



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884**

April 10, 1990

MEMORANDUM FOR SECRETARY OF THE NAVY

**SUBJECT: Final Report on Establishing the Naval Warfare
Assessment Center (NWAC) as a Separate Command
(Report No. 90-058)**

We have completed our review concerning the decision to redesignate the Naval Warfare Assessment Center (NWAC), Corona, California, as a separate command. The review was initiated in response to an anonymous DoD Hotline complaint. Our overall objective was to determine the validity of the allegations by reviewing the process under which the proposal to establish a separate command was prepared, submitted, and reviewed.

Our assessment of the redesignation proposal involved examining the Fact and Justification Sheet, the approval process, and the costs and benefits of the proposed decision. We also systematically selected and examined representative samples of NWAC products, focusing on the users satisfaction. We reviewed the proposed redesignation from the viewpoints of cost, value added to Defense management, and overlapping missions with other naval field activities.

In view of the costs identified during our review and documented in the findings, and, conditional on acceptance of the recommendations contained in the report, we see no reason to further question the Navy decision to establish the Naval Warfare Assessment Center as a separate command.

We did, however, identify a number of findings that merit attention. The findings are highlighted below:

The Fact and Justification Sheet did not reflect the additional military and civilian personnel to be added to the NWAC. As a result, the Office of the Chief of Naval Operations (OPNAV) and the Secretary of the Navy reviewers of the Fact and Justification Sheet were not provided with accurate information with which to make a decision on the establishment of a new command, as required in OPNAV Instruction 5450.169D. In this instance, however, the correct information would probably not impact the decision. Nevertheless, we recommend that the NAVSEA rewrite and resubmit the Fact and Justification Sheet to show the increase in staffing for the NWAC.

The Office of the Chief of Naval Operations was not aware of the detailed plans for joint operation of the industrial fund between the Naval Weapons Station Seal Beach (NWSSB) and the NWAC. As a result of the internal control deficiency, a decision could have been made on the redesignation based on incomplete information. We recommend that the governing instructions be modified to require, along with the Fact and Justification Sheet, the prospective command organization charts, and the details of how the organization will operate under a single Naval Industrial Fund Charter.

In addition, you issued a pro forma congratulatory letter to the prospective Commanding Officer of the NWAC in January. You need to be aware that the action was taken before the decision process was completed and was misinterpreted as approving the establishment of the new command even though a final decision had not been reached. The action was therefore prejudicial to the approval process.

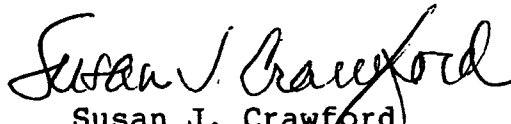
Personnel at the NWSSB were not aware of the current progress and status of the proposed redesignation of the NWAC as a separate command. During our review a number of employees expressed considerable concern with their futures. Action had been taken by management at the NWSSB and the NWAC to address the problem. Efforts to inform and involve personnel in the reorganization are currently under way.

The Weapons Quality Engineering Center (WQEC) functions were to be included with the NWAC rather than with the Naval Weapons Station. The result would be to leave the Weapons Station without an internal capability required to accomplish that function. We recommend that WQEC functions and resources be retained by the NWSSB such that the NWSSB will retain capability proportionate to the level of maintenance and weapons for which it is responsible.

We request that you review the final report and provide your positions on the recommendations. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, please state your specific reasons. If appropriate, you may propose alternative methods for accomplishing desired improvements.

Department of Defense Directive 7650.3 requires that all recommendations be resolved within 6 months of the date of the final report. Final positions on recommendations in this report should be provided within 60 days of the date of this report.

The courtesies extended to the staff during the review are appreciated. If you have any questions concerning the report, please contact Mr. Kenneth H. Stavenjord on (202) 694-6297 or Mr. Gregory R. Donnellon on (202) 695-7669.


Susan J. Crawford
Inspector General

Enclosures

cc:

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FINAL REPORT ON THE REVIEW OF
ESTABLISHING THE NAVAL WARFARE ASSESSMENT CENTER (NWAC)
AS A SEPARATE COMMAND

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Project No. OPT-8007

FINAL REPORT ON THE REVIEW OF
ESTABLISHING THE NAVAL WARFARE ASSESSMENT CENTER (NWAC)
AS A SEPARATE COMMAND

PART I - INTRODUCTION

Background

The Commanding Officer at Naval Weapons Station Seal Beach (NWSSB) currently manages four sites: Seal Beach, Corona, Fallbrook, and Pomona. The NWSSB is organized into five Centers of Excellence: Retail Ammunition Management, Surface Missile Systems Components, Measurement Science, Performance Assessment, and Quality Assurance.

The Seal Beach site is responsible for ordnance, the Weapons Quality Engineering Center function, and retail ammunition management. Seal Beach handles shipping, storage, safety and training that are related to ordnance and ammunition management.

The Corona site contains an organization called the Naval Warfare Assessment Center (NWAC). The Center is responsible for scientific and engineering analysis functions. It is the Navy's scientific and technical authority on metrology and calibration. The Center certifies test systems, maintains logistic data bases, and keeps information on reliability, maintainability, and availability. The Center also manages life-cycle ground and fleet telemetry stations. The NWAC maintains several huge data bases and assesses readiness, effectiveness, and performance of missiles, weapons, combat systems, strategic weapons, and battle groups. The Center assists in the management of nuclear programs and manages Navy tactical training ranges around the world. The NWAC maintains tactical aircrew combat systems and manages mobile sea ranges. The Center participates in the Navy System Replacement and Modernization program, manages various logistic functions, maintains AEGIS system life-cycle data, and provides manufacturing and product assurance services.

The Fallbrook staff provides additional ordnance work, engineering and scientific computing, weapons support to the Marine Corps, and performs some functions of the Weapons Quality Engineering Center. In addition, the staff performs anti-ship, conventional, and special air weapon systems analysis work.

The Pomona site houses the Gage and Standards Department. The department contains the Navy's interface gage expertise and provides counsel to various Navy organizations on gages, tooling and measurement requirements.

Over time, the functions covered by the NWAC have undergone many changes. In April 1987, the Navy began the steps necessary to consolidate eight technical departments under a separate command. The new command was to have its own name, mission statement, and a commanding officer (CO) who would report directly to the Naval Sea Systems Command (NAVSEA).

Under the command arrangements at the time of our review, the divisions resident at Corona were under the command of an officer-in-charge (OIC). The OIC reported to the Commanding Officer, Naval Weapons Station, Seal Beach. The Seal Beach command organization had cognizance over all administrative matters, including the operation of a Navy Industrial Fund (NIF). The NIF used a common corpus and used the same overhead billing rate for services performed by Seal Beach and Corona. The personnel services at the other two locations, Pomona and Fallbrook, were included in the rates for Corona, since the divisions of which they were a part were located in Corona.

The key element of the new command proposal is the replacement of the OIC billet, which was designated for a commander, with a billet for a captain. The Navy felt that it was important that the head of the NWAC be someone with high enough rank to deal with customers in the fleet and at shore activities on an equal footing.

Under the most recent plan approved by the NAVSEA, the new NWAC command would continue to operate under a common NIF charter with the NWSSB. The Commanding Officer of NWSSB would be solely accountable for the NIF fund corpus. The operation of the NIF would essentially be the same as when the two commands were part of the same organization. The NWSSB Comptroller would provide a variety of financial services for the NWAC. If the NWAC undertook actions that added to the joint fund's costs, the NWAC would be responsible for preparing a budget for the additional expense. The NWSSB Comptroller would be responsible for making the necessary changes to the NIF accounts affected.

Objectives and Scope

We reviewed the appropriateness of the decision to redesignate the NWAC in Corona, California, as a separate command. The review was made in response to an anonymous DoD Hotline allegation (Appendix A). Our overall objective was to determine the propriety under which the proposal to establish a separate command was prepared, submitted, and reviewed.

We conducted a comprehensive on-site review of the Naval Weapons Station, Seal Beach and the eight technical division of the NWAC. The review was conducted from February 19, 1990 through March 16, 1990.

The primary activities visited were the NWSSB and its divisions and annexes located at Corona, Pomona, and Fallbrook, California. In addition, visits were made to the Naval Ship Weapons Engineering Station (NSWES), Port Hueneme, California; the Naval Weapons Station, Yorktown, Virginia; and the Office of the Chief of Naval Operations and the Naval Sea Systems Command in Washington, D.C.

Our findings and recommendations addressed five specific allegations. We found that some allegations were true. We also identified opportunities to clarify the command structures of the two organizations. Resultant recommendations, if implemented, would facilitate smooth transition, should the decision to redesignate the NWAC be made.

The review team (listed at Appendix B) consisted of members of our Technical Assessment Division and Financial Management Directorate. The team members possessed expertise in such acquisition specialties as engineering, finance, auditing, logistics, and cost and price analysis. In addition, the review team was assisted by a representative of the Office of the Naval Inspector General.

Actions Agreed To

It is to the credit of the Commanding Officer, Naval Weapons Station Seal Beach, and the prospective Commanding Officer, Naval Weapon Assessment Center, that several actions were agreed to during our visit and are already under way. Both officers spoke to the NWSSB department heads assembled at our out-brief to emphasize that there would be no reprisals taken against personnel involved in writing the complaint to the Hotline. They went further to express their endorsement of an open environment in which employees play a significant role in determining the operations and success of the organization.

Actions to communicate with and involve the employees in the reorganization were under way prior to our leaving Seal Beach. An ad hoc panel was being planned to work out the details of operating the NWAC as a separate command. The planning included a "trial marriage," a period to experiment with the proposed organizational structure.

The officers also agreed to the need for a more definitive set of rules or memorandum of understanding as to how they would operate separate commands under one NIF charter. A document was being modified that would clearly identify one of them, the Commanding Officer of NWSSB, as accountable for the NIF corpus.

Adjustments were made in the planning for civilian billets so there would be no net increase, NWSSB and NWAC taken together, as a result of the proposed organizational changes.

The review team concluded that there were functions at the NWAC that were outside the NWAC analysis focus. When we presented that fact to the Deputy Commander for Weapons and Combat Systems (NAVSEA-06), we were told that additional work would be done to analyze the NWAC tasks and divest those that were divergent of the NWAC analysis focus.

PART II - ALLEGATIONS, FINDINGS, AND RECOMMENDATIONS

A. Fact and Justification Sheet

ALLEGATION A

The Fact and Justification Sheet is Incorrect.

The complainant alleged that the statements in the Fact and Justification Sheet stating minimal impacts were false; that there were plans for four additional officer billets, in addition to upgrading the officer-in-charge from a commander (05) to a commanding officer captain (06); and that "NWAC has already tried to establish EEO, Internal Review and Operations Officer positions." The complainant also alleged that there would be significant additional costs for the separation of the two commands and cited a December 1987 briefing to NAVSEA which stated that "under the two main scenarios presented, the costs remained about the same: \$14,000,000!"

FINDING A.1

The Facts and Justification Sheet did not reflect the additional military and civilian personnel that would be added to the NWAC. The NAVSEA 06 personnel indicated that there was no requirement to report the increases since the military increases at the NWAC were from other NAVSEA 06 organizations and the increases in civilians were within the existing NWSSB NIF funding constraints. As a result, the Office of Chief of Naval Operations and Office of the Secretary of the Navy reviewers of the Facts and Justification Sheet did not receive accurate information with which to make a decision on the establishment of a new command, as required in OPNAV Instruction 5450.169D.

DISCUSSION OF DETAILS

The Fact and Justification Sheet forwarded to the OPNAV did not identify the four officer billets that had been approved by the NAVSEA in a September 26, 1989 memorandum. We were informed that one of the four officer billets was subsequently withdrawn from the NWAC. Also, the Fact and Justification Sheet did not reflect the upgrading of the officer-in-charge billet from an 05 (commander) to an 06 (captain), the because the 05-to-06 change was a trade with one of Naval Ship Weapons Systems Engineering Station (NSWSES) 06 billets. The review process used by the Navy was flawed because it did not require identification of all personnel and organizational changes occurring at the same time as a redesignation. The result was that additional costs at the Corona site were not identified, the fact that the billets were not an additional cost to the Naval Sea Systems Command (NAVSEA 06) notwithstanding. In this instance, the correct information would probably not impact the decision.

The requirement for identifying additional costs is contained in OPNAV Instruction 5450.169D, "Establishment, disestablishment, or modification of shore activities of the Department of the Navy." Paragraph 5c of the instruction requires that "Upon notification to proceed for planning purposes, the command, bureau or office proposing the action will program for costs relating thereto, including MILCON, program for manpower allowances and ceilings...."

The NAVSEA interpretation of the regulations was that since the officer billets were being relocated within the Navy Industrial Fund-Ordnance area, no additional costs were being incurred. Therefore, the NAVSEA did not identify the officer billets on the Fact and Justification Sheet. However, as we interpreted the regulation, the Fact and Justification Sheet covered the NWSSB/NWAC impacts, and the NWAC was receiving additional military billets. The fact that the billets were being moved from another Naval Weapons Station does not change the impact on the end-strength of the NWSSB/NWAC.

Three civilian jobs were not identified on the Fact and Justification Sheet because the NWSSB regarded the opening of the three positions as unrelated to the redesignation of the command. The vacancy announcements for the positions of Command Operations Officer and Program Analyst were set to run from "21 December 89 to 12 January 89." The position of Equal Employment Opportunity (EEO) Manager was advertised from December 22, 1989 to January 12, 1989 (the 1989 expiration years were incorrect). The redesignation review package was submitted to the OPNAV on December 19, 1989.

During our visit to the NWSSB, a decision was made by the Commanding Officer, NWSSB, to take actions that would ensure that there would be no net increase to staffing in the combined NWSSB and NWAC as a result of the announcements. The Program Analyst position was filled and the selectee has assumed his new job at Corona. The selectee's former position at Seal Beach will not be filled. The position of Command Operations Officer will be filled through a temporary assignment, and the individual will continue to be carried on the Seal Beach personnel roster. The position of EEO Manager has not been and will not be filled. The EEO management for Corona will continue to be performed by the NWSSB.

Another request has been approved to transfer 10 employees from Seal Beach to Corona, however, the transfers will not require the employees to relocate physically. The persons employed in those positions are already physically located in Corona. There are no financial impacts from those personnel changes.

There are additional organizational reassignments within support divisions at Corona, however, those reassignments do not affect the overall balance of personnel between Seal Beach and Corona.

A previous Fact and Justification Sheet submitted by the NWSSB, which included a request for 10 additional civilian personnel for Corona, was rejected by the NAVSEA. The administrative work done by those individuals will be performed by Seal Beach personnel.

RECOMMENDATIONS FOR CORRECTIVE ACTION

A.1. We recommend that the Deputy Commander for Weapons and Combat Systems, NAVSEA, rewrite and resubmit the Fact and Justification Sheet, showing all of the additional officer billets and civilian positions currently planned for relocation to Corona. We also recommend that the Fact and Justification Sheet include the proposed command organization chart and include the Memorandum of Understanding between the NWAC and the NWSSB on how those two organizations will operate under a single NIF charter.

FINDING A.2

The Fact and Justification Sheet accurately reflected the minimal financial (other than personnel) impact of the proposed establishment of the NWAC as a separate command.

DISCUSSION OF DETAILS

The review team examined the financial information on the NIF at both the NWSSB and the NWAC. We reviewed the calculation of the direct labor and overhead labor rates. We conducted a sensitivity analysis to determine the impact of the 4 additional military personnel and the 10 administratively transferred civilian personnel on the overhead labor rates. We also interviewed responsible officials regarding operations of the NIF at both the NWSSB and the NWAC.

Other than the additional personnel costs discussed above, the review disclosed no additional costs associated with the redesignation. The plans to share a common NIF charter and general administrative cost structure will result in minimal changes in labor overhead rate charged to customers. The same method will be used as before to charge direct labor. Direct labor will continue to be billed to customers at rates that will differ between the NWSSB and the NWAC, thus reflecting the different direct labor cost structure of the two organizations.

The claim made in the allegation that redesignation would drive up costs would only be true if the two activities used a separate NIF. Our analysis of a joint NIF operation revealed no adverse financial impacts.

FINDING A.3

The Office of the Chief of Naval Operations (OPNAV) was not aware of the detailed plans as to how two commands would operate under the same Navy Industrial Fund. In addition to the redesignation of NWAC, there are several other actions pending OPNAV approval, ranging from command name changes to major restructuring. The Secretary of the Navy and the Chief of Naval Operations instructions relating to the establishment of new commands do not require the inclusion of joint operating agreements, memorandums of understanding or other documents relating to operating and financial arrangements, such as those between commands proposing to share one NIF charter. In addition, the Secretary of the Navy issued a pro forma congratulatory letter prior to the completion of the approval process. As a result, elements in the Navy believed that a final decision to establish the command had been completed.

DISCUSSION OF DETAILS

The review team discussed financial operating plans with the OPNAV, the NAVCOMPT, NAVSEA officials, the Comptroller of NWSSB, the Commanding Officer of NWSSB and the prospective Commanding Officer of NWAC. The review package presented to the OPNAV contained no details of how the single NIF was to be operated with two commands. It was only following our interviews with the NWSSB Comptroller that we learned what the proposed joint responsibilities were for managing the NIF.

Reviewing officials were not aware of the details of the joint operation of the NIF. The Fact and Justification Sheet only mentions that such an arrangement has been made. It does not spell out details. The OPNAV Instruction 5450.169D, "Establishment, disestablishment, or modification of shore activities of the Department of the Navy," does not require joint operating agreements to be part of any justification package forwarded for review. Nor are there any requirements contained in Secretary of the Navy Instruction 5450.4C, "Establishment and disestablishment of shore (field) activities of the Department of the Navy."

A further indication that the internal controls over the establishment of shore activities were deficient was the issuance of a congratulatory letter by the Secretary of the Navy to the prospective Commanding Officer of the NWAC prior to the completion of the approval process. The action created the appearance that the approval process to establish the new command was going to be pro forma.

RECOMMENDATIONS FOR CORRECTIVE ACTION

A.3. We recommend that the Director, Organization and OPNAV Resources Division, revise OPNAV Instruction 5450.169D, and that the Secretary of the Navy Instruction 5450.4C be revised to require the inclusion of the proposed command's organization charts and the Memorandum of Understanding relating to the operating and financial arrangements. We also recommend that the instructions make clear the requirement to identify the staffing impact to the specific commands addressed by the Fact and Justification Sheet.

B. Separate Naval Industrial Fund Charter

ALLEGATION B

The Navy is continuing to pursue the establishment of a separate Navy Industrial Fund Charter for NWAC.

The complainant alleged that "members of NWAC have reportedly continued to pursue obtaining a separate NIF charter" in order to reach the goal of being an entirely separate command.

FINDING B.1

No evidence was found to substantiate a current plan to establish an NWAC NIF charter separate from the NWSSB NIF charter.

DISCUSSION OF DETAILS

Discussions with NWSSB, NWAC and NAVSEA officials showed no evidence that a separate NIF charter was under active consideration.

A separate NIF charter and funding plan were part of the NWAC redesignation proposals beginning with the NAVSEA briefing of December 8, 1987. In February 1988, a Navy plan of action and milestones included a two phased approach to the establishment of the NWAC. Among other features, Phase I was a plan to operate a NIF jointly between the NWSSB and the NWAC. Phase II was to consist of a financially independent NWAC with its own NIF charter. Most of the tasks connected with Phase II involved studies of the direct labor and overhead labor rates for the two commands. The NWSSB was concerned that it would have to raise its overhead labor rates to a very high level. The proposed loss of the NWAC labor component would shrink the NWSSB business base while administrative expenses at the NWSSB would remain relatively constant. Concerns were heightened because during the fall of 1989, the NWAC hired a private contractor to study alternative organizational structures.

The Fact and Justification Sheets submitted to the OPNAV by the NAVSEA all state that "The two commands will share the NIF charter, a common general and administrative cost structure which will result in minimal changes to rates charged to command customers."

The Executive Director of the NAVSEA Weapons and Combat Systems Directorate (06B) stated categorically that they will "never" seek a separate NIF charter for the NWAC. Both the Commanding Officer of NWSSB and the prospective Commanding Officer of NWAC stated that they do not plan to take any action to establish a separate NIF charter for the NWAC.

While the establishment of a separate NIF charter was part of the plan to establish the NWAC in the past, we found no evidence that a separate NIF charter was being pursued as of the end of the review.

FINDING B.2

The NWSSB employees were not informed of the progress or status of the proposed redesignation of the NWAC as a separate command. The planning and communications were focused at the NWSSB management level and at the NAVSEA level. Employees expressed concern with the uncertainty of their futures from both the proposed organization changes and from threats for expressing their concern.

DISCUSSION OF DETAILS

During our visit to the NWSSB and the NWAC, we spoke with personnel at all levels of the two organizations. We formed a clear impression that many people at the NWSSB and the NWAC did not have current information on the reorganization plans and were fearful of changes that might occur as a result of separating the NWSSB and the NWAC. Concerns were also expressed that forwarding the allegation itself to the Hotline would bring about reprisals against suspected individuals.

The communication deficiency was exemplified by the apparent misunderstanding on the part of the complainant to the Hotline, who appeared to be working under the assumption that the 1987 plan was being implemented. The complainant apparently was not informed of the changes that had been made subsequently.

While at the NWSSB, we attended a meeting at which the Commanding Officer, NWSSB, and the prospective Commanding Officer, NWAC, emphasized to the department heads that no reprisals would be taken against personnel involved in writing this or any other Hotline complaint. The officers emphasized the need for an open environment where employees play a significant role in determining the operations and success of a public organization.

Before we left Seal Beach, the Commanding Officer of NWSSB and the prospective Commanding Officer of NWAC had initiated actions to communicate with and involve the employees. The establishment of a management team was planned to develop the details of operating the NWAC as a separate command.

C. Cost-Effective Options

ALLEGATION C

The Navy did not consider cost-effective options to NWAC redesignation.

The complainant alleged that it did not "appear that the decision-makers considered any number of other options other than the one being carried out." The complainant suggested that funds obtained from the sale of the Corona property could be used to move the personnel to another site. The complainant also suggested moving the NWAC either to space that would become available at Long Beach or to new facilities to be constructed at Seal Beach with funds obtained from the sale of the Corona property.

FINDING C

Alternative organizational structures and locations for the NWAC, or its predecessors, including consolidation with other organizations, have been considered over the years. Reviews of the alternatives resulted in the Navy decision to remain at the Corona location and share one NIF charter between the NWAC and the NWSSB. Our review did not reveal any reasons to further question the Navy decision.

DISCUSSION OF DETAILS

During the past 25 years, the operations of numerous Naval Weapons Stations and Ordnance Stations have been studied for better organizational efficiency. For example, in 1971, Navy Acquisition Report No. 116 recommended physically relocating a predecessor organization of the NWAC, the Fleet Missile Systems Analysis and Evaluation Group (FMSAEG), from Corona to the NWS Seal Beach. Congressional intervention ended the attempt to implement that option.

In 1986, the NAVSEA proposed that the Fleet Assessment Center (FLTAC) Directorate at Corona, another predecessor of the NWAC, be separated from the NWSSB and realigned with the NSWSES. In March 1987, the NAVSEA asked the NWSSB to work with the NSWSES in developing a Decision Coordinating Paper to propose which engineering functions should be transferred. The resulting Decision Coordinating Paper pointed out what was perceived as a conflict of interest between the FLTAC role of assessment and the NSWSES role as an In-Service Engineering Activity. The Commanding Officer, NAVSEA, agreed with the viewpoint and directed that efforts be made to consider other alternative elements for the FLTAC.

The Commanding Officer, NAVSEA, decision caused the Deputy Commander for Weapons and Combat Systems at NAVSEA (06) and the NWSSB to evaluate the problem of purifying the coastal weapons stations from other engineering functions that had been accumulated over the years. The location of Naval Weapons Stations in populated areas in California had raised concerns about safety.

The main result of that evaluation was the option of making the FLTAC function a separate command. Various options for implementation were considered and presented to the NAVSEA. Among the options considered was a separate NIF charter for the FLTAC. Briefings presented by the NWSSB to the NAVSEA on the potential Reductions-In-Force (RIFs) and additional costs to the NWSSB of that option caused it to be rejected by the NAVSEA. As a result, the NAVSEA and the NWSSB worked out the current plan to have joint operation of a NIF and share administrative functions.

The suggestion by the complainant that the NWAC property at Corona, California, be sold and the funds utilized to reestablish the NWAC elsewhere overlooks the regulations under which property is sold. Department of Defense Directive 4165.6, "Real Property Acquisition, Management and Disposal," provides for the disposal of real property by requiring that the Military Departments ensure that "real property for which there is no foreseeable requirement is reported promptly to GSA or the Department of the Interior, in accordance with applicable regulations of those agencies for disposal." The General Services Administration or Department of the Interior would handle the sale of the Corona property. There is no provision in DoD Directive 4165.6 for the funds to revert back to the military command that was tenant on the property site. Since the funds from the sale of the Corona site would not be available for relocation and construction of facilities elsewhere, funding would have to be obtained through separate budget submissions and approvals.

The notion of selling the Corona property has been around for years and may be reconsidered again in the future. But, its sale is, at this point, irrelevant to the decision of redesignating the NWAC as a separate command.

Further, if the NWAC were to be relocated, it is not apparent that Seal Beach would be the appropriate location. A study might well reveal that locations such as China Lake, Port Huenenu, or Port Mugu, where engineering and testing organizations reside, would be more appropriate.

Over the past 25 years, numerous alternative organizational structures have been considered for the NWAC function. Further studies of alternative organizational structures will undoubtedly

follow. Broader studies of consolidations are currently being conducted by the DoD. One such study is reviewing the missions and functions of all DoD laboratories and test ranges to assess whether some laboratories and test ranges can be closed or consolidated.

D. Weapons Quality Engineering Center

ALLEGATION D

The Weapons Quality Engineering Center (WQEC) function was inappropriately included in the proposed NWAC organization rather than in the proposed NWSSB organization.

The complainant charged that "all the WQEC positions, along with hundreds of other work years transferred from the Weapons Station are not being transferred back with the intended NWAC break-off." The complainant also cited the financial effects of the loss of the WQEC in that the action "diminishes the direct work load the Weapons Station has, which in turn drives up overhead costs." Finally, the complainant said that the retention of the WQEC by Corona creates a conflict of interest, since one of the tasks of the Technical Division at Corona is to evaluate the performance of the WQEC on ordnance systems.

FINDING D

The WQEC functions were planned for inclusion in the NWAC rather than the NWSSB organization. The result would be to leave the Naval Weapons Station Seal Beach without an internal capability required to accomplish that function. Other Naval Weapons Stations are organized so that the quality engineering capability embedded in their organizations is commensurate with their assigned levels of maintenance responsibilities.

DISCUSSION OF DETAILS

At the time of our review, only those WQEC functions associated with Marine Corps ordnance work at Fallbrook were planned for inclusion in the NWSSB. The rest of the WQEC functions, which were commingled with NWAC engineering work in a May 1985 reorganization, were planned for inclusion in the NWAC.

Our discussions with personnel of other Naval Weapons Stations revealed that a weapons quality engineering function is an integral part of their organizations in accordance with their assigned levels of maintenance responsibilities. For example, the Naval Weapons Station, Yorktown, Va., which has responsibilities for depot level maintenance, has a Weapons Quality Assurance Engineering Center (WQAEC). The WQAEC manages a wide variety of quality engineering programs for in-service weapon systems, combat systems, and support equipment. Conversely, the Naval Weapons Station, Earle, New Jersey, has intermediate level maintenance responsibilities and does not have an internal WQEC.

The inclusion and importance of the WQEC organizations and functions at other Naval Weapons Stations that have depot level

maintenance responsibilities led us to the conclusion that the Naval Weapons Station Seal Beach should retain the WQEC functions in the proposed new alignment of functions between the NWSSB and the NWAC.

RECOMMENDATIONS FOR CORRECTIVE ACTIONS

We recommend that the Deputy Commander for Weapons and Combat Systems, NAVSEA, direct that WQEC functions and resources be retained by the NWSSB such that the NWSSB will retain capability proportionate to the level of maintenance and weapons for which it is responsible.

E. Appropriateness of Redesignation

ALLEGATION E

A Separate Command is inappropriately being established in an era of fiscal constraint.

The complainant to the Hotline asked "why is a separate command being established in the first place, and especially in a period of fiscal restraint?"

FINDING E

In view of the costs identified in our review and documented in the above findings, and, conditional on acceptance of the recommendations contained in this report, we see no reason to further question the Navy proceeding with its decision process for determining whether to establish the Naval Weapons Assessment Center as a separate command.

DISCUSSION OF DETAILS

The organizations of the NWSSB and the NWAC will undoubtedly try to grow in the future, both in direct and indirect labor areas. For example, we were told by security personnel at Corona that they need more staff. However, the extent, if any, of the growth is under the control of the Deputy Commander for Weapons and Combat Systems at NAVSEA (06) and the commanding officers of the proposed organizations. They, in turn, will be under pressure from current fiscal constraints and streamlining initiatives, as well as from the Secretary of Defense resolve to eliminate layers, eliminate functions without clear value, consolidate overlapping functions, and reduce total acquisition personnel.

20 JAN 1990

Dear Sirs:

In light of the present and projected dismal economic environment, how can the Navy really justify establishing a new command, the Naval Warfare Assessment Center (NWAC), in Corona, California? (See enclosure (1).) And why is that command being developed in ways contrary to published Navy direction?

In 1971, the Fleet Analysis Center (FLTAC) was annexed to WPNSTA Seal Beach (and essentially became the NWS Corona Annex). In 1982, FLTAC, Metrology, the Weapons Quality Engineering Center, and Gage and Standards merged into one Technical Directorate. That Directorate was integrated throughout the four sites of the Weapons Station at Pomona, Corona, Seal Beach, and Fallbrook California. Over an approximately 10 year period, the Navy spent hundreds of thousands of dollars on management workshops, retreats, transfers, reassignments, etc., to accomplish that integration and develop a common mission vision. The combination of the Technical Directorate and the Weapons Station resulted in a profitable, cost-effective venture.

Now, to apparently satisfy some egos, the Navy is willing to undo all that has been accomplished and to spend a great deal of money in the process. Per Vice Admiral Hekman in enclosure (1): "No immediate monetary or manpower savings are expected. The realignment is motivated by functional and managerial considerations, not financial considerations." However, what is particularly troublesome is Admiral Hekman's statement that "The minimal short-term costs incurred as a result of the planned changes will not be separable from normal costs of operation." That is simply untrue as will be shown.

The following are just some of the many issues that need to be reconsidered:

a. The foremost issue is why is a separate command being established in the first place, and especially in a period of fiscal restraint? According to Secretary Cheney, this is an era of cutbacks and consolidation. Initially, when the NWAC concept was first tabled several years ago, there was tentative planning for two phases. Phase II was to result in NWAC being a totally separate command with its own financial charter and overhead support. Yet in 1988, Admiral Ailes stated: "Under present fiscal conditions, it is not feasible to apply for a Navy Industrial Fund (NIF) Charter nor to identify O&MN funds sufficient to support overhead of a new station. This interim plan accomplishes separation of technical functions with minimum impact and prepares for total separation when fiscal conditions become more favorable." (Enclosure (2).) Fiscal conditions have become more unfavorable. One wonders what the employees of the Long Beach Naval Shipyard

might think if they became aware of the NWAC plans.

b. What is the impact of the action? Vice Admiral Hekman said that the "impact of the action is minimal." (Enclosure (1).) NWAC and NWSSB are to share the same NIF charter. NWSSB is to provide all support services. No redundancy, no RIF's, downgrades, relocations, etc. The only problem with what the admirals have dictated is that no one at the other end (other than CO NWSSB, CAPT Holl) seems to be paying the slightest attention to it.

(1) Members of NWAC have reportedly continued to pursue obtaining a separate NIF charter so they can still break off and be an entirely independent command. This is being done while they're publicly stating the opposite.

(2) Members of NWAC have approached the NWSSB Comptroller (Mrs. Charlotte Cloud) and tried to get her to persuade CAPT Holl to transfer all portions of the NWS support departments servicing NWAC to NWAC. Then they offered to hire the NWSSB Comptroller and Budget Officer to work for NWAC! All this was taking place while NWSSB managers were being told how well everyone would work together.

c. The loss of the Weapons Station's Weapons Quality Engineering Center (WQEC). NWSSB had a viable WQEC before integration into the Technical Directorate. The integration made sense as long as there was one command. Unfortunately, all the WQEC positions, along with hundreds of other work years transferred from the Weapons Station, are not being transferred back with the intended NWAC break-off. That factor diminishes the direct workload that the Weapons Station has, which in turn drives up overhead costs. (It also means NWAC would be handling explosive testing operations that should be part of the basic Weapons Station workload.) Note: Part of the questionable rationale for the separation is to "purify" the missions of the two organizations. There has never been a conflict of interest, but it's ironic that, with the break-off, NWAC would still be tasked to provide NWSSB with engineering services that it would also be responsible for evaluating the results thereof.

d. Cost-effective options. It doesn't appear that the decision-makers considered any number of other options than the one being carried out. In 1971, the Navy had decided to close down the Corona facilities and move FLTAC (formerly FMSAEG) to the Seal Beach area. The Navy said: "An economic analysis was made which shows there is a benefit/cost ratio of 1.2 to move to leased space near Seal Beach vice remaining at Corona. In addition to the favorable benefits/cost ratio, substantial intangible economies are anticipated through simplified management since relocation will place FMSAEG in close proximity to its parent activity. After thorough review of the proposed relocation alternatives, we are convinced that the present proposal offers the taxpayers the most economical solution consistent with the operational requirements of the activity and the Navy." (Enclosure (3).) Unfortunately,

political opposition from Congressman Veysey and others kept the Navy from following through with its best judgment. Since 1971, the Corona property value has skyrocketed. NWAC is in the process of going through a complete renovation of its old buildings, and also constructing new buildings. Of two new buildings, one alone costs approximately \$40,000,000 (\$9,000,000 for the structure, and \$30,000,000 for the equipment to go into the structure). This cost is unnecessary. If the Navy is serious about closing the Long Beach Naval Shipyard, NWAC could be relocated into existing engineering buildings at that location. Or the Corona property could be sold and the monies used to construct modern facilities for NWAC at Seal Beach (the Weapons Station has 5,000 acres). This would be in line with Secretary Cheney's philosophy of consolidation, the venture should pay for itself, and there might even be monies left over.

e. Net total increased costs for two separate commands. On 8-9 December 1987 a panel, headed by Admiral Ailes of NAVSEA, heard from members of NWSSB what the resulting costs of separation would be. Under the two main scenarios presented, the costs remained about the same: \$14,000,000! (See enclosure (4).) Impacts presented were expected to result in additional one-time costs of 9 to 10 million plus recurring costs of 5 to 7 million dollars per year, mainly due to general expense overhead duplications. Additionally, the presenters saw no way to separate functions without personnel impact: RIF's, demotions, forced transfers, etc. Although no one in authority would formally buy into those consequences, the approval to go forward with separation in the present manner will probably result in the adverse predictions. Besides the approximately 400 workyears taken from NWSSB, NWAC has already tried to establish EEO, Internal Review, and Operations Officer positions. NWAC has also taken over the NWS positions in the Administrative Division at the Corona Annex. Even in the initial stages, there are plans to have two budget officers. Where a Navy Commander served before as the Officer-in-Charge (OIC) for the Corona Annex, NWAC will now have a Captain and four additional officers. Note: Although people are being told that NWSSB is the host and NWAC is the tenant at the Corona Annex, NWSSB will have no senior representative at that location.

It is requested that an inquiry be conducted into the matter so that reason will prevail. Please talk to the following reliable individuals:

Financial Impact: Charlotte Cloud - NWSSB Controller
AV 873-7201

Personnel impact: Mary Schee - NWSSB Personnel Officer
AV 873-7204

Management Impact: Don Owen - Head, Resources and Planning
AV 873-7805

It is not felt that the matter can be objectively reviewed solely by the Navy because the Navy Inspector General, Admiral Chang has a vested interest in the outcome. He was instrumental in the

process while at NAVSEA.

If at all possible, please hold up the 23 February 1990 celebration of NWAC as a separate command. Vice Admiral Hekman and other dignitaries are going to fly out for the ceremony.

Very respectfully,

Anonymous

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Deputy Commander for Weapons and Combat Systems, Naval Sea
Systems Command
Commanding Officer, Naval Weapons Station, Seal Beach, CA
Prospective Commanding Officer, Naval Warfare Assessment Center,
Corona, CA

Non-Defense Activities

Office of Management and Budget

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
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