



7547/2004-NFA100-0109
16 Jun 04

MEMORANDUM FOR THE ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)

Subj: **BASE REALIGNMENT AND CLOSURE OPTIMIZATION
METHODOLOGY (AUDIT REPORT N2004-0058)**

Ref: (a) NAVAUDSVC ltr 7547/N2004-NFA100-0109 of 6 Jan 04
(b) SECNAVINST 7510.7E, "Department of the Navy Internal Audit"

1. Introduction.

a. We have completed the subject audit announced in reference (a). We determined that the optimization methodology, a dynamic analytical tool updated for Base Realignment and Closure (BRAC) 2005,¹ should adequately identify functional commonality across Department of the Navy (DON) BRAC candidate activities, and adequately reflect the policies and procedures developed for BRAC 2005. Nothing came to our attention that would lead us to believe that the methodology would not be effective in accomplishing the goals of BRAC 2005. However, another review, as part of the overall DON BRAC audit, should be performed following utilization of the optimization methodology to validate and verify that the key controls were applied and accomplished the desired effect. The audit results are presented in paragraph 6.

2. Background.

a. The Defense Base Closure and Realignment Act of 1990 (Public Law 101-510) as amended was enacted to provide a fair, equitable, and timely process for the Department of Defense (DoD) to close or realign military installations within the United States and its territories and possessions. The law required that the process followed by a department be consistently and fairly applied to all categories of installations, and that in each category, installations are treated equally. Secretary of Defense memorandum of 15 November 2002, established the authorities, organizational structure, goals, and objectives for the DoD's implementation of the Defense Base Closure and Realignment Act of 1990. With few exceptions, BRAC establishes the exclusive procedures under which the Secretary of Defense may pursue realignment or closure of military installations inside the United States until April 2006.

b. For the BRAC 1995 process, a general optimization methodology was developed by the Center for Naval Analyses (CNA) for use by DON and the Joint Cross Service Groups (JCSG). DON and each JCSG applied the methodology to an optimization model

¹ Optimization methodology provides a guideline for creation of specific optimization models for use in generating multiple alternative solutions that will serve as a starting point in the development of closure and/or realignment scenarios.

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specific to the characteristics of the facilities under its purview. DON and the JCSGs then used this model to generate alternatives for consideration. The model provided a basis for further analysis and the application of judgment in developing functional alternatives. The BRAC 1995 process used a three-stage analytical approach: capacity analysis, military value, and configuration analysis. This three-stage approach was applied to all types of facilities and provided a consistent methodology for use by the DON Base Structure Evaluation Committee. In April 1995, the General Accounting Office reported to Congress the results of their analysis of DoD's BRAC 1995 process. The report, GAO/NSIAD-95-133, "Military Bases – Analysis of DoD's 1995 Process and Recommendations for Closure and Realignment," concluded that DON's BRAC recommendations were generally sound and logically flowed from its analytical process.

c. DON was directed to lead a tri-departmental effort to review and update the optimization methodology used in BRAC 1995. As a result, DON contracted with CNA, at a project cost of about \$4.1 million, to provide a team of analysts to work with the DON Infrastructure Analysis Team (IAT) to develop an analytical structure for DON BRAC 2005 process. This includes updating the optimization methodology. The review was to ensure that the BRAC 2005 methodology not only addresses functional commonality to enhance cross-services analysis, but also reflects the policies and procedures developed for BRAC 2005.

d. The BRAC 2005 process is designed to provide a structured, systematic approach for developing BRAC recommendations for submittal to the Commission in May 2005. As part of the oversight and guidance for BRAC 2005, DON established the Infrastructure Evaluation Group (IEG) and IAT. The IAT is a subordinate organization under the control of the IEG. The IAT is responsible for developing analytical methodologies, developing joint and cross-servicing opportunities in support of the JCSGs and with other military departments, collecting data and performing analyses, and presenting the analytical results to the IEG for evaluation.

3. Objectives. The audit objectives were to determine if the optimization methodology, a BRAC 2005 Analytical Tool:

- (a) Adequately addressed functional commonality across DON BRAC candidate activities and;
- (b) Reflected the policies and procedures developed for BRAC 2005.

4. Scope.

a. We conducted the audit work from 8 January 2004 to 16 June 2004. Our review focused on the optimization methodology being updated for use as part of BRAC 2005 and on how the methodology should perform based on the controls being imposed. We reviewed the optimization methodology that was updated from 12 December 2003 to 10 March 2004. We visited CNA, Alexandria, VA, and met with representatives from DON BRAC IAT.

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5. Methodology.

a. We designed our audit to determine whether or not the optimization methodology adequately addresses functional commonality throughout DON and the policy and procedures developed for BRAC 2005. We obtained and documented DoD and DON policy and procedures pertaining to updating the optimization methodology to be used in the BRAC 2005, and compared policy and procedures to the optimization methodology. We determined that DON's IAT was responsible for developing, approving, and implementing the BRAC 2005 optimization methodology.

b. We met and discussed the development of the proposed BRAC 2005 optimization methodology with CNA personnel. CNA personnel provided us with a briefing on the updated optimization methodology as well as a draft copy of the handbook outlining the development of the optimization methodology for BRAC 2005.

c. We reviewed and documented DoD and DON Internal Control Plans for management of DON's BRAC process, which includes development of analytical methodologies and update of the optimization methodology for BRAC 2005. However, we did not evaluate internal controls related to the optimization methodology since this will be addressed as part of the overall audit of the DON BRAC 2005 process.

d. We also determined that there were no current or prior audits or inspections that addressed the BRAC optimization methodology that required followup audit work.

e. Our audit was performed in accordance with Generally Accepted Government Auditing Standards.

6. Summary of Audit Results

a. The optimization methodology used for BRAC 1995 minimized excess capacity while maintaining or improving the average military value of the retained installations. At a minimum, the BRAC 2005 optimization methodology is intended to identify excess physical capacity. The BRAC 2005 optimization methodology is intended to provide a guideline for the creation of specific optimization models, to be used in generating multiple alternatives that will serve as starting points in the development of BRAC scenarios. The analysis and review of these scenarios will lead to final recommendations.

b. We concluded, as a result of our review of available documentation and discussions with responsible personnel, that implementation of the current updated optimization methodology for BRAC 2005, a dynamic analytical tool, should adequately:

- Address functional commonality across DON activities and enhance joint cross-service analysis.
- Reflect the policies and procedures developed for BRAC 2005.

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c. However, another review, as part of the overall audit of the DON BRAC 2005 process, should be performed following utilization of the optimization methodology to validate and verify that the key controls were applied and accomplished the desired effect.

7. We appreciate the cooperation and courtesies extended to our auditors.



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