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MILITARY PERSONNEL

DOD Needs to Conduct a Data-Driven Analysis of Active Military Personnel Levels Required to Implement the Defense Strategy

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Highlights

Highlights of GAO-05-200, a report to congressional committees

MILITARY PERSONNEL

DOD Needs to Conduct a Data-Driven Analysis of Active Military Personnel Levels Required to Implement the Defense Strategy

Why GAO Did This Study

Congress recently increased active military personnel levels for the Army and the Marine Corps. The Secretary of Defense has undertaken initiatives to use military personnel more efficiently such as rebalancing high-demand skills between active and reserve components. In view of concerns about active personnel, GAO reviewed the ways in which the Department of Defense (DOD) determines personnel requirements and is managing initiatives to assign a greater proportion of active personnel to warfigthing duties. GAO assessed the extent to which the Office of the Secretary of Defense (OSD) (1) has conducted a data-based analysis of active military personnel needed to implement the national defense strategy and (2) has a plan for making more efficient use of active military personnel and evaluating the plan's results.

What GAO Recommends

To facilitate decision making on active military personnel levels and achieve greater efficiency, GAO recommends that the Secretary of Defense (1) establish, as part of the next quadrennial review, an OSD-led, systematic approach to assess active personnel levels needed to execute the defense strategy and report its analysis and conclusions to Congress and (2) develop a plan to manage and evaluate DOD's initiatives designed to assign a greater portion of active personnel to warfighting positions. DOD agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-200.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Janet St. Laurent at (202) 512-4402 or stlaurentj@gao.gov.

What GAO Found

Our prior work has shown that valid and reliable data about the number of employees required to meet an agency's needs are critical because human capital shortfalls can threaten the agency's ability to perform missions efficiently and effectively. OSD provides policy and budget guidance on active personnel levels and has taken some steps toward rebalancing skills between active and reserve components, but it has not conducted a comprehensive, data-driven analysis to assess the number of active personnel needed to implement the defense strategy. A key reason why it has not conducted such a comprehensive analysis is that OSD has focused on limiting personnel costs in order to fund competing priorities, such as transformation. OSD conducts some analyses of active personnel, such as monitoring actual personnel levels, and the services have processes for allocating the active personnel they are authorized to key missions. However, OSD does not systematically review the services' processes to ensure that decisions about active personnel levels are linked to the defense strategy and provide required capabilities within acceptable risk. If OSD conducted a data-driven analysis that linked active personnel levels to strategy, it could more effectively demonstrate to Congress a sound basis for the active personnel levels it requests. The quadrennial review of the defense program planned for 2005 represents an opportunity for a systematic reevaluation of personnel levels to ensure that they are consistent with the defense strategy.

Although OSD has identified some near- and long-term initiatives for assigning a greater proportion of active personnel to warfighting positions, it has not developed a comprehensive plan to implement them that assigns responsibility for implementation, identifies resources, and provides for evaluation of progress toward objectives. OSD officials told us a key reason why OSD does not have a plan to oversee its initiatives is that they have had to respond to other higher priorities. Sustained leadership and a plan for implementing initiatives and measuring progress can help decision makers determine if initiatives are achieving their desired results. Without such a plan, OSD cannot be sure that initiatives are being implemented in a timely manner and having the intended results. For example, the initiative to convert military positions to civilian or contractor performance is behind schedule. Specifically, OSD's goal was to convert 10,000 positions by the end of fiscal year 2004; however, the services estimate that they had converted only about 34 percent of these positions. By establishing performance metrics and collecting data to evaluate the results of its initiatives, OSD could better determine its progress in providing more active personnel for warfighting duties and inform Congress of its results.

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Abbreviations

DOD	Department of Defense
OSD	Office of the Secretary of Defense

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Congressional Committees

The terrorist attacks of September 11, 2001, changed the security environment of the United States. The Department of Defense (DOD)[1] now faces multiple complex threats both overseas and at home. U.S. forces, particularly Army and Marine Corps ground forces, have experienced a high pace of operations in support of missions in Iraq, Afghanistan, and other locations. This pace has led to questions about whether the U.S. armed forces have enough active military personnel to carry out and sustain a wide range of ongoing and potential future military operations. In the context of the high pace of operations, the Secretary of Defense permitted a temporary increase of 30,000 Army active duty military personnel in January 2004 to enable the Army to convert its combat forces into more agile and deployable units while continuing to support ongoing operations. Subsequently, in October 2004, Congress authorized increases in personnel for the Army and the Marine Corps. However, the services' active personnel needs are likely to be the subject of continuing debate because increases in active personnel entail significant near- and long-term costs that compete with other priorities. For example, the Army estimates that adding 30,000 active duty soldiers to its ranks will cost about $3.6 billion annually. Senior DOD officials thus want to ensure that the department uses active personnel as efficiently as possible before personnel levels are permanently increased.

We prepared this report under the Comptroller General's statutory authority and are sending it to you because it contains information that will be useful for your oversight and authorization responsibilities for active military personnel. We reviewed how the Office of the Secretary of Defense (OSD) determines active military personnel requirements and manages initiatives to assign active personnel from infrastructure or support positions to warfighting positions. Our objectives for this work were to assess the extent to which (1) OSD has conducted a data-based analysis of active military personnel needed to implement the national defense strategy and (2) OSD has a plan for making more efficient use of

[1] Throughout this report, the term "DOD" refers to OSD and the services.

active military personnel and evaluating the plan's results. We did not examine reserve component requirements.

To assess OSD's oversight of active military personnel requirements, we examined OSD's involvement in determining personnel requirements, including policy and budget guidance. We also assessed the extent to which OSD reviews service processes for determining military personnel requirements and allocating personnel to authorized positions. Also, relying on our prior work on best practices in human capital management, we examined assessments that OSD and the services use to determine requirements and inform decision making. To assess OSD's and the services' management and implementation of initiatives to use military personnel more efficiently, we collected and analyzed information on key initiatives and examined the planning, implementation, and oversight issues that will likely affect their success. We conducted our review from August 2003 through January 2005 in accordance with generally accepted government auditing standards. We determined that the data used were sufficiently reliable for our objectives and in the context in which the data are presented. Further information on our scope and methodology and data reliability assessment appears in appendix I.

Results in Brief

Our prior work has shown that valid and reliable data about the number of employees required to meet an agency's needs are critical because human capital shortfalls can threaten the agency's ability to perform its missions efficiently and effectively, especially when the environment has changed significantly.[2] OSD provides policy and budget guidance to the services as to the numbers of active personnel they will be authorized and performs some assessments, such as monitoring actual personnel levels, but it has not conducted a comprehensive, data-driven analysis to identify the total numbers of active military personnel that are needed to execute the national defense strategy. A key reason why OSD has not conducted a comprehensive analysis of active personnel needs is that, in balancing competing priorities within its budgets, it has sought to limit active personnel levels in order to devote funds to other priorities, such as transformation. OSD has encouraged the services to rebalance skills in the active and reserve components to ensure that forces are quickly available and have required skills. The services have various processes for

[2] GAO, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

determining the numbers and types of positions needed to perform their priority missions within acceptable levels of risk, although several key assessments that could impact their long-term personnel needs are ongoing. However, OSD does not review the services' requirements processes and their results on a systematic basis to ensure that decisions about the levels of active personnel are driven by data that establish clear links between personnel levels and capabilities needed to achieve the goals of the defense strategy. Conducting a data-driven analysis that links active personnel levels to the defense strategy could enable OSD to more effectively demonstrate to Congress a sound basis for the level of active military personnel it requests. The 2005 quadrennial review of the defense program[3] represents an opportunity to conduct such an analysis.

OSD hopes to avert the need to increase active personnel levels by making more efficient use of active duty personnel within each service, although it does not have a comprehensive plan to manage several initiatives it has identified and DOD's progress in implementing some of its initiatives is lagging behind its stated goals. Specifically, OSD has not developed a comprehensive plan that assigns clear responsibility for managing the initiatives, including identifying resources needed to implement them, establishing performance metrics, and measuring progress. OSD has not developed such a plan because the officials given this responsibility have had competing demands on their time and other issues have taken priority. Sustained leadership and a plan for implementing initiatives and measuring progress can help decision makers determine if DOD's initiatives are achieving their desired results. The services are already falling behind the quantitative goals and time frames for the initiatives OSD initially approved to convert military positions to civilian or contractor performance and transfer personnel from low-demand specialties to specialties in higher demand. For example, the services may have difficulty in meetings its goals to reassign servicemembers to different high-demand skills because training facilities may not be available immediately to accommodate them. Also, senior DOD officials have recently stated that about 300,000 military personnel are in positions that could be performed by civilians or contractors. However, this number is based on a 1997 DOD study, and more recent data compiled by OSD indicate that only about 44,000 military personnel are in positions that could potentially be converted to civilians or contractors over the long-term. In December 2003, OSD set a near-term goal for the services to

[3] 10 U.S.C. §118.

convert about 20,070 military positions to civilian or private-sector contractor positions in fiscal years 2004 and 2005. However, the services did not meet their 2004 goals and will face obstacles in achieving the 2005 goals because of the time it takes to hire and train replacement personnel, among other reasons. Without a comprehensive plan to manage implementation of its initiatives and assess results, OSD will not be able to determine whether the initiatives are having the desired effect of providing more active military personnel for warfighting duties, develop mitigation plans where needed, and keep Congress informed of the results.

To facilitate decision making on active military personnel levels and achieve greater efficiency, we are making recommendations to the Secretary of Defense to (1) establish an OSD-led, systematic approach to assess the levels of active military personnel needed to execute the defense strategy as part of the next quadrennial review and report its analysis and conclusions to Congress and (2) develop a plan to manage and evaluate DOD's initiatives to assign a greater portion of active military personnel to warfighting duties. The department agreed with our recommendations and cited actions it is taking in its 2005 quadrennial review of defense programs to assess the levels of active and reserve personnel and to improve its oversight and evaluation of initiatives to reduce the stress on the force.

Background

For the past several years, DOD has planned and budgeted for about 1.4 million active military personnel active duty forces: about 482,400 in the Army; 359,300 in the Air Force; 373,800 in the Navy; and 175,000 in the Marine Corps. These active duty personnel levels have been generally stable since the mid-1990s, when forces were reduced from their Cold War levels of almost 2 million active military personnel. Active duty personnel are considered to be on duty all the time.

Congress authorizes annually the number of personnel that each service may have at the end of a given fiscal year. This number is known as authorized end strength. Certain events, such as changes between planned and actual retention rates, may cause differences between the congressionally authorized levels and the actual numbers of people on board at the end of a fiscal year. Table 1 shows the congressionally authorized levels for fiscal years 2000 through 2005 as compared with the services' military personnel actually on board at the end of fiscal years 2000 through 2004.

Table 1: Congressionally Authorized Active Duty End Strength Levels Compared to Actual End Strength Levels for Fiscal Years 2000 through 2005

	Fiscal year					
	2000	**2001**	**2002**	**2003**	**2004**	**2005**
Army authorization	480,000	480,000	480,000	480,000	482,400	502,400
Actual end strength	482,170	480,801	486,542	499,301	499,543	NA
Percentage difference between actual end strength and authorization	0.45%	0.17%	1.36%	4.02%	3.55%	NA
Air Force authorization	360,877	357,000	358,800	359,000	359,300	359,700
Actual end strength	355,654	353,571	368,251	375,062	376,616	NA
Percentage difference between actual end strength and authorization	-1.45%	-0.96%	2.63%	4.47%	4.81%	NA
Navy authorization	372,037	372,642	376,000	375,700	373,800	365,900
Actual end strength	373,193	377,810	385,051	382,235	373,197	NA
Percentage difference between actual end strength and authorization	0.31%	1.39%	2.41%	1.74%	-.16%	NA
Marine Corps authorization	172,518	172,600	172,600	175,000	175,000	178,000
Actual end strength	173,321	172,934	173,733	177,779	177,480	NA
Percentage difference between actual end strength and authorization	0.47%	0.19%	0.66%	1.59%	1.41%	NA

Source: GAO analysis of DOD data.

As table 1 shows, the Army and the Air Force exceeded their authorized end strengths by more than 3 percent in fiscal years 2003 and 2004.

The Secretary of Defense has statutory authority to increase the services' end strengths by up to 3 percent above authorized levels for a given fiscal year if such action is deemed to serve the national interest.[4] In addition, if at the end of any fiscal year there is in effect a war or national emergency, the President may waive end strength authorization levels for that fiscal year.[5] On September 14, 2001, the President declared a state of national emergency and delegated end strength waiver authority to the Secretary of

[4] 10 U.S.C. § 115(e).

[5] 10 U.S.C. § 123a(a).

Defense.[6] Since then, the President has annually renewed the national state of emergency as well as end strength waiver authorities specified in Executive Order 13223. In January 2004, the Secretary of Defense exercised the President's authority and increased temporarily the Army's end strength by 30,000 for fiscal years 2004 through 2009 to facilitate the Army's reorganization while continuing ongoing operations.

While the Secretary of Defense's goal is ultimately to have the Army return to an active military personnel level of 482,400 by 2009, in October 2004, Congress increased the fiscal year 2005 end strength of the Army by 20,000 personnel, the Marine Corps by 3,000, and the Air Force by 400.[7] Congress also authorized additional authority for increases of 10,000 active Army personnel and 6,000 Marines through fiscal year 2009. In contrast, Congress reduced authorized end strength for the Navy by 7,900 personnel from the fiscal year 2004 level. Moreover, Congress directed that for fiscal year 2005, the Army will fund active military personnel increases in excess of 482,400 and the Marine Corps will fund active military personnel increases in excess of 175,000 through either a contingent emergency reserve fund or an emergency supplemental appropriation.

[6] Declaration of National Emergency by Reason of Certain Terrorist Attacks, Pres. Proc. No. 7,463, 66 Fed. Reg. 48, 199 (Sept. 14, 2001); Exec. Order No. 13,223, Ordering the Ready Reserve of the Armed Forces to Active Duty and Delegating Certain Authorities to the Secretary of Defense and the Secretary of Transportation, 66 Fed. Reg. 48,201 (Sept. 14, 2001).

[7] Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 401 (2004).

OSD Has Not Conducted A Comprehensive, Data-Driven Analysis to Assess Active Personnel Requirements to Implement the Defense Strategy

Our prior work has shown that valid and reliable data about the number of employees an agency requires are critical in preventing shortfalls that threaten its ability to economically, efficiently, and effectively perform its missions.[8] Although OSD has processes through which it issues policy and budget guidance that set the overall priorities for defense activities, including personnel levels, it does not have a process for comprehensively analyzing the active personnel levels needed to execute the defense strategy within acceptable levels of risk. OSD has not placed an emphasis on reviewing active military personnel requirements, focusing instead on limiting personnel costs in order to fund competing priorities such as transformation. The services have processes to establish their active duty requirements; however, service processes vary in their methodologies, and several major reviews are still ongoing and have not fully identified long-term personnel needs. Although OSD has performed some reviews related to active duty levels, it does not review the services' results in a systematic way to ensure that decisions on the numbers of active military personnel are driven by data that make clear the links between personnel levels and strategic goals, such as the defense strategy. Conducting such a review could enable OSD to more effectively demonstrate how the services' requirements for active military personnel provide the capabilities to execute the defense strategy within an acceptable level of risk. Further, OSD could provide more complete information to Congress about how active military personnel requirements for each service are changing and about the implications of changes for future funding and budget priorities. The quadrennial review of the defense program planned for 2005 represents an opportunity for a systematic analysis and reevaluation of personnel levels to ensure that they are consistent with the defense strategy.

Human Capital Best Practices Rely on Data-Driven Analyses to Guide Decision Making

Our prior work has shown that valid and reliable data about the number of employees an agency requires are critical if the agency is to spotlight areas for attention before crises develop, such as human capital shortfalls that threaten an agency's ability to economically, efficiently, and effectively perform its missions. We have designated human capital management as a governmentwide high-risk area in which acquiring and developing a staff whose size, skills, and deployment meet agency needs is a particular challenge. To meet this challenge, federal managers need to direct considerable time, energy, and targeted investments toward managing

[8] GAO-02-373SP.

human capital strategically, focusing on developing long-term strategies for acquiring, developing, and retaining a workforce that is clearly linked to achieving the agency's mission and goals.

The processes that an agency uses to manage its workforce can vary, but our prior work has shown that data-driven decision making is one of the critical factors in successful strategic workforce management. High-performing organizations routinely use current, valid, and reliable data to inform decisions about current and future workforce needs, including data on the appropriate number of employees, key competencies, and skills mix needed for mission accomplishment, and appropriate deployment of staff across the organizations. In addition, high-performing organizations also stay alert to emerging mission demands and remain open to reevaluating their human capital practices. Changes in the security environment and defense strategy represent junctures at which DOD could systematically reevaluate service personnel levels to determine whether they are consistent with strategic objectives.

In 1999, Congress created a permanent requirement for DOD to conduct a review of the defense program every 4 years and to report on its findings.[9] During these reviews, DOD is required, among other things, to define sufficient force structure[10] and "other elements" of the defense program that would be required to execute successfully the full range of missions called for in the national defense strategy and to identify a budget plan that would be required to provide sufficient resources to execute successfully these missions at a low-to-moderate level of risk. The quadrennial review of the defense program thus represents an opportunity for DOD to review elements related to force structure, such as the total numbers of military personnel, both active duty and reserve, that are needed to execute the defense strategy most efficiently and effectively. Based on the legislative requirements, DOD plans to conduct a quadrennial review in 2005 and publish its next report in 2006.

The terrorist attacks of September 11 changed the nation's security environment. Shortly thereafter, DOD issued a new national defense

[9] Pub. L. No. 106-65, § 901(a), codified at 10 U.S.C. §118.

[10] Force structure represents the numbers, size, and composition of the units that comprise U.S. forces, for example, ships or air wings.

strategy in its 2001 Quadrennial Defense Review Report.[11] The 2001 report outlined a new risk management framework consisting of four dimensions of risk—force management, operational, future challenges, and institutional—to inform the consideration of trade-off decisions among key performance objectives within resource constraints. According to DOD's Fiscal Year 2003 Performance and Accountability Report,[12] these risk areas are to form the basis for DOD's annual performance goals. In November 2004, DOD reported its performance results for fiscal year 2004, noting that it met some of its performance goals associated with these risk management areas.

Our prior work suggests that agency leaders can use valid and reliable data to manage risk by highlighting areas for attention before crises develop and to identify opportunities for improving agency results. As agency officials seek to ensure that risk remains balanced across their agencies' activities and investments, they can adjust existing performance goals. Likewise, they can create new performance goals to gather data about critical activities.

OSD Provides Policy and Budget Guidance to the Services but Does Not Conduct or Review Analyses of Active Personnel Requirements

OSD has recognized that the active and reserve forces have been challenged to provide ready forces for current operations, including high demand for some support skills, such as civil affairs and military police, and is taking steps to achieve a number of objectives, such as improving the responsiveness of the force and helping ease stress on units and individuals with skills in high demand. For example, the Secretary of Defense, in a July 9, 2003, memorandum, directed the services to examine how to rebalance the capabilities in the active and reserve forces. The services had already undertaken a number of steps to address requirements for high-demand skills sets as a part of their ongoing manpower management analyses. For example, in 2002 the Army began planning for fiscal years 2004 through 2009 to address high-demand areas, such as military police. However, the Secretary's memorandum accelerated the services' rebalancing efforts, which are critical to establishing requirements for active personnel.

[11] Department of Defense, *Quadrennial Defense Review Report* (Washington, D.C., Sept. 30, 2001).

[12] Department of Defense, *Performance and Accountability Report Fiscal Year 2003* (Washington, D.C., Dec. 23, 2003).

OSD provides policy and budget guidance to the services on balancing the costs of active personnel with other funding priorities, such as transformation. Its approach to active personnel levels has been to limit growth and initiate efforts to use current military personnel levels more efficiently. OSD also conducts a number of ongoing and periodic reviews and assessments related to active military personnel levels, although these do not represent a systematic analysis of requirements for active military personnel needed to perform missions in the nation's defense strategy. For example:

- The 2001 Quadrennial Defense Review Report identified the defense strategy that guided DOD's analysis of the force structure. Under the new strategy, DOD reported it needed sufficient forces to defend the homeland, provide forward deterrence, execute warfighting missions, and conduct smaller-scale contingency operations. Thus, DOD shifted its force planning approach from optimizing the force for conflicts in two particular regions to providing a range of capabilities for a variety of operations, wherever they may occur. The report concluded that the department's existing force structure was sufficient to execute the redesigned defense strategy at moderate risk, but it did not refer to a specific OSD-led analysis to reassess the impact of the new capabilities-based planning on the numbers of military personnel needed. DOD officials said that the 2005 review may include a top-down review of end strength but did not provide further details about the specific guidance to implement such a review.

- To ensure that the services comply with congressionally authorized active personnel levels on duty at the end of a fiscal year, OSD monitors service reports for personnel on board. According to some service officials, managing personnel levels is challenging for the services because they cannot always control personnel management factors, such as retention and retirement rates, which are affected by servicemembers' personal decisions. Compliance with authorized personnel levels is one of the performance metrics that DOD presents in its Performance and Accountability Report. According to the department's fiscal year 2003 report,[13] for fiscal years 1999 through 2002, DOD met its goal of not exceeding authorized levels by more than 2 percent. However, in fiscal year 2003, the Army and the Air Force did not meet this goal, having exceeded authorized limits by 4 percent and

[13]Department of Defense, *Performance and Accountability Report Fiscal Year 2003* (Washington, D.C., Dec. 23, 2003).

4.5 percent, respectively, in order to maintain sufficient troops to fight a global war on terrorism. Air Force officials told us that better than expected recruitment and retention of personnel also caused the Air Force to exceed the authorized limit. Also, the Army's exercise of stop loss authority,[14] which prevents servicemembers from leaving the service even if they are eligible to retire or their service contracts expire, may have contributed to its overages in fiscal year 2003. DOD's fiscal year 2004 Performance and Accountability Report shows that the Army and the Air Force again did not meet the performance goal, exceeding authorized levels, by 3.7 percent and 5.7 percent, respectively; the Navy and the Marine Corps did meet the goal.[15] While this measure is important for compliance with congressional direction, it cannot be used to determine whether the active force has enough personnel to accomplish its missions successfully because it does not assess the extent to which end strength levels meet the nation's defense strategy at an acceptable level of risk.

- DOD's annual report to Congress on manpower requirements for fiscal year 2005[16] broadly states a justification for DOD's requested active military personnel, but it does not provide specific analyses to support the justification. Instead, the report provides summaries on personnel, such as the allocation of active military personnel between operating forces and infrastructure. Although the types of operating forces are specified, for example, "expeditionary forces," the specific capabilities associated with such forces are not identified. The report also provides the active military personnel data for the near term—fiscal years 2003 through 2005; it does not, however, contain data for the department's long-term planned allocations. Although the report stated that DOD will continue to review the adequacy of military capabilities and associated end strength requirements, the Office of the Secretary of Defense (including the Offices of Policy; Personnel and Readiness; Comptroller; and Program Analysis and Evaluation), Joint Staff, and some service officials we interviewed could not identify a specific process or an OSD-led analysis in which the department reexamines the basis for active military personnel levels.

[14] Stop loss authority is provided by 10 U.S.C. §12305.

[15] Department of Defense, *Performance and Accountability Report Fiscal Year 2004* (Washington, D.C., Nov. 15, 2004). The department's data were based on results for the third quarter of fiscal year 2004; we report the final fiscal year 2004 results in table 1.

[16] Department of Defense, *Defense Manpower Requirements Report Fiscal Year 2005* (Washington, D.C., Mar. 2004).

OSD coordinates with the services on active personnel levels throughout the department's planning and budgeting cycle, but it has not established a process that would enable it to periodically examine the requirements for the active military personnel and ensure that decisions are driven by data that establish links between active military personnel levels and key missions required by the national defense strategy. For example, OSD does not systematically examine or validate the services' methodologies or results to assess personnel levels across the active force. Further, OSD does not systematically collect data that would enable it to monitor how the services are allocating personnel to key warfighting and support functions.

The Services Use Varied Processes to Assess Changing Needs for Active Personnel, but OSD Has Not Conducted Systematic Analyses across the Services

Although each of the services has processes for assessing military personnel requirements, the extent to which OSD has analyzed the results of these processes is not clear. The services use different methodologies for assessing their active personnel requirements, and their processes and initiatives have different time frames. In addition, several key efforts to assess requirements are still ongoing and have not yet identified long-term requirements. These processes are described below.

- The Army generates personnel requirements through a biennial process known as Total Army Analysis. During the initial stages of this process, Army force planners assess the numbers and types of units needed to carry out missions specified in DOD and Army guidance. The most recent Total Army Analysis—called Total Army Analysis 2011 because it provides the force structure foundation for the Army's fiscal year 2006 through 2011 planning cycle—included analyses of operating force requirements for homeland defense, major combat operations, forward deterrence, and ongoing military operations, among others, as well as for personnel who operate installations and provide support services. During the subsequent resourcing phase of the process, Army officials determine how best to allocate the limited number of positions authorized by OSD among active and reserve component units across the Army's force structure to minimize risk to priority missions.

  The Army completed an initial version of Total Army Analysis 2011 in spring 2004, but the Army continues to assess requirements as it carries out changes to its basic force structure. These changes, discussed in the Army Campaign Plan, alter the way in which the service organizes and staffs its combat forces, and therefore will have significant impacts on the numbers of active personnel the Army will need. In place of the existing 10 active divisions, each comprising about 3 combat brigades and associated support units, the Army's new force structure will be

based on modular combat brigades, each with its own support units. Under current plans, when the new structure is fully implemented in 2006, the Army will have 43 combat brigades, an increase of 10 brigades from the 33 it had under the traditional divisional structure. Although the Army has begun implementing plans to create a modular force structure, several aspects of these plans are uncertain or have yet to be determined. For example, the Army is considering increasing the number of brigades it will have from 43 to 48. This increase could require approximately 17,000 to 18,000 more personnel depending on the types of brigades established. The Army plans to make the decision by fiscal year 2006 based on resource considerations as well as the status of ongoing military operations. Further, while the Army has developed personnel requirements for its planned modular combat brigades, it has not yet determined the overall number or composition of all the support units, such as reconnaissance, which it will need to support those brigades.

- The Navy uses two separate processes to assess and validate requirements for its operating forces and its infrastructure forces. While the processes vary in scope and methodology, both are based on activities' workloads. For operating forces, such as ships and aviation squadrons, workloads are based on each ship's or squadron's mission, the capabilities needed to execute the mission, and the conditions under which the mission is to be carried out. For shore-based infrastructure forces, personnel requirements are based on the numbers and types of personnel required to accomplish each activity's workload. As we have reported, the Navy has had difficulty in past years justifying its shore requirements because it has not evaluated alternative combinations of people, materiel, facilities, and organizational structures to ensure that the most cost-effective combination of resources is used.[17] The Navy is also conducting discrete analyses to identify opportunities to reduce military personnel requirements in support of projected end strength reductions. By reducing end strength, the Navy aims to free up funds for fleet modernization. For example, it initiated studies on providing services, such as meteorological support, financial management, religious ministries, and recruiting. To achieve the lower cost, the Navy is examining alternatives to military manpower—for example, using technology or hiring private-sector contractors instead of using military

[17] GAO, *Force Structure: Streamlining Plans Could Enable Navy to Reduce Personnel Below Fiscal Year 1999 Goal*, GAO/NSIAD-97-90 (Washington, D.C.: Apr. 18, 1997).

personnel. Furthermore, these studies aim to identify ways to eliminate redundant activities by consolidating activities that provide similar services. Under a separate set of reviews, the Navy is scrutinizing positions in selected career fields such as supply support to determine whether these positions are military essential or, rather, could be staffed with civilian employees.

- The Air Force's current process for determining the manpower it needs is focused on the requirements for training objectives and for operating and maintaining bases and weapons systems in peacetime. However, the Air Force is in the process of overhauling its manpower requirements process to determine the capabilities it needs for its role as an expeditionary force able to respond rapidly to worldwide contingencies. The Air Force plans to continue using the same methodological techniques (e.g., time studies, work sampling, computer simulation, and aircrew ratios) to quantify its personnel requirements, but the new process will include both the infrastructure personnel and the warfighting force needed to support expeditionary missions. The Air Force expects to implement its new capabilities-based approach by fiscal year 2008.

- The Marine Corps uses modeling, simulations, spreadsheet analysis, and other analytic tools to identify gaps in its capabilities to perform its missions, and then identifies the personnel and skills needed to provide the capabilities based largely on the professional judgment of manpower experts and subject matter experts. The results are summarized in a manpower document, updated as needed, which is used to allocate positions and personnel to meet mission priorities. The Marine Corps' analyses for fiscal year 2004 indicated that to execute its assigned missions the Corps needs about 9,600 more personnel than it has on hand. The 2005 National Defense Authorization Act authorized the Marine Corps to increase its end strength by 3,000 personnel to 178,000 in 2005 and to increase by an additional 6,000 personnel between fiscal year 2005 and 2009.

Although the security environment has changed since 2001, OSD has not conducted a systematic review of the services' analyses and allocation of personnel. Consequently, OSD cannot ensure that the end strength levels established in its strategic and fiscal guidance reflect the numbers of personnel needed to execute the defense strategy. Further, it cannot ensure that it has a sufficient basis for understanding the risks associated with different levels of active military personnel. While too many active personnel could be inefficient and costly, having too few could result in other negative consequences, such as inability to provide the capabilities

that the military forces need to deter and defeat adversaries. If OSD had a data-driven rationale to support its funding requests for specific end strength levels, it could provide congressional decision makers more complete information on how active duty personnel requirements are linked to the budget, the force structure, and the defense strategy.

OSD Does Not Have Comprehensive Plans to Manage Near- and Long-Term Initiatives to Increase the Proportion of Active Personnel in Warfighting Positions

OSD hopes to avert the need to increase active personnel levels by making more efficient use of the current active military personnel within each service, although it does not have a comprehensive plan for how it will accomplish this and progress in implementing initiatives designed to make more efficient use of active military is lagging behind goals. Specifically, OSD has not developed a comprehensive plan for managing the initiatives because the officials assigned this responsibility have competing demands on their time and resources and have not made this a priority. Sustained leadership and a plan for implementing initiatives and measuring progress can help decision makers determine if initiatives are achieving their desired results. In addition, although OSD has identified two near-term initiatives—military-to-civilian conversion and retraining for high-demand skills—current data indicate that the initiatives are not meeting their quantitative goals or prescribed time frames because funding has not been identified and time frames have not taken into account hiring and training factors. OSD has approved quantitative goals and time frames for the near-term initiatives, and the services are taking steps to implement them, but OSD does not have an implementation plan that assigns responsibility for ensuring that the initiatives are implemented, identifies resources needed, monitors progress, and evaluates their results. In addition to the near-term goals, OSD has identified some long-term initiatives to reduce the need for active personnel, such as using technology more extensively, although these initiatives are not fully developed, and it hopes to identify additional ways to use active personnel more efficiently. However, without a comprehensive plan to manage implementation of its initiatives and assess their results, OSD may be unable to determine whether the initiatives have the desired effect of providing more military personnel for warfighting duties, thus averting the need for more active personnel. Consequently, OSD may not be able to track the progress of these initiatives and keep Congress informed on the results of its initiatives to use active military personnel more efficiently.

Responsibilities for Managing and Overseeing Initiatives Have Not Been Clearly Defined

According to officials in the Office of the Secretary of Defense's Under Secretaries for Policy and for Personnel and Readiness, in summer 2003, the Secretary of Defense directed the Deputy Under Secretary of Defense for Policy to develop a plan for managing initiatives that might either directly or indirectly use the active force more efficiently. However, no personnel were assigned responsibility for carrying out the Secretary's tasking, in part because of competing demands on staff time, such as developing DOD's Strategic Planning Guidance. According to a senior official in the Policy office, OSD and service officials met soon after the Secretary directed more efficient use of the force to discuss how to provide oversight of the initiatives. However, other work demands took priority, and they did not continue the meetings. In spring 2004, oversight responsibilities for the initiatives were transferred to the Office of the Under Secretary of Defense for Personnel and Readiness, according to an official in the Office of Policy. Even after the transfer, OSD officials could not identify an individual with responsibility for creating and implementing a plan to organize, monitor, and evaluate the initiatives. In response to an inquiry by the Secretary of Defense, in fall 2004 an official in the Office of the Under Secretary of Defense for Personnel and Readiness told us that he had begun developing ways to determine the results of the services' efforts to achieve workforce efficiencies. However, at the time of our review, the methodology for the analysis was still being developed.

Management principles embraced in the Government Performance and Results Act of 1993[18] provide agencies a framework for implementing and managing programs. One principle is the need to describe detailed implementation actions as well as measurements and indicators of performance (i.e., a performance plan). Critical elements of such a plan include identifying resources and developing mechanisms to measure outcomes and means to compare program results to performance goals. In addition, sustained leadership in managing this plan is needed to ensure that program objectives are implemented in accordance with the plan, compare program results to performance goals, and take corrective actions as needed.

Without oversight of the services' implementation of initiatives to make more efficient use of military personnel, DOD cannot be sure that changes are having the desired effect. For example, the department recently

[18] Pub. L. No. 103-62.

reported that it had completed its initiative to reduce and maintain the numbers of active personnel assigned to headquarters units by 15 percent from their 1999 levels. Although the objective of the initiative was to increase the numbers of military personnel assigned to warfighting duties, DOD did not collect data on how the military positions that had been assigned to headquarters units were assigned after the reductions. Therefore, DOD could not demonstrate whether headquarters staff reductions directly resulted in more active military personnel being available for the services' warfighting duties and could not assess the magnitude of any changes.

Military-to-Civilian Position Conversion and Active and Reserve Component Rebalancing Initiatives Are Not Meeting Expected Goals or Time Frames

While the services are in the process of implementing OSD's initiatives to use active personnel more efficiently in the near term, such as converting military positions to civilian or contractor performance and rebalancing the active and reserve component skills, the initiatives are not meeting planned goals and time frames and are not having the desired results. The services have made some progress in converting positions to civilians or contractors and reassigning positions to high-demand skills, but most of the services did not meet their quantitative goals or time frames for 2004[19] because of funding issues and delays in recruiting, hiring, contracting, and training personnel. Without a plan for overseeing the services' implementation of the initiatives, including assigning responsibility and collecting data, OSD cannot assess progress toward meeting the goals of moving military positions to the operating forces and take corrective action, if needed.

Converting Military Positions to Civilian or Contractor Performance Is Not Meeting Quantitative Goals within Planned Time Frames

Some military personnel are assigned to activities that are commercial in nature and could, theoretically, be performed by a DOD civilian or by a contractor. For example, many activities that DOD organizations must accomplish, such as administrative, personnel, and infrastructure support, do not require military training. However, estimates of the numbers of military personnel occupying such positions who could be reassigned to warfighting positions vary widely. For example, senior OSD officials recently stated that about 300,000 military personnel are performing functions that civilians could perform or that could be contracted out to a commercial source. However, OSD and some service officials

[19] With the exception of the Navy and the Marine Corps, we were unable to determine the reliability of the fiscal year 2004 data for the numbers of completed positions related to military-to-civilian conversions and rebalancing of the active and reserve components. Further information on our data reliability assessment appears in appendix I.

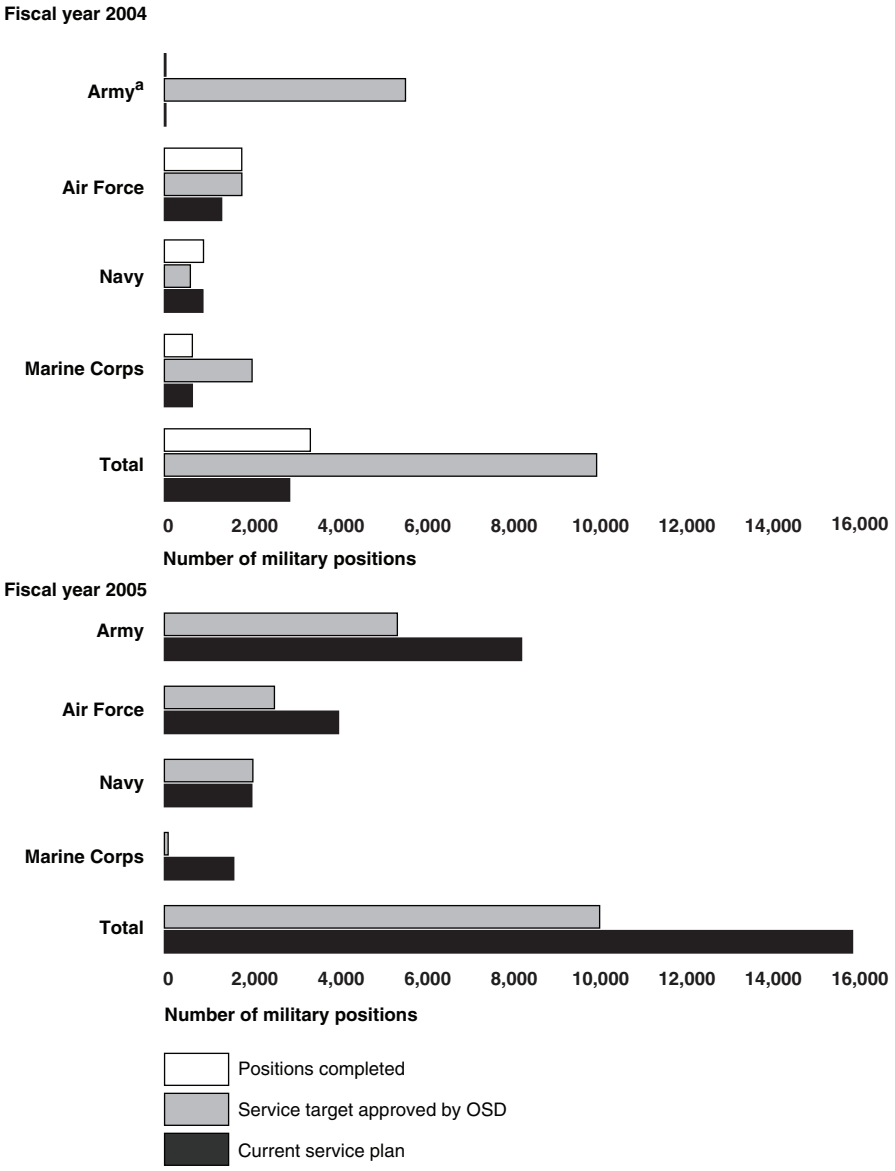
acknowledged this estimate was based on a 1997 study that used a methodology, that overstated the actual number of military personnel in positions suitable for civilian or contractor performance. Since that time, a comprehensive review of commercial-type positions[20] completed in 2003 identified only about 44,000 military positions as suitable for conversion to civilian or contractor positions.

In December 2003, OSD directed the services to convert about 20,070 military positions to civilian or private-sector contractor positions by the end of fiscal year 2005—10,000 in fiscal year 2004 and 10,070 in fiscal year 2005. OSD directed the services to fund the conversion costs through offsets from other programs, such as base operations support. Several service officials told us that OSD did not provide them with information on how the conversion goals were developed. They also explained that since the fiscal year goals were not realistic, given that the fiscal year was already under way, taking planned funding from other programs could be disruptive. Moreover, some service officials indicated that the amount of time needed to hire civilians or award contracts was a further impediment to meeting the OSD goals. Therefore, the services developed alternative goals to convert about 2,900 positions by the end of fiscal year 2004. As figure 1 shows, at the end of fiscal year 2004, the service officials told us that they had converted about 3,400 positions,[21] which was about 34 percent of OSD's original goal of 10,000 positions. Although the services have a goal to convert about 15,900 positions in fiscal year 2005, several service officials believe that identifying funding and the time needed to hire civilians or award contracts may impede their ability to fully implement their goals.

[20] DOD conducts annual reviews of governmental positions to satisfy the reporting requirements of the Federal Activities Inventory Reform Act of 1998, Pub. L. No. 105-270.

[21] We did not include in this total about 4,100 security positions originally filled by Army National Guard personnel that the Army replaced with contractor personnel because this action did not result in an increase of active military personnel available for warfighting duties.

Figure 1: Comparison of OSD's and the Services' Plans for Military-to-Civilian Conversions for Fiscal Years 2004 and 2005 and the Number of Conversions Completed in Fiscal Year 2004



Source: GAO analysis of DOD data.

Note: With the exception of the Navy and the Marine Corps, we were unable to determine the reliability of the fiscal year 2004 data for the numbers of completed positions related to military-to-civilian conversions. Further information on our data reliability assessment appears in appendix I.

[a]The Army converted about 35 active military positions in fiscal year 2004. This figure does not include changes to the reserve components.

In fiscal year 2004, several of the services had to pay for the civilian or contractor replacements for military personnel who will continue to serve in different positions through offsets from other programs. According to some service officials, lack of additional funding limited the number of conversions that could be made in 2004. For example, in fiscal year 2004, the Army converted only about 35 military positions because, according to Army officials, paying for more positions would have created problems in other program areas. Neither OSD nor the services had fully evaluated the costs of proposed military-to-civilian position conversions. OSD plans to provide $416 million in fiscal year 2005 to fund some conversions, but because the services have not identified specific positions to be converted, whether this amount will fully fund all the planned conversions is not known.

In addition, several service officials expressed concern that hiring civilians or contractors with the necessary skills to fill the positions vacated by military personnel may exceed planned time frames. For example, Navy officials explained that the process of hiring civilians who are qualified to replace 1,772 military personnel with medical skills could extend beyond the planned date of fiscal year 2005. To complete these conversions, the Navy will have to compete with the job markets in local economies to recruit individuals with the appropriate medical specialties in varied geographical areas. In addition, it will have to manage the planned rotation dates and service obligation commitments of the military servicemembers currently in the target positions.

The services plan to use varying processes that could result in the conversion of positions currently performed by active military personnel. The Air Force and the Marine Corps plan to use the competitive sourcing process to determine whether it would be more cost-efficient to perform activities within DOD such as aircraft maintenance or, alternatively, to contract with the private sector. The Army does not plan to use this process to compete active military positions for potential private-sector contracts, Army officials told us, because the process may take longer than 2 years to complete.[22] Rather, the Army plans to hire government civilians to fill positions vacated by military personnel.

[22] As we reported, DOD data indicated that conducting competitive sourcing studies takes an average of 20 to 35 months to complete. See GAO, *Defense Management: DOD Faces Challenges Implementing Its Core Competency Approach and A-76 Competitions*, GAO-03-818 (Washington, D.C.: July 15, 2003).

Although OSD does not have a comprehensive plan to implement, monitor, and evaluate its efficiency initiatives as a whole, in April 2004, the Under Secretary of Defense for Personnel and Readiness introduced a process for managing conversions of military positions to civilian or contractor positions. Specifically, this process is designed to (1) measure the services' progress in achieving military-to-civilian conversion goals, (2) determine which skill sets will receive additional military positions subsequent to conversions, and (3) identify and track the number of civilian or contractor positions added as a result of conversions. According to OSD and some service officials, this oversight mechanism will lend greater transparency to the services' military-to-civilian conversion efforts and will provide the services an incentive to accelerate their own conversion efforts. It was too early to evaluate the process' performance because the systems that will be used to measure progress or account for conversions either were being developed or required modifications to capture new data.

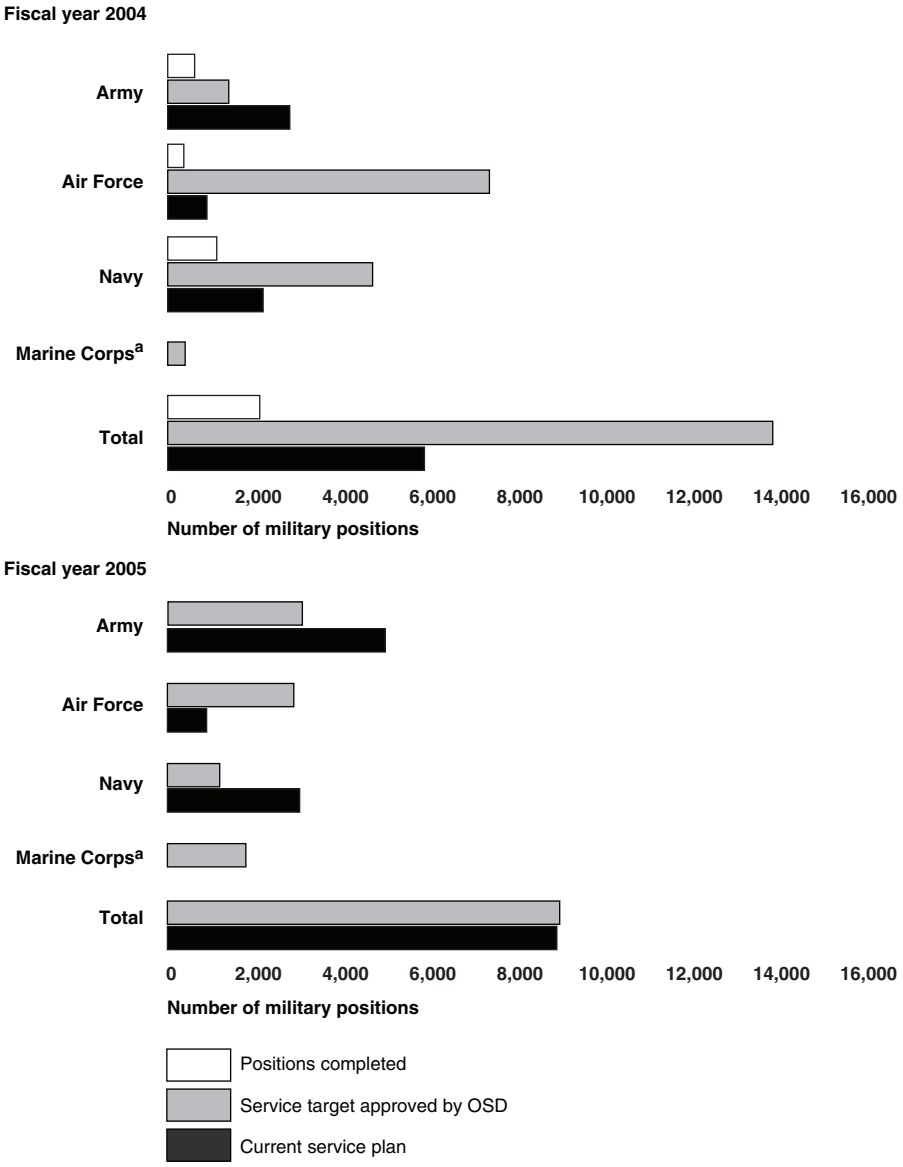
Goals for Reassigning Servicemembers to High-Demand Skills May Not Be Achievable within Planned Time Frames because of Limited Training Availability

Another near-term initiative to make the best use of active military personnel focuses on shifting positions in low-demand skills, such as artillery, to high-demand skills, such as military police, both within the active and reserve components and between them. That would include shifting some functions predominately concentrated in the reserve component, such as civil affairs, to the active component. Through this initiative, DOD plans to increase the availability of high-demand skills overall and to meet short-notice demands. In February 2004, service officials reported to OSD that they could reassign about 22,900 active duty military positions[23] to skills in high demand—about 13,900 positions and 9,000 positions in fiscal years 2004 and 2005, respectively—and OSD approved the services' estimates. However, in planning to implement rebalancing activities, a senior OSD official told us service officials determined that the initial estimates would be difficult to execute in the near term due in part to the emerging operational requirements as a result of the global war on terrorism. Therefore, as figure 2 shows, the services' plans for reassigning active personnel were lowered. For example, the services planned to reassign about 5,900 positions in fiscal year 2004—about 42 percent of the 13,900 positions originally estimated. In fiscal year

[23] Reassigning active military personnel from a position in a low-demand skill to a position in a high-demand skill is commonly referred to as military-to-military conversions. The services' targets approved by OSD represent military-to-military conversions. They do not include converting military positions to civilian or contractor performance or applying new technologies that may reduce the need for military positions.

2005, the Army, the Air Force, and the Navy plan to reassign skills for about 8,940 military positions—about 60 fewer positions than the original estimate of about 9,000. In fiscal year 2004, the Marine Corps did not plan to change the mix of skills for any active military personnel, and it has not yet completed plans for fiscal year 2005 according to a Marine Corps official.

Figure 2: Comparison of OSD's and the Services' Plans to Reassign Active Military Positions to High-Demand Skills and the Number of Positions Reassigned in Fiscal Year 2004



Source: GAO analysis of DOD data.

Note: With the exception of the Navy, we were unable to determine the reliability of the fiscal year 2004 data for the numbers of completed positions related to rebalancing of the active and reserve components. Further information on our data reliability assessment appears in appendix I.

[a]In fiscal year 2004, the Marine Corps did not change the mix of skills for active military personnel and in fiscal year 2005, the Marine Corps has not yet completed its plans.

Even if the services could identify positions to meet targets for rebalancing skills, DOD could still encounter delays in providing active personnel with high-demand skills quickly because, according to some service officials, training facilities, courses, and instructors may limit the numbers of personnel who can be retrained in the short term. Further, training servicemembers for some specialized skills requires time for them to acquire proficiency. For example, Army and Marine Corps officials told us that training military personnel for skills such as satellite imagery analysis might take 1 to 2 years.

Long-Term Initiatives Do Not Have Well-Defined Implementation Plans

Although DOD has begun to implement its two major initiatives, it had not developed clear implementation plans for initiatives, which have longer-term or less direct effects on active military personnel who may be needed for warfighting duties. While some of the long-term initiatives focus on specific problems and issues, such as relying more on volunteers, others are concepts the department would like to explore more fully over time, such as greater use of varied technologies. Senior OSD officials acknowledged that these initiatives are not yet completely developed and do not yet have detailed implementation plans that identify time frames, resources, and measures of success. Moreover, some long-term initiatives may take years to implement, according to these officials. Consequently, it may take years before OSD is in a position to determine whether these long-term initiatives will yield the expected increases of active duty military personnel for warfighting duties. For example, senior OSD officials identified global reachback, other new technologies, and volunteerism as initiatives the department is exploring, as described in table 3.

Table 2: Long-Term Initiatives for Achieving Greater Efficiencies in the Active Duty Force

Initiative	Description
Global reach back	• This initiative would enable servicemembers to provide essential support and skills, such as intelligence, by connecting electronically to sites in the United States and worldwide locations. • This capability could reduce both the number of forces deployed and the rotation base needed to maintain the troops deployed in theater. • DOD completed a study on reachback best practices in summer 2004.
Technology	• This initiative involves investing in new technologies, such as remote sensing devices and unmanned air vehicles, which are intended to reduce the required numbers of military personnel. • DOD plans to assess new technology on a continuing basis.
Volunteerism	• This initiative involves deploying civilians, private contractors, or reserve personnel who have critical skills in high demand, such as linguists and engineers, who would volunteer for short periods of time and in response to specific emergencies. • DOD plans to develop policies and legislative proposals for Congress.

Source: GAO analysis of DOD data.

The services targeted some technologies that they can use to reduce the need for support personnel in the near term, although these may not be implemented as planned because technologies are supplied first to operational needs. For example, to reduce its reliance on about 3,000 Army National Guard and Reserve personnel who provide security-related functions at Air Force bases, the Air Force planned to use ground surveillance radars and thermal imagers to detect intruders and improve surveillance in fiscal year 2004. However, the Air Force has not yet outfitted its domestic military bases with this equipment because it was needed for use on Army bases in Iraq and Afghanistan. As a result, the Air Force must continue to rely on servicemembers for security until at least fiscal year 2006, when it plans to buy additional equipment. For the long term, Navy officials anticipate that acquisition of new technology related to transformation could reduce the manpower it needs. For example, the Navy expects the number of military personnel it will need to operate and support its new DD(X) destroyer will be smaller than the number needed

to operate destroyers currently in use.[24] However, Navy officials have not yet determined the exact crew size for the new destroyers.

Conclusions

The changing security environment and high pace of operations resulting from the global war on terrorism have led to significant debate about whether there are a sufficient number of active military servicemembers to carry out ongoing and potential future military operations. Although DOD defined a new defense strategy that broadens the range of capabilities that may be needed at home and around the world, OSD has not undertaken a systematic, data-based analysis of how the changed strategy is linked to personnel levels, so it cannot demonstrate how the current number of active personnel supports the department's ability to execute the strategy within acceptable levels of risk. While personnel costs compete with costs of other priorities, without data-driven analyses of the forces—including active and reserve personnel—and how they are linked to the strategy, DOD is limited in its ability to determine how best to invest its limited resources over the near and long term between the competing priorities of personnel costs and other needs. The department will also continue to face challenges in achieving consensus with Congress on active duty end strength levels, in light of the demands imposed by ongoing operations and the significant changes in the security environment, until it can better demonstrate the basis for its budget requests.

Although DOD has taken several positive steps to achieve its goal of using active military personnel more efficiently, its initiatives may lose momentum without additional management attention. Further, DOD cannot assess whether the initiatives are having the desired effect of providing more active personnel to warfighting positions because it has not developed an implementation plan to coordinate and oversee the initiatives put forward as contributing to more efficient use of active forces. Until DOD develops a plan that assigns responsibilities, clarifies time frames, identifies resources, and sets out performance metrics, DOD will not be able to assess the progress of the initiatives and take corrective action, if necessary. Moreover, in the absence of specific monitoring and reporting, DOD will not be able to inform Congress on the extent to which its efficiency initiatives are enabling it to meet emerging needs and better

[24] GAO, *Military Personnel: Navy Actions Needed to Optimize Ship Crew Size and Reduce Total Ownership Costs*, GAO-03-520 (Washington, D.C.: June 9, 2003).

manage the high pace of operations that U.S. active forces are currently experiencing.

Recommendations for Executive Action

To facilitate DOD's and congressional decision making on active military personnel levels and to help DOD achieve its goals for assigning a greater proportion of active military personnel to positions in the operating force, we recommend that the Secretary of Defense take the following two actions:

- Conduct a review of active military personnel requirements as part of the 2005 Quadrennial Defense Review. This review should include a detailed analysis of how the services currently allocate active military forces to key missions required by the defense strategy and should examine the need for changes in overall personnel levels and in the allocation of personnel in response to new missions and changes in the defense strategy. The Secretary of Defense should summarize and include in its Quadrennial Defense Review report to Congress DOD's conclusions about appropriate personnel levels for each of the services and describe the key assumptions guiding DOD's analysis, the methodology used to evaluate requirements, and how the risks associated with various alternative personnel force levels were evaluated.

- Develop a detailed plan to manage implementation of DOD's initiatives to use the force more efficiently. Such a plan should establish implementation objectives and time frames, assign responsibility, identify resources, and develop performance measures to enable DOD to evaluate the results of the initiatives in allocating a greater proportion of the active force to warfighting positions.

Agency Comments and Our Evaluation

The Deputy Under Secretary of Defense (Program Integration) provided written comments on a draft of this report. The department generally agreed with our recommendations and cited actions it is taking to implement them. The department's comments are reprinted in their entirety in appendix II. In addition, the department provided technical comments, which we incorporated as appropriate.

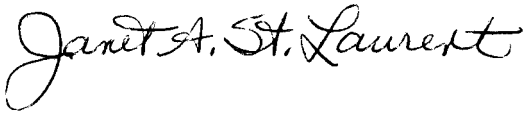
The department agreed with our recommendation that the Secretary of Defense conduct an OSD-led, comprehensive assessment of the manning and balancing the force needed to execute the defense strategy as part of the next quadrennial review. In its comments, the department said that it

intends to meet the requirements that Congress set forth in mandating the quadrennial review, including assessing the total force structure needed to implement the defense strategy. Further, the department agreed with our recommendation to report to Congress its conclusions about appropriate personnel levels for each of the services and describe the key assumptions guiding its analysis, the methodology used to evaluate the requirements, and how the risks associated with various alternative personnel force levels were evaluated. We believe that the department's approach will satisfy the intent of our recommendation if, in the course of the quadrennial review, the manning and balancing of active and reserve forces are specifically analyzed using appropriate methodologies, assumptions, and evaluative techniques. Providing this information to Congress will assist in its oversight of defense programs by providing a sound basis for decision making on the size of the active and reserve forces and the costs and risks associated with various alternatives.

The department also agreed with our recommendation to develop a detailed plan to manage implementation of its initiatives to use the force more efficiently and such a plan should establish implementation objectives and time frames, assign responsibility, identify resources, and develop performance measures to use the force more efficiently. In its comments, the department noted that it has put in place some mechanisms to capture and track activities that enable it to use the force more efficiently. For example, it is now tracking the services' military-to-civilian conversions and documenting the results in its budget exhibits. The department also noted that it has established a forum for OSD and service officials to discuss and track the services' initiatives to reduce stress on the force. We believe that the department's approach represents positive steps. However, we believe that OSD should consider taking additional actions to clearly assign responsibility and develop comprehensive plans for implementing initiatives and measuring their progress. Critical elements of such plans would include identifying resources and developing mechanisms to measure outcomes and means to compare program results to performance goals. By embracing these management principles, OSD and service officials can help decision makers determine if initiatives are achieving their desired results and take corrective actions as needed.

We are sending copies of this report to other appropriate congressional committees and the Secretary of Defense. We will also make copies available to other interested parties upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you have any questions about this report, please contact me at (202) 512-4402. Major contributors to this report at listed in appendix III.



Janet A. St. Laurent
Director, Defense Capabilities
and Management

List of Committees

The Honorable Saxby Chambliss
The Honorable Ben Nelson
Committee on Armed Services
United States Senate

The Honorable John M. McHugh
The Honorable Victor F. Snyder
Committee on Armed Services
House of Representatives

Appendix I: Scope and Methodology

To assess the extent to which the Office of the Secretary of Defense (OSD) has conducted a data-based analysis of active military personnel needed to implement the national defense strategy, we identified and examined relevant laws, presidential documents, and the Department of Defense (DOD) guidance, reports, and analyses related to active military personnel and the defense strategy. These documents included the 2001 Quadrennial Defense Review Report, the defense strategy issued as part of the 2001 Quadrennial Defense Review Report, the National Military Strategy of the United States of America 2004, the Defense Manpower Requirements Report Fiscal Year 2005, the Secretary of Defense's Annual Report to the President and the Congress for 2003, and the Department of Defense Performance and Accountability Report Fiscal Year 2004. Although the total force includes active military personnel and National Guard and reserve forces, our review focused on active military personnel because Congress considered and passed legislation in 2004 to increase their numbers. We examined the services' guidance on processes for determining personnel requirements for the total force to identify the methodologies, time frames, and organizations involved in these processes. We also obtained and analyzed the results of the services' requirements processes and studies, and we discussed their status with officials responsible for managing these efforts at DOD organizations. These organizations included, but are not limited to, the Army's Offices of the Deputy Chiefs of Staff for Personnel and for Operations and Plans, and the Army's Programs Analysis and Evaluation Directorate; the U.S. Army Forces Command; the Air Force's Deputy Chiefs of Staff for Personnel and for Plans and Programs; the Air Force Manpower Agency; the Air Force Personnel Center; the Navy's Deputy Chief of Naval Operation for Manpower and Personnel; the Marine Corps Manpower and Reserve Affairs; and the Marine Corps Combat Development Command.

Because it did not fall within the scope of our review, we did not assess the services' methodologies or validate the results of their requirements analyses. We also examined guidance on the services' processes for allocating manpower resources. We identified criteria for examining workforce levels through our products on strategic human capital management and consulting with our staff with expertise in this area. Testimonial evidence was obtained from officials assigned to (1) the Offices of the Under Secretary of Defense for Policy, the Under Secretary of Defense for Personnel and Readiness, and the Under Secretary of Defense for Comptroller; (2) the Office of Program Analysis and Evaluation; and (3) the Joint Chiefs of Staff. In addition, we analyzed transcripts of public briefings and congressional testimony presented by OSD officials. We reviewed DOD's fiscal year 2005 Defense Manpower

Requirements Report and DOD's fiscal years 2003 and 2004 Performance and Accountability Reports to determine the manner and extent to which OSD evaluates end strength in fulfilling statutory reporting requirements pertaining to force management. We reviewed our prior work on the 2001 Quadrennial Defense Review to ascertain whether this process included an explicit assessment of active duty personnel. To gain an independent perspective on the OSD role in analyzing the number of active military personnel needed to implement the national defense strategy, we interviewed a former Assistant Secretary of Defense.

To assess the extent to which OSD has a plan to implement initiatives to make more efficient use of active military personnel and evaluate their results, we analyzed available internal DOD documentation such as briefings, memoranda, and reports that identified DOD's plans and time frames. We obtained, analyzed, and compared OSD's and the services' fiscal year 2004 and 2005 targets to ascertain the differences. Also, we compared the services' fiscal year 2004 results with the services' fiscal year 2004 plans. To understand the reasons for any differences, we discussed their status and implications with officials responsible for managing these efforts at DOD organizations including, but not limited to, the Offices of the Under Secretaries of Defense for Policy, for Personnel and Readiness, and for Comptroller; the Army's Offices of the Deputy Chiefs of Staff for Personnel and for Operations and Plans; the U.S. Army Forces Command; the Air Force's Deputy Chiefs of Staff for Personnel; the Navy's Deputy Chief of Naval Operations for Manpower and Personnel; and the Marine Corps' Combat Development Command. We limited our review to the major initiatives that were identified by these officials and emphasized by the Secretary of Defense in his testimony[1] because DOD officials did not have a comprehensive document that listed or described all the initiatives. We held further discussions with service officials and obtained and analyzed written responses to our questions to (1) identify the actions that the services took or will take in fiscal years 2004 and 2005 to implement the initiatives and (2) fully understand the challenges that the services may face with implementation. Also, we reviewed DOD's fiscal year 2005 budget request to assess DOD's expected costs for military-to-civilian conversions. To identify the extent to which DOD had implemented mandated reductions in major headquarters staff, we reviewed the governing directives and analyzed DOD's draft budget

[1] Statement of U.S. Secretary of Defense Donald H. Rumsfeld before the Senate Committee on Armed Services, Feb. 4, 2004.

exhibits for fiscal year 2004, which contained data on actual reductions for the services and other defense organizations for fiscal year 2003 and estimated reductions for fiscal years 2004 and 2005. We also interviewed an OSD official and obtained data from the services to identify whether they collected data on the extent to which military personnel affected by headquarters reductions were reassigned to warfighting forces. Moreover, we conducted interviews with officials from the Under Secretary of Defense for Personnel and Readiness, the Army, the Air Force, the Navy, and the Marine Corps and reviewed DOD guidance to understand DOD's process for managing conversions of military positions to civilian or contractor positions. Further, we reviewed our prior audit work related to the conversion of military positions to civilian or contactor positions, the competitive sourcing process, and headquarters reductions to enhance our understanding of DOD's ongoing efforts to achieve efficiencies. Our work was conducted in the Washington, D.C., metropolitan area; Atlanta, Georgia; and San Antonio, Texas.

We performed our work from August 2003 through January 2005 in accordance with generally accepted government auditing standards and determined that data, other than those used for the efficiency initiatives, were sufficiently reliable to answer our objectives. We interviewed data sources about how they ensure their own data accuracy, and we reviewed their data collection methods, standard operating procedures, and other internal control measures. Concerning the fiscal year 2004 data for the military-to-civilian conversions and rebalancing initiatives, we determined that the Navy's and the Marine Corps' data were sufficiently reliable for the purposes of our objectives. We considered the Army's and the Air Force's military-to-civilian conversion and rebalancing skills data for fiscal year 2004 to be of undetermined reliability because the two services did not respond to our requests to provide documentation for the controls they use to ensure the accuracy of their data. Even though those services' officials presented the fiscal year 2004 data as their official numbers, we cannot attest to their reliability. However, in the context in which the data were presented, we determined the usage to be appropriate because the fiscal year 2004 data did not constitute the sole support for our findings, conclusions, and recommendations. Further, if the fiscal year 2004 results were revised, our conclusions would remain unchanged.

Appendix II: Comments from the Department of Defense

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4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND READINESS

JAN 12 2005

Ms. Janet A. St. Laurent
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. St. Laurent:

This is the Department of Defense (DoD) response to the GAO draft report, "MILITARY PERSONNEL: DoD Needs to Conduct a Data-Driven Analysis of Active Military Personnel Levels Required to Implement the Defense Strategy," GAO Code 350333/GAO-05-200, dated December 17, 2004.

The Department generally concurs with the report. Assessing the total force structure needed to implement the Defense strategy is an inherent part the *Quadrennial Defense Review Report* and we fully intend to meet those objectives. Regarding the Departments' efforts to reduce stress on the force, we have several mechanisms in place to monitor and document the outstanding work the Services are doing to become more effective and efficient.

Enclosed are our comments in response to your recommendations and also included are some technical review comments. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

Jeanne B. Fites
Deputy Under Secretary of Defense
Program Integration

Enclosure
As stated

GAO DRAFT REPORT – DATED DECEMBER 17, 2004
GAO CODE 350333/GAO-05-200

"MILITARY PERSONNEL: DoD Needs to Conduct a Data-Driven Analysis of Active Military Personnel Levels Required to Implement the Defense Strategy"

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS

Now on p. 27.

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense conduct a review of active military personnel requirements as part of the 2005 Quadrennial Defense Review (QDR). This review should include a detailed analysis of how the Services currently allocate active military forces to key missions required by the Defense strategy and should examine the need for changes in overall personnel levels and in the allocation of personnel in response to new missions and changes in the Defense strategy. (Page 31/GAO Draft Report)

DOD RESPONSE: DoD concurs. Legislation requires the Secretary of Defense to conduct a comprehensive examination of Defense strategy every four years. Section, 118 (b) (2) of Title 10, United States Code, requires that the QDR "define sufficient force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program of the United States associated with that national defense strategy that would be required to execute successfully the full range of missions called for in that national defense strategy; and (3) to identify (A) the budget plan that would be required to provide sufficient resources to execute successfully the full range of missions called for in that national defense strategy at a low-to-moderate level of risk, and (B) any additional resources (beyond those programmed in the current future-years defense program) required to achieve such a level of risk."

We are initiating the 2005 review recognizing that we are a nation at war. DoD fully intends to meet the requirements set forth for the QDR and to report its assessment as required in Title 10. The objective of QDR is to determine the right strategy and establish Defense programs for the next 20 years. As required by the legislation, manning and balancing the force for the 21st century will be addressed. As the guidance, terms of reference, and work plans for QDR 2005 are developed analysis and data issues will be addressed. It is important to note that the review will include more than just the active force, it will also include the Reserves. Any analysis completed must account for the Total Force.

See comment 1.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense should summarize and include in its Quadrennial Defense Review report to Congress DoD's conclusions about appropriate personnel levels for each of the Services and describe the key assumptions guiding DoD's analysis, the methodology used to evaluate requirements, and how the risks associated with various alternative personnel force levels were evaluated. (Page 31/GAO Draft Report)

Now on p. 27.

DOD RESPONSE: DoD concurs. Comments same as above

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense develop a detailed plan to manage implementation of DoD's initiatives to use the force more efficiently. Such a plan should establish implementation objectives and time frames, assign responsibility, identify resources, and develop performance measures to enable DoD to evaluate the results of the initiatives in allocating a greater proportion of the active force to warfighting positions. (Page 31 & 32/GAO Draft Report)

DOD RESPONSE: DoD concurs. The effective implementation of actions to reduce the stress on the Force is paramount to mission success. DoD has put in place mechanisms to capture and track these activities. For example, we track through an OSD database, the execution of the Military/Civilian conversions for the Services and provide documentation of those efforts as part of the budget exhibits. Additionally, we have two ongoing Integrated Process Teams (IPTs) with Service representation. These IPTs provide a forum for the OSD and Service staffs to discuss, frame and accurately capture Service initiatives to reduce stress.

The following is GAO's comment on the department's letter dated January 12, 2005.

GAO Comment

1. The department's response correlates to the second part of our first recommendation.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

Janet St. Laurent, (202) 512-4402
Margaret G. Morgan, (202) 512-8975

Acknowledgments

In addition to the persons named above, Deborah Colantonio, Susan K. Woodward, Paul Rades, Leland Cogliani, Michelle Munn, Margaret Best, Cheryl Weissman, Kenneth E. Patton, John G. Smale Jr., and Jennifer R. Popovic also made major contributions to this report.

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