe different economic areas are summarized in the following table.

Data	Source	Agency	Notes
Base locations (county)	Spreadsheets and other input from JPAT 6 representatives	Military Departments and Defense Agencies	
Metro/Micropolitan Areas and Metropolitan Districts	OMB Bulletin 04-03	OMB	
Total Population by County	Regional Economic Information System	BEA	Census Bureau midyear population estimates. Estimates for 2000-2002 reflect county population estimates available as of April 2004.
Total Employment by County	Regional Economic Information System	BEA	
Per Capita Income	Regional Economic Information System	BEA, BLS	Nominal Per Capita Income was obtained from the REIS database and converted to real dollars (2002) using the Annual U.S. City Average CPI (Not seasonally adjusted) for all items obtained from BLS
Total Earnings/Income by County	Regional Economic Information System	BEA	
Unemployment Rate, Labor Force and Employed by County		BLS	

Note BEA = Bureau of Economic Analysis, U.S. Department of Commerce; BLS = Bureau of Labor Statistics, U.S. Department of Labor; OMB = Office of Management and Budget, Executive Office of the President.

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JPAT 6 obtained historical economic data from the Bureau of Economic Analysis (U.S. Department of Commerce) and Bureau of Labor Statistics (U.S. Department of Labor). Data was obtained by download direct from the Internet, by email, and by compact disc from the above-mentioned agencies. These files were manipulated where necessary (e.g., convert nominal dollars to real dollars and then uploaded into a database, where data will be aggregated and organized by economic area (such as Metropolitan Statistical Area, Micropolitan Statistical Area, Metropolitan Division, or county).

Base location data obtained from the JPAT 6 Military Service representatives was verified for accuracy using the following protocol:

- ◆ An analyst collected the heterogeneous service submissions into a single Excel file and identify missing data and anomalies.
- ◆ The analyst asked the JPAT 6 Service Representatives to review the unified Excel document, to supply missing data, and to validate or correct anomalies.
- ◆ Review and validation continued until the JPAT 6 Service Representatives concurred that the lists and locations are accurate.

Data obtained from OMB, BLS, and BEA was checked for accuracy using the following protocol:

- ◆ An analyst who was not materially involved in the original download examined county-level data to identify any apparent errors or omissions. The analyst searched for missing data, anomalies, and statistical outliers.
- ◆ JPAT 6 followed up with the applicable agencies to validate outliers and correct errors and omissions where possible.
- ◆ The analyst who was not materially involved in the data manipulation independently checked the manipulation on a subset of the data to validate that the manipulation was performed correctly.
- ◆ After the transformation and upload of the Excel data into the information technology tool, an analyst performed spot checks on each fields in the database to ensure that the upload procedure loaded the data in the proper fields and records.

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**Certification:** Any data files uploaded into the economic impact information tool by the OSD, Military Departments, Defense Agencies, and Joint Cross Service Groups will be certified in accordance with their respective internal control plans. Data and information gathered from authoritative or official sources external to DoD, such as OMB, BLS, or BEA, will be certified as to the source if the sources' accuracy can be determined by the audit community to be in accordance with the U.S. GAO guidance.

**Record Keeping:** Minutes of all JPAT 6 deliberative meetings and attendance lists will be maintained. Minutes will include copies of materials circulated and discussed.

**Outside Studies:** No data from outside studies or briefings will be accepted for use by JPAT 6 unless such data is independently validated and certified in accordance with BRAC 2005 procedures.

**Technical Experts:** JPAT 6 has retained the services of Booz Allen Hamilton, to provide economics and information technology services. Booz Allen will work under the direction of JPAT 6 and coordinate regularly with its members.

**Non-Disclosure Agreements:** All individuals working within the JPAT 6 process, including contractor personnel, will be required to sign BRAC 2005 non-disclosure agreements.

**ACCESS TO BRAC 2005 INFORMATION**

To protect the integrity of the BRAC 2005 process, all files, data, and materials relating to that process are deemed deliberative and internal to DoD. All requests for release of BRAC 2005 data and materials, including those under the Freedom of Information Act, received prior to the Secretary forwarding his realignment and closure recommendations to the Defense Base Closure and Realignment Commission shall be forwarded to the Military Department BRAC authority concerned, or the DUSD(I&E). All BRAC 2005 documents, including electronic media, will have the following statements either as a header or footer, as appropriate:

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*or*

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The members of JPAT 6 and its contractors are entrusted to have access to BRAC 2005 data and information that originated from OSD, the IEG, ISG, the Military Departments and the Defense Agencies. Consistent with the organization controls set forth in this and other ICPs, access will not be granted to any individual, to include technical experts or

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outside consultants, without the consent of the JPAT 6 Chair. Such access carries a responsibility for ensuring that BRAC 2005 data and information is treated as sensitive and pre-decisional. The members of the JPAT 6 and its supporting contractors are required to protect the BRAC 2005 process from either improper or unofficial disclosures. The JPAT 6 Chair will ensure all assigned and substitute members of his or her group are informed that no internal deliberations or data will be discussed or shared with anyone outside their group without specific Chair approval. The group members must also take precautions to prevent the acceptance of information that is not certified or may be forwarded to JPAT 6 through channels other than those identified in this document and BRAC 2005 policy guidance.

## **AUDIT ACCESS TO RECORDS**

The Comptroller General is required to submit a report to Congress and the Commission containing a detailed analysis of the Secretary's recommendations and selection process shortly after the Secretary provides his BRAC recommendations to the Commission. To facilitate this review, the Department will allow the GAO auditors full and open access to all elements of the DoD process, except for deliberative meetings, and to all data supporting the Secretary's final recommendations, as they are being developed and implemented. Copies of the deliberative meeting minutes will be made available to the GAO as they are signed by the Chair.

Full and open access to the BRAC 2005 process and data will be granted to the Inspector General of the Department of Defense. Furthermore, the audit agencies of the Military Departments and Defense Agencies participating in BRAC 2005 will review and validate data collected and analyzed by their Departments and Agencies. GAO, the DoD Inspector General, and the relevant audit agencies will coordinate their efforts to avoid duplication of effort.

## **DISSEMINATION**

All members of the IEC, ISG, JCSGs, Military Departments, Defense Agencies and JPAT 6 must use every precaution to prevent the improper release of and/or access to BRAC 2005 data and information. Not only is access restricted to those individuals officially approved to take part in the BRAC 2005 process, care must also be taken to avoid inadvertent dissemination through telephone conversation, facsimile "FAX", or electronic "E-mail" transmission. Dissemination of information that is not discussed in this ICP will only be made with the expressed documented approval of the USD(AT&L).

The JPAT 6 Chair will disseminate this ICP as appropriate. The Military Departments and Defense Agencies will incorporate this guidance in their ICPs for use within their

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Departments or Agencies. The USD(AT&L) will be advised of any control violations or weaknesses that are identified through application of this ICP.

This ICP will be modified as required to conform to the final ISG and IEC approval of the proposed methodology for addressing economic impact in BRAC 2005.

**COMMUNITY RELATIONS/INTERACTIONS**

The BRAC 2005 round will motivate local communities to solicit information from the DoD on the process and data used to develop recommendations. Protecting the integrity of the DoD BRAC 2005 process requires OSD, Military Departments, and Defense Agencies to designate key individuals and processes that will address community and congressional inquiries. Members of JPAT 6 and its contractors will not address community or congressional inquiries regarding economic impact in BRAC 2005 without the express approval of the JPAT 6 Chair.

**CHANGES TO ICP**

As the USD(AT&L) issues supplemental guidance that affects this ICP, JPAT 6 will incorporate this guidance into its ICP.