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**GAO**

United States General Accounting Office  
Washington, DC 20548

Logistics and  
Communications  
Division

JANUARY 27, 1981

B-201561

The Honorable Tom Corcoran, House of Representatives  
The Honorable Daniel B. Crane, House of Representatives  
The Honorable Philip M. Crane, House of Representatives  
The Honorable Edward J. Derwinski, House of Representatives  
The Honorable John N. Erlenborn, House of Representatives  
The Honorable Paul Findley, House of Representatives  
The Honorable Henry J. Hyde, House of Representatives  
The Honorable Edward R. Madigan, House of Representatives  
The Honorable Robert McClory, House of Representatives  
The Honorable Robert H. Michel, House of Representatives  
The Honorable George M. O'Brien, House of Representatives  
The Honorable John E. Porter, House of Representatives  
The Honorable Thomas F. Railsback, House of Representatives

Subject: [Proposed Consolidation of Defense Contract  
Administration Services Regions in Cleveland]  
(LCD-81-21)

DLG 65919

REC 00378

In response to your June 19, 1980, request, we initiated a review of the Defense Logistics Agency's (DLA's) (cost and savings estimates for the proposed consolidation of Defense Contract Administration Services Regions in Cleveland.)

REC 9246

On March 29, 1979, the Department of Defense announced that as part of DLA's continuing effort to streamline its contract administration field organization, (actions would be initiated to consolidate its nine regions into five.) (Under the realignment plan, the Chicago and Cleveland regional offices would be consolidated into a new Great Lakes regional office and would be located in Cleveland.) The consolidation was scheduled to begin in April 1981 and to be completed by September 1982.

DLA's support for its estimates was contained in a study report issued in November 1978 and revised in October 1979. DLA estimated that consolidating the Chicago and Cleveland regional offices and locating the new regional office in Cleveland would result in annual savings of \$5.63 million and one-time costs of \$1.82 million; DLA estimated that this would provide net discounted savings over a 6-year period of \$16.0 million. If the regional office was located in Chicago, DLA estimated annual savings of \$5.26 million and one-time costs of \$2.52 million; DLA estimated that this would provide net



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discounted savings over a 6-year period of \$14.0 million. On this basis, DLA decided that locating the new Great Lakes regional office in Cleveland, instead of Chicago, would be more cost effective.

In November 1980 DLA initiated certain actions that, in our opinion, significantly affect the planned consolidation. On November 21, 1980, the Department announced that DLA was reviewing all nine Defense Contract Administration Services' regions. As part of this review, DLA is examining (1) costs and benefits associated with alternative organization structures, which include retaining all or major parts of all regional offices, (2) projected increase in the Department contracting, and (3) computer systems that support the regional offices. DLA plans to provide the Secretary of Defense a report on the review's results by April 1, 1981.

In response to our inquiry, DLA stated that the review will include changes in the regions' boundaries, workloads, and organization structures. (According to DLA, these changes will significantly alter the cost and savings estimates used in the previous decision to locate the new Great Lakes regional office in Cleveland. Consequently, as agreed with your office, we discontinued reviewing these cost and savings estimates.)

We are sending copies of this report to the Secretary of Defense and to other parties who have expressed an interest in this matter. Copies will also be made available to others upon request.

*for Donald J. Heren*  
R. W. Gutmann  
Director