

March 2000

DOD COMPETITIVE SOURCING

Potential Impact on Emergency Response Operations at Chemical Storage Facilities Is Minimal



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United States General Accounting Office
Washington, D.C. 20548

**National Security and
International Affairs Division**

B-284636

March 28, 2000

The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

The Honorable Floyd Spence
Chairman
The Honorable Ike Skelton
Ranking Minority Member
Committee on Armed Services
House of Representatives

The Army maintains eight industrial facilities in the continental United States whose mission in whole or in part involves the storage of chemical agents and munitions that are required to be disposed of over the next several years. Some of these facilities have other missions such as ammunition storage, manufacturing, and maintenance of some chemical defense equipment. While the Army considers the likelihood of a chemical release at one of these facilities to be extremely small, the health effects of an accident could be severe. Before constructing or operating a chemical weapon destruction facility, the Army must obtain permits to comply with federal, state, and local environmental laws and regulations. These permits require facilities to maintain emergency response plans. Accordingly, Army officials, working with state and local officials, have developed emergency response plans for the unlikely event of a chemical accident. Government employees at the eight locations typically have collateral emergency response duties assigned under the emergency response plans.

Five of the eight facilities that store chemical munitions are participating in the Army's program to study whether functions currently performed by federal employees could be performed more cost effectively in-house or by the private sector. As part of this program, the Army is conducting studies, known as competitive sourcing studies, in accordance with guidance established by the Office of Management and Budget Circular A-76. (See app. I for a description of the A-76 process). Once the studies are complete, each installation will develop a plan to transition from the current

organizational structure to either a most efficient government organization or a contractor workforce. The plans are designed to minimize disruption and adverse impacts.

However, several members of Congress have expressed concern about the impact of competitive sourcing on emergency response capabilities at the chemical storage facilities and the impact on manufacturing capabilities related to chemical and biological defense. The National Defense Authorization Act for Fiscal Year 2000¹ required that we assess the Army's competitive sourcing study plans at the five facilities and the potential operational impact. Accordingly, this report addresses (1) Army plans for competitive sourcing studies at the five facilities and the extent to which emergency response or chemical defense industrial positions are included in the competitive sourcing studies and (2) the status of the Army's assessment and our assessment of how competitive sourcing would impact emergency response capabilities and environmental permits associated with the destruction of the chemical agents and munitions.

Results in Brief

The Army has competitive sourcing studies underway at five of the eight facilities where chemical munitions are stored, but only a relatively small number (ranging from 0 to 12 percent) of the activities being studied at these locations include emergency response duties. These studies focus principally on base operations support functions such as facilities maintenance, supply, and information management. The Army had plans to study activities involving manufacturing positions at only one of these facilities, Pine Bluff Arsenal, Arkansas, but canceled those plans in November 1999.

The Army has not completed its assessment of how the transition from the current organizational structure to either a most efficient government organization or contractor workforce would affect emergency response capabilities. However, our analysis indicates that there should be minimal potential for a degradation of emergency response capabilities because of the small number and types of positions with emergency response duties potentially affected. In addition, the Army should be able to mitigate any degradation of emergency capability by requiring that transition plans provide for adequate training and phasing in of any replacement personnel

¹ Public Law 106-65, section 142.

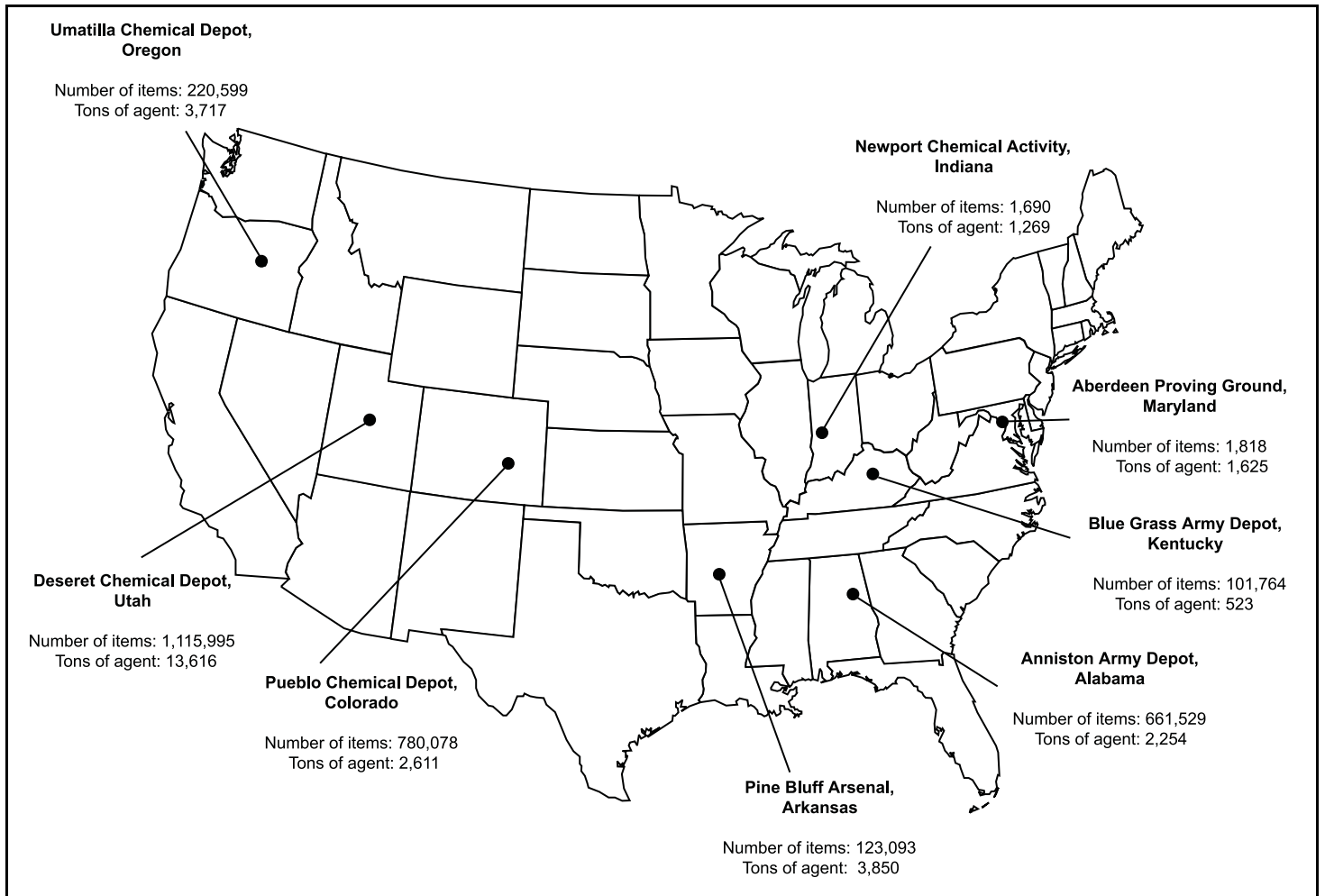
who will be performing emergency response duties. Army officials believe that the scope of the competitive sourcing studies should not affect environmental permits as long as the Army maintains its emergency response capabilities.

We are making a recommendation to the Secretary of Defense to require that the Army's transition plans include provisions to identify and train replacement personnel at each of the affected installations to ensure the continuity and viability of emergency response capabilities as the results of the competitive sourcing studies are implemented.

Background

Since World War I, the United States has maintained a stockpile of chemical weapons and agents. The stockpile consists of rockets, bombs, projectiles, spray tanks, and bulk containers that contain various chemical agents. Most of the stockpile is stored at eight facilities in the continental United States, as seen in figure 1.

Figure 1: Original Stockpile of Chemical Agents and Munitions in the United States



Note: As of December 31, 1999, Deseret Chemical Depot, Utah had destroyed 325,459 items and 4,636 tons of agent.

Source: Program office for chemical demilitarization.

In November 1985, the Congress directed the Department of Defense to destroy the U.S. stockpile of chemical agents and munitions in a manner that would provide maximum protection for the general public and the environment.² The Army is responsible for this program. The Army has weapons destruction activities underway or planned over the next several years at each of the eight facilities. Although the Army considers the likelihood of an accident at its storage facilities extremely small, it has developed a contingency emergency response plan with a trained emergency response team at each of the sites. Installation emergency response teams serve as the initial response force for any chemical accident or incident. The teams are organized into command, response, and support groups, as shown in table 1.

Table 1: Installation Emergency Response Team Organization

| Group | Role | Functions |
|--------------|---|---|
| Command | Perform command and control. | Legal, public affairs, safety, and chaplain. |
| Response | Apply and control emergency response resources. | Toxic material handlers, hotline and contamination control, firefighters, and security. |
| Support | Provide services and supplies to the emergency force. | Administration, communications, transportation and engineering. |

Source: Department of the Army.

Typically, personnel in the response group are referred to as first line responders. The teams vary in size, depending on the type and quantity of chemical munitions and agents stored as well as the potential threat. They are staffed with personnel from the chemical activity at each site whose primary jobs are to monitor the stockpile. Other personnel who provide day-to-day base operations services, such as public works and information management, are also team members on a part-time basis. All team members participate in quarterly exercises and receive training to ensure they are prepared to respond to a chemical accident or incident.

² Department of Defense Authorization Act, 1986, P.L. 99-145, section 1412, codified at 50 U.S.C. 1521.

At five of the storage facilities—Aberdeen, Anniston, Blue Grass, Pine Bluff, and Tooele—the Army is conducting competitive sourcing studies of the base operation functions to determine if government employees or a contractor workforce is the most cost-effective means of obtaining these services. Currently, the Army has no plans to conduct competitive sourcing studies at the other three storage facilities. The functions being studied include supply operations, storage and warehousing, and information management. Some of the activities being studied at each location, with the exception of Aberdeen Proving Ground, are sources of personnel for the emergency response teams in the event of a chemical accident or incident. The study at Aberdeen Proving Ground does not include any positions with emergency response duties. The competitive sourcing studies at Aberdeen,³ Anniston, Blue Grass, and Tooele are scheduled for completion in fiscal year 2000; and Pine Bluff in fiscal year 2002.

The Army has obtained the required environmental permits to construct and operate chemical weapons destruction facilities at Aberdeen Proving Ground, Anniston Army Depot, Pine Bluff Arsenal, and Tooele Army Depot. However, the Army has not obtained the required permits at Blue Grass Army Depot because the method that will be used to dispose of the chemical munitions has not been agreed upon.

Limited Number of Emergency Response Positions Potentially Affected

Competitive sourcing studies are underway at the five storage facilities, and only a limited number of positions with emergency response duties are now potentially affected by the studies. These studies focus on base operations support activities such as facilities maintenance, supply, and information management. Further, those positions under study with collateral emergency response duties generally are not first line emergency responders but rather provide administrative and communications support and operate heavy equipment if needed in the event of an accident. In November 1999, the Army decreased the scope of the study at Pine Bluff Arsenal, which significantly reduced the number of positions potentially affected.

³ The Army completed its competitive sourcing study at this location, but the results were protested to GAO. Aberdeen Technical Services, B-283727.2, Feb. 22, 2000. GAO found that the Army's cost comparison was done improperly and recommended that the Army either revise the in-house cost estimate or reopen the competition.

The Army had initially planned to study base operations functions at all five facilities and other base functions, including manufacturing operations, at Pine Bluff Arsenal. The broader study at Pine Bluff would have potentially affected 106 positions with collateral emergency response duties or about 44 percent of Pine Bluff's emergency response capability. However, in November 1999, the Commander, Army Materiel Command, decided to study only base operation functions at Pine Bluff because of concern about the potential impact on readiness of competing the manufacturing operations. Currently, the number of positions with collateral emergency response duties potentially affected by the competitive sourcing studies range from 3 at Tooele Army Depot to 22 at Pine Bluff Arsenal, as shown in table 2.

Table 2: Positions With Emergency Response Duties Potentially Affected by Competitive Sourcing Studies

| Installation | Number of positions | | Percentage potentially affected |
|--------------|--------------------------------|-------------------|---------------------------------|
| | With emergency response duties | Included in study | |
| Aberdeen | 78 | 0 | 0 |
| Tooele | 611 | 3 | 1 |
| Blue Grass | 117 | 15 | 13 |
| Anniston | 451 | 21 | 5 |
| Pine Bluff | 243 | 22 | 9 |

Source: Army data.

The table reflects the number of positions with emergency response duties that could be affected if a contractor workforce were to replace the existing government employees. Army officials noted that, if a contractor becomes responsible for base operation activities, the actual number of affected positions with these duties could be higher depending on the number of government personnel who retire and take early out incentives,⁴ and the results of a reduction-in-force,⁵ if required. On the other hand, the

⁴ These incentives could include voluntary early retirement and voluntary separation incentive pay.

⁵ Under a reduction-in-force, personnel included in the competitive sourcing study may have seniority to take positions not included in the study that also could be part of the emergency response force.

Army officials stated that the number of affected positions with emergency response duties could be less if government employees continue to perform the base operation functions as a most efficient organization.

We found that the majority of the relatively few positions with emergency response duties are not first line responders. Rather these positions involve providing administrative and communications support or operating heavy equipment such as backhoes or cranes in the event of a chemical accident. For example, the emergency response duties of 6 of the 15 positions at Blue Grass Army Depot under study provide administrative support in the emergency operations center, and the emergency response duties of 8 of the 21 positions at Anniston Army Depot involve heavy equipment operators. Likewise, the emergency response duties of the affected positions at Pine Bluff primarily involve heavy equipment operation, driving, and administrative support. Whatever the outcome of the competitive sourcing study, these duties will continue to be performed either by the government's most efficient organization or by the contractor work force.

With Adequate Planning, the Outcome of the Studies Should Not Affect Emergency Response Capability or Environmental Permits

The Army has not completed its assessment of the potential impact that the competitive sourcing studies will have on emergency response capabilities. However, our assessment indicates that there should be minimal potential for a degradation of emergency response capabilities because of the small number of positions with emergency response duties involved. In addition, the Army should be able to mitigate any degradation of emergency capability by ensuring that transition plans provide for adequate training and phasing in of any replacement personnel, whether government or contractor, who will be performing the emergency response duties. Army officials also believe that the competitive sourcing studies should not affect environmental permits as long as the Army maintains its emergency response capabilities.

The Commanding General of the Army Materiel Command directed his staff to assess the potential impact the competitive sourcing studies would have on the emergency response capabilities at the installations that store chemical munitions. The assessment should be completed in March 2000. Officials preparing the Army assessment believe that there is minimal potential for degradation of emergency response capabilities at the chemical storage installations undergoing competitive sourcing studies. They stated that there might not be sufficient numbers of trained personnel during the transition to either a most efficient government organization or a

contractor workforce. However, they indicated that they could mitigate any potential degradation of capabilities by transition planning addressing the training and phasing in of any replacement personnel with emergency response duties. As previously noted, we found that only a relatively small number of positions with emergency response duties would likely be affected by the competitive sourcing studies. Also, the initial training for the majority of these positions is limited to a one-week course, and can thus be readily accomplished by replacement personnel, whether government or contractor.

Once the results of the competitive sourcing studies are known, each installation is required to develop a plan to transition from the current organizational structure to either a most efficient government organization or a contractor workforce. Office of Management and Budget Circular A-76 provides broad guidance that states these plans should be designed to minimize disruption and adverse impacts of transitioning to a new workforce. Army officials intend to develop plans to transition the base operations functions to the replacement workforce, whether government or contractor. However, to avoid any possible gaps in emergency response coverage, we believe these plans should also include strategies to train personnel who would replace any existing emergency responders.

Army officials stated that the environmental permits the Army has obtained to construct or operate facilities to destroy chemical weapons should not be affected by the studies. An official in the Office of Program Management for Chemical Demilitarization at Anniston Army Depot stated that he does not anticipate any problems with permits because either government or contractor personnel can perform the required emergency response functions. Likewise, an official in the Office of Program Management for Chemical Demilitarization at Tooele Army Depot stated that the permits would not be affected because only 3 of 611 emergency response positions are potentially affected by the study of base operation functions.

Finally, an official in the Office of Program Management for Chemical Demilitarization at Pine Bluff Arsenal stated that the permit for chemical demilitarization activities at that facility should not be affected by the outcome of the competitive sourcing study. This official stated that the permit requires the Army to have and maintain certain equipment, such as backhoes, in the event of a chemical accident. He stated that as long as this type of equipment is available and maintained, regardless of whether by a government or contractor workforce, the permit should not be affected.

Conclusion

Available information indicates that the competitive sourcing studies should not affect the Army's emergency response capabilities at the chemical storage facilities as long as there is adequate advanced transition planning. The Army's transition plans for implementing the results of the competitive sourcing studies should include the proper designation and training of replacement personnel, whether government or contractor, to fill emergency response positions, as needed, to ensure that there are no possible gaps in emergency response capabilities.

Recommendation

To ensure that adequate emergency response capabilities are maintained when competitive sourcing studies are being conducted at installations that store chemical munitions, we recommend that the Secretary of Defense require that the Army's transition plans contain a strategy for training personnel to fill emergency response positions affected by those studies.

Agency Comments

In written comments on a draft of this report, the Department of Defense concurred with our recommendation. The Department's comments are reprinted in their entirety in appendix II.

Scope and Methodology

To determine the extent to which emergency response positions were included in the competitive sourcing studies, we compared the emergency response positions to the positions included in the study universe at each installation. We obtained data on the positions included in the study universe from Army officials at Aberdeen Proving Ground, Maryland; Anniston Army Depot, Alabama; Blue Grass Army Depot, Kentucky; Pine Bluff Arsenal, Arkansas; and Tooele Army Depot, Utah. We also obtained a list of emergency response positions from the chemical activities at each location. To determine the potential impact on industrial missions, we verified that only base operation functions were being studied at each location and also obtained documentation to support the Army's decision not to study the manufacturing operation at Pine Bluff Arsenal.

To determine if the Army had conducted risk assessments, we interviewed officials at the Army Materiel Command headquarters, Alexandria, Virginia, and the Soldier and Biological Chemical Command, Aberdeen, Maryland. Our assessment was based upon our review of the risk assessments conducted by the Soldier and Biological Chemical Command, the Blue

Grass Army Depot, the Pine Bluff Arsenal, and the Tooele Army Depot, and our analysis of the numbers and types of emergency response positions included in the competitive sourcing studies. Aberdeen Proving Ground and Anniston Army Depot did not prepare risk assessments. To determine the potential impact on environmental permits, we interviewed officials in the Office of Program Management for Chemical Demilitarization at each site.

We conducted our review from October 1999 through February 2000 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Honorable William S. Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; and the Honorable Jacob Lew, Director, Office of Management and Budget. Copies will also be available to others upon request.

If you or your staff have any questions concerning this report, please contact me at (202) 512-8412. Key contributors are listed in appendix III.



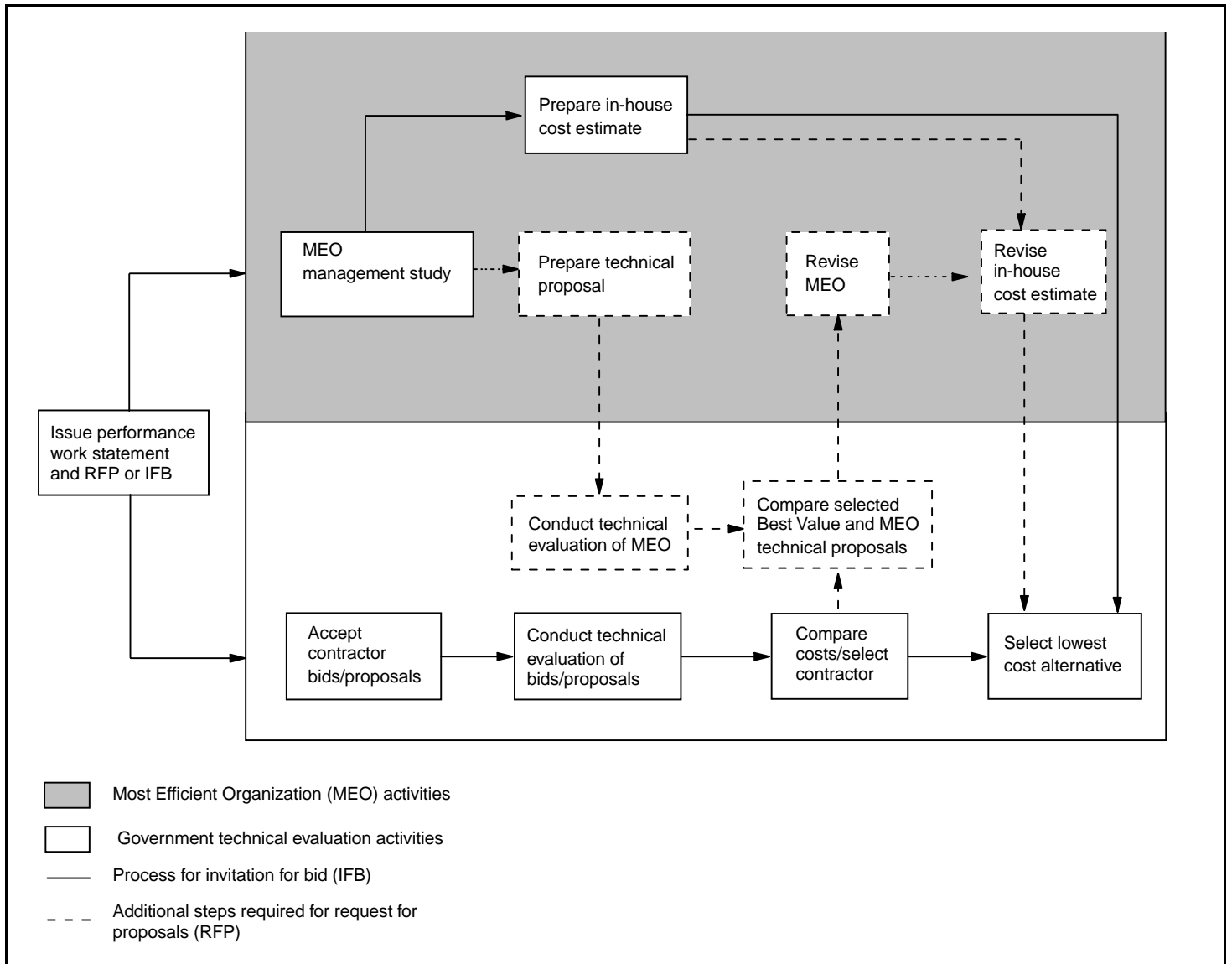
David R. Warren
Defense Management Issues

The A-76 Process

In general, the A-76 process consists of six key activities: (1) developing a performance work statement and quality assurance surveillance plan; (2) conducting a management study to determine the government's most efficient organization; (3) developing an in-house government cost estimate for the most efficient organization; (4) issuing a Request for Proposals or Invitation for Bids; (5) evaluating the proposals or bids and comparing the in-house estimate with a private sector offer or an interservice support agreement and selecting the winner of the cost comparisons; and (6) addressing any appeals submitted under the administrative appeals process, which is designed to ensure that all costs are fair, accurate, and calculated in the manner prescribed by the A-76 handbook.

Figure 2 shows an overview of the process. The solid lines indicate the process used when the government issues an Invitation for Bids or Request for Proposals requesting bids or proposals on the cost of performing a commercial activity. This type of process is normally used for more routine commercial activities such as grass cutting or cafeteria operations, where the work process and requirements are well defined. The dotted lines indicate the additional steps that take place when the government wants to pursue a negotiated, "best value" procurement. This type of process is often used when a commercial activity involves high levels of complexity, expertise, and risk.

Figure 2: Overview of the A-76 Process



Source: Air Force Air Education and Training Command Documents.

The circular requires the government to develop a performance work statement. This statement, which is incorporated into either the Invitation for Bids or Request for Proposals, serves as the basis for both government estimates and private sector offers. Each private sector company develops and submits a bid or proposal, giving its price for performing the

commercial activity. The government activity performs a management study to determine the most efficient and effective way of performing the activity with in-house staff. On the basis of this “most efficient organization,” the government develops a cost estimate and submits it to the selecting authority. The selecting authority concurrently opens the government’s estimate and the bids or proposals of all the private sector firms.

According to Office of Management and Budget’s A-76 guidance, the activity will be converted to performance by the private sector if the private sector offer is either lower by an amount equal to 10 percent of the direct personnel costs of the in-house cost estimate or is \$10 million less over the performance period than the in-house estimate, whichever is less. The Office of Management and Budget established this minimum cost differential to ensure that the government would not convert performance for marginal estimated savings.

If a best value process is used, the Federal Acquisition Regulation and the A-76 supplemental handbook require several additional steps. The private sector offerors submit proposals that often include a technical performance proposal as well as the price. The government prepares an in-house management plan and a cost estimate that are based strictly on the performance work statement. On the other hand, private sector proposals can offer a higher level of performance or service. The government’s selection authority reviews the private sector proposals to determine which one represents the best overall value to the government based on such considerations as (1) performance levels, (2) proposal risk, (3) past performance, and (4) price. After the completion of this analysis, the selection authority prepares a written justification supporting its decision. This includes the basis for selecting a contractor other than the one that offered the lowest price to the government. Next, the authority evaluates the government’s estimate and determines whether it can achieve the same level of performance and quality as the selected private sector proposal. If not, the government must then make changes to meet the performance standards accepted by the authority. This is to ensure that the in-house cost estimate is based upon the same scope of work and performance levels as the best value private sector offer. After determining that the government estimate and selected private offer are based on the same level of performance, the estimated costs are compared.

Following an A-76 cost comparison decision, participants in the cost comparison may appeal the selection authority's decision if they believe the costs submitted by one or more of the participants were not fair, accurate, or calculated in compliance with the requirements and procedures of A-76. Appeals must be submitted in writing and within 20 days after the date that all supporting documentation is made publicly available. The appeal period may be extended to 30 days if the cost comparison is particularly complex. Appeals are supposed to be adjudicated within 30 days after they are received.

Comments From the Department of Defense



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MAR 14 2000

Mr. David R. Warren
Director, Defense Management Issues
National Security and International
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U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DOD COMPETITIVE SOURCING: Potential Impact On Emergency Response Operations at Chemical Storage is Minimal," dated February 23, 2000 (GAO Code 709450/OSD Case 1950). We concur with the draft report recommendation.

Detailed comments on the recommendation are included in the enclosure. We appreciate the opportunity to comment on the GAO draft report. The point of contact for this report is Mr. Denzel L. Fisher, (703) 695-0984.

Sincerely,

A handwritten signature in black ink that reads "Raymond J. Fatz".

Raymond J. Fatz
Deputy Assistant Secretary of the Army
(Environment, Safety and Occupational Health)
OASA(I&E)

Enclosure

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GAO DRAFT REPORT DATED FEBRUARY 23 2000
(GAO CODE 709450) OSD CASE 1950

**"DOD COMPETITIVE SOURCING: POTENTIAL IMPACT ON EMERGENCY
RESPONSE OPERATIONS AT CHEMICAL STORAGE IS MINIMAL"**

**DEPARTMENT OF DEFENSE COMMENTS TO
THE GAO RECOMMENDATIONS**

RECOMMENDATION: The GAO recommended that the Secretary of Defense require the Army's transition plans contain a strategy for training personnel to fill emergency response positions affected by competitive source studies to ensure that adequate emergency response capabilities are maintained. (p. 10/GAO Draft Report)

DOD RESPONSE: Concur. The Army will ensure transition plans identify and establish a strategy for training personnel to fill emergency response positions affected by the results of the competitive sourcing as applicable.

Now on p. 12.

GAO Contacts and Staff Acknowledgments

GAO Contacts

Barry Holman, (202) 512-5581
William Crocker, (202) 512-4533

Acknowledgments

In addition to those named above, Michael Kennedy, Paul Newton, John Brosnan, and Adam Vodraska made key contributions to this report.

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