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April 18, 2003

The Honorable Solomon P. Ortiz  
Ranking Minority Member  
Subcommittee on Readiness  
Committee on Armed Services  
House of Representatives

Subject: *DOD Personnel: DOD Comments on GAO's Report on DOD's Civilian Human Capital Strategic Planning*

Dear Mr. Ortiz:

In response to your request, we issued a report in March 2003 to you on the Department of Defense's (DOD) strategic planning efforts for civilian personnel at DOD and selected defense components, including the four military services and two defense agencies.<sup>1</sup> In that report we made recommendations to the Secretary of Defense to strengthen civilian human capital planning, including integration with military personnel and sourcing initiatives.<sup>2</sup> DOD's response to our March 2003 report and recommendations were received too late to be included in that report. To provide our perspective on DOD's comments, we briefly summarize our March 2003 report's objectives, results, and recommendations and DOD's comments, along with our evaluation of the comments. DOD's comments provided by the Under Secretary for Personnel and Readiness are included as an enclosure to this report.

### **Summary of Objectives, Results, and Recommendations**

DOD's civilian employees play key roles in such areas as defense policy, intelligence, finance, acquisitions, and weapon systems maintenance. Although downsized 38 percent between fiscal years 1989 and 2002, this workforce has taken on greater roles as a result of DOD's restructuring and transformation. Responding to congressional concerns about the quality and quantity of, and the strategic planning for, the civilian

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<sup>1</sup>U.S. General Accounting Office, *DOD Personnel: DOD Actions Needed to Strengthen Civilian Human Capital Strategic Planning and Integration with Military Personnel and Sourcing Decisions*, GAO-03-475 (Washington, D.C.: Mar. 28, 2003).

<sup>2</sup>Sourcing initiatives, which are undertaken to achieve greater operating efficiencies, include such efforts as public-private competitions under the Office of Management and Budget (OMB) Circular A-76 for commercial activities and functions; direct conversions (converting positions from one sector to another without public-private competition); public-private partnerships; and privatization, divestiture, and reengineering.

workforce, we determined the following for DOD, the military services, and selected defense agencies (the Defense Contract Management Agency and the Defense Finance and Accounting Service):<sup>3</sup> (1) the extent of top-level leadership involvement in civilian strategic planning; (2) whether elements in civilian strategic plans are aligned to the overall mission, focused on results, and based on current and future civilian workforce data; and (3) whether civilian and military personnel strategic plans or sourcing initiatives were integrated.

We found that generally civilian personnel issues appear to be an emerging priority among top leaders in DOD and the defense components. Although DOD began downsizing its civilian workforce more than a decade ago, it did not take action to strategically address challenges affecting the civilian workforce until it issued its civilian human capital strategic plan in April 2002. Top-level leaders in the Air Force, the Marine Corps, the Defense Contract Management Agency, and the Defense Finance and Accounting Service have initiated planning efforts and are working in partnership with their civilian human capital professionals to develop and implement civilian strategic plans; such leadership, however, was increasing in the Army and not as evident in the Navy. High-level leadership is critical to directing reforms and obtaining resources for successful implementation. Moreover, DOD has not provided guidance on how to align the components' plans with the department-level plan. Without this alignment, DOD's and its components' planning may lack the focus and coordination needed (1) to carry out the Secretary of Defense's transformation initiatives in an effective manner and (2) to mitigate risks of not having human capital ready to respond to national security events at home and abroad.

We also found that the human capital strategic plans we reviewed for the most part lacked key elements found in fully developed plans. Most of the civilian human capital goals, objectives, and initiatives were not explicitly aligned with the overarching missions of the organizations. Consequently, DOD and the components cannot be sure that strategic goals are properly focused on mission achievement. Also, none of the plans contained results-oriented performance measures to assess the impact of their civilian human capital initiatives (i.e., programs, policies, and processes). Thus, DOD and the components cannot gauge the extent to which their human capital initiatives contribute to achieving their organizations' mission. Finally, the plans did not contain data on the skills and competencies needed to successfully accomplish future missions; therefore, DOD and the components risk not being able to put the right people, in the right place, and at the right time, which can result in diminished accomplishment of the overall defense mission.

Moreover, the civilian strategic plans did not address how the civilian workforce will be integrated with their military counterparts or sourcing initiatives. DOD's three human capital strategic plans—two military and one civilian—were prepared separately and were not integrated to form a seamless and comprehensive strategy and did not address how DOD plans to link its human capital initiatives with its sourcing plans, such as efforts to outsource non-core responsibilities. The

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<sup>3</sup>Throughout this report, the term "component" refers to all services and agencies in DOD. The term "service" refers to the Air Force, the Army, the Marine Corps, and the Navy. The term "agency" refers to the Defense Contract Management Agency and the Defense Finance and Accounting Service.

components' civilian plans acknowledge a need to integrate planning for civilian and military personnel—taking into consideration contractors—but have not yet done so. Without an integrated strategy, DOD may not effectively and efficiently allocate its scarce resources for optimal readiness.

To improve human capital strategic planning for the DOD civilian workforce, we recommended in our March 2003 report that the Secretary of Defense direct the Under Secretary of Defense for Personnel and Readiness to undertake the following:

- Improve future revisions and updates to the DOD departmentwide strategic human capital plan by more explicitly aligning with DOD's overarching mission, including results-oriented performance measures, and focusing on future workforce needs. To accomplish this, the revisions and updates should be developed in collaboration with top DOD and component officials and civilian and military human capital leaders.
- Direct the military services and the defense agencies to align their strategic human capital plans with the mission, goals, objectives, and measures included in the departmentwide strategic human capital plan and provide guidance to these components on this alignment.
- Define the future civilian workforce, identifying the characteristics (i.e., the skills and competencies, number, deployment, etc.) of personnel needed in the context of the total force and determine the workforce gaps that need to be addressed through human capital initiatives.
- Assign a high priority to and set a target date for developing a departmentwide human capital strategic plan that integrates both military and civilian workforces and takes into account contractor roles and sourcing initiatives.

### **Agency Comments And Our Evaluation**

DOD's comments on a draft of the March 2003 report are summarized below and reproduced in enclosure I. DOD stated that it appreciated the perspectives provided in that report and intended to address the recommendations. Regarding our four recommendations, however, DOD concurred with one, partially concurred with another, and nonconcurred with two. In its comments, DOD pointed out that its strategic planning activities are in the earliest stages of development. We acknowledge this and, moreover, note in our March 2003 report that strategic planning is a continuous process. Our recommendations to the Secretary of Defense, thus, focus on steps the Under Secretary of Defense for Personnel and Readiness should take to strengthen DOD's overall strategic perspective as DOD continues to develop planning initiatives for its civilian human capital.

Our evaluation of DOD's comments on these recommendations follows:

DOD concurred with our recommendation to direct the military services and the defense agencies to align their strategic human capital plans with the departmentwide plan. DOD stated that it is the component's responsibility to ensure that its strategic plan and outcomes dovetail with the departmentwide plan.

DOD partially concurred with our recommendation to improve future revisions and updates to the departmentwide strategic human capital plan by more explicitly aligning its elements (including performance measures) with DOD's overarching mission and by focusing the plan more directly on future workforce needs. DOD stated the recommendation did not recognize the involvement in and the impact of DOD's Quadrennial Defense Review (QDR) on the development of the departmentwide plan. As we note in our March 2003 report, the departmentwide civilian plan was directed in the QDR and Defense Planning Guidance and by the Under Secretary of Defense for Personnel and Readiness; we also note that such a plan had been recommended, as well, in the Defense Science Board 2000 report. Our analysis found, however, that the plan did not fully demonstrate alignment with DOD's overall mission in that the plan lacked explicit information about how the civilian workforce contributes to accomplishing DOD's overall mission and how the achievement of human capital initiatives will improve DOD's performance in meeting that mission. DOD also noted that the plan contains detailed performance indicators and measures that are reported quarterly to OMB. In reviewing these indicators, we found, for the most part, they are necessary measures relevant to task accomplishment but not oriented to assessing results. In addition, DOD noted that the plan recognizes the need for results-oriented performance measures; we believe that our recommendation highlights the importance of developing such measures.

DOD did not concur with our recommendation to define its future civilian personnel needs in a total force context, including identifying the workforce gaps that need to be addressed through human capital initiatives. DOD stated this action was already being accomplished through information provided to OMB and the Office of Personnel Management for the President's Management Agenda Scorecard. We recognize that OMB requires workforce information, however, we cannot comment on the completeness of the data being supplied because we were not permitted to review recent DOD submissions to OMB. Complying with OMB requirements is important but does not fully address the intent of our recommendation that is to ensure that workforce data, which identify necessary future skill sets and potential gaps that might occur in force-shaping, be compiled and analyzed as an integral part of the strategic planning process and factored into planning for human capital initiatives. As we note in our March 2003 report, this information is highly important in targeting the initiatives to address the gaps and to provide the rationale—that is, the business case—for obtaining the resources or authorities to carry out initiatives.

Also, DOD did not concur with our recommendation to assign a high priority to and set a target date for developing an integrated departmentwide plan for both military and civilian workforces that takes into account contractor roles and sourcing initiatives. DOD stated it presently has both a military and civilian plan; the use of contractors is just another tool to accomplish the mission, not a separate workforce, with separate needs, to manage. The intent of our recommendation (and the one above on workforce planning) is that strategic planning for the civilian workforce be undertaken in the context of the total force—civilian, military, and contractors—because the three workforces are expected to perform their responsibilities in a seamless manner to accomplish DOD's mission. Integrated planning could also facilitate achieving a goal in the QDR to focus DOD's resources (personnel) in those areas that directly contribute to warfighting and to rely on the private sector for non-

core functions. The need for total force integration has been advocated in the QDR, DOD's response to OMB regarding a restructuring plan, the Defense Science Board 2000 report, National Academy of Public Administration (NAPA) studies, and the Commercial Activities Panel report. We believe strategic planning in a total force context is especially important because the trend toward greater reliance on contractors requires a critical mass of civilian and military personnel with the expertise necessary to protect the government's interest and ensure effective oversight of contractors' work. Workforce planning should be implemented using a coordinated and integrated approach to determine the proper roles and mix of military, civilian, and contractor employees within the context of mission objectives that are essential to national security.

We continue to believe that our recommendations have merit and will strengthen the department's strategic planning efforts for the civilian as well as the overall workforce; consequently, we are not revising them. DOD also provided technical comments, which we incorporated, as appropriate, into our March 2003 report.

Finally, we want to emphasize that we recognize a point made by the Under Secretary of Defense for Personnel and Readiness that DOD is in the early stages of its strategic planning efforts. We believe that DOD has made progress in establishing a foundation for strategically addressing civilian human capital issues by developing its departmentwide civilian human capital strategic plan. Opportunities exist, however, to strengthen the planning efforts. Our March 2003 report and its recommendations should be viewed in that light.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Defense; the Secretaries of the Air Force, Army, and Navy; the Commandant of the Marine Corps; and the Directors of the Defense Contract Management Agency and the Defense Finance and Accounting Service. We will also make copies available to others upon request. In addition, this report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-5559 or Christine Fossett at (202) 512-2956.

Sincerely yours,

A handwritten signature in black ink that reads "Derek B. Stewart". The signature is written in a cursive, flowing style.

Derek B. Stewart  
Director, Defense Capabilities  
and Management

Enclosure

Comments from the Department of Defense



UNDER SECRETARY OF DEFENSE  
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MAR 14 2003



PERSONNEL AND  
READINESS

Mr. Derek B. Stewart  
Director, Defense Capabilities and Management Issues  
U.S. General Accounting Office  
441 G Street N.W.  
Washington, DC 20548

Dear Mr. Stewart:

This is the Department of Defense (DoD) response to the GAO draft report, "DOD PERSONNEL: DoD Actions Needed to Strengthen Civilian Human Capital Strategic Planning," dated March 3, 2003 (GAO Code 350198). The importance of human capital strategic planning was clearly recognized in the Quadrennial Defense Review. It is the first item on the President's Management Agenda, and is a top priority for the Department.

While we appreciate the perspectives provided in your report and intend to address your recommendations, we are obligated to point out that a significant portion of the review concentrated on strategic planning activities in the earliest stages of development. At my direction in August 2001, the Acting Deputy Assistant Secretary of Defense for Civilian Personnel Policy arranged a series of meetings of senior Component human resources leaders to begin the development of the DoD Civilian Human Resources Strategic Plan. This group worked through the events of September 11<sup>th</sup> and the resulting war on terrorism to produce the first integrated DoD-wide Civilian Human Resources Strategic Plan on April 12, 2002. We were notified of the General Accounting Office's intent to review DoD's Civilian Human Capital Strategic and Workforce Planning on May 16, 2002. Work on the review began in June 2002, less than 60 days after our first DoD Human Resources Strategic Plan was finalized and during the first cycle of a continuing process.

The Department's consolidated comments, including Component specific comments, are enclosed.

Sincerely,

  
David S. C. Chu

Enclosure



**GAO DRAFT REPORT DATED MARCH 3, 2003  
(GAO CODE 350198)**

**"DOD PERSONNEL: DOD ACTIONS NEEDED TO STRENGTHEN CIVILIAN  
HUMAN CAPITAL STRATEGIC PLANNING"**

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

**RECOMMENDATION 1:** In order to improve human capital strategic planning for the DoD civilian workforce, the GAO recommended that the Secretary of Defense direct the Under Secretary of Defense, Personnel and Readiness to improve future revisions and updates to the DoD Department-wide strategic human capital plan by more explicitly aligning with DoD's overarching mission, including results-oriented performance measures, and focusing on future workforce needs. To accomplish this, the revisions and updates should be developed in collaboration with top DoD and component officials and civilian and military human capital leaders. (p. 27/GAO Draft Report)

**DOD RESPONSE:** Partially concur. The recommendation does not recognize that the DoD Civilian Human Resources Strategic Plan imparts the Department's direction, with its vision, values, principles, critical success goals and objectives, and that it is based on DoD's challenges as defined in the Quadrennial Defense Review (QDR). The original version of this strategic plan was explicitly aligned with DoD's overall mission in that it was based on the recommendations of the Defense Science Board and the QDR. The Acting Deputy Assistant Secretary of Defense (Civilian Personnel Policy) represented the civilian HR community on the QDR and the Senior Steering Group in the development of the Strategic Plan. The Strategic Plan contains detailed performance indicators and measures. Our achievements against these standards are reported quarterly to the Office of Management and Budget. In addition, the current version of the strategic plan recognizes the need for results-oriented performance measures and in particular, Objective 4 requires that measures be developed for critical indicators of human resources success.

Revisions and updates to the Strategic Plan have been and will continue to be developed in collaboration with the Components, but must remain at a level of specificity to allow for the Components' varying missions and workforce needs. However, it is a Component responsibility to develop its strategic plan and outcomes to dovetail into the overarching DoD plan.

**RECOMMENDATION 2:** In order to improve human capital strategic planning for the DoD civilian workforce, the GAO recommended that the Secretary of Defense direct the Under Secretary of Defense, Personnel and Readiness to direct the military services and

defense agencies to align their strategic human capital plans with the mission, goals, objectives, and measures included in the department-wide strategic human capital plan, and provide guidance to these components on this alignment. (p. 27/GAO Draft Report)

**DOD RESPONSE:** Concur.

**RECOMMENDATION 3:** In order to improve human capital strategic planning for the DoD civilian workforce, the GAO recommended that the Secretary of Defense direct the Under Secretary of Defense, Personnel and Readiness to define the future civilian workforce, identifying the characteristics (i.e., the skills and competencies, number, deployment, etc.) of personnel needed in the context of the total force, and determine the workforce gaps that need to be addressed through human capital initiatives. (p. 27/GAO Draft Report)

**DOD RESPONSE:** Non-concur. This action is already being accomplished through the President's Management Agenda Scorecard information that is provided twice a year to the Office of Management and Budget and the Office of Personnel Management.

**RECOMMENDATION 4:** In order to improve human capital strategic planning for the DoD civilian workforce, the GAO recommended that the Secretary of Defense direct the Under Secretary of Defense, Personnel and Readiness to assign a high priority to and set a target date for developing a department-wide human capital strategic plan that integrates both military and civilian workforces and takes into account contractor roles and sourcing initiatives. (p. 27/GAO Draft Report)

**DOD RESPONSE:** Non-concur. The Department has both a military and civilian strategic plan. The use of contractors is just another tool to accomplish the mission, not a separate workforce, with separate needs, to manage.

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