



REPORT TO THE CONGRESS

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Management Of Civilian Hiring
Limitations And Recruiting By
The Department Of Defense
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*BY THE COMPTROLLER **GENERAL**
OF THE UNITED STATES*

DEC. 30. 1969

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B- 165959

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the management of civilian hiring limitations and recruiting in the Department of Defense. Our review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of Defense; and the Secretaries of the Army, Navy, and Air Force.

A handwritten signature in cursive script, reading "James B. Stacks".

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

At the request of the Chairman of the Manpower and Civil Service Subcommittee, House Committee on Post Office and Civil Service, the General Accounting Office (GAO) has reviewed the Department of Defense's (DOD) management of its civilian personnel ceilings--annual budgetary limitations on the number of civil service employees authorized for an agency--and its related recruiting practices.

GAO's review was performed at 12 Army, Navy, and Air Force forts; shipyards; air bases; missile ranges; research stations; or similar installations.

FINDINGS AND CONCLUSIONS

DOD's system for managing civilian personnel ceilings has lacked sufficient flexibility. There also have been recruiting problems. The combination has resulted in uneconomical and otherwise undesirable contracting for the needed services from private firms.

Efforts of military officials to obtain approval for additional civil service positions have been lengthy, cumbersome, and often unproductive. In some instances, contracts for personnel services were awarded despite the fact that cost comparisons indicated that civil service workers could perform the same work more cheaply. (See p. 7.)

For example, a 1967 study indicated over \$500,000 savings if DOD civilians instead of contract workers performed the data computation division work at the Missile Development Center, Holloman Air Force Base, New Mexico. However, conversion from contract services to civil service employees is programmed for fiscal year 1971. The Center tried to convert from 1963 to 1966 but was denied the position allocations needed. (See p. 7.)

Contracts for services also were awarded for work which responsible officials preferred to have performed by civil service employees to develop and maintain technical capability, to achieve more effective DOD control over work accomplishment, and to lessen dependence on contractors. (See p. 8.)

Some installations need to improve and intensify their recruiting efforts and to take action to provide every possible employment incentive. (See p. 10.)

Ineffective recruiting practices included failure to advertise in trade and professional journals for needed employees, inability to make firm commitments to prospective employees because of hiring ceilings, delays in selecting candidates and in contacting them, uncompetitive salaries offered, and failure to offer desirable tours of duty following completion of duty in remote areas--practices followed by the DOD contractors and other Government agencies, (See p. 10.)

GAO believes that DOD can achieve significant savings by evaluating the cost of all support functions currently performed by DOD personnel and by contract personnel, and by taking action on its findings to obtain performance by the most economical method.

RECOMMENDATIONS OR SUGGESTIONS

GAO pc t

- The Secretary of Defense direct the military departments to review their systems for managing personnel ceilings in order to provide greater flexibility.
- The Secretary of Defense ensure that the military departments intensify their recruiting efforts and use all available resources and methods to obtain qualified personnel.

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Assistant Secretary of Defense (Comptroller) generally agreed with GAO's findings and outlined corrective actions which are being taken. (See p. 14.)

GAO believes that, since section 201 of the Revenue and Expenditure Control Act of 1968 (which limited the number of employees to 1966 levels) has been repealed, the military departments will be able to progress in their plans for achieving flexibility in the management of civilian personnel ceilings. GAO recommends that, to determine where savings are available, the Secretary of Defense place increased emphasis on the program for reviewing commercial and industrial activities to determine the most economical means of performance.

MATTERS FOR CONSIDERATION BY THE CONGRESS

GAO is reporting these matters to the Congress because of the potential for obtaining significant savings by devising more effective programs for recruiting and allocating manpower.

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ABBREVIATIONS

AAC	Alaskan Air Command
BOB	Bureau of the Budget
DOD	Department of Defense
GAO	General Accounting Office
OSD	office of the Secretary of Defense

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CHAPTER 1

CIVILIAN PERSONNEL CEILINGS

AND RECRUITING

The General Accounting Office has reviewed problems relating to the management of civilian personnel ceilings and recruiting at selected installations in the Army, Navy, and Air Force. Our fieldwork was performed during fiscal years 1968 and 1969 but was completed prior to implementation of section 201 of the Revenue and Expenditure Control Act of 1968. Section 201 provided in essence that vacancies in regular positions be filled at a 75-percent rate until the Executive Department as a whole reached the June 30, 1966, level and that temporary and part-time positions correspond to those during 1967. Section 201 was repealed July 22, 1969.

References to potential savings in our report are based on studies made by the respective military departments. We did not examine these studies in detail since our objective was to assess the impact of ceiling and recruiting problems on decisions to contract for services, (See p. 17 for scope of review.)

Bureau of the Budget (BOB) Circular No. A-64, as revised, establishes criteria for the operation of an effective position management system and sets forth information on the concepts and procedures to be followed with regard to civilian personnel ceilings. Circular No. A-64 provides that the personnel ceilings, as established by the President at the time of the annual budget review, are not to be exceeded as of the end of the fiscal year in progress. The circular provides further that a decision to substitute the use of service contracts for direct employment must be based on consideration of overall effectiveness and economy, and that such contracts must not be used as a device to avoid compliance with the established personnel ceilings.

Requests for revisions in the ceilings for the year in progress are normally expected to be considered by BOB during its review of the agency budget submission for the

following year. Provision is made for consideration of an unusual or emergency request at other times; however, the justification for such a request must indicate clearly why the increase cannot be absorbed through an internal adjustment or why the increase cannot be postponed to the next fiscal year.

BOB establishes a total civilian personnel ceiling for DOD, which is based generally on the annual budget submission. The Office of the Secretary of Defense (OSD) allocates the available manpower ceiling spaces to the military departments which in turn, allocate the ceiling spaces through the various levels of command. Although each major command in all three services ordinarily has the authority to reallocate its authorized spaces, an increase in the command total must have departmental approval and an increase in the DOD total requires BOB approval,,

At the outset of our review, OSD officials advised us that the civilian personnel ceiling system should not prevent the efficient distribution of workload between contract and civil service employees or otherwise hamper effective work performance. They indicated that, if the particular circumstances warranted, the system was sufficiently flexible to permit allocation of additional manpower resources to effect in-house performance and that properly justified requests should be satisfied within a reasonable period of time.

There are four primary alternatives available to an installation official faced with insufficient civil service personnel to accomplish an assigned and funded task. First, he may request the allocation of additional ceiling spaces so that he can recruit the required personnel. To receive consideration for such a request, the manager must clearly demonstrate the advantages to the Government of in-house performance. Current Government-wide policy as promulgated in BOB Circular No. A-76 requires that, prior to converting an existing contract or establishing a new function in-house, a cost comparison must demonstrate significant savings by in-house performance.

The second alternative is contracting for work performance which, under the provisions of Circular No. A-76,

generally does not require a cost comparison, The third alternative is using military personnel. This may be feasible in some instances; however, for many positions military staffing is not practicable. The fourth alternative of postponing work performance until manpower can be made available is not often feasible because of military exigencies. Failing in these alternatives, the military departments' civilian employees may be used to work on an overtime basis. However, this generally results in increased costs.

A list of the principal officials of DOD responsible for administration of the activities discussed in this report is included as appendix III.

CHAPTER 2

PROBLEMS IN THE MANAGEMENT OF CIVILIAN PERSONNEL CEILINGS AND RECRUITING PRACTICES

The lack of flexibility of the system for managing civilian personnel ceilings together with ineffective recruiting practices have resulted in the use of contracting for services by the military departments when in-house performance would be more economical or otherwise advantageous to the Government.

During our review, we encountered contracts amounting to about \$35 million which had been reviewed by the military departments to determine if in-house performance would be more economical. Potential savings of over \$2.9 million were indicated by the departments if about \$15 million of these contracts were converted to in-house performance. Most of the \$2.9 million involved contracts which resulted from problems encountered with personnel ceilings or recruiting practices. Savings of about \$1.8 million were indicated by continuing contract performance of the remaining \$20 million.

In other instances, not necessarily reviewed by the military departments for economy purposes, contracts were awarded because of personnel ceilings, although responsible officials considered these contracts operationally undesirable. In-house performance was preferred in such instances because of the need to develop and maintain in-house technical capability, to achieve more effective control over mission accomplishment, and to lessen dependence on contractors.

We found that repeated requests by installation commanders for additional ceiling spaces had often been denied or had failed to elicit a response and that little success had been achieved in obtaining spaces in subsequent budget periods, although extensive time and effort had been expended in justifying the need for additional personnel to higher echelons of command. We found, also, that, in some

cases, installation commanders had not submitted formal requests **for** needed ceiling spaces because of previously unsuccessful attempts and because of the time and effort required to process such requests.

We found that some installations need to intensify their recruiting efforts and to take action to improve practices which are hampering effective recruiting.

Details of our findings are presented in the following sections **of** this report. A summary of the problems identified at each installation visited is included in appendix I.

CONTRACTING WHEN POTENTIAL SAVINGS INDICATED BY IN-HOUSE PERFORMANCE

Our analysis of selected contract files and related procurement documents at the installations visited showed that, in some instances, inflexible personnel ceiling limitations had resulted in contracting despite cost comparisons indicating potential savings by in-house performance. Although repeated requests had been made for the necessary spaces, higher echelons of command had not provided the required personnel spaces to effect in-house performance and obtain the savings available. **An** example follows.

Holloman Air Force Base

In June 1963, the Air Force Systems Command issued an order assigning the Missile Development Center at **Holloman** Air Force Base, New Mexico, a new function of providing data computation services for the Ballistic Missile Re-entry Systems program. The order provided that the operational workload be accomplished initially by military, civil service, and contract personnel and that the contract personnel be **replaced** by military and civil service personnel as rapidly as possible. The Missile Development Center repeatedly requested personnel spaces from July 1963 through June 1966 to accomplish this conversion, but the authorizations were not provided.

In October 1966, the data computation division workload was increased and additional contractor personnel were obtained. At that time, **it** was decided to continue the

contract on a temporary basis for approximately one year and to perform a comprehensive study to determine the feasibility of converting to an in-house operation. The study was completed in August 1967 and was submitted to the Systems Command for review and approval.

The 1967 study indicated annual savings of more than \$500,000 by in-house performance. The Missile Development Center, however, recommended that the partial contract, partial in-house operation, be continued because of the lack of success in obtaining ceiling spaces, potential recruiting problems, and the need for flexibility to cope with an increasing workload. In view of the potential savings and in consideration of possible legal problems involved in the mixed-force operation, the Air Force Systems Command rejected this recommendation and directed the Missile Development Center to prepare a new study. Soon after our fieldwork was completed, Headquarters Air Force officials advised us that the data computation division was programmed for conversion to in-house operation in fiscal year 1971.

CONTRACTING WHEN OPERATIONALLY UNDESIRABLE

We found that a lack of sufficient flexibility in the management of civilian personnel ceilings had resulted in the postponement of work and in the award of contracts for work which responsible officials preferred to perform in-house because of the need to develop and maintain in-house technical capability, to provide better control of work performance, and to lessen dependence on contractors. An example follows.

Underwater-Weapons Research and Engineering Station

Responsible officials of the Navy's Underwater Weapons Research and Engineering Station, Newport, R.I., advised us that, because of the inflexibility of the system for managing personnel ceilings, they have found it necessary to postpone work and to contract for work which they believe should have been done in-house. Station officials estimated that about \$5 million worth of work was put on contract or planned for award during fiscal year 1968, which should have been done in-house in order to acquire and maintain in-house

capability to meet the station's responsibility for developing prototypes and production drawings; assisting in technical monitoring of production contracts; and supporting the fleet in the maintenance, service, and repair of weapons systems.

We found that station officials had made repeated attempts to obtain additional ceiling spaces to cope with a rapidly increasing workload but have had limited success in acquiring the needed spaces.

We interviewed responsible Navy officials at the Headquarters level to determine the action they had taken in regard to the ceiling problems at the Underwater Weapons Station. They advised us that, in this particular case, there were not enough ceiling spaces available within existing Navy resources to meet the total work requirements imposed on the station by the Ordnance Command and other Navy organizations. Consequently, a Program Change Request had been prepared in an attempt to obtain additional ceiling spaces from DOD. However, because of the cutoff date established by DOD for consideration of such requests, the Program Change Request was not submitted.

Further review of the problem by the Command and by Navy Headquarters resulted in the station's being provided with 100 spaces specifically allocated for converting contract positions to civil service. These spaces were provided to the station in March 1968 and were rapidly filled, which provided a measure of relief for the manpower shortage. Station officials estimated, however, that, considering the added assignments since the April 1967 manpower request, an additional 230 positions would be required to preclude contracting for work which they believed should be performed in-house.

The extensive use of contracting at the Underwater Weapons Station and similar installations involved in research, development, testing, and technical support results in the development of weapon systems expertise in the contractors' staffs rather than within the Government. The loss of direct experience with the installation, maintenance, and testing of existing systems often leads to increased dependence upon contractors, both for technical decisions and control of costs.

NEED FOR IMPROVED RECRUITING PRACTICES

During a period of general manpower shortages, it is particularly important that the military departments make effective use of all available means for obtaining sufficient qualified personnel to perform assigned workload. We found that some installations need to improve and intensify their recruiting practices and to take action to establish employment incentives to the fullest extent provided by Civil Service criteria. The recruiting practices and employment incentives used by certain other Federal agencies and by Government contractors were often more effective in obtaining qualified personnel for similar locations and positions. The following examples illustrate the recruiting problems we encountered.

Alaskan Air Command

We found that the recruiting practices and employment incentives used by the U.S. Air Force Alaskan Air Command (AAC) were not effective in filling certain critical positions in remote locations formerly filled by contract personnel. As a result, 31 authorized civilian positions were converted to military spaces because civilians with the required skills could not be recruited. In addition, AAC and Air Force officials advised us that services requiring approximately 400 contract personnel were being performed under contracts in several remote locations because of their belief that civil service personnel could not be recruited in a timely manner.

Specific AAC recruiting practices which we believe should be improved are outlined below:

1. AAC has made only limited use of newspaper advertising and has not used advertising in professional and trade journals.
2. Recruiting teams sent to the contiguous United States have not included personnel qualified to evaluate applicants' qualifications, to assign ratings, or to make immediate employment offers.

3. Delays in processing applications have occurred because:

- Responses to interested personnel were handled by mail rather than telephone.
- Selection of specific candidates by operating personnel following receipt of applications has taken up to 1 month.
- Interagency board members did not want to meet to rate a small number of applicants, resulting in delays up to 1 month.
- Obtaining security clearances through normal channels usually takes from 6 to 8 weeks, although Air Force Regulation 40-202 permits emergency waivers of preappointment clearances. We also noted that the Federal Aviation Administration processes clearances for sensitive noncritical positions in 10 days.

We found that other Federal agencies and Government contractors have devised recruiting practices and provided employment incentives which have enabled them to be relatively more effective in recruiting for remote locations. For example, at the time of our review the Federal Aviation Administration had only five vacancies for its 285 electronic technician positions and only 12 vacancies for its 412 aircraft traffic controller positions. The principal techniques employed were (1) extensive use of advertising, (2) emphasis on prompt contact with potential employees, and (3) expediting receipt of security clearance data.

In regard to effective recruiting efforts by Government contractors, we found that contractors performing work in remote locations often provide the incentive of a job offer in the contiguous United States following completion of an Alaskan tour. Also, the contractor operating and maintaining the Northern Distant Early Warning Line pursued an aggressive program of recruiting at military installations where technically trained servicemen were terminating their military careers.

White Sands Missile Range

We found that White Sands Missile Range, New Mexico had an average civilian personnel shortage of 141 for the first 10 months of fiscal year 1968. Although this shortage did not constitute a large percentage of White Sands' total ceiling, it represented a sizable number of skilled positions including, among others, those for engineers, mathematicians, and technicians. Officials at White Sands apprised us that the shortage of 141 civilian personnel was an understatement of the actual skill shortage because of a skill imbalance whereby about **93** of the personnel on board during fiscal year 1968 could make only a limited contribution to the work requirements at White Sands.

Officials at White Sands have generally been able to recruit personnel at the entry or trainee level to meet their current requirements. However, the frequent departures after workers reached the journeyman level (GS-9 through 12) and the need for extensive progressive experience and training leave a gap in the field of senior personnel. This gap is difficult to fill by recruiting because of White Sands' remote location and the competition from contractors who seem to be able to offer greater incentives than the Government.

We were informed that the general reduction in ceiling spaces available in recent years and the procedures necessary for obtaining distribution and allowance changes, together with a marginally acceptable recruitment effort, precluded White Sands from being responsive to its mission without extensive contractor support.

OTHER RECRUITING PROBLEMS

We encountered a number of general problems which were hampering recruiting efforts at most of the installations visited. Some of these problems may not be susceptible to resolution within the individual military departments and, in some instances, may require action outside DOD.

Personnel ceilings

We found that numerical personnel ceiling restrictions generally hampered recruiting efforts because of the inability to make firm commitments to prospective employees until ceiling spaces were provided. Because of the necessity to be at or under a numerical limitation by June 30, the military departments are often forced to reduce employment during the prime recruiting months.

Salaries, travel expenses, and other incentives

At most of the research, development, test, and evaluation installations we visited, Government contractors were offering higher salaries than the Government for similar personnel. Since the Government and the Government contractors must hire personnel from the same labor market, the Government in effect must compete with itself.

Many of the officials at these installations believed that, in a considerable number of cases, they could overcome the handicap of lower salaries if they were permitted to pay the expenses of prospective employees for an onsite visit and interview. These officials believed that the attraction of the facilities and equipment and the nature of the Government programs under way would often offset the higher salary offers of private industry.

Another, and possibly more significant, factor is the career flexibility available to contractor personnel which we believe could be made available to Government personnel. We found this to be particularly important in recruiting for remote locations. As previously noted, contractors recruiting for positions at remote Government sites in Alaska often provide the guarantee of a job in a more desirable location following the successful completion of a specified tour of duty. 'Similar flexibility was available to contractors' employees at White Sands and was considered a primary factor in their recruiting success.

AGENCY COMMENTS AND OUR EVALUATION

We presented our findings to the Secretary of Defense for comment. We proposed that the military departments be

directed to review and revise their present systems for managing personnel ceilings in order to provide greater flexibility. We also proposed that the Secretary ensure that the military departments and their field activities intensify their recruiting efforts and make use of all available resources and methods to obtain qualified personnel.

The Assistant Secretary of Defense (Comptroller) replied to our draft report on June 18, 1969, and enclosed detailed comments prepared by the Army, Navy, and Air Force. The Assistant Secretary and the military departments agreed that there was a need for increased flexibility in the system for managing personnel ceilings and for improvements in their recruiting programs and outlined certain actions, either accomplished or under way, which are designed to achieve this end.

The Assistant Secretary pointed out the difficulties involved in making conversions from contract to in-house performance under the restrictions of the Revenue and Expenditure Control Act of 1968. We wish to point out that all the instances and conditions cited in our report occurred prior to passage of the act and that the delays, imbalances, and inflexibility we found cannot be attributed to it. In addition, section 201 of the act imposing certain personnel hiring limitations was repealed on July 22, 1969.

The actions being taken by DOD to improve the management of personnel ceilings and recruiting and our comments thereon are summarized below.

Responsibility for civilian ceiling administration has been transferred from the Assistant Secretary of Defense (Systems Analysis) to the Assistant Secretary of Defense (Comptroller) in order to place responsibility for ceiling controls with closely related budgetary and fiscal matters. In our view, this shift of responsibility should result in better coordination of workload, manpower, and funds, and therefore improve the administration of manpower ceilings. We believe, however, that further inquiry may show that this realignment of responsibility should be extended throughout the military departments if the full benefits are to be achieved.

DOD plans to analyze the effects of manpower ceilings on selected laboratories and, if considered appropriate, to initiate a controlled test in which selected laboratories would be exempt from numerical ceiling controls. We believe the results of such a test may provide a model for further extension of exemptions from ceiling controls, We have requested OSD to keep us informed of actions taken in this regard.

With respect to recruiting, actions are being taken to strengthen recruiting staffs, intensify advertising efforts and improve programs for recruiting college level scientific and engineering students, In addition, an automated system is being developed to identify qualified personnel available for assignments in remote areas, such as Alaska, which have special recruiting problems. We believe that these actions, if properly implemented, should increase the effectiveness of the military departments' efforts.

CONCLUSIONS

We believe that a lack of flexibility in the system for managing civilian personnel ceilings and related recruiting problems have resulted in the failure to obtain potential savings by shifting from contract to in-house performance to take advantage of the most economical alternative. This lack of flexibility and the difficulties in obtaining sufficient skilled personnel have also contributed to extensive use of contracting by installations performing research, development, testing, and technical mission support. In some of these instances responsible officials believed that the work should be done in-house to develop and maintain needed technical capability and preclude unwarranted dependence on contractors.

RECOMMENDATION

Inasmuch as section 201 of the Revenue and Expenditure Control Act of 1968 has been repealed, we expect the military departments to be able to achieve significant progress in the plans indicated above for achieving flexibility in the management of civilian manpower ceilings.

We recommend, however, that, to determine those areas where savings are available, the Secretary of Defense place increased emphasis on the program for reviewing the manner in which commercial and industrial activities are performed to determine the most economical means of performance.

CHAPTER 3

SCOPE OF REVIEW

Our review was directed to problems related to the policies and practices for management of civilian personnel ceilings and recruiting. To determine the effectiveness of these policies and practices, we examined pertinent regulations and records and interviewed responsible management officials at installation, command, and headquarters levels, as appropriate.

We also reviewed contract files and related procurement documents on selected problem cases to determine the relationship between personnel ceilings and recruiting practices and the decisions to perform certain functions by contract. In addition, we contacted representatives of the Civil Service Commission, other Federal agencies, and Government contractors to determine the recruiting practices used in staffing certain critical scientific, engineering, and technical positions.

Our review was performed at 12 installations in the Army, Navy, and Air Force as shown in appendix I.

APPENDKXES

SUMMARY OF PROBLEMS IN MANAGEMENT OF
PERSONNEL CEILINGS AND RECRUITING

ARMY

<u>Installation</u>	<u>Problem</u>
Aberdeen Proving Ground, Aberdeen, Maryland	Administration of distribution and allowance system did not provide sufficient flexibility for changing conditions. Cost comparison for airfield operations indicated savings. Officials agreed to review feasibility of in-house performance. Technical capability supplemented by contract because of lack of ceiling spaces. Cost comparison indicated savings, but shortage of engineering skills and critical backlog of work prevented in-house performance. Officials agreed to consider in-house performance for the future. Administrative delays hampering recruiting. Extensive use of overtime because of increased workload and reduced personnel ceiling.
Natick Laboratories, Natick, Massachusetts	Administration of distribution and allowance system did not provide sufficient flexibility. Laboratory directors not fully informed as to local authority for making distribution and allowance changes.

SUMMARY OF PROBLEMS IN MANAGEMENT OF
PERSONNEL CEILINGS AND RECRUITING (continued)

ARMY (continued)

<u>Installation</u>	<u>Problem</u>
Natick Laboratories, Natick, Massachusetts (continued)	Contracts awarded although operationally undesirable. Attempts to obtain additional ceiling spaces generally unsuccessful.
White Sands Missile Range, New Mexico	Administration of distribution and allowance system did not provide sufficient flexibility. Technical capability supplemented by extensive contracting because of lack of ceiling spaces. Cost comparisons for two contracts indicated annual savings totaling about \$380,000 by conversion to in-house performance. Current contracts run for 3 and 5 years respectively. Personnel shortages in skilled positions.
Fort Richardson, Alaska	Cost comparisons not made for functions we reviewed. Personnel shortage caused by hiring freeze resulted in inability of Post Engineer to perform preventive maintenance.
Fort Wainwright, Alaska	Ceiling limitations caused continuation of contracting for painting although officials believed in-house performance would be more economical. Cost comparison not prepared and personnel spaces not requested because officials believed spaces would not be authorized.

SUMMARY OF PROBLEMS IN MANAGEMENT OF

PERSONNEL CEILINGS AND RECRUITING (continued)

ARMY (continued)

<u>Installation</u>	<u>Problem</u>
Fort Wainwright, Alaska (con- tinued)	<p>Cost comparison for custodial services based on unrealistic staffing. Computation based on revised staffing indicates savings by in-house performance.</p> <p>Personnel shortage caused by hiring freeze resulted in inability of Post Engineer to perform preventive maintenance.</p>

NAVY

Air Engineering Center, Phila- delphia, Pa.	<p>Technical capability supplemented by use of contracting because of lack of ceiling spaces. Attempts to obtain additional ceiling spaces generally unsuccessful.</p> <p>Ceiling limitations resulted in delays in performance of required programs.</p> <p>Problems in recruiting sufficient qualified engineers.</p>
Underwater Weap- ons Research and Engineer- ing Station, Newport, R.I.	<p>Contracts awarded although operationally undesirable. Attempts to obtain additional ceiling spaces generally unsuccessful.</p>
Puget Sound Naval Shipyard, Brem- erton, Washing- ton	<p>Problems in recruiting and retaining sufficient qualified engineers and skilled craftsmen have resulted in contracting for a significant part of its workload.</p>

SUMMARY OF PROBLEMS IN MANAGEMENT OF
PERSONNEL CEILINGS AND RECRUITING (continued)

NAVY (continued)

<u>Installation</u>	<u>Problem</u>
Puget Sound Naval Shipyard, Bremerton, Washington (continued)	Officials consider contracting more costly and less efficient than in-house performance,

AIR FORCE

Alaskan Air Command: Elmendorf Air Force Base, Alaska	Operating officials at Elmendorf and Eielson were of the opinion that contracts for support were used because of insufficient ceiling spaces. However, Alaskan Air Command officials stated that ceilings were not the <u>official justification</u> for any of the support contracts.
Eielson Air Force Base, Alaska	Recruiting practices not entirely effective in filling critical civilian positions.
Holloman Air Force Base, Alamogordo, New Mexico	Contract operation of data processing continued since 1963 despite directive requiring in-house performance. Several previous attempts to obtain personnel spaces were unsuccessful. Recent cost comparisons show potential for significant savings by in-house performance. Conversion to in-house performance is now programmed for fiscal year 1971. Cost comparison indicated potential savings by in-house performance of a contractor-operated animal cage and equipment cleaning function. Action

SUMMARY OF PROBLEMS IN MANAGEMENT OF
PERSONNEL CEILINGS AND RECRUITING (continued)

AIR FORCE (continued)

<u>Installation</u>	<u>Problem</u>
Holloman Air Force Base, Alamogordo, New Mexico (continued)	currently being taken by Air Force to convert to in-house performance.
Laredo Air Force Base, Laredo, Texas	Cost comparison for performance of various custodial and maintenance services indicated savings by in-house performance. Personnel spaces had not been authorized at the time our review was completed.



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

COMPTROLLER

18 JUN 1969

Mr. C. M. Bailey
Director, Defense Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

This is in response to your letter of March 10, 1969 forwarding a draft GAO report on Management of Civilian Personnel Ceilings and Recruiting in the Department of Defense (OSD Case #2909).

This response is concerned with the two recommendations contained in the draft report that, in order to avoid undesirable contracting and postponement of work, the Secretary of Defense should (1) direct the Military Departments to review their systems for managing personnel ceilings in order to provide increased flexibility and a more effective and timely means of recognizing the needs of field activities for additional ceiling spaces, and (2) take action to ensure that the Military Departments improve and intensify recruiting efforts and use all available resources and incentives to obtain qualified personnel. In addition, the attached comments by the Military Departments are concerned with specific findings and cases included in the draft report and the actions being taken.

Management of Personnel Ceilings

In analyzing problems which involve personnel ceilings, we believe it is important to distinguish between inherent characteristics of manpower limitations and the operating procedures involved. By definition and intent, a personnel ceiling is a restriction. Its purpose is to limit Federal employment in accordance with policies adopted both by the Congress and the Executive Branch of the Government. One of the results of a requirement to limit employment is that some programs must be curtailed, postponed, or eliminated even though they may be considered desirable. As long as over-all manpower restrictions are imposed, we do not believe it is feasible to eliminate instances of the type cited in the draft report in which activities considered desirable by local officials were postponed or curtailed because of personnel ceiling limitations. We expect it will continue to be necessary to make choices and to postpone or delay some programs determined to have less urgent priority.

On the other hand, we agree that, within these inherent limitations of ceiling controls, operating flexibility is needed to permit adjustments in ceilings when program requirements change or when comparative cost information indicates that a contract activity should be performed in-house. However, while the Revenue and Expenditures Control Act of 1968 remains in force, opportunities for achieving such flexibility are extremely limited as a practical working possibility. If an installation commander requests additional personnel spaces in order to convert a costly contractual arrangement, his request can be approved only if the needed spaces can be taken away from some other activity. While some reprogramming of this type is done, in order to support programs that are considered most urgent, it is necessarily limited by the fact that the activities from which spaces are to be taken already are subject to the staffing reductions required under the Act. Under these conditions, conversion of contracts to in-house arrangements generally can be achieved only if some other activity currently being performed in-house is converted to a contractual arrangement. In some instances, such concurrent conversions in opposite directions may be justified by comparative cost analyses but otherwise they are pointless and serve only to disrupt the activities involved. For these reasons, we are hopeful that the personnel limitations in the Act will be repealed as recommended to the Congress by the President.

If the personnel limitations in the Revenue and Expenditures Control Act of 1968 are repealed as proposed, we anticipate that the Bureau of the Budget would administer a system of ceiling controls along lines somewhat similar to those which applied before the Act was enacted. In that case, we believe *our* procedures provide a general base for the kind of operating flexibility **that** is needed, although the cases cited in your draft report indicate a need for faster decisions and streamlining of operating methods. The system allows flexibility to the Departments in allocating their ceiling authorizations and in reprogramming these authorizations to meet changed conditions. Furthermore, the Departments may exceed the total number of positions allocated **to** them in order to deal with temporary situations, so long as they are within the over-all ceiling on June 30. In addition, a procedure exists **for** requesting the Office of the Secretary of Defense to authorize an increase in a Department's ceiling and if necessary a similar request with appropriate justification may be submitted to the Bureau of the Budget.

We agree that steps are necessary to avoid the kinds of delays in handling ceiling adjustments which are described in the proposed report. As indicated in the attached reports from the Departments, this need is generally recognized and is receiving attention. In addition, responsibility for civilian ceiling administration has been transferred within the Office of the Secretary of Defense to the Assistant Secretary of Defense (Comptroller). The purpose of this change is to place responsibility for

ceiling controls with closely related budgetary and fiscal responsibilities. We believe some of the problems also can be alleviated by improvements under way which will provide more accurate forecasts of manpower requirements. We also plan to analyze the effects of manpower ceilings on selected laboratory facilities and, if found appropriate, initiate a controlled test in which selected laboratories may be exempted from numerical ceiling controls. Finally, we will continue to work with the Departments and Agencies to identify causes of the kinds of delays and deficiencies cited in the draft report and to assure that appropriate corrective measures are taken.

Improvement in Recruiting

We agree that some recruiting difficulties have been encountered in recent years, but as indicated in the attached reports prepared by the Departments, measures are being taken to improve recruiting efforts by strengthening organizations responsible for recruiting, intensifying advertising efforts, improving programs for college recruitment for Scientific and Engineering Students, and by development of an automated Overseas Employment Referral program designed to identify qualified personnel for assignments to such areas as Alaska where special recruiting difficulties are encountered. More than 10,000 persons have been registered under this program. These actions have proven useful and we intend to work closely with the Departments to determine what additional steps can be taken to achieve further improvements in this area.

Sincerely,



Robert C. Moot
Assistant Secretary of Defense

Enclosures 3

GAO Note: The enclosures were deleted because they were too lengthy for inclusion in this report but the pertinent comments have been recognized and dealt with in the body of the report to the extent considered appropriate,

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

Tenure of office
From To

DEPARTMENT OF DEFENSE

SECRETARY OF DEFENSE:

Melvin R. Laird	Jan. 1369	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968

ASSISTANT SECRETARY OF DEFENSE

(SYSTEMS ANALYSIS) :

Ivan Sellin (acting)	Mar. 1969	Present
Alain C. Enthoven	Sept. 1965	Mar. 1969

ASSISTANT SECRETARY OF DEFENSE

(COMPTROLLER) :

Robert C. Moot	Aug. 1968	Present
Robert N. Anthony	Sept. 1965	July 1968

ASSISTANT SECRETARY OF DEFENSE

(MANPOWER AND RESERVE AFFAIRS) :

Roger T. Kelley	Feb. 1969	Present
Alfred B. Fitt	Oct. 1967	Jan. 1969
Thomas D. Morris	Oct. 1965	Sept. 1967

DEPARTMENT OF THE ARMY

SECRETARY OF THE ARMY:

Stanley R. Resor	July 1965	Present
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PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

Tenure of office
From To

DEPARTMENT OF THE ARMY (continued)

ASSISTANT SECRETARY OF THE ARMY

(MANPOWER AND RESERVE AFFAIRS) :

William K. Brehm	Apr. 1968	Present
Arthur W. Allen, Jr. (acting)	Jan. 1968	Mar. 1968

DEPARTMENT OF THE NAVY

SECRETARY OF THE NAVY:

John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Sept. 1967	Jan. 1969

ASSISTANT SECRETARY OF THE NAVY

(MANPOWER AND RESERVE AFFAIRS) :

James D. Hittle	Mar. 1969	Present
Randolph S. Driver	Apr. 1968	Jan. 1969

DEPUTY UNDER SECRETARY OF THE NAVY

(MANPOWER) (abolished) :

Randolph S. Driver	Aug. 1967	Mar. 1968
Richard A. Beaumont	Jan. 1966	Aug. 1967

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Robert C. Seamans, Jr.	Jan. 1969	Present
Harold Brown	Oct. 1965	Jan. 1969

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE AIR FORCE (continued)

ASSISTANT SECRETARY OF THE AIR FORCE
(MANPOWER AND RESERVE AFFAIRS):

Curtis W. Tarr	June 1969	Present
James P. Goode (acting)	Apr. 1969	May 1969
S. William Doolittle	Apr. 1968	Mar. 1969
Eugene T. Ferraro (acting)	Jan. 1968	Mar. 1968

DEPUTY UNDER SECRETARY OF THE AIR
FORCE (MANPOWER) (abolished):

Eugene T. Ferraro	June 1966	Dec. 1967
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