United States General Accounting Office

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Report to the Chairman, Committee on Armed Services, House of Representatives

September 2000

DEFENSE HEADQUARTERS

Status of Efforts to Redefine and Reduce Headquarters Staff

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GAO/NSIAD-00-224

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B-286116

September 6, 2000

The Honorable Floyd D. Spence
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

Congress has long been concerned that the Department of Defense's reductions in headquarters staff have not been commensurate with the overall force reductions. We have previously reported that the number of management headquarters' personnel was significantly higher than the Department reported and recommended that the Department revise its headquarters directive to include all activities performing headquarters functions.[1] In May 1999, the Department of Defense issued a revised directive that redefined management headquarters and headquarters support activities. Using the baseline established under the new definition, Congress directed the Department to reduce the number of positions in management headquarters by 15 percent during fiscal years 2000-2002. In response to your request, we reviewed the Department's progress in this area. In this report, we discuss the Department of Defense efforts to (1) implement the revised management headquarters directive and provide a more accurate report on the number of personnel in headquarters activities and (2) reduce positions in headquarters and achieve the reductions mandated by the National Defense Authorization Act for Fiscal Year 2000.[2] We briefed your staff on our findings on July 12, 2000.

Results in Brief

In implementing the revised directive, the Department has more accurately reported the number of positions in headquarters activities. The number of positions reported in headquarters activities as of September 30, 1999, increased by about 15,300, or by 32 percent—from about 47,700 to 63,000. The primary reason for the increase was that for the first time the military services and Defense agencies reported positions in subordinate activities

[1] *Defense Headquarters: Total Personnel Costs Are Significantly Higher Than Reported to Congress* (GAO/NSIAD-98-25, Oct. 30, 1997).

[2] P.L. 106-65, section 921.

such as field operating agencies that provide direct support to headquarters and major commands. However, we did identify some inconsistencies in how the service components designated positions as headquarters and implemented the directive. For example, the Air Force reported 1 of 65 positions in its cost analysis center as management headquarters, and the Army and the Navy reported all positions in their cost centers as management headquarters. Additionally, officials in the Office of the Secretary of Defense and the services indicated that the overall management headquarters personnel count could change (increase or decrease in selected areas) based on ongoing internal reviews.

The Department of Defense does not plan to reduce positions in management headquarters activities by 15 percent (9,460 positions) by the end of fiscal year 2002, as required by the National Defense Authorization Act for Fiscal Year 2000. Rather, the Department plans to reduce the number of headquarters positions by 2,769, which represents about 29 percent of the mandated reductions by the end of fiscal year 2001, and is seeking relief from the larger reduction requirement. Some additional reductions may be made in fiscal year 2002, but according to Department officials, a final estimate has not been approved. Department officials have expressed concern that positions in headquarters activities have already been significantly reduced over the last 10 years and that further reductions would jeopardize the combatant commanders' ability to manage demands associated with global military presence and would threaten the military departments' ability to meet their financial and program oversight responsibilities.

This report contains a recommendation to the Secretary of Defense that the Department's forthcoming report to Congress on management headquarters reductions include information on the extent to which inconsistencies in Defense components' identification of headquarters functions have been corrected. The Department of Defense agreed with our recommendation.

Background

In October 1997, we reported that the number of management headquarters personnel was significantly higher than reported by the Department of Defense (DOD). During fiscal years 1985-98, DOD reported steady decreases in its management headquarters personnel—a 38-percent decline from about 77,000 to about 48,000. However, this data did not include personnel at many of DOD's noncombatant organizations, such as the U.S. Army Forces Command's Field Support Activity,[3] that are subordinate to management headquarters. Based on our review of 40 noncombat organizations subordinate to the 10 management headquarters we reviewed, we concluded that DOD had not included 29 organizations and 2,853 personnel performing management headquarters functions. We recommended that the Secretary of Defense revise DOD Directive 5100.73 on management headquarters to expand its coverage and simplify its criteria.

In May 1999, the Department issued a revised directive that states headquarters are primarily responsible for overseeing, directing, and controlling subordinate organizations or units by (1) developing and issuing policies and providing policy guidance, (2) reviewing and evaluating program performance, (3) allocating and distributing resources, or (4) conducting mid- and long-range planning, programming, and budgeting. These headquarters include the Office of the Secretary of Defense, the Offices of the Secretaries and Chiefs of Staff of the military services, the unified commands, and the various major commands of the military services. The revised directive also states that personnel who provide direct support such as technical, administrative, or logistics support are also considered management headquarters. The Secretary of Defense required the military services, combatant commands, and Defense agencies and activities (such as the Defense Logistics Agency and the Joint Staff) to implement the revised directive by September 10, 1999.

[3] Under the revised directive, the Army's Forces Command Field Support Activity is now identified as a management headquarters activity.

The National Defense Authorization Act for Fiscal Year 2000 directs the Department to reduce the number of personnel in management headquarters activities by 15 percent by fiscal year 2002, using the baseline identified under the revised directive. The act also requires the Department to report to the Senate and House Committees on Armed Services by October 1, 2000, on the baseline number to be used for computing the reductions and the effect of the required reductions on the Department's various headquarters activities.[4]

Significant Increase in Management Headquarters Positions

The number of management headquarters positions increased by 15,284, or by 32 percent—from about 47,735 to 63,019—as of September 30, 1999, under the revised directive. Table 1 shows the increase by organization. The primary reason for the increase was that, for the first time, the military services reported positions in field operating agencies that develop policy and/or provide support to their respective headquarters and major commands as management headquarters activities. Although the revised directive has resulted in a more accurate reporting of headquarters positions, we found some inconsistencies in the way the service components implemented it.

[4] Initial information on headquarters positions under the revised directive were provided as part of budget justification material provided in support of the President's fiscal year 2001 budget request.

Table 1: Changes in Headquarters Positions, by Organization

Organization	Fiscal year 1999		Change	
	Old directive[a]	Revised directive	Total	Percent
Office of the Secretary of Defense	2,007	2,007	0	0
Joint staff	1,298	1,330	32	2
Unified commands	4,942	6,319	1,377	28
Special operations[b]	1,704	1,843	139	8
Army	10,474	15,190	4,716	45
Air Force	12,546	16,520	3,974	32
Navy	10,145	13,697	3,552	35
Defense agencies	4,619	6,113	1,494	32
Total[c]	**47,735**	**63,019[d]**	**15,284**	**32**

[a]Positions reported include both military and civilian. Military are reported as actual end strength and civilian as full-time equivalents. The mix of military and civilian positions in headquarters varies by service. Under the revised directive, the Army headquarters are about 30 percent military and 70 percent civilian, the Air Force is about 63 percent military and 37 percent civilian, and the Navy 52 percent military and 48 percent civilian.

[b]Includes Headquarters, Special Operations Command.

[c]The numbers do not include contractor personnel or National Guard and Reserve officers serving on active duty personnel when performing headquarters functions because budget exhibits do not record such information.

[d]The Department of Defense reported 63,676 headquarters positions as of September 30, 1999, in its fiscal year 2001 budget estimates. The difference resulted from errors in the number of positions reported in the Office of the Secretary of Defense and the Joint Staff and from the double counting of headquarters positions between the Army and the U.S. Special Operations Command.

Source: Department of Defense data.

The three military departments[5] accounted for about 12,200, or 80 percent, of the increase in management headquarters positions. The remaining 3,116 were in Defense activities and agencies. Appendixes I, II, and III show the increase in management headquarters positions by service. Organizations supporting the department headquarters[6] accounted for about 40 percent of the increase in management headquarters positions within each service. For example, about 360 positions in the 11th Wing at Bolling Air Force Base

[5] Marine Corps information is included in overall Navy data.

[6] The department headquarters refers to the staff within the Office of the Secretary for each service and the Chief of Staff for the Army and Air Force, the Chief of Naval Operations, and the Commandant of the Marine Corps.

that support the Office of the Secretary and Chief of Staff for the Air Force were classified as headquarters under the revised directive. Likewise, about 800 positions in the Army's Network Infrastructure Systems Agency were considered headquarters.

Potential Changes to the Baseline

Department of Defense officials stated that there could be changes to the fiscal year 1999 baseline (63,636) that was reported to the Congress as part of the fiscal year 2001 budget estimates. They noted that they had only 120 days to implement the revised directive, which was not adequate time to develop an analytical process and conduct a thorough review of all the input from subordinate organizations. The services are questioning whether some positions should have been classified as headquarters.

The baseline could also change based on organization realignments. For example, the Navy baseline includes 407 positions in the Seabee Logistics Center, a direct reporting unit of the Naval Facilities Engineering Command. However, the Navy is converting this unit from a direct reporting unit to a subordinate organization. If this conversion is approved, while the personnel's duties would not change, the 407 positions will no longer be considered as performing a headquarters function.

Moreover, officials in the Office of the Director, Administration and Management, stated that the revised directive does not require that subunified commands[7] be included as headquarters activities. The baseline reported to Congress includes 629 positions in subunified commands. These positions are being reevaluated to determine if there are personnel performing headquarters functions that need to be reported as headquarters in the future.

Some Inconsistencies in How the Services Implemented the Directive

While implementation of the revised directive has resulted in a more accurate reporting of headquarters positions, we identified the following examples of inconsistencies in how the services implemented the directive.

[7] There are five subunified commands. U.S. Forces Korea, U.S. Forces Japan, and the Alaska Command are subunified commands under the U.S. Pacific Command, and the Iceland Defense Force and U.S. Forces Azores are subunified commands under the U.S. Joint Forces Command.

- The Army reported 1 of the 667 positions in the Army Audit Service as headquarters, and the Navy reported 28 of 489 positions and the Air Force 51 of 847 positions in their respective audit services as management headquarters. The Army stated that additional positions would be reported as management headquarters in the future to correct this inconsistency.
- The Air Force reported only 1 of 65 positions in its cost analysis center as management headquarters, whereas the Army reported all 66 and the Navy reported all 49 positions in their respective cost centers as management headquarters. The Air Force stated that it is reviewing the remaining positions in its cost analysis center to account for additional management headquarters positions.
- The Navy reported 404 of 1,617 positions, or 25 percent, in their special investigations function as headquarters, and the Army reported 123 of 1,541 positions, or 8 percent, and the Air Force 127 of 1,902 positions, or 7 percent, in their similar activities as management headquarters.
- The Air Force did not report 94 positions in the 14th Air Force as headquarters, even though the revised directive states that a service component command is a headquarters activity. The Air Force did report two other numbered Air Forces service component commands as management headquarters. The Air Force stated that it would add these positions to the management headquarters baseline.

These examples are not exhaustive but indicate inconsistencies we identified during our review. Officials in the Office of the Director, Administration and Management, stated that the DOD has awarded a contract to gather data on how the directive was implemented across the Department, and a working group has been established within the Department to deal with the issue of inconsistencies. DOD officials indicated that they hope to have many of these inconsistencies resolved before submitting to Congress its report mandated by the fiscal year 2000 Defense Authorization Act.

DOD Does Not Plan to Reduce Headquarters Activities by 15 Percent

Citing previous reductions and other operational concerns, the Department of Defense does not currently plan to reduce positions in management headquarters activities by 15 percent (9,460 positions) by the end of fiscal year 2002, as required by the National Defense Authorization Act for Fiscal Year 2000. Rather, DOD plans to reduce the number of headquarters positions by 2,769, which represents about 29 percent of the mandated reductions by the end of fiscal year 2001, as shown in table 2, and is seeking relief from the larger reduction requirement.

Table 2: Mandated and Programmed Reductions in Headquarters Activities for Fiscal Years 2000-2002

	Reductions		
Fiscal year	**Mandated**	**Programmed**	**Percentage of mandated reductions**
2000	3,153	2,035	65
2001	3,153	734	23
2002	3,154	[a]	
Total	**9,460**[b]	**2,769**	**29**

[a]The Department of Defense could not provide a definitive number of headquarters positions programmed for fiscal year 2002 because a final estimate is yet to be approved within the Department. However, an official told us that the estimate for fiscal year 2002 falls far short of the mandated reduction.

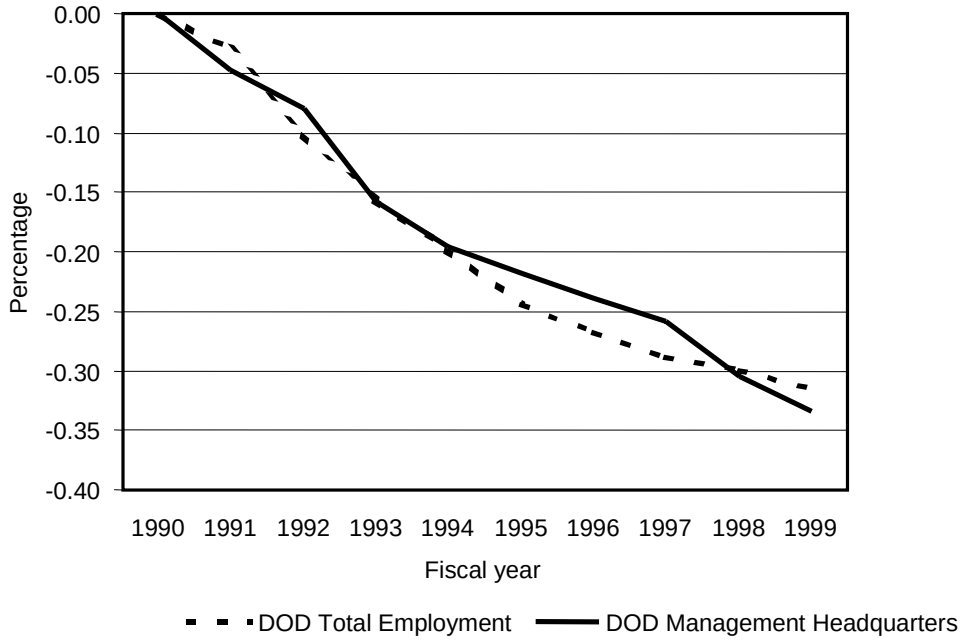
[b]The mandated reductions equal 15 percent of the adjusted fiscal year 1999 baseline of 63,019 headquarters positions.

Source: Department of Defense data.

In a July 13, 2000, letter to the Chairmen of the Senate and House Armed Services Committees, the Secretary of Defense stated that more reductions than those already planned in headquarters raise the risk of (1) adversely impacting readiness of both combatant and warfighting headquarters, (2) jeopardizing the theater commanders' ability to manage the demands associated with maintaining a global military presence, and (3) threatening the military departments' ability to manage their financial and program management activities. Similarly, other officials have cited the impact of increased operational requirements in the post-Cold War era as placing greater demands on headquarters operation. For example, Air Force officials stated that between 1990 and 1999, the Air Force experienced a 400-percent increase in operations tempo and a 180-percent increase in the number of contingencies but a 33-percent decrease in budget and personnel.

The Secretary of Defense also noted that the mandated reductions do not take into account the 35-percent reduction in headquarters activities during the overall force drawdown over the last decade. For example, the Office of the Secretary of Defense has eliminated some activities and consolidated related functions, which reduced the number of positions from 2,993 to 2,007. Figure 1 illustrates that the headquarters activities were reduced consistent with the overall force drawdown during fiscal years 1990-99.

Figure 1: Changes in Total Force and Headquarters Activities During Fiscal Years 1990-99



Source: GAO analysis of Department of Defense data.

We did not determine if the Secretary's concerns were valid. However, our analysis of the reductions in headquarters activities shows that the major commands have been reduced by a higher percentage than the service headquarters in the Pentagon.

While DOD plans to reduce significantly fewer headquarters positions than required under the legislative mandate, two services have studies under way that could result in additional personnel reductions in the future. The Army and the Air Force have initiated efforts to reengineer their service headquarters. According to an Army official, the Army's goal is to identify ways to make the Army staff more efficient. A study has been completed and is being reviewed by the Army Staff. It is too early to determine what impacts this study will have on the size of the Army staff or when the changes will be implemented. Likewise, the Air Force is (1) identifying the work that should be done at the service headquarters level and reengineering the associated business processes, (2) assessing how the Air Force collects data for its planning and budgeting systems and determining if there are opportunities to consolidate systems, and (3) determining the

best way to provide support services to the service headquarters. The director of the Air Force effort stated that the goal is to complete the headquarters redesign by September 2002.

Conclusion

Implementation of the new management headquarters directive has resulted in a more accurate reporting of positions in headquarters activities, even though some inconsistencies still exist. At the same time, the revised September 30, 1999, baseline could change further based on an ongoing review of the baseline by the Department and the resolution of inconsistencies among the service components in the type of positions that are designated as headquarters. Resolution of these inconsistencies is important to establishing a clearer baseline from which to assess future reductions.

Recommendation

We recommend that the Secretary of Defense, in the Department's forthcoming report to Congress on management headquarters reductions, include information on the extent to which inconsistencies in Defense components identification of headquarters functions have been corrected.

Agency Comments

In written comments on a draft of this report, the Department of Defense concurred with our recommendation. The Department's comments are reprinted in appendix IV. DOD also provided technical comments on our report, which we have incorporated as appropriate.

Scope and Methodology

To determine the impact of the revised directive on headquarters activities, we compared the number of headquarters personnel reported by the Office of the Secretary of Defense, the Joint Staff, the military services, and the Defense agencies for fiscal year 1999 under the old directive to those reported for fiscal year 1999 under the revised directive. We interviewed officials in the Office of the Director, Administration and Management; the Joint Staff; and within each service responsible for managing the headquarters program to obtain information on their efforts to validate the data that was reported under the revised directive. We also compared how the military services reported positions in three similar functions—audit service, cost analysis, and special investigations. Finally, we determined

whether all service component commands were reported as management headquarters.

To obtain information on the Department's plans to achieve the mandated reduction, we interviewed officials in the Office of the Director, Administration and Management, and manpower officials in each of the military services. We obtained data on the number of positions in management headquarters activities for fiscal years 2000 and 2001 from the operations and maintenance overview submitted with the Department's budget estimate for fiscal year 2001. DOD's Office of the Comptroller could not provide data on the number of positions in headquarters activities that were programmed for fiscal year 2002 because a final estimate is yet to be approved within the Department.

We conducted our work from March through July 2000 in accordance with generally accepted auditing standards.

We are sending copies of this report to the Honorable William S. Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; the Honorable F. Whitten Peters, Secretary of the Air Force; the Honorable Richard Danzig, Secretary of the Navy; the Honorable William J. Lynn, Under Secretary of Defense (Comptroller); and the Honorable Jacob Lew, Director, Office of Management and Budget. Copies will also be available to others upon request.

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

Sincerely yours,

David R. Warren
Director, Defense Management Issues

Impact of New Directive on Army Management Headquarters Activities

	Fiscal year 1999			
Activity	**Old directive**	**Revised directive**	**Change**	**Percent of change**
Army headquarters[a]	2,729	4,691	1,962	72
U.S. Army, Europe	465	1,496	1,031	222
Eighth U.S. Army	450	863	413	92
Army National Guard Readiness Center[b]	0	368	368	
Other	6,830	7,772	942	14
Total	**10,474**	**15,190**	**4,716**	**45**

[a]This includes the Offices of the Secretary and the Chief of Staff and the various activities that support these offices.

[b]Activity reported as headquarters for the first time under the new directive.

Source: Department of the Army data.

Impact of New Directive on Navy Management Headquarters Activities

	Fiscal year 1999			
Activity	**Old directive**	**Revised directive**	**Change**	**Percent of change**
Navy headquarters[a]	2,178	3,098	920	42
Marine Corps headquarters	760	1,411	651	86
Naval Facilities Engineering Command	197	601	404	205
Marine Corps Combat Development Command[b]	0	352	352	
Marine Corps Reserve Forces Command[b]	0	161	161	
Naval Sea Systems Command	280	441	161	58
Navy program executive offices[b]	0	152	152	
Other	6,730	7,481	751	11
Total	**10,145**	**13,697**	**3,552**	**35**

[a]This includes the Offices of the Secretary and the Chief of Naval Operations and the various activities that support these offices.

[b]Activity reported as headquarters for the first time under new directive.

Source: Department of the Navy data.

Impact of New Directive on Air Force Management Headquarters Activities

	Fiscal year 1999			
Activity	**Old directive**	**Revised directive**	**Change**	**Percent of change**
Air Force headquarters[a]	2,947	4,591	1,644	56
Air Combat Command	2,115	2,711	596	28
Air Intelligence Agency	157	628	471	300
Air Mobility Command	1,141	1,593	452	40
Other	6,186	6,997	811	13
Total	**12,546**	**16,520**	**3,974**	**32**

[a]This includes the Offices of the Secretary and the Chief of Staff and the various activities that support these offices.

Source: Department of Air Force data.

Comments From the Department of Defense

OFFICE OF THE SECRETARY OF DEFENSE
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ADMINISTRATION & MANAGEMENT

AUG 17 2000

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

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the GAO draft report, 'DEFENSE HEADQUARTERS: Status of Efforts to Redefine and Reduce Headquarters Staff', dated August 11, 2000, (GAO Code 709493/OSD Case 2063).

In the preparation of this report, GAO made only one recommendation: "that the Secretary of Defense, in the Department's forthcoming report to the Congress on management headquarters reductions, include information on the extent to which inconsistencies in Defense components' identification of headquarters functions have been corrected." The DoD concurs with this recommendation.

The report has also been reviewed for technical accuracy. Corrections, clarifications, and additional comments are provided at Attachment 1.

The Department appreciates the opportunity to comment on the draft report.

Sincerely,

D. O. Cooke
Director

Attachment:
As stated

cc: Inspector General, DoD

GAO Contacts and Staff Acknowledgments

GAO Contacts

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Acknowledgments

In addition to those staff named above, Michael Kennedy, Paul Newton, and Kevin Copping made key contributions to this report.

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